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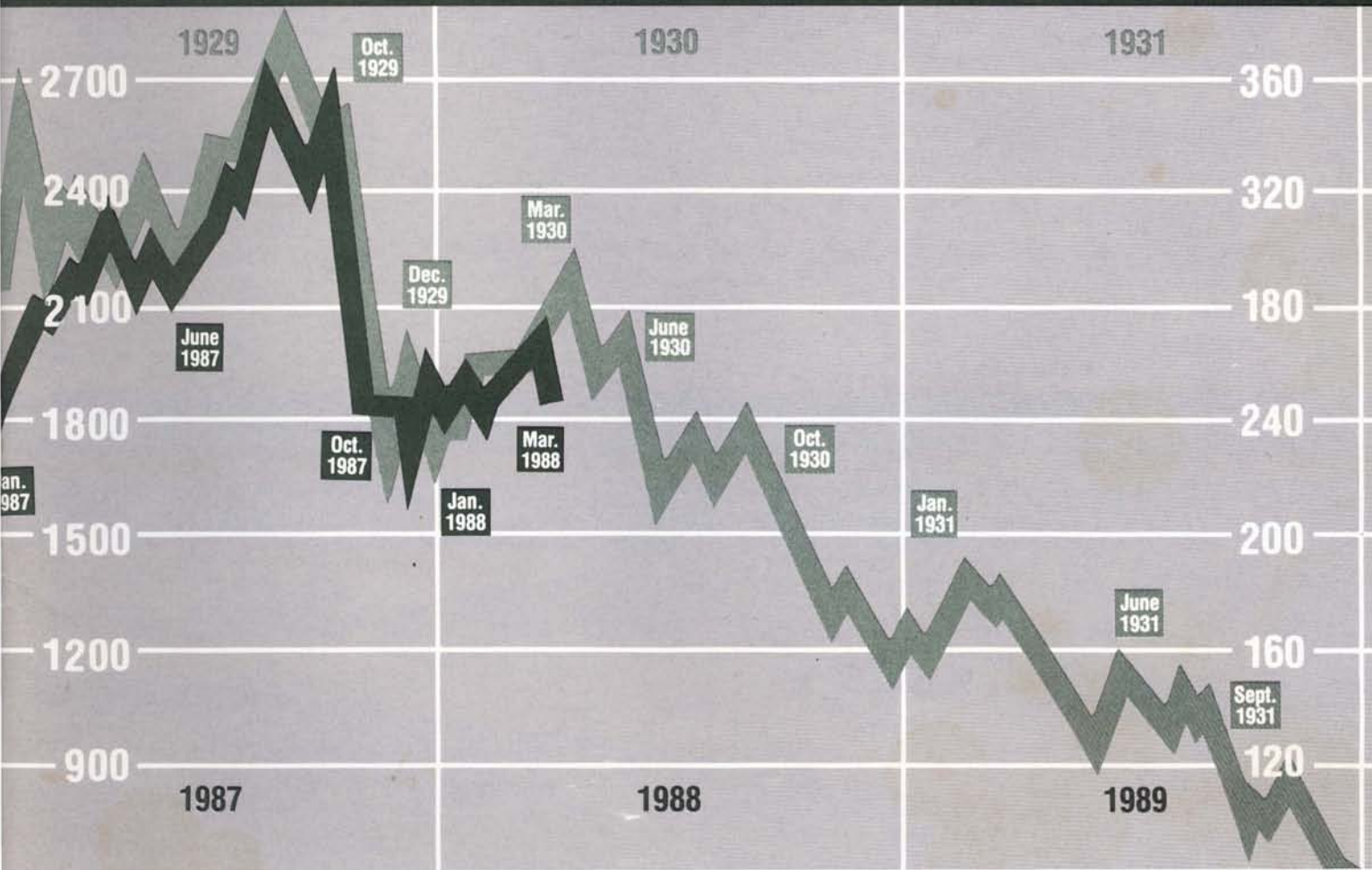
Executive Intelligence Review

April 29, 1988 • Vol. 15 No. 18

\$10.00

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Jeremy Rifkin runs to Soviet aid on EM weapons  
LaRouche: Strong smell of 'New Yalta' swindle

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**EIR News Service**  
P.O. Box 17390  
Washington, D.C. 20041-0390

In Europe:  
EIR Nachrichtenagentur GmbH.  
Postfach 2308 Dotzheimerstr. 166,  
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*EIR/Executive Intelligence Review (ISSN 0273-6314) is published weekly (50 issues) except for the second week of July and last week of December by New Solidarity International Press Service P.O. Box 65178, Washington, DC 20035 (202) 785-1347*

**European Headquarters:** Executive Intelligence Review Nachrichtenagentur GmbH, Postfach 2308, Dotzheimerstrasse 166, D-6200 Wiesbaden, Federal Republic of Germany  
Tel: (06121) 8840. Executive Directors: Anno Hellenbroich, Michael Liebig

**In Denmark:** EIR, Rosenvaengets Alle 20, 2100 Copenhagen OE, Tel. (01) 42-15-00

**In Mexico:** EIR, Francisco Díaz Covarrubias 54 A-3 Colonia San Rafael, Mexico DF. Tel: 705-1295.

**Japan subscription sales:** O.T.O. Research Corporation, Takeuchi Bldg., 1-34-12 Takatanobaba, Shinjuku-Ku, Tokyo 160. Tel: (03) 208-7821.

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**Postmaster:** Send all address changes to EIR, P.O. Box 17390, Washington, D.C. 20041-0390.

In this week's cover story, beginning on page 6, Webster Tarpley writes, "It is the official compulsory doctrine of the Reagan regime that no world depression has been placed on the agenda by the events of one-half year ago. Upon this doctrine, the Bushmen contend, will hang the continued Republican tenancy in the White House.

"Those who hold history in contempt are indeed condemned to repeat it. Perhaps the ghosts of men like Insull, Charles E. Mitchell, Wiggins, and Richard Whitney—for these, though now lost in obscurity, were the tycoons of 1929—are laughing at the Trumps, Pickenses, Icahns, and Lorenzos of our time. Almost certainly, Charles Curtis, Hoover's vice president, is laughing bitterly out of the oblivion to which history has consigned him at the megalomania of his counterpart, George P. Bush."

While some may think that George Bush has the Republican nomination—and even perhaps the presidency of the United States—sewn up, we suggest that readers take a look at the *National* lead, on the occurrences during the April 21 Senate confirmation hearings of Stuart Summit.

Lyndon LaRouche has contributed a strategic analysis, "Strong smell of 'New Yalta' swindle in arms control, Israel, and Afghan deals," on page 46, which puts the world strategic picture into focus.

Our coverage of Western Europe on pages 54-59 indicates the steadily increasing pressures of the "New Yalta" deal against our allies. Readers' attention is drawn especially to the erupting crisis in Denmark, reported on page 57. That country's recent Social Democratic-engineered referendum on the topic of nuclear-armed ships has set up a showdown which could put the future of NATO itself in grave danger—as a similar political development in New Zealand ended the ANZUS pact not so long ago.

Finally, we are raising the alarm on two crucial areas of the nation's scientific and technological security: the space station, about to be doomed by congressional "micro-management," and electromagnetic pulse weapons, defended in Lyndon LaRouche's article on page 34 from a Jeremy Rifkin-led attack.

*Nora Hamerman*



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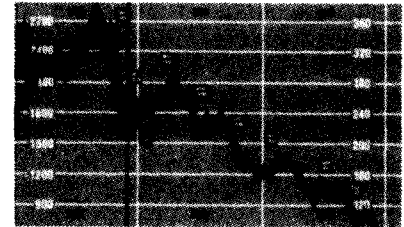
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## U.S. banking crisis enters a new phase

by Chris White

The national banking crisis, simmering as it were on the back burner for a while, seems now to be on the verge of erupting into a new phase. Actions taken during the week ending Friday, April 22, by leaders of the two principal regulatory agencies, the Federal Deposit Insurance Corporation (FDIC) and the Federal Savings and Loan Insurance Corporation (FSLIC), signal that the simmering crisis is about to bust out of what has looked to many like a bank-by-bank, region-by-region affair, into a full-blown national banking crisis.

The developments were twofold. Speaking Thursday, April 21, to an audience in Boston, FDIC chairman William Seidman told his listeners that his outfit is abandoning the "double track policy" it has maintained since the spring of 1984 collapse of Continental Illinois, the largest bank rescue operation in U.S. history. Under what Seidman calls "the double track" policy, the FDIC, as it did in the case of Conti Illinois, has stood behind, not only insured deposits of banks, but also shareholders' capital in bank holding companies.

Henceforth, as per statutory mandate, the federal insurer will revert to only providing coverage for qualified insured deposits. Seidman talked about "fairness" and other nice things. The plain fact is that neither the FDIC, nor actually anyone else, has the money available to continue the policy that has been in effect since 1984. Seidman told his listeners that the FDIC's actions in Texas, in the cases of First RepublicBank of Dallas, and First CitiBancorp of Houston, signaled the beginning of this new policy.

Earlier in the week, officials of the Federal Savings and Loan Insurance Corporation and the Federal Home Loan Bank Board had gone to the press with the 1987 financial balance sheet of the agency they are responsible for. They reported that the FSLIC had moved deeper into the red during

the year, reporting a loss of over \$6 billion, and an increasing negative net worth of between \$11 and \$13 billion. FSLIC's books cannot be approved by auditors until the congressional General Accounting Office has completed its review. At this point it is the GAO which argues that the higher figure is the correct one, the thrift industry types who argue for the lower one.

No one was fooled by the evident sincerity of chairman Danny Wall's emotional insistence that the system was so sound he had advised his mother to put her savings into thrifts. It didn't seem too becoming for the chairman of the regulatory board of the nation's bankrupt thrifts to cast himself in the role of a real-life imitation of the well-known "Joe Isuzu" ad—"strike my mother dead if I tell a lie." Nor was there much concern about the discrepancy between the FSLIC's and GAO's numbers. Congress empowered FSLIC, a year ago, to borrow about \$10 billion from money markets over a three-year period to cover the deficit. Either number for the reported deficit is in excess of the borrowing power of the insuring agency.

### Safety net revealed inadequate

The combination of the two reports indicates the fire that is beginning to burn away under the banking system's regulators, and more particularly under the administration's officials responsible for monetary and financial policy. Both agencies are no longer up to fulfilling the mandate which has been given them. The next time the banking crisis erupts, which in the view of circles in London and Switzerland, could be as early as May or June of this year, the inadequacy of the nation's banking insurance, or "safety net system," will begin to be evident for all to see.

Publicly, it is the thrift system, which, at this point, appears to be the most vulnerable of the two. These appearances, however, are really deceptive. Certainly the loss-making thrifts are financially over the edge. Certainly the cost of liquidating what will rapidly be 500, then 800, then 1,000 failed thrifts will be minimally a whole order of magnitude greater than the \$20 billion or so the regulators insist they will have to put up.

In reality, the commercial banking system, with 0.13% return on its assets for last year, is in far worse shape than the thrifts will ever be. Thrifts have been forced into international money markets to obtain funds, to compensate for the destruction of their earnings by Volcker's high interest rate policy of 1979-82. That dependence leaves the system vulnerable as never before to the effects now of interest rate increases, since the cost of borrowing funds will rapidly outstrip their earnings on fixed-interest mortgage security assets. Leaving that part of the problem aside, the thrifts, tied in as they are to the wage and salary side of the economy, to the construction business, and to the real estate which collateralizes their lending, are in much better economic shape than the commercial sector of the banking system.

The commercial banks essentially moved out of its traditional business of lending during the course of 1982-83. Instead of lending for wealth-creating projects, the advocates of what was then called "creative" or "innovative" financing, moved whole-hog into what is called "securitization," which means buying and selling each other's paper, or taking in each other's dirty laundry. Their earnings were thus divorced, finally and completely, from the returns which come from economically vectored lending for wealth creation, seen as an increase in a nation's physical capital, to depend on commission earnings from the sale, and resale of one or another form of interest-bearing paper. In the intervening period, they built up, from nothing in 1982, a pile of between \$7 and \$10 trillion worth of so-called "off-balance-sheet liabilities."

In so doing, they outsmarted themselves with their so-called "creative financing." The upcoming banking crisis, expected in some quarters to hit New York's Manufacturers' Hanover and, because of its Texas liabilities, Chemical Bank, as well as perhaps the tottering Bank of America, will prove that their banking system has become the biggest victim of such creative financing schemes. Interrupt the paper pass-through churning system, at one, two, three, however many vital points, and the system as a whole collapses, like any other chain-letter swindle scheme. U.S. commercial bankers have signed up for real-life classes provided by themselves to learn about the meaning of "reversed leverage."

One set of measures could be adopted, as soon as the decision were made to do it, and could put a stop to the whole nonsense. It's the core of presidential candidate Lyndon LaRouche's financial and economic reorganization program. Divide outstanding debt and obligations into two classes: that

which can be protected, because economically viable in terms of the potentials of the system as a whole under a return to wealth generating policies of economic growth, and that which cannot. Let the latter category go, while redirecting credit, through the issuance of gold-reserve-backed Treasury notes, at a level of about \$2 trillion per annum, into the banking system for productive investment in industry, agriculture, infrastructure development, and development of export markets.

The alternatives are so silly they are ridiculous. The consequences of such incompetent stupidity are devastating. They include merging the FSLIC and the FDIC, ridiculous on the face of it, because neither agency can do what it is expected to have to do anyway. Or, liquidating chunks of the system, which will bring down the whole thing, and precipitate full-blown depression. Or, liquidating the Federal Home Loan Mortgage Corporation, to permit its \$200 billion pile of mortgage securities to be put behind the FSLIC. This removes the implicit "full faith and credit" backing of the U.S. government from mortgage markets, so it, too, would, in a manner of speaking, only make things worse. Or, which is what is being done, regulatory backing for selected private reorganizations of the most egregious of the basket cases in the thrift and banking system, in the hope that this will plug the holes in the fabric of the system for just a bit longer. Here the problem is that the holes are rapidly running out of surrounding fabric.

But that hasn't stopped the Federal Home Loan Bank Board from backing the Bass Brothers of Dallas in an attempted recapitalization of Irvine, California's Financial Corporation of America. Nor has it stopped the first phase of implementation of the pathetic "Southwest Plan" for the S&Ls, around the case of Pelican Homestead S&L of Metairie, Louisiana. Nor has it stopped the similar FDIC-mounted effort in regard to the tottering Texas commercial banks.

### **Where does the money come from?**

Where does the money come from to finance such efforts? It's borrowed, of course. It might seem strange to attempt to recapitalize whole chunks of the banking system with borrowed funds. It might even be said that this would only make things much worse. The regulators think it's cheaper. And George Bush and his friends don't want to incur the penalties, primarily political, of presiding over the destruction of the U.S. banking system before next November's elections.

Meanwhile, the interest rate on the Treasury's "long bonds" is back over 9%, and heading back to the level of 10%-plus, where it was right before the crash of Oct. 19. That weekend there were emergency meetings in anticipation of an Oct. 19 failure of the \$30 billion Financial Corporation of America. When interest rates were lowered to stem the market melt-down, FCA was temporarily reprieved. Next time around, the regulators are not going to be so fortunate, nor will George Bush.

# 1930, 1988: A first time as tragedy, a second time as cataclysm

by Webster G. Tarpley

Six months after the crash of the New York Stock Exchange on Oct. 19, 1987, a number of editorial writers and television commentators have attempted to offer reassuring remarks on the state of the U.S. and world economies. A crude but typical example of this is provided by Sander Vanocur of ABC News, who told his viewers six months after Black Monday that the only part of the U.S. economy that has been seriously affected by the stock market crash has been Wall Street itself. A slightly more sophisticated case is that of Hobart Rowen of the *Washington Post*, who told watchers of the Reuters Nightly Business Report that although "it can happen again," the benefit of the crash of last October has been to increase vigilance all along the line, and thus increase the hope that a second crash can be avoided this time around.

The idea that Black Monday was nothing more than a temporary aberration, a momentary ripple on the surface of economic and financial events, is of course more than just the personal opinion of a few editorialists. Over the past few months, some Wall Street brokerage houses have expended large sums to publish full-page newspaper announcements saying that "The Worst Is Over." The adamant assertion that Black Monday is not already leading the world economy into a virulent new depression is the hallmark of the Bush-Baker political faction. Both George Bush and James Baker have indeed been quoting Herbert Hoover (probably unconsciously) in assuring their supporters in Texas and elsewhere that "The Worst Is Over." It is the official compulsory doctrine of the Reagan regime that no world depression has been placed on the agenda by the events of one-half year ago. Upon this doctrine, the Bushmen contend, will hang the continued Republican tenancy in the White House.

Those who hold history in contempt are indeed condemned to repeat it. Perhaps the ghosts of men like Insull, Charles E. Mitchell, Wiggins, and Richard Whitney—for these, though now lost in obscurity, were the tycoons of 1929—are laughing at the Trumps, Pickenses, Icahns, and

Lorenzos of our time. Almost certainly, Charles Curtis, Hoover's vice president, is laughing bitterly out of the oblivion to which history has consigned him at the megalomania of his counterpart, George P. Bush.

In a recent half-hour television broadcast on CBS, Democratic presidential candidate Lyndon LaRouche called attention to the uncanny similarity between the data series for the Dow Jones Industrial Average for 1929-30 and the corresponding set for 1987-88. In that broadcast, LaRouche coined the apt metaphor of the "bouncing ball" to approximate the series of descending peaks of the Dow between the late spring of 1930 and its historical nadir of the summer of 1932. The chart used by LaRouche during this broadcast was later shown by Dan Rather on the CBS Evening News. Comparisons of the Dow Jones averages during 1929-30 and 1987-88 have been published by *Business Week* and the *Wall Street Journal*. According to *U.S. News and World Report* of April 11, some stock market analysts are pointing to "disturbing similarities between the market's recent up-then-down behavior and 1930, when shares, after five months of rebounding from the historic crash of 1929, began an even sharper and more prolonged descent."

The Dow figures of 1929-30 make clear that the Crash of October 1929, despite its unprecedented severity, did not lead directly to a total liquidation of stocks. Rather, they show that the stock market rebounded from its lows of October-November 1929 to stage an unmistakable, though short-lived recovery that reached its peak about the middle of April 1930. In May 1930, the Dow index was at about the same level it had occupied in May 1929, slightly before the last phase of the stock market boom. During May 1930, a noticeable downturn in stock prices began, and by June 1930, stocks almost touched the absolute low they had reached in November 1929, in the immediate aftermath of the Great Crash. A sharp downward break in the market came on June 17-18, 1930, the day that Herbert Hoover signed the trade-



suffocating Smoot-Hawley Tariff Law.

Historians and economists have referred especially to the early months of 1930 as an "interlude of hope" which was then terminated by the "severe contraction" of May to December 1930. The brutal disappointment of 1930 was followed by the tragedy of 1931, with the harrowing descent into all-out depression, the depths of which were not reached until 1932-33. Thus, it is important to stress that the hopes of January-April 1930 were a pathetic delusion, a foolish exercise in wishful thinking. The same is even more true of the wishful thinking of the spring of 1988. It is more true because today's U.S. economy is far weaker than that of 1930, and today's speculative cancer far more pervasive.

From the standpoint of today, we must add that any such delusions of recovery in 1988 are outright suicidal, since they open the White House door to George Bush and a financier clique that wishes to take a firm hold on the levers of power before contraction and depression become evident, in order to use those levers of power to establish a regime of an authoritarian-fascist type. An unprecedented world economic convulsion is the great issue of the next presidential term, and U.S. national survival now depends on making sure that this issue be faced during the election campaign, before November.

### 'The danger has passed'

President Hoover gave an off-the-record talk at the Gridiron Club of Washington on Dec. 3, 1929, in which he made the following remarks about the October crash: "Fear, alarm, pessimism, and hesitation swept through the country, which, if unchecked, would have precipitated absolute panic throughout the business world with untold misery in its wake. Its acute dangers were far greater than we are able to disclose at the present time." But Hoover, like Reagan today, became one of the leading publicity men for the period of foolish wishful thinking of the first months of 1930. On May 1, 1930, Hoover said in a speech to the United States Chamber of Commerce, "I am convinced we have now passed the worst and with some continued unity of effort we shall rapidly recover." These views by Hoover represented a restatement of the conclusions of a cabinet meeting held in the middle of February 1930, which had found that the danger of a general panic in finance and industry had definitely passed.

During the early 1930 interlude of self-delusion, such sentiments were widely repeated, including in supposedly authoritative investment advice—the same type brokers are offering today to their non-preferred customers. The Van Strum Financial Service, in the sixth edition of *How to Make and Keep Stock Market Profits*, wrote in early 1930, "Today investors in common stocks need not fear a general reduction in dividends paid by corporations." Similar views were also offered by officials of the U.S. central bank. At the beginning of 1930, E.A. Goldenweiser of the Federal Reserve Board

senior staff summed up his review of 1929 and survey of business conditions at the outset of the new year with these words: "I feel that we are entering the year 1930 under more favorable credit conditions than we have had for at least two years, and while there are many phases of the situation that need to be watched and much that might develop that will not be so favorable, I think I can on the whole view the future in an optimistic light."

In an editorial of Feb. 12, 1930, the *New York Times* had stated that "the patient" had begun to recover. But perhaps the most interesting entries in this catalogue of delusion from our present-day standpoint are the comments of one Mr. Albert Shaw, the editor of a periodical entitled the *Review of Reviews*. In his issue for June 1930, Mr. Shaw noted, "The best authorities believe that conditions will soon show marked improvement." Mr. Shaw then went on to make the following proposal: "If Mr. Hoover could be made dictator of the United States for the next 10 years, we should have before us a period of social progress and of diffused well being, such as no country has ever known since the Middle Ages." Although Mr. Bush indeed has dictatorial intentions, he lacks such effusive advocates as Mr. Shaw.

These were the early months of 1930, when Vice President Charles Curtis pronounced the fateful words, "Prosperity is just around the corner." This can be usefully compared with the pronouncements of President Reagan, in whose view the United States is today enjoying the 65th consecutive month of economic prosperity, the longest such period in peacetime history.

One writer on the history of the period sums up the temper of the months in question, "In the first quarter of 1930, in short, it was not merely a hope but a common belief that the direct and indirect effects of the stock market crash would be so neutralized, localized, and minimized that return to normal, if not high prosperity, would be fairly prompt. This belief rested in large part on exaggerated confidence in the basic soundness of the U.S. economy; on excessive faith in European recovery, the League of Nations, the Federal Reserve System, and President Hoover. . . . In December-April 1929-1930 little or no effort was made, so far as I can ascertain, to tackle the job that had been neglected before the crash, namely, to re-examine three basic assumptions: (1) that U.S. business was fundamentally sound; (2) that easing money would provide adequate stimulus to recovery; and (3) that the administration would be able to prevent a severe contraction." (Joseph S. Davis, *The World Between the Wars, 1919-1939*, p. 217. This study is the source of many statistics cited in this article.)

Anyone believing point (1) today is covered by Cicero's observation that the number of fools is infinite, especially since this view has been systematically refuted by detailed analysis that has been regularly offered in the *Quarterly Economic Reports* of this magazine. Point (2) is more interesting

to consider today. ABC's Sander Vanocur, in television broadcasts marking the passage of six months after Black Monday, offered up again a piece of mythography that has been frequently repeated over these recent times. According to Vanocur, one of the big differences between 1929-30 and 1987-88 is that, starting on Oct. 20, the Greenspan Federal Reserve wisely announced a policy of easy money, of flooding the system with liquidity, making abundant credit available to stave off the threatening bankruptcies of concerns hit by the crash. In Vanocur's report, this is supposed to contrast with a tight money policy allegedly pursued by the Federal Reserve in 1929-30.

In reality, during the last week of October 1929, the Fed had responded to the crash by buying large quantities of government securities to increase the money supply, expanding credit, and reducing buying rates for bankers' acceptances. On Nov. 1, 1929, the New York Federal Reserve Bank reduced its rediscount rate from 6% to 5%, and on Nov. 15 lowered it further to 4.5%. On Feb. 7, 1930, the New York rediscount rate went down to 4%. On March 13, 1930, it reached 3.5%, and on June 20 of the same year reached a record low of 2.5%. According to the *Weekly Letter of the Harvard Economic Society* of Nov. 2, 1929, the "easing of money is itself evidence of the soundness of the present business situation."

Point (3) addressed by Davis finds its modern equivalent in the delusions of those who assert that "Baker won't let the second crash hit until after the November elections."

Nevertheless, the stock market recovery of the deluded months of March and April 1930 turned into the declines of May, June, and beyond. It thus turned out that the foolish wishful thinking of early 1930 had been only a passing moment within the collapse of the greatest financial bubble in world history up to that time. The stock market bubble of 1929 was comparable to John Law's Mississippi speculative bubble in the France of the early 1720s, or the South Sea bubble in England. It was comparable to the Spanish and Portuguese colonial bankruptcies of the 16th century, which provoked the insolvency of the Fuggers of Augsburg. It was comparable to the fall of the banking houses of the Bardi and Peruzzi in Florence in the 14th century.

### **Hoover's (and Reagan's) policies**

Once the speculative hysteria in Wall Street had run out of steam in October-November 1929, a liquidation of stock and real estate prices was inevitable. Yet, the declines in stocks, bonds, and real estate need not have provoked the events of late 1930 to 1932, including mass unemployment and misery, business failures, and a banking panic that shut down 10,000 banks before it had come to a halt. Hoover and his administration made the descent into contraction and depression inevitable because of the policies that were followed, which may be summed up in the following points. The direct parallels to Reagan administration policies are

obvious enough so as not to need pointing out.

**1) Lying.** As we have seen, Hoover systematically falsified predictions on the economic outlook in order to "restore confidence." Under the Reagan administration, this has meant that all government statistics issued from 1982 on are so falsified as to be totally worthless.

**2) Easy money,** in the form of the lowered discount rates already referred to and abundant borrowing made available during the decline of the stock market. The bulk of this credit went into financial operations.

**3) Balanced budget.** The U.S. Treasury ended its fiscal year on June 30, 1930 with a budget surplus of \$184 million, which was almost as large as the surplus that had been posted in June of 1929. Then, in 1931, a deficit appeared, to which Hoover reacted with calls for drastic cuts in federal spending, which he backed up by use of the veto. "We cannot squander ourselves into prosperity" became Hoover's favorite slogan. He requested tax increases, which the Congress was reluctant to pass.

Hoover's *Memoirs* describe in detail his "Battle of the Budget" with the Democrat-controlled Congress. In his messages to Congress of Dec. 8-9, 1931, Hoover stated, "The first requirement of confidence and of economic recovery is financial stability of the United States Government. I must at this time call attention to the magnitude of the deficits which have developed and the resulting necessity for determined and courageous policies. These deficits arise in the main from the heavy decrease in tax receipts due to the depression and to the increase in expenditure on construction in aid to unemployment, aids to agriculture, and upon services to veterans. . . . Several conclusions are inevitable. We must have insistent and determined reduction in Government expenses. We must face a temporary increase in taxes. The welfare of the country demands that the financial integrity of the Federal Government be maintained." (Hoover, *Memoirs*, p. 133). This is one of at least 21 calls for a balanced budget that Hoover issued between 1931 and 1932, as the United States settled into the nightmarish deep trough of the depression. Any recent Reagan State of the Union address can be compared to Hoover.

**4) The Smoot-Hawley Tariff** of June 17, 1930. Smoot-Hawley raised duties on U.S. imports to irrational and punitive levels, and led to universal animosity expressed in the vehement protests received in Washington from 38 nations, followed by retaliation by other countries in the form of exclusionary tariffs against U.S. goods. By making it almost impossible for Britain, France, and Germany to earn U.S. dollars by trade, Smoot-Hawley helped accelerate the breakdown of the post-Versailles reparations and war debt financial system. Smoot-Hawley also led to the creation of currency zones, including the pound sterling area, which was formed around the principle of British Empire preference as enunciated at the Ottawa Conference of August 1932. France became the lead nation of a so-called "gold bloc." As a result

of all this, world trade declined dramatically. In every month from January 1930 to June 1933, the dollar value of all international trade was less than the corresponding month a year earlier. The physical volume of world trade in 1931 was only 74% of the average of the years 1925-29, and its dollar value was only 60% of the average of those years.

By 1932, world trade had fallen to one-third of the pre-crash levels in terms of value. By the spring of 1933, the physical volume of world trade had fallen to one-fourth of the 1929 levels. The total of imports and exports for each person living in the United States declined from \$80 in 1929 to \$24 in 1932, and went even lower in 1933. In line with these developments, world production is estimated to have declined by 38% between 1929 and 1932. If Reagan signs the Byrd-Wright trade bill, his congruence with Hoover will be downright eerie. Even without the trade bill, he is already following Hoover.

**5) Financial bailouts.** Although Hoover refused to make special credit available for the revival of production, he did provide the means required for selected financial bailouts. Hoover first attempted to organize this through the "National Credit Corporation" of 1931, to which bankers contributed a capital of \$500 million for the purpose of granting loans to prevent their weaker colleagues from going under. Hoover later complained that the bankers had then refused to lend this money to banks that were about to go under, as they became "ultra-conservative, then fearful." Then, in 1932, as bank failures multiplied, Hoover created the Reconstruction Finance Corporation (RFC), modeled on the War Finance Corporation. The RFC, under its first chairman, Eugene Meyer, was a federal agency that made loans to banks, insurance companies, and to state and local governments about to go under. These loans totaled some \$2 billion before Hoover left office. In July 1932, Hoover also set up the federal Home Loans Banks to discount home mortgages.

**6) Corporatism.** Hoover was by training a technocratic social engineer interested in a kind of voluntary corporatism. He differed from Secretary of the Treasury Andrew Mellon who, as Hoover later wrote, "felt the government must keep its hands off and let the slump liquidate itself." Hoover's immediate response to the crash was to convoke a series of White House conferences, which were announced by the following AP wire dated Nov. 15, 1929: "Leaders of industry, labor, and agriculture will be called into conference by President Hoover next week to lay preliminary plans for concerted action looking towards business progress." Hoover's refusal to promote federal relief and federal job-creation alienated labor. Hoover could not pursue the compulsory corporatism recommended by Bernard Baruch, Gerard Swope of General Electric, and Charles Beard. But, as Rexford Tugwell, one of FDR's brain trusters from the Hundred Days of the New Deal pointed out in 1974, "We didn't admit it at the time, but practically the whole New Deal was extrapolated from programs that Hoover started."

## The panic becomes depression

It was as a result of these Hoover administration policies that the stock market crash of 1929 was transformed, during the summer and fall of 1930, into the Great Depression. In particular, the descent into all-out depression was caused by Hoover's failure to make available credit specifically earmarked for production, infrastructure, and exports. In his sins of commission and omission, the parallels between Hoover and Reagan stand out starkly.

Stock prices, as previously noted, began to decline in May and June of 1930, and by December of the year had reached levels that were significantly below the post-crash lows touched in mid-November 1929. From the late spring of 1929 on, the stock market was in steady, inexorable decline. As one high school textbook of the 1940s summed it up, "In spite of repeated assurances from high authorities, both in government and finance, that prosperity lay 'just around the corner,' no less than nine similar declines to 'new low levels' were recorded within the next three years. By the first of March 1933, the value of all stocks listed on the New York Stock Exchange was set at only nineteen billion dollars, less than one-fifth the inflated figures of October 1929. . . . In spite of the optimistic efforts to maintain that the stock-market collapse was purely a paper loss which would not seriously undermine the fundamental soundness of American business, it was soon evident that an unparalleled depression had begun." According to today's figures, this implies that "the bottom" may be a Dow Jones Industrials level of slightly over 500, although this may turn out to be too optimistic.

In an essay published in London on May 10, 1930, the degenerate British economist John Maynard Keynes wrote, "The fact is—a fact not yet recognized by the general public—that we are now in the depths of a very severe international slump. A slump which will take its place in history amongst the most acute ever experienced." In the United States, all significant economic indicators of physical production were rapidly falling. Prices of farm commodities and raw materials were also in rapid decline. Building construction was sharply down. By April 30, 1930, unemployment reached 3.2 million, and by the end of the year the jobless rate was estimated at 7 million, with an average of 4.34 million for the entire year.

In November 1930, the Harvard Economic Society stated in its *Weekly Letter* that real estate prices were dropping rapidly. The Harvard economists noted that this was a sector in which "unsoundness had long been evident." Real estate bonds began to decline, and this decline spread rapidly into other categories of bonds. As a result of these developments, by the late autumn of 1930, a nationwide banking crisis was at hand. The preliminary focus of this first wave of bank failures was the Bank of the United States, whose bankruptcy was the largest in the banking annals of the United States up to that time. The Bank of the United States shut its doors on Dec. 12, 1930. It had 413,000 depositors with savings of

\$212 million. This was the counterpart to today's Texas and Southwest banks. During 1930, a total of 1,300 banks failed. In 1931, the number of bankruptcies had increased to 2,300. In the successive waves of bank failures that gripped the United States between 1930 and 1932, 5,000 banks were bankrupted. One of these waves came in June 1932, when the banks of Chicago were hit by panic runs. More than 10,000 deposit institutions out of the 25,000 in existence were to disappear during the five years after 1929. This attained the level of a total collapse of the banking system during the last weeks of Hoover's term in spring 1933, starting from banking panics in Detroit and then in Cleveland. From this state of utter prostration, the banking system was raised only by the expedient of temporarily closing all the banks for financial reorganization through the Roosevelt bank holiday, which was declared by the new President on March 5, 1933, the day after his inauguration. Under the Emergency Banking Act of March 9, 1933, conservators would take charge of insolvent banks. Three thousand banks either reopened under conservators or never reopened at all. In spite of this, a functioning banking system was saved. The final collapse of the banking system occurred at the same time that the number of foreclosures on non-farm mortgaged real estate reached its all-time high of 252,400 in 1933.

By the end of 1930, the year that had started off with hopes of quick recovery, the view from AT&T was that the United States depression was "distinctly the most severe in economic history." Unemployment in the industrialized countries has jumped from 5 million in the autumn of 1929 to as much as 22 million by the end of 1930. And that proved to be only the beginning. October 1930 had brought the collapse of the French Oustric banking group, with panic runs on the big Paris banks. Then came the collapse of the Austrian Kreditanstalt bank in the spring of 1931. This was followed by the fall of Germany's Danatbank. On Sept. 20, 1931, the United Kingdom suspended gold payments, de facto departing from the gold standard. Between 1932 and 1934, all European countries except Finland defaulted on war debt payments to the United States. The international financial system, based on looting Germany for reparations to pay British and French war debts to the U.S.A., had ceased to exist.

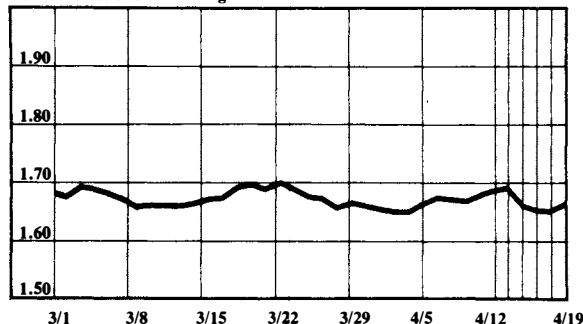
If official unemployment had seemed catastrophic in 1930 with a year-long average of 4.34 million, that increased to 8.02 million in 1931, 12.06 million in 1932, and 12.88 million in 1933, with the latter figure approximating one-fourth of the labor force. From 1930 on, each winter was worse than the preceding one, with pessimism yielding to despair, until, in the horrible winter of 1932-33, suffering and misery reached such levels that numerous observers feared that the integument of human society was about to collapse into chaos.

Unless economic policies are changed, the coming months must bring a far more rapid descent into unplumbed depths of economic depression.

