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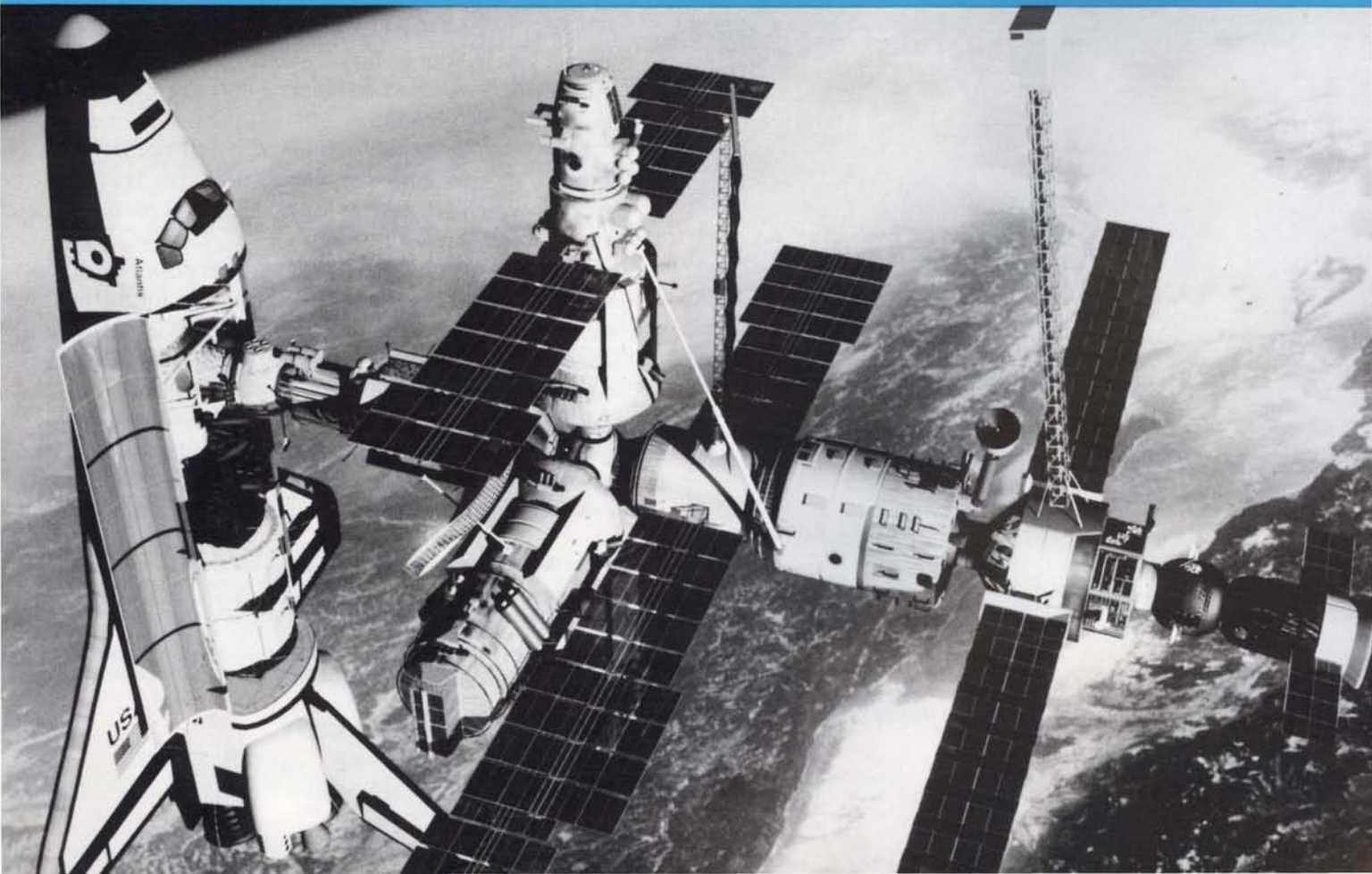
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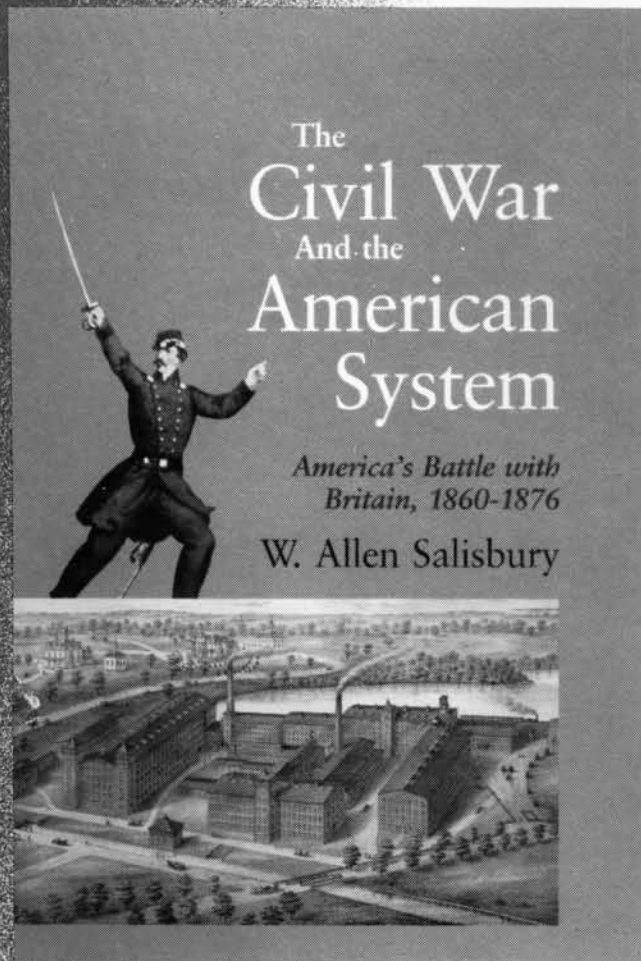
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From the Editor

In an April 13 radio interview which appears in full transcript in this issue, Lyndon H. LaRouche, Jr. addressed each of the major breaking world developments, starting with the latest turn in the series of media scandals unleashed against the U.S. presidential institution, the so-called “Whitewater” affair. LaRouche summarizes here the evidence—presented in detail in a current special issue of *New Federalist* newspaper by Jeffrey Steinberg and Edward Spannaus—that will cause the Mena, Arkansas drug-running scandal to boomerang against former President George Bush and his circles, as well as pose some very grave questions to Cuauhtémoc Cárdenas, a Mexican presidential candidate who apparently stands to gain from the British destabilization of the presidency in Mexico.

The Mena story reveals more of the dirt about Oliver North, who is currently running for U.S. Senate from Virginia and tries to present himself as a national hero. Meanwhile, the local Loudoun County, Virginia bungler who tried to present himself as having more or less slept with North when the two were serving in the Marine Corps, Don “Deppity Dawg” Moore, has gotten himself indicted for another kidnap. As LaRouche wrote on April 14, “this little major-felony indictment of old Don is just the scab on the gangrene, so to speak. The really juicy story, now breaking worldwide, is old Don’s ties to the Bush-league wannabe senator Oliver ‘Iran-Contra’ North,” as revealed in a new book by Terry Reed and John Cummings, entitled *Compromised: Clinton, Bush, and the CIA*.

LaRouche goes on to touch on events in the Balkans, the unraveling situation in Russia and the former Soviet Union, and the United Nations’ intention to turn the world into a global animal reserve, embodied in the upcoming World Population Conference in Cairo. In our *Feature* we produce LaRouche’s program for the economic recovery of Russia, a matter of the utmost importance for the entire world. Upcoming issues of *EIR* will publish in great detail the personnel and programs of the Cairo conference, showing the reasons why, as our editorial stresses, it must be shut down and put out of business.

On the Balkans, we draw your attention to the in-depth coverage leading the *International* section.

Nora Hamerman

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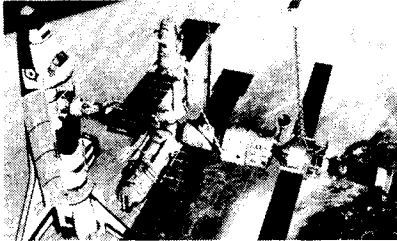
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Lyndon H. LaRouche, Jr. outlines the conceptual framework for a Russian recovery program, in this excerpt from a forthcoming *EIR* special report. "We have reached the point of the late Krafft Ehrlicke's Extra-Terrestrial Imperative," he writes, "at which the emerging technology of space and the emerging technology of Earth have become interchangeable. This author therefore votes for the space science-driver as the best choice of umbrella-project."

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Derivatives tax is attacked at hedge fund hearing

by Richard Freeman

On April 13, at a hearing on a new financial speculators' instrument called hedge funds, Rep. James Leach (R-Iowa) launched into an impassioned attack against any attempt to tax hedge funds and other financial derivatives out of existence. Without naming names, Leach was attacking the author of that tax proposal, Lyndon LaRouche, who on March 9, 1993, proposed a 0.1% federal tax on each separate derivatives transaction.

The hedge fund hearing was called by Rep. Henry Gonzalez (D-Tex.), chairman of the House Banking Committee. Hedge funds employ mountains of leverage, borrowed primarily from banks, to massively speculate on the derivatives markets.

During his testimony, Congressman Leach, who is also notorious as a co-conspirator on the Whitewatergate assault on the presidency, got each of four government regulators present to second his opposition to any attempt to control what LaRouche has identified as the biggest financial bubble in world history. "Do you think we should be toying with taxation?" Leach asked. Comptroller of the Currency Eugene Ludwig fumbled about for an answer, which amounted to "no." Federal Reserve Board Governor John LeWare was more adamant: "Taxation is the power to destroy. It could drive derivatives offshore," he warned, adding, "the financial markets are one of America's crown jewels." Securities and Exchange Commission Chairman Arthur Levitt, Jr. said he had "grave reservations," about a tax and that instead all that was needed was "more disclosure." Commodity Futures Trading Commission acting chairman Barbara Holum echoed Levitt.

These four financial watchdogs' collective "no" to a de-

derivatives tax was in keeping with their other absurd testimony that the financial markets, which liquidated nearly \$2 trillion in face values in the first quarter of 1994, are functioning "perfectly" and "just fine."

Two factors triggered Leach's wild tirade. First, on the day before the hearing, Representative Gonzalez introduced as legislation HR 4170, the "Derivatives Safety and Soundness Act of 1994," which includes a provision for the U.S. comptroller general to complete a study that "evaluate[s] the feasibility of imposing a tax or transactions fee on speculative derivative contracts and estimate the expected revenue." No specific amount for the tax is entered into the bill. But on March 28, Gonzalez made clear his thinking, stating, "I think ultimately, the only way you could stop, in fact, overnight, [derivatives trading activity, is] if you imposed a 0.1% tax on those transactions. You'd see an immediate deflation."

Second, Leach, and just about everyone else, knows that Lyndon LaRouche, an announced 1996 U.S. presidential candidate, is the author of this derivatives tax proposal. He can recall that LaRouche's 1993 proposal was printed up and distributed in the tens of thousands of copies, and was the subject of previous House Banking Committee written testimony on Oct. 28, 1993, as well as written testimony submitted to the April 13 hedge fund hearing. Implementation of LaRouche's proposal would restore America and its credit system to the rule of law. It would create the circumstances in which the structure of the derivatives markets might be properly investigated. Moreover, this tax constitutes a precise means to surgically lance and dry out the derivatives bubble, by erecting a tax barrier on the high turn-over use of derivatives.

Danger of \$2 trillion meltdown

But things have gotten worse since LaRouche made his proposal last year. The turbulent financial events of the first three months of this year prove that while the tax is still essential, by itself it will not be sufficient to control the coming collapse. It has now reached the point where *the derivative transactions which are subject to taxation are themselves in the process of collapsing. What is needed now, is an answer to the question: Is there life after the derivatives bubble is dead and gone?*

A global financial collapse is already in progress, and has been so since before the beginning of the year. From 1993 onward, the collapse has been global in scope: from Chile, and the case of the Codelco raw materials company; to Argentina, and its bond and stock market; to Venezuela and the case of Banco Latino; to Spain and the multi-hundreds of millions lost by that country's fourth-largest bank, Banesto; to the United Kingdom and the Hongkong and Shanghai Bank-owned Midland Bank; to France and the case of the multibillion-dollar loss at Crédit Lyonnais; to Germany and the \$1 billion-plus loss by the non-ferrous metals firm Metallgesellschaft; to the reputed several billion-dollar losses at Malaysia's central bank, and the banks of Indonesia. All these losses were related to derivatives trading.

If one takes the decline in U.S. bond prices, in the range of 14-15% over the last 90 days, as a general measure, which is also matched or exceeded by the range of fall in certain stock markets around the world, as well as in certain specialized markets, such as the intensely illiquid market in mortgage-backed securities, then the nominal first-quarter bill for the losses in notional, and where applicable actual cash value, of all derivative and spot-cash markets will total \$2 trillion. This is not the market "blowing off" excesses; it is not a market correction. Rather, *this is reverse leverage with a vengeance: the collapse of the biggest financial bubble in history.*

At this point, only fundamental economic policy changes to rebuild a new financial and monetary system, will do any good. Federalizing the Federal Reserve System, under the provisions of Article I, Section 8 of the U.S. Constitution, is a first order of business. The country needs a reorganized credit system to create qualified employment for people through rebuilding basic economic infrastructure in transportation, power generation, and water supply and capital goods production. Similar emergency programs are now on the table for every country on the globe.

Casino economics

Unfortunately, little of this sense of reality penetrated the hearing on hedge funds. The mere catalogue of wreckage in recent weeks shows hedge fund losses of the size that even a few years ago would have been unthinkable; from the \$600 million lost by speculator George Soros's Quantum Fund on one day, Feb. 14; to the \$1 billion loss of Steinhardt

Management's hedge fund; to the early April bankruptcy liquidation of the entire market holdings of the \$600 million in assets, exotic mortgage securities derivatives, of David J. Askin's hedge funds.

Hedge funds are effectively gambling pools, in which a group of investors who have to ante up starting values of between \$250,000 to \$1 million apiece, put their money at the disposal of a gun-slinger investor, who will manage the money as if it were his own. Meanwhile, this general manager of the fund, called the senior partner, promises to make as much money in any way possible, using whatever market—options, commodities, currencies, stocks—is most promising. The idea is to use piles of borrowed money, or leverage, increasing one's rate of return several-fold.

Hedge funds work on anywhere from 5:1, up to 50:1 leverage. I.e., for every \$1 billion of the hedge fund's own money under management, it borrows from \$5 to \$50 billion. The over 300 hedge funds have \$75 billion in assets under management, meaning they could control an astounding \$375 billion to \$3.75 trillion of publicly traded bonds and stocks. By comparison, the average trading volume on the New York stock exchange is but \$11 billion daily.

The hedge funds are set up under contrived legal arrangements to stay outside the reach of most regulation. They usually have 99 or fewer U.S. investor partners, in order to circumvent the Investment Company Act of 1940, which would otherwise regulate them. They are also structured to evade the Securities Act of 1933. Hedge funds are often set up off-shore so that foreign investors avoid U.S. tax laws, and U.S. investors lessen their taxation.

From mid-March through mid-April, hedge fund operators, combined with other derivative market players, dumped hundreds of billions of dollars of U.S. Treasury and foreign Treasury bonds, sending the market crashing. Yet, when questioned on this subject at the Gonzalez hearing, each of the four regulators said two contradictory things: a) that there was and is no market crash, just a tiny correction; and b) that while some serious damage resulted, neither the hedge funds, nor derivatives traders, nor banks, etc. were responsible for the damage. That is, they insisted that nothing happened; but if something did happen, no one was responsible.

Asked by a congressman if the situation of the past months was not parallel to the 1980s collapse of the real estate market caused by incompetent investors, Fed Governor LeWare defiantly responded, "The real estate market was overbuilt. Today, the stock and bond markets were overbought. That's all—just a healthy correction." When asked about the risk posed by hedge funds—and, by implication, derivatives—LeWare trumpeted, "They are no significant risk." Do hedge funds pose a threat to the banking system, which is the largest lender to the hedge funds? Currency comptroller Eugene Ludwig reeled off this formula: "Hedge funds do not pose a systemic risk to the banking

system. . . . Our examiners report that those banks are adequately controlling their risks.”

A worm-like George Soros

The hearing reached its nadir with the testimony of mega-speculator George Soros, whose highly anticipated appearance drew a mob of 250 press and others. The popular press never fails to portray Soros as very intelligent and smooth, a worldly figure. But upon hearing him testify for nearly two hours, that impression is quickly changed. Under his smooth persona, one can perceive an obsessively object-fixated person, whose answers become very predictable, uttered in short, hack-like phrases. Moreover, Soros frequently contradicted himself, withdrawing what he had said only five minutes earlier. One had the strong impression of witnessing the testimony of a worm.

Unfortunately, Soros's testimony was never challenged. Soros was unctuously introduced for 10 minutes by Rep. Tom Lantos (D-Calif.), a leading hit-man for the Anti-Defamation League of B'nai B'rith, who called Soros “a close friend of many years,” both having been born in Hungary. Lantos hailed Soros's private philanthropy work in the former East bloc, which, as *EIR* has reported, is nothing more than a controlling mechanism for the International Monetary Fund's disastrous shock therapy policies.

Soros said that there are those who have “spread lies about how I make my money.” Engaging in classic misdirection, which no one in Congress tripped him up on, he said that mutual funds were responsible for the market downturn, and so were the banks and people using derivatives—but not his own Quantum Fund's use of derivatives. “As far as my hedge funds are concerned, I believe you are looking in the wrong place.” He insulted Congress, stating that “Frankly, I don't think hedge funds are a matter of concern to you [Congress] or the regulators.” Then, contradicting himself, Soros told Congress that hedge funds needed more regulation. Under questioning later, he reversed himself again, saying, “Banks monitor hedge funds better than they do other customers. There's really nothing to regulate on hedge funds.”

Soros was asked why his Quantum Fund, which is heavily dominated by the Rothschild bank, could not possibly go afoul or create problems. his arrogant reply: “I own a large share of my own company. That's the best guarantee it will not be over-leveraged.” No congressman even questioned that cheap salesman's “trust me” ploy. Soros also asserted, “I see no imminent danger of a market meltdown or crash.”

Yet Soros repeatedly made statements that provided enough rope to hang himself and the four regulators who testified before him, if any congressman had been alert. For example, he stated, that “instruments of hedging [such as derivatives] pass risk onto the system,” creating and building up systemic risk as a function of derivatives trading. This is exactly what every bank and derivatives trader denies has happened over the last five years.

China model is heading for a crash

by Michael Billington

The much-heralded “China model,” which has been based on the promise that a large accumulation of capital can be squeezed from an impoverished peasantry deployed as cheap labor in low-technology export industries, is fast approaching its unavoidable breakdown crisis. During March, Beijing's economic leaders scrambled to reimpose state controls on several sectors of the economy, in an effort to stop both the 20%-plus inflation and the uncontrolled speculative investment in real estate, smuggling, drugs, and sweatshop light industries.

There are serious questions, however, as to whether or not the central government can enforce the new controls in the face of regional resistance, which is being sponsored and supported by British-based operations to split China, or at least to so weaken the central government that the foreign “globalization” looting spree is not disrupted. Britain's foremost geopolitical policy think-tank, the International Institute of Strategic Studies (IISS), released a report entitled “China Changes Shape: Regionalism and Foreign Policy,” written by senior fellow Gerald Segal, which explicitly calls for western nations to deal directly with the governments and businesses in regional centers, especially in Guangdong province in the south, rather than with Beijing. “It may be,” the report states, “that the only way to ensure that China does not become more dangerous as it grows richer and stronger is to ensure that in practice, if not in law, there is more than one China to deal with.” This is, of course, a policy oft repeated over the 150-year history of British operations in China.

The IISS report points out that the People's Liberation Army still represents centralized authority; but the increasing involvement by both the Army itself and by the individual officers in money-making ventures has created strong interests linked to the regional economies. Meanwhile, Segal writes, “Beijing [can] no longer impose austerity measures on the national economy, and rich provinces [can] raise funds from local investment and abroad.” This refers primarily to the fact that Hongkong (i.e., British) banks and investors can issue credit directly in Hongkong dollars, which are now accepted as legal tender in Guangdong province.

The IISS program is being realized in the current crisis.

Zhu Rongji, the vice-premier in charge of the economy and head of the People's Bank of China, the central bank, spearheaded a set of financial reforms on Jan. 1 aimed at cooling speculation and reversing the collapse of central government revenues, including especially a new tax structure.

Shanghai Mayor Huang Ju was reported by IPS to have refused to implement the new taxes until 1995 at the earliest, and insisted that real estate development would be permanently exempt. Guangdong Mayor Li Zhi-lin told a meeting of Hongkong developers: "The law has been passed, and it must be followed. But in administering the law, we can be flexible and take into account the interests of foreign investors." The same March 8 IPS wire reports that, although the finance minister insisted that no modifications would be accepted, the State Administration of Taxation had to concede that "problems had come up when discussions were held with Guangdong and other provinces, so adjustments will be made to take account of their views."

Beijing can't halt the binge

Beijing's demands that fixed asset investment be strictly controlled and drastically reduced has been totally ineffective:

The figures for investments in new projects rose by 77% in January and February. The reimposition of wage and price controls will find just as much resistance. Government officials have announced that inflation will be drastically reduced from last year's rates down to 10%, but the figures for January and February have not even budged from the over 20% average. Efforts to restrict wages, together with timid moves toward closing state sector industries that are not producing a profit, put the government face-to-face with perhaps their greatest fear: a general upsurge of labor actions, potentially intersecting peasant revolts over deteriorating conditions in the vast agricultural sector. The All-China Federation of Trade Unions reported in March that there were 15,000 strikes, protests, petitions, and acts of sabotage by Chinese workers in 1993. Such growing militancy is the result of both the breaking of the "iron rice bowl"—the guaranteed job for Chinese workers—and the appalling conditions in the virtually unregulated coolie-labor light industry which is recycling the 150-200 million idle peasants through their doors. Vice Premier Zou Jiahua admitted that more than 60,000 people had been killed in industrial accidents and disasters between January and October 1993—about 200 *per day*.

