use of computerized "stock index arbitrage," run in tandem with Washington's unprecedented "Jap-bashing" on trade and other issues.

- A deliberate U.S. move to collapse the price of one of the major non-dollar "safe haven" investment commodities, gold. On March 26, a private syndicate of Saudi investors reportedly linked to Saudi Arabia's ambassador to Washington, dumped a staggering 70-120 tons of gold on the market, triggering panic selling in an already weak market. Reliable reports from London gold channels, and banking sources in the Middle East as well as the United States, confirm that the "request" to do this came from the U.S. State Department, because Washington views as "priority number one" to keep the dollar high.
- A drive to delay German-German economic unification and, more broadly, the emergence of an economically unified Western Europe which is opening a vast new economic region of trade and investment into Eastern Europe. Washington has attempted to sabotage French President François Mitterrand's proposal for a European Bank for Reconstruction and Development by blocking one proposal after another.

Financial 'earthquake' looms

The drama is rapidly building to a climax. On April 7, finance ministers and central bankers from the seven leading industrial nations, the so-called Group of Seven, will hold an extraordinary meeting in Paris on request of Washington. The real issue, according to City of London economist Stephen Lewis, will be "whether Washington agrees to help stabilize Japan's yen." Lewis rates chances of Washington agreeing to do this as less than zero, for the reasons alluded to above. The Bush administration is desperate to keep the yen weak so that money keeps flowing into the U.S. debt bubble. "If there is no deal to support the yen," Lewis stated, "the Japanese must act in self-defense." They have no options, other than to let their currency fall like a stone and risk an even more destabilizing collapse, to again raise interest rates, or to impose control on their currency flows. The first is unlikely. Either of the latter two options will, at this juncture, trigger the "financial equivalent of the Tokyo earthquake." Hardest hit will be, of course, the United States. But already London markets are feeling the pain, as Japanese "Eurobond" trading in London has all but collapsed.

All signs at present indicate that Bush may have miscalculated how far he could push Tokyo. Japanese banks may soon be forced to call in their assets in the United States to shore up their domestic positions. As the London *Independent* newspaper put it on April 3, "There are nightmare possibilities such as an international liquidity crisis, caused by falling property and share values, which could force Japanese banks to slash lending as their capital bases are reduced." If that now happens, the biggest losers will be the free-wheeling *laissez-faire* capital centers of London and New York.

Soviets deny plan to adopt Polish model

by Mark Burdman

In an interview with the news agency TASS April 3, Soviet economist Leonid Abalkin stated that the Soviet Union would not adopt the Polish "shock therapy" model. Abalkin, head of an official Soviet commission studying economic reform options, said that the Soviet Union is considering various economic models for possible application. First among these are the experiences of "Austria, West Germany, and Japan after the Second World War." Next are "present-day China and Poland."

After stating that "none of these can be transplanted without modifications," Abalkin commented that the Soviet Union "can not apply the economic shock therapy that has been successfully applied in Poland, to stabilize the situation in the Soviet Union." Poland, unlike the U.S.S.R., had a "10-year preparation period" for such measures, he stressed. Abalkin said that the Soviet priority is to "revamp its financial system," especially by applying "anti-monopoly measures."

Abalkin's statement is intended to refute conjectures that have spread in the West since mid-March, that the Soviets were about to adopt the "Polish model." This has been purveyed in *Newsweek* magazine, in various British papers, particularly the London *Guardian*, by the British Broadcasting Corp., and elsewhere. Such coverage, interpreting what the Soviets mean when they use the expression, "market economy," or "radical reform," is aimed at pushing Moscow down the shock therapy track.

Lyndon LaRouche, the American economist who is an acute observer of the Soviet leadership, commented that despite Abalkin's disclaimer, "the Soviets are not to be believed; there's no indication so far that they are not going with the Polish model." He noted, "The Soviets have a propensity for copying all kinds of things, and accepting all kinds of suggestions; however, the Soviets never like to admit such a thing, so they always change things around, particularly names." He gave an example of "Soviet sophistry" by quoting the following imaginary dialogue: "Can you prove that we've adopted the name of Polish model as a model for our economy?" "No." "Then we didn't, did we?" "No." "All right, then it's not the Polish model."

LaRouche added, "Gorbachov is not exactly a genius in political economy. He's a thief; a thief may know how to steal, but . . . his inclination to steal may reflect his disinterest in production." But if the Soviets *do* adopt the Polish model, or its equivalent, LaRouche warned, they will run into the accelerated collapse of the Soviet economy, which "will bring us right next to a bloody war." Anyone pushing this in the West is "insane," he said.