## Currency Rates

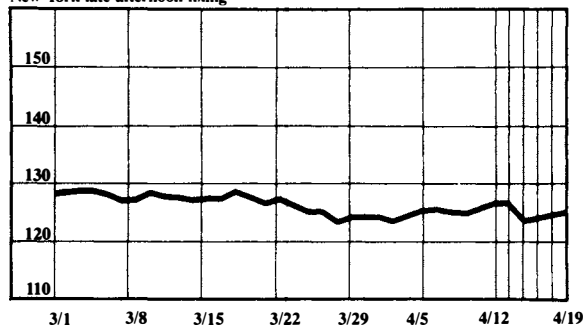
### The dollar in deutschemarks

New York late afternoon fixing



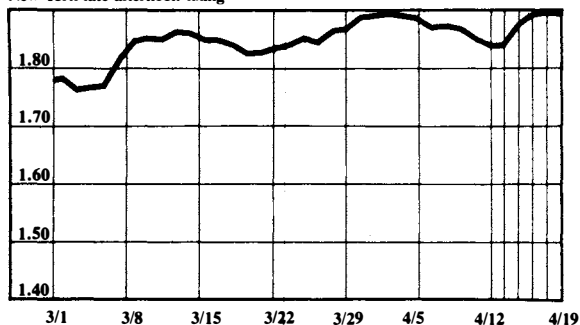
### The dollar in yen

New York late afternoon fixing



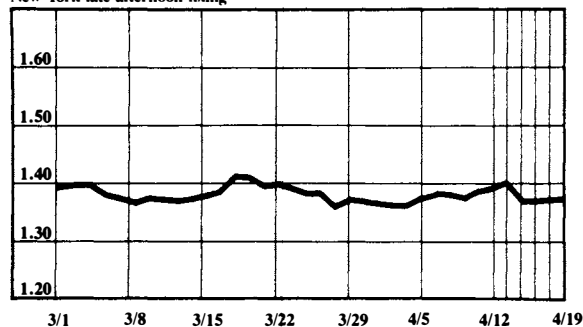
### The British pound in dollars

New York late afternoon fixing



### The dollar in Swiss francs

New York late afternoon fixing



# AIDS virus mutates to more lethal strains

by Warren J. Hamerman

An AIDS research report of uncommon scientific interest on the biological transformations over time in the HIV virus (the AIDS-causing Human Immunodeficiency Virus) was published in the journal *SCIENCE* of April 1, 1988 (Vol. 240, No. 4848, pages 80-82).

The report, whose senior co-author is the San Francisco researcher Jay A. Levy, appears under the title "Biologic Features of HIV-1 That Correlate with Virulence in the Host." Levy's co-authors were Cecilia Cheng-Mayer, Deborah Seto, and Masatoshi Tateno.

The report has extraordinary implications for both theoretical biology, public health policy, and research. With regard to public health, such findings make a compelling argument for universal testing (early and often) for medical pharmacological intervention into the asymptomatic individual to block the "self-improvements" in the virus, and a phased "Chicago-TB" model selective quarantine. They also strongly argue for emergency improvements in the nutritional level and basic living conditions of all mankind.

## Blind alleys of molecular biology

It also explains why molecular biology research has run into one blind alley after another and has not succeeded in "catching up" with the disease. The virus, in short, has been the tortoise to molecular biology's hare in Zeno's paradox.

It is well known that people infected with HIV can be either asymptomatic or highly diseased. Numerous biologic, serologic, and molecular studies have shown that the HIV-1 virus is highly heterogeneous. Individual "isolates" of the virus can be distinguished by the different capacity to infect and replicate in a wide variety of human cell lines including T and B lymphocytes, macrophages, and brain-derived cells. But studies have shown a *varying* ability of the viral isolates to replicate to high titers or to induce cytopathic changes in

these different infected cells.

Little has been known about the factors that influence progression from infection to AIDS.

## The Levy experiments

The Levy study sampled viral isolates of four individuals over time. The viral isolates of the AIDS virus (HIV-1) obtained at intervals during the infection of the four, showed that the development of the disease correlated with the emergence of HIV-1 variants that were: a) more cytopathic; b) more able to replicate efficiently in a wide variety of different human cells.

In short, *the biologic properties of the virus appear to reflect its virulence in the host. Certain changes in the structure of the virus can influence its virulence in the host.*

How did the Levy group proceed?

First, isolates of the HIV-1 virus were obtained at intervals from peripheral blood mononuclear cells (PMC) of four subjects selected randomly from a group of seropositive individuals. They noted that the HIV-1 was recovered more readily from each individual as the disease progressed.

For example, in subject #2, the isolate emerged in the culture within 12 days, whereas the previous isolates in the same subject took one month to be detected when he was less sick. Then, they attempted to grow the isolates from the same individual in a wide variety of different human cell lines—T cells, B cells, macrophages/monocytes, and brain cells. The later isolates were *more cytopathic in more different cell types*.

Then, the biologic and serologic properties of the first isolate were compared with those of three other individuals. These isolates had been in culture for only three to four weeks. As the disease progressed in subjects #2 and #3, the HIV-1 isolate had a wider host range and greater cytopathic and replicative properties. For instance, in subject #2, the isolate obtained two (2) months before the patient died replicated quickly and to high titers *in all established human cell lines* and primary macrophages. In contrast, the isolate obtained six (6) months earlier from the same subject replicated with much slower kinetics and much lower titers in critical cell culture tests. The isolate from subject #3 did not replicate in any established human cell lines over a 30-day culture period.

When tested with three HIV-1 antibody-positive sera, each group of isolates from the same individual displayed similar patterns of sensitivity to serum neutralization. This tends to suggest that while the serologic properties of the virus remained stable, *the biologic properties changed*.

The isolates were purified and subjected to various specialized tests to study differences in viral proteins. *Only the viral envelope glycoprotein (gp120) displayed variations*, but these changes did not seem to correlate with differences in pathogenic properties.

They also analyzed infected cellular DNA. Although some



variations were detected in restriction enzyme patterns from each individual, the differences were limited when taken from the same individual over time, *but markedly different from different subjects.*

The Levy group summarizes their work as follows:

"These studies indicate that disease progression correlates with the appearance of variant viruses that are more cytopathic and have a wider host range than the original isolate. The variants we isolated could have coexisted in each host from the time of infection and had different levels of expression during the course of infection. Alternatively, the virus originally transmitted to the host could have undergone genomic changes during the course of infection. We do not believe these biologic changes reflect the conditions *in vitro* because, except for isolates from subject #1, all isolates were characterized within 3 to 4 weeks of isolation. If selection of one isolate occurred, then this preferential recovery gave the same results consistently: The three individuals who advanced in disease yielded the more cytopathic viruses than the individual who remained healthy. Finally, most of the isolates were retested after three months in culture and showed the same biologic properties. The lack of molecular change in HIV-1 after long-term passage has been reported.

"These results suggest that the development of disease symptoms in HIV-1-infected individuals is associated with the emergence of more pathogenic virus variants. Future studies with these isolates should provide information on the genes that determine the virulence of HIV-1, and identify potential targets for antiviral therapy."

### The implications?

The virus is not a pure entity, but a self-evolving epiphenomenon of a disease process. Under certain conditions of gross devolution in the physical economy of the biosphere, a viral singularity is "thrown up" by the process itself. Without a continuous improvement of the most advanced species in the biosphere—namely, the human species as a whole—the process begins to cannibalize itself and transforms to a lower-level manifold of activity. The transformations thereby catalyzed take on a "life of their own," so to speak. In which, absent the intervention to reverse the biogeochemical crisis in the physical economy of the biosphere as a whole, the devolving process "favors" the replication of improved strains of the virus, its mutants, and its recombinants. These transformations are "mapped" or "projected" into the biology of individual infected human beings, who themselves serve as the "petri dishes" for growing ever more virulent strains of virus.

These transformations focus upon the very questions which initiated the famous 1974 Biological Holocaust study prepared by Lyndon LaRouche and his associates, which forecast the development and progression of an AIDS-like viral pandemic in the precise areas and time sequence that AIDS has followed.

## The nonexistent food surplus of Europe

by William Engdahl

According to reliable sources from COPA, the Brussels central organization of European farmers' organizations, the European Community (EC) Agriculture Commission is privately admitting that the "surplus crisis" no longer exists, but publicly continues to act as though it does still exist at the "alarming" rates of the past three years.

One of the EC's main arguments to motivate the drastic farm austerity prices of the past several years has been the "soaring" cost of EC farm subsidies—fully 67% of total EC spending, \$27 billion last year. Officials neglect to mention that that was how EC member governments initially wanted to have it.

The other factor willfully ignored by Brussels officials zealous to cut farm spending is that fully 33% of the increased cost for Brussels in the past two years comes from the dollar effect. Grain is priced in world trade, as are most agriculture exports, in dollars. As the dollar drops, the price the EC must compensate in intervention for exports increases. Nobody in Brussels will talk about this "non-agriculture" factor, despite the fact it is, according to one EC official, by far the largest cost increase factor in the last two years.

And now, with the Feb. 13 Brussels "Stabilizers" agreement of EC heads of state, the EC will automatically impose a complex set of punitive taxes and price cuts if even one ounce more than 160 million tons of grain is harvested in the EC. The "trigger" number was deliberately set at a level just above the extremely low 153 million ton harvest of the last year. EC farm sources expect this year's harvest to be above 160 million tons. Reliable EC grain trading estimates of the actual cost to the farmer of this new "stabilizer" are that prices paid to EC grain farmers of average size will be further reduced by at least 20% per annum for the period until the Single Europe Act goes into effect in 1992, establishing a single internal market.

Pointing to the above, EC Agriculture Commissioner Frans Andriessen told a Brussels audience at an April 7 food conference that the EC was moving toward a "market oriented" agriculture policy. That term, "market oriented," was coined by a multinational study made for the Trilateral Commission in 1985. It has become official policy of the U.S. Department of Agriculture and the EC. That is only further

confirmation that farm policy of the world's most important producing countries is in a vise grip of these cartel multinationals.

The following is a review of the actual "intervention stocks" in EC storage for the three principal food products making up the stores—butter, meat, and grains.

### Cereals (million tons)

EC intervention or carry-over stocks in storage by the EC, put the so-called "grain mountain" into perspective. Here are the official EC intervention stocks:

	1979	'80	'81	'82	'83	'84	'85	'86	'88*
(million tons)									
Intervention	—	+5	+3	+8	+4	+13	+14	+18	+8
Stocks									

(\*EC official figure as of Jan 31, 1988)

At the peak in 1986, the intervention stocks reached 13% of that year's harvest. The Food and Agriculture Organization (FAO) recommends about 25% to be the minimum emergency reserve. The 8 million ton intervention stock, with last year's harvest of 153 million tons, is a dangerously low 5.2%!

### The cereal substitutes trick

Now, what is never discussed in the entire Brussels EC surplus debate, is the import of cereals and cereal substitutes. One well-placed EC grain industry representative said that anyone daring to question this grain substitute issue is immediately branded "anti-free trade," "extreme rightist" and such epithets. It apparently has been effective in Brussels.

According to the EC definition of "cereal substitute," the following figures show import of cereal substitutes (soyabean meal, manioc, corn gluten feed, etc.):

#### Cereal equivalent imports (million tons):

	1980	1981	1982	1983	1984	85	86	87
Cereal equiv.:	39	39	43	41	38	42	50	58
Import								
Total import:	+55	+55	+56	+51	+47	+49	+57	+65
Grain + equiv.								

Source: FEDIOL, COPA, EEC, Brussels

In other words, including cereals (some 6-7 million tons in 1987) and cereal substitutes, the EC imported an all-time record 65 million tons last year, some 58 million tons of which were substitutes, most—25 million tons—being soya, meal, and beans.

### The special case of soya

According to the EC Seed Crushers and Oil Processors Federation (FEDIOL), total EC imports of soyabeans and

processed soyacakes for the years 1986 and 1987 are as follows for the European Community's 12 nations:

	1986	1987
<b>1) Soyabeans:</b>		
13,056,000 tons of which:		14,650,000 tons of which:
9,632,000 from USA		10,354,000 from USA
1,100,000 from Brazil		2,618,000 from Brazil
1,888,000 from Argentina		676,000 from Argentina
<b>2) Soyacakes:</b>		
11,256,000 tons of which:		10,650,000 tons of which:
2,854,000 from USA		3,190,000 from USA
5,780,000 from Brazil		5,265,000 from Brazil
2,099,000 from Argentina		1,875,000 from Argentina

The impact of this import in destabilizing the entire price structure of EC agriculture cannot be overstated. The trade in world soya is fully dominated by some five grain cartel companies, of which Toepfer of Hamburg is 45% owned by Dwayne Andreas's Archer Daniels Midland. The others are Cargill, Continental, Bunge, and Ferruzzi-Central Soya. They control the soya markets of the United States, Argentina, and Brazil.

In the past several years, these multinational food cartel companies have taken advantage of the massively devalued currencies of Argentina and Brazil, a by-product of International Monetary Fund demands on their debt renegotiations, to cheapen their raw material costs, when calculated against their dollar profits. The debtor countries are forced to export valuable food products to pay foreign bank debt, not to increase protein levels of their seriously undernourished populations. This situation has allowed processed soya to be imported into the EC at cheaper costs than non-processed soya could be shipped into Europe, where it enters the EC tax-free according to a specific formal agreement between the EC and the United States as part of the GATT (General Agreement on Trade and Tariffs). Because of this GATT exemption for soya imports into the EC, no EC farmer is able to produce on an efficient scale soya and other protein-dense grain substitutes at competitive prices with the cartels'. As a result, the EC is the world's largest soya and grain substitute trade market.

The EC "meat" stock is the only figure rising in the past 18 months *strictly because of the slaughter of dairy herds* under the EC dairy quota regime.

The "butter mountain," originally cited as the reason for a drastic March 1984 "dairy quota" in the EC, has dropped to its lowest levels since 1983 when arbitrary Brussels price changes caused the increase in dairy output which lasted into 1986. Large parts of the "surplus" were then given away by the EC, mostly in subsidized prices to Russia.

Such is the actual current situation of the much-argued EC food "surpluses." Before governments destroy more of the planet's most capital-intensive food-producing capacities in the name of "budget reform," it would be well to know what and who is manipulating the arguments of the surplus debate.

# Bush wants a Hong Kong in Mexico

by Carlos Méndez

U.S. vice president and presidential candidate George Bush seeks to turn Mexico into a new Hong Kong, which would mean having a gigantic drug plantation and international enclave for laundering drug dollars on the southern border of the United States.

According to an April 15 report from the EFE news agency, Bush told a conference of the U.S. Newspaper Editors' Association, "As President, I will work toward creation of a free trade zone embracing Mexico, Canada, and the United States." He added that he hoped to meet shortly with the presidential candidate of the ruling PRI party of Mexico, Carlos Salinas de Gortari, to discuss such a plan. As is well known, to speak of "free zones" is to speak of the "informal economy," a euphemism for the drug trade in the circles of free market economists.

Bush told the newspaper editors that he was impressed by Salinas's economic agenda and modernization projects, and said that his collaborators had already established contact, to set a time and place for a meeting between the two presidential candidates. One of those "collaborators" may be Charles Z. Wick, director of the U.S. Information Agency (USIA), and one of the coordinators of the Bush campaign in the United States. Wick, who arrived in Mexico on April 9 for a visit of several days, told the press April 13 that he had already met privately with President Miguel de la Madrid.

While President de la Madrid and his protégé Salinas have said nothing explicit in regard to Bush's proposal, the fact is that the economic measures taken by the De la Madrid government have already gone a long way toward creating the conditions for such a Hong Kong. Under the slogan of "structural change" and "modernization," De la Madrid has been "denationalizing" the economy, opening it virtually without restrictions to foreign investment. At the same time, he has been shrinking productive investment while punctually servicing the debt.

The consequences are already in evidence: The country's industry and agriculture are nearly destroyed, with thousands of businesses and producers bankrupt and millions of workers unemployed. The only ones to have gained advantage under De la Madrid's "structural adjustment" programs have been a score of former bankers, who speculate from the stock exchanges which serve as a sort of "parallel bank," and who have taken billions of dollars out of the country.

It is no accident that Bush has expressed such satisfaction with Mexico's economic agenda, since the principal architect of those policies is none other than candidate Salinas de Gortari, when he was serving as budget and planning minister. That ministry is today run by Salinas's main collaborators.

## 'Structural change'

A review of developments in April 1988 alone reveal that the conditions for turning Mexico into a Hong Kong have rapidly accelerated.

On April 6, in a meeting with all of Mexico's governors, President de la Madrid declared that the Economic Solidarity Pact—the government's fancy title for shock austerity—would continue until the end of his term, because "I prefer an orderly and economically-improved six years," than to conclude the presidency "rich in inaugurations," that is, inaugurating innumerable public works projects.

On April 7, the main officials of Mexico's nationalized banking system, gathered in a seminar entitled, "The Economic Solidarity Pact and Banking Perspectives for 1988," concluded that "as a result of the measures, bank profits have fallen; if this situation persists, some banks will face capitalization problems. Thus, it is necessary to renew the process of merging banks, and of eliminating or liquidating development banks." In other words, although the internal debt bubble has not yet exploded, the price has been the bankruptcy of Mexico's nationalized banks.

Finance Minister Gustavo Petricioli told seminar participants that during the first few months of 1988, between \$700-800 million have returned to Mexico each month, and that this was thanks to the Economic Solidarity Pact. However, on April 11, the president of Banco Internacional, Alfonso García Macías, admitted that despite the fact that monthly interest rates offered by Mexico's banks are equivalent to annual rates offered in the United States, there were still more Mexican savings in banks abroad than in all of Mexico's nationalized banks combined. He added that it would take a long time to correct that situation.

On April 10, Petricioli announced that the De la Madrid government had set a goal of paying part of the principal of its foreign debt, so that the next administration would have less of a debt burden than the \$85 billion inherited by De la Madrid.

On April 11, Budget and Planning Minister Pedro Aspe Armella, announced that due to the considerable decline in

the inflationary spiral, "beyond what had originally been anticipated," it would be necessary to "adjust nominal expenses." In plain English, new budget cutbacks.

On April 12, William Rhodes, Citibank vice president and head of the banking committee in charge of restructuring Mexico's debt, declared in New York that temporary rearrangements of Ibero-America's debt, with continual new bank loans, could not go on indefinitely, and that sooner or later the credits would have to be based on these nations' commitments to "structural adjustment." He pointed to Mexico, whose efforts to adjust its economic policies "have helped it to transform capital flight into income." Rhodes also said that the crisis has forced nations to think again whether foreign investment "truly represents the threat that many had thought, or whether it doesn't rather contribute to the welfare of a nation more than a huge debt."

On April 13, Francisco Suárez Dávila, credit director in the finance ministry and the "star" negotiator of the Mexican debt, said that one could not think in terms of moratorium, except in the event that interest rates rise, oil prices fall drastically, and there is a resurgence of protectionism and severe recession inside the United States.

In the same seminar, Banco Internacional president García Macías said that Mexicans' deposits abroad surpassed \$40 billion, and therefore it were necessary "not only to reduce the flow of our savings abroad, but also to create conditions propitious for retaining and attracting investors, by minimizing their risks and guaranteeing their benefits. . . ." How? By modernizing Mexico's financial services so that we wouldn't have to "cede market niches due to financial incapacity."

On April 7, the general director of Banco Serffin, José Juan de Olloqui, said that Mexico's national banks should be restructured to allow them to compete with the international banks.

On April 13, the Mexican daily *Unomásuno* reported, "According to 1987 official figures obtained by the U.N.-based Economic Committee on Latin America (ECLA), Mexico has the 'honor' of having the greatest fall in real income of all Latin America in the 1977-87 decade, a period that covers the arrival of Miguel de la Madrid in the economic cabinet as planning minister in 1978, and afterwards as President of Mexico. Wages paid in Mexico at the end of 1987 were equivalent to 55.9% of those paid in 1980; in other words, in the five years of the current Mexican government, real wages collapsed by nearly 40%. According to figures provided by the U.S. Labor Department April 6, Mexican labor power was one of the cheapest in the world, selling itself at an average of \$1.37/hour, against \$13.46/hour in that country."

Given this situation, the "informal economy"—the casinos, the production and trafficking in drugs, the *maquiladoras* (bonded sweatshops)—could be presented by their promoters as a "blessing."

## Small contractors sue Pentagon

by Leo F. Scanlon

The National Council for Industrial Defense, an organization formed in 1986 to oppose the "the defense policy consequences of 'deindustrialization,'" filed a lawsuit against the Secretary of Defense and the Department of Defense on April 8, 1988, as part of an effort to call attention to the devastation being caused among small and medium-sized defense contractors by the "buy-cheap" economic policies of the Reagan administration.

The lawsuit demands that the Secretary of Defense abide by the provisions of the Buy American Act, 41 USC 10, which impose a duty on the Secretary to procure defense materials that are made in America, unless it is determined on a case-by-case basis that such purchase would be inconsistent with the public interest or that their cost is unreasonable.

The plaintiffs argue that the Defense Department has developed a practice of entering into Memorandums of Understanding (MOU's) with allied countries, which grant blanket waivers of the restrictions on any products of the country. The waivers are permitted under terms of other treaty agreements, but these agreements specifically exempt defense items from such waivers.

In consequence, when one defense-related item is to be purchased from the foreign country, all the industries of the foreign country may bid for subcontract work on any defense contract. The specific advantage this gives to foreign businesses is that they are exempt from the quality control assurance requirements which are imposed on U.S. contractors, and are not burdened by the enormous amount of administrative work which accompanies any defense contract let to a U.S. producer.

In practice, these issues are of little concern to the large multi-national businesses which are the "prime" contractors with the Defense Department, since large-scale, specialized capabilities for shipbuilding or aircraft production are not immediately threatened by the insidious practices which are badly hurting the small producers. Thus it is no surprise that the concerns voiced by the plaintiffs have received little notice from the Reagan administration.

The firms most hurt by the practices identified in the lawsuit are typically small industrial manufacturers, producing various plastic, electronic, or metal goods, and doing a percentage of business with the Defense Department, on the second or third tier of sub-contracting. In some cases the

percentage of business contracted with the Defense Department may be as little as 10-15%, but if the prime contractors go offshore for the product, the American producer is forced to drop off the list of producers, and get out of the defense-related business, and into something else. In other cases, the offshore competition may result in closing a plant altogether, often devastating a small town or region.

The cumulative effect of this practice is enormous. According to a study prepared by the Joint Logistics Commanders of the U.S. military, the impact of a "total cutoff from foreign sources would be a drop to zero production in the U.S. for periods ranging from 6 to 14 months (starting as early as the second month after M day) for such key weapons systems as the Sparrow missile, the M-1 tank, the OH-58D helicopter, sonobuoys, and the F/A-18 and F-16 fighters." The list of items which are no longer produced in the United States is, of course, much longer, and includes items such as anchor chains for naval ships!

### East bloc suppliers

One of the contentions of the National Council for Industrial Defense is that, in fact, no one knows what the foreign dependency of the Defense Department actually is, as there is no data base kept which tracks the origins of subassembly components of even the most vital items in the arsenal. Further, it is known that foreign producers, in turn, occasionally purchase components from East bloc suppliers, which components are then incorporated into an Allied weapon system. Again there is currently no method for tracking or identifying these parts.

The astounding truth of the matter was identified by William G. Phillips, president of the organization, who pointed out that "our nation is the only major power in the world that does not have an operational strategy for the development and maintenance of a viable defense industrial base."

The plaintiffs hope that a success in their lawsuit would

force the issue within the Defense Department, and put the purchasing decisions into the hands of individual procurement officers, who will be less likely to let the matter slide under the umbrella of broad MOUs. Unfortunately, the bureaucratic pressures which dominate Washington weigh heavily against any procurement officer who makes a decision favoring a U.S. company over a foreign competitor, especially since the Justice Department has conducted witch-hunts against procurement officers who have been accused of "corruption" for practices much less controversial than this.

Defense industry analysts routinely characterize these problems as a by-product of the Nunn amendments which mandate two-way trade and weapons interoperability among the Allies. These goals are of course desirable, but the destruction of small and medium industries in the U.S. defense base is by no means a necessary result of this effort.

The real source of the problem was identified by Mr. Phillips in testimony he delivered to hearings held by Congress last year, when he stated: "The closing of thousands of U.S. manufacturing plants, the weakening of our subcontractor base, and the loss of hundreds of thousands of manufacturing jobs has been rationalized by some economists and amateur futurists as being inevitable. They say that the 'deindustrialization' of America is a good thing and only a transitional phase from our traditional smokestack economy into a brighter tomorrow filled with rosy prospects of a service-oriented, high-tech system that will provide the needed numbers and types of jobs for our young people in the years ahead.

"They tell us that the offshore movement of U.S. manufacturing industry is only part of a global 'free market' economic system that will eventually eliminate economic greed and nationalistic self-interest that causes armed aggression of one nation against its neighbors. Madam Chair, we reject such naive and unrealistic drivel. Deindustrialization of the United States would relegate our country to the role of a second-rate world power, robbing us of the control over our own destiny and the economic and political independence of our people. . . . The danger of such a scenario is clear—we might be forced into a global nuclear conflict because of the decay of our U.S.-based defense industrial capability and our inability to wage a sustainable non-nuclear defense effort."

More dangerous than this is the fact that this disaster is the deliberate policy of an establishment committed to wholesale strategic restructuring of U.S. alliance commitments. Those who prepare to abandon our allies to make their own arrangements with the Soviets, see no need to worry over the health of the defense industrial base, as they see no need to be concerned over the collapse of the U.S. farm sector. What can't be provided by the multi-national monopolies, they reason, isn't needed. The grim fact is that there is no constituency in the current administration which will respond to these vital concerns, and there will be even less of one under a Bush presidency. It will take more than a lawsuit to solve that side of the problem.

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## Peru surrenders to money launderers

*Alan García is in alliance with President Reagan's favorite "informal economy" champion.*

**P**eruvian President Alan García on April 9 abandoned his fight against the use of Peru's banking system for laundering money for the cocaine trade. To wage that fight and to shift credit flows from speculation to industry, García decreed the nationalization of the financial system last July 28. At that time, he declared, "The government, not the drug traffickers, must run the economy." He told the nation that most of the capital flight Peru has suffered involves "dollars from the black market, the majority of which come from the drug traffic."

On April 9, however, García invited Hernando de Soto, the lobbyist for Peru's illegal "underground" economy, to spend three hours advising his cabinet on what steps it should take to liberalize Peru's economy. The next day García issued Decree Law 469, a complete replacement of his 1987 bank nationalization decree. The new law purges the initial decree of provisions which would have made drug money laundering difficult; it also embodies De Soto's suggestion that 10% of all bank credit be channeled to "informal economy" businesses.

De Soto boasted April 12, "We are the authors of that initiative, which will be very positive for the people." De Soto is the president of the Institute for Liberty and Democracy (ILD), created and funded by the Project Democracy crowd behind the Iran-Contra operation. In a speech last year at the United Nations, Ronald Reagan lauded De Soto's book, *El Otro Sendero* (meaning "the other path"), a bi-

ble for libertarian terrorism against any nation-state's efforts to exercise sovereignty over its own economic development. (De Soto's title alludes to the Shining Path terrorists who are devastating Peru.)

The ILD, to which García is now turning for an economic program and political support, is the same ILD which led the successful internationally publicized wrecking operation against García's bank nationalization and against his very presidency. An ILD advertisement in the daily *El Comercio*, Aug. 10, 1987 described García's nationalization as "the totalitarian menace of concentrating the powerful instrument of credit in the state."

ILD leader Mario Vargas Llosa, who filled plazas with crowds of employees of Peru's speculator class screaming for García to be overthrown, no longer hides for whom he is working. On being given an award by David Rockefeller's Americas Society in New York, April 15, Vargas Llosa blurted, "I am proud to be a friend of the bankers, if they are honest and efficient." He went on to "ask that what the United States is doing in Panama, which is pressure against a corrupt and dictatorial government like General Noriega's, be applied equally to all the dictatorial governments of the continent."

Such pressure helped defeat García's "totalitarian" banking measures, which would have put the clamp on Dope, Inc.'s money laundering. Vargas Llosa plans to keep up the pressure

as the "charismatic" 1990 presidential candidate of a coalition of defunct oligarchic parties, including that of ex-President F. Belaúnde. Vargas Llosa's ILD partner, De Soto, for the moment, sees nothing to lose and everything to gain by working from the inside to exercise policy control. De Soto told an April 7 press conference, "One can make politics and help the country without belonging to parties. That is the position I wish to maintain."

At the same time that García took over the banks, he sent the police in to repress the money-laundering houses which had functioned openly on Ocoña Street in downtown Lima. On March 11, Finance Minister Gustavo Saberein announced, "It is no longer illegal to sell dollars on the Ocoña secondary market" and Ocoña Street was soon reported to be as bustling as "a Persian market."

What happened? The uprising led by the ILD and by Socialist International saboteurs inside García's government had bankrupted Peru, economically and morally. As months went by with Peruvian bankers in a state of rebellion and foreign bankers denying trade credits, Peru's exports collapsed. Exporters and drug traffickers kept their dollars in the United States. Peru ran out of dollars.

At the end of January, García surrendered to the "free exchange" policy demanded by the ILD liberals in the interests of the drug mafia. His government legalized imports paid for with dirty money dollars held abroad—no questions asked. Peru, in effect, was imitating the "sinister window" at the Colombian central bank, where narcotics money is brought in legally. García abdicated the moral high ground by not even telling his people that this, and the accompanying austerity package, had been forced upon Peru by its relentless enemies.

# Soviet looting and the collapse of East bloc housing

by Luba George and Kazimierz Kowalski

One of the prime yardsticks documenting the massive increase in Soviet looting of Eastern Europe has been the total collapse of housing construction in the satellite countries. The correlation between the worsening housing crisis in Eastern Europe and Soviet investment dictates for the Captive Nations' Five Year Plans can be shown by the following singular fact: Broadly speaking, East European housing construction peaked between 1975 and 1980, and has steadily *decreased* ever since. The only apparent exception to the trend has been East Germany. Why did the 1980s bring a collapse?

The last year of the 1976-80 Five Year Plan was 1980. Beginning with the 1981-85 Five Year Plan, Soviet-dictated priorities changed, in the form of demanding an exorbitant increase in the *goods* flow out of Eastern Europe into Russia. The nations of Eastern Europe could only pay the increased tribute to Muscovy by slashing planned investment in sectors of the economy "irrelevant" to Russian requirements. One of the main victims of this was the housing sector. **Table 1** shows this graphically.

This is the overall picture, in dry statistics. We will examine the picture regarding the northern tier of Eastern Europe, East Germany, Czechoslovakia, and Poland. To give the full dimensions of the horror in Eastern Europe's housing situation, we will turn to Poland.

TABLE 1  
**Apartments completed**  
(thousands)

Country	Peak year	1980	1983	1984
Bulgaria	1980: 74.3	74.3	69.7	68.9
C.S.S.R.	1975: 144.7	129	95.9	91.9
G.D.R.	1984: 207*	169	197	207*
Hungary	1975: 99.6	89.1	74.2	70.4
Poland	1978: 283.6	217	196	196
Romania	1980: 198	198	147	132

\* The East German statistics are for the total number of both new apartments completed and renovated old apartments. Thus, East Germany has *not* been an exception to the rule. In 1984, the figure for new apartments completed was only 120,728, and had fallen down to the level of 1981.

## Case study: Poland

The only indicator that has grown in the Polish housing sector is the waiting time before one can receive one's own apartment. That has risen from a 1980 average of 20 years to about 30 years at present. With very few exceptions, people are not homeless, as such. Cramped apartments are simply *shared* by families and extended families (cousins, in-laws, etc.). The housing deficit in Poland, calculated by the number of additional apartments required so that every family, young single, or pensioner can have his, her, or their own apartment, is staggering. At present 3 million Poles, nearly 10% of the population, are on waiting lists to receive apartments.

The percentage is far higher in the cities. The industrial city of Lodz, for example, with about 850,000 inhabitants, has 110,000 people waiting for their own apartments.

In 1980, the housing deficit already stood at 1.7 million apartments. The Polish State further estimated that between 1981 and 1990, an additional 1.5 million apartments had to be built to keep pace with population growth, and about 1.3 million new apartments were needed to replace old, dilapidated housing that would no longer be habitable by 1990. Add to this the 1.7 million apartment housing gap of 1980, and the number of apartments to be constructed between 1981 and 1990 to solve the housing shortage is 4.5 million. That means 450,000 per year, and just to keep the 1980 deficit from increasing, 280,000 per year.

During the 1980s, Polish housing construction has averaged 200,000 units per year. This is 80,000 units *lower* than required just to keep the 1980 deficit of 1.7 million units from increasing. Thus, by 1990, the Polish housing deficit will have risen to 2.5 million units.

Meanwhile, some 1.5 million existing homes are dilapidated and ready for demolition. Non-government Polish sources speak of a likely deficit of from 6 to over 7 million apartments by the year 2000. The existing homes are often cramped and unsafe. These conditions have led to social and family disintegration: Divorces have increased more than fourfold from 1950 to 1986, and as a result, over 1 million children are being brought up in broken homes. The cramped, tense housing conditions (a typical case is a young married couple forced to share a bedroom with the wife's parents) have been a major cause of the high rates of alcoholism in the population.

## Dollar onus falls on Japan

*The Bank of Japan can be expected to stage a strong defense of the dollar in the months ahead.*

The meeting of the Group of Seven (G-7) finance ministers and central bankers in Washington on April 13 was meant to be a holding operation. In the event the statement issued at the end of the meeting succeeded in holding the U.S. dollar for less than 24 hours.

The U.S. trade figures for February, showing a deficit of \$13.8 billion, sent the dollar sharply lower. Currency market reaction would have been even more extreme had not the G-7 central banks intervened in force to stem the dollar's decline.

What was remarkable about the action on the foreign exchanges was not so much that the dollar fell—the U.S. dollar is likely to remain under downward pressure for as long as the U.S. productive sector continues to shrink relative to the productive sectors of other countries—but that this particular decline should be triggered by an event of relatively minor significance in itself.

The merchandise trade figures are an erratic statistical series. In several previous months, they have turned out better than the market generally had

expected. The figures released on April 14, however, happened to be \$2 billion worse than market expectations. This fluctuation was enough to put the skids under the dollar.

Clearly, market confidence in continuing currency stability is much more fragile than it seemed to be earlier this year. The G-7 central banks will be in for a torrid time supporting the U.S. currency ahead of the presidential election. And yet, they cannot allow the dollar to slip, for this could, this year, develop into a particularly dangerous "free fall."

This is because the foreign exchanges perceive that the U.S. administration is winding down and would be powerless to step in with measures and promises to support the U.S. dollar, as it did last summer.

The key flow supporting the U.S. currency is the inflow into U.S. assets from Japan. The evidence is that, despite some pick-up in Japanese private sector investment in U.S. stocks and bonds since the fourth quarter of 1987, Japanese public sector flows into the U.S.A., in the shape of Bank of Japan intervention to support the dollar, will

have to be substantial in the months ahead if the dollar is to remain steady.

While other G-7 central banks are also likely to be willing to support the dollar, there are limits to how far the West German Bundesbank and the Bank of England are prepared to go. This leaves the onus of dollar support on the Bank of Japan.

There is a constraint on the Bank of Japan's intervention. This is the potential inflationary impact of dollar-support buying which comes about through the upward pressure which the support exerts on the liquidity in Japanese domestic credit markets.

On the other hand, the Bank of Japan will calculate that, if the U.S. dollar is allowed to collapse during a U.S. presidential election year, the new U.S. administration would almost certainly be impelled to adopt protectionist trade measures which would damage Japan's interests.

On balance, it seems likely that the Bank of Japan will take risks with excess domestic liquidity if this means avoiding adverse political developments in the U.S.A. Consequently, the Bank of Japan can be expected to stage a strong defense of the dollar in the months ahead.

The result of this will be a further build-up of dollar assets in Japanese official hands. This fits in with Japan's longer-term aim of strengthening its control over U.S. economic activity.

Czechoslovakia, by East bloc standards, is considered "fortunate" in terms of housing and living standards. As will be clear from the picture we present, only from a Romanian or Polish yardstick can this adjective be used.

1) By the end of 1984, 580,000 Czechoslovakian families had no apartment of their own.

2) Forty percent of families have apartments with less than 8 square meters (8½ square yards) per person. The average space of an apartment built in 1984 was 46.3 square meters (50 square yards).