The kind of transformation of the national economy necessary to avert the looming disaster is not unknown to sections of the Chinese government leadership. The influential magazine *Strategy and Management* last month published in full Lyndon LaRouche's programmatic proposals (first printed in *EIR*'s Feb. 11, 1994 issue) for Chinese development, written by Dr. Jonathan Tennenbaum of the

Fusion Energy Forum. This program calls for reversing the International Monetary Fund-sponsored cheap-labor and free-trade approach in favor of a massive transformation of both the physical and human infrastructure of the economy, centered on the building of 1,000 new cities powered by nuclear energy facilities and built around new educational institutions.

Such a policy would revive the historically respected role of the intellectual in Chinese society from the nightmare of Maoist (Taoist) disdain for the power of reason, and would place the individual human being at the center of the economy, valued for his capacity to advance his creative powers and skills, rather than as a replaceable cog in the labor recycling process of the free trade zones.

There is no indication, however, that such a transformation of the Chinese government's view of its population is under way.

The state of the real economy

Chinese economists have repeatedly told *EIR* that, although they agree that vast infrastructure projects are desirable, these can only be obtained in the long run by first accumulating foreign reserves through a period of exploiting cheap labor in export-oriented process industries. However, despite the ostentatious wealth in the trade zones, the central government is increasingly facing financial disaster due to the collapse of state sector industries income, capital flight estimated at over \$10 billion per year, corruption, and regional diversion of revenues. The 1993 budget deficit of \$10 billion is expected to leap to nearly \$15 billion this year.

Financing this deficit has led Beijing into ever-larger foreign bonded indebtedness, and to huge domestic bond issues. The domestic bonds may have to be sold by forced deductions from state employees' paychecks—a practice which was reintroduced last year, and which will further enflame the labor force.

The state of the real economy is reflected in the following brief reports, taken from official government reports:

- **Rail.** The notorious bottlenecks in transportation in China are getting worse rather than improving. There was a net *decline* in 1993 in both freight transport volume (0.2%) and passenger transportation (11.9%). A rise in freight transport in January, at the expense of further declines in passengers, fell back again in February. And yet, in March, the government announced a 30% *cut* in the railroad construction budget originally proposed for 1994. The total expenditures after inflation will be only slightly greater than last year, and will not increase total tonnage or passengers at all.

- **Steel.** Steel production is increasing significantly, but a profile of China's largest steel company, Shougang, indicates the problems and the dangers. Shougang is expanding by purchasing idle steel plants in the depressed U.S. econo-

my. Their new mill in Shoudong, which will be the largest in China, was previously a working mill in California. The Pittsburgh *Post-Gazette* recently reported that several major USX plants in the area have been packed up and shipped to China. While this may appear to be a boon to China's economy, in the long run, such asset stripping from the advanced sector physical plant and skilled labor force is precisely the policy which is locking the world economy into a systemic depression depression breakdown—which will, of course, include China. Shougang's president foolishly bragged to the *Asian Wall Street Journal* that the company will survive in a collapsing world steel market because of cheap labor. "Labor constitutes only about 4% of our costs, compared to over 40% for Japanese steel workers," he said.

Worse, Shougang Steel has become one of the leading state sector firms to become massively involved in Hongkong real estate and similar speculative operations. Chairman Shou Guanwu deployed his son, along with the son of Deng Xiaoping and several other "princelings," to work with Hongkong's Li Ka Shing, the "Dope, Inc." tycoon who represents the interests of the Anglo-American financial elite in the Crown Colony. Like USX, which "diversified" out of steel production into real estate speculation, leading the collapse of U.S. steel production during the 1980s, Shougang now runs a series of shell companies listed on the Hongkong Exchange which are heavily involved in the speculative China bubble.

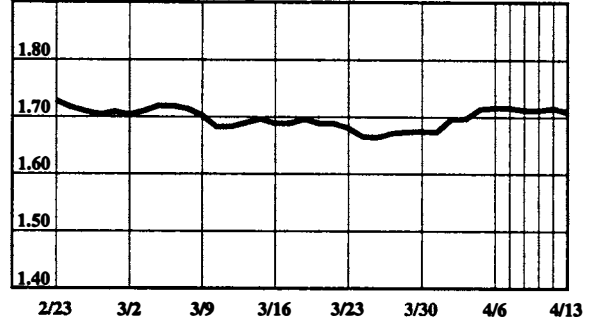
- **Energy.** The head of the energy program at the East-West Center in Hawaii, Fereidan Fesharaki, said that China's energy sector was out of control. "The whole structure is unravelling," he told Reuter news service on March 13. Besides the notorious inability to transport coal, which already ties up about 50% of the national rail capacity, a similar crisis has developed in oil. The booming southern provinces have turned to imported oil, despite the fact that China's oil industry is one of the world's largest. Beijing imposed a temporary ban on all oil imports in an effort to "better coordinate domestic oil sales with imports," according to a government official. Fesharaki, however, said, "This is not a sign of a plan, but a sign of anarchy."

- **Education.** China's expenditures per capita on education (about \$11.50 per year per elementary student) are among the lowest in the world. The *China Daily* reported that 91% of Beijing's teachers are trying to find other work. Both government studies and foreign observers have reported that school-age children are increasingly dropping out of school in the countryside. In one horrifying report from Hebei province, where an explosion in a fireworks factory injured 73 peasants, 34 of those burned were 11- to 13-year-old schoolgirls who had been forced by their school to work in the factory. Officials told Reuter that an estimated 50,000 such illegal plants were believed to be operating in Hebei alone. Those who refused to work were expelled from school.

Currency Rates

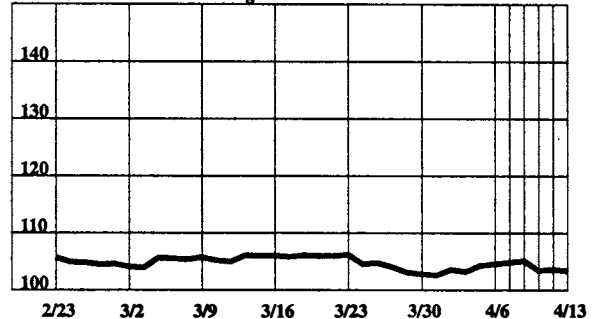
The dollar in deutschemarks

New York late afternoon fixing



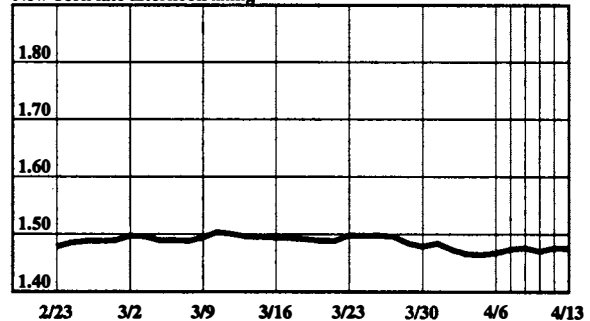
The dollar in yen

New York late afternoon fixing



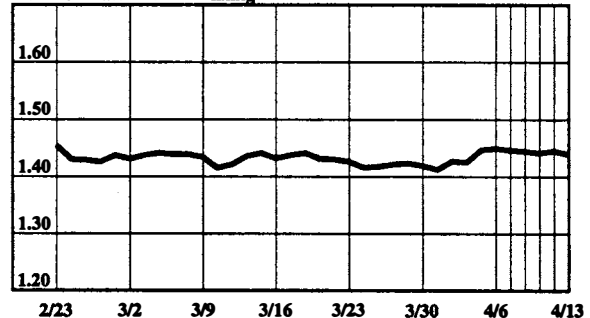
The British pound in dollars

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing



The gloss is wearing off India's economic reforms

by Ramtanu Maitra and Susan Maitra

The Indian budget for the coming fiscal year (April 1, 1994-March 31, 1995), tabled before Parliament by Finance Minister Dr. Manmohan Singh on Feb. 28, is a pointer to the difficulties the reform plan has run into. Except for meeting the targeted level of export growth and a significant rise in foreign exchange reserves, all other major sectors in the economy have either done poorly or have contracted.

As can be seen from the major medium-term trends shown in **Table 1**, growth in most key sectors was higher in the mid-1980s, but since the advent of economic liberalization in 1991, has been stymied because of austerity. The pathetic showing of the industrial sector during the past year, in addition to the growing worries about stagnation of agricultural production and overuse of the country's dilapidated infrastructure, all signal that things are getting worse for the Indian people. It is also disturbing to note that the 1994-95 budget does not address those problems, but is boiled down to the usual monetary practice of expansion and contraction of the money supply "to generate growth and control inflation."

The 1992-93 budget of Dr. Singh a year before was hailed as a breakthrough; but its assumptions were false. Having promised that the fiscal deficit would be brought down to 4.7% of Gross Domestic Product (GDP), Dr. Singh kept developmental expenditure on a tight leash. At the same time, in hopes of enhancing industrial growth, he lowered tariffs, dropped bank lending rates by one percentage point, and tried to encourage buyers by lowering the excise duties on a number of durable goods.

The cut in capital outlay further adversely affected the improvement of physical infrastructure but was nonetheless effective in keeping inflation down to a single-digit figure. The lower import tariffs in certain sectors boosted exports, and certain liberalization measures in the financial sector led to a spate of foreign currency coming in. Both these factors helped boost India's foreign exchange reserves to \$13 billion over the past year.

Revenues choked

However, early into the past fiscal year, it became clear that Dr. Singh's strategy would result in a major shortfall in revenue earnings. The lowering of import tariffs did not excite industrial investors to action, nor did the lowering of

interest rates, which remained "too high" at 15%. Since industry continued to stagnate, the excise cuts were not passed on to buyers. As a result, industry did not grow at a desirable rate, nor did buyers come flocking to the marketplace. It became all too clear at that point, that the government had given something for nothing: Revenues were much too little, and the fiscal deficit would be massive. Faced with this inevitability, the government jacked up prices on almost all essential commodities in order to mop up some cash and keep the fiscal deficit under control.

Despite this drastic move, the net result at the end of the fiscal year is turning out to be most unpleasant. The fiscal deficit has soared to close to 340.58 billion rupees, or about 7.3% of GDP. This is almost twice that of the previous highest fiscal deficit ever, which was recorded in 1990-91 by the unstable V.P. Singh government and was cited often as the reason why India was forced to undertake economic reforms. And despite its repeated worries over inflation, the Rao government itself fueled inflation by hiking prices of all major commodities, including that of oil at a time when the crude price internationally was going down. As a result, inflation at the end of the last fiscal year was close to 9%.

On the positive side, a most remarkable turnaround has occurred in India's foreign exchange reserves. Buoyed by foreign investments in the industrial and consumer goods sectors, large foreign portfolio investments in the financial sector, and a sharp decline in the trade deficit (due to both a drop in imports and a rise in exports), India's foreign exchange reserves have gone up to \$13 billion and are still growing. As a corollary, India's foreign debt during 1993-94 went up by only \$0.4 billion, and India has called off further talks with the International Monetary Fund (IMF) over securing an extended fund facility loan.

The high foreign exchange level, which amounts to about six months of India's import requirements, is backed by a 20% growth in exports over the previous year's figure. In absolute dollar terms, the 1993-94 figures indicate that India exported over \$1 billion more in 1993-94 than in 1990-91 and, as a result, India's trade imbalance for the year has come down to less than \$1 billion. In addition, fears among some that the Indian rupee would collapse following establishment of virtually full convertibility of the rupee in the current account announced one year ago, have been proven to be

TABLE 1

India's basic economic indicators

Indicator	Measure	1981-82	1985-86	1989-90	1990-91	1991-92	1992-93*	1993-94*
Industrial growth	% over previous year	9.3	8.7	8.6	8.3	0.0	1.8	1.6
Foodgrain production	million tons†	133.3	150.7	171.0	176.4	168.4	180.0	179.1
Electricity generation	billion kwh	—	170.3	245.4	264.6	287.0	301.4	237.8‡
Coal production	million tons	—	154.2	200.89	211.7	229.3	238.3	165.6‡
Crude oil production	million tons	—	30.2	34.1	33.0	30.4	27.0	20.0‡
Crude oil consumption	million tons	—	40.9	54.1	55.0	57.0	59.2	39.2‡
Railway	million net ton-kilometers	—	196.6	229.6	235.8	250.2	251.5	183.89‡

* Provisional.

† All tons are metric (2,205 lb.).

‡ Figures for 9 months (April-December).

misplaced. In fact, the rupee was remarkably stable, and would surely have gained over the U.S. dollar if Delhi had not intervened periodically in the market to protect India's exporters.

For the Finance Ministry, these developments mean that the country will no longer be at the mercy of the IMF or any single outside agency during 1994-95. You may recall how in 1990-91, the withdrawal of some \$2 billion by non-resident Indians from Indian banks had brought foreign exchange reserves down to \$1.5 billion, obliging India to face the immediate possibility of becoming a debt-defaulting nation. It is that foreign exchange crisis which brought the IMF onto the scene in the first place, with its loans tied to macroeconomic conditionalities. The Indian government has already paid off \$1.4 billion to the IMF in advance against interest and some principal, and it is expected that India's credit rating among the foreign commercial banks will rise if things continue to move in the same direction. India will not have to push the begging bowl before the Aid India Consortium in Paris, and will not have to subject India's economic policies to the approval of the donor countries.

In the 1994-95 budget, India's revenue expenditures—mostly domestic interest payments, defense outlays, and various subsidies—will not be cut further. This suits the political situation, because the Rao government will be facing state assembly elections in four states during this fiscal year. Dr. Singh's lowering of direct and indirect taxes, which may generate some revenue, is also popularly accepted. But India will be incurring a very large fiscal deficit unless measures are taken to accelerate the industrial and agricultural sectors.

Misplaced optimism?

The 1994-95 budget lowers import tariffs in order to give import-based exports a push, but it remains to be seen if the tariff cuts do not pose problems to domestic industries.

Under the prevailing conditions created by Dr. Singh and the Finance Ministry in their zeal to globalize the Indian economy, it also remains to be seen whether Indian industrialists will feel confident to invest their money in new facilities with upgraded technologies. Some note that interest rates have been kept too high at 14%, which cannot be offset by the cut in corporate taxes and lowering of import tariffs on raw materials and intermediate goods. In this view, investors will continue to shy away from making domestic investments, and will opt for the lower-priced import products. As of now, finished industrial goods abroad are selling at a low price because of a worldwide recession, under-utilization of existing capacities, and the low international price of crude oil.

If and when global prices begin to move up, Indian industry may face a major crisis. Lacking adequate manufacturing facilities to meet the demand, India will have to depend more on increasingly costly imports. The process itself will hike the prices of domestic products, leading to erosion of the foreign exchange reserves, and setting up conditions for another currency devaluation, in turn making the cost of imports dearer still. Such catastrophes have occurred in many Ibero-American countries in the past, and such possibilities cannot be overlooked.

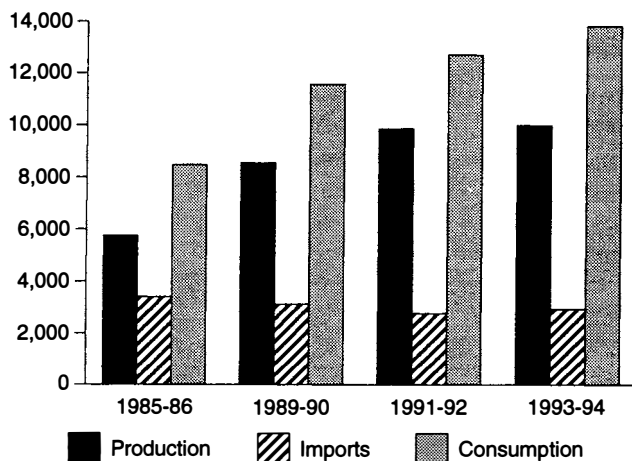
Meanwhile, in the areas of fertilizers (**Figure 1**), electricity production, and transport and engineering goods (**Table 2**), much too little has been achieved during the past 4-5 years, and because of a lack of attention to infrastructure, foreign investors will tend to shy away from making large investments in essential areas.

In the fiscal year ending March 31, industry has grown by a meager 1.6%, a far cry from the projected 5%, and about one-fifth the rate of growth achieved during the mid-1980s. Individual performance of selected industries such as steel, cement, fertilizers, machine tools, and power transformers shows stagnation. Man-made and blended textiles

FIGURE 1

Production, imports, and consumption of fertilizers

(thousands of tons)



show little growth, while passenger car production, cotton textiles, and sugar actually show contraction. Such stagnation of production has not pushed prices up significantly, because the population's buying power has also eroded over the three years of planned recession.

The growing dangers

These unhappy developments have not gone completely unnoticed. "Indian industry simply cannot afford another poor year," N. Vaghul, chairman of the Industrial Credit and Investment Corp. of India (ICICI), told the *Economic Times*. Acknowledging that "a price is to be paid for reforming a system," Vaghul pointed out that the finance minister is banking on three factors: restructuring of indirect taxes, reduction in direct taxes, and a cut in interest rates. Although the first two are in the right direction, Vaghul believes, the third may not have much effect. If imports take off, the demand for money will rise fast, and Vaghul doubts that the Finance Ministry, with one eye on inflation, will be willing to lower lending rates any further, as some industrialists demand.

Similar apprehensions were expressed by the manufacturers of capital goods. The capital goods sector went into a tailspin last year, registering an 8.8% contraction over the previous year. The industry has already complained that despite a lowering of import tariffs on raw materials, in many cases the import duty on raw materials is still higher than or equal to the duty on finished products. The capital goods industry has demanded that a difference between the two should be maintained in such a manner that finished products attract higher duty, and raw materials and components, lower duty.

Nor have the economic reforms done much for the agricul-

TABLE 2

Production in selected industries

(number of units, unless otherwise noted)

	1985-86	1987-88	1989-90	1991-92	1992-93*
Commercial vehicles	103,000	119,900	125,500	149,800	132,600
Railway cars	13,100	13,400	29,000	25,200	25,000
Power driver pumps	512,000	516,000	464,000	531,000	525,000
Earthmoving equipment	1,800	2,000	2,400	2,900	2,100
Agricultural tractors	76,300	82,900	125,100	166,300	146,900
Power transformers (million kva)	27.25	24.73	36.55	34.28	34.1
Electric motors (million hp)	5.25	4.26	5.23	6.07	5.4

* Provisional.

TABLE 3

Irrigated area under cultivation

(million hectares)

	1985-86	1988-89	1990-91
Rice	17.7	18.7	19.2
Wheat	17.5	18.6	19.3
Total food grains	40.6	42.9	44.3
Oilseeds	3.4	4.4	5.2
Cotton	2.2	2.3	2.6

tural sector, where more than 60% of India's work force is employed. As indicated in **Tables 3** and **4**, agriculture has been stagnating badly for the past 6-7 years. Neither the area under irrigation, nor the productivity of major crops, shows any significant improvement. There has been no attempt to shift the emphasis from large input subsidies to creation and maintenance of public infrastructure. As the *Economic Review*, a government publication which comes out annually a few days before the annual budget presentation, has rightly pointed out, public investment in irrigation, rural communications, schemes for control of land and water degradation, and other agriculture-related infrastructure must be increased. Why doesn't the government do what it itself prescribes?

Circular arguments

The answers to this question are circular. The Finance Ministry's pet answer is that given the high fiscal deficits India has registered over the years, the only way fresh resources can be mobilized and invested is through drastic reduction of

TABLE 4

Yield of India's major crops

(kilograms per hectare)

	1985-86	1988-89	1990-91	1991-92	1992-93
Rice	1,552	1,689	1,740	1,751	1,744
Wheat	2,046	2,244	2,281	2,394	2,323
Total foodgrains	1,175	1,331	1,380	1,382	1,445
Oilseeds	570	824	771	719	793
Cotton	197	202	225	216	261
Potatoes†	12	16	16	16	15

* Provisional.

† Tons per hectare.

subsidies for water, electricity, and fertilizers and through foreign and domestic private investment. In addition, the bureaucrats point out, revenue expenditure must be curtailed. But given the requirements, these cuts have to be so deep that no democratically elected government can administer them. Moreover, such measures will lead to a high level of unemployment among people who have little cushion.

The other side of the argument, presented by the free trade-promoting, anti-public sector proponents, is that the fiscal deficit must be brought down so that interest payments—which now take away 53% of the revenue expenditure and have grown to almost the entire amount that the government needs to borrow from the Reserve Bank of India in the coming year—are reduced to make way for productive investments. To reduce this deficit, these proponents say, sell off the public sector enterprises to the highest bidder—if possible, in the Euromarket, where they are expected to bring higher prices—and pay back the debt. They also suggest that government expenditure be pruned severely. They argue that large-scale infrastructure developments cannot be undertaken by the government alone, and it should not even be tried. The private sector has to be offered adequate sops to lure them into investing in these areas, they insist.

It is not clear how the private sector, which is not even investing in medium-size ventures, can be persuaded to put large sums of expensive money into long-term projects. What does not figure in these arguments, is the issue of directing cheap credit to selected economic activities, such as infrastructure development. Infrastructure projects do not fetch large profits and have long gestation periods. Only through directed cheap credit can such projects be built. Moreover, that is the only meaningful “lure” the government can offer to private entrepreneurs.

But this line of approach is never heard, perhaps because the concept of money has become synonymous with economy. According to reform “wisdom,” cheap credit fuels the “mother of all economic evils”—inflation. While free market

TABLE 5

Budgetary expenditures on research and development

(billions of rupees)

Sector	1993-94	1994-95*
Defense	9.84	10.56
Atomic energy	9.32	9.58
Space	7.28	7.54
Agriculture	4.60	4.77
Electronics	1.78	1.54
Biotechnology	0.88	0.90

* Estimated.

proponents attack the concept of cheap credit to selected economic activities as the creeping shadow of a socialist pattern of economy, the monetarists and money managers are too attached to money to give it away at a low price to anyone.