Lessons of Poland at hand

As foolish as many Soviet policymakers often are on matters of economics, it remains to be seen if they as stupid as Harvard's "shock therapy" theorist Jeffrey Sachs and his ilk, and willing to commit collective suicide by following the advice of Harvard yuppies or London's Adam Smith Institute. The Soviet Union is going through an economic crisis of epochal dimensions, characterized by the breakdown of the physical economy, chaos in the administrative sector, labor unrest and militancy, and worsening shortages. The Kremlin is reacting, in part by reflex, by reinforcing the role of the Army and military industries in the day-to-day management of the economy and social and political life. Mikhail Gorbachov's new Presidential Council is composed of several important figures in the military-industrial complex, typified by First Deputy Prime Minister Yuri Maslyukov, head of the state planning agency Gosplan and a key figure in the defense industries complex.

While Soviet claims to "realism" are largely bogus, they can hardly have missed the chaos that is now descending on the "free-market paradise" of Margaret Thatcher's Britain. Abalkin made his comments one day after the second-greatest fall ever on the Tokyo stock market. In an April 2 commentary on Lithuania, Radio Moscow warned the Lithuanians that if they broke from the Soviet Union and oriented to the West, they would become dependent on the International Monetary Fund and would have to apply the IMF's "painful medicine."

The Soviets also may have noticed that a disaster of unimaginable proportions is unfolding in Poland, even if Abalkin talks of the Polish model's "success." By the end of February, unemployment in Poland was 152,000. It climbed to 216,000 by mid-March, to 266,000 by the end of March, and is expected to reach 400,000 by the end of April. By the most conservative estimates, it will reach 1.7 million by the end of the year. The Soviet ambassador to Warsaw, Vladimir Brovikov, has been among the most outspoken of Soviet officials, in insisting that precipitous reforms in the U.S.S.R. would bring "chaos."

On March 30, the head of the U.S.S.R.'s Commission on Prices, Vyacheslav Senchagov, said that the "Polish variant" was one of the options that the Soviet government had been studying. Were there an immediate transition to a "Polish-style market," he noted, prices of oil and coal would increase by 300 to 500%, some 80% of collective farms would close; unprofitable enterprises would shut down; and unemployment would increase fast. Senchagov was posing this as a worst-case option, and he presented other, more moderate alternatives; yet the London *Guardian* in its March 31 article from Moscow on Senchagov's comments, reported that Polish-style shock therapy would be "inevitable" for the Soviet economy.

Other models?

Nikolai Petrakov, the man appointed in January to be Gorbachov's personal economics adviser, told France's *Le Monde* in an interview published March 24, that those economists who were recommending the "shock therapy" treatment for the Soviet economy, were suffering from "great naïveté."

On March 27, Gorbachov, speaking before the first meeting of the new Presidential Council, said that the U.S.S.R. needed "resolute steps in the economy," based on "controlled transition to a market economy," all of which would have the aim of increasing supplies and combatting inflation. Although he spoke of price reform, ruble convertibility, etc., he stressed that in the transition period, "state control would be predominant," while "different forms of management" would simultaneously be encouraged. The aim would be to "raise the efficiency of the entire system of management."

On March 22, the Soviet embassy in Tokyo reported that an 18-member Soviet delegation, headed by Anatoli Milyukov, vice-director of the Soviet Communist Party Central Committee's social and economic affairs department, would be visiting Tokyo on April 15-28, to study the "secret" of Japan's postwar economic success, particularly how the government promotes scientific research. According to the German weekly *Der Spiegel* March 23, the Soviets' favored models from abroad for developing their economy are those of Singapore, Taiwan, and South Korea. Vis-à-vis the last case, bilateral relations are improving very rapidly. There has been a growing number of diplomatic and business contacts between the Soviets and South Korea in recent weeks.

One other indicator of how certain Soviet elites are thinking about the economy, is the analysis by Dr. Valery Barsakov of the Vernadsky Institute of Geochemistry and Analytical Chemistry. Radio Moscow reported March 21 that Barsakov believes that the solution to the economic crisis lies in bringing the entire Soviet economy up to the standards of the Soviet space program. Criticizing those citizens who say that the U.S.S.R.'s economic difficulties require cutbacks in space outlays, Barsakov stressed to Radio Moscow that space exploration is "one of the few areas in which Soviet technological standards are among the highest in the world. . . . We should not bring the space program down to the general standards of the overall economy, but should bring the general standards up to those of our aerospace." His remarks parallel those of Soviet Foreign Ministry planner Mikhail Aleksandrov, who wrote in the December 1989 *Soviet Military Review* that the U.S.S.R. should support mutual U.S.-Soviet deployment of strategic defense technologies, because of the spinoffs for the Soviet economy.