3) Of some 5 million apartments in Czechoslovakia, 1,172,000 of them, more than 20%, have no private toilet

facilities.

In East Germany, the so-called apartment paradise of the East bloc, in 1984, 28% of all apartments had neither bath nor shower facilities.

Nothing, of course, matches the dimensions of the housing crisis in Poland. The young generation of people in their twenties lives without the hope of having their own apartment until they are well into their forties. Add this to the daily shortages or lack of basic essentials, and ever-increasing prices for food and fuel, and it is only a matter of time before Moscow and Jaruzelski have another Polish crisis on their hands.

# Business Briefs

## 'Privatization'

### Mexico cuts budget deficit by 15% of GNP

Senior Mexican finance officials say that they cut their nation's budget deficit in the first quarter of 1988 from 1987's 12-month rate of 17.4% of GNP, to an annualized rate of 2.5-3.0%, reported the April 18 *Financial Times* of London. They also announced plans for massive "privatization" of state-sector industries.

The officials claimed to have reduced inflation from a record 15.5% in January to 5.1% in March, thanks to de facto wage and price freezes and a cheapening of imports due to a fixed exchange rate.

In mid-April, \$3 billion more in budget cuts were announced.

The government, whose economic policies are dictated by the International Monetary Fund, now plans to accelerate "privatization" of state-sector industries. This will include a sell-off of Cananea copper mine, Mexico's largest, located in Sonora, even though the enterprise has been showing a profit. It will be the largest divestiture by Mexico to date, and the government expects to get \$850 million, more than it got for the 112 state companies it has sold off so far.

On April 15, Aeromexico filed for bankruptcy after a four-day strike by ground personnel cost the company \$7 million. The strike was called against the announced sell-off of 13 of the state airline's 43 jets, which would cost up to 3,500 of the 12,500 workers' jobs.

Aeromexico is now likely to be dismembered, as the majority government share in it, too, is being sold off.

## Western Europe

### Cardinal demands conformity to encyclical

The Cardinal of Madrid, Monsignor Siquia, made a startling speech to a plenary assembly of Spanish bishops, calling upon them to "explicitly proclaim and accept" the

Pope's latest encyclical, *Sollicitudo Rei Socialis*, and to use it to "orient the thought and opinion of men."

In the encyclical, Pope John Paul II had denounced both liberal capitalism and Soviet-style socialism for rejecting morality as a policy criterion.

The Spanish cardinal strongly attacked the Spanish government, the Spanish Church, and the European Community (EC) from this standpoint.

"One of our greatest flaws is our traditional lack of social conscience. Many of our politicians, our economists, our businessmen, our trade unionists from the past and from today . . . ignore the teaching of the Church concerning the moral demands placed upon these professions, which frequently decide the destiny of nations. . . . This includes the youth preparing for the priesthood, since in the last 20 years, the social doctrine of the Church has undergone eclipse. . . .

"Millions of Spaniards live with less than half of what they need. . . . Our aid to Third World countries is 0.15% [of GNP], far less than the average given by other countries. . . . Spain is living through a cultural and social crisis . . . and our own government seems unaware of it. . . .

"The EC pays farmers to leave 20% of their land fallow . . . instead of allotting income to Third World countries so they can buy our surpluses at reasonable prices. . . . We must uphold the teaching and practice of the Church as it was shown in St. John Chrysostom, St. Ambrose, and St. Augustine."

On April 17, the Pope himself told a business group in Verona, Italy, "Aiming for gain is not unjust in itself. A business cannot do without it, and a reasonable search for profit is linked with the right to economic initiative. What I mean is that, to be 'just,' profit must be subject to moral criteria."

## 'New Yalta'

### Set vast expansion of U.S.-Soviet trade

"Despite its secrecy, the rush toward an explosive increase in U.S.-Soviet trade has

now become inescapable following Moscow talks by Commerce Secretary William Verity and his elite corps of U.S. businessmen operating under new rules not formally approved by the National Security Council," wrote Evans and Novak in their April 18 syndicated column.

The formation of U.S.-Soviet "working groups" and the announcement that Occidental Petroleum will build a giant petrochemical plant in the Ukraine upset the columnists, but what upsets them more is that the NSC has taken no action opposing Verity's initiatives. "As of today, Verity has brilliantly captured the initiative and shows no sign of letting go."

"Red billionaire" Hammer, while in Moscow to sign the petrochemical protocol, met with Central Committee secretary Anatoly Dobrynin, assuring him that U.S. businesses are interested in expanding "mutually advantageous trade and economic cooperation" with the Soviet Union, said the "Intelligence Report" in the April 18 *Washington Times*.

Dobrynin also met in mid-April with PepsiCo executive Donald Kendall, who is on the board of directors of the American-Soviet Trade and Economic Council—as is Verity. They discussed removing "artificial barriers" that prevent increased trade between the two countries, said the *Times*.

## Dope, Inc.

### War spreads drug business

The Episcopal Secretariat of Central America's Catholic Bishops has denounced drug-trafficking and those who use war as a means to spread drugs, in a statement issued on April 15, after a two-day meeting.

"When war is transformed into business for some, and into a means to extend drug-trafficking by others, then war is much more devastating for the moral, patriotic, and religious well-being of the people," the bishops stated. "We denounce and condemn with all our moral authority as pastors of the

Church, this evil of war . . . which is only prolonged because of the profits it gives some, by the ideological obstinacy of others, and always at the cost of the suffering of the majority. In the name of the youth whom we should be preparing for the year 2000, and who are threatened by unemployment, drugs, and other vices, we ask—and even demand—from the authorities of our peoples, that they confront these evils, and make much greater efforts to restrain drug-trafficking in our countries.”

The bishops called on the United States and Soviet Union to send no more arms to Central America, and called for mediation of Panama's crisis. “We are worried by the negative consequences the [U.S.] economic sanctions bring to the people” of Panama.

## Banking

### Will FSLIC need \$169 billion more?

Some thrift industry officials believe that the \$145 billion in assets belonging to insolvent thrifts at the end of 1987 will rise to about \$295 billion by the end of 1988, according to the *Washington Post* April 18.

It reported that the Federal Deposit Insurance Corporation (FDIC), which insures the nation's commercial bank depositors, is currently seeking bids of 33 cents on the dollar for the assets it took over when Continental Illinois of Chicago went bankrupt in 1984.

This raises an interesting specter. What happens if the Federal Savings and Loan Insurance Corporation (FSLIC) can only recover 33 cents on the dollar for the assets of insolvent S&Ls? In that case, it would need an additional \$169 billion to pay off depositors by the end of 1988. It would get only \$96 billion from the asset sales, \$10.8 billion on its borrowing authority, and about \$9 billion in S&L fees—leaving a \$169 billion gap.

Little wonder, in this light, that the U.S. League of Savings Institutions, the largest S&L lobby group, adopted a policy in March of advocating that the 12 regional Federal

Home Loan Bank Boards no longer accept FSLIC guarantees on loans to troubled S&Ls. The FSLIC is in such bad financial shape, that the League is worried that Wall Street, viewing FSLIC guarantees as worthless, will charge higher interest rates on loans to healthy S&Ls.

## Brazilian Debt

### Bankers say austerity 'too little, too late'

Brazil's creditors are on a “slowdown strike,” delaying signing the debt agreement they made with Brazil in February until Brazil satisfies the International Monetary Fund with “tougher and harder measures” of austerity, according to Brazil's *Estado do São Paulo*. The Wall Street bankers cited by the daily April 15 laughed at Finance Minister Maílson da Nóbrega's attempts to trick them into signing by seeking a telex from the IMF giving Brazil its okay.

Da Nóbrega was very depressed when he left his April 12 meeting with James Baker, all the Rio press reported. Baker demanded that he rapidly implement his promises to denationalize state industries.

“Minister Nóbrega should be a bit upset, because the U.S. government is taking a hard line on Brazil,” a banker commented.

The Brazilian military seems split over President José Sarney and da Nóbrega's surrender to the IMF. A public battle has been under way since February between Gen. Ivan de Souza Mendes, the head of Brazil's “FBI-CIA,” who is acting as the point man for the IMF takeover, and the head of the joint chiefs of staff, Brig. Paulo Roberto Camarinha.

Camarinha, an Air Force officer who seems to have the backing of his service, declared April 12, “How can we freeze wages in parallel to prices soaring. There is the problem of school tuition, medicine prices. There are increases in fuel prices, in utility rates. The wage problem in Brazil is extremely serious. With [cost of living] increases frozen, public employees will lose 35%” of their real wages.

## Briefly

● **FDIC** sources say they are not interested in a proposal to merge with the FSLIC, as a way of dealing with the latter's inability to secure the depositors of bankrupt savings banks. FDIC chairman Seidman called the proposed merger “like taking a bride without a dowry.”

● **FIVE U.S. BANKS** went under in mid-April, one each in California, Colorado, Texas, Kansas, and Minnesota. As of April 18, 53 U.S. banks had failed in 1988.

● **A SECRET MEETING** of officials from the Fed, the Treasury, and the FSLIC was held in October 1987 to discuss how to handle the cash crunch at Financial Corp. of America, the nation's second-largest thrift, says the *Washington Post*. The stock market crash one day later brought down interest rates, easing FCA's situation—but now, interest rates are likely to rise again.

● **ZIMBABWE'S** Finance Minister, Dr. Bernard Chidzero, described the growth in Africa's foreign debt as “clearly cancerous and unbearable,” at a conference in London April 17. Without debt relief and new aid, most countries will be forced to choose between debt service and essential imports. Africa's debt rose from \$134 billion in 1982 to \$200 billion by the end of 1986.

● **SOVIET AGRICULTURE** is a failure for only four reasons, say highly-placed U.S. intelligence sources: summer, fall, winter, and spring.

● **THE FREE ELECTRON** laser is at least two years behind schedule thanks to congressional budget cuts and a resulting deemphasis on “exotic” systems, reported the April 17 *New York Times*, happily. “The research is going great guns,” said anti-missile program head Lt. Gen. John F. Wall, but concrete applications have been put on ice.



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## Will the space station go the way of the Shuttle?

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*Under constant budgetary pressures from the White House and Congress, the leadership of NASA is threatening to cancel the U.S. space station program. Marsha Freeman reports.*

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In his State of the Union address on Jan. 25, 1984, President Reagan mandated that the National Aeronautics and Space Administration (NASA) build and deploy a permanently manned space station in Earth orbit, within a decade. Now, due to budget slashing by both the Reagan White House and the Congress, that station will be at least two years behind schedule, if it is built at all.

Since the beginning of the space age, the dream of all visionaries was to have man colonize other parts of our solar system. It has always been recognized that in order to do this, we will need transportation to Earth orbit, and a facility there for transfer to interplanetary spaceships, and the scientific research preliminary to living beyond Earth.

The Apollo program gave the aerospace industry the mission to develop the first rockets to take man into space. Leftover Apollo hardware created Skylab as the United States' first space station, in 1973. But a station that will last decades, and can be manned at all times, has always been on the agenda.

Today, there is again a consensus in the space planning community that the next crucial step for man in space is the development of the Moon, and colonization of Mars. Both the National Commission on Space, headed by Dr. Thomas Paine, and presidential candidate Lyndon LaRouche, have laid out the Moon/Mars mission as the political goal of the next millennium.

But the long-awaited space station is under siege. Recently, officials of the space agency stated publicly that if the current \$767 million request for Fiscal Year 1989 now before the Congress, is cut further (NASA had originally projected

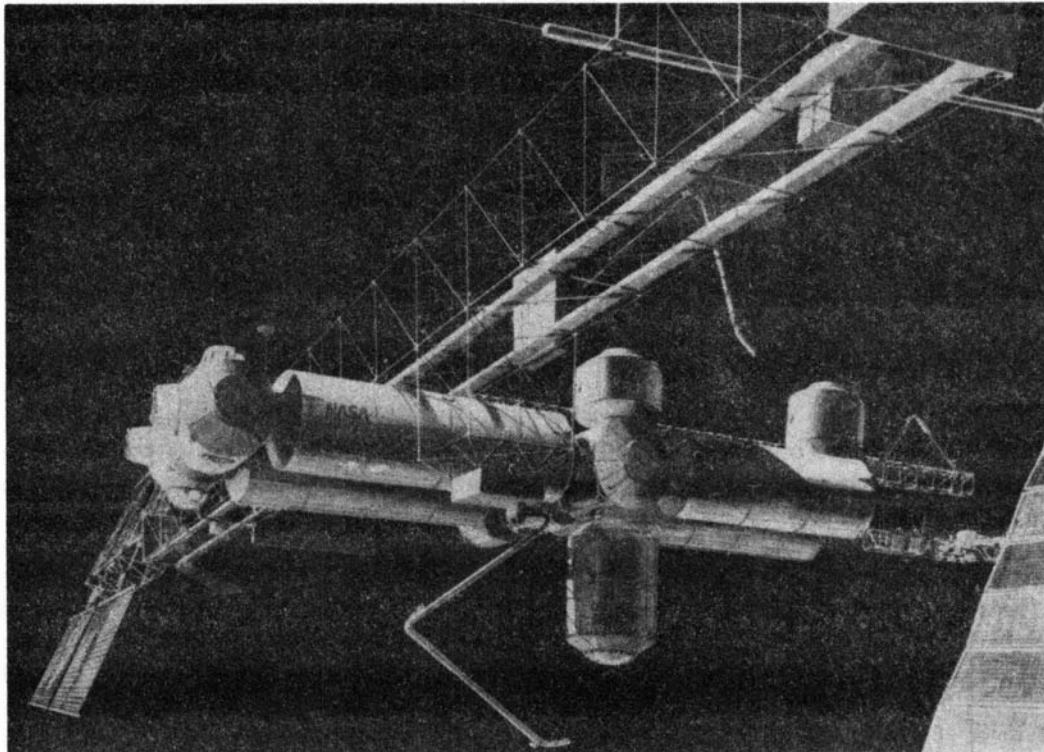
a space station budget of \$1.8 billion for FY89), they will cancel or indefinitely defer the project. The station has already been downsized and the current design has been described as a "minimal" station. NASA will not shrink the station any further.

Andrew Stofan, the head of the NASA space station office who recently resigned, has informed all those involved in making decisions, that each year of delay increases the ultimate cost of the station at least \$1 billion. While no one could make the case that the cutting of near-term budgets and delay of the program will actually "save money," that is the policy being followed in Washington.

In addition to budget problems, the space station program has suffered from interference and attempts to "micro-manage" it on the part of Congress, misguided policies on the part of the Department of Defense, and a Reagan policy that is arrived at through consensus by people who have no business making space policy.

Recently, the President's emphasis has focused on the magical "private sector" commercialization of space. This has produced a situation where there is even less leadership in the government program than before, and the station has been pitted against an imaginary private sector supposedly chomping at the bit.

Unfortunately, the space station is not the first major space program undergoing huge budget cuts, schedule stretch-outs, engineering compromises, and missed opportunities. As Andrew Stofan himself has asked, will we learn from experience, or will the space station go the way of the Space Shuttle?



*This Martin Marietta concept for Phase I of the space station focuses on the laboratory and habitation modules at the core of the facility. They are connected by four resource nodes. To the right is the Japanese Experiment Module.*

## The Shuttle experience

Sixteen years ago, and during his first term as NASA administrator, Dr. James Fletcher was at President Richard Nixon's side when he announced that the Space Transportation System would be developed, to shuttle astronauts and scientists back and forth to Earth orbit.

Less than six months after that announcement, the Office of the Budget, then headed by George Shultz, cut the space agency's budget by half a billion dollars, out of a total budget of less than \$4 billion. Changes were made in the Space Shuttle design, to "save money," which compromised safety and made Shuttle operations more expensive.

The Shuttle program eventually fell two years behind schedule. As money was cut, crucial sub-system tests were eliminated; problems became unearthed only when they became harder to correct. Engineers and designers did not end up with the kind of reusable spacecraft they thought necessary for the nation, and the program ended up showing \$2 billion in cost overruns.

The excuses that were used to stretch out and cost cut the Space Shuttle are not any different from those used today against the space station. Saboteurs claimed that the United States did not need a manned presence in space because robots could do things more cheaply; that the manned program would take money away from science projects; that it would cost too much, considering the budget crisis; and that NASA did not have a clearly defined need for the Shuttle. Today, space station critics have simply added the adage that there is no reason to start a new manned space initiative like

the station now, because the Shuttle isn't even flying again yet.

Throughout the 1970s, NASA swallowed each budget cut in the Space Shuttle program, knowing that without the Shuttle, there would be *no* U.S. man-in-space program, since the Apollo-era expendable Saturn V and other manned technology had simply been thrown away. Finally, after years of uncertainty, President Carter was reportedly convinced to provide the money to complete the development because he was told its capabilities were needed to verify arms control agreements.

Today, the space station is at a crossroads. Speaking at a conference on lunar bases in Houston on April 7, Deputy Administrator Dale Myers stated that at NASA, "We think there's a place where the space station should be cancelled." A month before, speaking before the House authorizing committee, Administrator Fletcher said that cuts in the space station budget could force the program to be "abandoned or deferred indefinitely."

He added: "Without the space station, the U.S. space program will be dead-ended."

There is no program now under consideration in the long-range planning of the space program that could be done without a space station. The Space Shuttle stays in orbit for about a week. During that time, only limited knowledge can be gained on the biomedical effect of near-zero gravity on humans and other living things, the new technologies needed for materials processing in microgravity, astronomical and Earth observations that require human judgment and inter-

vention, and other activities.

If the administration and Congress decide to try to squeeze the space station into an inadequate budget, this time they may find that, unlike the Space Shuttle, the program will simply be cancelled by NASA.

### **The post-Shuttle manned initiative**

When the Apollo program was safely on its way to the Moon, a number of groups of planners proposed that the next step in the manned program should be a reusable spacecraft for ready-access to space, and a station where the spacecraft could dock, to carry out a variety of activities. When the Nixon budget allowed for only one initiative, NASA chose to start with the transportation system.

Within days of the first flight of *Columbia* in April 1981, NASA began raising the issue of the station. In an interview with this author, published in *Fusion* magazine after the first flight, Shuttle pilot Capt. Robert Crippen stated, "We need to put a United States man and woman in space permanently. . . . In fact, when John [Young] and I . . . go to Washington, we plan on trying to make that point very heavily both to the administration and the Congress."

In 1982, Administrator James Beggs, speaking before the Detroit Economic Club, said, "I believe that our next logical step is to establish a permanent manned presence in low Earth orbit. . . . We think that such a station can be built and placed in orbit by 1990."

In a September 1982 interview with *EIR*, Associate Deputy Administrator Phil Culbertson stated, "The idea of a space station, besides being very old, was very solid in 1970 when we started detailed work on the Space Shuttle. The Space Shuttle and the space station were considered a matched pair. There was a big debate about which one we should proceed with first. . . . We decided to start with the logistics and the Russians decided to start with the space station." Now it is time to add the "other jewel to the crown," he stated.

As time wore on and interagency groups delayed the decision, the dream of having the station on-line for the 500th anniversary of the discovery of America faded. But NASA's pushing, and the President's genuine support and excitement about space exploration, finally led to the 1984 initiative.

### **How we got where we are**

At the beginning of March of this year, the staff director for the Senate Science, Technology, and Space subcommittee stated that the space station is in "intensive care," and that prospects for the full \$967 million request for FY89 are "dim."

From the beginning of the approved space station program, Congress has tried to "micro-manage" the project. When the FY85 station funding was under consideration, a House committee decided that \$15 million out of the \$155 million total for the station (of an original request of \$235 million) must go to study a "man-tended" facility, as opposed

to the President's "permanently manned" facility.

At that time, Rep. William Green (R-N.Y.) specifically stated that this should be done so that we would not end up with a half-finished station that would not be used, but would have choices if "we get into a financial bind." In the same budget cycle, the Senate Appropriations Committee directed NASA to complete a study on the role of automation on the station, and barred NASA from awarding phase-two contracts to industry until the study was complete. This set NASA back two months on the station schedule.

By the middle of 1985, it was becoming clear that the station NASA thought could be built for a total of \$8 billion, was going to cost more money. This was a result of more detailed planning based on more comprehensive data. That year, the Office of Management and Budget (OMB) put a cap on space station costs, and forced NASA to change the design of the station to try to stay within the \$8 billion estimate. NASA changed the station design, and in May of 1985, Dr. Fletcher announced that the station would be "more modest than we'd planned."

The OMB also "suggested" that the FY87 budget for the space station be \$100 million, and that the project be delayed three years. As a compromise, the White House agreed to a 12-18 month delay, to accommodate to cuts in the NASA station funding.

At the beginning of 1987, NASA gave a briefing to the OMB on the idea of building the space station in two phases, with phase one costing \$12.5 billion, and the second phase, about \$4 billion. That seemed like a fairly good position to support, considering that, in January, the Congressional Budget Office proposed to cancel the station and "save" \$8.9 billion!

As Gramm-Rudman and budget madness took over Washington, pro-space authorizing committees in the Congress started to scramble to save the station. In December of 1987, the Congress took \$100 million from the replacement orbiter for the Space Shuttle fleet, to get the FY88 station budget up to \$425 million. Of that, they legislated, \$225 million could not be spent before June 1, 1988.

### **Congressional 'micro-management'**

The budget situation has only worsened, both in the amount of money the White House is willing to allow NASA to ask for, and in the Capitol Hill pressure on funding. In January, NASA was told that to be able to spend the remaining \$225 million in the FY87 budget, it had to "rescope" the station program because the budgets NASA was planning for in the next two years were unrealistic, and NASA had to tell Congress how the space agency would build the station with less money.

*Defense Daily* reported on Jan. 15 of this year that the FY88 budget level had set back the launch of the first element of the space station complex by one year. They warned that the "rescoping" study NASA was doing was likely to lead to more "rescheduling."

On Jan. 25, *Aviation Week and Space Technology* magazine reported that NASA's study of "rescoping" the program had produced a possible "savings" of \$600 million by delaying the deployment of various integral pieces of hardware, but that this "savings" would only lead to higher operating costs.

The Congress continues to insist that NASA plan for the contingency that funding for the space station might be terminated before completion of the entire complex, and has held \$90 million in unspent space station money from last year hostage, pending a NASA plan to establish a man-tended capability as early as possible in the station assembly sequence.

Originally, NASA planned to have a spread of about 12 months between the launch of the first infrastructural element of the station, and the initial man-tended (short visit) capability. Before people can live and work in orbit, the module where they will live, the solar panels that supply their electrical power, the truss structure to which the modules will be attached, the logistics modules with supplies, as well as other pieces, should be in place. The entire configuration should also be structurally symmetrical for purposes of stability.

NASA is being pushed into agreeing to deploy a manned piece, such as the laboratory module, earlier than deemed suitable, because of the Congress's interference into decision making, and their assumption that the entire station will not be built—as if they had no say in the matter.

On Feb. 25, half of the \$90 million hostage money was released, with the understanding that NASA would continue working to figure out how to do what the Congress was requesting. One NASA source described this as "a game of chicken" between the Congress and the space agency, as NASA was to run out of money that week, and Dr. Fletcher was threatening to halt all work on the program.

NASA will receive the other \$45 million when Congress receives the "rescoping" plan. This plan, which takes into account the cuts now certain in the FY88 and FY89 budgets, will likely delay the launch of the first station element another year, to the first quarter of 1995, according to NASA spokesman Mark Hess.

NASA is now nearly \$2 billion behind in spending, according to its original 1985 plan. The President, in his recent space policy initiative, pompously said that the space station should have \$6 billion allocated over the next three years. But the administration itself has cut NASA's station request by half in each of the past two years, and has not yet put its money where its mouth is.

## Industry in space

In 1982, before President Reagan approved the NASA space station program, Dr. Maxime Faget founded Space Industries, Inc. in Houston. Faget worked for NASA since its founding, and holds the patent for the design of the Mercury capsule, which orbited the first Americans in space, and was the basis for the Gemini and Apollo capsule designs.

Space Industries, Inc. (SII) was established to develop and build an Industrial Space Facility (ISF) which is a small, automated, space processing module. The ISF was designed to fit inside the payload bay of the Space Shuttle and be left in orbit as a free flyer. Commercial enterprises were to rent or lease space on board the ISF to produce their products. The factory is designed to work on its own for a period of four to six months, when it will be visited by astronauts from the Shuttle, who will deliver new raw material to the ISF, and remove finished, processed products. The factory will have furnaces and equipment to make new metal alloys, crystals, biological materials, and other commercial materials.

In 1984, NASA announced that a Memorandum of Understanding (MOU) had been signed with SII to explore the feasibility of developing and demonstrating the ISF, just weeks after the space station initiative was approved. In 1985, SII signed a second Memorandum of Understanding with NASA under which the space agency offered to launch the ISF on a deferred payment basis, to be reimbursed when the commercial factory was running and generating revenue.

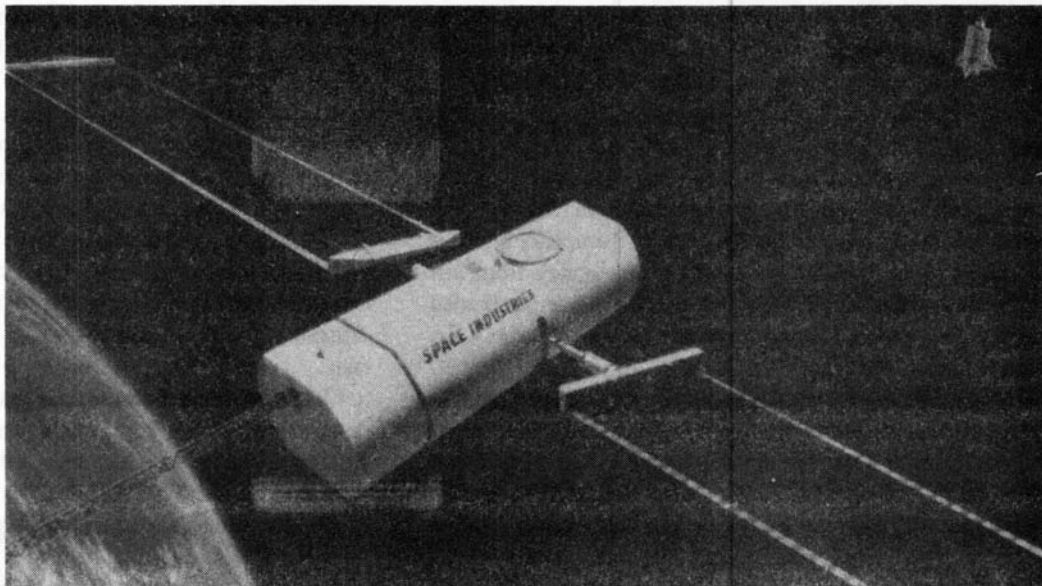
NASA Administrator James Beggs stated at that time, "We hope the ISF will be the first of many such platforms to be funded and built by private industry that will complement the permanently manned space station and lead eventually to an industrial park in space." SII stated that the technology developed for their automated factory would lay the basis for similar facilities needed later on in the station, and SII and NASA agreed to share such information.

After the MOU was announced, the *Houston Post* characterized the agreement as a "sweetheart deal," since no other commercial space customer is allowed to defer launch payments. Dr. Faget stated at a press conference, however, "NASA is not supplying us any seed money for this project." SII explained that the Industrial Space Facility could become a part of the overall space station complex, in the mid-1990s. The MOU stated, "The ISF is viewed by NASA as a complementary capability to the space station. NASA will take full advantage of the ISF's capabilities if appropriate, cost effective, and consistent with NASA policies."

In 1985, this author did an interview, published in *EIR*, with Dr. Joe Allen, executive vice president of SII, who was an astronaut for 18 years. At that time, before the *Challenger* explosion, SII planned to orbit its first space factory module in 1989, five years before the space station would be deployed. Allen stated, "If there is anything unique in what we're doing, it is that we have very, very optimistic hopes of doing it using privately invested dollars, not to be confused with the investment of tax dollars through the appropriations and authorizations of the Congress."

As work on the ISF progressed, and the commercial space community had to adjust to a two-year Space Shuttle downtime and economic and financial uncertainty in general, however, SII's hopes of attracting paying customers to lease space on their ISF began to evaporate.

*Space Industries' Industrial Space Facility, which will have solar panels for its own power supply, will be deployed from the Space Shuttle.*



### **A good idea gone political**

In early 1987, the Houston Area Research Center's Space Technology and Research Center committed itself to putting together design teams from faculty and graduate students at four participating universities to conduct initial studies of fluid mechanics in microgravity, to lay the basis for future commercial corporate participation. It became clear that the technology available for microgravity materials processing had not matured to the point where investors would risk venture capital on space manufacturing.

Recently former NASA space station head Andrew Stefan summarized for *Aviation Week* magazine what happened in mid-1987 to the ISF proposal: "Originally, Max [Faget] came in with a commercial venture. . . . NASA said it would give him a free lunch. He would pay us back later out of his profits. He went out and could not find any customers. He could not raise any money, so he came back to NASA and asked for money or a guarantee to raise money. When NASA didn't jump at it, [his staff] went through the political process."

The "political process" meant going to Washington and lobbying the "free enterprise" White House economic advisers, and Capitol Hill. In September, SII spokesmen made a presentation to administration officials, and called for government-guaranteed loans, to get their project off the ground. Of course, the White House's radical free marketeering space policy specifically prohibits loan guarantees, as subsidies.

In November of last year, the House Appropriations subcommittee, considering the FY88 budget, directed the Department of Defense and NASA to study "an industrial space facility, including requirements, contracting strategies, and arrangements for cooperative utilization." The micro-managers in Congress again reared their ugly heads. Before Christmas, the Congress had directed NASA to spend \$25

million to explore the leasing proposal.

Meanwhile, in December NASA released its report and stated, "The use of the Industrial Space Facility would require generous augmentations to the NASA budget, increase the risk of failure during payload operation, and meet few scientific requirements of the agency." The handwriting on the wall was becoming clearer—Congress would try to pull funding out of the already-crippled space station program, to have NASA support a man-tended materials processing factory instead. On Dec. 31, Fletcher wrote to James Baker protesting the idea that NASA would be called upon to bail out the ISF.

At a meeting on Jan. 7, reported two days later in the *New York Times*, the White House Economic Policy Council proposed to the President that the government use federal funds to lease part of the ISF, since industry was not willing to do so. Writer William Broad remarked, "Experts . . . said such a leasing agreement . . . might mark the end of the beleaguered NASA space station."

Broad continued, "Some congressmen, disappointed with the space agency's recovery from the *Challenger* disaster and eager to cut the federal government's budget deficit, have already said they would scrap the big station in favor of the small one."

At the Economic Policy Council meeting, the proposal put forward was for NASA to spend \$140 million per year, for five years, starting in 1991, to lease 70% of the space on the ISF. Hardly coincidentally, this \$700 million, over five years, is exactly what the ISF is supposed to cost to build.

Feeling the slide toward the inevitable, Fletcher had sent a letter Jan. 6 to the House Appropriations Committee protesting that there are "serious policy, legal, schedule, and budgetary difficulties" with this proposal, and that NASA "does not now have identified needs that would justify a

major commitment.”

One NASA official, summarizing the outcome of the Economic Policy Council decision, stated, “We would be directed to spend money we don’t want to spend, to build something we don’t want to build, for purposes for which there are no requirements in that time frame.”

Nonetheless, there was little chance that reason would prevail. The administration’s economic gurus were looking for a way out of the space station commitment; certain figures on Capitol Hill such as Sen. William Proxmire (D-Wisc.) became ISF supporters for the same reason; and the Commerce Department space commercialization fanatics saw the ISF as an opportunity to assert their position in a power-grab for making space policy. On Jan. 27, *Defense Daily* commented that the aerospace industry and NASA see the lease plan as “window-dressing for what is, in effect, a subsidy.”

The real reason for the sudden rush of congressional support for the small space factory was made clear in a Jan. 21 letter to Dr. Fletcher from Proxmire and Edward Boland (D-Mass.) who heads the House subcommittee that appropriates NASA’s budget. They state: “It was our contention originally, and we have maintained that position for the past four years, that the space station that NASA wanted to build—and, in fact, even the descope station which NASA is currently hoping to build—would increasingly be subject to the vicissitudes of an ever tightening budget crisis.”

The letter ended, not with a promise but with a threat—“It would be our hope that you will bring together . . . new proposals for the use of the ISF and a rescoping and reallocation of resources devoted to the basic Block I [phase-one] space station. . . . \$90 million shall be held in reserve [hostage] until these issues are settled.” Very simple. NASA would not get the money that had already been authorized and appropriated to continue the work on the space station, unless it submitted to this ingenious government-subsidized free enterprise.

In the meantime, on Feb. 11, the White House released President Reagan’s unheralded new National Space Policy, “designed to guide United States’ activities in space well into the future,” according to the White House. This “policy” was arrived at by the same consensus of ignorance, namely, the Senior Interagency Group (SIG)—Space, that delayed the decision to replace the Shuttle orbiter *Challenger* for eight months.

SIG (Space), as it is known, includes three agencies involved in space policy—namely NASA, the Department of Defense, and the National Security Council—and a host of superfluous government departments, such as Commerce, Office of Management and Budget, Transportation, and others that have no business making space policy, and represent special interests or other agendas.

Aside from countless platitudes about maintaining U.S. leadership in space and expanding human presence beyond Earth orbit, the policy “recognizes the existence of a separate

commercial sector” and instructs all government sectors to “encourage, to the maximum extent feasible, the development and use of the United States’ private sector capabilities without direct Federal subsidy.”

The White House pressure, combined with congressional blackmail, had its effect. On Feb. 24, NASA announced that it will seek to lease 70% of a “commercially developed space facility” (CDSF) for five years, to be orbited no later than the end of 1993, to be deployed on a single Shuttle launch, and operate in a free-flying mode (without astronaut intervention) for up to six months at a time. Since it is illegal for NASA to commit to such a non-competitive project, a request for proposals has been issued, and more than 40 companies have shown interest in competing to build this commercially developed space facility.

Actually, assuming NASA had all the money it needed, there are real experiments that can be done on such a man-tended facility. At a conference sponsored by the aerospace industry in early March, Al Diaz from NASA reported that the space agency will use the CDSF to qualify six facilities that will later be used on the space station. These include a multizone furnace, combustion chamber, fluid physics/dynamics facility, containerless processor, advanced protein crystal growth facility, and an apparatus for biotechnology research.

It is now unclear what will happen to the commercial facility that is picked for development in terms of the NASA budget. Though the House Appropriations Committee had included \$25 million in FY88 in the NASA budget for the ISF, that money was never authorized! This small wrinkle will have to be worked out between the congressional committees.

At a hearing on March 25, Dale Myers of NASA stated that the government lease payments “are only to begin upon delivery and certification of a flightworthy CDSF, no later than 1993.” But, as *Defense Daily* comments, the government will authorize money before then, in order to give private investors “confidence” in the project.