Also ignored is the role of science and technology in upgrading labor productivity. The relatively inadequate allocations in science and technology (**Table 5**) and industrialists' practical abhorrence to invest in research activities define reality. While India wants to globalize its economy, the effort to bridge the technology gap seems minimal. Now that the budgetary deficit has gone up, and the government has come under attack for fueling inflation, it is likely that in the future India will have to depend increasingly on borrowed technologies.

In India, as of now, the definition of a healthy economy is one in which competition is free. Ostensibly frustrated with having failed to move industry forward with his economic policies, Dr. Singh said recently that he will lift all tariffs from imported goods if industrialists do not pass the duty cuts on to buyers—a threat only, no doubt; but one may ask who—the country or the industrialists—would suffer most if the tariffs are completely removed?

India's actual economic development cannot be achieved unless the government succeeds in fostering technological superiority in the industrial and agricultural sectors. Fair competition among inefficient manufacturing facilities will only result in the big and inefficient fish eating up the small and inefficient fish. The process will create unemployment and contraction in overall production of goods. The result will be new unemployment and price rises.

Three years of economic reforms and the 1994-95 budget fail to address these problems, as the government falls behind further in its commitment to make Indian industry and agriculture technologically stronger. What we have seen so far is some successful and some not-so-successful money tinkering and a lot of borrowed optimism. This packaging, glossy as it was, is now losing its shine.

Refrigerant shortages becoming acute

Americans are about to start paying the dramatic costs of the ban on chlorofluorocarbons.

As summer approaches, some 30 million Americans will be heading to a car repair shop to have their car air conditioners serviced. Some will be lucky to pay only \$200 for the service, close to 10 times what it used to cost before the ban on chlorofluorocarbons (CFCs). Others will have to retrofit their air conditioning units at a cost of \$600-800. But many will be unable to have their units fixed. The reason is that, unbeknownst to most of them, a battle is now raging behind the scenes over who will control the shrinking supplies of refrigerants.

Almost all air conditioners and refrigerators in existence today require CFCs to operate. The ban on CFCs is already taking effect, however, and the production of these useful chemicals has been severely restricted. At the same time, the so-called "drop-in" replacements, touted by the con artists who promoted the ban on CFCs, have failed to materialize. That leaves the owners of such equipment three choices: 1) find supplies of CFCs to recharge the equipment, 2) retrofit the equipment to accept the expensive CFC substitutes, or 3) scrap the equipment and buy a new system which uses the CFC substitutes.

The problem with the last two choices, besides the enormous expense involved, is the fact that hundreds of millions of pieces of equipment would have to be retrofitted or scrapped. It will simply be impossible to produce all this equipment in the next two years.

That leaves recharging as the only viable option for millions of users. But with dwindling supplies, the

question becomes, who will have access to CFCs? At present, the Mobile Air Conditioning Society (MACS) is lobbying strenuously to get Congress to allocate that supply for use in car air conditioners. Building owners and operators are lobbying to have that supply used to recharge building chillers. Not far behind is the food industry, which is clamoring that the CFCs should be allocated to them, or the food supply will rot.

The shortage of CFCs is so serious that it has become front-page news in the trade press. The March 21 issue of the *Air Conditioning, Heating and Refrigeration News* carried the bold headline "Mobile, Stationary [CFC]-12 Users Compete for Dwindling Supplies." The publication warned its readers to "expect a crunch this year as [CFC]-12 stockpiles begin to dwindle."

Shortages will become worse because of the fact that stockpiles of CFCs may not be usable, and because of the dismal failure of the CFCs recycling program. As the *News* noted, "many 30-lb cylinders have come onto the market that had been stored, some for long periods of time. Many of these cylinders either are inoperable or, once opened, fail to seal again, blowing the remainder of their charges."

The CFCs recycling scheme has failed to deliver the substantial amounts of recycled CFCs that had been expected. The problem is that if two different types of CFCs are mixed together in a container, the entire batch must be destroyed. Most containers received by the recyclers so far have

been of mixed CFCs. Furthermore, the quality of recycled CFCs is poor. Compressor failure occurs seven times more frequently when recycled CFCs rather than virgin CFCs are used.

All these problems will surface this summer. Ward Atkinson, a technical adviser to MACS, warned in an interview with the *News* that "a shortage of CFC-12 could crop up as early as this year," and that this "will surprise some people." Curiously enough, Atkinson, and MACS, lobbied strenuously to have CFCs banned. MACS has been telling its members that they will make a bundle of money from the CFCs ban. After all, they reason, cars need air conditioners.

What will Congress decide? The *News* editorially asked, "Wouldn't those shrinking stocks of [CFC]-12 be better reserved for cooling schools, hospitals, and manufacturing operations that haven't yet undergone system conversions?"

The real issue, however, is why ban CFCs at all. CFCs were banned under the excuse that they allegedly deplete the ozone layer. The truth, however, as documented by this writer in the book *The Holes in the Ozone Scare, the Scientific Evidence that the Sky Is not Falling*, is that the ozone depletion theory is a scientific fraud. CFCs pose no danger to the ozone layer.

The real reason they were banned is that there is a lot of money (some \$5 trillion) to be made in the sale of patented CFC substitutes and replacement equipment. In all, this may prove to be the biggest con job of the century.

Rep. John Doolittle (R-Calif.) has introduced House Res. 291, which would raise all these issues. Instead of sweltering this summer, call your congressman and senators and demand that they support H.R. 291. If they refuse, vote them out of office. This may turn out to be a hot election year.

Business Briefs

Trade

GATT reports collapse in western Europe

In 1993, the foreign trade of western Europe, which includes the European Union and the European Free Trade Agreement states, has fallen by \$152 billion, according to a report by the General Agreement on Tariffs and Trade. This decrease of more than 10% is described by the GATT report as "unprecedented" in postwar history.

The April 6 German economic daily *Han-delsblatt* commented that this "most alarming" trade figure for Europe, along with the 2% shrinkage of world trade in 1993, is confirmation that the GATT theory, that there can be economic growth by enlarging world trade without a corresponding growth in production, is wrong. Even imports and exports in the service sector, mainly transportation, tourism, telecommunications, insurance, and banking, increased by only 3% in 1993 after a 12% increase in 1992.

Turkey

Ciller announces tough austerity policy

In the face of 74% inflation and a collapse of the Turkish lira by 38% against the dollar, Prime Minister Tansu Ciller has announced an austerity policy which will guarantee the collapse of the economy. She warned that the economy was "heading full steam toward a Latin American-style tragedy" if her policy is not adopted.

The program, which includes policies dictated by the International Monetary Fund and the World Bank, calls for raising prices on state monopoly commodities including gasoline, tobacco, alcohol, sugar, and fertilizer by up to 100% in order to raise public funds. She called for accelerating the privatization program, which is expected to eliminate tens of thousands of jobs. Job cuts will also be implemented in the government sector. Subsidies for the agricultural sector, except for wheat, sugar, and beets, will be cut. A six-month pay freeze

for government workers and in government investment was also called for. All of this is aimed at massively cutting the budget deficit. It is expected that inflation will soon top 100%.

The move drew a tough response from the Turk-Is trade union confederation whose chairman, Bayram Meral, declared: "The measures are against the interests of our people. They will increase unemployment and poverty as well as social and political unrest." Ciller has failed to get support for the program from the Islamic fundamentalist Refah (Welfare) party, which is now the third most powerful party in the country.

The April 6 London *Financial Times* editorially backed Ciller's policy, warning, "If the Turkish authorities are serious about bringing down the 75% inflation rate, they may have little choice but to engineer a full-scale recession. That would have large political and social costs in a country accustomed to high economic growth. Turkey is, however, fast running out of alternatives."

Economic Theory

Immorality a 'must,' says derivatives modeler

"You have to lose your sense of decency" to become a "quant," creating new derivatives, a derivatives computer modeler told *Time* magazine. Reporting on how the young computer science and math "nerds" who program and direct the computer systems that make trading in financial derivatives possible (known as "quants," for quantitative analysis) fit into Wall Street, one quant told *Time*, "It takes three to six months . . . to change a shy, bookish type into a ruthless money-making machine. What's required . . . is 'to lose your sense of decency. You have to be rude, brash, you have to be selfish. Also you have to start ignoring 90% of what you are told.'"

An anthropologist who has studied Wall Street operators for years said that the new types that are coming to dominate "are almost idiot savants with numbers. . . . There is almost a prayerful communion with the computer. They're intense and operate to a rhythm. If you ask them a question, they turn and their

eyes are glazed, coming out of whatever cyberspace they are in. . . . They're not really in a world of other people. They think they're in a world of pure technical manipulation, like a chemist creating a molecule. It's as though there are no social consequences."

Infrastructure

Southeast Asian nations expedite power grid

Southeast Asian nations agreed at a two-day meeting of energy ministers in Brunei to expedite construction of a power grid linking the electricity supplies of the six members of the Association of Southeast Asian Nations (ASEAN), Malaysian Energy Minister S. Samy Vellu told the national *Bernama* news agency on his return from the meeting on April 2. The grid, proposed three years ago, would allow the ASEAN states of Malaysia, Brunei, Singapore, Thailand, the Philippines, and Indonesia to share power. The grid is estimated to cost about \$10 billion.

The grid "is important as countries like Malaysia, Thailand, and the Philippines need a lot of power for their industries," Samy said. He indicated that tariffs would be worked out later.

An industry official familiar with the project said it was aimed at cross-linking the six countries so that they will have ready access to power during shortages. The power grids of Malaysia, Singapore, and Thailand are already linked and they share electricity as needed.

Labor

St. Petersburg unionists demand economic growth

Trade union leaders in the St. Petersburg region of Russia have formed a strike committee "to coordinate mass actions of the working people in defense of their rights," the April 1 issue of *St. Peterburgskiy Vedomosti* reported. "The first action taken by the committee,"

Briefly

noted the paper, "is a demand to change the course of reforms in the interests of economic growth of the country and give a realistic figure of the minimum subsistence level of the population." The appeal was addressed to the Federal Assembly, the President, and the government.

Meanwhile, Russian miners called for the "dismissal of an incapable government and an incapable President," because both are violating the constitution, which says that "workers have a right to be paid for the work they do." The 1,200 billion rubles promised in back pay by Economics Minister and Deputy Prime Minister Aleksandr Shokhin in talks with a miners' delegation outside the Russian Parliament building on April 1, are seen as yet another empty promise by the government.

Ivan Machnachuk, vice president of the Russian Committee of the Miners Union, warned that if miners are not paid, the strike would become a political strike.

Russia

Economic catastrophe is becoming worse

The end of the first economic quarter has brought news of additional collapse in the Russian economy, Reuters reported. The government's information bulletin reported that industrial output fell by a record 27.1% in February compared to the same month last year. Industrial output fell 16.2% last year after a fall of 18% in 1992. The decline in monthly output in the combined fuel and raw materials sector was 15.6% compared to a 17.8% slump in February 1993. Processing industries recorded a 37.9% drop compared to a 19.8% fall a year ago.

Grain output in 1994 could fall by up to 14% due to lower fertilizer use, reductions in winter sowing, and an expected decline in spring sowing, the Russian grain trade monthly *Agrokhleb* reported.

On April 7, Fyodor Prokopov, head of the Federal Employment Service, announced that real unemployment this year could hit 15 million, or 18% of the work force.

At an April 6 press conference reporting

on the unemployment crisis, Deputy Prime Minister Yuri Yarov decried the shock therapy approach which has brought about these conditions. "To use a purely monetarist approach and not notice what's going on in society means the cost of a social explosion could be dearer," he said. "We have to take steps to ensure there is not an increase in the number of people below the poverty level. If we can achieve this we will consider it a victory." Russian wages averaged the equivalent of \$85 in February, down from \$113 in December, according to the government Center for Economic Reform.

Meanwhile, Moscow Mayor Yuri Luzhkov has suspended real estate sell-offs in the Russian capital until a presidential decree details special rules for privatization in the city. Luzhkov believes state property in Moscow was sold "for nothing" by the government.

Biological Holocaust

New bacteria strains, parasites spread

The spread of antibiotic-resistant bacteria is increasing, warns microbiologist Alexander Tomasz of Rockefeller University in New York, the April 5 German daily *Die Welt* reported.

Enterococci have become resistant to all available antibiotics, yet they are one of the main causes of urinary and wound infections in hospital patients. Because bacteria are able to exchange genes, experts fear that the resistance factor could spread to the agents of pneumonia and brain infections. It will be, at best, five years, before new effective antibiotics can be expected, according to Tomasz.

Meanwhile, people with weak immune systems are increasingly becoming victims of parasite-caused sicknesses, while scientists neither know the routes of infection nor have sufficient treatments available. "We are now confronted with parasites which we had not even heard of in the past," Professor Eckert from Zürich, told *Die Welt*. He and his colleagues are especially worried about the drastic increase of parasitic diarrheal sicknesses among HIV-infected patients, and the increase of severe cases of toxoplasmosis among patients with a weak immune system.

● **A RESEARCH PROTOCOL** on a supersonic plane to supersede the Concorde has been signed by French *Aérospatiale*, British *Aerospace*, and Deutsche *Aerospace*. The plane would have a range of 2,000 km and fly at Mach 2 carrying 250 passengers. This is opening up a three-way race between the United States, Japan, and Europe for a potential market of only 500-1,000 planes between 2005 and 2025.

● **GEORGE SOROS** said he is "something unnatural," in the April 3 *New York Times Magazine*. "I keep telling people that they shouldn't be misled by me, . . . I am sort of *deus ex machina*—I am something unnatural. . . . In my personal capacity I'm not actually a selfless philanthropic person. I'm very much a self-centered person."

● **JAPAN'S** 280 MW Monju fast breeder reactor went on line April 5. It is part of a plan to complete the nuclear fuel cycle by reprocessing spent fuel, breeding plutonium fuel, and building reactors that can burn plutonium fuel. Japan plans to double the share of its nuclear-generated energy to 58% by 2030.

● **THE ALGERIAN** government sent a letter of intent to the International Monetary Fund accepting the devaluation of its currency by at least 40%, the elimination of all import barriers, and an increase in interest rates, according to French press.

● **NEWPORT NEWS** Shipbuilding, the largest private employer in Virginia, will cut up to 7,000 of its work force of 21,150 in the next two years, president W.R. Phillips said April 7, the *Richmond Times-Dispatch* reported. The company has cut 7,000 jobs in the past two years.

● **THE EUROPEAN** Commission does not want to prohibit beef exports from Great Britain because of the danger of bovine spongiform encephalitis, despite the fact that experts cannot exclude the possibility that the disease could also infect man.

Recapturing the spirit of the Apollo Moon landing

It is almost 25 years since man first landed on the Moon. A new book commemorates the contributions of German space scientists to one of America's greatest achievements. An interview with Marsha Freeman.

Marsha Freeman, associate editor of 21st Century Science & Technology magazine, was interviewed on March 8, 1994 for the cable TV program "The LaRouche Connection" about her recent book How We Got to the Moon: The Story of the German Space Pioneers (Washington, D.C.: 21st Century Associates, 1993). The following has been edited from her remarks, and subheads have been added.

Tell us why you wrote this book?

There were two reasons for writing a book about the Apollo history and the role of the German space pioneers at this time. One was the fact that, today, and really since the end of the Apollo program, there's been very little vision for our space effort. I don't think that this is because there are no people in NASA or the space program with vision, but because there has been an environment in this country where science and technology projects—great projects, long-range goals—have just not been a priority. I felt that in this year of the 25th anniversary of the first lunar landing, people should re-familiarize themselves with the history of what I've called mankind's greatest achievement in this century.

Second of all, the German space pioneers were not the only people who contributed to the Apollo program, but I felt that their contribution was unique. They were a group of people who worked together as a team, made up of individuals who were very creative and talented, but who were able to team up together as a group and accomplish something very vital and very dramatic. In addition to that, they worked very hard for over 40 years and this was something that didn't exist in the rest of the space program.

Over the past 10 years many of the German space pio-

neers have been vilified, especially in the press. They have been under attack, they have been under investigation, and they have been accused of various kinds of war crimes and Nazi affiliations from their work during the Second World War.

In 1984, Arthur Rudolph was intimidated by the Justice Department into leaving the United States and giving up his citizenship because the Office of Special Investigations was threatening to have him prosecuted. He was getting on in years, not in good health, and he decided that he did not want to go through a legal battle, so he left the country. Since that time, the then-West German government investigated whatever evidence the U.S. Justice Department said they had. After nearly a two-year investigation he was exonerated of all charges. Arthur Rudolph is the leading example, but there have been other members of the German team who have been hounded, investigated, and under surveillance by the Justice Department. I thought that it was very important to write this story, to tell the truth about these people and what they've done and to clear their name.

I knew a lot of these people personally, and that was a good part of the reason why I felt a responsibility to take the time and write this history. I have been very fortunate to know some of the space pioneers and people they worked with in the United States quite well. What I found among people who worked with the Germans and among the Germans themselves, is that this was an unusual group of people. They had a goal, and a dream, and a vision that they started working on as early as the 1920s. In Germany in the 1920s, there was the depression, as we had here, but also a tremendous economic collapse. There was the mobilization for the

war, the Hitler regime, and the war itself.

After the war, the intermediate-range missile program in the United States was headed by Gen. John Bruce Medaris and the Army group in Huntsville, Alabama. The Germans were able to spread their ideas, excitement, and commitment, and the people who worked with them, including military people who were not working on civilian programs, after a while began to catch the enthusiasm. I spoke with General Medaris soon before he died in 1990—30 years after he had worked with the German team; he still had a strong commitment to continuing the civilian space-science program which, I think, he credited to working with them.

Crucial role of the German space pioneers

Could the United States have had a space program without what the Germans had to offer?

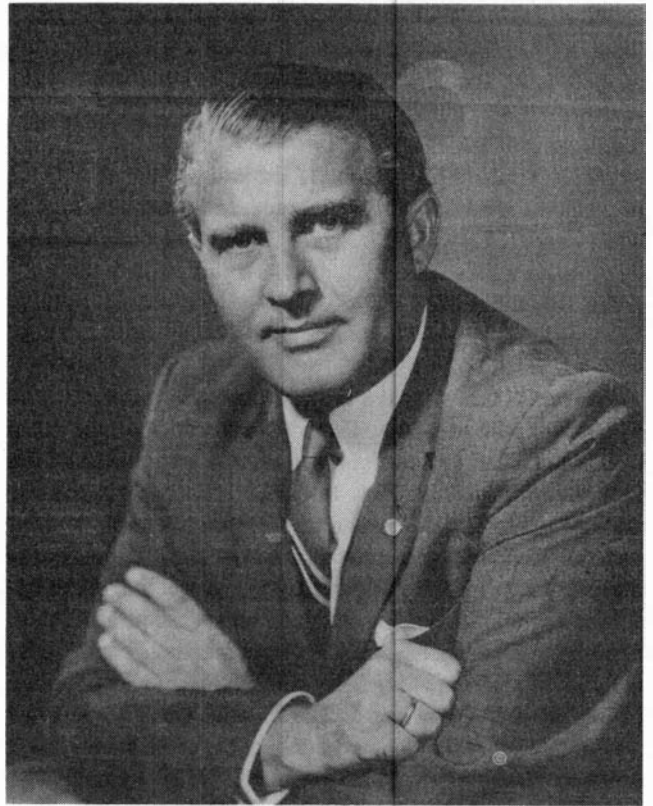
That question is often asked: If the Germans had never come here, would we have been able to go to the Moon? I think you could make a case that we would have been able to go, but I don't think we would have been able to go within the decade of the 1960s—which is what President Kennedy had asked the scientists to do. The Wernher von Braun team who came here brought with them 20 years of experience, the accomplishment of having built, designed, and tested a rocket—a missile—variously called the A-4 or the V-2 in Germany.

They had had a lot of failures, which led them to have a few successes. And they brought all of that experience, plus hardware, with them. Therefore, when President Kennedy was looking for a positive goal for the nation in early 1961, Wernher von Braun was able to say to the President, "I am confident that this country could beat the Soviet Union with a manned mission to the Moon," because he knew what the U.S. team could accomplish; how long it would take to build the rocket that could take men to the Moon. And he felt that we probably had a more than 50-50 chance of beating the Soviet Union to that goal. Von Braun was able to suggest what became the Apollo program to President Kennedy, and then to do it within eight years because of the experience that the Germans had brought here.

Russia, United States, and Germany compared

From that period in the 1920s, both the United States and the Soviet Union had been doing a lot of work in space research or in rocketry. Why is it that it was developed to a tremendous degree within Germany and not in these other two nations?

That's a very important question. People look at the book title, *How We Got to the Moon*, and they say, "Well, why the German space pioneers? Robert Goddard in the United States was doing a very important experiment. You had Konstantin Tsiolkovsky who, 20 years before the Germans, had worked out all of the details of a space program. So why say



German-American space pioneer Wernher von Braun.

the 'German space pioneers'?"

In Germany by the early 1920s, there was a wealth of scientific accomplishment in physics and mathematics, in chemistry, in geometry, in many fields that was not have equalled in any other country. Germany produced more Nobel laureates in the natural sciences in the first 20 years of the Nobel Prize awards than any other single nation. In the last half of the 19th century, you had a tremendous flowering of German science, and there were breakthroughs and scientific people at universities.

Young people, therefore, in college and at universities in Germany at the turn of the century or in the teens or twenties, had people to study under such as Werner Heisenberg, Albert Einstein, Prandtl in aerodynamics, Hans Geiger (after whom the Geiger counter is named), the people who discovered and developed fission energy, such as Otto Hahn. The biggest, most impressive, and important names in science were at German universities, so that a young man such as Hermann Oberth, born almost 100 years ago, could go to a German university and learn from the people who had made the major contributions.

Hermann Oberth was the theoretician who laid the basis for space flight already in the early 1920s. By 1923, he published his first work, which was less than 100 pages, but laid out all of the basic concepts necessary for space flight.

Konstantin Tsiolkovsky in Russia had done the same thing in 1903. But this was just not seen in Russia at that time as something realistic or important or challenging for the future. And, of course, Russia had its political problems, its revolutions of 1905 and 1917.