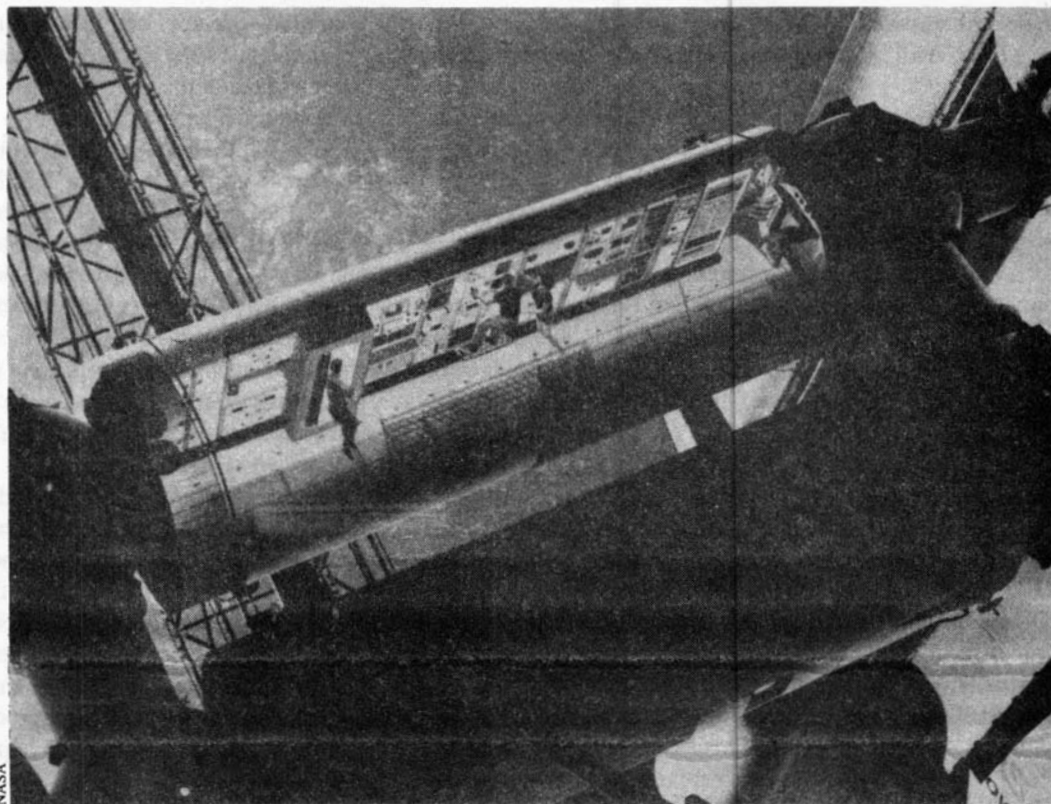
A small, automated space factory is certainly a worthwhile capability to have. If it can be orbited before the space station, all the better. But if it is used as an excuse to delay or eliminate the space station, it is not a capability, but a political football. It should not be advertised as proof that “private enterprise” is ready to commercially develop space industries, because that cannot be done until the government provides the needed transport, other infrastructure, and R&D base to make that real.

### **The military misses the boat**

Four months after the President’s announcement of the Strategic Defense Initiative (SDI) on March 23, 1983, then Undersecretary of Defense for Research and Engineering Richard De Lauer stated that there is no military use for the space station that cannot be done better by unmanned space-



*U.S. space station laboratories and technology will provide an environment for basic research that will be crucial for materials processing, biology and life science research, and other experiments, potentially for both civilian and military applications.*



craft. Revealing the real reason why the Defense Department would not support NASA's lobbying for a station, De Lauer stated, "We will hold your coat. But the minute you volunteer you end up funding it."

This position, holding that the station would have no military use, which the Defense Department held up until 16 months ago, somehow ignores the fact that the Soviets have had their military men in space stations for the past 15 years, and have had at least two entirely dedicated military stations.

In October 1983, Dr. Fletcher led a study to investigate the technology needs for the brand-new SDI. His study concluded that manned flights would be needed for the construction and support of large orbiting radars, command and tracking systems, and directed energy systems.

At the same time, the Air Force Scientific Advisory Board, the Naval Research Board, and the Army Science Board also completed a similar joint study and found that new military missions "justify Defense Department participation on a manned national space station as a user interested in exploiting technology opportunities and minimizing technological surprise." The report recommended, "Should a decision be made to proceed with a space station, the Defense Department [should] assume the role of a user of the station for purposes of Research, Development, Testing, and Engineering." But the leadership of the Defense Department continued to insist that no military requirements for the station had

been identified.

Between 1981, when James Beggs and Hans Mark came in to head the space agency and started the fight for the next step in manned spaceflight, through January 1984, when President Reagan announced the station program, until the end of 1986, the defense establishment never changed its position on the space station.

At the end of 1986, the Defense Department completed a study to lay the basis for revising the 1982 national security space policy, in light of the SDI, the *Challenger* accident, and cutbacks in the military budget. The Defense Department was impressed with the Soviet military work on the *Salyut 7* station, in areas such as ocean surveillance, reconnaissance, command and control, and the servicing of spacecraft in orbit that had all been demonstrated by the Russians.

Suddenly, after five years of disinterest if not hostility to the idea of "military men in space," the Defense Department wanted to be given assurances by NASA that it would not be excluded from use of the station. The department study asked that finalizing international negotiations with our allies be put on ice until the Defense Department's own role had been more fully articulated.

The problem was that when the Defense Department would not join NASA in building and paying for the station, Reagan instructed James Beggs to enlist the participation of Western Europe, Japan, and Canada in sharing in the con-



struction and operational costs of the complex.

These allies are now committed to contribute more than \$4 billion, two modules, and other critical equipment to the station. On the one hand, there is no way work on the station can be made "secure" from a military standpoint, as there will be nationals from many nations aboard the facility at all times, and there is no capability to totally segregate the multitude of activities going on simultaneously.

On the other hand, our partners do not want the station to turn into a military project, which none of them have agreed to, and which may jeopardize the civilian research they are planning to conduct. In addition, if there were SDI testing and other military activities on board the station, it could certainly become a target for the Russians in a time of hostilities or pre-war positioning.

Instead of getting in on the ground floor of a crucial new manned space capability, the Defense Department has clumsily tried to muscle its way into assured access to the facility, long after the program was already under way. This raised a tremendous stink among our international partners, NASA, and the State Department.

On April 7 of this year, after the Defense Department and NASA had reached agreement to allow military research on the station, but to prohibit the installation of weapon systems, Secretary of Defense Weinberger wrote a letter to George Shultz, stating that the United States "must be prepared to go forward alone" if our allies are not willing to allow the Defense Department to "conduct national security activities on U.S. elements of the space station without the approval or review of other nations."

What this led to—in addition to a destabilization and postponement of ongoing negotiations with Canada, Japan, and the European Space Agency—was a fracas in the Congress between the "peaceniks" and the "pro-SDI conservatives," as the space station budget was being slashed, anyway.

### **Why the military needs a space station**

During 1987, the American Institute of Aeronautics and Astronautics (AIAA) did a study for the Air Force Space Technology Center at Kirtland Air Force Base on the potential military missions for the station. They described how it could function as a fuel depository for power requirements, life support, laser reactants, nuclear particle beams, and similar types of systems.

The station crew can do repair work, and the SDI systems "may not be feasible unless they can be maintained on-orbit to assure their proper operation and availability." With a space station, "space junk" could be turned into decoys and shields, which could cut costs, the AIAA report suggested, and outlined experiments that could be done on the station in various phases. They also pointed out that a totally new, dedicated military station could probably be built at a cost of \$3.5 billion, after the NASA station is finished.

This approach, which is the most reasonable, has also been suggested by NASA Deputy Administrator Dale Myers. Speaking at an Air Force Association national symposium last May, Myers said, "The demand on the station could be such that the Defense Department may well want to begin thinking seriously about a dedicated space station of its own, possibly in polar orbit. I believe the requirement for such a station will continue to grow with the development and testing of the SDI and its massive infrastructure, the increasing general military importance of space, the foreseeable need for the replacement, maintenance, and updating of military spacecraft in orbit, and given the fact of an existing Soviet space station program that seems primarily military in character."

"If such a requirement does materialize," Myers offered, "NASA contractors would be able to utilize the experience gained from the development and deployment of the present NASA station to produce a second for the Defense Department at a very attractive 'discount.'" Just as the military should have built its own fleet of Space Shuttle orbiters which would be flying now, a dedicated military space station is crucial.

After seven years, the Department of Defense recently released a report to the Senate and House Armed Services Committees on military uses of the space station. The toned-down report said that the station is a national resource, "dedicated primarily to civil space activities, but available to the DoD in accordance with national priorities and international commitments."

The report lists several possible operational applications of research envisioned as candidate activities on the space station. These include: direct, real-time visual observation of land, sea, and airborne features and activities for battle management, surveillance, and other support; location of oceanographic, terrestrial, and meteorological phenomena to develop and evaluate a "space sextant" for accurately establishing latitude and longitude; visual observation of naval and commercial shipping activity, and monitoring of arms control agreements; operational characterization of space debris and its control or removal; support of military operations, including direct support of a field commander, to make recommendations for decisions and tactics for combat exercises; and visually detect missiles launched from land, sea, and airborne platforms. Dozens of other manned military space missions can easily be imagined.

There is no time left for this nation to decide if it is going to build a space station. If it is not built, the Soviets will add constant manned space capability to the list of military areas where they have no competition.

All of the long-range plans that have been promulgated over the past two years will become meaningless if the Space Shuttle, like a railroad, makes no "stops" in space. There is no point in continuing with what we have, if there is no plan to build for the future.

## How did Spain lose its sovereignty?

by Katherine Kanter

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### **The Franco Regime**

by Stanley G. Payne

Madison, University of Wisconsin Editions, 1987  
677 pages, hardbound, \$30.

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This book is good, but it is not very honest. Mr. Payne is one of the most respected historians in the United States. He is actually, personally, interested in Spain; he has worked on Spain for 40 years and he does know something about it. Yet, he uses hundreds of pages of facts, to cover up for the fact, that there *is* a plot against Spain, just as there was against the Shah of Iran, against Indira Gandhi, and against Panama today.

Since the first government of Adolfo Suárez in 1977, Spain has lost almost all of its national sovereignty. It is pumped up to the gills with narcotics and narcotics bankers: 45% of all cocaine, and 25% of all heroin in Europe, goes through Spain. It stinks of organized crime. The head of the Banco Exterior is the best friend of the president of the Spain-Soviet Friendship Society, and of Gustavo Cisneros, the Venezuelan financier who is linked to banks which have been tied to drug money-laundering.

Spain is not the only victim of these filthy tricks, as the case of Belgium under the De Benedetti knife shows. But Spain is a case study: We can document step by step, how the plot worked, how the banking laws were changed, trade warfare conducted, and heavy industry attacked, to make way for the new feudal overlords as soon as Carrero Blanco was murdered.

### **'A firm concept of man'**

In spite of the repression, in spite of the lack of political parties, and in spite of the abject cynicism of men like Churchill who dared to say, after his "triumph" at Yalta: "Already we are accused in many responsible quarters of handing over the Balkans and Central Europe to the Russians, and if we now lay hands on Spain, I am of the opinion that we shall be making needless trouble for ourselves." In spite of all that, Spain survived the Civil War and the Second World War, as an independent nation.

Franco and his "military-industrial complex" were not the criminals and buffoons the State Department would have us believe. Consider this highly interesting fragment from a speech by Franco in 1961 (he wrote his own speeches):

"The great weakness of modern states, lies in their lack of doctrinal content, in having renounced a firm concept of man, life and history. The major error of liberalism, is its negation of any permanent category of truth—its absolute and radical relativism—an error that, in a different form, was apparent in those other European currents of Fascism and Nazism, that made 'action' their only demand and the supreme norm of their conduct. . . . [W]hen the juridical order does not proceed from a system of principles, ideas and values recognized as superior and prior to the state, it ends in an omnipotent juridical voluntarism, whether its primary organ be the so-called majority . . . or the supreme organs of power."

Mr. Payne scoffs at Franco and Adm. Carrero Blanco for saying that a plot by Communism in Russia, Socialism in Europe, and Masonry throughout the Western world, was the most pressing danger to the survival of Spain and to Christian civilization. While failing to prove at all why Franco and

Carrero were wrong on this very important particular, Mr. Payne, consciously or not, gives plenty of facts to indicate there sure was a plot.

In 1941, Carrero wrote: "Nazi Germany will probably make an agreement with Russia, with whom she has no fundamental religious or spiritual differences." Is that really so naive, so paranoid as Mr. Payne would have us believe? Now Carrero and Franco were both quite close to Germany's Admiral Canaris, who strongly advised Franco to stay out of the war. The Spanish government at that time maintained a highly interesting correspondence with the Vatican, and a number of peace plans involving the mediation of Spain were floated, all of which were sabotaged—but Mr. Payne does not say, by whom. Mr. Payne deals with the Canaris issue which is central and not marginal, to the whole of World War II, in one and a half paragraphs, in a book almost 700 pages long. Why?

Does he want to avoid saying that Canaris and Carrero were plotting against the plotters, against the people in the United States and Britain, who protected Soviet double agent Philby et al., and who kept Hitler in power in Germany, in order to destroy Germany?

### **'Project Democracy' and the murder of Carrero**

*Executive Intelligence Review* published last year a lengthy report entitled "Project Democracy," on the Masonic networks which control President Reagan's foreign policy, and which have overthrown virtually every one of the United States's allies in the Third World. The trial run for Project Democracy, was Spain. The fallacy of composition was to make the world believe that Franquist Spain was a den of iniquity, like Uganda under Amin Dada, and that if only the foul military-industrial complex around Juan Antonio Suanzes and Admiral Carrero could be "got rid of," there would be "democracy."

This brings us to Mr. Payne's lengthy chapter on the Spanish economic miracle, and the 1959 Stabilization Plan. How many people today know, that it was precisely under Franco, that Spain knew the greatest industrialization and growth in its entire 1,000 years of history? That the real rate of growth, 1961-64, the years when the massive investments in heavy infrastructure and industry of the 1940s and 1950s showed their fruits, was almost 9% a year, just behind that of Japan? That Spain was then the world's fourth-largest shipbuilder? That Spain had the world's fifth-largest nuclear program? That living standards, measured in terms of consumer durables, housing, protein consumption, and education, doubled and tripled during the 1950s and 1960s?

Then, in 1959, disaster struck. Due to an unfortunate incident in the admiral's personal life, an Opus Dei member called Laureano López-Rodo, a friend of Kissinger who was active in the circles of the International Monetary Fund, weasled his way into the inner circles of Carrero Blanco,

bringing with him a gang of evil wizards: Mariano Navarro Rubio, Albero Ullastres, López de Letona. This was the George Bush crowd, the supra-nationalists, the "Europeanists," the people who wanted to "open Spain up," to international finance capital.

They told Carrero, that the United States would be "nice" to Spain, if Spain would stop its dirigist and protectionist economic policies, and get rid of the father of Spanish public industry: Juan Antonio Suanzes, the founder of the Instituto Nacional de Industria, who had been minister of industry for 20 years. Payne reports these facts, without even hinting at the United States links of the López-Rodo gang, without even trying to explain, why, in 1963, Suanzes, who had known Franco since childhood, broke relations with him and never addressed him a word after that. "I'm looking for a competent economist to advise me on the Common Market issue," wrote Franco in 1961, "but I can't seem to find the right one."

But poor Mr. Payne has to cover up for Project Democracy, because the days of Irangate are upon us, and it is precisely the chums of ex-CIA chief George Bush, who know why it was so important to get Admiral Carrero out of the way, and call it an ETA murder. Mr. Payne, knows better, calls ETA a reaction to "the trauma of drastic change and continued centralized repression" by young Basques, who suffered from "cultural disorientation and anxiety" which they blamed on the Spanish state! It is almost impossible to cover up the American and then, later, the Soviet track into ETA, but Mr. Payne overstretches the rubber band by trying to do just that.

There is plenty wrong with what Mr. Payne is hiding. There is nothing wrong with what Mr. Payne says, so long as he stays away from quoting that Pavlovian sociologist Juan José Linz. His thesis is that Franco was a true nationalist, who was intellectually not quite up to the job. With a wealth of detail, he does succeed in proving his point, that whether it was toward the Vatican, toward Nazism or Italian Fascism, toward the Falange, toward finance capital, Franco always carefully steered away from anything that would tie down Spanish sovereignty. What Mr. Payne is surprisingly discreet about, is why did the United States do everything it could do to destroy, not only Franco, but Spain, as soon as it became clear that Russia had lost its takeover bid in 1939? He gives the facts and figures: the deficit of United States aid, the fact that only Juan Perón, then President of Argentina, saved the Spaniards from virtual starvation by massive food shipments in 1946-48, and so forth, but not at all how the anti-Spain lobby in the State Department worked.

We live in a cynical age. It is hard for people today to understand Lyndon LaRouche, or to see that for men like De Gaulle or Mattei, the motive behind their brave actions was not really glory but love: They loved their nation, they believed in its historical mission as a Christian, humanist nation. It is even harder, because of the "media hype," for people today to see, that for Suanzes, for Carrero, for Franco,

though they were intellectually much less than De Gaulle or LaRouche, the idea of Spain was not folklore, it was not a joke. They built industry, they made progress, and the population grew by over 10 million people. When Franco was dying, and wrote the following words to the nation: "Spaniards: In the name of Christ I rejoice. . . . I should like in my final moment, to join the names of God and Spain and to embrace you all, to call out together: Long live Spain!" he

was not cynical. The proof of that, is what he did do for his country in 40 years, in spite of everything.

What he did not do was bad enough: He feared to crush the Duke of Alba and the Andalusian latifundists, and being a relatively uneducated man, he had a very faint and sketchy idea of popular schooling, which lack is the root of all evil in Spain. But Franco and Carrero died 15 years ago, and the rest of the job is ours, not theirs.

# The beauty of the human body's form, composition, and operation

by Warren J. Hamerman

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## **The Body Victorious**

by Lennart Nilsson

Dell Publishing Co., Inc., New York, 1987

196 pages, hardbound, with photographs and index, \$25.00.

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## **Human Body Composition: Growth, Aging, Nutrition, and Activity**

by Gilbert B. Forbes

Springer-Verlag, New York, 1987

350 pages, hardbound, with references, index, and figures, \$66.00.

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## **Leonardo da Vinci on the Human Body: The Anatomical, Physiological, and Embryological Drawings**

Edited by Charles D. O'Malley and J.B. de C.M. Saunders

Crown Publishers, Inc., New York, 1982.

506 pages, hardbound, with 1,200+ drawings, \$25.00.

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## **The Human Figure by Albrecht Dürer: The Complete Dresden Sketchbook**

Edited by Walter L. Strauss

Dover Publications, Inc., New York, 1972

347 pages, paperbound, with figures and bibliography, \$9.95.

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Leonardo's and Dürer's "integrative" approach to the human body, subsuming questions of geometric form, aesthetics, construction, and biological function at once, has stood the test of time. While modern science has learned how to "measure" the human body in its minutest molecular biological detail, and the modern photographer and spectroscopist have achieved remarkable images of basic biological processes, Leonardo da Vinci (1452-1519) and Albrecht Dürer (1471-1528) have established the basic principles of golden section proportion as both the way in which man is built as a whole as well as his particular organs. The principles of human biological phase-space establish the geometric ordering principle of how we grow and physically act.

Furthermore, Leonardo's remarkable notion that the "in-

side" of the human body is characterized by fluid flows similar to that of water is the basis of the most advanced 20th-century scientific insights into conquering disease and aging.

The refreshing aspect of this subject is that one cannot help but be filled with optimism and joy both about the way in which the human body is constructed and operates as well as man's ability to study and know its processes. Although the purposes and audiences for which each of the just-released "modern" volumes are written are completely different, they nonetheless are imbued with the Renaissance spirit that man's "natural biological state" is one of health, growth, and activity while disease, aging, impairment, and death are biologically "unnatural."

While the books of world-famous photographer Lennart

Nilsson and biophysicist Gilbert Forbes clearly demonstrate that over the centuries we have learned to measure chemical elements and see ultra-fine detail in the human body with ever greater precision, they nonetheless are less “modern” and advanced in capturing the essential principles of the human form’s “constructability,” function, and action potential than the works of Leonardo and Dürer. Leonardo and Dürer, informed by Luca Pacioli’s work on *The Divine Proportion*, explored the “golden section” harmonies of the human body in a systematic way from the highest synthetic or constructive geometry standpoint.

### **Mankind’s inner defenses**

*The Body Victorious* is a lavishly printed photographic essay of mankind’s inner defenses by a world-famous Swedish photographer. At a time that we are daily assaulted with reports of AIDS, cancer, and other biological calamities, it is thrilling to look through the 196 pages of over 300 extraordinary photographs (200 in color) taken with the most advanced equipment, which study the human body’s immune system in its battles against viruses, bacteria, fungi, and protozoa. With the aid of an electron microscope, this award-winning master photographer has captured biological events never before captured in such photographic clarity. Spectacular photographs are presented of killer T-cells attacking cancer, the battles between white blood cells and bacteria, the architecture of blood clots and antibodies struggling to locate and repel foreign deadly substances.

*Human Body Composition* is a scientific text intended to give the reader the latest overview of what has been learned by “measuring” the chemical elements of the human body in finer and finer detail in order to better understand the processes of health and growth as well as their contraries, disease and aging. Using modern spectroscopic methods, precise measurements have been achieved for body fluid constituents, body fluid volumes, and the water content of various organs. These components have been catalogued into a so-called “reference man.”

Written by a Professor of Pediatrics and Radiation Biology and Biophysics at the University of Rochester, the book correctly emphasizes that the human body cannot be understood as a fixed, closed system. In short, our nature is biodynamic.

### **Biohydrodynamics**

From one-half to two-thirds of the body weight of normal individuals is water. The various fluids of the body are interconnected since water, amino acids, electrolytes, carbon dioxide, and oxygen pass freely from one compartment to another. Extracellular fluid (ECF) consists of blood plasma and the interstitial fluid which bathes tissue cells. The remainder of the body’s water is contained in specialized “transcellular” fluids such as cerebrospinal fluid and fluids in the intestine.

Body cells are connected to the outside world by means of blood plasma and interstitial fluid (ISF), and it is these avenues that provide for exchange of gases in the lungs, absorption of nutrients and water in the gastrointestinal tract, excretion by the kidneys, and the transfer of materials to the fetus. These transfers of materials from the environment to the interior of the body cells, and from the cells to the outside world, have been found by modern techniques to take place very rapidly and to involve considerable quantities. In the adult, the fractional turnover of body water is about 7% per day, and that of body sodium (Na) is about 7% per day.

Thus, the ultimate precision of modern measurements of body volume and weight is limited by the fact that the body is not a static system. For example, body weight varies during the course of a day, being up to a kilogram higher in the evening than in the morning. There exist daily variations in serum quantities of sodium, calcium, potassium, and phosphorus. In physiochemical terms the body is an “open” system: There is a continuous exchange of body constituents with the environment, and although such exchanges are minimized during fasting and thirsting, they are never completely absent.

### **Renaissance knowledge**

Leonardo’s startling modern investigation of the “constructability” of the human form from the inside as well as the outside is based upon his remarkable conception that the geometric ordering of the human body is in conformity with Natural Law—what he called the Cosmography of the Living Microcosmos. Hence, his remarkable anatomical drawings are not mere scaffolds and hinges. For instance, his drawings of the skeletal and muscular systems highlight their “action potential.” His extraordinary drawings of the cardiovascular system study the ebb and flow motion of blood in and around obstacles as well as through valves from a standpoint similar to his hydrodynamic studies of water flows, vortices, eddies, whirlpools, and streamlines.

Dürer’s famous *Four Books On Human Proportions* are unique because of the method with which he studies the way “transformations” and “mappings” are accomplished. For instance, in his famous series of heads undergoing caricature changes, he employs a geometric “transfer method” to demonstrate changes in physiognomy. He also constructs “experiments” on the drawing board to create “stereometric men” on the basis of golden section ratios which are deliberately distorted in order to test the “boundary points” of the human form.

What Leonardo and Dürer have bequeathed to mankind is fundamental knowledge, presented in the most breathtaking beauty, about the geometric principle of every man and woman’s potential to grow, change, act, and be healthy. In these troubled times of pandemics, biological holocaust, and death, we urge that all scientists today strive to catch up with their knowledge.

## Rifkin rushes to Soviet aid on EM weapons research

by Lyndon H. LaRouche, Jr.

*The following editorial opinion column was released in Leesburg, Virginia, on April 12.*

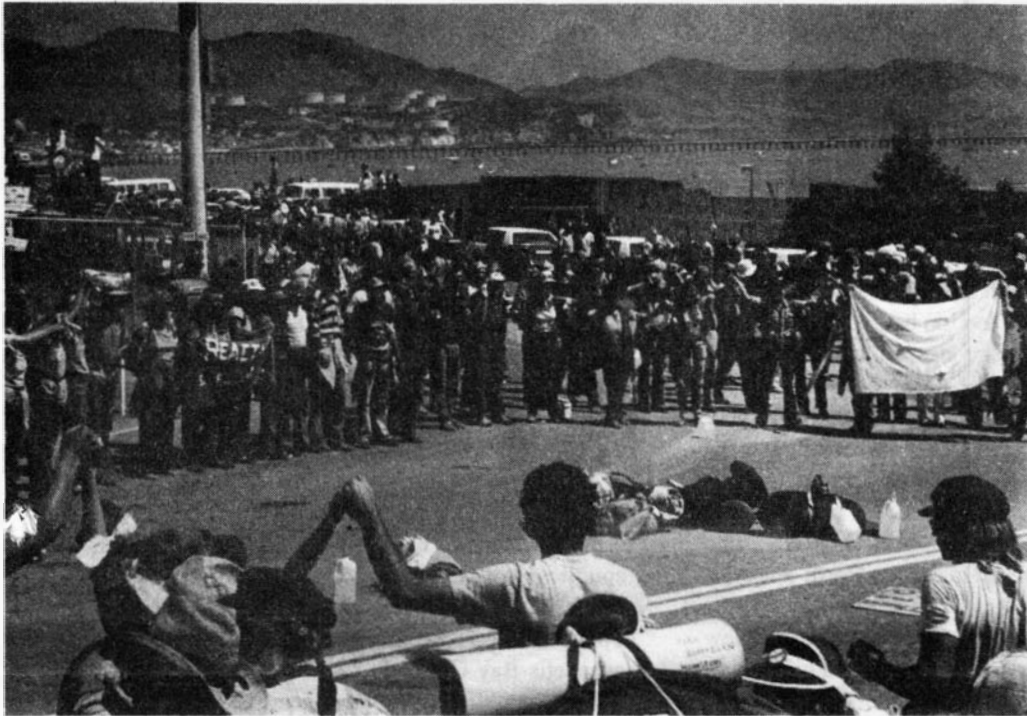
As announced in a *Washington Post* item of April 12, circles associated with anti-science huckster Jeremy Rifkin are at it again, this time moving to strip the U.S.A. of all defense against the new super-weapons being developed at a breakneck pace in Moscow.

The weapons in question are called "radio frequency" or, better named, "electromagnetic" systems. Although the technologies involved do have major weapons applications, they are also vital parts of present efforts to discover new cures for many pestilences and illnesses, including such killers as cancer and AIDS. It is possible that no cure for AIDS could ever be discovered, except with crucial help from a branch of electromagnetic-radiation research called "non-linear spectroscopy."

Next, we might hear from Rifkin, that EM research ought to be closed down because it represents a threat to the HIV virus. Absurd? Where does one draw the line between snaildarters and insects, on the one side, and bacteria and viruses, on the other? Some insects, such as mosquitoes, have an entirely negative impact. At the same time, there is no more efficient mass-killer of human beings than a lack of scientific and technological progress. Millions of people have already died directly because of the "environmental impact" of the kinds of measures successfully imposed by malthusian fanatics, including Rifkin.

Perhaps it is time that Rifkin's Foundation for Economic Trends be obliged to file as an agent of the Soviet government. That filing might be debated; there should be no debating the fact, that Rifkin's Foundation ought to inform us how it intends to compensate the millions of HIV-infected persons who will almost surely die if Rifkin's motion prevails. In a strict interpretation of "environmental impact," the Foundation's chief activity ought to be to shut itself down.

Every informed person ought to be in favor of improving the environment for human beings. In fact, Rifkin typifies those who misuse the term "environment" to mean the direct opposite to what our national policy ought to be. A fresh



*Modern environmentalist cults were set into motion by avowed satanists. Here, anti-nuclear demonstrators seeking to stop construction on California's Diablo Canyon nuclear plant in 1981, raised their hands in a ceremony of worship of the sun.*

interpretation, and probably amendment of the NEPA is overdue.

### **Rifkin and the 'Antichrist'**

Jeremy Rifkin hardly ranks as a candidate for the post of "Antichrist," but whoever that latter evil personage might prove to be, Rifkin is certainly among his disciples. This is no exaggeration; it is quite literally the case.

The "Antichrist" is the Syrian cult of the Magi, which recruited the Roman Octavian (later, Augustus Caesar) at a meeting held on the Isle of Capri, and backed Octavian against Antony and Cleopatra, establishing Rome as the capital of the fusion of Rome's, Egypt's, and Syria's domains into the empire of the Roman legions. For a time, Octavian and his heirs were quite literally the embodiment of the Antichrist.

It was the Magi-steered Emperor Tiberius, from his cult-center on Capri, who ordered the execution of Jesus Christ, and whose nephew-in-law, Pontius Pilate, carried out the order, to go down in history as the prototype of the modern government bureaucrat who protests, "Nothing personal, just carrying out orders." The cult of the Antichrist was established as a religious movement by a member of the Magi, the notorious Simon Magus. The dogma of this cult, called Gnosticism, is traced by most modern Gnostics to a second-century B.C. follower of Simon Magus, the notorious Basilides.

Jeremy Rifkin is a Gnostic. So was the Swiss psychoanalyst C.G. Jung. So were the theosophist cronies of the evil Bertrand Russell among the followers of Lucifer-worshiper Aleister Crowley.

The general line common among these Gnostics is that

Jesus Christ did not die on the Cross, but that a substitute was used, while Christ is alleged to have married Mary Magdalene and gone off to sire generations of blood-line illuminati.

Adolf Hitler, like the Richard Wagner of Parisfal, adhered to such a cult, and spent a fortune searching for the mythical Holy Grail in southeastern France. The mythical Grail is a leading symbol of the cult. Hitler also sent fat, cocaine-sniffing Hermann Goering to Capri, to attempt to buy the emperor Tiberius palace-site, claiming that Hitler was the reincarnation of the Tiberius who ordered the slaying of Christ.

Whether Rifkin himself adheres to such obnoxious stuff, is almost irrelevant; he acts as if he did.

During the relevant period, these Gnostics produced a counterfeit Bible, known as the Gnostic Bible. This text was recently translated at Harvard Divinity School, and is now being taught to the illuminati among the faculty and student body at Yale. May we soon anticipate a novel crop of ministers, rabbis, and priests from those precincts?

Since the days of Aaron Burr's Jonathan Edwards' "Great Awakening," up and down the Connecticut River Valley, we raised in New England are accustomed to curiously obnoxious religious innovations from the relevant liberal precincts thereabouts.

Among the peculiar features of this Antichrist worshiper's version of the Bible is a destruction of the famous 28th Verse of the First Chapter of Genesis:

And God blessed them, and God said unto them,  
Be fruitful, and multiply, and replenish the earth, and  
subdue it: and have dominion over the fish of the sea,



the fowl of the air, and over every living thing that moveth upon the earth. (King James' Version.)

The destruction of that fundamental tenet of Judeo-Christian belief is the Gnostic's cause which Rifkin has made his life's work. This is the Gnostic's devotion of that heathen cult named The Foundation on Economic Trends.

This is no mere coincidence. The modern "environmentalist" cults which yield such diabolical fanatics as Rifkin were conceived and set into motion by avowed Gnostics including the followers and associates of theosophist Lucifer-worshiper Aleister Crowley. As Stanford Research Institute's Marilyn Ferguson documents in her advocacy of this connection, in her *The Aquarian Conspiracy*, it was the Gnostic mystical Brotherhood of such as Oxford University's John Ruskin, Crowley, and the Fabian circles of the pro-genocidalist Bertrand Russell and of H.G. Wells, who implanted modern "neo-malthusianism" in North America and Western Europe.

On religious grounds, therefore, every Christian and Jew will shy from an abomination such as Rifkin and his crowd, pretty much as Adolf Hitler was to be shunned. However, since our law prohibits any established church, how do such considerations bear upon the shaping of the public policy of the United States? The principles of natural law written into the intent of the Declaration of Independence and Federal Constitution, show the proper connection. What Rifkin proposes is directly contrary to the original clear intent of U.S. constitutional law.

U.S. constitutional law is defined chiefly by two documents, the Declaration of Independence and Federal Constitution. The latter changed nothing of the former, except to establish a Federal Union and the form of government suited to that purpose. It is the Declaration of Independence which premises the independent existence of the United States on an appeal to the authority of a body of natural law, a body of law higher in authority than any man-made law of government or international treaty.

Since the beginning of the present century, more emphatically, and since the appointment of Fabian fellow-traveler Oliver Wendell Holmes as Chief Justice of the Federal Court, there has been an insistent defiance of the plain language of the Declaration of Independence, Constitution, and Bill of Rights, to the degree that the conduct of legal process today bears faint resemblance to any rational principle upheld by the republic's founders. The drift in law is the Romantic irrationalism of Berlin's Karl Savigny, the dogma which Savigny's student, Karl Marx, copied in formulating what he called "historical materialism."

The question which the modern practice of law-making poses to its critics, is a sneering: "Natural law does not exist. It is we who make the law and the judicial decisions. Can you critics show me an agency with the power to defy our right to say the law is whatever we choose to say it is."

The answer to that sneering challenge is, "Yes. We can point to a marvelously efficient agency which destroys any nation which persists in violating natural law, as the two Roman empires were each destroyed in succession, by no other agency than this one." The liberals may insist, that the choice of belief in God is a purely arbitrary matter of personal taste; it were better to choose the God whose natural law has the inherent power to destroy entire nations which persist in violating that law.

It was never intended by the founders of our republic that the separation of state from church should be construed as indifference to Christian natural law, as the precedent of St. Augustine's *City of God* defines this, and as Nicolaus of Cusa elaborated this for modern society later. Although some of those founders, like Thomas Jefferson, were influenced by the eighteenth-century materialist "enlightenment," the central current of American eighteenth-century republicanism was defined with direct efficiency by Boston's Cotton Mather, as most of the crucial features of our independence were already prefigured by the pre-Andros Massachusetts Bay Colony.

Our republic's attitude toward religion's influence on public policy was not atheistic (agnosticism was invented by Charles Darwin's Thomas Huxley during the mid-nineteenth century). It was Christian ecumenicism extending its fraternity to Judaism in such fashion as the history of Jewry in eighteenth-century America attests.

The point of distinction, is that it is not allowed that the shaping of our public policy be governed by the specific dogmas of any religious denomination, but only upon principles of natural law traditional to Judeo-Christian belief. The policy-shaper must not argue from Scripture or catechism. The policy-shaper must rely upon an appeal to reason, by aid of an intelligible representation of the facts and calculable consequences of either a policy or the omission of a proposed policy.

In other words, if the instruction of the 28th Verse of Genesis I is valid, we can not merely assert this on the authority of a reading of the Scripture. If our reading of that Scripture is true, then, particularly given the long history of mankind's existence, our reading must be demonstrably true in those latter terms of reference.

The factual basis for this proof of our point against Rifkin is overwhelming, to the point that there exists no fact or omission which permits reasonable doubt. A society which follows Rifkin's secularized Gnostic dogmas will be destroyed as a consequence of doing so, as the two Romes brought about their own destruction before us. A society which accepts Rifkin's Gnostic dogma will be shown in the course of history to have been destroyed because it was not morally fit to exist.

Hypothetically, you might escape the fuller measure of penalty for your sins on that account; your grandchildren would bear the full penalty. Unfortunately, after 25 years

of full-blown unleashing of the counterculture, and 20 years of "environmentalism," the time of our grandchildren's suffering is about now. If we wish our nation to continue to exist, there is little time to rid ourselves of the influence of the Rifkins and their ilk upon the shaping of our national policy.

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*If we ever ceased to effect technological progress, the human cost, in labor, of sustaining per-capita existence would increase. This is precisely what caused the erosion, leading to the fall of both the empires of Rome and Byzantium.*

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### **Progress and survival**

What were then named the "new sciences" of ethnology, sociology, and modern psychology were invented by the nineteenth-century positivists, with the French Disease of Ethnology reaching our shores, as the future anthropology, during the 1840s. Since the beginnings of American anthropology under the patronage of the treasonous Albert Gallatin, anthropologists, generally speaking, have been terrible hoaxsters and liars, from Lewis Henry Morgan through Dame Margaret Mead.

Exemplary is the insistence of these creatures that we must rue the fall of Aztec culture, one whose heart-rending religious practices might have been the envy of an Adolf Hitler.

There is no doubt, after scrutiny of Jeremy Rifkin's recently published writings, that he has swallowed the dogmas of these anthropologists, and depends upon them to a considerable degree for his current batch of anti-science sophistries. Since we are implicitly obliged to refute Rifkin's argument in part on its own terms, we begin our proof with a reference to one of the favorite dogmas of the anthropologists: the assertion that the original form of human society was a "simple hunting-and-gathering society" fit to delight the deranged sexual fantasies of a Jean-Jacques Rousseau.