In the United States, Robert Goddard worked almost entirely alone. He did some experiments, and wrote very important material. However, he was criticized and ridiculed by the *New York Times*; he immediately withdrew, became very defensive, and said, "If I am going to be attacked in the press, I am going to work in secret, and no one is going to know what I am doing."

Hermann Oberth had a very different viewpoint. He had trouble with the scientists. There were plenty of people in the 1920s who said space flight was simply impossible, these rockets would never work. Instead of becoming defensive and just going back home and teaching high school, he went on a public campaign to educate common people about rockets and space flight. He took his arguments out into the scientific community, where he debated people, but he also set up exhibits in department stores, spoke at meetings of all kinds, and recruited around him a group of young students—young people such as Wernher von Braun, who was a teenager—and decided that they should conduct experiments and start building public support. So Hermann Oberth is really the person known as the father of space flight.

Then during the war, there was also an attempt to bring together all these forces in order to do something with the rocket program—this was the Peenemünde group that came out of these many amateurs. The German Army and the German military had very, very serious constraints on their activity after the end of World War I and the agreements that were made in the Versailles Treaty. There were a lot of amateur rocket experiments going on in Germany with Professor Oberth, Wernher von Braun, other amateur societies and clubs that were set up in different parts of Germany, and the German Army. General Dornberger, in particular, became aware that this kind of activity was going on. Nobody who drafted the Versailles Treaty had thought about rockets, so, of course, there were no limitations on rocketry in the treaty.

By 1930, the German Army had become interested in this new technology. In 1932, Dornberger and von Braun had set up a small experimental rocket program in the German Army, and had gathered together people like Arthur Rudolph and others and started this research program.

There was a lot of effort on the part of von Braun and others to publicize their ideas among the Germany people. In 1929, Hermann Oberth was a technical adviser on a wonderful film called "The Woman in the Moon." As soon as Wernher von Braun came to the United States—and the whole team was reassembled by 1946—they were thinking about a civilian space program, even though they were working for the Army. How could they organize popular support?

They knew that going to the Moon would be an expensive endeavor, and they felt that the government would never put up the money unless there were popular support.

This support was organized by von Braun and another gentleman who is not so well known, Willy Ley [see *EIR*, Jan. 1, 1994]. He was a young fellow who was largely a science writer. He and von Braun and others wrote a series of articles for newspapers and magazines in the 1950s. These articles caught the attention of some of the people on Walt Disney's staff. And when Disney was putting together his weekly television series, they felt that space travel would be the most exciting theme that they could develop for their "Tomorrowland" series. Von Braun and others were brought in as technical advisers and appeared on the show. Here were the top scientists in the country working on these ideas, appearing on television, explaining to children—and adults—how a rocket ship would work, how you would get to the Moon, how you would get to Mars, and they captured the imagination of millions and millions of people who saw them on TV.

The manned Moon-landing project

What were the steps taken to put a man on the Moon?

If you look at just what it took to build the Saturn V rocket, that aspect gives you a very good idea of the size of the task involved. I mentioned earlier the establishment of the Research Institute at Peenemünde, the German Army rocket research experimental facility up in northern Germany during the war. At that time, the von Braun team was developing the A-4 rocket, which was then renamed the V-2, that developed 25 tons of thrust and had to deliver, or bring up almost into space, a 1-ton payload.

By comparison, the Saturn V rocket had to be able to take men and their supplies, the lunar rover, and all their equipment to the Moon. It had to be able to take 100 tons of payload—not 1 ton. So you're really talking about a revolution—not just a small scale-up, but a hundredfold increase in capability. The Saturn V rocket stood taller than the Statue of Liberty, and had over a million and a half components in it. It was a massive, masterful piece of work—not only to coordinate all of the technical systems but, as some people used to joke, a more difficult job to coordinate all of the contractors.

Arthur Rudolph was the project manager for the Saturn V, and people have always marvelled—even people who are in business—how that program was managed to obtain the results where there had never been a failure of a Saturn V rocket. In addition, of course, to getting the astronauts into space, one had to keep them alive and in good health. The entire field of space biology and ability to do things like EVAs, extra-vehicular activities, or space walks—all of this technology had to be developed. I would point out that some of the technology had already been thought about in detail. Hermann Oberth in 1929 described what he called the "space



Author Marsha Freeman
visiting with Arthur
Rudolph in Germany in
1992.

diver,” or a man on a space walk outfitted with a little suit and a backpack with oxygen.

The truth about Peenemünde

What argument do you give when you hear the V-2 project described as only the attempt to create tremendous weapons of destruction?

It is important to distinguish among three separate groups: The first consists of the scientists, engineers, and technologists, many of whom started working on this technology in the 1920s, when they were young men, and had tremendous enthusiasm that this would be the technology of the future. They found themselves in the middle of a war. Many of them had been drafted into the German Army, but, because they had a technical background—an engineering degree, perhaps patents that they had been awarded before the war—were taken off the front lines and brought to Peenemünde and put into the rocket program. Their thinking really was very much along the lines: “This technology will have to be developed to go into space. There’s a war going on, there’s nothing I can do about it, I’ll do what I’m told, work on the rocket technology and when the war ends I’m going to be able to go back to working on my dream of using this technology for space exploration.”

Second, there was the German Army. They were developing—before Hitler came into power and certainly before there were thoughts of another world war—a technology which they felt would be an increased capability for artillery: rockets that would be used and deployed by field troops.

And third, you had Adolf Hitler and the rest of the Nazi

apparatus. In the case of the rocket program, the SS and Himmler felt that the rocket program could be a “wonder weapon,” a *Wunderwaffe*. Hitler had taken no interest in this effort for 10 years. In 1942, when the tide of war started to turn, and it looked like Germany might be having trouble militarily, Hitler seized on the idea that, maybe, this would be a terror weapon. Not really a weapon of mass destruction, because, with 1 ton of TNT and hardly any guidance system, this weapon hardly did very much destruction. He felt it would be a retaliation and terror weapon; that because there was no defense against it people would be terrified. So this was really the Nazis’ conception—and not the Army’s conception and surely not the scientists’ conception.

The charge has been made against Arthur Rudolph and other people that slave labor was used in the mass production of V-2 rockets. This is true. However, this was neither the idea nor the responsibility of either the scientists and engineers or the Army. This was a program implemented entirely by the SS, who ran the concentration camps and the slave-labor camps, and when the SS gained control over the production program in 1943, they were able to use their slave labor in these horrible underground tunnels for mass production of the V-2. Not at Peenemünde, where the research and development was going on, but in the mass production program. I think it’s very well documented that it wouldn’t have mattered how much the scientists and engineers complained, they were not in any position to get rid of Himmler and the SS. And I think that issue is very important to have clear in one’s mind in terms of who would have had responsibility for this during the war.

Witchhunt against U.S. science

Why, then, do accusations that they were Nazis keep recurring in the political debates in this country?

The history of the occurrence of this allegation is very interesting in itself. There were accusations made when the Germans first came here in 1945-46, and the peak of this activity was in 1947. And if you look at it, you will see that the people who were objecting to the German scientists coming here after the war were largely people affiliated with the U.S. Communist Party or were, at least, sympathetic to the Soviet Union.

It is often said that the United States captured the von Braun team. This is not at all the case. The von Braun team decided to surrender to the Americans before the war was over: One hundred eighteen of the cream of the crop of the Peenemünde rocket group came to the United States. They made very clear they had no interest in going to the Soviet Union. This was Operation Paperclip.

Since virtually nobody was volunteering to go to Moscow, the Russians just showed up in the middle of the night in the Soviet-occupied zone of Germany, kidnapped 2,000–3,000 people who had worked at Peenemünde, put them on trains and took them to the Soviet Union. But they were not the top people. The Soviets were furious that the Germans who went to the United States were the ones who had really built the German program.

So, the Soviets were very anxious to paint the Germans who came here as Nazis to try to discredit whatever they would do in the United States. This died down and remained very quiet until about the mid-1960s. All of a sudden, Julius Mader, who had connections to the Stasi (the East German version of the KGB), started writing from East Germany about alleged Nazi connections of the U.S. German rocket team. All of a sudden you had books coming out saying Wernher von Braun was a Nazi. Somehow this “fact” was mysteriously discovered early in the mid-1960s.

Why would it happen at that time? I believe it happened, because after Kennedy made the commitment in 1961 for the United States to go to the Moon, the Soviets were faced with a very serious challenge. By 1965, it was very clear to the Soviets that they had lost that race because the booster, the Saturn V-sized vehicle that they would have needed, had had three serious explosions and failures. The Soviets knew that without that rocket they were not going to be sending people anywhere, and they had, essentially, lost the race to the Moon. What better way to try to regain some ground, at least propagandistically, than to say that the U.S. space program was being run by Nazis? Later again, everything quieted down.

In 1977, Wernher von Braun died. At that time there was a gear-up of activity—not just because of that, because it had been building for some time anyway—but certainly once Wernher von Braun was no longer on the scene the Soviets, such people as Julius Mader and others connected to East

German intelligence, including the Anti-Defamation League and others in this country who have worked very closely with the East Germans and Soviets on these kinds of intelligence questions—were able to gear up their activity and go after Arthur Rudolph and others, because the protection afforded them by the fact that Wernher von Braun was such a popular public figure, was gone after he died.

In 1972, you had an interesting turn of events internationally, with a series of accords signed by President Nixon and Leonid Brezhnev. They signed a joint space agreement, which resulted in 1975 in a U.S.-Soviet flight, the Apollo-Soyuz mission. That was very well publicized.

What was not well publicized was the fact that Henry Kissinger, in the Nixon administration, very quietly made some agreements for the Soviet Union to work with the Justice Department on juridical joint operations. Agreements were signed with the Soviet procurator general—akin to our attorney general—saying that there would be cooperation between our legal systems ostensibly to “hunt Nazis.” And beginning at that time, there were unbelievable kinds of cooperation: For example, it was decided that Soviet witnesses and evidence could be used in U.S. courts, without question. And this was part of what later became, with Gorbachov, Bush, and Margaret Thatcher, the idea of a U.S.-Soviet condominium: that we will work together in certain ways to divide up spheres of influence and have various kinds of things that we will share, including certain kinds of intelligence operations. The United States decided to cooperate with the Soviet justice system. So the Justice Department worked to go after, to accuse, and to deport to the Soviet Union or the East bloc, people whom the Soviets had targeted as being detrimental to Soviet interests.

This was the Office of Special Investigations within the Department of Justice, which had been the group primarily responsible for this activity in collaboration with the Soviets. The OSI has certainly taken it on the chin recently. People are probably familiar with the case of John Demjanjuk, an auto worker who lived in Cleveland, Ohio, who was accused by the Justice Department of having been a guard at the Treblinka concentration camp. He was deported to Israel based on phony evidence provided by the Soviets, and, after being convicted of Nazi war crimes, he was sentenced to death. The Israeli Supreme Court reversed the conviction last year.

The fact that the Justice Department refused to allow evidence to be given to Demjanjuk and his lawyers that would have proved his innocence at the beginning of the case, has been investigated by the Sixth Circuit Court of Appeals in Ohio. The court has accused the Justice Department and the OSI of withholding exculpatory evidence, and the court said that the Justice Department perpetrated a fraud on the court.

The fact that Arthur Rudolph was exonerated after a two-year investigation by the German government should also be investigated, and the OSI should be disbanded.

Cultural pessimism versus cultural optimism

In the last 25 years, there seems to have been something of a malaise in the space program. The Apollo program, which excited everybody, has slipped into the shadows.

I felt it was important to address this question of cultural pessimism in some detail in my book, because Americans are very often told that the malaise in the space program is because the American public has lost interest in space. There have been numerous proposals, including one by the 1988 presidential campaign of Lyndon LaRouche to launch a manned exploration of Mars or a Moon-Mars program that would use the Moon as a base for getting to Mars.

Furthermore, the National Air and Space Museum here in Washington is the most heavily visited museum in the United States. Ten million people a year go through that museum. Most of them, if you ask them why they visit it, say that it makes them proud. I don't believe that the American people ever lost interest in space.

What actually happened was that, about the same time that the Soviets realized they would be losing the race for space, the same fact became apparent to other people—the anti-science mob in the United States and elsewhere—who became alarmed that the United States might win the race to go to the Moon. This included organizations such as the Brookings Institution, the London Tavistock Institute—which represented the zero growth ideology, and the lies that we have too many people, that science and technology are dangerous, or that nuclear energy will hurt you.

These pessimistic, anti-technology, anti-growth groups began to worry that the space program was making Americans too optimistic; that every child would want to be an astronaut. They began to crank out newspaper stories, very erudite-sounding studies showing that the space program was terrible, that it was using too many resources, it was using too many scientists. They put out the line that we weren't spending enough money on social programs, because we were wasting all of this money on space. And the space program came under attack. President Kennedy was gone, and President Johnson became convinced, or maybe threatened, into accepting this argument. And instead of asking after the Apollo success, "where are we going after the Moon?" we ended up with the Great Society. And this was not the same kind of optimism for young people as looking forward to a manned mission to Mars.

People like Wernher von Braun and Krafft Ehrliche, another very important German space pioneer, recognized by the mid-1960s that there were winds of change, that the culture of the United States was shifting, that people were starting to repeat this idea that we were spending too much money on space and on science. They did a great deal to counter these arguments, arguing that there are no limits to growth, because there are no limits to human creativity.

People like von Braun were putting together programs even before Neil Armstrong took that "giant leap for man-

kind," asking: "We're going to land on the Moon; what do we do for the next 10 years? And the next 20?" Develop the Moon and then go on to Mars. In 1969, von Braun gave a presentation for NASA outlining this program. But this was almost a rearguard action, because, already, the whole cultural outlook was changing. That's what has really hurt the space program, and that's what needs to be changed to get back to where we were.

If you could sit down with President Clinton and give him a few words of advice about what he has to do to get the space program back into motion, what would you say?

I would say, "President Clinton, another young President a long time ago, whom you met and seem to admire, made a decision in 1961 that the United States would send men to the Moon. And he told Congress that either they would fund the program and carry it through, or it shouldn't be done at all. He put the full force of the office of the presidency behind this program and was willing to mobilize the nation and the public's support to carry it through. And, hopefully, it won't take a Bay of Pigs foreign policy kind of disaster and embarrassment, as I think it did in the Kennedy administration, for a President to take up this kind of grand project."

Perhaps President Clinton could use the 25th anniversary of the Apollo Moon landing in 1969 to put this program forward. I think that's what a real legacy for the nation could be from this presidency.

I recently had the really delightful opportunity to give slide shows and presentations about missions to the Moon and then manned missions to Mars to some three-year-olds. It was quite an experience. There is no question that a long-range program that is a very exciting challenge—something to be accomplished that cannot be done today—is what will get young people excited about staying in school, about studying science, mathematics, chemistry, the natural sciences, and will reinvigorate the educational system.

I was a youngster in school when Sputnik went up, and being a girl, I was really not very much encouraged to study science and math in 1957. But, after Sputnik went up, virtual panic broke out in this country that we were behind the Soviets in science and math. The curriculum in the New York City schools, where I was, was revamped and special science and math classes were made a priority in education. So, for all the money that's put into improving education per se, I don't think you will ever get an effect that is as dramatic as having a nation mobilized to accomplish a great task in science.

It is something that we have to do quickly. People are probably generally aware that in the last three years alone we have lost over a quarter of a million people from our science, technology, and engineering capabilities in the aerospace and defense sector in this country. We have people now who are physicists, computer scientists and engineers, who are driving taxicabs or who are unemployed. So we have to move quickly if we are going to do it.

A science-driver program to end Russia's depression

by Lyndon H. LaRouche, Jr.

The following is excerpted from a forthcoming special report, to be published by EIR Nachrichtenagentur GmbH in Germany and by EIR News Service, Inc. in the United States.

Introduction

Imagine that the presently ruling establishments of the world's leading nations have abandoned a typically British, sinking, overaged ship, to find themselves in an also overaged, leaking, lifeboat, which is slowly settling ominously into the ocean waters. From his end of the boat, a leading Londoner points with majesticly Victorian irrelevance toward the Russian passengers: "Can't you bunglers keep your end dry!"

Such, with rare exceptions, is the quality of opinion on the subject of Russia heard today from official thinkers and daily press of all ethnic persuasions. The very strong impression is, that all of them, like the sinking Londoner of our tale, are faced with some global reality which they wish so desperately to deny, that, for them, the thermonuclearly ominous crisis of Russia seems, by comparison, a comfortable afternoon's diversion.

The kernel of the issue of policy toward Russia, is the looming global financial collapse exploding at the center of traditional British geopolitical dogma concerning both Russia and Germany. The relevant circles have the crucial facts concerning the onrushing financial collapse lying before them, on the boardroom tables, so to speak. However, for them, like our Londoner of the sinking lifeboat, this is the Apocalypse which even the gods of Gaia's Delphic Pantheon might not survive. That Londoner is left with no form of denial of this which is plausible to himself, but to ape the fictional Mr. Micawber's threadbare optimism, "Something will turn up."



Children during the Soviet era study rocket science. Today, Russia's capabilities in science and technology, particularly the space program, provide the best means for achieving economic stabilization and development.

Although we are focused upon the subject of Russia, only charlatans could speak of the future of Russia without taking into account explicitly the factors which are of immediately decisive importance for each and all nations of this planet. Indeed, the present crisis within Russia (as of all of eastern Europe) is a relatively mild form of the catastrophe which is soon to strike down every nation upon this planet. The way we treat the problems of Russia today is the mirror of the early to medium-term future of China, Japan, North America, and western Europe. . . .

1. The agenda for financial collapse

[The first part of Chapter 1 identifies the change in policymaking of the world's leading powers since the 1963-68 period, with the advent of the "post-industrial society" and the Aquarian counterculture—ed.]

Measuring this change

Today, economies are viewed by two completely different species of professionals. The way in which one measures the changes in the economy, depends upon which of the two views one chooses.

One group of so-called economists looks at an economy as a kind of grand casino, in the sense that John Von Neumann insisted all economies are no more than a form of

game. Another view, in the tradition of Gottfried Leibniz, for example, sees productive labor as the essential physical basis for the possibility of continuing successful reproduction of both the human species and of the societies, such as nations, of which the human species as a whole is comprised.

This latter is perforce the view of at least the majority of today's people of Russia, a place where the possibility of continued survival is visibly at a premium. The operators and flunkeys of the grand casino economy denounce this Leibnizian view, calling this "populism"; they threaten to perform awful acts upon any political personality who shows signs of such "populist" tendencies in economic policy-shaping. Such casino operators and their flunkeys and threats put aside, the present collapse is putting a premium on economics of survival even among the OECD nations' populations.

As spouses have discovered, even the most delusional fanatic for television soap-operas, or all-day sports events, will cease to exist as a TV viewer, unless he enters the real world occasionally to eat, and also to apply himself to the means to bring about the state of eating.

This report is shamelessly committed to what the casino operators' economists and press deprecate as "the populist tendency" of Leibniz et al. This writer employs shamelessly the standard of "continuing successful reproduction" of the human species and nations as the basis for measuring performance of economies, and of economic policies. He is shamelessly disinterested in any biological dogma which speculates upon the possibly desirable attributes of species, but without

any consideration for whether or not such attributes increase or lessen a species' expectation of survival as a species.

If one commands a reasonably good education in industrial engineering, or comparable knowledge and experience, to construct a reasonably good measurement of the changes in the economy is a relatively simple, if tedious undertaking. If one uses the following rules for organizing one's data, the result will be a better analysis than is available presently from any official or academic sources in North America or western Europe. The most essential thing to keep in mind throughout, is that what we are measuring, in reasonable approximation, is the qualification of mankind to continue to survive. For North America or western Europe, that signifies a standard of living and per capita physical productivity of the labor force of a no worse level of family existence than that which prevailed at about 1969 for North America, and a few years later for continental western Europe.

Rule 1: Convert all measurements into values per capita, per family household, and per square kilometer.

Rule 2: Reduce all forms of consumption to the relevant per capita content of market baskets: households' and producers' hard infrastructure (per square kilometer plus per capita), soft infrastructure (medical, education, science), and "other."

Rule 3: Express available labor force as determined by cultural and demographic characteristics of family households. For example: increased duration and quality of certain essential categories of scientific, Classical fine arts, language, and history education is an improvement in the potential productivity per capita of the society.

Rule 4: The term "productive labor" is restricted to a form of labor which is applied directly to the physical production, repair, and maintenance of agricultural, industrial, and infrastructural product. The only non-physical forms of employment which contribute to fostering productivity of useful physical labor are education, medical, and science. To the degree economic measurements reflect an implied function, these four are the only labor "variables" to be considered.

Rule 5: The controlling measurement to be made is an estimate of changes in *potential population-density*. Reduced to rule-of-thumb terms, this signifies those increases in average physical productivity of the labor force as a whole which have the combined effect of increasing the potential population-density as such, while allowing an increase in the physical standard of life in terms of physical consumption and lifetime potential productivity.

Our ability to adopt good general rules for analysis owes much to the fact that the global level of potential population-density has been increased more during the recent six centuries of European civilization's development and influence than during all of human existence prior to A.D. 1400.

The central feature of that recent six centuries' success on this account is the creation of a new conception of the economic and related functions of a sovereign nation-state,

the founding of modern science, and the improvement in public sanitation reducing infant and child mortality-rates and increasing adult life-expectancies. There is a direct connection, from Nicolaus of Cusa's founding of modern science approximately A.D. 1440, through such seminal figures as Luca Pacioli, Leonardo da Vinci, Johannes Kepler, Blaise Pascal, Christiaan Huygens, Gottfried Leibniz, et al. into the development of modern agro-industrial economy based upon Leibniz's design for use of heat-powered machinery, and upon U.S. Treasury Secretary Alexander Hamilton's prophetic description of the unfolding effects of applying Leibniz's design to establish an anti-British (anti-Adam Smith) American System of political-economy. . . .

2. Designing a recovery

The case of today's Russia reminds us, that designing a global economic recovery is far simpler than effecting the recovery of a national economy. Simply, there are no autarkies any longer—if indeed, they truly ever existed.

A quarter-century ago, when this writer was teaching a one-semester course in economics, a cup of coffee was still available for ten cents. Trace out some of the proof, that to provide that cup of coffee, served in that restaurant, in that cup, with that spoon, that sugar, that cream, and so on, at that price, one must have an existing network of product flows reaching several times around this planet: "the worldwide cup of coffee."

Since then, a storm of "free trade" and "deregulation" has virtually eliminated even the conception of national economic security. Every nation's reliance upon a vast catalog of imports represents not an advantageous, but a deadly interdependency. Perhaps, the collapse of that industry began the day the accounting office said, "It is cheaper to import, than to continue to make our own."

For Russia's economy to recover, it must trade, that it may secure what it must import in order to produce. Russia has but two large general categories of potential exports available to it for the immediately foreseeable future: the capacity of its scientific cadres to develop new technologies, and the related capital-intensive potentialities of its military-industrial and aerospace complexes. Respecting both trade and productive investments, the pivotal question is, for Russia and the world today, as for U.S. Treasury Secretary Alexander Hamilton in 1791: the crucial, irreplaceable role of scientific and technological progress for increasing the productive powers of labor.

Historically, there are numerous examples of the beneficial results of emphasizing capital-intensive, energy-intensive forms of investment in scientific and technological progress, and in correlated improvements of basic economic infrastructure. There are fifteenth-century examples: the recovery of France under Colbert; the early, if temporary eigh-



The Soviet ship Vladimir in the Houston harbor in 1989. For Russia's economy to recover, it must trade, that it may secure what it must import in order to produce. Its best potential for exports lies in the capacity of its scientific cadres to develop new technologies, and the capital-intensive potentialities of the military-industrial and aerospace complexes.

teenth-century industrial development of Russia under the reforms which Leibniz supplied to Peter the Great; the United States' experience; the case of France under the guidance of Lazare Carnot and Monge's 1794-1814 Ecole Polytechnique; Germany under the combined impact of Friedrich List's American System of political-economy and of the Humboldt brothers' reforms in science and education; the policies of Russia under Czar Alexander II, Dmitri Mendeleev, and Count Sergei Witte; and the Meiji restoration's economic revolution in Japan, based directly upon the advice of anti-free trade American System economists Henry C. Carey and his student E. Peshine Smith.

There are also the cases of wartime mobilizations and other economic "crash programs," of which latter the U.S. Kennedy "crash program" is outstanding.

From such lessons, and from the experience of the superior strains of industrial bankers and entrepreneurs who existed in North America and on the European continent up until the 1989 assassination of Deutsche Bank's Alfred Herrhausen, competent policy-shapers and industrial bankers and leaders have known—pragmatically—how to organize an economic recovery. The scientific principle which explains these models of success is, unfortunately, poorly understood.

The dangerous result of today's limited comprehension of the principles involved, is that in the exemplary case of Russia, the only route to a sustainable, non-inflationary eco-

nomical recovery is a "science-driver" program. Ironically, the "science-driver" program presents economic development in its relatively purest, and most powerful form, but also in the aspect on which the present opinion of today's economists, bankers, industrialists, and political leaders is most poorly informed.

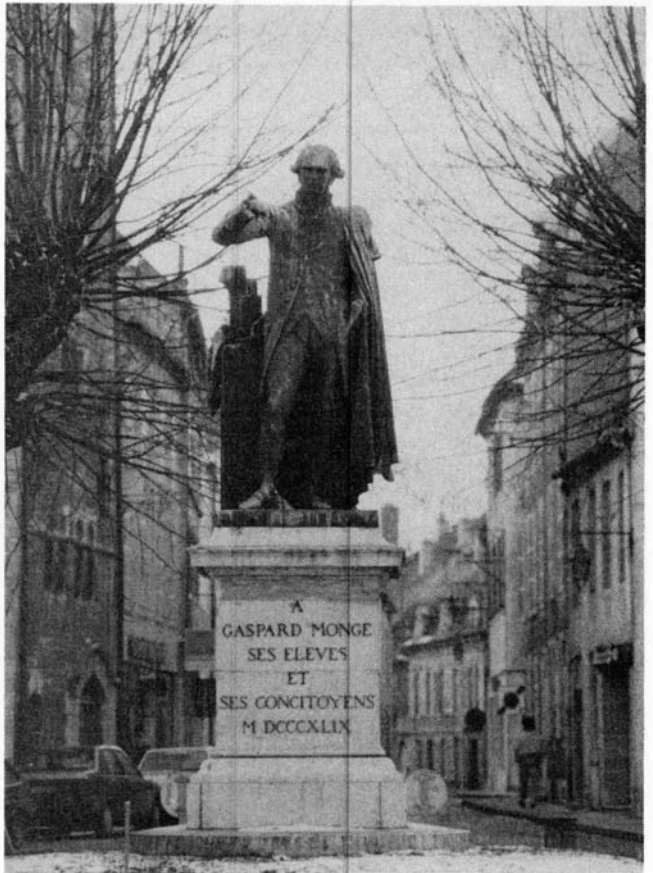
The technical issue is among the more sophisticated topics in present levels of mathematical physics. Therefore, although desperately compelling practical reasons demand that we must touch upon that issue, in this location we shall merely summarize that issue and its practical effect. . . .

Technology enters the economy in the guises of a family of discoveries, each formally theorems of what was originally an axiomatic-revolutionary sort of discovery. In the original of these, and also the derived cases, the new technology first appears in the form of a design of experiment used to effect a demonstration of principled application. The refinement of such experiments leads to the incorporation of derivatives of that experimental design, a derivation which is of the type of a machine-tool principle.

The transmission of knowledge of the scientific principle, and of tool or related designs derived from that principle, to the point of production, results in increases of productive powers of labor both in per-capita and per-square-kilometer terms, and in quality of product or analogous effect produced.



Lazare Carnot: Known as the “author of victory,” he was a soldier-scientist who led a science-driver effort in France from 1793-1814.



Monument to Gaspard Monge, his students, and his fellow citizens in Beaune, France. Monge turned out scientists and engineers in “brigades”—a model for nations to emulate today.

For educational purposes, some of the best demonstrations of this principle may be taken from the domain of military or space programs. The educational merit of such examples is that neither involves an end-product for producers' or households' consumption on earth; yet, the highest rates of growth have often been derived from what many would regard as exercises in economic waste. To produce the military or space-economy articles, the components of the program must be built, of course. The distinction of these components of a science-driver military or space program is that a relatively very large ration of the product requires use of new technologies, and that at a relatively high rate of technological obsolescence.

To produce this technology, it must be incorporated into the machine-tool sector, directly or implicitly, as new technology. From thence, the technology itself spills over into the economy in general; the result of this “spillover” is frequently extraordinarily high rates of increase of productivity, relatively speaking. For example, from the study of the effects of the Kennedy 1960s “crash program” for space, some have estimated that there was a return of about 14¢ to the U.S. economy for each penny spent on space projects; that conclusion is a plausible one.

The distinctive superiority in economic effects of such expenditures on ostensible waste, such as military or space-oriented science-driver programs, is that the rate at which

scientific and technological progress is pushed through to realization is atypical of the modern industrial economy, even prior to the anti-scientific 1963-68 “cultural paradigm shift.” Only under wartime conditions, or a related sort of national endeavor, such as a space-program, did twentieth-century businesses and bankers generally discover the motivation to undertake that which the nation needs most sorely, higher rates of scientific and technological progress.

From the end of the Great Depression, into the middle of the 1960s, it was the commonplace opinion expressed by most in the U.S.A. that wars were the most effective stimulant for economic prosperity. Closer examination of the facts shows that one did not require actual war-fighting to promote that desired effect; one merely had to mobilize the technological potential for war-winning—in case one might occur—and the high rates of technological attrition inhering in such military procurement programs would have ensured the prosperity, without the bloodshed.

Since total war is not a pleasant state of affairs these days, the conclusion which might be adduced from this ironical set of contrasts, is that the most effective way to improve the income of the taxpayer is to spend much larger amounts

of public funds on crash-program, science-driver forms of programs for exploration and colonization of space. Examine that proposition a bit more closely.

Why is it that some mathematical professionals become so unpleasant about the fact, that a straightforward mathematical description of those changes in structure which occur as concomitants of technology-driven increases in productivity should present a picture which is anomalous from the standpoint of a mathematics of non-living processes? Does life itself offend their professional sensibilities? Is it the thinking which generates scientific discoveries which offends them? Or is this reaction a result of years of positivistic conditioning in the classroom and later professional life, a conditioning to the delusion that a formal mathematical physics, were it sufficiently perfected in consistency, could explain everything?

The evidence toward which we have pointed here, shows that all valid fundamental discoveries have the form of absolute mathematical discontinuities, relative to a formalization of the prior state of generalized accepted knowledge. For reasons which ought to be clear after examining the work of Georg Cantor, for example, it is impossible to provide a formal mathematical model for valid axiomatic-revolutionary thinking in physical science.

The evidence is, that creative thinking of the type which generates valid axiomatic-revolutionary discoveries occurs only within the sovereign bounds of the individual person's thinking processes, that that thinking cannot be represented explicitly in any medium of communication. We communicate discoveries from one to another, as the scientist who died centuries ago evokes the mental experience of his original discovery from within a student following the principles of a Classical humanist form of secondary or post-secondary education. By presenting the other person with the paradox to be solved, if that other person has the prerequisite knowledge, we catalyze the activation of the relevant creative-mental processes in that person, and prompt him so to replicate the discovery we hoped to evoke within him.

The "not entropy" of the healthy economic process is a transformation caused by this sort of creative-mental transformation in the productive and related behavior of the society. In form, as "not entropy," this transformation has marked similarities to the similarly anomalous forms exhibited by living processes, most emphatically by evolutionary models of the biosphere. Who is to be blamed for showing that a human being's characteristic behavior, the quality of creative thinking which does not occur in any animal species, is not that of any of the objects whose behavior our mathematicians may regard complacently as not-anomalous, such as a pot-bellied stove or a digital computer, perhaps?

Human society's effective self-organization has always been "task-oriented." In the case of great human achievement, that task-orientation is expressed as challenging the individual creative-mental powers of members of society to

go to the outer limits of their developed capacity at that time. The lessons learned in that strenuous exercise become the knowledge available to be applied successfully to the society's more modest undertakings. To accomplish anything of importance, such as escaping from the economic effects of a general financial and monetary collapse, we must find the kind of task-orientation which challenges our creative-mental potentials to the limit, and that in the way whose effects are most appropriate for solving the problem confronting us.

Do not complain that the creative-mental processes, and their beneficial economic efforts, are mathematically anomalous, "not entropic." Learn how to provoke those processes, and drive them thus to the limits required to produce the new qualities of scientific and technological capabilities for solving the problems confronting us.

One of the classical models for a "science-driver" type of economy is the collaboration between France's famous "author of victory," Lazare Carnot, and his former teacher, Gaspard Monge. The case in point is the 1794-1814 Ecole Polytechnique under Monge's direction and Monge's geometry-based curriculum for mass-producing the world's greatest body of scientists and engineers, mass-producing them in what were termed literally "brigades."

After 1814, LaPlace and Augustin Cauchy destroyed the program and quality of Monge's Ecole, and, as a result, dropped France rapidly from its centuries-long tradition of world leadership in science and technology. Monge and Carnot's work of the 1793-1814 interval was the French model used by Alexander von Humboldt to establish Germany's emerging world-leadership in science around Carl Gauss's Göttingen and the Humboldts' Berlin. Colbert had similar ideas during the seventeenth century, but the Monge Ecole, with its geometry-based brigades, the world's leading body of scientists and engineers at that time, is the preferred model of reference for every science-driver "crash program" since.

By science-driver programs, such as sometimes appear in preparations for war, or in space programs, society mobilizes its potential for conquering challenges at, or slightly beyond the outermost limits of existing human knowledge and practical capabilities. The solutions to such challenges developed by a highly motivated and closely integrated team of individualistic thinkers, produce new qualities of knowledge and practical capabilities. There is no discovery, no development which we might not master in the course of a program for conducting space exploration and preparing colonization, which would not have, at every step of the process, some important application for improvement of life on Earth.

We require science-driver space programs, for example, as a more effective, less costly way of improving daily life on Earth than would be possible without spending the resources needed for such a space program. Think of a space program as Monge designed his Ecole Polytechnique, as a kind of super-university producing the world's greatest scientists and

engineers in clumps deserving of the name "brigades."

Some years past, some very intelligent people in Japan thought in similar directions. They spoke of "knowledge-export" industry as a national-policy option. That is what a good, science-driver variety of space program is, a "knowledge-export" industry. The best way to utilize the combined space and military capabilities of Russia (for example), for the benefit of Russia and the world, is to create the kind of global science-driver space program whose technological "spillovers" will increase the general productive powers of labor on the planet at the greatest possible rate.

Keep the best human and work-place capabilities of Russia intact, at their highest level of technological performance. Assimilate that into a global science-driver program, together with similar capabilities of other nations. Provide low-cost credit and investment tax-credit assistance for each and every "spillover" which solves a crucial problem of the economy.

Recall the troublesome feature of the general constraint:

Let $\text{Output} - \text{Input} = \text{"free energy,"}$ and $\text{"Input} = \text{"energy of the system."}$ The general requirement for successful economy is then expressed, according to the preceding constraints, approximately as a rise of the ratio of "free energy" to "energy of the system," *but subject to the restriction, that the "energy of the system," per capita and per square kilometer, must rise at the same time.* The means for satisfying that constraint is the "not entropy" derived uniquely from the sovereign creative-mental powers of the individual human being. Anomalous? Certainly; we require as much of that anomaly as we might mobilize.

How it works

To represent the type of physical-economic strategy which might be chosen to organize a recovery of an industrial economy, such as the Russian case today, we have employed as illustration the possible choice of a science-driver form of space program. We are not insisting that that is the only choice of strategy; but, for obvious practical reasons, it is one of the better choices actually available for immediate action. We have considered here, thus far, the most general of the principled technological implications of such a choice. Let us show, briefly, how such a science-driver program affects the entire agro-industrial sector of the economy, and also the basic economic infrastructure upon whose development the productivity of the agro-industrial sector depends crucially.

Represent an economy by an input-output matrix of the general type associated with the work of Wassily Leontief. Think of this as a way of depicting the design of an industrial engineer's production model of combined bills of materials and process-sheets for a manufacturing enterprise to the analogous features of a national economy considered as if it were a single industrial enterprise. On the condition that we do not forget the inherent limitations of such a "model," such schematics have many valuable administrative uses, includ-

ing the study of the implications of the type of science-driver "crash program" considered here.

Reduce this Leontief or analogous raw model to the form achieved by imposing the set of constraints identified above. Include in that, the stated "not-entropic" bounding requirement as stated statistically in terms of input-output ratios.

Apply this method of representation to the economy of Russia. State three cases in these terms:

Case 1: The economy of Russia as it operates today.

Case 2: The economy of Russia as it would appear if existing capacities, presently utilized, or not, were all put into operation through a directed supply of state credit for this purpose.

Case 3: A set of conjectural, but rationally selected states of the economy of Russia two or more years ahead. The principal restriction applied to all such choices is that the result projected must be a transformation effected in terms of the set of constraints indicated above. For that purpose, the key parameter on which our attention must be centrally focused is the key constraint, the statistical measurement of the ratio defining relative "not entropy" of the transformation.

Obviously, we would derive every choice of Case 3 from Case 2. The transition from Case 1 to Case 2 would imply an "Alexander Hamilton" variety of "protectionist" model of regulated economy using a vigorously protected system of state-generated credit used almost entirely for nothing but lending purposes, as indicated above for the "Hamiltonian 'American System' model." The mobilization of the economy, from the disastrous state corresponding to Case 1, to the stabilized state of mobilization of selected existing, active and presently idled capacities, Case 2, is the launching-pad from which a feasible continuing recovery-process is deployed.

Focus upon the key constraint of this administrative model, the measure of relative "not entropy" in the statistical terms defined by the array of constraints listed (or another, fuller set of inequalities to the same general effect).

Into the transition from Case 2 to Case 3 introduce the science-driver, in this case the space program. For this purpose, only the costs, not the physical output of the science-driver, will be reflected in the matrices describing the successive states in the interval between our Case 2 and Case 3. We will treat this as we should treat military expenditures, as a cost to the economy. Apart from engineering functions of the military, our national accounting methods will not treat the military or analogous product as a good input to the Russian economy (in this case), except as it might be sold abroad in exchange for products which the non-military sector of the economy requires as a necessary component of the producers' or households' market baskets.

The military, or space sector, insofar as its output is consumed for military purposes, or in space programs as such, is treated, for cost-accounting purposes, as if that entire sector of the economy were a pedagogical laboratory of a

university. It is treated as a purely “knowledge-export” sector of the national (and world) economy.

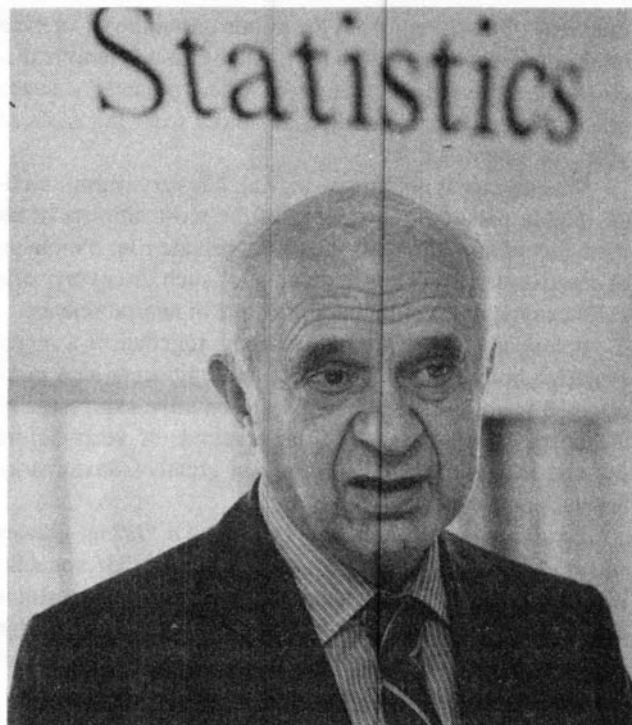
The proposed investigation is thus prepared to compare the costs of this “knowledge-export” sector with its beneficial impact upon the controlling ratio used to measure “not entropy.” In the extreme, one could compare the economy without the cost of this science-driver, and therefore also without the benefit, to the same total economy with both those costs and benefits. The “not entropy” ratio would be controlling in determining the result of such a comparison.

To ensure that the reader understands adequately what is being done in such a study, it must be emphasized here that the modelling being used is essentially a “non-deterministic” one. That means, in practice, that once a new technology has been defined, the calculation of its general impact upon the economy is a calculable proposition in engineering terms. Until the discovery is made, that engineering forecast is not possible. Until the technology is discovered, and translated into the form of a refined, fully instrumented proof-of-principle experiment, the coefficients for its application as a modification of our matrix remain only hazy generalizations of possible order of magnitude of benefits.

The causal factor driving the economy’s increase of productivity is the creative-mental function responsible for generating valid axiomatic-revolutionary transformations in scientific and analogous forms of knowledge. By definition, for reasons stated classically by Leibniz, in his *Monadology*, by Bernhard Riemann, by Karl Weierstrass, and by Cantor, this causal factor cannot be expressed in the explicit terms of any generally accepted classroom mathematics today. No such predictive mathematical construction may be employed successfully to calculate the results until after the discovery is made. In a sequence of discoveries A, B, C, . . . N, it is feasible to calculate, as if “deterministically,” backwards, but not forward.

What can be known in advance is twofold: the direction in which to go, and the probable order of magnitude of the benefit to be realized from a foreseeable type of breakthrough into discovery. The mechanism by which the predictable and actual benefit of a discovery is achieved, is not through mathematical forecasting, but through the organism of a science-driver “crash program” as a social phenomenon. As a matter of pedagogy, let this social phenomenon be termed a “living, universal, non-linear, not-entropic theorem-lattice.”

Look inside the mind of a model scientist, one whose mental development replicates in effect the Classical humanist model of geometry-based, pre-science and science education. Look at the task-oriented, science-driver functioning of a large team of such minds representing numerous branches of mathematics, physics, chemistry, biology, and so on. Consider the way in which such a team functions to generate axiomatic-revolutionary and related discoveries; consider the way those discoveries are translated into the quality of well-instrumented, proof-of-principle experimental designs from



Wassily Leontief, author of a method of input-output analysis of economic processes. Such a model is useful for depicting the bill of materials for a national economy, as if it were a single industrial enterprise.

which machine-tool principles of design are extracted for industrial and analogous applications.

Compare this imagery with the 1793-1814 setting of the circles of the science-driver effort led by Lazare Carnot, the soldier-scientist leader in mastering principles of machine technology, who was also the “author of victory,” and his former teacher and collaborator, the Gaspard Monge who turned out the greatest then-existing team of scientists and engineers in the world, in “brigades.” This is the Lazare Carnot, who passed the remaining, post-Vienna Congress years of his life assisting Alexander von Humboldt in providing Monge’s French science, which neo-Newtonians Laplace and Cauchy were purging from the institutions of France, a safe refuge in a Germany emerging as the world’s leader in nineteenth- and early twentieth-century scientific progress.

Contrary to the variously stated and implicit dogmas of Bertrand Russell and other radical positivists, the sum-total of accumulated human scientific knowledge is not a formal-logical theorem-lattice in an imperfect process of perfection. The sum-total is the student’s replication, explicitly, one at a time, of the great axiomatic-revolutionary and related discoveries of individual discoverers over approximately 2,500 years of known internal history of science, and implicitly over a vastly longer span of pre-history. The qualified scientist’s mind is populated with such personally relived

moments of discovery from the minds of hundreds, or even more, of discoverers before him. Any serious scientific discussion is premised upon reference, often by name, to scores or more of such personal acquaintances from hundreds of years, or longer, earlier.

Real science is not formal-logical; it is very warm-blooded, highly personalized sharing of the most intimate of all moments of an individual scientist's private life, a moment of creative discovery, or replication of such discovery, of a valid axiomatic-revolutionary principle of natural science.