It is elementary to show, that given this planet in a wilderness state, an average of approximately ten square kilometers of land-area were required to sustain the life of an average member of such an hypothetical form of "primitive society." This would set an upper limit to human existence on this planet, at approximately 10 million individuals.

The state of culture possible for such a society would satisfy the most radical of the utopian fantasies found among modern "environmentalists." The average life-expectancy among surviving infants, would be significantly less than 20 years. The mental and moral life of the members of such a society would compare precariously to that of troops of chimpanzees and baboons.

According to last summer's reports, the population of this planet now exceeds 5 billion persons. Granted, most of those subsist in reduced circumstances, often precarious ones. If we but assume that the levels of technology well established by the early 1970s were made generally available to all nations, that would suffice to sustain perhaps 15 billion persons at an average standard of living comparable to that of Western Europe or the United States about 1970.

On the frontiers of present developments in science, we are elaborating new technologies which will increase the per-capita productivity and income of the average U.S. person by about tenfold during two generations. We have in sight, beyond that, more advanced technologies which are adequate to increase the per-capita productivity a hundredfold above present levels by the close of the next century. By that latter time, the human population of Mars, for example, will have reached a level of at least the tens of millions, while the great deserts of this planet have been transformed into habitable, fertile gardens.

Thus, if we assumed that the anthropologist's "primitive hunting-and-gathering society" ever existed as a naturally occurring form of original society, we would say that by 1987, mankind had increased human potential population-density a thousandfold—three orders of magnitude in decimal terms, and is in reach of raising that to a hundred-thousandfold—five orders of magnitude.

This points to a most fundamental distinction setting mankind absolutely above, and distinct from the beasts. The obvious evidence of this distinction, is that mankind has increased its raw potential population-density by three orders of magnitude above the hypothetical "hunting-and-gathering" level, whereas no beast could increase its potential population-density by even a small fraction of a single order of magnitude.

Looking at all that is known factually of past human existence, including archaeological evidence, the increase of mankind's raw potential population-density is due chiefly to what we may term retrospectively "scientific and technological progress"—precisely what Rifkin works to terminate.

This increase has the following four leading features:

- 1) The increase of the physical value of an average market-basket of consumption, and an accompanying increase in life-expectancy of surviving infants.

- 2) A shift, in percentages of total labor-force, from rural to urban labor, and a shift in percentages of the urban labor-force, from production of households' goods to production

of capital goods.

3) A shift both in the amount of usable energy consumed per-capita and per-square-kilometer, and in the temperature-equivalent of energy applied to the point of work.

4) Those kinds of advances in the internal organization of powered tools, machines, and analogous processes, which enable mankind to employ increased amounts of energy per-capita and per-hectare efficiently, and to increase the net work accomplished with an average unit of energy consumed so.

This latter change in the organization of the powered productive process is the raw definition of technological process. The preceding, cited constraints, are the preconditions for continuance of employment of more advanced technologies.

This increase in the raw potential population-density of mankind—by, apparently, more than a thousandfold thus far—is attributable entirely to the uniqueness of the human individual's mental-creative processes. Through the development of those mental-creative potentials of the individual, not only do we develop persons capable of generating valid fundamental discoveries in physical science; we also develop, more generally, persons able to assimilate these discoveries efficiently. Thus, mankind is able to change its behavior in a way no beast can do; thus, all efforts to explain human psychology and human behavior from the vantage-point of studies of animal behavior, are intrinsically absurd.

Throughout this process, man is bound by relative limits to natural resources. For the most part, mankind's technological progress increases the fertility of land, and so forth. However, some resources become either scarcer, or relatively more costly to develop. We overcome such relative limits through technological progress; we develop so new kinds of resources, and are enabled to use economically the old kinds of resources.

If we ever ceased to effect technological progress, the human cost, in labor, of sustaining per-capita existence would increase. So, the standard of living, and culture would decline, and, at the same time, the raw potential population-density of mankind would decline. This is precisely what caused the erosion, leading to the fall of both the empires of Rome and Byzantium.

Indeed, most among what anthropologists identify as original or relatively primitive cultures of this planet are shown by the archaeological and anthropological data themselves to be, like the famous "digger Indians" of California, and the seventeenth and eighteenth centuries' Polynesians, too, degenerate offshoots of a failed higher level of culture. So, the post-1000 B.C. Mayans could not have developed the urban cultures of the Maya cities; rather, after approximately 1000 B.C., there appears to have been a rather catastrophic collapse of previously established levels of civilization, with the once-leading "tla"-speakers degenerating

into the savage ancestors of the Aztecs met by Cortez.

Generally, long before the earliest archaeological evidence of lunar calendars, solar astronomical calendars existed with what are, for line-of-eyesight observation, very sophisticated astronomical cyclical features. The progress of mankind's increase in raw potential population-density has not been a gradual or consistent one; what we have achieved so far is the net result of alternating successes and failures.

What must necessarily bring about the collapse of any culture, less predominantly external causes, is a shift in cultural paradigm which causes the culture to abandon the practice of generalized technological progress. That is precisely what has been happening, most conspicuously, to the United States during, most emphatically, the recent 20 years since the fiscal budget of 1966-67. However much our cultural vigor was eroded up to the 1960s, our cultural paradigm was approximately the most successful on this planet. Beginning the interval between 1963 and 1968, we began to shift our prevailing cultural paradigm, under the growing influence of neo-malthusian dogmas, to a form of culture which is inherently unfit to survive.

Thus far, our argument would seem to be, that scientific and technological progress are indispensable means for increasing the standard of living and life-expectancies, and enabling societies to survive. It might be argued, that such a view degrades the individual to the role of necessary labor, a labor which must necessarily increase its productivities if it is to succeed in that mission.

There is also an opposite view of this matter. The ability of the individual to generate valid fundamental discoveries in physical science demands extension of the period of education of the young through the secondary levels and into higher learning. The same kinds of changes are indispensable if labor is to be able to assimilate advanced technologies efficiently. If education is directed to the principal purpose of fostering the development of the mental-creative powers as such, the result is a higher quality of individual personality, higher because of increased distance from the hedonistic irrationality of the beasts. From this standpoint, it would appear that the purpose of increasing the raw potential population-density through technological progress, is to enable the average person to become less bestial, more human.

From the standpoint of some leading Christian theologians, such as Cardinal Nicolaus of Cusa, the comprehension of the Creator's laws less imperfectly satisfies our yearning to lessen the imperfection in the attempted congruence of our will to that of the Creator. We become thus less imperfectly in the image of the living God.

Eliminate the dichotomy between the two views of the matter; unify both as a single, functionally interdependent conception. Labor informed by technological progress, and labor committed to the good, is not merely an appendage of the productive process, but rather the productive process is also an appendage of the development of the individual per-

son as less imperfectly human.

It is our humanity of which Jeremy Rifkin would deprive us, and that together with the cruelest circumstances imposed upon our grandchildren and great-grandchildren.

Thus, such Scriptural injunctions as the famous 28th Verse of Genesis I are written not only in the Bible, but also in the galaxies and in the history of mankind to date.

Rifkin's dogmas are neither new in history, nor do they date only from the wicked Magi. Scripture speaks of the Whore of Babylon, the mother of her (e.g., the Magi) who

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*The interconnections of "environmentalism," "post-industrial" utopianism, and the rock-drug-sex young counterculture, have shown their efficiency in serving the Soviet cause. To what degree is this process of erosion of our culture our own doing, and how much has it been caused by direct steering from the Soviet government?*

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wears the mark of the beast. This Whore is the Chaldean lunar Earth-mother goddess, Ishtar, the Semitic name for the Shakti of the Dravidian colonists of Sumer. She is also known as Ashtar, Astarte, Cybele, and Isis. Her Dravidian consort, the phallus-god Siva, is also known as Baal, Osiris, Satan, and Dionysos, and in such variants as Apollo and Lucifer.

In every well-known case of the collapse of civilizations, wholly or substantially, in the region of Near and South Asia, and the Mediterranean littoral, a cultural paradigm of the sort specific to such offshoots of the Shakti cult was the human causal factor. Gnosticism is but the paradigmatic guise in which these "Babylonian" cults persisted during the Christian era. Rifkin's secular Gnosticism typifies the essence of these.

We have a choice: Persist in tolerating the kind of anti-science "environmentalism" represented by Rifkin, or survive as a nation. The United States has become an endangered species, and Rifkin is among the pollutants responsible for the threatened catastrophe.

### **The Soviets and malthusianism**

The continued influence of Henry A. Kissinger and Zbigniew Brzezinski merely typify, as better known cases, the

fact that U.S. policy-making is incapable of serious strategic thinking. I do not wish to pick on Kissinger or Brzezinski gratuitously, nor do I wish to imply that they are even the most important figures in relevant aspects of policy-shaping. I am merely encumbered by the fact that they are the best-known of the names at hand.

To wit: The combined exertions of offense and defense required to secure victory in a strategic conflict, represent a combined allotment of efforts, not less than 80% of which total is properly devoted to efforts in culture, physical economy, and politics, and not more than 20% to military efforts as such.

If we accept the Soviets' cultural standpoint, theirs is the correct form of strategic planning, and ours is not. If one wishes to conquer a nation, prudence, even Soviet shrewdness dictates that it were more effective if we first weaken a nation to the point it might be either conquered more assuredly or induced to submit with no more than a whimper. The most effective way to accomplish this, from a Soviet vantage-point, is to weaken the Western economies while also weakening the Western political will to resist.

The interconnections of "environmentalism," "post-industrial" utopianism, and the rock-drug-sex young counterculture, centered upon the drug-culture, have shown their efficiency in serving the Soviet cause. The question is, to what degree is this process of erosion of our culture our own doing, and how much has it been caused by direct steering from the Soviet government?

To a large degree, the ideas of neo-malthusianism and the counterculture, as they are encountered today, are much older than the Soviet state, and significantly older than the origins of Bolshevism itself. Predominantly, they originated within the West, from the stratum which we have identified by the label "The Aquarians": Ruskin, Nietzsche, Crowley, et al. However, by no later than 1962, the Soviet government resolved to exploit these self-destructive influences inside the West; by 1967-68, under KGB chief Yuri Andropov, the Soviet orchestration of international narco-terrorism was in full swing.

In a "secret address" of 1962, at the hottest point of the Sino-Soviet conflict, Soviet General Secretary Nikita Khrushchov praised Mao Zedong as making a fundamental contribution to the conflict with the U.S.A., in using China's drug-weapon against the United States, during the period of the Korean War, and again, during the early 1960s. Khrushchov vowed then that the Soviets would not be left behind in this matter. Andropov's role in launching coordinated international narco-terrorism, largely through Syria, beginning 1967, reflects the continuation of Khrushchov's drug-war policy under Brezhnev.

About the same time that Andropov was coordinating the integrated narco-terrorist operations, a complementary channel of opportunity was opened to Moscow through the founders of the malthusian Club of Rome, Britain's Dr. Alexander

King and Solly Zuckermann. One outgrowth of this was the establishment of the International Institute for Applied Systems Analysis (IIASA) at Laxenberg, Austria, with support from the U.S. Ford Foundation's McGeorge Bundy, in cooperation with the Soviet KGB. In Moscow itself, the relevant institution was the Institute for Global Systems Analysis, with connections not only to IIASA and the Club of Rome, but also with active links to Kaldor's circles at Britain's Cambridge University, in King's College and the Apostles.

About the same time—1966-68—Soviet intelligence assets among nominally “Marxist” organizations in various nations began dropping as much of their Marxian rhetoric as was needed to move with more or less full energy into the causes of “environmentalism” and “leftist” support for the rock-drug-sex counterculture. This included the Socialist International. At first, this was characteristic of the “youth affiliates” of such leftist organizations, plus a variety of “Marxist” intellectuals retooled for the undertaking. It became more generalized as the leftist youth leaders of the 1960s became the left celebrities of the 1970s and 1980s.

Case in point is the West German Green Party, a radical malthusian cult directly funded by Moscow through East German funds conduited via the Communist Party of West Germany, and through other channels, too. This party, now commanding more than 5% of the vote, is the political umbrella and cheering-section for sundry riotous projects run under immediate direction of Soviet GRU (military intelligence) agents. Yet, the Green Party is also an area in which well-known Western intelligence figures play a prominent role, either directly within, or through de facto channels of cooperation and support.

In intelligence parlance, the Green Party is a “derivative operation.” By that, one signifies an operation which is an asset of both Western and Soviet intelligence services, without being entirely one or the other. Rifkin's operations are such a “derivative operation.” This is shown by the pattern of his targeting of specific Soviet strategic objectives inside the U.S.A., as he has done in the case of EM weapons-research. Weaken the agro-industrial potential of the United States, most emphatically those interests tied to patriotic traditionalist political forces and the “military-industrial complex” in particular. Weaken the military. At the same time, stage a relentless effort to search out and destroy every important area of scientific research, preferably while it is still in the hatching-stage and thus relatively most vulnerable.

Is Jeremy Rifkin a counterintelligence problem? Yes. Short of catching him red-handed in violation of laws, what should we do about his activities? Essentially, recognize them for what they are, shun his efforts as one shuns the proffers of a prostitute—for those not otherwise persuaded, we add, especially a suspected IV drug-user in this era of the HIV virus.

In a political democracy, all sorts of obnoxious rhetoric

must be tolerated, simply because it is dangerous to entrust the determination of “obnoxious” to enforcement agencies. In this case, the determination of obnoxiousness is objective: Rifkin represents a foul, proximately satanic influence, which, if tolerated, assures the destruction of this nation. Do you wish our nation to survive; then, do not allow his influence to penetrate our policy-shaping.

## The environment

Beyond Rifkin as such, our economy, as well as our national defense will be crippled as long as the present trend of interpretation of the National Environmental Policy Act (NEPA) persists.

“Clean environment,” with “clean water,” “clean air,” and luscious foliage abounding, are seductive imageries. Properly defined, they are not only desirable conditions, but indispensable ones. The trouble is, the way in which these goals have been interpreted, is contrary to all sense.

From a sane standpoint, as distinct from an “environmentalist” one, the United States is becoming an environmental nightmare. Essentially, the basic economic infrastructure of the suburban and urban areas, and national infrastructure as a whole, has been in a net state of decay, now bordering upon rot, since 1970. Approximately \$4 trillion must be spent, even to bring basic economic infrastructure up to 1970 levels of quality. Savage lowering of the income margins of farms and industries, and obstruction of adequate and clean sources of increased energy-supplies, are miring us in filth.

Typical, during a period in which industrial indexes have been collapsing, “environmentalists” claim that industry has created a threat to the trees. Closer examination shows that tree-death is either simply a repetition of cycles older than the industrial revolution, or a result of undernourishment (lack of fertilization!) of depleted soils. As always, the spread of bankruptcy and misery around the nation, all in the name of—now—“65 months of uninterrupted recovery”—produces filth and decay, as bankrupting of once-prosperous farms produces dust-bowls, and as bankrupting of industry and spread of misery among increasing rations of the general population must always produce filth and decay.

In sum, the chief environmental dangers come not from industries', laboratories', or the Pentagon's doing that to which Rifkin vociferously objects. The chief danger to the environment comes from measures which Rifkin and his ilk applaud: shutting down energy production, and productive employment generally.

Before Rifkin opens his mouth again, he should be obliged to undergo a strict Environmental Impact Study on the consequences of his characteristic activities.

Otherwise, by successfully eliminating about 5 billion persons from the present levels of human population. Rifkin's policies might bring us into that Rousseauvian utopia, a “primitive hunting-and-gathering society,” which is the logical end-result of Rifkin's course of action.

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## U.S. Soviet 'New Yalta' deal behind war on Panama

by Gretchen Small

All signs indicate that Moscow has given the Reagan administration a green light to do whatever it considers necessary to bring Panama under control. Washington's problem continues to be that not only has it failed in its efforts to crack the nationalist military-civilian coalition that holds power in Panama, but Panama's resistance threatens to rekindle a broader rebellion, led by Ibero-American military nationalists, against the new U.S.-U.S.S.R. world condominium.

Panama's nationalist defense occurs just at the point Moscow and Washington were confident they had forced the majority of the region's politicians to accept their rigged game. With Peruvian President Alan García capitulating, preferring to join his former antagonists in the Moscow-aligned Socialist International rather than continue his independent Catholic nationalist project, Moscow and Washington expected Ibero-American leaders to finally accept the fact that no possibility remained for independent action outside the superpower deal.

### Mad dog Abrams meets Pavlov

The upsurge in military rebellion against the Moscow-Washington deal was the chief issue discussed by Assistant Secretary of State Elliott Abrams and his Soviet counterpart, Yuri Pavlov, when they met to discuss Central America in Rome on April 14, the Spanish news service, EFE, reported at the conclusion of the Pavlov-Abrams meeting. Neither had "foreseen the spiral of tension in Panama, nor the possibility that some armed groups in the region would escape from control of the two superpowers."

Official reporting was close to nil on the Rome talks, the fourth formal negotiations on Central America held under the regional "conflict management" program begun between Moscow and Washington in 1985. The U.S. embassy limited itself to announcing in advance that "the exchange of U.S.-U.S.S.R. opinions tomorrow will cover a broad range of arguments, among which the discussion of regional foci of tension stands out," EFE reported.

But according to EFE's sources, the foci of tension which concerned Pavlov and Abrams, were Panama, and the victory of the National Republican Alliance (Arena) in El Salvador's elections last March.

Arena won by campaigning against the United States' "no-win" approach to the war against Moscow's insurgents in their country. Panama's military has been organizing regional resistance to the Reagan administration's Central America policy on an even broader basis, charging that U.S. support for the IMF is the leading cause of endless war in the area.

Panama's press has begun to pay attention to how the current U.S.-Soviet waltz overlaps the war against their nation. Just hours after Mr. Shultz signed the U.S.-U.S.S.R. deal on Afghanistan, he was demanding more support for his "brutal" campaign against Panama, *La República* columnist Luis Restrepo, noted on April 17. Restrepo also noted that Afghanistan and Pakistan were invited to Geneva, to serve as mere "acceptors" of the superpower agreement on their future.

### Constructive ambiguity, Walters-style

From Rome, Abrams flew to Buenos Aires, to join up with Reagan's ambassador to the United Nations, Gen. Vernon Walters, who had begun a tour of Ibero-America on April 15.

Walters has been discussing one theme in his meetings with foreign ministers and Presidents of Peru, Uruguay, Argentina, Brazil, Venezuela, and Paraguay: Panama. Ibero-American diplomats in Lima reported that Walters suggested the United States will condition future economic and military aid for Ibero-America, on support for the U.S. war against Panama. Asked if the United States planned to invade Panama, Walters proved as masterful as Al Haig at linguistics. He insisted he would not answer, because the situation called for such "constructive ambiguity."

Walters was more blunt in Buenos Aires. "Once already



we committed the error of publicly promising that we would reject the invasion of North Vietnam. . . . It was an error. Errors can be committed, but only once. The second time, we would be stupid."

Walters has delivered an ultimatum, Mexico's *Excelsior* correspondent in Buenos Aires reported. Either Ibero-America joins the U.S. efforts to force Defense Force Commander Gen. Manuel Noriega to leave the country, or the United States is going in militarily to do the job. If by May 15, President Manuel Solís Palma has not been removed, and Noriega kicked out, the United States will consider a political solution impossible, *Excelsior* reported Walters had told both Uruguay's President Julio Sanguinetti and Argentina's President Raúl Alfonsín.

From neither did Walters ask for advice or opinion, *Excelsior* added; but only reported on "decisions" taken by Washington, citing "the exceptional situation of Panama as a country through which passes an interoceanic, and fundamentally strategic, Canal." An invasion of Panama "should be bloodless," and finished in a few hours, "perhaps in less than 60 minutes," Walters was said to have assured the Ibero-American leaders.

Abrams and Walters, joined by the Defense Department's Robert Pastorino, then held an all-day meeting with all U.S. ambassadors to Ibero-America on April 20.

On April 22, many U.S. media reported that a new phase of Walters's "constructive ambiguity" had begun, with the opening of negotiations between the Civic Crusade and the Solís Palma government in Panama. While most emphasized that the Crusade's change of tactics was ordered by the State Department, the *Washington Times* headlined its coverage, "U.S. Now Trying Talks in Panama—But Goal is Same."

### Changing the face of the enemy

The Reagan administration's war on Panama matches the introduction of a new definition of the enemy to be defeated in the Americas, one more acceptable to the one-world condominium: "narcomilitarism." While the term "narco-terrorism" has successfully been banned from the Washington lexicon, "narcomilitarism," a buzzword first coined by Moscow's terrorists in the region as the warcry through which they seek to mobilize broad sectors of the population against the militaries of the region, is more acceptable in the summit-crazed atmosphere dominating the Reagan administration.

Language classes are sometimes necessary to understand policy shifts in Washington, D.C. The battle over how to fight—or not fight—the drug trade, was waged in the field of semantics. No official could use the term "narco-terrorism," because that term implies recognition that the marriage of narcotics and terrorism is the principle form of Soviet irregular warfare upon the Americas today. So, U.S. military men spoke of "paramilitary criminality," to describe a reality Washington officialdom cared not to hear about.

Now Washington has adopted the Soviet agenda for the

Americas wholesale, and any nationalist military institution in the region has been declared the enemy of democracy. The dismantling of Panama's Defense Forces is just the first step in the plan to weaken, and subdue, the military throughout Ibero-America, spokesmen for the secret government's *Project Democracy* now admit publicly.

Washington's Panamanian opposition front, the Civic Crusade, is leading the charge. The Crusade's Harvard-trained editor, Roberto Eisenmann, lectured the Women's Democratic Club on April 12, on "narcomilitarism" as the new "political phenomenon in the Americas."

Eisenmann, whose Miami bank, Dadeland, has been used for drug-money laundering by some of Eisenmann's closest friends, has made the elimination of Panama's military a personal crusade for years. He proposes that, once General Noriega goes, the 15-20,000 Defense Forces be reduced to a 2,000-man special force, drawn from the nation's (white) elite, instead of the "poor" (and black) Panamanians who currently form the ranks of the PDF.

Eisenmann's address was "groundbreaking," because of its sweeping presentation on "the ominous birth of 'narcomilitarism,' an unholy and historic alliance of Latin Marxists, the rich narcotics cartels, and unscrupulous military opportunists such as Gen. Manuel Noriega," intelligence leaker Georgie Anne Geyer expounded in an April 18 *Washington Times* column.

Geyer demanded the U.S. "take military action, get General Noriega out unconditionally, reorganize the Defense Forces"—soon. She also specified that Panama's Defense Forces are not the only ones targeted for "reorganization," insisting on the "multinational threat of narcomilitarism."

On April 16, Crusade director Gilberto Mayol lectured a Miami meeting of the Jacques Maritain Institute of Cuba, on "Narcomilitarism," describing this as the combination of militarism "created by the United States," and international drug-trafficking. Panama is not the only country in the hemisphere endangered by this threat, Mayol stressed to his listeners; narcomilitarism is also growing in Honduras, Colombia, and Costa Rica.

Mayol, speaking to a group of anti-Castro Cuban exiles, was careful to present himself as ideologically anti-Soviet. But two days later, his arguments against narcomilitarism were repeated, line for line, in Washington—by Colombian Senator Pedro Alcántara of the Communist Party's United Patriotic Party! Alcántara has been touring the United States, demanding the U.S. quit working with Colombia's military—currently running a mop-up campaign in the Medellín heart of the cocaine trade—because they are "corrupt" and "repressive."

In Washington, Alcántara was speaking on behalf of Amnesty International and its new report on violence in Colombia, which charges that Colombia's military, not its narco-terrorists, are responsible for the mass killings taking place in that country.

# Crises in the Middle East a test for superpower deal

by Jeffrey Steinberg and Thierry Lalevée

A series of rapid-fire terrorist and military confrontations has thrown the Middle East into chaos on the eve of the final preparations for the May Reagan-Gorbachov summit in Moscow. While those developments have certainly unleashed an escalating pattern of violence, and raise the prospect of a new Arab-Israeli war triggered by the threat of mass expulsion of Palestinians from the Israeli-occupied territories, they also provide the crisis conditions for an even more dangerous superpower "condominium."

A "New Yalta" deal, involving Washington-Moscow solutions dictated to all "regional conflicts," has been the underlying goal of U.S. Secretary of State George Shultz's recent diplomatic junkets through the Middle East, leading to his April 20-21 Moscow sessions with Soviet Foreign Minister Eduard Shevardnadze.

Under such an arrangement, Moscow would be the principal beneficiary, replacing the United States as the dominant military and political power in Europe, the Middle East, Africa, and sections of Asia and the Pacific rim, while leaving the United States to play-act "Teddy Roosevelt" gunboat diplomacy in the Western Hemisphere.

The Middle East blowup began on April 4 with the hijacking of a Kuwaiti Airlines flight carrying several members of the Kuwaiti royal family, by a highly professional team of Iranian-deployed terrorists. When the hijacked airliner landed in Mashad in the northeast corner of Iran bordering on the Soviet Union, a second team of terrorists was inserted onto the plane, thus suggesting advanced planning to bring the flight temporarily to rest on Iranian soil. According to one Arab source, that backup team traveled from Beirut through Damascus to Teheran en route to Mashad, implying an even broader coordination of the incident. There was a simultaneous heavy outbreak of terrorism in Western Europe.

The European terrorism and the hijacking incident had the common feature of involvement of North Korean special warfare teams in the training of the terrorist cadre. Soviet-linked North Korea maintains terrorist training camps within Iran, and the Japanese Red Army, whom Italian security officials named as the authors of a Naples bomb attack that killed one American GI, are believed to receive their logistical backup from the North Koreans. Up until recently, the

JRA has been primarily based out of Beirut, enjoying the joint protection of Iran and Syria.

The Kuwaiti Airlines hijacking ended on April 20 when an unidentified mediator, believed to have been a senior official of the Lebanese Shi'ite Hezbollah ("Party of God"), negotiated the release of the hostages in return for the terrorists gaining safe passage to either Teheran or Beirut. The Algerian government, too, played a pivotal role in the resolution of the situation. However, by the time that compromise settlement was reached, the entire regional situation had been drastically altered by the April 16 assassination of Palestine Liberation Organization leader Khalil Wazir, a.k.a. Abu Jihad.

The American naval presence in the Persian Gulf was the target of the next attack. On April 14, the USS Sam B. Roberts was hit by a recently planted Iranian mine, resulting in the injury of 10 sailors. After several days of policy debate, in which the majority of the Reagan cabinet opposed taking any retaliatory action against Iran on the eve of Shultz's arrival in Moscow for the pre-summit discussions, military and intelligence community "institutional forces" prevailed on the President. In the early morning hours (EDT) of Monday, April 18, Defense Secretary Carlucci and Joint Chiefs of Staff Chairman Admiral Crowe personally oversaw an American naval bombardment of two Iranian oil platforms at Sassan and Sirri.

Breaking its earlier profile of non-response, Iran attempted to attack several U.S. ships and ship-borne combat aircraft, resulting in the sinking of two of Iran's four naval frigates and the destruction of several other Iranian military targets. Indicating the "limited" character of the American action, the Pentagon was quick to reject initial reports that the USS Williams had been attacked by five Silkworm missiles. Had such an attack been confirmed, the American standing policy of taking out the Iranian ground-based Silkworm sites would have been almost mandatory.

According to administration sources, Pentagon and intelligence community officials had pressed President Reagan to take even the limited action that he approved as a means of countering the overall drift of the White House toward placing the superpower condominium above the United State's

unilateral policy commitments towards the Middle East. The purpose, according to the sources, was to signal America's Gulf Arab allies that the United States intended to maintain its commitments to the security of Gulf shipping lanes.

Within this byzantine maneuvering, no one proposed that the United States move decisively to obliterate the Khomeini terrorist regime by assaulting the ground-based staging areas and logistical centers of Iran's terrorist command.

### **The Abu Jihad assassination**

By the time that the United States finally got around to retaliating, events in the Persian Gulf and eastern Mediterranean had already been turned topsy-turvy by the April 16 assassination in Tunis of the PLO's military commander, Khalid Wazir, known as Abu Jihad. The assassination, by a special Israeli commando unit known as Sayeret Matkal, had been in the works for four months, and involved communications jamming, a 40-man on-the-ground logistics and reconnaissance team, and a naval escape.

Middle East sources also insist that a security screen around Abu Jihad was mysteriously lifted—thus allowing the assassins to carry out their mission unchallenged. These reports provoked widespread speculation that the assassination of the moderate PLO leader had been personally approved by Secretary of State Shultz during his recent trip to Tel Aviv en route to Moscow. Abu Jihad had directed the Palestinian civil disobedience in the occupied territories and had apparently opposed the escalation of those protests to armed struggle. Reportedly, Shultz had ordered U.S. Ambassador Pickering to drop all efforts to convince Israeli Prime Minister Shamir to go along with the Shultz "land for peace" proposal and his call for an international peace conference co-sponsored by the Americans and the Soviets. Shultz's purpose in visiting Israel had been to sabotage his own peace initiative, thereby creating greater impetus for a Washington-Moscow deal on the Middle East.

Whether or not the accusations against Shultz are accurate, the Abu Jihad assassination certainly added a new degree of urgency to the entire Middle East situation at the very moment that Shultz was on his pilgrimage to Holy Mother Russia.

Ever since Prime Minister Shamir's March visit to Washington, the Israeli cabinet, intelligence services, and military have been embroiled in a fierce debate over what action to take in response to the continuing Palestinian civil disobedience in the occupied territories. According to U.S. and Israeli sources, the dominant view currently is that Israel should seize upon the first opportunity to carry out a mass expulsion of Palestinians to Jordanian territory on the east bank of the Jordan River. Such a move would begin with a temporary Israeli military occupation of Jordanian territory, i.e., a short war with Jordan.

Key to the military planning is an assurance that the Syrians would not invade Israel in the area around Nazareth.

Back-channel talks between Tel Aviv and Damascus have long focused on a "Greater Israel" and "Greater Syria" deal, in which Israel would permit a Syrian annexation of the bulk of Lebanon in return for Syrian non-response to an Israeli move into eastern Jordan. This would be in keeping with the broader U.S.-Soviet condominium. In fact, Washington and Moscow would necessarily serve as arbiters and guarantors of such a maneuver.

Thus, it is no coincidence that even as Shultz was running around the Middle East pouring cold water on his own "peace plan," Moscow was doing its bit to lay the foundations for a Middle East condominium.

- On April 17, *Pravda* ran an editorial heralding the U.S.-Soviet-Afghan-Pakistani accord in Geneva as the "first time the United States and the Soviet Union have cooperated to act as intermediaries to help solve a regional conflict," thus demonstrating that both superpowers "could work together to solve such possible conflicts as, say, the Middle East."

- On April 13, a top adviser to Shamir, Ben Aharon, had flown to London to confer with Yevgeni Primakov, the director of the CPSU's IMEMO think tank and the former head of the Soviet Oriental Institute. Primakov is one of Gorbachov's key Middle East policy shapers.

- The same day, Shamir had personally announced that he was prepared to go to Moscow to confer with Reagan and Gorbachov during their summit—provided that Jordan's King Hussein would join him. Thus, Shamir in effect proposed to apply the Afghanistan formula to the Palestinian crisis.

- On April 14, Nimrod Novick, chief foreign policy aide to Foreign Minister Shimon Peres, was in Paris meeting with Vladimir Terrasov, the head of the Middle East desk at the Soviet ministry of foreign affairs.

- On April 16, in response to an announcement by Alexander Zinchuk, Soviet ambassador in Amman, that Foreign Minister Shevardnadze would soon tour Jordan, Syria, and Egypt, Shamir invited the Soviet foreign minister to add Israel to his itinerary.

In the face of George Shultz's flight forward to a "regional matters" sellout in Moscow, and the mounting consensus within the Shamir cabinet to respond to any escalation of Palestinian unrest with a mass expulsion of Palestinians from the occupied territories, PLO leader Yassir Arafat is reportedly still managing to hold the line against radical elements who are anxious to launch terrorism in retaliation for the Abu Jihad murder. This would throw the entire Eastern Mediterranean into a bloody replay of the Thirty Years War. As one observer put it, so long as the Palestinians stick to rock throwing, they stand a real chance of achieving their goal of a Palestinian entity. Even under the best of circumstances, that is a risky proposition. With forces in both Moscow and Washington intent on driving the PLO into the clutches of its most radical elements, the chances of a successful resolution of the crisis—save a serious injection of economic development credits—is near zero.

# Strong smell of 'New Yalta' swindle in arms control, Israel, and Afghan deals

by Lyndon H. LaRouche, Jr.

*The following news analysis was released to the press by The LaRouche Democratic Campaign on April 14, 1988.*

The contents of the current issue of *Foreign Affairs* magazine, and the proceedings of the recent Japan meeting of the Trilateral Commission, should be closely examined by all serious persons as bearing upon the pattern in U.S. State Department policy-shaping in the matters of arms-control, Central America, the Middle East, and Afghanistan.

As Henry A. Kissinger has asserted repeatedly earlier, and as Zbigniew Brzezinski asserts today, the United States under Carter-Mondale and the second Reagan-Bush administration, is moving in the direction of withdrawal from all former commitments to its friends in Western Europe, Africa, and Asia, and accepting increased Soviet domination of these portions of the planet. The majority of the Anglo-American liberal Establishment is solidly behind a policy of seeking to transform this planet into a single empire ruled by a condominium of three quarreling powers, the U.S.A., the Soviet Empire, and the Peoples' Republic of China.

This development came to the surface in the most stunning way during President Reagan's 1986 Reykjavik "summit" conference with Soviet General Secretary Mikhail Gorbachov, in the November 1987 INF agreements, and the present START negotiations. It was also the most prominent feature of Secretary of State George Shultz's catastrophic failures during his recent Middle East negotiations. It is key to the apparent willingness of the U.S. State Department to accept a condominium with Moscow over Afghanistan and Pakistan.

## **Shultz's Middle East policy**

Some of the points in Secretary Shultz's proposals were not bad. Sooner or later, the elementary rights of the Palestinian Arabs must be respected. The majority of the Israeli political leaders know this, and perhaps a third of those are

prepared to take some measures of positive action now.

With certain assurances from the United States, Israel would be ready to consider some long-overdue changes in that direction right now. Some of the points in Shultz's proposed agenda would be workable, if certain other assurances were made in a believable way.

However, the government of Israel had solid reasons for believing that Shultz's proposals for political solutions were not serious. What influential Israelis found most objectionable, were three facts:

1) Broadly, the United States has been pulling back from commitments in the Middle East. President Reagan's withdrawal of U.S. commitments to defense of Western Europe, persuades all governments in the Middle East that the United States no longer has any serious commitments in that region. So, Shultz was received in Israel and Jordan, not as a prospective partner to an agreement, but an annoying kibbitzer.

2) Shultz made it clear to the government of Israel, that the only serious element of his packaged proposal, was the demand that Israel submit to a joint U.S.-Soviet condominium over the Middle East. Since the United States is in the process of withdrawing its former commitments to both Western Europe and the Middle East, what Shultz proposed would, in effect, deliver Israel into the hands of Soviet overlordship. Naturally, the government of Israel rejected this.

3) Shultz rejected rudely, Israeli and other suggestions that an economic-development program for the region be part of an agenda on negotiating political solutions. Without economic-development policies, any otherwise valid political solution would be unworkable.

## **Soviet Afghanistan policy**

Currently, the Reagan administration is claiming credit falsely for bringing about withdrawal of Soviet forces from Afghanistan. It is true that the State Department was engaged in such negotiations with nominal Soviet General Secretary

Gorbachov, until approximately this past March 13. However, at that point, Gorbachov was shipped into Yugoslavia, for a week's tourism, while many elements of Gorbachov's policies were scrapped by the Soviet government during his absence. At that point, the U.S.-Soviet negotiations on Afghanistan were scrapped.