Potentially, therefore, the bringing together of a representative body of such scientists and engineers as a task-oriented team, is assembling a representative expression of the living body of science from hundreds of years before us, and in our time. It is a body of creative—axiomatic-revolutionary—activity; therefore:

Let this social phenomenon be termed a "living, universal, non-linear, not-entropic theorem-lattice." If one subjects this body to the appropriate form of stress, the result is as if to drive the entire body of existing scientific knowledge to its outermost limits and beyond. The standard result of such appropriate science-driver stressing of such a representative task-force, is to accelerate the rate of production of scientific discovery, and derived technologies, to many times the rate of output otherwise possible.

If one mobilizes one's mind to become Plato comprehending the work of Georg Cantor up through 1897, as Cantor sought diligently to incorporate Plato's work into his own, the proper method for stressing such a science-driver task-force is implicitly clarified. [In the fuller report], we considered the way in which the work of the collaborators, Plato, Theaetetus, and Eudoxus, is to be combined to generate three general principles of discovery in mathematics. Expand this conception to go beyond mere mathematics into mathematical physics, as Riemann proposed so famously.

The method of discovery is to drive the present mental and related physical capacities of the human species to its limits and slightly beyond. The effect is to stretch existing formal knowledge to beyond its limits, and also knowledgeable physical practice. Drive to beyond the present limits of smallness in microphysics as in mathematics, of largeness in astrophysics, and in the distinctions between living processes and typical forms of non-living ones: biophysics. Drive man's ability to subdue an environment to its present limits and slightly beyond.

By following one's nose through the maze of principles, so to speak, one arrives at the choice which best matches all of these goals: a science-driver program dedicated to the early exploration and colonization of nearby solar space.

If this stressful task-orientation is applied to a representative team, embracing existing scientific knowledge as a whole, rather than allowing work in one specialty to radiate into others, the results are accelerated accordingly. The relevant historical cases show that the work of decades is accom-

plished within as few as several years. The most direct way of pointing to the reason for this advantage, is to describe such a science-driver task-force as a social phenomenon, as a "*living, universal, non-linear, not-entropic theorem-lattice.*" It is an assembly of those, the mind of each embodying his or her own "Academy of Athens" assembly of past discoverers, whose scope of accumulated knowledge aggregates to the form of a living theorem-lattice representing all scientific knowledge, but is also a vibrant mass of propensity for generating axiomatic-revolutionary transformations of that theorem-lattice, under appropriate forms of task-oriented stress. It is an organic process which reproduces the world's best-qualified scientists and engineers in "brigades."

Reference this internal character of functioning organization of the science-driver *as an institution* to the transformation from Case 2 to Case 3, identified above.

The transfer of benefits of discovery and development, from inside the institution of the science-driver as such, into the productive sectors of the economy, occurs principally through two channels, the educational institutions and their corporate extensions, and the machine-tool sector. Whatever the benefit contributed by the science-driver, we may be certain that the economic realization of that benefit will be channelled through the machine-tool sector, and will result in a transformation of and burgeoning of that machine-tool sector.

However the benefit of that improvement within the machine-tool sector may be channelled downstream, into the producers' goods, households' goods, or infrastructure-development sector, is almost a matter of indifference to us as long as the channelling occurs. We require one very specific result: the kind of improvement in average productive powers of labor which will be reflected statistically in a "not entropic" improvement in the controlling ratio of analysis for our input-output matrix.

A science-driver-pivoted model of industrial economy is fairly described as based upon the transfer of "pure technological progress" from the science-driver institutions, through the machine-tool sector, into the economy as a whole.

A space-oriented science-driver institution will tend to yield certain directions in results. If we master, for example, the problems of establishing future "science city" colonies on Mars, a goal for several decades ahead, we have implicitly mastered earlier—during preparations for the implanting of such science cities—the challenge of building functional cities in the middle of the Sahara, Arabian Peninsula, or Gobi, or in the Arctic regions. We can foresee the general direction of the cumulative changes in technology which will be presented to future generations. Nonetheless, in the shorter term, of a generation, it is the urgently wanted realization of improvements in the productive powers of labor which must be had, in whatever form of mixture the corresponding investment in applications may occur.

Industrial reorganization for recovery

The science-driver approach to economic recovery which has just been described here implies certain new institutional elements in the organization of a society's implementation of this science-driver mode of physical-economic recovery. Briefly, the leading features of this are as follows:

1) *Improvements in national income accounting.* In addition to monetary accounting, there must be physical-economic accounting, as the described use of the input-output matrices implies.

2) *The establishment of the science-driver institution* as a government-supported instrument for shaping national technology policy.

3) *A change in the policy-shaping functions of both government and the industries respecting investments.* Investment policies should be governed by a general environment of commitment to transfer of pure technological progress from the science-driver program through the machine-tool sector. This requires an increased emphasis upon scientifically trained industrial management personnel in the policy-shaping functions of government and industry.

4) *Increased emphasis upon scientific training of production management personnel,* and more emphasis upon the machine-tool components within industrial organizations.

5) *Meeting the need for greatly increased numbers of such governmental and industrial executives,* through a science-driver proliferation of scientists and engineers in "brigade" quantities. This signifies a general reversal of educational trends of the recent 30 years. It signifies a virtual cessation of support for the positivist "social sciences," most emphatically the destructive influence of existentialist indoctrination transmitted through such so-called professionals. It signifies a return to early through middle nineteenth-century standards of Classical humanist education, with a strengthening of emphasis in classical philology of that standard, languages, and history, but also an obligatory, constructive-geometry-based scientific competence among all university graduates, most emphatically among candidates for post-graduate degrees. Society must define its investment priorities for development of its citizens and labor force according to those tasks upon which the continued survival of society depends.

If society wishes to survive the presently onrushing global crisis, it can no longer afford the price of fostering the deconstructionist ideologies of a Jacques Derrida, of the so-called Frankfurt School, or positivist sociological dogmas generally. . . .

3. Political stability and economic recovery

[The beginning of Chapter 3 describes the author's "Oasis Plan" for Mideast economic development, and then address-

es the prospects for reform, when the financial bubble bursts—ed.]

From Case 1 to Case 2

When the bubble bursts, if not earlier, relevant governments must act immediately to put the old financial system quickly into bankruptcy reorganization, and to launch a new monetary system based upon state credit. To minimize the degree of "structural damage" to relevant institutions, governments must carry through the completion of these initial responses to a general collapse within no more delay than overnight.

Now, before the collapse, is the time for governments to inspect their inventories of lawful emergency standby powers, and to prepare, as secretly as prudence demands, the set of orders to be issued accomplishing the two first actions to be taken: Put the old system immediately into bankruptcy reorganization, and establish immediately a new monetary system based upon state credit—treasury currency-notes.

In the case of a government which, by law, cannot issue currency-notes of its treasury, other states which can do this must assist in ensuring a supply of credit, until the law can be changed to remedy the situation.

In our preceding summary review of one set of the possible recovery measures which might be taken by Russia, the discussion was structured around the definition of three cases, Case 1, Case 2, and Case 3. The point of the bubble's bursting finds the productive resources in use (Case 1) significantly below the existing productive capacity (Case 2). The short-term objectives are the obvious ones: to halt the hemorrhaging at the existing Case 1 level, and, during the following short-term period, to rebuild utilization up as close to Case 2 as possible. During the medium term, within five years or less, economic recovery should aim at and realize a significant improvement beyond Case 2 level, Case 3. The broad definitions of these three successive cases are approximately as they were described in discussion of the setting for a science-driver recovery in Russia.

At the point of the bubble's onrushing collapse, the first concern of governments must be social, political, and structural stability. At that juncture, no financial institution commands effective credibility; government is the only economic institution which enjoys justifiable, residual credibility in these matters, and that chiefly because of the inherent political powers of government, rather than any popular admiration or lack of admiration for the personality of the incumbent.

Government could lose that credibility instantly, were some high-ranking official to issue a "Hooverish" declaration to the effect of "be calm, our statistics show that a recovery is under way, and should reach us very soon," or, "the government urges you to be calm and have faith in the democratic values of our free market system." Anything akin to the utterance of such disgusting banalities would be tantamount



The Berlin Wall and the Brandenburg Gate, before the fall of the communist regimes. German Chancellor Helmut Kohl (inset) took the executive action required to ensure the reunification of Germany. To handle the crises that now lie before us, heads of state will have to step forward with a clear and competent program of action.

to a public act of political suicide by the government as a whole, if it did not incite an instant popular, and very bloody revolution.

Contrary to such follies, the government must step forth immediately, with a very clear statement of its commitment to specific forms of action. In the right spirit would be something whose content is to the following effect: "I shall be very brief. The crash has found your government prepared. Your government has just issued an emergency banking reorganization measure which we had carefully prepared for just such a possibility. This action orders that no banks will be allowed to close until their obligations to the families of their depositors are fully covered. . . . During the next hours the government will act to ensure that levels of employment do not fall below the levels before this financial crisis broke. During the next days we shall take additional measures which will launch the first steps toward a full-scale economic recovery. By tomorrow, we expect to begin releasing the addresses of special offices we are opening in each region of the country to keep the public informed of the measures we will be taking to get the recovery fully under way."

Illustrative of the quality of the requirements imposed upon government at such a juncture, is the manner in which Chancellor Helmut Kohl acted publicly in Berlin to ensure the reunification of Germany, speaking so before internation-

al television news cameras on the same day certain other prominent figures were conspicuously less heroic. In history's moments of crisis, the credibility of government depends upon the ability of leaders to present effective courses of action, as did President Charles de Gaulle when faced with a military insurrection against his government, with simplicity and relevance, and with quiet pungency and force.

Social stability is to be secured by the means which government deploys to foster employment, while protecting those entitlements and savings of the ordinary citizens which the folly of private financial institutions has put in jeopardy. Political stability is fostered as confidence in the government which has acted gently, without panic, with manifest foresight and a quietly firm hand, to control an otherwise terrifying emergency.

To manage the transition from Case 1 to Case 2, the government must rely chiefly upon two tools: methods of reorganization of financial institutions, and the establishment of a new system of currency and public credit. To move from Case 2 to Case 3, government must rely upon the science-driver methods of physical-economic recovery illustrated earlier in this section of our report. The first two measures must be set into motion no later than within days, even hours of the outbreak of the collapse-crisis. Consider these three steps, and then let us turn our attention to the issues of stable

relations among states during the years following the collapse. Begin with the establishment of a new system of currency and public credit.

Currency and credit

The soundest conceptions of creation and management of public credit were developed in North America, in the English colonies and later young United States, beginning with the mid-seventeenth-century Massachusetts Bay Colony's successful experiment with issuance of a paper currency for use within that colony itself. This practice was suppressed by the English Crown from the period of accession of William and Mary, 1688-89, until it was introduced most successfully under President George Washington's first administration, under the supervision of U.S. Treasury Secretary Alexander Hamilton. The use of this new system of currency and national banking, combined with the industrial policy detailed in Hamilton's Report to the U.S. Congress *On the Subject of Manufactures*, constitutes what Hamilton, John Quincy Adams, Henry Clay, the Careys, Friedrich List, President Abraham Lincoln, and U.S.A.-advised Meiji Restoration Japan knew as the anti-British "American System of political-economy."

It is arguably most important that that theme, "anti-British 'American System of political-economy,'" be stressed. The emergency measures which must be taken in the domain of currency and credit are contrary to every fashionable delusion which has been taught under the misleading title of "classical political economy" in virtually every university in the world during most of the century. Once the names "American System," Washington, Hamilton, John Quincy Adams, the Careys, Henry Clay, Friedrich List, and Abraham Lincoln are presented together, with key original official and other relevant literary sources identified, whoever continues to deny that evidence is readily discredited as a fraud. It is important that the methods to be employed in creating currency and credit not be mistaken for an untried, eccentric novelty. The citizen may be assured that the most powerful economy to appear on this planet was founded upon the stunningly successful employment of such principles.

Does that child in the candy store imagine, perhaps, that those few coins clutched in his hand can command those sweets to jump into his pocket? A childish delusion respecting money is strengthened as he discovers, perhaps later in life, what misery awaits the person who wanders through society undefended by these talismans. The policy-shaper be warned; if that fellow loses confidence in his money, he gains contempt for his government.

The new currency is placed on deposit with the government's choice of national bank. This amount of money, as public credit in the form of legal tender, is then loaned, either directly or through privately owned lending institutions on prescribed terms, as secured loans, for prescribed categories of ventures chosen in the clear public interest. In a time when

there is suddenly an acute shortage of lendable funds from other sources, the direction of flows of monetized public credit can concentrate available resources, and private initiative, wonderfully to those purposes which are chosen to serve best the general public interest.

Among the most useful means for accomplishing an economic recovery is to foster the efforts of public agencies and regulated, privately owned public utilities to remedy those shortages and urgently needed repairs of basic economic infrastructure which, not accidentally, show up prominently about the time of every major financial collapse. The use of such lendable national banking funds to foster loans to vendors with contracts issued by those national, regional, or local infrastructural agencies to assist important basic infrastructure programs, is among the chief conduits used to stimulate recovery and growth of the private sector under crisis conditions.

Such infrastructural undertakings belong to that sector of the economy as a whole in which government should play a predominant role, in contrast to agriculture, manufacturing, and reselling, for example. Also, such projects are relatively large, with readily defined, usually conspicuous purposes; they are more easily managed for purposes of loan administration. The greatest relative growth leverage can be transmitted to the private sector, through discounting of vendors' contracts, with the relatively least governmental meddling in that sector.

In every part of the world today, there are monstrous lacks of modern basic economic infrastructure in good repair. There is no region of the world whose economic potential is not crippled by want of reliable power supplies of the right quality and quantities. The needs for water management are massive throughout the planet. Most of the world has more or less crippling deficiencies in development of inland navigable waterways, and in modernized rail or equivalent systems for economical delivery of freight and passenger traffic. Most of the world's sanitation systems are greatly deficient. Vast amounts of improvements of this sort can be effected in every part of the world without including projects which have lower priority than "urgently required."

Power systems, magnetic-levitation transport systems, water management systems, modern sanitation systems, are prime customers for high-technology goods and services of private vendors. In any case, the percentile of the total labor force which a modern economy should employ in basic economic infrastructure is one of the larger chunks of total employment. Since this is chiefly a sector of the economy which is a responsibility of government, by its nature, large amounts of credit-stimulus can be absorbed in loans to this area and its private vendors.

To the degree, the method of lending concentrates a majority of the loans under progress-performance disbursement programs, the feared inflationary potential of large-scale lending of public credit is addressed effectively. The object

is to increase tangible value in additional goods produced at least as rapidly as the money-supply is increased through such lending.

The role of reorganization of financial institutions is subsumed by this use of public credit to organize a recovery.

'Industrial banking'

Under such a "Hamiltonian" form of recovery program, the functions which define the characteristics of banking are principally two: 1) the local administration of loans of public credit issued on behalf of the national banking institutions, and 2) the role of such loans of public credit in fostering the accumulation of resources of private credit.

Under the conditions of a general financial monetary collapse, the stability of both the physical economy and of financial and monetary life of nations rests upon a foundation of public credit made available through national banking. The reorganization of the battered system of banking, and also of other financial institutions which are essential in the realm of entitlements of households, depends upon the momentary stability and prospect of successful restructuring supplied by efficient flows of public credit. These are flows into the new volumes of physical investments which function, initially, to move the economy at large from the condition of Case 1 toward Case 2.

The flow of completed transition from credit to money is realized through completed sales in the private sector. The successful reorganization of those financial institutions depends upon converting such cumulative flows of public credit into new volumes of private deposits in the banking system. To prevent the former obligations of financial institutions from strangling the new baby in the old crib, we must provide the protection of bankruptcy-reorganization rules to the baby, up to the time the baby reaches maturity and can manage its own affairs fully.

The banks, in turn, both old and newly created for this purpose, must provide certain essential services in the national interest. The new role of these battered banks will be, largely, as local correspondents of national banking institutions; they will provide banking services to local customers on behalf of the national bank. The principal new revenues of these local banks will be earned partially through commissions for such banking services performed, and, gradually increasing, the participation of the bank's depositors in percentiles of certain classes of the local loan of public credit. That latter will be the most secure form, the most secure grade of private bank lending available under initial-recovery conditions.

During the initial transition of the recovering economy, Case 1 toward Case 2, the details of circulation of public credit must be governed by reference to the relevant maps: the cross-gridded economic-geographical map and the input-output matrices.

Think of the productive features of localities of the eco-

omic geography as like the empty fuel tanks of a fleet of trucks. To make the trucking firm profitable again we require daily performance by each of those trucks, in all localities. To make this possible, adequate fuel must be supplied daily to each of these trucks. Initially, during the early part of the transition, public credit is the principal source, in some cases virtually the only source of that fuel. Fuel must be delivered daily to each of those tanks, but not spilled upon the ground.

To accomplish this purpose, two administrative hierarchies must exist in parallel, one public, the other private. Both have the same mandate: to fuel the empty tanks of idled productive and related capacity. The first is concerned with distributing the margins of work needed to keep trucks working busily and productively: national and local governmental contracts' administration. The second, the banking system, is to provide the financial servicing needed to purchase the fuel supplies.

The work of the two hierarchies is simplified by the fact that the principal margin of the ordinary new business being distributed as fuel—as contracts and credit—is being generated on capital-goods account as prime contracts for infrastructural repairs, maintenance, and development in such categories as: water development and management; general transportation such as magnetic levitation, friction rail, highway and bridge repair; power installations and distribution; sanitation systems; and needed medical facilities. The contracts awarded to private vendors, are the principal supply of added fuel available to keep each region of the nation above the economic breakeven level of input-output functioning.

National banking or regional subsidiaries of the national bank will plainly handle directly the banking agreements reached with the prime contractors of the principal public infrastructure projects. As a general rule, local private banks should provide the continuing ordinary banking services to all private contractors and sub-contractors. It must be the objective to shift the composition of new lending to contractors and sub-contractors, to include increasing portions of private bank participating lending, together with participation of loans on public credit account.

The guaranteed protection to savings accounts and households' entitlements provided by private financial institutions should be managed by public guarantees constructed in view of the cumulative financial impact of the economic recovery program in progress.

Structural objectives

At the same time that government and banking are occupied with the economic geography of filling the recovery's fuel tanks, there must an accompanying thought to what shall be the division of employment of the labor force as a whole realized as one of the chief end-results of the recovery phase from Case 1 to Case 2. Most conspicuously, in what were formerly described as "western countries," both "north" and "south," the cumulatively economic-depressive effects of the

1963-68 “cultural paradigm shift” must be uprooted from the composition of employment and financial flows generally. The identified set of constraints to be applied to the chronological succession of input-output matrices comes prominently into play.

The power of credit is the power to nourish or starve the reproduction of the variously relatively desirable or undesirable components of economic life. On this point, the doctrine of “free trade” has exposed clearly in performance the hypocritical character of English history’s most shameless betrayer of friends, John Locke. In place of the lying hypocrisy of free trade, a few clear principles respecting priorities will do.

Broadly, the set of constraints prescribed for models of physical-economic growth of national economy constitute an economic morality. They are a morality consistent, for example, with the Preamble to the U.S. Federal Constitution: “We the people of the United States, in Order to form a more perfect Union, establish Justice, insure domestic Tranquility, provide for the common defense, promote the general Welfare, and secure the Blessings of Liberty to ourselves and our Posterity. . . .”

Lord Shelburne’s hired lackey, empiricist moral philosopher Adam Smith, explicitly abhorred a willful commitment to such notions as “to ourselves and our Posterity.” Smith’s 1776 “free trade” dogma was derived from the premises of his 1759 *Theory of the Moral Sentiments*:

“Hunger, thirst, the passion which unites the two sexes, the love of pleasure, and the dread of pain, prompt us to apply these means for their own sakes, and without any consideration of their tendency to those beneficent ends which the great Director of nature intended to produce by them.”

There is only one difference between Smith on this point and the famous British work plagiarized from the writings of the consummately wicked Venetian, Giammaria Ortes: Jeremy Bentham’s *The Principles of Morals and Legislation*. In Bentham’s famous essay “In Defense of Pederasty,” he did not limit his empiricism to “two sexes.”

Our attribution of economic morality to the set of constraints provided in this location, has nothing in common with British empiricism’s positivistic notions of equity. There is nothing in Locke or Smith which distinguishes mankind from the horses and yahoos of Swift’s *Gulliver’s Travels*. Privately, in moments of candor, neither Adam Smith nor Bentham would claim that either of them, both followers of Mandeville and Ortes, had affinities for Christianity; in their published philosophies, they implicitly abjure also Genesis 1:26-28. They deny any divine spark of individual reason, any creative potential in the image of the Creator. Creative reason, as a source of increase of the productive powers of labor, does not exist for those radical empiricists, who abhor every effort to delimit the distinction between man and mere beast to the power of articulate speech.

Since we are simple economists, following stubbornly the road which the evidence presents to us, we are disposed to

accept the “not entropic” ordering of evidence of individual human creative powers, wherever nature clearly shows that to us. We are willing, perhaps as nothing more pretentious than merely Socratic observers of natural events and their transformations, to accept the crucial proof that man is no beast by nature, and that his capacity for creative reason casts him in the mortal living image of the Creator. Were there no other source of authority on this matter, let the very stones speak this truth of natural law.

Thus, we build a science of physical economy upon this natural evidence, that the individual person is in the mortal living image of the Creator; we define the prime obligation of society to be the ordering of its affairs in a manner consistent with the expression of that natural-law principle of sanctity of human life. For us, that is the natural essence of public morality.

The economic morality which should inform the judgment of all in this matter of economic recovery is to be recognized as implicit in the following features of the input-output map provided above.

As did Gottfried Leibniz, in his early work on the science of physical economy, *Society and Economy*, we start with the relationship between the individual wage and the socially required condition of the family household. Our primary datum is not production, but the *changes* in input-output relationships effected through transformations from one matrix to its successor. Without this primary emphasis upon *change*, there can be no economic science. It is *change* which defines the most characteristic feature of physical economy, the role of the creative-mental powers of individual persons *in the increase of the productive powers of labor*.