Since that time, in place of U.S.-Soviet negotiations, the Soviet government has announced that its Afghanistan policy would be determined unilaterally, without consulting the United States or Pakistan. It is that Soviet unilateral plan of partial withdrawal which is being implemented.

There is no indication of any plan for total withdrawal of Soviet military forces by any official Moscow source. What Moscow has decided, and what certain Western channels have accepted, is the north-south partitioning of Afghanistan, with Soviet withdrawal of occupation forces from the southern part, and reduced Soviet occupation forces in the northern part.

Through European and other back-channels, Moscow has proposed to the U.S.A. a similar north-south partitioning of Angola and of South Africa itself, while permitting Israel to take a large part of Jordan's territory on the east bank of the Jordan, on condition that Israel accept the entirety of Lebanon becoming part of Greater Syria.

Moscow has offered to make the southern region of Afghanistan the territory of all Afghan forces which are unwilling to live under Soviet rule in the northern region. The object is to turn the southern region into a no-man's land of bloody civil war among rival Afghan factions. The object is to accomplish the dismemberment of Pakistan, creating new states of Pushtunistan and Baluchistan, and proceeding toward the general destabilization of India beyond that.

Meanwhile, the 20,000 to 50,000 Soviet troops being pulled back from Afghanistan, are being deployed on the border of Iran. This is accompanied by an ominous flurry of Soviet military specialists' studies of "mountain warfare." Current Soviet policy is to get its troops out of regular military operations in mountainous regions, and to limit such operations within regions of Asia in which Soviet capabilities are sufficient to effect easy victories at a relatively minimal price.

In the mountainous regions, Moscow will concentrate on using controlled and semi-controlled assets in conduct of irregular warfare.

What the U.S. State Department has done in this matter, is nothing better than to give official U.S. backing to a unilateral decision by Moscow. Moscow has conceded nothing. Worse, the U.S. State Department has announced that it intends to sign on as a co-guarantor of the submission of both Pakistan and Afghan rebels to the conditions unilaterally dictated by Moscow. Shades of Chamberlain's and Daladier's conceding to Hitler, at Munich in 1938, the Czechoslovakia which Hitler had intended to grab whether or not Chamberlain and Daladier made such concessions. So much for State Department negotiations!

It is even much worse than that. Through high-level back-channels, Moscow has proposed that the north-south partition of Afghanistan be the pattern for negotiations over Angola, and the Republic of South Africa, and that this pattern be extended to potential hot-spots of U.S.-Soviet "regional matters" agreements generally. So far, the State Department is not admitting that such negotiations are in progress, but they are.

### **The Brzezinski syndrome**

Whether President Reagan understands this fact, or not, the second Reagan-Bush administration has set a worse record in appeasement of aggressors than Chamberlain and Daladier set in the 1938 Munich pact with Adolf Hitler. The majority of the U.S. citizenry may not grasp this fact fully yet, but the majority of the powerful liberal Establishment is in full support of Reagan-Bush policies causing this monstrous sell-out.

The liberal Establishment's current party line was handed out to the faithful Establishment errand-runners at the current Tokyo meeting of the Trilateral Commission. The high points of that party line are explained in two featured articles in the New York Council of Foreign Relations' quarterly, *Foreign Affairs*. The two articles are, first, the magazine's leading item, authored by Trilateral official Zbigniew Brzezinski, "America's New Geostrategy." To translate Brzezinski's gobbledegook into something resembling plain English, it is indispensable to study an accompanying article, "The Dollar and the Defense of the West," by three authors: "patrician" Harlan V.B. Cleveland, John Hopkins' David P. Calleo, and the *New York Times'* Leonard Silk.

Relevant excerpts from the two articles supply the gist of the liberal Establishment policy:

. . . the American deficits suggests . . . the grim possibility that the United States, the country which created the postwar global economy, is now on a course fated to destroy it. . . . History is full of examples of hegemonic powers that brought themselves down because they were unable to sustain a viable relationship between geopolitical pretensions and economic resources. . . .

The American fiscal dilemma must be resolved, and the perpetual instability of the dollar that is its consequence must cease. This will require a radical and resolute policy to stop the United States from perpetually living beyond its means. Austerity will have to include the federal government. . . . Major and durable military cuts are essential and these logically require a readjustment of America's geopolitical role and alliance commitments. . . . Under the circumstances, it is imperative that the United States not become so preoccupied with Soviet relations that it fails to make the fundamental changes in the West

that are the precondition for future stability within the global system.

Despite the more than usual amount of double-talk in these articles, and Trilateral proceedings, too, the general drift of the message is clear. The present majority of the eastern bankers' liberal Establishment is committed to a new system of power-sharing with the Soviet empire. They have decided to end U.S. strategic commitments to the defense of Western Europe, the Middle East, Africa, and East Asia. They intend to cut away not flesh, but major bones of U.S. defense, reducing the United States to the status of a third-rate military power in the hope that Moscow can be trusted to honor the generous power-sharing agreements which the Reagan-Bush administration is delivering on arms-control deals and "regional matters."

They also insist that the next President and Congress will impose a regime of increasingly harsh austerity on the American people, with significant increases in tax rates, and major cuts in Social Security pensions and other entitlements, as well as defense.

By "global system," Brzezinski and so forth mean the present global financial system. From Western Europe, we are informed, repeatedly and emphatically, that this means wiping out about 2,000 local banks in the United States, with the remains of those banks and major New York City banks—except for the Morgan complex—gobbled up by about five international super-banks. Everything will be cut, by austerity measures all calculated to keep the financial "system," then controlled through about five international super-banks, from collapse. For the sake of that "global system," the Establishment is willing to destroy almost everything else, and to make any power-sharing deal with Moscow which seems necessary as part of such a package.

Even if we accepted the idea of maintaining that "global system," as the Trilaterals do, there are three crushing fallacies in what Brzezinski terms the "new geostrategy." None of the three fallacies can be solved within the limits of what is apparently acceptable to the Trilateral Mr. Brzezinski.

There is a fourth fallacy, the fallacy of the Trilaterals' refusal even to consider the obvious alternative to their present, disastrous "geostrategy."

Let us examine each of these four fallacies briefly, in order.

### **Humpty-Dumpty Gorbachov**

The idea of global power-sharing with Moscow dates, of course, from about the time of the Yalta and Potsdam conferences. It persisted as a proposed option throughout the Cold War period, 1946-53, and surfaced in Pugwash and related back-channel agreements between the Anglo-American liberal Establishment and Khrushchov during the second half of the 1950s. At the level of the U.S. government itself, the present drive toward what is sometimes called a "New

Yalta" agreement with Stalin's successors took hold under President Johnson, about 1966-67, and surfaced as the Kissinger-led drive for "détente" under the 1969-72 period of the Nixon administration.

The movement in the direction of closer relations with Moscow was built up over the 1970s and 1980s, first, through indirect and then direct foodstuffs concessions to Moscow. It began with indirect, U.S. subsidized delivery of butter to Russia, through New Zealand, and then spread into the form of shipments of U.S.-subsidized grain. These concessions, run through channels of the international grain cartel, became the axis of trade through which more and more of the industrial interest of North America and Western Europe became drawn into economic concessions to the Soviet dictators.

With the selection of KGB chief Yuri Andropov as Leonid Brezhnev's successor, beginning about March of 1982, and special, somewhat secret deals with Andropov sealed about April 1983, moves by Nancy Reagan's cronies among the Reagan administration's palace guard, to maneuver out National Security Advisor William Clark, signalled a much softer line toward Moscow during the second Reagan-Bush administration.

The unexpected death of Andropov created a succession-crisis in Moscow. A virtual "living corpse," Chernenko, was rushed into his role as a temporary place-holder, until the time Mikhail Gorbachov, and old guard Titorenko's daughter Raisa Gorbachova, surfaced in London as Chernenko's putative replacement. From that point on, Western financial interests joined with old Soviet agent Armand Hammer, Dwayne Andreas, and others in seeking new business deals in Moscow. It was this stampede toward Moscow by Western business interests which supplied the energy for the Reagan-Gorbachov "summits," and the present patterns of appeasement.

Without considering those background facts, it is nigh impossible to understand the motivations of Mr. Brzezinski's financier sponsors. These fellows are living out a dream, a memory of the period from 1922 through 1927, when a consortium of Soviet foreign intelligence (the Cheka) and Western bankers participated in a famous partnership-arrangement called "the Anglo-Soviet Trust," or, simply, "the Trust." The Western Soviet darling of that period was Nikolai Bukharin. The masturbatory dream of these financier interests behind Brzezinski, is the hope that Mikhail Gorbachov would become a reincarnation of the Bukharin whom Stalin overthrew to establish the Soviet First Five-Year Plan.

That dream is now collapsing. The important fact is not that Gorbachov's status as General Secretary has become a public issue; the important fact is the reason for that development. Whether Gorbachov is dumped or not, Moscow itself will act to scrap the "neo-Bukharin" features of economic dealings with the West.

During the 1924-27 period, the Trust's financial and po-

litical agreements hung upon export of Soviet grain. At that time, grain prices paid to the Soviets were at such a level that Soviet industry was nearing the brink of collapse. For that reason, the Soviet leadership rallied to eliminate what they considered the dangerous Trotsky, and then backed Stalin for the dumping of Bukharin and, more important, Bukharin's policy. This brought the "Trust" arrangement of the 1922-27, "New Economic Policy" period to an end.

Recently, a rather different set of circumstances has been working to similar net effect.

Throughout the postwar period to date, the civilian sector of the Soviet economy—and, so, indirectly, the vast military sector, too—has been sustained by a critical margin of looting of the Eastern European captive nations. Since 1982, the intensity of the looting of Eastern Europe has been greatly intensified.

Three factors are responsible for this:

1) The massive increase in the rate of Soviet pre-war mobilization has led to an intensification of the looting of Eastern European economies.

2) The same Eastern European economies have been looted still further, to provide the margins for the levels of economic agreements with Western financial interests.

3) As during the middle to late 1920s, when similar conditions developed, a tendency for fall in world prices of raw materials, including petroleum, and related factors, has intensified the effects of looting of Eastern European economies.

In consequence, several of the Eastern European economies are at the point of physical breakdown. This includes Poland, Romania, and less intensely thus far, Bulgaria and Hungary. The strains on the Czech and East German (G.D.R.) economies are being intensified as part of the same pattern. If the only consequence of this were increased potential for social protest in the captive nations, Moscow would probably not flinch. Soviet police-state methods would probably suffice. However, the laws of nature can not be changed by the police-state knout. A threatened physical breakdown in the economies cannot be prevented by mere Chekist exertion of political will. Moscow will not lessen significantly its military build-up, in any case. This element of strain on the Soviet and Eastern European economies will not be alleviated. That means, that burden of marginal economic concessions will be discarded. The obvious Soviet choice of policy-option, as repeatedly proposed by Marshal Nikolai Ogarkov, is a reversion to the model of 1929-35. It is most probable that this shift will come rapidly, and soon.

This objective economic reality—not ideological strains as such—already put Gorbachov's career in jeopardy last spring. The crisis broke into the open at the June 1987 sessions of the leadership. After a hazardous summer, Gorbachov was allowed, by the October plenary sessions, to retain the title of General Secretary, but with a marked reduction in

his actual powers. A "troika" of Suslov heir Ligachov, KGB chief Chebrikov, and Ogarkov's military assumed a supervisory position over Gorbachov.

Gorbachov's nominal position was maintained for two very obvious reasons. Immediately, the foreign public-relations investment in Gorbachov, the hope of securing massive concessions from President Reagan, was a factor. More profound is the problem of choosing a successor. This is not merely a matter of choosing a personality; but the always difficult process of sorting-out multilateral policy-agreements within the leadership, which are the precondition for selecting a successor. This latter process is now boiling up with unconcealable intensity, and must lead to some sort of dramatic result rather soon. So, the relevant features of what Brzezinski et al. see as the prospective Soviet props to a "global system" are very much in jeopardy during the near-term.

## Soviet strategy

Excepting the very important fact, that the Soviets abhor unnecessary risk-taking, the Soviet dictatorship is now committed to establishing Moscow as the eternal capital of a third, worldwide Roman empire during the course of the 1990s, or at least making that result an irreversible, foregone conclusion. In important respects, this mystical commitment in Moscow is as compelling to the Soviets as some of Khomeini's wild fanaticism.

Moscow has no intention of honoring for long any power-sharing agreements reached with the Western liberal Establishments. As the entire history of Soviet postwar practice has shown, Moscow accepts power-sharing agreements only with the view that such agreements are calculated to a weakening of the nations it intends to gobble up. "Finlandization" is but a route to reducing the neutral to either outrightly colonial or, at most, client-state status under Moscow's rule. Moscow does not intend to share power with the Western Establishment for a prolonged period; it intends to gobble up the world, and nothing less.

After we allow for the repertoire of Soviet alternatives to military assault—subversion and so on, Moscow is committed to the doctrine, that peaceful submission of victims can be secured only if Moscow's combined military might and political will each and both are "objectively" sufficient to break the victim's will to resist. Moscow will accept nothing less than absolute military superiority, sufficient for victorious assault with minimal margin of risk, by sometime during the 1990s.

Indeed, by build-up of the picture of the West as the image of the enemy, and using the now powerful Soviet Russian Orthodox Church and the increasingly potent moods expressed by the Pamyat Society for this purpose, Moscow will minimize its internal economic problems.

In the meanwhile, anyone in the West who deludes him-



self that the Soviets will honor the putative intent of arms-control agreements, is playing the strategic fool.

### The 1987-89 financial crisis

The Andropov-Ogarkov plan for world-conquest was premised upon the assumption that an inevitable new major international financial crisis would weaken the material potency and political will of the West to the extent of affording the Soviet empire an irreplaceable opportunity for securing global supremacy. The 1982 timing of the selection of Andropov to succeed Brezhnev, was heavily weighted by the acceptance of this calculation by the Nomenklatura.

So, the very circumstances which impel Mr. Brzezinski to seek global power-sharing with Moscow, lessen the political value which the Soviets place upon such arrangements. The time during which Moscow welcomes such arrangements is typified by the Brezhnev period, when Moscow calculates the West to be sufficiently strong in means and will to administer a terrible penalty to the Soviet "homeland."

Simultaneously, this financial crisis generates another problem for Brzezinski, et al. There is no way in which the present "global system" could be perpetuated much longer as a combination of political arrangements and economic-financial policy-structure.

The last time Western European civilization was faced with a kindred circumstance was during the second quarter of the fourteenth century. Then, the spread of famines and epidemics, together with the loss of economic structure represented by the vanishing of half the urban centers of Europe, created the circumstances in which the Lombard financial system of that period simply collapsed, into the "New Dark Age," of its own weight during the middle of that century.

The nearest approximation of that fourteenth-century collapse occurred during the period from the middle of the sixteenth century until the 1653 defeat of the Hapsburgs, a period some have termed a "little dark age." The direction in which Brzezinski's policies would carry the world today, is not an echo of that latter, "little dark age," but the logic of the mid-fourteenth-century's "New Dark Age."

Brzezinski's proposed policy, on this account, suggests the case of some homicidally deranged adolescent, who takes every adult in the town hostage, and begins killing them, one by one, in an attempt to blackmail Santa Claus into delivering him a toy he particularly desires to receive that Christmas. In some matters, such as Brzezinski's "global systems" perspective, even mass-homicidal fervency of political will produces only a strikingly different result than that so devoutly desired.

### The alternative

Over and over, the relevant passages in the current *Foreign Affairs* repeat: "No purely economic explanation for today's gathering crisis is adequate. . . . it must be understood that the solution to America's dollar problem is not

purely economic but geopolitical. . . . Purely economic analysis cannot explain why the United States has followed policies so different from the Germans and Japanese." The insistence on this repeated point is fairly described as hysterical, even fanatically so.

The root of the dollar crisis is not "geopolitical"; it is simply economic. The persistence, over approximately 20 years, of four decisions of the past have caused this crisis:

1) The Johnson administration's 1966-67 decision to shift away from a traditional emphasis upon scientific and technological progress, toward a "post-industrial" utopia, toward what Brzezinski lauded in 1967 as "cybernation."

2) The 1971 decision to dump the system of gold-reserve-pegged fixed parities among reserve currencies, to create the "floating exchange-rate system."

3) The 1979 decision by the Carter administration, to launch Paul A. Volcker's "controlled disintegration of the economy," as specified earlier in the 1975-76 series of proposals for Carter administration policy, co-edited by Cyrus Vance and Zbigniew Brzezinski, called "1980s Project."

4) President Reagan's decision, during the period from August through October 1982, to attempt to paper over the 1982-83 debt crisis by means of fostering the eruption of the greatest John Law-style international financial bubble in history during the following five years.

The October 1987 "Black Monday" crash has unleashed an augmented revival of the international financial crisis of 1929-32. The nature of this crisis is nothing but conclusive proof that the economic and monetary policies of the past 20 years, under five successive presidents, have been consistently, disastrously wrong. The lesson to be learned is, to save the United States—and Western civilization—we must scrap what Brzezinski hails as his "global system."

There are two leading features of this present "geopolitical" crisis. First, there is the terrible weakness caused entirely by the combination of "post-industrial" utopianism and matching monetarist policies. Second, there is the political erosion of the morale and will of the populations caused by 20 years of living under the persisting economic and related decay caused by those economic and monetary policies.

Brzezinski et al. are flatly wrong in asserting that it has been the burden of global strategic responsibilities which has weakened the dollar. It is the weakening of the dollar at home, by precisely those policies for which Brzezinski has been persistently a leading advocate, which has destroyed the material resources upon which the United States and Western Europe both depend to maintain defense of the security and freedom of the nations and peoples of Western civilization.

There is still time to scrap the failed economic and monetary policies which Mr. Brzezinski so much adores. If we do so, a rapid economic mobilization can be launched, and out of that the means for solving other leading problems, including the strategic ones, will appear rather rapidly.

# Mexico gets the Panama treatment from lunatic U.S. Senate

by D.E. Pettingell

After months of complaining about the lack of “action” in the War on Drugs, the U.S. Senate decided to get tough and demand that Mexico surrender its sovereignty if she wishes to be “certified” by these new self-appointed world judges. The Senate overwhelmingly passed a resolution April 14 to punish Mexico with economic sanctions, supposedly for Mexico’s lack of cooperation in the war on drugs. By a vote of 63 to 27, the Senate withdrew the “certification” of Mexico by President Reagan as a nation “fully cooperating” with U.S. efforts against drugs.

If the House of Representatives votes to “decertify” Mexico, as it is expected to do in the following days, Mexico will become the first nation to be slapped in the face with the aggressive law since it was enacted in 1986. Known as the Anti-Drug Act, the legislation demands the slashing of 50% of foreign aid to any country that the President does not “certify” by March 1, as “fully cooperating” in the anti-drug efforts. U.S. representatives to international financial organizations are also obliged to vote against new loans to those countries. Congress, in turn, has 45 legislative days to revoke the “certification” if it wishes to.

But the Senate vote has nothing to do with Mexico’s “bad” performance on the drug fight. In fact, Mexico has 25,000 military troops and about a thousand policemen devoted to the war on drugs, day and night.

Political analysts in Mexico are correctly predicting that the Senate vote is the prelude to an aggressive offensive to give Mexico the “Panama treatment.” The same group of “Project Democracy” senators who instigated the war on Panama have now launched the “get Mexico” campaign.

The beginning of the “Panamization” of Mexico confirms that Washington’s foreign policy has gone insane. The administration’s so-called War on Drugs is having no effect on saving the United States from drowning in drugs, but it

has turned into a weapon to force nation after nation, from Panama and Mexico to Colombia and Peru, to give up their sovereignty, their national institutions, and their own judicial system, if they wish to be “certified.”

In the summer of 1986, *EIR* warned that after Panama, the secret government’s Project Democracy—thus far mainly identified with selling arms to Khomeini—would target Mexico. We said that Project Democracy’s plans would be to try to discredit Mexico’s institutions in the eyes of the world as infested by drug-related “endemic” corruption . . . as they did with Panama. This would give the green light to the Washington-run “opposition” forces and narco-terrorists, namely the National Action Party of Mexico, to create chaos within Mexico, . . . as happened in Panama. The United States would then have an excuse to intervene militarily, and seal the border to “prevent violence from spilling over.” The militarization of the 2,000-mile U.S.-Mexican border, with American troops pulled out from Western Europe, is part of the New Yalta scenario agreed upon by Moscow and the Eastern Establishment (see article, page 46).

## Sovereignty, the issue

“No one wants to take away Mexican sovereignty,” Sen. Alfonse D’Amato lied during the lengthy debate. But we do want Mexico to “allow our Air Force, our Navy, or our Coast Guard, to pursue those drug smugglers inside Mexican air space” the corrupt Republican senator from New York went on.

Allowing U.S. aircraft in Mexican territory in “hot pursuit” of drug planes is one of the concessions the Senate wants Mexico to make. “The Mexican government has turned down a U.S. request for unrestricted access to Mexican airspace,” said Sen. Pete Wilson (R-Calif.), the author of the resolution, to point out Mexico’s alleged “lack of cooperation.”

The other demand by the United States is to allow U.S. law enforcement officials to take over the probe of the 1985 murder in Mexico of Drug Enforcement Administration special agent Enrique Camarena. And finally, the United States wants her officials to be allowed to go inside Mexico and "verify" eradication statistics. "We do not know whether what they are spraying is, in fact, the kind of chemical that is supposed to achieve the killing of marijuana plants or whether it is simply water," Wilson viciously claimed.

But Mexico has rejected all three demands for what they are: pretexts for intervention. Mexico has provided the United States with a full and comprehensive report on the results of Mexico's war on drugs.

Mexico has told the United States that one-fourth of Mexico's 100,000 troops have conducted 22 permanent eradication and interdiction operations since 1982. The most successful is "Operation Condor" in Mexico's Golden Triangle, the drug area of Chihuahua, Durango, and Sinaloa. Mexico's Defense Minister, Gen. Juan Arevalo Gardoqui, recently stated that in the past five years his troops have destroyed 38,352 hectares of poppies and 39,176 of marijuana. Over 5,000 kilos of cocaine have been confiscated at clandestine airstrips. He reminded the United States that 499 Mexican lives have been lost in the war.

The above statistics do not include the achievements by Mexico's attorney general's office, the agency in charge of the national anti-drug program. The attorney general's office figures show that in 1987, there was a dramatic increase of eradication and confiscation efforts. Cocaine seizures were up by 75%, over 9,000 kilos of cocaine were confiscated; opium-derivative seizures increased by 12%, marijuana eradication by 26%, that is, 3,750 hectares were destroyed. In 1987, Mexico increased its fleet of spray helicopters by 50% over 1984, while \$18 million of the attorney general's annual budget, close to 60%, was spent in the effort.

The figures for the first four months of 1988 are even more dramatic: 11,942 poppy plants have been destroyed over a surface of 1,069 hectares and 4,557 marijuana plants over 544 hectares. Mexico's Federal Police confiscated a total of 641 vehicles—including trucks, vans, and cars; 12 airplanes and 9 boats, the latter confiscated by the Mexican Navy. Over 1,000 firearms have been confiscated and four cocaine laboratories dismantled in the first months of 1988.

Drug kingpins Rafael Caro Quintero, Ernesto Fonseca Carrillo, Miguel Felix Gallardo Parra, and others have been in jail since 1985 and are currently awaiting trial for the Camarena murder, among other drug-related crimes. In 1987 alone, Mexico arrested and indicted 9,798 individuals on drug charges, according to a press release by the Mexican embassy.

Among this large group of soldiers and police officers there may indeed be some cases of corruption, a Mexican official publication admits, but individual cases cannot cancel out the merit of work which, if let undone, would have

allowed a great many more drugs to enter the United States, the largest drug market in the world.

## **Mexico counterattacks**

No wonder the Senate action provoked anger in Mexico. Attorney General Sergio García Ramírez expressed "profound shock and great displeasure" at the Senate actions. He accused the United States of "ignoring the great efforts of the Mexican people to combat a problem whose causes are certainly not attributable to Mexico," and demanded to know why the United States does not do more to prosecute money-laundering bankers, who are the key power of the international drug empire.

The Mexican Foreign Ministry responded by reminding the United States that "no power can claim for itself the right to certify the conduct of other societies or governments. No one has the right to impose from abroad conduct, ideas, political or economic systems on other peoples." The denunciation was well understood in Panama where the government's dailies gave broad coverage to both the Senate move and Mexico's response.

Leonardo Ffrench, the spokesman for the Mexican embassy in Washington, stated that despite the Senate vote, Mexico "is firmly committed to keep doing its best efforts to fight drugs in order to protect its own population." Mexico fight drugs, Ffrench added, "as a matter of common sense, for international solidarity with the rest of the world, because it is a State issue and because it is necessary to protect her own national security." The Mexican diplomat then asked, "What is the United States doing, within its own territory, to fight drugs?"

Senators opposing the resolution pointed out that out of frustration in the fight on drugs, Washington is seeking to put the blame on others. "To illustrate how ludicrous this resolution is, I wonder if perhaps we should not penalize states until we are sure that they are fully cooperating in this war on drugs," Sen. John McCain (R-Ariz.), said during the floor debate April 14, targeting his colleagues Wilson and D'Amato. "As to my friend from New York, who spent a great deal of time in such compelling and emotional rhetoric about the evils of Mexico, I would like to point out that it is not safe on the streets of his city," he added. "My friend and colleague from California comes from a state that, in the estimate of many, illegally cultivates vast quantities of marijuana."

## **A plea or green light?**

In a last-minute plea, Reagan warned the Senate that it would have a "political impact" on U.S.-Mexican relations. "It would adversely effect every aspect of our relationship with Mexico." He even said that anti-Americanism would make it more difficult for the incoming President (Mexico has presidential elections this year) to have a more "constructive" relationship with the White House spokesman Marlin Fitzwater, warned that the President was committed to veto

the decertification on "national security grounds."

But Reagan's plea, rather than discouraging the Senate, had an opposite effect. During the three-hour debate, Wilson conceded that neither he, nor any of the other senators, would fight a Reagan veto and that that was all the more reason to pass the resolution since it was rather "academic." By decertifying Mexico, "we would be sending a message to Mexico," Wilson argued.

Reagan's letter gave the wrong perception that there are political differences between the White House and Congress on how to best deal with Mexico. Nothing is further from the truth. Both branches are committed to the secret government's "Panamization" scenario for Mexico.

What there might be is a division of labor. Reagan's certification of Mexico was preceded by a bitter interagency squabble with Assistant Secretary of State Elliott Abrams and DEA Director Jack Lawn arguing for sending Mexico a strong warning by denying her certification. Reagan's advisers recommended against it. The consensus reached was to grant Mexico full cooperation status and let Congress carry out the diplomatic confrontation; thus, the Executive Branch could wash its hands. They now believe that the purpose of sending a "strong message" to Mexico has been achieved. But the message heard in Mexico is that Washington's foreign policy is "unstable, inconsistent, and zig-zagging," as a Mexican editorial put it.

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## Documentation

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*Arturo R. Blancas, columnist for the daily El Diario de México, wrote April 18 on the threatened "Philippinization" of Mexico.*

There are two organizations which are working in tandem training cadre to promote and lead the post-electoral destabilization of the country, with an eye to mounting a "filipinazo" [Philippines-style coup]. . . .

One of them, the PAN's civil resistance movement, already has a corps of 700 experts in non-violent destabilization and pressure tactics, according to its national coordinator, Edmundo Gómez. Those 700 graduated from 36 seminars held expressly to instruct them . . . in the tactics and timing of battle. . . .

Parallel to the PAN's civil resistance movement is another movement working toward the same end, an organization without a name and without visible leaders, that is, which shields itself in anonymity, which is providing training on "active violence," based on the experiences of the Philippine

AKKAPKA group. . . . This parallel movement is encouraged by the Chihuahua clergy and sponsored by certain business groups.

Regarding the AKKAPKA group, it is said that it sent a mission to our country at the end of 1987, headed by a Philippine priest of the ecclesiastical jurisdiction of Manila, and by two non-clerics, Teresa and Rafael, who provided training in fighting through non-violence.

That mission must have fully met its purpose, for after its stay in Mexico, several members of the leadership of various parties and civic groups, as well as business associations, went to the Philippines "to observe the Philippine experience in defense of democracy by peaceful means."

At the same time, the Philippine mission left behind, to reinforce the instruction it gave, printed and audio-visual pilot material, which was reproduced and is being distributed around the country. National and state civic associations have systematized the showing of a video-cassette brought by that mission, "which explains how the Philippine people acted toward the overthrow of Ferdinand Marcos."

The two organizations . . . have instruction manuals which present the experiences of similar movements in other parts of the world. They also contain the political and philosophical arguments upon which they seek to morally and juridically base their fight. . . . Here are a few:

- The sources of power of the ruler intimately depend on the obedience and cooperation of the population;
- The loss of authority initiates the disintegration of the power of the ruler. His power diminishes to the extent his authority is denied.
- The degree of success of the ruler in the exercise of power depends upon the degree of obedience and cooperation he garners.

● . . . Obedience is definitively based on the consent of the person, but this consent can be withdrawn.

And in the manual are established the steps or phases for withdrawing obedience and cooperation from a government. . . .

In the same instructions, derived from the work of Gene Sharp, "The Politics of Non-Violent Action," it is stressed that the secret to this kind of fight lies in how to sustain and carry out disobedience, "even in the face of repression," and to establish three basic modes of non-violent action—protests and persuasion, non-cooperation, and intervention.

Similarly, the actions of protest and non-violent persuasion are enumerated, among which are . . . satiric cartoons, pickets, parallel elections, use of "noisy symbols" . . . suspension of religious services . . . student or teacher strikes, asylum in embassies or churches, withholding rents, boycotts by workers, producers, distributors, or providers, withdrawal of bank deposits, black lists against merchants, refusal to pay quotas, debts, or interest, unannounced protest strikes by peasants, prisoners, business and professional associations, slow-downs, hunger strikes, sit-ins, transport shut-

downs, creating parallel black markets, overburdening administrative systems, creating double sovereignties or parallel governments, etc.

*The following are excerpts from the column "Pulso Político" in El Universal of April 18, 1988, written by Francisco Cárdenas Cruz.*

The United States initiated what it hopes will be the "Panamanization" of our country, even going so far as to declare the upcoming federal elections "illegitimate," in an open and brazen intervention that harms our sovereignty, and which neither the government nor we Mexicans should permit. . . . What has happened in recent days in the American capital [the Senate vote to de-certify Mexico—ed.], seems to be a repetition of events which nowadays are keeping Panama submerged in serious conflict. . . .

Once Panama was accused of not acting with decision and energy in the fight against the drug trade, and given the immediate Panamanian rejection of such imputations, Gen. Manuel Antonio Noriega, chief of the Defense Forces, was pointed to as an "accomplice" of drug traffickers' activities and an offensive from Washington was mounted to overthrow him. . . . Today, the "Panamanization" of Mexico, conceived, planned, and encouraged from Washington, has been launched in terms similar to those of the brother country of Central America: "To certify" that Mexico is not collaborating in the fight against drugs and to accuse members of the government of President de la Madrid of being complicit or involved with the international drug mafia. . . .

What follows is easy to predict: interference in next July's electoral process, taking up the protests and complaints of the opposition party on the illegality of the elections . . . and proclaiming that the next President of the Republic was not legitimately elected, for which reason his arrival at the post should not take place. Between that and immediate U.S. intervention in our country, there would not be much distance.

The "Panamization" of Mexico that Washington has under way, like that of the "Philippinization" to which a presidential candidate like the PAN's Manuel J. Clouthier appeals, should keep us alert and demanding that the government act with energy, decision, and urgency to prevent our territory from being turned into an internal battlefield, sponsored from without and prompted from within by Mexicans who, like Clouthier, are inciting the lighting of a fuse that neither he nor anyone else can afterwards extinguish. . . .

U.S. intervention in the internal affairs of Mexico is simply inadmissible. . . . The anti-drug fight is, now, the anticipated pretext that Washington has found to try to turn itself into the great judge of the July electoral process and, with the complicity of a handful, to "certify" illegality to back up its intervention in our country. . . . We Mexicans must all be well aware of this and very attentive to that which will occur between now and then.

# Italy under Ciriaco Will it bow to 'New

by Leonardo Servadio

Italy's new government, under Christian Democrat Ciriaco De Mita, faces a war for survival on the strategic and economic fronts, against an effort to force Italy into the Soviet sphere of influence in a "New Yalta" superpower deal. The assassination of top De Mita adviser Roberto Ruffilli on April 16 was an ugly warning to the new premier, should he balk at granting the Italian Communist Party all it demands in the expected accord.

On one front, the De Mita government has already hoisted the white flag: The first act of the government was to block work on the Montalto di Castro nuclear plant. This decision means 1) increasing dependency on foreign sources for energy, at precisely the time that the Soviets are taking control of the Middle East oil route; and 2) bringing the country to the brink of internal economic disaster, making it all the easier to turn Italian institutions into a transmission belt for "crisis management," on the path to fascism.

Let us look at the two "fronts" of the war being waged on Italy, strategic and economic.

## Irregular warfare

On April 14, forty-eight hours after the new government was installed, a car-bomb went off in Naples in front of the United Services Organization (USO). The explosion killed four Italian citizens and one U.S. soldier. The act was quickly attributed to Okudaira Junzo, a Japanese Red Army mercenary working for Islamic Jihad. Junzo was already wanted in connection with an attack on the U.S. embassy in Rome in 1987.

In a communiqué given to the Italian press agency ANSA in Beirut, Islamic Jihad said, "We warn Italy and its government not to continue supporting imperialism. We are determined to strike all the allies and collaborators of the imperialist countries." The press in Italy stressed that this is a specifically anti-U.S. attack and lists similar strikes which occurred between 1984 and 1987 in West Germany, Greece, and Spain against American targets. *La Stampa* of Turin on April 15 included the April 7, 1986 bombing of the offices of the Parti Ouvrier Européen (European Labor Party) in Paris. That bombing, carried out by a group linked to Direct Action,

# De Mita: Yalta'?

probably on Moscow's orders, hit the only French political party to publicly oppose the "New Yalta" policy.

To get behind the Naples bombing, one need only look at the threats against Italy issued by the Soviet news service Novosti, as soon as it became clear that Italy would accept the 72 American F-16s kicked out of Spain by Prime Minister Felipe González.

## Is 'protection' needed?

The Naples attack is not an isolated case: For some months, Italy has been experiencing widespread guerrilla warfare aimed at paralyzing its economic infrastructure.

- In early April, several high-tension power line poles were found partially sawed through in the Trentino region, near the border with West Germany and Austria. Had they fallen, they could have caused a regional blackout.

- On April 11, an express train between Venice and Paris carrying 300 passengers derailed on the bridge over the Toce river near Domodossola, because several reinforced concrete blocks had been placed on the tracks. Had the train fallen off the bridge, it would have been a massacre; had the train not been slightly behind schedule, it would have collided, as it derailed, with another train traveling in the opposite direction which it normally passes on that very bridge.

- On the night of April 12-13, three car bombs were detonated against an ENEL power plant and two electrical supply companies. They were accused in a leaflet of holding an interest in nuclear plant construction. Operations of this type, technically relatively easy to execute, have been carried out on a large scale over the past three years by the Soviet-funded "Green" circles in West Germany, for the dual purpose of "initiating" experts in terrorist actions and sabotage.

Italy is not threatened by Japanese crazies, but by the Soviet Union. This is real irregular warfare, whose objective is to paralyze the country's economy, until Italy surrenders, breaks its alliance with the United States, and accepts "protection" from Moscow.

On the financial front, the situation is the same. The De Mita government was born under the blackmail of a usurious financial policy which will lead Italy to disaster. The "line"

which the Bank of Italy wants to impose on the new government is clear: Make drastic cuts in spending to destroy the real economy, in the name of "a balanced budget."

## The Bank of Italy's recipe

The Bank of Italy's views were expressed in an article published by *Corriere della Sera* on April 5. It noted that after 1982, the government would have been in the black were it not for interest payments on past and current debt obligations, and that "financial burdens" now represent about 70% of the annual expenditure needs of the state, a figure equal to 8% of the Gross National Product. In other words, because of the high interest rate policy imposed in 1979 on the United States and the world by then Federal Reserve chairman Paul Volcker, Italy's public debt has grown not because of spending on needed public services and infrastructure, but because public bond issues were directed to meeting payments of interest on previous bond issues. Italy entered into a spiral, in which the payments on previously contracted debts imposed an increase in the debt itself, with no investment in services or infrastructure.