The set of constraints imposed upon the measurement of this change in the transformations, is ordered and subsumed by the requirement of “not entropy.” This amounts to the requirement that the effect of supplying “not entropy” to the physical-economic process be realized as a “not entropic” result, a result which is a precondition for maintaining and enhancing the potential population-density of both that society and mankind as a whole.

From this vantage-point, it is scientifically meaningful and proper to state, that the policies of practice which have brought about the recent 30 years’ slide into a general collapse have been not merely foolish, but also immoral, in the specific sense that we have just identified economic morality here. Among the most conspicuously immoral effects to be remedied by the recovery process, are obscenities which have developed cumulatively in the social division of labor: the wasteful employment, including unemployment in this, of rations of the labor force.

This includes excess employment in sales and administrative functions, employment in the service and production of sin per se, and unwholesome bureaucratic encrustations generally. The percentiles of national labor forces employed in more productive, rather than less productive, and in the



President John F. Kennedy receives German Chancellor Konrad Adenauer in Washington, April 12, 1961. The initiatives of the early 1960s associated with Kennedy, Adenauer, and de Gaulle created the upward trends in economy which were disastrously reversed beginning in 1964-67, and continuing to the present day.

combined categories of agriculture, manufacturing, basic physical infrastructure, medicine, education, science, and technology, must be increased at the expense of the excessive and unwholesome aggregations which have piled up within the categories of sales, administration, bureaucracy, unemployment, and sin.

The principal method for accomplishing this effect, under recovery conditions, is to prevent the continued subsidy of these undesirable conditions. This can be accomplished chiefly by such means as denying use of such sources of subsidies as public credit, or tax concessions. Such means, which are essentially within the competencies of the recovery program, will be effective, at least to the degree of greatly reducing the extent and role of these undesirable elements. Such specifications on changes in composition of employment of the labor force should be incorporated in the specifications to be realized as part of the Case 2 target.

At a time no later than the point of the collapse, government must act to implement a general reorganization in bankruptcy of all classes of relevant institutions. The emphasis here has been on the role of the banks in the recovery process, for obvious practical reasons.

From Case 2 to Case 3

At the moment, the question of peace or destruction of the Middle East as a whole, hangs upon the possibilities for an early launching of infrastructure-building measures of the type discussed earlier here under the rubric of "The Oasis Plan." Similarly, under the strategic conditions of global

financial collapse, the political stability of international relations will be conditional on cooperation in global science-driver projects of the type which absorb and maintain the levels of capital-intense, power-dense, high-technology sectors of the military-aerospace sectors of national economies. The principal features of such science-driver projects are, in general respects, those indicated for the possible application to a Russia case.

The progression from the short- and medium-term goals, of the transition from Case 1 to Case 2 conditions, into the overlapping, but longer-range goals of the transition to Case 3, confronts us with certain most notable problems of longer-range global economic foresight. The principal general problem of this type is the anomalous approach to infrastructure development which must dominate economic development of the so-called developing sector, the largest part of this planet. The second problem to be included among the most significant in such a special list, is the implications of the fact that the world's most populous sector, the virtual center of gravity of future global economy, is the combined littoral of the Pacific and Indian oceans' basin.

To project the transition to Case 3 conditions, we should begin by adopting a benchmark for comparisons to be made. This report recommends that the interval 1967-69 be adopted for this purpose.

During this proposed benchmark interval, there was a crossover between the upward trends in economy promoted by the postwar initiatives which the earliest 1960s associated with the names of de Gaulle, Adenauer, and Kennedy, in

contrast to the contrary, depressive impact of the deconstructionist policy-trends introduced over the 1964-67 interval. Consequently, in effect, because of the indicated lag factor, the 1967-69 interval appears the best reference point, respecting economic conditions existing, for identifying the statistical picture of the pre-downturn world economy's leading sectors taken as a whole.

With reference to policies for the developing sector as a whole, we should reference that benchmark period with respect to both industry and agriculture, on the one side, and basic infrastructure, on the other. The heart of the anomaly is this: To effect successful investments in industries of the United States-western Europe 1967-69 technology levels, or better, the developing nation must possess development of basic economic infrastructure at levels of United States-western Europe 1967-69, or better. The economic development of developing sector nations should be ordered with that constraint in view.

In some aspects, what should be done in these cases, is to proceed as one would not attempt to do in building a very tall building: Begin construction from the top down and the foundation simultaneously. For these nations, Case 3 is a point at which a necessary density of water-management, mass transport, power, communications, and sanitation are provided, plus schools, science and technology development, and medical research and care. At that point, there must also exist, some very advanced industries, absorbing highly trained professional and labor cadres, including the expandable nucleus of a modern machine-tool sector.

We must eliminate the delusion, that the success of a developing nation lies in its ability to attract foreign investment through cheap labor, and so forth. Success might be better measured in the ability of nationals to develop such an industry in their own nation without holding the living standard down to "Third World" levels. That depends upon preconditions such as infrastructural development, educated skills of labor, and so forth. If a "competitive" technological quality of these preconditions does not exist, then a resulting loss of efficiency must be compensated by such ruses as lower wages, and so on. Those "competitive offsets" in arbitrarily reduced elements of cost mean that the national economy's internal market will be forever out of balance with respect to a healthy form of a nation which has adequately developed infrastructure.

Also, on the subject of developing nations, the essence of an economy is its ability to continue to develop its productive powers of labor. The development of the interface between science and the advanced machine-tool sector is key to this. Thus, we must place priority on the existence of sufficient advanced industries to require such a machine-tool sector, and to provide employment using advanced scientific skills in those sectors to which an advanced machine-tool sector is a regular vendor.

On the subject of the Pacific-Indian oceans' littoral—

perhaps better termed, for convenience, the "Great Basin"—a few typical points are sufficient illustration for our purposes here.

As the productive powers of labor are increased, per capita, the center of gravity of the world's economy shifts very rapidly into the Great Basin. This appears on our personal computer screens in such forms as *ocean freight* statistics. Some people in Japan are looking ahead, with development of a series of models of ships employing magnetohydrodynamic drives, powered, obviously, by nuclear plants. Higher speeds mean higher stresses on hulls, which opens additional branches of large-scale applications technologies. In the higher population-densities of the Asia and Southeast Asia land-masses, and also the numerous-island nations, our approach to transportation must differ from the recent three-quarter-century trends in automotorized North America: a heavy emphasis upon water-borne ocean, coastal, and inland-waterways bulk freight, and a much heavier emphasis upon modern rails (meaning also magnetic levitation) than is found even in western Europe.

Dispense with David Ricardo's silly, misleading sophistry, "comparative advantage." Rather, use science and development to adapt to mastery of the conditions imposed upon us.

The growth of population, and this century's prolonged technological underdevelopment of our planet as a whole, has imposed some tight constraints upon our required performance globally during the coming half-century or so. We have in sight, technologically, a comfortable accommodation of about 25 billions persons on this planet of ours, as we move into the first, token-like, pioneering phases of colonization of nearby Mars. Yet, to meet the needs of some very populous parts of the world, especially in the Great Basin region, we must effect some rather spectacular, although eminently feasible leaps in applied science. For this purpose, we require international science-driver programs, in addition to national ones.

Since man in the late Hermann Oberth's twentieth century has found himself at last, technologically, at the point of beginning the exploration and initial steps of colonization of nearby space, we have reached thus a junction-point in our history, economic history and otherwise. We have reached the point of the late Krafft Ehrlicke's Extra-Terrestrial Imperative, at which the emerging technology of space and the emerging technology of Earth have become interchangeable. This author therefore votes for the space science-driver as the best choice of umbrella-project.

In any case, however the vote turns out, we must have the science-driver projects for this planet's future. Those science-drivers are the key to the planet's physical-economic security. They are also something like what "The Oasis Plan" is for the Middle East: the active common interest upon which foundation planetary political stability is premised in practice. . . .

‘The Serbian forces are not invincible’

by Katharine Kanter

On April 10-11, American fighter bombers carried out extremely limited, punctual bombing raids on Serbian matériel used in the siege of the Bosnian town of Gorazde. Ostensibly, the raids were in pursuance of a collection of heretofore-ignored U.N. resolutions authorizing the use of force to protect U.N. troops deployed around the so-called safe havens; however, there can be little doubt that these raids were directly upon order of U.S. President Clinton. According to British Labour Party sources, Gen. Sir Michael Rose, commander of U.N. troops in Bosnia, was not informed in advance; indeed, he turned back on his way to Brussels when he heard the news of the raids. To BBC radio, Rose said: “It was the Pentagon which launched the attack, not the U.N. Security Council.” Whatever Rose knew, the truth is probably pretty well stated by Simon Jenkins in the London *Times* on April 12: “By calling in tactical bombing, Rose is *staving off American pressure for blanket bombing*” (emphasis added).

Upon hearing of the raid, Lyndon LaRouche commented: “The air strike was the right thing to do. Belated, a year late, but it was the right thing to do. . . . With the aid of air power, you can run a very good operation to cut through the fraud of this ‘Serbian invincibility,’ because the Serb forces are *not* invincible, it’s just that they have the British and Kissinger’s friends helping them. . . . If you’re going to fight war . . . let the generals carry out the mission for which the war is being fought. And this kind of bargaining-table operation, this so-called cabinet warfare operation, should come to a screeching halt.” (See the full text of his interview on p. 56.)

The United States must cut out the shilly-shallying if Bosnia is to survive. The events since the raids of April 11 show that the Serbians and their allies in England and Russia will not be made to back down by mere pinpricks. At the time of writing, on April 14, heavy artillery bombardment of

Tuzla and Tuzla airport has begun. That airport, strategically critical for Bosnia, has been supposedly “opened” by the U.N. for over a month, but not one airlift has gone in.

Heavy fighting rages on throughout Bosnia, notably around Bihac, in the Doboj region of north-central Bosnia, near Brcko on the Posavina corridor, near Zenica and at Olovo. According to the press service of the Bosnian Embassy in London, and to satellite reports obtained by former German Minister Christian Schwarz-Schilling, the military situation around the Muslim enclave of Bihac is as bad or worse than that at Gorazde, where Serbian shells continue to fall; not a single aid convoy has got through to Bihac since the first week of February. The embassy in London reports that the Serbians are shelling civilian areas in Buzim and Caute, near Bihac, and that at Olovo, there has been unceasing Serbian artillery fire since April 10.

According to the U.N. Refugee Commission, by now 18,000 people have fled into Gorazde, as the Serbians burn towns and villages before them; old men and the wounded have been left to die in the countryside; the hospital at Gorazde can no longer accept any more wounded, so people are dying in the streets. The U.N. tried to release their last food stocks in Gorazde this week, but they cannot distribute them, because Serbian snipers fire on anyone queuing for rations.

Advised, no doubt, by their Russian friends—the Russian leadership took no concrete action against the raids save to make a lot of angry noise—the Serbians began to test western reactions by building a ladder of provocations. On April 13, acting Serbian Commander for Bosnia General Mladic told the press at Gorazde that he had given orders to shoot down every NATO plane in the area, just as Russian “Third Rome” ideologue Vladimir Zhirinovskiy, in Strasbourg, said that Russia should bomb NATO bases in Italy in

retaliation for the U.S. raids.

The Serbians placed under house arrest 60 U.N. officials dotted over Serbian-occupied territory in Bosnia; a Dutch U.N. official vanished near Zepa with his interpreter; 11 French civilians from a group known as *Première Urgence*, who had been running an aid convoy into Sarajevo, were kidnapped April 12; on April 13, the Serbians attempted to storm one of their heavy weapons depots now under U.N. guard, at Krivoglavci, northwest of Sarajevo, and mined three of these depots so that the Unprofor soldiers are now trapped inside a mine ring.

In Sarajevo itself, two rockets were fired on April 14, and intense sniper activity has taken off; French troops there have been put onto red alert for the first time in two and a half years of war. The crossings from central Bosnia to Turbe in the West and into Sarajevo in the East have been cut by the Serbians.

The Serbians and their British and U.N. allies control every single major crossroads and choke-point in Bosnia. This has enabled them, since the U.S. raid on April 11, to close every supply route for the aid convoys. At Kiseljak, on the so-called Sierra 1 checkpoint, a group of Scandinavian U.N. soldiers is currently held up, the Serbians having mined the road in front and behind the convoy. As the *London Independent* put it on April 14: "The Swedish and Danish troops could easily move the mines if they wanted, but *to do so could upset the Serbs*" (emphasis added).

The routes to Sarajevo are choked off; the Serbians have been attempting to prevent anyone, including journalists, from entering or leaving the capital.

Satan as a Blue Helmet

Meanwhile, over in the cabinet warfare department, so open is the debate over the existence of a purported Russian-American "halving" plan, that Alan Philips and Michael Montgomery wrote on April 13 in the *London Daily Telegraph*: "With Gorazde and the other Muslim enclaves in Eastern Bosnia, the Bosnian Serb thirst for conquest is not slaked. If the *division of Bosnia worked out by America and Russia* is going to be implemented, the Serbs are keen to make sure their allocated territory is as free of Muslims as possible. . . . The Serbians had hoped to cut through the Gorazde pocket from north and south, splitting the center from the rugged swathe of Muslim-held land to the West. U.N. troops would then have been allowed in to . . . *disarm its defenders* while the Serbians 'cleaned out' the rest of the pocket" (emphasis added).

And C.B. Goodhart, fellow of Gonville and Caius College, Cambridge, England, wrote in a commentary for the *Independent*: "An international frontier will have to be drawn between a new Greater Serbia and a Greater Croatia, with transfers of population across it in both directions. Population transfers are bound to be painful, but surely no more than the present situation. . . . Bosnian Muslims who have effective-

ly lost their war, will have to make the best of what they can be given . . . then the process of population transfers will have to start, controlled and supervised by U.N. forces already there." Or, as LaRouche put it, "Satan now travels as a Blue Helmet."

Russian envoy Vasily Churkin, who told the Russian press that Bosnia must be "halved" between a Serbian entity and a Bosnian-Croat entity, is now, according to U.N. sources, working at gaining the deployment of two companies of Russian paratroopers as "U.N. peacekeepers" to Gorazde, although the government of Bosnia has stated plainly that it will not accept one more Russian soldier on Bosnian soil. It was thanks to the deployment of Russian troops, disguised as "Blue Helmets," around Sarajevo, that the Serbians over the last month could move their heavy matériel from Pale down to the front line at Gorazde.

Where angels fear to tread: The first westerners *allowed* to enter Serbian-occupied territory in Bosnia since the NATO air strikes were the so-called mediators Lord David Owen and Thorvald Stoltenberg, who, we thought, had mercifully dropped out of the strategic picture; following hard upon Churkin's footsteps, they made the pilgrimage to Radovan Karadzic's headquarters at Pale, over Sarajevo. It is not known what was discussed there, but, as the *London Financial Times* put it April 14, "The Serbian leaders have been urging a return to the Geneva process, which they see as more favorable to their war aims." Quite so.

As for Serbia's war aims, she clearly has some well-placed friends in the International Monetary Fund. According to reports from sources in Zagreb, the IMF delegation which arrived the week of April 11 demanded that the government of Croatia tolerate the setting up of a so-called Blue Zone, still further behind the U.N. lines drawn to freeze Serbian conquests in the Krajina. This, as the precondition for IMF loans and international bank credits. But the government of Franjo Tudjman may shortly vanish in favor of something more interested in an energetic prosecution of the war, as recent events in Bonn tend to show.

'Hold out, Europe! Bosnia will save you!'

So read a clever banner carried by Bosnians on April 10, at what was probably the largest political demonstration in Germany since the Gulf war. On the Münsterplatz in Bonn, 15-20,000 Bosnian refugees from the German-speaking nations of Europe gathered to hear speeches by leading German, Bosnian, and Croatian figures, and by an envoy of Kosova President Dr. Ibrahim Rugovo. It was the first major public event since the war began, to which the three Balkan nations came united as one front. They rejected jointly any partition of Bosnia.

Telling is the fact that a Secretary of Embassy from the Croatian Legation in Bonn was introduced, and stayed throughout, as Tudjman and Croatian chauvinist Mate Boban were booed from the crowd and attacked from the podium.

Washington agreement on Bosnia means genocide by word-processor

by Francis A. Boyle

This analysis of the Washington Agreements of March 18 was submitted by Professor Boyle on March 24, for formal consideration before a meeting of the Bosnian Parliament in Sarajevo on March 25. Professor Boyle was formerly the attorney for Bosnia before the World Court, and is professor of international law at the University of Illinois. We have excerpted from his memorandum without use of ellipses, for readability.

2. This Memorandum will be similar to the analysis of the so-called Owen-Stoltenberg Carve-Up Plan, which I did for President Izetbegovic in Geneva on 30 July 1993, and filed with the International Court of Justice on 7 August 1993. However, I want to make it quite clear that I am no longer Bosnia's Lawyer before the World Court. Therefore, the analysis which follows represents only my personal professional opinion as an expert on international law and a friend of Bosnia and Hercegovina and of the Bosnian People.

3. Generally put, it seems that the United States, Russia, Britain, France and the European Union have decided to impose a de facto if not de jure partition upon the Republic of Bosnia and Hercegovina into two portions: a Muslim-Croat de facto state (51%) and a Bosnian-Serb de facto state (49%). It also appears that with the introduction of Russian troops into Sarajevo at the connivance of Russia, Britain, the United States, and the United Nations, that the Great Powers have already effectively imposed a de facto partition on Sarajevo that is being policed by Russian troops. To be sure, such an arrangement represents an advance over the so-called Owen-Stoltenberg Plan, which would have called for the outright carve-up of Bosnia and Hercegovina into three independent states and the formal partition of Sarajevo.

4. I also wish to make it clear that it is my personal and professional opinion that a reconciliation between Bosnian Croats and Bosnian Muslims as well as between the Republic of Bosnia and Hercegovina and the Republic of Croatia is a positive, good, and necessary step to take. However, these two documents of 18 March 1994 seem to be promoting this

reconciliation for the purpose of preparing for the ultimate partition of the Republic of Bosnia and Hercegovina. Moreover, the so-called Confederation Agreement between the Republic of Bosnia and Hercegovina and the Republic of Croatia will probably mean that the so-called Federation of the Republic of Bosnia and Hercegovina will become not much more than a protectorate of the Republic of Croatia.

5. It appears from these documents, then, that the Great Powers of Europe and the United States have decreed the partition of the Republic of Bosnia and Hercegovina. But unlike the Owen-Stoltenberg Plan, this partition will be carried out gradually over a period of years. Eventually, what you will probably see is the Bosnian Serbs joining up with Belgrade to create the Greater Serbia and the Federation of the Republic of Bosnia and Hercegovina being effectively absorbed by the Republic of Croatia, to create the Greater Croatia. To be sure, the figleaf and legal fiction of the so-called Federation of Bosnia and Hercegovina will probably continue for a number of years until it can be quietly eliminated by the Great Powers acting in conjunction with Serbia and Croatia. But here we should let these two documents speak for themselves.

19. Generally put, it is obvious from this Article 1 that the Federation is being set up for the purpose of fulfilling the four requirements for establishing the existence of an independent state under international law: (1) territory (borders); (2) population (citizens); (3) a government; and (4) the capacity to conduct international relations. But such an arrangement for the Federation would imply, and then require, the de facto, if not de jure, partition of the Republic of Bosnia and Hercegovina.

20. The Federation arguably might have all four of these characteristics and therefore might arguably fulfill these characteristics necessary for the creation of a separate and independent state under international law. But this does not mean that the Federation would continue the international legal personality of the Republic of Bosnia and Hercegovina, including its U.N. Membership or current membership in other

international organizations. Indeed, there is a good chance that without strict safeguards, the establishment of the Federation would mean that the Republic could lose its U.N. Membership. I will return to that point later. And even if Bosnia's U.N. Membership is properly guaranteed, there can be no guarantee that those states which currently recognize the Republic of Bosnia and Hercegovina will recognize the Federation of Bosnia and Hercegovina as the successor-in-law or even as an independent state. So you risk losing the high degree of international legal recognition that the Republic of Bosnia and Hercegovina has already obtained if this document were to be implemented.

The Federation Executive

39. The procedure for election of the President and Vice President by consensus between the Bosniac delegates and the Croat delegates is a prescription for deadlock. Once again, the whole system is being set up on the principle of establishing a consensus on how to proceed between the so-called Bosniacs and the Croats. In other words, the drafters have abandoned the principle of majority rule. Consensus is a terrible way to set up a government. It simply does not work. Witness the type of consensus government that was set up in Lebanon on a confessional basis that eventually degenerated into a confessional civil war.

46. Therefore I can only conclude at this point that this "Constitution of the Federation of Bosnia and Hercegovina" is not simply an internal reorganization of the Republic of Bosnia and Hercegovina. Rather, this Constitution is preparing the way for the Federation to become a separate and independent state under international law. This would imply the partition of the current Republic of Bosnia and Hercegovina and the creation of the Federation of Bosnia and Hercegovina on the territories now occupied by the Bosnian army and the HVO and the Croatian army. So far this document does not specify what would happen to the 49% of the territory to be allocated to the Bosnian Serbs. But it seems quite clear from reading through the text of this document that the Federation will be set up to operate as a completely independent and separate state under international law no matter what the Bosnian Serbs do. In other words, this document seems to contemplate that the Bosnian Serbs will be pretty much free to do whatever they want to do with the 49% of the territory allocated to them.

The Constitutional Court

53. This section of the document is grossly deceptive. The Constitutional Court is to play a critical role in breaking deadlocks in the Houses of the Legislature when they cannot achieve a consensus. But Chapter IX on Transitional Arrangements clearly states in Article 9(c) on page 45 that for the first five years after the Federation Constitution enters into force, three of the nine Judges of the Constitutional

Court must be foreigners who are not citizens of any neighboring state and shall be appointed by the President of the International Court of Justice after consultation with the President and the Vice-President of the Federation. This is an amazing situation to have so much power over any state to be vested in the hands of three foreigners!