The prescription from the Bank of Italy is that the way to put an end to the vicious cycle of indebtedness is to reduce spending—but not, of course, debt payments. The taxes paid by Italians are now to go *exclusively* for debt payments. Of course, 70% of government expenditures already goes to pay interest on debt, leaving very little that can be cut from public services. Yet, the Bank of Italy proposes that these few remaining services be cut.

Such operations, the bank has not failed to observe, can only be carried out by strong governments which proceed expeditiously, given the popular resistance that can be expected. Nor should it be forgotten that in case the deficit needs to be cut by devaluing government securities, a strong government is a necessity, since this would occur at the expense of small savers. The big financial oligopolies are already in process of buying up the economically functional and productive parts of the state apparatus.

Hence, the Bank of Italy's demand is that widely discussed institutional reform go in the direction of stronger governments, beginning with the abolition of the secret ballot in parliament, which would permit the elimination of a good part of the opposition to the demanded austerity policies. That proposal is now being loudly voiced by the same ex-Premier Bettino Craxi who is demanding a ban on nuclear plant construction in Italy.

Has the De Mita government accepted this line from the Bank of Italy? Many things point in that direction—for example, the naming of "technician" Maccanico to the ministry which is supposed to initiate the institutional reforms. As the heir of Enrico Cuccia at the public investment bank Mediobanca, he presided over the privatization of Montedison and Mediobanca itself. He is the perfect man to oversee an "institutional reform" whose sole purpose is to service a fascist austerity policy, whose sole purpose is to service debt.

# French election is multi-media show

by Jean-Baptiste Blondel

Whatever the results of the first round of the French presidential elections on April 24, the most striking aspect of the campaign is the extent to which the electoral process has been "Americanized," transformed into a multi-media show. Strategic and economic problems have been taken over by advertising technicians, and replaced by wheeling and dealing among various factions as to the configuration of forces going into the second round.

Which does not mean there are no issues.

As of our press deadline on April 22, voters were expected to give the highest scores to President François Mitterrand and Premier Jacques Chirac, who would then face off in the second round on May 8. But no cautious observer was totally excluding a comeback by ex-Premier Raymond Barre in the last hours of the campaign.

**INF agreements:** President Mitterrand has accepted them "without reserve." During a visit to Ireland on Feb. 26, he stated, "I wish for a true, global, balanced, simultaneous, verifiable disarmament." He added that he does "not favor" modernization of the arsenal remaining in Europe. Some days later in Brussels, he proposed telling the Soviets, "Let's negotiate, let's begin negotiations on conventional weapons, let's reestablish a balance. If you refuse to do so, then we will modernize."

Mitterrand maintains that the French strategy of deterrence does not allow for any flexible response. Faced with a threat, "Our entire nuclear force, strategic and tactical, would be used . . . after one and only one warning." But Mitterrand's Socialist Party experts are demanding a reduction in the defense budget by scrapping the Hades program, Hades being a mobile land-based missile with a range of close to 500 km, which could be equipped with neutron bombs. If Mitterrand is reelected, French resistance to the INF agreements will lessen.

As for Chirac, he recommends these agreements be approached with "vigilance." He is trying to find some way to fill the gaps left by the dismantling of American nuclear forces, and backs an ambitious program for modernizing the French nuclear arsenal, especially through the Hades program, since this missile is the only one which could make up for the Warsaw Pact's conventional superiority. "We would no longer have to . . . launch the warning strike destined for the aggressor onto the territory of our friends," he said March 8, meaning Germany. France's defense is inseparable from

Germany's, he correctly insists. Chirac supports greater military cooperation between the two. Of course, pressure is also strong within his entourage to cut back spending for nuclear and conventional capabilities.

**European market:** The second point of debate is related to the first—the conception of Europe as it will be in 1992 with the opening of a "great European market." In this respect, the alliances being formed are far more telling. During a recent television interview with ex-President Valéry Giscard d'Estaing, Carlo De Benedetti described the idea of a Marshall Plan for the Third World as absurd, and supported rather a Marshall Plan for the East bloc. Giscard in turn found this "very interesting." Now, De Benedetti is a notorious industrial "raider," and Giscard aspires to become President of Europe in 1992 and has co-authored a proposal for a European central bank.

Along these lines, Mitterrand has stated: "After all, it is also Europe on the other side . . . of the Iron Curtain. I am fully in favor of seeing Eureka, the great technological plan I proposed, solicited by Argentina, Canada, or the Soviet Union. . . . So, I could only support a plan . . . to strengthen or to reestablish links, activities, and trade between Eastern and Western Europe."

As for Raymond Barre, of the Trilateral Commission and Assicurazioni Generali, he has stated, "I see the time coming for an economic space covering Europe from East to West." Of Gorbachov's perestroika, he says, "It is in no European's interest that a great power of this continent be struck with hardships. Insofar as they are going in the direction wished for, the actions under way should not be hindered."

Some proponents of a Marshall Plan for the East claim it would be an excellent bulwark against communism. In fact, it is designed to facilitate Moscow's gobbling up of Europe in the wake of a U.S. pullout.

Jacques Chirac, of course, is pushing a Marshall Plan for the Third World—although he has avoided putting this forward during the campaign. In several interviews, he has mentioned his debt plan for the Third World, which includes a system for linking debt repayments to exchange rates or interest rates, and indexing repayment to the export revenues of the debtor country. "The measures of the IMF are technically understandable, but politically intolerable," he said.

So, beyond the political parties themselves, there are two factions: one, that of Barre and Mitterrand, oriented toward the East, and the other, in the Gaullist tradition, looking toward Africa and the South, while remaining aware of the threat from the East.

In order for Jacques Chirac to win the second round, and therefore the presidency of France, he will need to get all the votes of the extreme right National Front of Jean-Marie Le Pen, and the UDF, the center-right coalition which is supporting Barre in the first round. However, both of these formations have been known in the past to favor Mitterrand over a return to Gaullism.



## Danish elections on May 10th

*NATO could find itself with an oversize "New Zealand problem" in the Baltic arena.*

On May 10, the Danes will go to the polls in what could become the most important parliamentary election in Denmark in this century. At stake is Denmark's membership in NATO, and unfortunately, maybe even the future of the NATO alliance itself.

The troubles began on April 14, when the Danish parliament (Folketing) voted up a Social Democratic referendum calling for a tightening of Denmark's anti-nuclear policies. Since 1957, it has been official Danish policy not to receive nuclear arms in peacetime, and the Social Democratic referendum on April 14 called for continuing this policy.

But the referendum also included a new set of rules for naval ships visiting Danish harbors and territorial waters. From now on, the captains of visiting naval units would be presented with a letter, stating that Denmark allows no nuclear weapons on its territory.

This new set of rules is almost identical to rules implemented by the New Zealand government in 1985, which led to a severe crisis in U.S.-New Zealand relations and dissolving of the Anzus pact. U.S. Secretary of State George Shultz has already called the Danish referendum a direct threat to the United States' "neither confirm nor deny policy" concerning nuclear-armed naval units, and a threat to NATO's nuclear deterrence policy. Shultz warned that the implementation of the referendum could seriously hurt "unity and collaboration inside NATO" and have "extremely severe consequences for the defense collaboration between Denmark and the

United States." The British government warned that it would reconsider the deployment of the 15,000 British troops in the so-called "U.K. Mobile Forces" assigned to the defense of Denmark.

With these reactions from the major NATO allies in mind, conservative Prime Minister Poul Schlüter dissolved his government on April 19 and called for new elections on May 10.

Should the Social Democratic Party and the left wing of the parliament win the elections, NATO will find itself with an oversize "New Zealand problem" on its vital northern flank. Such a result would put the squeeze on Norway's Social Democratic government to take the same restrictive measures against foreign naval ships. This could become the long awaited excuse of George Shultz and the State Department to begin U.S. "disengagement" from Europe.

Moreover, just before the Danish elections, there will be elections in the West German state of Schleswig-Holstein on May 8. In the wake of the Christian Democrats' "Barschel Affair," the Social Democrats, led by Björn Engholm, expect to win an easy majority. Should this be followed by a Social Democratic victory in Denmark, NATO will suddenly have all of its northern flank (Norway, Denmark, Schleswig-Holstein) and outside the alliance, Sweden and Finland, ruled by anti-nuclear, appeasement-loving Social Democrats.

On the other hand, should the conservative-liberal coalition government of Poul Schlüter win a clear majority in the election, this would mean

the definite end to the "Danish problem" inside NATO. Since 1982, Denmark has presented 22 so-called footnotes to NATO decisions on nuclear arms policy. All of these footnotes have been fabricated by the Social Democratic Party and the left wing of the parliament, against the wishes of the government. A Schlüter victory would open up much needed discussion on the new strategic situation in the Baltic arena.

But who is pushing for this show-down? Inside the country, it was the new young chairman of the Social Democratic Party, Svend Auken, who blocked a milder referendum from the government, and forced the parliament to vote on the Social Democratic referendum first. This created the situation in which the government had to step down. But why?

Since 1982, the Danish Social Democracy has dramatically changed its security and defense profile. From 1949 to 1982 the Danish Social Democracy was unquestionably pro-NATO. Then in 1982-83, when the party lost the government, according to eyewitness reports, the following happened. At a birthday party for the then-party chairman Anker Jørgensen in January 1983, Egon Bahr from the West German Social Democracy briefed a handful of leading Danish Social Democrats in a back room on the Socialist International's new anti-nuclear policies. From then on, the defense policies of the Danish and West German Social Democrats were tightly coordinated.

This being the case, these people are playing Russian roulette with the NATO alliance. But according to the latest polls, upwards of 70% of the Danish citizenry is strongly pro-NATO. Maybe it will be the Social Democrats and Svend Auken who lose this round.

## **Kvitsinsky speaks German**

*Richard Burt was no match for the Soviet ambassador's peculiar address to the Christian Democrats.*

**E**vents in Bonn in mid-April revealed a lot about the changing political climate in the Christian Democratic party of Chancellor Helmut Kohl.

CDU politician Willy Wimmer, a member of the parliamentary defense commission in Bonn, returned April 14 from two weeks of meetings in the United States, reporting that the Iklé-Wohlstetter Commission's proposal for *Discriminate Deterrence* is about to become official U.S. policy, either under this President, or the new one who will take office in 1989. Wimmer warned of the role of Paul Nitze, as a key producer of "new ideas" for the next round of U.S. summitry.

Nitze's latest proposal to debate sea-based and airborne cruise missiles at the START panel, was described by Wimmer with the words: "This means the strategic decoupling of Europe from the United States."

Wimmer's revelations sent a shock through all CDU conservatives who had still believed in President Reagan's seemingly "good intentions." This firsthand report from the States proved to all those who had never wanted to believe Lyndon LaRouche's warnings to that effect, that the strategic sellout of Europe is now, indeed, U.S. policy.

Shouldn't the CDU, nominally a conservative, defense-oriented party, fight this trend now, by intensifying its political links with the defense lobby in the United States?

Well, the CDU has, since the signing of the INF treaty, come under the control of the "Moscow Faction," which welcomes the transatlantic di-

sarray because it helps its own propaganda for intensified ties to the Soviets. Now that the United States is growing strange, the "Moscow Faction" says, "We'll have to come to good terms with Moscow, to get through the INF era."

The way the "Moscow Faction" is operating became most visible at the foreign policy congress the CDU held in Bonn April 13-14. The ambassadors of the two superpowers, Richard Burt of the United States, and Yuli Kvitsinsky of the Soviet Union, were invited to give keynote addresses to the CDU congress. It was the first time ever that a senior Soviet official was permitted to address a CDU congress.

Officially presented as a "debate between the two on equal terms," the affair took quite a different shape. Richard Burt, himself one of the original authors of the INF diplomacy, was no real match for the Soviet diplomat.

For example, the emotional level: Informing the audience that the CDU had advised him to address them in English, Burt delivered his speech in his native language. It was one of these standard, academic speeches that pay lip service to German-American friendship and the Western alliance, but are totally inappropriate in a situation dominated by massive, skillful Soviet propaganda into Germany.

Yuli Kvitsinsky addressed the CDU congress in German, opening his speech with the delusive formulation, "We Europeans in the East and the West." He presented the tempting offer that "all military bases be removed and foreign troops be withdrawn from other territories." The same had been

stated the day before by Soviet government spokesman Gennadi Gerasimov in Atlanta: "If the American boys go home, our Soviet boys will also go home. There are American boys in Germany now, and that is why we have Soviet boys in Germany as well, that is to say, the other part of Germany."

Having said that and meeting no protest from Richard Burt, Kvitsinsky demonstrated to the CDU that the U.S. (represented by Burt) apparently did not oppose this agenda for troop withdrawal from Germany. For the skeptics, Kvitsinsky gave assurances that Moscow actually wanted West Germany to stay in NATO, for the sake of "stability in Europe."

The Soviet diplomat also took a seemingly "European view," when he mocked the state of the U.S. economy and called Reagan's economic policy advisers "charlatans," who are about to destroy the economic foundations of Western defense altogether.

Kvitsinsky's appearance had been skillfully arranged by the Soviets and the "Moscow Faction" of the CDU, to make the most positive impression on the congress attendees.

In a most peculiar way, Burt seems to intentionally fuel his bad image among German conservatives. Only a few days after this CDU congress, he confessed in an April 20 interview with *Bildzeitung*, Germany's leading mass illustrated newspaper, that he likes to visit a "small discothèque in East Berlin," to listen to rock music songs, dance and talk with the "young people there."

Yuli Kvitsinsky, however, does not waste his time with dancing, but prefers reading books about German history and the arts. Unless the U.S. appoints an "educated" diplomat as its next ambassador to Bonn, Moscow will continue to score points on the cultural psywar front in Germany.

### The red light economic boom

*Italy has become the mecca of the pornography industry—one of the gifts of a thriving “informal economy.”*

**T**wenty years ago you could still see furtive-looking persons who whispered when they asked for a pornographic magazine at the newsstand. Today, even teenagers in Italy can ask out loud for pornographic publications. Articles 528 and 529 of the penal code, which punish “crimes against public decency,” are still on the books—but unlike in the 1960s and '70s, they are no longer enforced.

After a 15-year campaign, all pornographic publications are now regularly registered, get government subsidies like other publications, have a registered journalist as their responsible editor, and even sometimes have an ideological slant.

But ideology has little to do with a business which, in close linkage with the even more lucrative businesses of prostitution and the drug traffic (cocaine in particular), brings in billions of dollars to its management. Moreover, the porn businessmen are often in contact with parallel sectors of the secret services and contribute to building up “files” on the lives of “people who count”; therefore, they can occasionally influence important political decisions or waylay threatening investigations.

The Italian government agency ISPES, in its *Second Report on Pornography*, issued in February 1988, reports that Italy has become the mecca for world production of pornography. According to ISPES official Gian Maria Fara, “The peninsula is the reference point of foreign producers who in their own countries have to deal with watchful controls and severe sanctions.” In fact, it appears that var-

ious organizations for the production of obscene magazines, videotapes, and so forth, have moved to Italy because of the laxity of controls and the low cost of manpower.

The ISPES report states that there has been a quiet boom in videotape sales, which are shown at home or among friends. Of every 100 rented videotapes, 50 are hardcore pornography. In the wake of this lucrative market, there has also been created a magazine, which illustrates the bounty of porno videotapes.

Carlo Rocco, son of a well-known Communist Party journalist, Emanuele Rocco, and former editor of *Il Manifesto*—the leading left offshoot from the Communist Party in the 1960s—has created the masthead *X Eros in Video*, with a monthly run of 20,000, which reviews the latest pornographic videotapes.

Officially, 20 million pornographic magazines are sold in Italy each year, which means that 40% of the population buys such publications. One study shows that out of 60,000 movie houses in Italy, 600 to 900 of them project a porn film every day. This is so-called hard-core, without taking into consideration the supposedly non-pornographic “erotic” films, some of which have now been introduced into the schools as part of “sex education.”

The sociologists have busied themselves creating the artificial distinction between “eroticism” and pornography, arguing that eroticism is life-enhancing. So what working-class folks call porn, the yuppies call “eroticism,” perhaps seasoned with a pinch of cocaine, as recommended in one of

the first issues of *Penthouse* to come out in Italy.

Then we have “pink lights” pornography as it is called, promoted by high-class prostitutes such as the aristocrat Marina Ripa di Meana, alias Lante della Rovere, who go on the government-owned TV channel to explain the beauties of eroticism to the public.

How much pornography has taken hold of the Italian electorate, is demonstrated by the case of the election to Parliament last June of sex-film star Ilona Staller, “La Cicciolina,” on a Radical-Communist ticket. Staller says that she wants to bring sex education into the elementary schools, and that Art. 528 of the Penal Code must be abolished, in the name of individual freedom.

Riccardo Schicchi, the agent for Staller and other porn queens, justified the use of children in pornographic films to the newspaper *Il Giornale*, saying, “We must consider that children are habitually used, without anyone getting scandalized, to film obscene and violent scenes in so-called normal films. So I wonder what’s the difference, from any standpoint, in using a minor to film a scene of violence or to make a pornographic work.”

Now, prostitution, like pornography, is no longer to be treated as a “social evil.” In the first five months of the recent Goria government, five different political parties presented bills to revise the anti-prostitution law. The neofascist MSI called for reopening shut-down brothels. “Proletarian Democracy” wanted complete liberalization of prostitution. The Communist senator, Gianna Schelotto, who introduced her party’s bill, said, “Every citizen can do what he wants with his own sexuality, and whatever the choice is, it must not be criminalized.”

# International Intelligence

## **Soviet puppet hints at Afghan partition**

Moscow's Afghan puppet leader, Najibullah, addressed a "rally" in Kabul in mid-April, and made public statements indicating that the Soviet "withdrawal" is actually a policy for partition of the country.

Najibullah stated that to remove "the last doubts" among Afghan refugees in Pakistan concerning the safety of their return, he would withdraw the Afghan Army from the areas the refugees return to, if they agreed to prevent "armed groups of the opposition" from operating in these areas. He offered to arm refugees to ensure this.

Some 85% of the Afghan refugees are Pathan, not from the north, where a Soviet puppet regime would be set up upon partition.

Najib also offered to arm Pathan "tribes" to patrol and control the border between Afghanistan and Pakistan.

In sum, his speech amounted to an announcement of a plan to regroup the Afghan Army into the north, and establish as many local tribal militias as possible in the balkanized remainder of Afghanistan.

## **Hijackers trained in Iranian camps**

Hundreds of Shi'ite hijackers and terrorists are trained in special camps in Iran, reported West Germany's *Bild am Sonntag*, in a special background story on the hijacking of the Kuwaiti airliner.

One of these camps is located in Vakil-Abab, not far from Mashad, the city where the hijackers of the airliner stopped to take on fuel and "reinforcements." In Vakil-Abab, terrorists rehearse to storm Boeing-707s, 727s, and 747s, according to the *Bild* report.

Other camps are in Manzarieh, north of Teheran, and in Shahid Chamran, on the Bushir peninsula. At a special camp in Marudashi, near the ruins of ancient Persepolis, instructors from Bulgaria and East Germany are conducting terrorist training programs.

## **German paper warns on Nitze danger**

"Sooner or later, the question of its [Germany's] membership in NATO would have to come up," if Paul Nitze's demand that the United States scrap all sea-launched cruise missiles as part of a START agreement were ever adopted, wrote the April 18 *Frankfurter Allgemeine Zeitung* in a lead editorial.

The newspaper warned that such a proposal, coming from Nitze, who is special adviser on arms control to President Reagan, would, following the INF treaty, mean the destruction of "the U.S. nuclear umbrella for Europe." It would leave NATO to "rely only on short-range and battlefield nuclear weapons."

The newspaper writes of Nitze, "His words carry weight," and notes that his policies are fully consistent with the policies outlined in the Iklé-Wohlstetter report, *Discriminate Deterrence*, where it was proposed that the U.S. nuclear umbrella be removed from all allies in Europe and Asia.

"It's clear as can be that such a shifting of the burden and risks onto the Federal Republic would be unbearable, and in the short or the long term, the question of its membership in the Alliance would have to come up, because then, NATO could only provide limited protection—which in case of war would mean its annihilation. With the elimination of sea-launched cruise missiles, we would slide considerably closer to this result," concluded the *Frankfurter Allgemeine Zeitung*.

## **Party leader killed in El Salvador**

Pedro Ventura, mayor-elect of San Isidro, El Salvador's second-largest city, was assassinated April 7. The killing seems calculated to throw the country into chaos.

Ventura was a leader of the Arena Party, which scored many victories in municipal and national assembly elections in March. The Arena Party has been highly critical of

the U.S. and Christian Democratic Salvadoran government's "no win" policy for conduct of the nation's eight-year civil war.

Col. Sigifredo Ochoa, who retired from the army last year to work with Arena, blamed the killings on the military, which he said had "sold out" to the Christian Democrats and the United States.

Ochoa said that, in the face of the Christian Democratic attempt to steal the elections that Arena won, and this murder, "All we can do is ask for an insurrection of the people."

## **Dobrynin hails revived 'popular front' tactics**

"The two mainstreams of the working class, the social democrats and the communists, shall cooperate," declared Soviet party central committee member Anatolii Dobrynin at a congress of the *World Marxist Review* in Prague April 13. It amounted to an announcement that what the Comintern called the "Popular Front" policy of the 1930s was being revived.

Dobrynin stated that capitalism had developed new ways of social life, as did the social classes, and therefore, communist parties in the West had to review tactics, drop dogmatic old views, and find "new approaches" to the masses. For what concerned Western Europe, communists could overcome their sterility by eventually learning from social democrats and socialists how to move and organize the masses, said Dobrynin to the congress delegates.

Perhaps with this communist alliance in mind, the German Social Democrats have established a party cadre academy to promote a new party profile, based on a reemphasized "ideology of democratic socialism." Overseen by SPD executive member Peter von Oertzen, an aging left-winger from the Trotskyist current of the 1950s, selected party cadre are to be trained for "social conflict situations" like mass strikes and other depression-era movements. The agenda of the academy includes an increased emphasis on "anti-militarism."

It is the first time in 75 years that the SPD has launched such a project: The last party cadre school was closed in 1913.

Von Oertzen is seated on a joint SPD commission with the East German communists on the "history of the working class."

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### **Soviet 'creative unions' back perestroika**

The April 18 *Pravda*, the Soviet Communist Party newspaper, carried a strongly worded "letter to the editor" once again denouncing the March 13 *Sovetskaya Rossiya's* publication of a "Manifesto by Opponents of the Perestroika."

The letter, supporting *Pravda's* April 5 attack on *Sovetskaya Rossiya*, was signed by officials of nearly all of what are called "creative unions," i.e., film, theater, architects, composers, artists, and journalists.

Notably missing was the signature of the chairman of the most influential such "union," the U.S.S.R. Writers Union, Viktor Karpov. Appearing on Soviet television the evening of April 19, he explained that he and his "union" were drafting a separate letter. It has yet to appear, however.

The chairman of the U.S.S.R. Union of Journalists, Viktor Afanasyev, is also *Pravda's* editor in chief, and so, left the signing to a Soviet TV commentator, a deputy chairman of the Journalists' Union.

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### **West Germany soft on Lebanese terrorist**

Terrorist Abbas Hamadei, a member of the Iranian-controlled Hezbollah (Party of God) terrorist organization based in Lebanon, was sentenced to 13 years in prison by a court in Dusseldorf April 19, on charges of complicity in the taking of two German hostages, Alfred Schmidt and Rudolf Cordes, in Beirut, and smuggling of liquid explosive into Germany.

Presiding Judge Ahrens added, how-

ever, that Abbas Hamadei has been offered early release from prison, on condition that the German citizen Rudolf Cordes, whom the Hezbollah took hostage in January 1987, is released. The Ahrens statement indicates that the German foreign ministry interfered with the Hamadei trial. This is typical of the policy toward terrorists—appease them—of Foreign Minister Hans-Dietrich Genscher.

According to Israeli sources, for example, the German government paid 3 million deutschmarks to the Hezbollah for the release of German hostage Alfred Schmidt at the end of 1987. The sum went through the Martyr Foundation, run by Mehdi Charrubi, an extremist Shi'ite charged with direct complicity in the June 1985 hijacking of a U.S. TWA airliner.

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### **Colombian communists attack anti-drug officer**

The Colombian Communist Party (PCC) devoted the April 7 edition of its newspaper *Voz* to a denunciation of Gen. Jaime Ruiz Barrera, the commander of the IV Army Brigade which has been conducting scores of raids against the properties of the cocaine-trafficking Medellín Cartel.

The *Voz* editorial, sarcastically entitled "Rambo," claims that despite his best efforts, General Ruiz Barrera has been unable to capture cartel kingpin Pablo Escobar. However, write the communists, he has proven "what a military government would be like: retentions and violent searches, prohibitions on protests, threats against anything that moves."

Moscow thus continues its continent-wide campaign to equate anti-drug efforts with "repression" and "imperialist intervention."

Ruiz Barrera's IV Brigade has raided the headquarters of the Cuban-linked ELN terrorists and dozens of cocaine mafia bunkers and captured material revealing numerous persons in the mafia's political apparatus, including information that forced the resignation of Colombia's attorney general for drug ties.

## **Briefly**

● **THE SOVIETS** were behind the explosions in Pakistan which destroyed munitions destined for the Afghan guerrillas in mid-April and killed hundreds, the Pentagon has concluded. A Defense Department official told the *New York Times* that the explosions fit a pattern of recent attacks against military and civilian installations in Pakistan by agents of the Soviet-puppet Najibullah regime in Kabul.

● **ISRAEL'S** three-judge panel, presiding over the trial of the Soviet-framed John Demjanjuk, accused of being Treblinka concentration camp guard "Ivan the Terrible," asserted that the retired Cleveland autoworker's defense was contradictory and full of holes. Despite ample proof of his innocence, they found the Ukrainian-born Demjanjuk guilty as charged.

● **IGOR ROGACHEV**, Soviet deputy foreign minister for Asia and the Pacific, will be meeting with his U.S. counterpart, Gaston Sigur, in Paris in late April to prepare for the upcoming Reagan-Gorbachov summit.

● **AN ADVERTISEMENT** calling for a ban on the U.S. Strategic Defense Initiative because it is an "anti-personnel weapon" appeared in the April 18 edition of West Germany's *Frankfurter Allgemeine Zeitung*. The ad, signed by a single individual, a Cologne-based physicist, mentions "radar and laser impulse energy contingents" that can kill by "heating up a few cubic centimeters of essential brain substance," calling this a threat more lethal than the "star wars" aspect of SDI.

● **TURKISH** military forces engaged in a major battle April 18-20 at a training camp of the Kurdish-terrorist PKK organization discovered in East Anatolia. Early reports mentioned the deaths of two Turkish soldiers. Until this encounter, Turkish forces had only engaged in skirmishes with guerrilla bands.

# Senate hearings touch on heart of LaRouche case

The April 21 appearance of Stuart Summit before the Senate Judiciary Committee began a line of investigation which has some of Vice President George Bush's backers very worried. In addition to being a serious liability for George Bush, the Summit appointment has opened up a new flank against the Justice Department's role in attempting to frame up Democratic presidential candidate Lyndon LaRouche.

Bush's worries began when the former number two at the Justice Department, Arnold Burns, together with Criminal Division head William Weld and two of their key aides, resigned from the Department after their failed effort to oust Attorney General Edwin Meese and secure Burns's appointment as acting attorney general. Although the word being put out by Bush circles is that "Weld is a turncoat," many inside and outside Republican circles are still viewing the Burns-Weld caper as a Bush-camp power-play, aimed at cleaning out what are commonly described as "Reagan Republicans."

Unfortunately for Bush, after their ouster from Justice, Burns and Weld could not keep their mouths shut. Up through yesterday, at least, Burns and Weld were still vigorously pushing their campaign for Meese's ouster. Under these circumstances, the nomination of Burns's law-partner, Summit, to become a New York federal judge, has proven to be an embarrassment to the entire anti-Reaganite cabal, as well as Summit himself.

The barrage of orchestrated news-media attacks on Meese which followed the Burns-Weld resignations produced a counterattack in the *Washington Times* of April 11-12. The gist of the report, was that Burns had entered the Justice Department in early 1987 under a threat of potential criminal tax prosecution for his leading part in a system of offshore tax-shelters. According to the account, it was with Weld's help that the appointment of a special prosecutor against

Burns was blocked from inside the Justice Department. Investigations into the report leaked through the *Washington Times*, showed that there was a much bigger scandal than the *Times*'s reports have indicated so far.

On April 19, three more former aides of Burns resigned from the Justice Department, amid rumors that at least one of them might become the subject of an inquiry into possible obstruction of justice. Then, the appearance of Burns's law-partner, Summit, before the Senate Judiciary Committee, yesterday, brought the issue of Burns's involvement in the Bahamas tax-shelter scam to the lead of the Senate's inquiry into Summit's background and associations.

Even then, Burns and Weld refused to shut up. On the same day, April 21, that the Senate committee began its public hearings on Summit's nomination, it was none other than Burns and Weld who met President Reagan at the White House, to continue pressing for Meese's ouster. It is not determined whether White House Chief of Staff Howard Baker was pleased as he reported that the President was fully behind Meese on the issue. On April 22, the orchestrated press campaign on Burns's behalf continued in the liberal news-media.

## **Burns and the LaRouche case**

The attempts to frame up LaRouche involve a large chunk of what President Reagan's Executive Order 12333 defines as the intelligence community, including Lt.-Col. Oliver North's dirty operations under the authority of Vice President Bush's Special Situation Group at the National Security Council. However, the prime movers behind the launching of the case were a 1983 cabal including Henry A. Kissinger and David Abshire inside the President's Foreign Intelligence Advisory Board (PFIAB), and a second leg of the operation

launched by Arnold Burns and William Weld inside the Justice Department at the beginning of 1987, at the time of Burns's appointment as number two.

Again, one of Burns's problems is that some of his cronies can not keep their mouths shut.

The principal client of Burns's and Summit's law-firm is New York's Sterling National Bank, the dirtiest bank in the United States. The bank was created as part of U.S. organized-crime boss Meyer Lansky's syndicate, and has functioned as a key depository for leading New York families associated with Lansky's syndicate. It is also the key banking institution for the pro-drug-lobby organization known as the Anti-Defamation League (ADL).

During 1986, the ADL began issuing published reports internationally, as well as inside the United States, bragging that it had been the architect of the attempted legal frame-up of LaRouche. Indeed, most of the key witnesses used by the government in securing the indictments have been exposed by evidence as active members of an organized conspiracy created by the ADL, and jointly coordinated by the ADL and the FBI. The ADL's bragging put the Justice Department's Arnold Burns into the spotlight in the case.

It becomes nastier and nastier. Both the ADL and Arnold Burns are implicated in efforts to block follow-up investigations in the case of convicted spy Johnathan Pollard. The key Israeli official credited with recruiting Pollard as a spy, is General Aviem Sella, whose wife was a leading ADL figure at that time.

Israel's Dec. 23, 1987 arrest of a second figure, Shabtai Kalmanowitch, as a Soviet spy, not only bears upon the arrival of Pollard's stolen U.S. secrets into Moscow; a cross-grid of the operations of Pollard and Kalmanowitch inside the United States, places numerous former civilian officials of the U.S. Department of Defense in the target-area of search for the "Mr. X Committee" responsible for placing Pollard in the position to steal enormous masses of U.S. secret information.

This list of subjects of this search for the "Mr. X Committee" includes figures associated with the sponsorships of two key background figures, Richard Mellon Scaife and the co-authors of the January 1988 *Wohlstetter Report*, former Defense Department civilian official Fred Iklé and RAND Corporation-linked "old boy" Albert Wohlstetter. Others linked, among a list now totaling to about 10 key figures who must explain themselves and their doings, include former civilian Defense Department officials Noel Koch and Richard Perle, and former Henry A. Kissinger and Alexander Haig adviser Michael Ledeen. On the list of Scaife's clients are included Tufts University's Yuri Ra'anana, and Roy Godson's circle of such figures as John Rees, Josef Bodansky, and USIA official Herbert Romerstein.

The special significance of the persons on the Scaife listing, is that these, together with Soviet defector and suspected KGB plant Stanislav Levchenko, are at the center of

U.S. intelligence's debriefing of putative Soviet defectors and other key counterintelligence functions of the Executive Order 12333 apparatus.

So, among their other embarrassments, Burns finds himself in the milieu of circles long notorious for their targeting of LaRouche, circles highly placed in the defense and intelligence apparatus which are also subjects of follow-up inquiry in connection with the Pollard and Kalmanowitch espionage cases.

The efforts of Bush's circles to disown William Weld as a turncoat, will not suffice to free Bush of great embarrassment in this case. Rumors aside, there are too many well-prepared dossiers floating around which tend to lend strong credibility to a Bush-campaign link to the antics of Weld in particular. Bush's reluctance to take a forthright public stand on Meese's side in the Meese-Burns conflict, is feeding the energies going into supplementing generously the present content of existing dossiers.

There is a lot of very damaging evidence to be pieced together; Bush's permitting the Reaganite faction of the Republican Party to continue to suffer the abuse of Burns's crowd, is opening old wounds from 1979-80 and later. If the Burns vendetta against Meese continues, the bones of many skeletons might be pieced together to an effect Bush would regret.

### Campaign implications

The Burns faction's continued targeting of Meese is seen in leading Democratic circles as inevitably weakening the chances of Bush's election. Many of the Democratic Party bosses are smelling the chance of victory in November.

These Democratic bosses are worried. The Republicans could sink Dukakis if the Bush machine were to unveil some relevant information about the financial politics of Massachusetts over the past dozen years, and organize the customary rumor-campaign respecting Dukakis' deeper personal background. The bosses must decide whether there is a greater liability in trying to build credibility around the vacuous Mr. Dukakis, or taking the risk of dumping the leading candidate, to let a brokered Democratic convention produce a less vulnerable nomination.

Whatever the Democratic bosses decide about Mr. Dukakis' political future, they are generally agreed upon increasing the troubles of Mr. Bush.

In part, what happens to Mr. Bush between now and November, will be affected by those and similar rumblings inside both major parties. It is likely that whatever conniving of this sort occurs, the results will injure Bush's candidacy immensely.

What makes Bush's looming problems likely to surface, is the ongoing international financial crisis. Bush has pledged his campaign to a commitment that Treasury Secretary James Baker III will hold off any new major break in the financial crisis until after the November 1988 election, now an unlikely



prospect. The Democratic bosses know that about the time CBS's Dan Rather makes a slip of the tongue, to say "Herbert Hoover, I mean Bush," George is in deep kimche.

In the course of major crises, it is often the case that events beyond the control of political bosses and court decisions dispense long-overdue justice, a judgment from which there is no appeal. If someone has the occasion to write a future book on how George Bush was defeated in 1988, the author of that book will almost certainly refer to this principle of Greek tragedy.

## The brokered convention is still on the front burner

by Mel Klenetsky

Michael Dukakis' 51-37% victory over Jesse Jackson in the New York primary, did not open the way for a Dukakis steamroller to the July National Convention of the Democrats. On the contrary, Dukakis' weaknesses as the Democratic Party standard bearer were confirmed, and there is ample evidence, in the aftermath of the April 19 New York race, that the brokered convention is very much a live option.

Massachusetts Governor Dukakis will get the Democratic nomination, only if George Bush appears in a very strong, unstoppable position going into the November election. Should the economy crumble, or should the various Justice Department scandals or the Iran-Contra scandal threaten Bush, then the Democratic Party would opt for a stronger candidate than either Dukakis or Jackson—hence the brokered convention.

The New York primary showed Dukakis' weaknesses in many ways. First, only 12% of the electorate came out to vote, even after Mayor Koch's endorsement of Al Gore and subsequent antics heated up the Black-Jewish issue. Dukakis' vote was clearly a negative vote, an anti-Jackson rather than a pro-Dukakis turnout. Ten percent of those who voted for Dukakis, according to an ABC News poll, said they would shift to Bush in November. The same poll indicated that two out of five voters voted for Dukakis for negative reasons, accounting for Dukakis' strong showing among Catholics and Jews.

Dukakis has 1,048 delegates, Jackson 842, Gore 405, Simon 172, and Undetermined 623. Dukakis needs 2,081 delegates to win the nomination. The undetermined category consists of the uncommitted votes and the delegates of those candidates who have fully dropped out of the race, such as Gephardt. If Simon and Gore fully dropped out of the race, instead of putting their campaigns on hold, then Jesse Jackson would get the lion's share of the at-large delegates that Simon and Gore won. Forty-seven of Simon's at-large delegates would go to Jackson, and zero for Dukakis. If Gore fully

dropped out, Jackson would get 43 of his at-large delegates, compared to 35 for Dukakis.

At-large delegates are statewide delegates, assigned through the State Democratic Convention or State Democratic Committee, after the primary, to balance out the affirmative action requirements of the party. Simon and Gore's decision to withdraw from campaigning, but remain in the race technically, might be seen as a pro-Dukakis decision. On the other hand, Simon and Gore may be staying in the race in order to play power brokers in an upcoming brokered convention.

Two examples show how live the brokered convention option is. In Oklahoma the Democratic state chairman, Bill Bullard, soon after the Dukakis victory and Gore's withdrawal announcement, called on all of the Gore delegates to form a Unity slate behind Dukakis. Oklahoma Senator Boren, a prominent figure in the Senate Iran-Contra hearings who was the first to describe the North-Pointexter operation as a "secret government," intervened and insisted that the Gore delegates go into the convention committed to Gore, not Dukakis.

Another large category of delegates is the superdelegates. One day after the Dukakis New York victory, the House Democrats selected 207 of their number who would form the Congressional superdelegates. Even with Dukakis' big win, these congressional delegates stayed publicly uncommitted rather than getting on a Dukakis bandwagon. Superdelegates consist of all of the members of the Democratic National Committee, the 25 Democratic governors, 80% of the Democratic House and Senate, and VIPs in the party such as former President Jimmy Carter. These 643 delegates are unpledged; they go to the convention with the option of voting for whomever they please.

Soon after the Dukakis victory, Democratic Majority Whip Tony Coelho from California called for Sam Nunn, the Georgia Chairman of the Senate Armed Services Committee, to offer himself as a vice presidential candidate-plus. The plus was the secretary of defense position as well. Wall Street correspondent Al Hunt called for Nunn to be named vice presidential candidate and secretary of state, since that position, in Hunt's estimation, was even more important than defense. Arkansas Rep. Berryl Anthony and former Virginia Governor Robb joined in the draft Nunn chorus. Nunn, Sen. Bill Bradley, and New York's Governor Cuomo are the figures most cited to emerge in a brokered convention. Perhaps the big hubbub over Nunn is his bid, not for a vice president's slot under Dukakis, but the beginning of his drive in a brokered convention.

In any case, the Democrats may be looking for a brokered convention, should Bush weaken, but they also fear the uncontrollable nature of such a convention. The Democratic Party no longer has the machines to discipline its delegates. Party chairman Paul Kirk, months ago, proposed a pre-convention summit to select a candidate prior to July. In a brokered convention, wild-card candidates such as Lyndon H. LaRouche can surface and become a significant factor.

## Soviets still demand SDI for START

The enormous distance separating the two sides in the negotiations for a treaty to reduce strategic nuclear weapons (START) was made clear during a background briefing at the State Department April 18 prior to Secretary of State George Shultz's latest junket to Moscow to meet with his Soviet counterpart, Eduard Shevardnadze.

Based on information provided in this briefing, if a treaty does come together in time for the superpower summit in Moscow May 29-June 2, it will be an unspeakable disaster.

The fact that the White House officially still holds out "hope" for a treaty to be ready in time for the summit is downright frightening. According to the administration official, there has been essentially no progress on the most important component of the treaty since the Reykjavik summit of October 1986.

This component does not have to do with offensive weapons, but with defensive ones—namely, the future of the Strategic Defense Initiative.

The Soviets have not changed their Reykjavik position on demanding a link between reducing offensive weapons and blocking U.S. development and deployment of the SDI, despite all administration propaganda to the contrary in the meantime.

All attempts by the Reagan White House to create the impression that progress has been made on this front have proven to be totally false—most notably, the effort to draw such an interpretation from the joint statement issued by Reagan and Gorbachov at the end of their summit in December.

Then, top-level administration officials were adamant in insisting to the press that the reference in the joint statement to permitting "testing [of SDI systems] as required" meant that unfettered SDI development would be permitted during a period of non-withdrawal from the Anti-Ballistic Missile (ABM) treaty. U.S. officials gloated that the statement meant the Soviets had at last conceded the U.S. right to go ahead with its program.

However, the Soviets rejected this interpretation of the phrase, "testing as required," insisting their position had not changed one iota from that taken by Gorbachov at Reykjavik, when he demanded that the SDI "be confined to the four walls of a laboratory."

So, when it finally became clear that the two sides had entirely different readings of the phrase, "testing as required," the United States was forced to admit that more effort would be required to clarify what this meant. The next step was the Shultz-Shevardnadze meeting in Washington in March. The U.S. negotiating team again came away from the talks glowing with the report of a breakthrough in the resolution of this problem. "We have now achieved a framework for hammering out exactly what will be permitted in the area of ballistic missile defense," Shultz told the press.

He said that the two sides agreed to draft a document, with all their areas of disagreement bracketed, and begin the negotiating process of removing the brackets—resolving the areas of disagreement—one at a time.

In an exclusive interview with this reporter, a top U.S. negotiator said the step was, in reality, "sideways, at best, not forward," and many in Washington were worried that Paul Nitze had slipped through his plan for subtly negotiating away the SDI through this mechanism. But now, with Shultz

heading to Moscow for his final meeting with Shevardnadze before the next summit, the senior administration official was forced to concede that the two sides are at "square one" on the defense and space issue.

Pressed by this reporter, she told the assembled press that there are 1,200 bracketed areas in four documents that, taken together, comprise the START treaty. The documents include: 1) the treaty itself, 2) a protocol for inspection procedures, 3) a protocol for conversion and elimination of systems, and 4) a memorandum of understanding that includes data on all the relevant systems covered under the treaty.

After she outlined the continuing disagreements between the two sides contained in these four documents, I asked, "What about the draft document on ballistic missile defense that you said in March you wanted to be ready for signing at the same time as the START treaty?"

"Oh, yes, you are right," she said, pretending she just happened to forget the single biggest sticking point in the entire negotiation. "That is the fifth document."

"Well, I'm afraid there isn't even an agreement to draft such a document now," she said, indicating that whatever progress supposedly occurred in March had vanished. "The idea was to build on the language of the Washington joint statement, to deal with that very important ambiguity in that statement," she added. "It is very important to clarify it before we move ahead with any START treaty."

So, in the final analysis, all the differences over mobile versus air-launched and submarine-launched systems, etc., in the START talks are irrelevant to the question of when a treaty will be ready, unless the administration is ready to suddenly kick the SDI out the window.

# Crack: the pushers' answer to 'just say no'

by Scott Thompson

A new form of cocaine addiction using a freebase of cocaine hydrochloride known as "crack" or "rock" has swept the inner-cities of the United States since the Reagan-Bush administration announced its "War on Drugs." "Crack" is the pushers' response to Nancy Reagan's much-publicized campaign to end drug abuse by having American youth "just say no"! In the view of the Drug Enforcement Administration (DEA), corroborated by medical experts, "crack" can be more psychologically addictive than heroin. And, it is rapidly replacing marijuana as the preferred drug among ghetto youth.

A National Institute of Drug Abuse study in 1987 reported that 5.6% of high school seniors reported having used "crack," while 4% reported using it in 12 months prior to the survey. The survey is believed to vastly underestimate the problem, because dropouts are more likely users of "crack" than those who finish the last year of high school. A more comprehensive survey of "crack" addiction by the House Select Committee on Narcotics Abuse and Control, based upon statistics kept by local law enforcement in 39 U.S. cities, has found the "crack" problem to be "severe" in 13 of those cities. By "severe" the House Select Committee means that upwards of 70% of the arrests for cocaine use and distribution were "crack"-related.

Dr. John Grauerholz, the former deputy chief medical examiner in Rhode Island, confirms that "crack" can be as psychologically addictive as heroin. Cocaine hydrochloride is a salt-like material that is soluble in water but cannot be smoked easily; however this cocaine salt can be converted into a freebase form which readily turns into a vapor when heated. This freebase form can then be inhaled and absorbed rapidly through the lungs. Taken in this way, cocaine gets to the brain more rapidly than when cocaine is injected by the intravenous route. The rapid onset of effect and the very high blood levels produced make this route far more likely to produce both addiction and toxicity. Also the euphoria produced by this route, lasting approximately four minutes, is

intense. Moreover, the euphoria is followed rapidly by a crashing low or depression. It is this sudden collapse from a state of intense euphoria that is the hook for addiction.

The Drug Enforcement Administration's DAWN system, which obtains information from emergency rooms in 27 urban centers, indicates that cocaine-related emergency room episodes in these areas tripled from around 3,000 in 1981 to almost 10,000 in 1985. In 1983, 2% of cocaine-related emergency room episodes involved smoked cocaine. In the first quarter of 1986 it was 14%. Of these, 78% were in the cities of Miami, Los Angeles, Detroit, and New York.

The "crack" wave of addiction has been accompanied by a related wave of violent crime. According to DEA estimates, between 55% and 60% of violent crime in urban centers is based upon drug addiction. "Crack" has added to this wave of secondary crime for three reasons: 1) Medical experts state that the downside of "crack" use produces a state of extreme paranoia, which is often accompanied by violent attacks upon family members and friends of the "crack" addict; 2) The House Select Committee on Narcotics Abuse estimates that the average "crack" addict spends \$100 a day to maintain his addiction, and this money is often raised by ghetto youth through violent crime; and, 3) Ghetto gangs have become increasingly organized by syndicated "crack" dealers to act as pushers and protection for the racket.

## City-by-city 'crack' survey

Under John T. Cusack, the chief of staff of the House Select Committee on Narcotics Abuse and Control, a staff survey by law enforcement officers has been carried out in 39 major urban centers. This survey found the "crack" problem to be severe in 13 of those cities, although the overall trend among ghetto youth was that the problem was mushrooming across the United States. The following is a report on the "crack" problem as it appears in the 13 cities which were ranked "severe."

- **New York City:** The New York Police Department reports that it first became aware of "crack" cocaine in January 1985, when their police laboratory was first presented with it for analysis purposes. During January 1986, "crack" became readily available on the street for as little as \$10.00 a hit. "Crack" is now available in all five boroughs of the city, as well as in suburban Westchester and Nassau Counties in New York. Within five months of this sudden appearance of "crack," there had been 1,056 "crack-related" arrests in NYC.

A special anti-"crack" unit was formed on May 21, 1986 consisting of 224 investigators, which quickly executed search warrants on 117 "crack" houses. Despite this, "crack" has become the drug of choice, and a popular trend in NYC is the smoking of "crack" in conjunction with phencyclidine (PCP), which is commonly referred to as "space-basing."

"Crack" distribution is becoming syndicated by Jamaican and Dominican gangs or "posses," who buy cocaine for conversion to "crack" from the Colombian mafia. The DEA and New York Police Department just arrested Delray "Uzi" Edwards, head of the Rankers Posse, aka Southies, which sold \$40,000-100,000 a day worth of "crack." Edwards and six other members of his organization face federal murder charges for five murders, nine attempted murders, six shootings, and one abduction.

- **Miami:** The Miami Police Department reported in 1986 that they are seizing an average of 600 to 1,000 pieces of "crack" a week. Through a program that has drawn nationwide attention, Miami Police are arresting between 20-30 distributors and 50-100 buyers of "crack" per week. Still, the PD reports that the situation in Miami is "totally out of control."

DEA sources report that only street-level drug dealers will peddle "crack," not the Colombian mafia that imports 1,000 to 1,500 kilos a week of cocaine hydrochloride through the Miami-South Florida region. However, as in New York, "crack" distribution is becoming relatively more "syndicated." In February 1988, the DEA assisted the Metro-Dade Police Department in the arrest of Isaac Hicks, a black construction company owner, who was operating 24 "crack" houses. Ledgers seized in two of those houses showed \$300,000 in sales per week for each house.

- **Boston:** From December 1985 to July 1986, there have been 76 arrests in Massachusetts for "crack" cocaine. Fifty-nine of those arrests were made in Boston. Some of the "crack" sold in Boston appears to have been imported from New York.

- **Newark, New Jersey:** The Newark Police Department reports that 70% of their drug arrests are for "crack" cocaine and that the availability of "crack" at the street level has reached "epidemic proportions." Between September 1985 and July 1986, they arrested 600 persons in connection with "crack."

- **Detroit:** During the six months prior to July 1986, the

Detroit Police Department made 4,000 arrests for "crack" cocaine. Seventy percent of their drug case load involves "crack." There are in excess of 600 "crack" houses operating in Detroit. The trend in Detroit is to smoke "crack" in conjunction with marijuana. Police believe that a rapid rise in the crime rate is to be attributed to the availability of "crack."

- **Houston:** The Houston Police Department reports that they are making an average of 36 arrests per week for "crack," and they are executing search warrants on 2-3 "crack" houses a week. The largest single seizure to date (involving 100 vials of "crack") was the result of an investigation called "The New York Connection"; persons in New York were supplying drug dealers in Houston with "crack."

- **San Francisco:** The San Francisco Police Department has made 100 arrests involving "crack." Their largest single seizure involved 854 grams of "crack." Police estimate that there are 75-100 "crack" houses in the city.

- **Los Angeles:** The Los Angeles Police Department reports that "crack" has been sold on the streets of Los Angeles since 1981. Between January and July 1986, 4,600 pounds of cocaine were seized. During a six-month period in 1986, the Los Angeles Police Department made 314 "crack"-related arrests, raided 186 "crack" houses, and seized in excess of 5,100 grams of "crack." Most of the "crack" houses are located in Watts, and police note a sharp increase in the crime rate because of the heavy "crack" traffic in city streets.

- **San Diego:** The San Diego Police Department reports that "crack" has fast become the number-one drug of choice at the street level; it has replaced phencyclidine (PCP) and marijuana. There are several hundred "crack" houses operating in the city. Police describe the crime situation arising from widespread "crack" addiction to be "desperate."

- **Oakland, California:** The Oakland Police Department reported that 90% of the street dealers are selling "crack." Eighty percent of the drug-related arrests are for "crack." "Crack" has rapidly replaced cocaine hydrochloride as the drug of choice. During the period between Jan. and June 1986, the police made 906 "crack"-related arrests and seized 17,249 grams of "crack."

- **Portland, Oregon:** Police report that there are 100 or more "crack" houses in operation. Robberies are up as a result of the street sales of "crack."

- **Minneapolis:** The police department reports that within a six-month period during 1986, they made 50 undercover buys of "crack" and averaged 30 arrests per month for the drug. There are a number of "crack" houses operating in the north and south sections of the city, and there has been a corresponding rise in street crime in those areas. The source of "crack" for Minneapolis is believed to be Chicago.

- **Seattle:** The Seattle Police Department reports that 99% of their law enforcement effort has been devoted to "crack." There are 200-300 known "crack" houses operating in Seattle. During a six-month period in 1986, there were 21 overdose deaths involving "crack."

## Allocate \$2.6 billion for the war on drugs

The budget agreements worked out so meticulously by the administration and the Congress have proven themselves insufficient, in the recent Senate authorization of \$2.6 billion to enforce anti-drug laws. The bill was supported unanimously in the Senate, although there was a myriad of motives behind the authorization which had little to do with simple fervor to eliminate drugs.

Sen. Alfonse D'Amato (R-N.Y.) and Sen. Dennis DeConcini (D-N.M.), the cosponsors of the bill, have used the occasion to snub the White House, both by breaking the budget agreements on a measure that the White House would have a difficult time opposing, and also pointing out how the President's much-touted War on Drugs has, in fact, been a miserable failure.

D'Amato has, together with Sen. John Kerry (D-Mass.), been in the forefront of the campaign against Panama—also in the name of the War on Drugs. Some Democratic senators, long indifferent to the drug issue in their own states, have smelled that the drug issue is going to be a hot election issue. Therefore, many of those who have been cavorting with the worst launderers of drug money for years have now taken up the sacred crusade against drugs—although whether they are prepared to clean up their own tables is still a very open question.

White House spokesman Marlin Fitzwater responded by saying that there is a "lot of political posturing on the drug issue." True enough—although the political posturing has also been evident in much of the administration's War on Drugs, where the real question, of going after the drug-money launderers, was dropped at a very early stage of the game.

The funds authorized for anti-drug

operations involve an increase of \$800 million, of which \$231 million will go to the Coast Guard, \$112 million to the Drug Enforcement Administration, \$125 million to the Customs Service, \$100 million to the Defense Department, and \$59 million has been added to the Immigration and Naturalization Service's border patrol.

A further \$485 million would be allocated for drug treatment programs, with another \$200 million for new prison construction, and \$50 million for drug education programs. Federal aid to state and local drug enforcement agencies would be raised by \$250 million, \$39 million would be added for drug interdiction, and \$10 million for a Latin American anti-drug strike force.

## Controversial trade bill going to no-man's land

Although congressional conferees finished their work on the giant trade bill after dropping a disputed provision which required foreigners to disclose their U.S. investments, the President has renewed his threat to veto the legislation if other items which he finds objectionable are kept in the bill, the most objectionable for him being the provision requiring employers to give advance notice of plant closings and layoffs. Other points of controversy for the White House were the provisions calling for special assistance to workers displaced by imports, sanctions against Japan's Toshiba Corp. for selling sensitive technology to the Soviets, and certain provisions mandating retaliation against foreign countries.

The Republicans believe that they can mobilize enough votes to sustain a veto, although they would be willing

to go into filibuster, if necessary. The goal of a filibuster, says Sen. Dan Quayle (R-Ind.), would be to force the conferees "to come back with a different bill."

If the bill is vetoed, it could damage the free trade agreement recently negotiated between the United States and Canada. Some congressional sources say that if this bill doesn't go through, it would be difficult for the Congress to negotiate a new one. The deadlock on the issue of trade legislation would thus be total.

## South Africa sanctions bill passes subcommittees

A bill that would impose major economic sanctions against South Africa has passed its first hurdle in spite of tough Republican opposition. The bill, which has been approved by two House Foreign Affairs subcommittees, would require an end to all U.S. business investment in South Africa and impose a virtual two-way trade ban.

The sanctions, ostensibly aimed at forcing the government to abandon the policy of apartheid, would, in fact, serve to worsen already horrendous conditions for the blacks in South Africa, and help to break very tenuous ties with South Africa at a time when the Soviet Union has been making diplomatic gestures toward the South African government.

The bill would bar U.S. companies and foreign affiliates from making or holding any investments in South Africa, giving firms a year to terminate their investment, and calling for terms of divestment to be negotiated with trade unions or other worker organizations. The bill also bans imports of South African goods into the United States except for strategic minerals needed for the U.S.

economy or defense that are not obtainable elsewhere—although there seems to be no reason why the South Africans wouldn't retaliate by banning export of these strategic minerals to the United States.

Any way it's looked at, the bill is so irrational that it has to have been authored in Moscow.

The bill also bans U.S. exports to South Africa except assistance for disadvantaged South Africans. The Democratic majority in the subcommittee defeated a number of Republican amendments which would have effectively gutted the bill.

## **INF ratification by summit looks unlikely**

The INF treaty seems to be in for very rough weather. On the one hand, there is clear indication that even the most energetic arms-controllers are getting a bit nervous that President Reagan, with the INF in his pocket as he lands in Moscow, just might negotiate away the kitchen sink in a START treaty, which even many pragmatists on Capitol Hill seem less enthusiastic about. If the INF treaty is not ratified when President Reagan goes to Moscow, the possibility for him taking the next step into a START treaty are equal to null.

Second, there are aspects of a strictly political nature coming to the fore at this time. Senate Democrats like Armed Services Committee chairman Sam Nunn and Majority Leader Robert Byrd are not extremely interested in seeing President Reagan (and, by association, Vice President George Bush) getting full credit for an arms control treaty—an issue which they believe will have a great deal of significance during the election campaign this year.

So, for political reasons, the rush

to judgment which characterized the initial phases of the treaty process has diminished to a steady trot and is threatening to become a slow crawl. The White House is going to do a lot of hustling in order to try to get the treaty ratified in time for the summit—and even then they might not get their way.

As it looks now, the treaty will not come to the floor until May 9. That leaves less than three weeks until the summit, and some senators have a lot of talking to do before they intend to give their okay to the treaty—and, even then, it just might be loaded with enough conditions to require renegotiation.

The issue of how the treaty will deal with futuristic weapons has been one demanding clarification. Does the INF treaty, for instance, forbid missiles armed with lasers, masers, or other types of weapons? The White House says that it does. Soviet Foreign Minister Shevardnadze has also written a letter saying that the Soviets agree that futuristic weapons are banned, although the wording of the Shevardnadze letter is open to interpretation. It seems to infer that even missiles without destructive devices, such as those used for surveillance, would also be banned by the treaty, although this is not stipulated in the treaty. This issue might demand an amendment which defines exactly which type of "futuristic weapons" are included in the treaty.

The INF ratification debate could become a real tarbaby, when one looks at the myriad of issues which are going to be brought up in the course of the debate. And at the moment, it doesn't seem that the White House is going to have too many allies in the Senate to railroad this thing through in time for the big Moscow bash on May 27. The President may just be going to Moscow empty-handed. And, if that is the

case, the big question remains: Will he go at all?

## **Emergency hunger relief act introduced**

With more than 40 cosponsors from both parties, Rep. Leon Panetta (D-Calif.) introduced a bill that would make major changes in federal food aid programs. Sen. Edward Kennedy is calling the legislation "a new declaration of war on hunger." Liberal Democrats are now going to focus on the Reagan administration's real Achilles heel—its disastrous economic policies. One can bemoan the fact that liberal demagogues like Kennedy can now utilize hunger for their own propagandistic motives, but it is hard to deny the fact that the problem does exist in these United States—and that it has become more acute under administration policy.

A recent U.S. Conference of Mayors survey reported that in 1987 the demand for emergency food assistance increased an average of 18% in 23 of 25 major cities, and that two-thirds of the 1987 aid requests were from families with children. Sen. Patrick Leahy (D-Vt.) is probably understating the case when he says that "13 million children in the richest, most powerful nation in the world live in poverty."

If the concerned congressmen had expended a little more effort trying to resolve the underlying problems causing that hunger, by trying to prevent the destruction of U.S. agriculture and reforming the bankrupt U.S. financial system, instead of simply trying to alleviate the symptoms by increasing Breakfast for Children programs, their efforts might be deemed as more than simply fishing for votes in this election year.

# National News

## Education council attacks textbooks

The Council for Better Education has released a book written by Harriet Tyson-Bernstein that calls upon state policymakers to dump the formulas that have led to today's "dumbed-down" textbooks.

The book argues that state and local regulations are to blame for "destructive" textbooks that "squander the intellectual capital of our youth."

According to a *Washington Times* article April 18, the book, *A Conspiracy of Good Intentions: America's Textbook Fiasco*, asserts, "The more everybody tries to control textbooks, the worse they get."

It also says:

- "There is overwhelming evidence that formula-driven prose is bad for children and bad for education."

- "America's public policy system is perfectly designed to produce textbooks that confuse, mislead, and profoundly bore students."

- "Textbook reform is perhaps the least expensive way to make a beneficial difference in American education."

## Houston Democrats adopt anti-Jones rules

On April 15, the Harris County (Houston, Texas) Democratic Executive Committee gave final approval to rule changes designed to prevent "LaRouche Democrat" and chairman-elect Claude Jones from having any power as county party chairman. Jones won the seat from incumbent Larry Veselka by a vote of 54,394 to 51,318 in the "Super Tuesday" primary.

Only a small fraction of the executive committee had the stomach to show up for the April 15 affair, which was called to introduce rule changes that would reduce the chairman to a figurehead, and give all real power to a newly appointed secretary—loser Veselka!

Fifteen Jones supporters, accompanied by civil rights leader Amelia Robinson, at-

tended the meeting carrying signs such as: "Does the Democratic Party believe in majority rule?" and "Keep Bull Connor tactics out of the Democratic Party."

After former chairman Veselka called the meeting to order, another committee member asked for a roll call to determine if a quorum was present. Veselka looked around. Obviously, no quorum was present. "I will not call the roll. I will declare a quorum present. All in favor say 'aye.' So be it."

After some other preliminaries, the lawyer for the party, David Webb, took the podium to give a report on the legal case Jones has brought to retain the powers of the office to which he was elected. Webb told the committee that the judge upheld their right to disenfranchise those who had voted for Jones by refusing to grant the injunction against the rule changes he had requested.

After this, a vote was taken and the rule changes were approved. Within minutes the meeting was over. The Jones forces are planning further legal action.

## Meese testifies before grand jury

Attorney General Edwin Meese spent four hours before a federal grand jury April 18, "in the criminal investigation of his activities that began nearly a year ago," reported the *Washington Times*. It was his fifth appearance in the probe by special prosecutor James McKay since May 11, 1987. Meese's attorneys, Nathan Lewin and James Rocap, said Meese "answered all questions," and added that they remain confident that he will not be indicted and the probe will end in the near future.

Meanwhile, Meese continues to have trouble in filling the vacancies at the Department of Justice left by the forced resignations of Criminal Division head William Weld and Deputy Attorney General Arnold Burns. According to the April 19 *Washington Post*, "Justice Department and other administration sources said yesterday they expected John Shepherd . . . to announce this week that he is withdrawing from consideration to become deputy attorney general." Shepherd did withdraw his name on

April 20.

At the same time, Meese's choice to replace Stephen Trott as associate attorney general, Francis Keating, has told Meese he will not come to work at Justice until he has been formally nominated by President Reagan.

Stephen Saltzburg, a law professor at the University of Virginia, who works part-time for Special Prosecutor Lawrence Walsh on the legal problems surrounding congressional grants of immunity in the Iran-Contra case, was mentioned by an aide to Sen. Strom Thurmond (R-N.C.) as someone under consideration for William Weld's job. Saltzburg, however, said, "I haven't been offered anything, and beyond that I'd rather not say anything."

Department of Justice sources told the *Post* that Trott had opposed Saltzburg when he was under consideration for the post of U.S. Attorney for the District of Columbia earlier this year.

## New York judge dismisses 19 charges

Justice Stephen Crane, presiding over the New York prosecution of 16 associates of Democratic presidential candidate Lyndon LaRouche, on April 20 dismissed 19 felony counts from the indictment returned by a New York County grand jury last year.

Twelve other felony counts were dismissed on Jan. 12, 1988. The indictment, which charged conspiracy, securities fraud, and grand larceny, is now a mere shadow of its former self.

In the April 20 proceeding, all felony charges against defendants Mark Calney, Kathy Wolfe, and Paul Gallagher were dismissed for lack of jurisdiction because all three were involved in transactions outside the State of New York. Calney, Wolfe, and Gallagher were also dismissed from a misdemeanor count involving failure to register as securities broker-dealers. Judge Crane's action leaves only a misdemeanor conspiracy charge pending against the three.

The charges all stem from the efforts of the defendants to raise political contributions and loans.



## Briefly

The same misdemeanor conspiracy charge is all that is left pending against three other defendants, Edward and Nancy Spannaus and Judah P. Rubinstein, who had felony charges against them dismissed on Jan. 12. Charges against a seventh defendant, Dr. David Stephen Pepper, were dismissed entirely on March 28, 1988.

Crane also dismissed nine counts of grand larceny against Joyce Fredman, and one grand larceny count each against Marielle Kronberg, David Shavin, and Roger Ham because the prosecution failed to demonstrate jurisdiction within New York County, the situs of the grand jury investigation. Another grand larceny count, against Lynne Speed, was thrown out because the five-year statute of limitations had expired. The broker-dealer misdemeanor count was dismissed against Roger Ham because the evidence against him was ruled insufficient by Crane.

Thus, a prosecution which began with a highly publicized nationwide wave of arrests on St. Patrick's Day, 1987 now stands exposed as a complete sham.

### North notebook contradicts Bush aide

An entry in one of Lt. Col. Oliver North's notebooks suggests that George Bush's national security adviser, Donald Gregg, and Col. James Steele, the U.S. military group commander in El Salvador, met on Sept. 10, 1985 to discuss the administration's Contra supply operations. That is almost a year earlier than Gregg has admitted to congressional investigators he learned of the Contra supply operation.

The Gregg-North meeting discussed establishing an air base in Honduras from which to fly Contra-support missions, the *Washington Post* reported April 15. The *Post* did not report, that testimony by pilots, including convicted drug-traffickers, say they flew drugs to the United States from the same airstrip.

The North notebook entry, numerous portions of which were deleted, includes references to Mario Dellamico, a Honduran-based arms broker who was said to have

channeled arms to the Contras in 1985. The date of the notebook entry is 11 months before the date Gregg gave to congressional investigators as the time he learned of the military resupply operation.

### Revell subpoenaed in LaRouche trial

Assistant FBI director Oliver "Buck" Revell was personally served with a subpoena the morning of April 21, to appear in federal court in Boston for a hearing in the LaRouche case. Prosecutors immediately moved to quash the subpoena.

Shortly afterward, the FBI suddenly declassified a 1985 letter to Revell from Ryan Quade Emerson, an FBI informant who is currently on the witness stand.

Defense attorney Daniel Alcorn said that he had subpoenaed Revell because of the inconsistent testimony of FBI officials on the Emerson letter. The defense has contended that Emerson, among others, was used to plant statements in defendants' notebooks, which the prosecution then attempted to use as evidence against them.

### Bust major heroin ring

A major Asian-source heroin ring, which appeared to be providing an "unlimited supply of heroin for shipment to New York and the Washington, D.C. area," was smashed by the FBI April 15, after a two-year investigation dubbed Operation Bamboo Dragon.

Eleven people were arrested in Hong Kong, five in Newark, New Jersey, and two in San Francisco, California.

Undercover agents said that they bought from the accused 137 pounds of nearly pure heroin, with an estimated street value of \$137 million.

The heroin originated in Burma and mainland China and was routed through Hong Kong to San Francisco and New York City.

● **STEPHEN TROTT**, departing assistant attorney general, informed Conservative Caucus president Howard Phillips that there is "no evidence" to pursue a conflict-of-interest charge against the State Department's Michael Armacost. Phillips says the conflict exists because Armacost's brother, Sam, is a member of the board of Chevron Oil, and is therefore "affected by decisions on Angola made by Michael Armacost." Chevron Oil has refining operations in Angola's Cabinde province.

● **TERRORISM**, rampant in Europe for years, is now coming to the United States itself. Yu Kikumura, who was arrested on the New Jersey Turnpike on April 17, is believed to be a member of the Japanese Red Army, and was in possession of homemade bombs that could have knocked out the power grid of a major city. William Kunstler, the well-known lawyer for radicals and terrorists, attempted to take over his defense, but was blocked by U.S. Magistrate Ronald Hedges.

● **AMNESTY INTERNATIONAL** released a briefing in Washington April 20 announcing that there is a "human rights emergency" in Colombia. The briefing blames the Colombian Armed Forces for violence and "political killings," not the notorious Medellin Cartel of cocaine-runners, which has threatened to kill every political and military figure in the country, and whose bases the army has been raiding.

● **SAM COHEN**, the inventor of the neutron bomb, took to the pages of the *Wall Street Journal* April 20 to attack the Iklé-Wohlstetter report, *Discriminate Deterrence*, for its shortsightedness in not recommending the use of "certain SDI technologies—especially advanced lasers," in "ground war" situations. These, he said, could "deliver devastating attacks on tactical targets . . . literally with the speed of light."

## Editorial

### *China card a dangerous delusion*

When you see an article about "geopolitics," you know there is a problem right away. Zbigniew Brzezinski, as a past master on this theme, has coined a variation, "geostrategy." Geopoliticians, from Hitler's mentor, the infamous Karl Haushofer, to Brzezinski today, are notorious for theorizing about how to cut up the globe.

In the spring issue of *Foreign Affairs* magazine, he has written an article entitled, "America's New Geostrategy." His thesis is that the United States should in the next period, shift its alliances from its West European partners, effectively ceding the area to the Soviets—although in print he would deny this consequence—and turn to the East instead.

For geopoliticians like Brzezinski, the nation-state is a convenient fiction, or at best a pawn in the global strategy games of oligarchs. At any time, the map may be redrawn. The new superpower condominium between the United States and the Soviets, which is planning to redivide the world through a series of regional partitions, is a geopolitician's wet dream. The only problem is that geopolitics does not really work.

Zbigniew may really believe that Western Europe is so locked into the U.S. orbit that it can politically survive abandonment by the United States, and he may equally believe that the Soviet Union is incapable of dominating a weakened Western Europe, but what he believes is, in the final analysis, a matter of indifference. Whether he is a deliberate traitor or merely stupid, if his wrongheadedness continues to guide U.S. policy, we are headed for a new dark age in which the Russian empire is hegemonic.

Brzezinski's most devastating fallacy is his conviction that the United States can play a China card. According to his delusion, the Chinese are moving away from Communism and can be brought into the U.S. orbit, because of their fears of the Soviets. As is typical of a racist, he completely underestimates the Chinese and misunderstands their culture.

Indeed, top intelligence sources concur, that the major problem with Zbigniew is not that he is an evil

man, although he surely is, but that he is so stupid. However, they do not find him to be too much worse in this regard, than the typical U.S. China hand. Every self-styled U.S. expert on China, whatever his political persuasion, is so beguiled by questions of ideology that he or she completely misses the point.

The situation in China is really quite simple. Chinese policy is shaped according to three priorities: power, family, and money. And practically speaking, money is the most important. At present, the Chinese are trying to move between the cracks of U.S.-Soviet deals. They do not intend to be "played" by anyone. They intend to maximize their own advantage.

Brzezinski, in his article, poses an alliance between the Japanese and the United States to turn Asia into a free-trade zone. In actual fact, the Japanese are responding to the combined pressures of U.S. trade war and blackmail against them, and increasing U.S. political and economic weaknesses, by looking for other flanks.

In these circumstances, the Japanese and Chinese have been considering an accommodation. Both agree that for the next 10 years there will be no points of serious conflict between them, but that both will be facing areas of conflict with the Soviets.

One area under dispute between the Chinese and Soviets is Vietnam and Cambodia. Is this a question of ideology? Not at all. Zbigniew Brzezinski would like to ease the Japanese out of Southeast Asia by instituting free-trade zones—that's his proposal in the cited article—but the Chinese have their own ideas. China also wants to make money out of Southeast Asia.

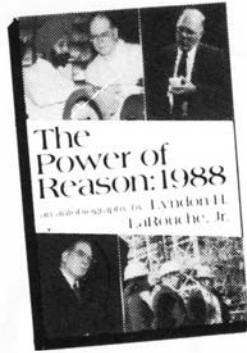
China is still essentially a Confucian society, run on the principles of bureaucracy—much like the British permanent civil service, which was based upon the Chinese model. They are old hands at the kinds of games that Brzezinski would like to play, and they are not about to be anybody's pawns, if they can help it.

It will be the tragedy of Western civilization if fools such as Brzezinski are at the centers of power.

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REPORT

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## The Kalmanowitch Report:

# Moscow's Moles in the Reagan-Bush Administration

with a preface by Lyndon H. LaRouche, Jr.

On December 23, 1987, some were shocked at the news that Israeli playboy and arms trafficker Shabtai Kalmanowitch had been caught working as a top agent for the Soviet KGB. But it was no shock to George Bush's "secret government," which had just finished brainwashing President Reagan into accepting Moscow's phony "peace" treaties.

For more than 20 years Moscow has been using the Israeli intelligence services as a conveyor-belt to place its agents high within the U.S. government. And although "little fish" Jonathan Jay Pollard was caught passing U.S. secrets to Israel—and from there to the KGB—the man who recruited Pollard still walks free at Tufts University in Massachusetts.

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