54. The drafters of the document clearly contemplated that three of these Judges would be Croats and three would be Muslims. Therefore, the three foreigners on the Constitutional Court would really be the ones to decide all critical issues in the event of a deadlock. Why should the People and Parliament of Bosnia and Hercegovina allow your future to be dictated by foreigners on your own Constitutional Court? Given the key role assigned to the Constitutional Court to break deadlocks in the Legislature, basically you will have these three foreigners determining the very destiny of the Federation for its crucial first five years. And it does not appear very likely that this Federation will last much longer than five years before being absorbed by the Republic of Croatia pursuant to the terms of the Confederation Agreement to be discussed below. Is this what the Bosnian Parliament really wants? Your future in the hands of foreigners? What type of political independence is that? The drafters of this document seem to assume that the Bosnian People are not fit to govern themselves. Under this document, the Bosnian People are to become "wards" of the United Nations Organization and of Croatia.

The Supreme Court

55. It seems obvious to me from the description of the Supreme Court and the use of the words "original jurisdiction" that this entire document was probably drafted by American lawyers working for the United States Department of State. I find it difficult to understand how a document that will affect the very existence of the Republic of Bosnia and Hercegovina, its Membership in the United Nations Organization and System, and the lives and well-being of 4.4 million people should be drafted by lawyers working for any foreign state, no matter how well-intentioned that foreign state might be.

The Cantonal Legislatures

63. Of course in regard to the so-called Canton System, there are no maps here to determine precisely where the Cantons are or how big they will be. Does this arrangement represent a return to the Vance-Owen Plan? I do not know for sure. But if it does do so, then that will be a retrograde step, not a progressive step.

64. The Vance-Owen Plan violated the 1973 Apartheid Convention and the 1965 Racial Discrimination Convention. The same is true for the Owen-Stoltenberg Plan. Indeed, this document seems to combine the worst features of both the Vance-Owen Plan and the Owen-Stoltenberg Plan. This doc-

ument partitions the Republic of Bosnia and Hercegovina in accordance with the principles of ethnicity and apartheid (like Owen-Stoltenberg), and then "cantonizes" the so-called Federation in accordance with the principles of ethnicity and apartheid (like Vance-Owen). So this document is far worse than the Vance-Owen Plan where at least you kept 100% of your independent state. Perhaps the Washington Agreements should most appropriately be called the Vance-Owen-Stoltenberg Plan.

65. It seems to me then that what the drafters of this

Based upon my seventeen years of practicing and teaching international law, I have never found any grounds to trust U.S. State Department lawyers. Why should you? As far as I can tell, these documents were drafted for the express purpose of putting you out of business as an independent nation state.

document really did was to combine the Vance-Owen Plan with the Owen-Stoltenberg Plan to produce this Federation and the Confederation. The net result will still be the same: The carve-up of the Republic of Bosnia and Hercegovina by Croatia and Serbia under the supervision of the United Nations. Only these two Washington documents are not as blatant, overt, and obvious as the Owen-Stoltenberg Plan. This Washington Carve-up Plan is more subtle and devious. But it is still a carve-up of Bosnia and Hercegovina between Croatia and Serbia, Milosevic and Tudjman. Only now, the drafters are calling the carve-up a "Federation" and a "Confederation." But the objective remains the same: Eliminate the Republic of Bosnia and Hercegovina and then the Bosnian People from the face of the earth.

International Relations

67. Furthermore, even if the United Nations Organization were to guarantee by means of resolutions adopted by both the Security Council and the General Assembly that the Federation of Bosnia and Hercegovina will be the successor-in-law to the Republic of Bosnia and Hercegovina for all matters related to the United Nations System, this guarantee would not and could not legally bind other states to recognize this continuity, or even the Federation itself as an independent state. All other states would be free to determine whether or not the Federation of Bosnia and Hercegovina is the succes-

sor-in-law to the Republic of Bosnia and Hercegovina, or even whether or not the Federation is really a state under international law. These other states could very well take the position that the breakaway of 49% of the territory from the Republic of Bosnia and Hercegovina was sufficient to produce the dissolution of that state and therefore that the Federation of Bosnia and Hercegovina is not the successor-in-law and indeed that the Federation is not really an independent state entitled to be recognized as such under international law and diplomatic practice.

70. These conclusions become inescapably clear by analyzing Article 4, which provides: "International treaties and other agreements shall be signed and ratified in the name of the Federation by the Federation President." Only states can become parties to treaties, not governments. Hence it is clear that since these treaties are being signed "in the name of the Federation" of Bosnia and Hercegovina, that it will be the Federation of Bosnia and Hercegovina that will be the state party to the treaty, not the Republic of Bosnia and Hercegovina. Once again, the implication is quite clear that the Federation is being set up as an international legal state that is separate and apart from the Republic of Bosnia and Hercegovina. And, once again, the implication is quite clear that the currently existing Republic of Bosnia and Hercegovina will be partitioned, if not dissolved.

74. Once again, the distinction between the "Croat People" and the "Bosniac People" is artificial and dangerous. All Muslims, Croats, Serbs, Jews, and Gypsies, etc. are currently citizens of the Republic of Bosnia and Hercegovina and are therefore "Bosnians." Nowhere in this document is the term "Bosniacs" defined. Does this terminology mean that Bosnian Croats are not Bosnians? Certainly, that is one implication that can be derived from the use of this terminology.

76. Indeed, under international law all citizens of the Republic of Bosnia and Hercegovina are Bosnians and therefore possess Bosnian nationality. What this language is doing is distinguishing "Bosniac nationality" from "Croat nationality." Once again, such an artificial and dangerous distinction will simply call into question the loyalty of Bosnian Croats to the Federation as opposed to the Republic of Croatia. For similar reasons, this will only pave the way for the absorption of the Federation by the Republic of Croatia at some point in the not-too-distant future. In any event, such an artificial and dangerous distinction between "Croats" and "Bosniacs" in the Federation will only reinforce the apartheid nature of the state. Similarly, this distinction seems to freeze out the Serbs, Jews, Gypsies and "Others" from the Federation. What future will they have in the Federation? None that I can see from the terms of this document.

83. As some of you might know, at the request of President Izetbegovic, I was the one who drafted Bosnia's currently outstanding official proposal to turn the City of Sarajevo into something along the lines of the District of

Columbia in the United States. This proposal to turn Sarajevo into something like the District of Columbia was submitted by President Izetbegovic to David Owen, and then by President Izetbegovic to the United Nations Security Council in August of 1993.

84. David Owen wanted to, and still wants to, carve up Sarajevo. Hence, under no circumstances could I recommend that some "international administrator" be given the authority to derogate from the terms of your Constitution for any reason with respect to Sarajevo. Such an arrangement would simply mean that the Bosnian People are no longer in control of your own sovereign capital.

85. Indeed, this so-called "international administrator" for Sarajevo might very well decide to derogate from the terms of this Constitution by partitioning Sarajevo. There is nothing in Article 10 to prevent the "international administrator" from partitioning Sarajevo. Indeed, this is exactly what David Owen wanted to do during the course of the Owen-Stoltenberg negotiations last summer. We definitively rejected the partition of Sarajevo by presenting the plan for Sarajevo akin to the District of Columbia that was submitted by President Izetbegovic to the Security Council. The language found in Article 10 will simply reopen this issue, and ultimately pave the way for the de jure partition of Sarajevo.

Languages

111. Finally, as a matter of drafting, I do not understand why the English language version of these documents is deemed "equally authentic" with the versions in the "Bosnian" and "Croatian" languages. I take it that the reason for providing equal authenticity to the English language version of these documents is that all the documents themselves were drafted by lawyers working for the United States Department of State who utilized English as their primary language. This gets back to a point I was making earlier: The U.S. State Department is no friend of the Republic of Bosnia and Hercegovina. I am sure you are all well aware of this.

112. Indeed, Congressman Frank McCloskey has already called for U.S. Secretary of State Warren Christopher to resign because of his negative attitudes and policies toward the Republic of Bosnia and Hercegovina. In my opinion, it would be foolish to trust the very future of the Republic of Bosnia and Hercegovina, the very future of your U.N. membership and international recognition, the very survival of your children and your grandchildren, and the very destiny of the People and State of Bosnia and Hercegovina to the United States Department of State and lawyers working for it. Based upon my seventeen years of practicing and teaching international law, I have never found any grounds to trust U.S. State Department lawyers. Why should you?

113. As far as I can tell, these documents were drafted for the express purpose of putting you out of business as an independent nation state. This is typical of the way U.S.

State Department lawyers do their dirty work around the world: Genocide by means of a word-processor.

Conclusion

114. On the basis of the above analysis it is my professional opinion and recommendation that the Bosnian Parliament should reject the Federation Constitution and the Confederation Agreement for the reasons already explained. Instead, I believe that the Bosnian Parliament must insist upon the preservation of the territorial integrity and political independence of the Republic of Bosnia and Hercegovina as currently constituted. This is the only State that you have or ever will have. You must do nothing that will jeopardize the sovereignty, territorial integrity, political independence, international legal personality, the U.N. membership, and treaty relations of the Republic of Bosnia and Hercegovina. Otherwise, you will suffer the same fate that the Palestinian People did back in 1947 when they were partitioned by the United Nations Organization and the same Great Powers of the world that are now trying to partition you. Then, partition solved nothing. Today, partition will still solve nothing. It will only exacerbate your currently-existing problems.

120. This analysis, then, leads to my conclusion that the best policy for the Republic of Bosnia and Hercegovina to follow is the so-called strategy of "lift and strike." Namely, to work for the lifting of the illegal arms embargo upon the Republic of Bosnia and Hercegovina, and for NATO air strikes upon Serbian military targets throughout the Republic of Bosnia and Hercegovina. The latest public opinion polls show that a majority of the American People would support NATO air strikes on Serbian military targets in the Republic of Bosnia and Hercegovina.

123. In this regard, I already drafted a 15 November 1993 Statement of Intention by the Republic of Bosnia and Hercegovina to Institute Legal Proceedings Against the United Kingdom Before the International Court of Justice that was issued at United Nations Headquarters on that day and filed by me with the World Court when I was Bosnia's Lawyer before the Court. This document outlines the theory of the lawsuit against the United Kingdom in order to break the arms embargo and stop the carve-up of the Republic of Bosnia and Hercegovina. Copies of this Statement are available upon request. As you may know, threats by the British government and several other European states forced the government of the Republic of Bosnia and Hercegovina to withdraw from this proceeding last December. But when I informed the Court of Bosnia's intention to withdraw, I also told the Court that the withdrawal was being made under duress, threats and coercion. I therefore reserved the right of the Republic of Bosnia and Hercegovina to sue Great Britain at any time. Now is the time for the Republic of Bosnia and Hercegovina to sue Great Britain in order to break the arms embargo and stop this carve-up!

Ukrainian voters repudiate Kravchuk's 'Party in Power'

by Konstantin George

Ukrainian President Leonid Kravchuk suffered a crushing defeat on April 10, in the second round of parliamentary elections which resulted in a strong voter turnout against what Ukrainians brand the "Party in Power." The anti-incumbent vote was split among a multitude of parties, creating no basis for any durable coalition in the new Parliament. This vacuum will create greater political instability in an already very dangerous situation. Moscow is mobilized to aggravate the crisis, as demonstrated by an election-eve provocation in the Ukrainian port city of Odessa.

The elections occur against the background of an economic crisis worse than even in Russia. By official estimates, 80% of Ukrainians are living below the poverty line. This has produced a highly politicized citizenry. In contrast to last year's national elections in Ukraine's two largest neighbors, Poland and Russia, the Ukrainian elections recorded a high voter turnout: 75% voter participation in the first round on March 27, and 66% in the April 10 second round. Only a minority of the incumbents from the old Parliament even dared to run again as candidates. The "Party in Power," in one form or another, will end up with well over 100 seats in the new Parliament, but its candidates were only able to win by running as "independents."

It is now all but definite that Kravchuk will have to call presidential elections for June 26, something which he has been desperately resisting.

Breakdown of the vote

The two largest groups in the new Parliament are the bloc of Communists, Socialists, and Agrarian Party, with at least 120 seats, followed by at least 65 seats for the moderate patriotic National Democratic Bloc, with the Rukh Party being its core. Added to this are 10 seats held by more extreme Ukrainian nationalists, thus giving the nationalists as a whole some 75 seats.

Western media have been trying to cite the election figures as proof of an "east-west" political polarization in Ukraine, pointing to a coming partition of the nation. According to this line, the nationalists dominate in western Ukraine and the communists in the east and south, which have large ethnic Russian populations. The communists did indeed sweep the mining and industrial regions of Donetsk

and Lugansk in eastern Ukraine on a platform of close economic integration with Russia; in referenda in these areas, voters have favored having dual Ukrainian-Russian citizenship. The communists won in the east through their promises that economic union with Russia would solve the desperate economic plight of the population. Voters voted "pro-Russian" out of economic desperation, not for ethnic reasons. This was the same ethnic Russian population which, in December 1991, voted 84% in favor of Ukrainian independence, in the belief that an independent Ukraine would be economically and socially a better place to live in than Russia. The demand for dual citizenship is also economically motivated, because with Russian citizenship one can cross the border and work in Russia for double the wage earned in Ukraine.

The nationalist vote was very strong in west Ukraine, but also in the central part of the nation, including the capital of Kiev.

In Kiev and the surrounding region, there are 23 election districts. Three candidates have been elected so far, and all are from Rukh. In the other 20 districts, the turnout was supposedly below 50%, necessitating a new run-off. In most of these districts, the current leading candidates are either nationalists or independents. The "low turnout" was produced through widespread invalidation of ballots. Because of voting irregularities in Kiev and other central regions, the official results do not do justice to exactly how well the Rukh-centered moderate nationalists did. For example, in one Kiev city district, the Rukh candidate, former Defense Minister Gen. Konstantin Morozov, was denied victory by manipulations which included padding his opponent's vote with votes from the local prison and local mental institution.

The single largest group in the new Parliament are the "independents," totalling well over 100. According to Rukh Chairman Vyacheslav Chornovil, "The independents are a swamp in which the two wings of Parliament [nationalist and communist] will fish for support." About 60 members of this group seem to be genuinely independent, or at least defy strict classification. The rest are "Party in Power" types, being either directors of state enterprises, heads of local administrations, or heads of collective farms. At least 20 industrial enterprise directors were elected, and 22 heads of collec-

tive farms, in the latter case through liberal pre-election food distribution.

The Odessa provocation

The latest crisis in Russian-Ukrainian relations began with a provocation that occurred on April 8, when, under orders originating from the Main Staff of the Russian Navy in Moscow, a Black Sea Fleet ship, the non-combatant *Cheleken*, stationed in Ukraine's Odessa naval base, defied Ukrainian authorities and illegally sailed from Odessa harbor to join the main part of the Black Sea Fleet under de facto Russian control in the Sevastopol naval base in the Crimea. The *Cheleken* was crammed with navigational equipment lifted from Ukrainian supplies at the reserve naval yard in Odessa. As it fled, it fired tracer bullets at pursuing Ukrainian small craft, which broke off the chase to avoid giving Moscow any pretext for military escalation.

The action was designed to provoke a strong Ukrainian response, which it did. On April 10—Election Day—a force of 120 Ukrainian paratroopers seized the Odessa reserve naval yard. Contrary to the version deliberately being circulated by the press service of the Black Sea Fleet and Moscow, no violence occurred. The three Russian officers who were reported as arrested and jailed, were only taken for questioning and then released, as confirmed by Col. Vyacheslav Voronkov, press spokesman for Ukraine's Odessa Military District. The Ukrainian Defense Ministry on April 11 called the Russian charges a "lie," designed to provoke "an armed conflict between Black Sea Fleet servicemen, Odessa port officials, border guards, and Ukraine's Navy." The ministry statement emphasized: "No violence was used, no shooting, no handcuffs, nothing. The Black Sea Fleet press center is deliberately creating instability between Russia and Ukraine."

The role of the Black Sea Fleet press in fueling tensions shows that such apparently local incidents are actually worked out by the Russian General Staff.

Ukraine denied Moscow's reports that 40 Ukrainian soldiers had "surrounded" another Odessa naval facility. The Ukrainian Defense Ministry stressed that the crisis had begun through the Russian seizure of the ship, which it called "an act of piracy," which created "a precedent of a sharp escalation in tensions which might have led to grave consequences."

Stoking separatism

What made the Odessa incident so significant was not only what happened, but where it happened. To date, major Russian Black Sea Fleet provocations had been confined to the fleet's main bases in Crimea, and linked to the Russian separatist movement there which has gained control of the region, threatening to detach it from Ukraine. The Odessa incident showed that Moscow was readying the geographical expansion of its separatist operations against the Ukrainian nation, from the Crimean peninsula to the Ukrainian "mainland."

The timing of this military provocation with the Ukrainian election was not coincidental, especially in view of the regional election picture. The communist victories were concentrated in the regions with large ethnic Russian populations: eastern Ukraine, Crimea, and the southern Black Sea littoral, including the Odessa region. In the easternmost regions of Donetsk and Lugansk, centers of mining and heavy industry, every seat was swept by the communists, as was also the case in Kherson region, bordering on Crimea, the original and strongest bastion of Moscow-steered Russian separatism. In Odessa region, the victories were divided mostly among the communists and their allies, and candidates of the local "Party in Power" nomenklatura.

These election results have given Moscow its first major operational capability to replicate, on parts of the Ukrainian "mainland," the sort of separatist operation it has developed to near fruition in Crimea.

Blackmail and concessions

The outcome of the Community of Independent States (CIS) heads of state meeting in Moscow on April 15 will be crucial in determining what the next moves from the Moscow side will be. Yeltsin will demand that Ukraine implement what he and Kravchuk had agreed to "in principle" at the end of September 1993, namely that Ukraine sell off its share of the Black Sea Fleet and bases to Russia, in exchange for Moscow writing off most the debt Ukraine owes for Russian gas deliveries. The clear threat is that Ukrainian rejection will lead to a new round of Russia shutting off gas supplies. Without Russian gas, Ukraine cannot survive.

Otherwise, Russia will push hard for Ukraine to join what it had agreed to in principle in July 1993, namely the Russian-led Economic Union of Russia, Belarus, and Ukraine. On this front, Moscow exercised its political control of Belarus to pull off a coup just before the CIS summit, adding to the pressure on Ukraine. On April 12, the prime ministers of Belarus and Russia, Vyacheslav Kebich and Viktor Chernomyrdin, signed a Treaty of Monetary Union between the two countries. The treaty provides that in July a currency union will come into effect, in which the Russian ruble will become the currency of both countries, and all monetary and credit policies will be in the hands of the Russian central bank. In short, Belarus will remain "independent" on paper, but in reality it will lose the last shreds of its sovereignty.

Such a coup cannot be repeated against Ukraine. However, Moscow will use Ukrainian resistance to joining an Economic Union on Russia's terms, to fashion a political separatist movement out of the protest vote that caused the communist sweep in East Ukraine. The crisis will worsen, as long as Ukraine remains hostage to Russian economic blackmail and western indifference. If the West would commit itself to policies that jointly develop both Russia and Ukraine as neighboring sovereign nations, then Russian policy could change.

Talbott makes foray to South Asia

by Susan Maitra and Ramtanu Maitra

U.S. Deputy Secretary of State Strobe Talbott's five-day (April 6-10) trip through India and Pakistan signalled the first serious effort by the Clinton administration since it came to power in January 1993 to develop a clearer understanding of the unresolved issues in the area. Although long before it started, Talbott's mission was labelled an attempt to coax, lure, or bully the two major South Asian nations to sign the Nuclear Non-Proliferation Treaty, in reality, the trip turned out to be different. It was evident that the Clinton administration, while fully committed to such liberal democratic ideologies as non-proliferation and human rights, as defined by the western nations, was willing to listen carefully, and at the same time was probing to locate the weak links in the chain of arguments presented by the officials of both India and Pakistan.

Talbott's trip was considered highly significant in India primarily because of the confusion that had reigned in Indo-U.S. relations since President Clinton came to power. The situation became worse during the last nine months or so, when a number of wild and erratic statements came out of Washington on such issues as human rights and Kashmir. Such statements, which confused Delhi to no end and created an environment in which Clinton-bashing became the bread and butter of some news analysts here, emanated from the seat of executive power as well as from low- and middle-level State Department officials, whose arrogance matches that of the feudals of the subcontinent. The Clinton administration for over a year had left the U. S. Embassy without an ambassador, and the situation became more muddled for Delhi. This failure of the White House further fueled the misunderstanding in India about the true motives of the Clinton administration.

In Pakistan, on the other hand, the situation was even more tense. Prime Minister Benazir Bhutto's government had come to power last November, apparently through a compromise arrangement which saw the Army, President, and Washington combining to help the ruling party. There was much speculation on the compromises made and what Bhutto could actually deliver when in power. It was generally acknowledged that she had assured Washington that she would help to "cap" Pakistan's nuclear armament program, a subject of much concern in Washington since the withdraw-

al of Soviet troops from Afghanistan in 1989. However, it never became clear what the Pakistani Army would demand in order to agree to Washington's proposal, nor why it would go along with Bhutto's assurances to Washington on nuclear matters.

Hectic preparations

That the Talbott visit is important for Washington became evident from the hectic activities almost two weeks before Talbott actually left U.S. shores. First, the U.S. assistant secretary in charge of South Asia, Robin Raphel, came traipsing through both countries. Raphel, whose contribution to the prevailing confusion about the Clinton administration in Delhi was immense, was more circumspect and less of a loudmouth this time around. Apparently, Washington did not want Talbott to walk into a minefield and accomplish nothing. Hence, Raphel was kept on a short leash.

Pakistan Army Chief Gen. Abdul Waheed Kakkar arrived in Washington a week before Talbott's departure, to discuss "strategic matters" with his American hosts. The outcome was somewhat different. Washington offered General Kakkar the one-time lifting of the Pressler Amendment, which has held up American economic and military aid and sale of American military equipment to Pakistan since 1990, to allow Pakistan to get delivery of 38 F-16 aircraft, along with a few P3 Orions, all of which have been paid for in advance by Islamabad. In return, Washington asked General Kakkar to support the "capping" of Pakistan's nuclear armament program.

Talbott, along with former World Bank president Robert McNamara, reportedly met with General Kakkar to promote the case of Moeen Qureshi, former caretaker prime minister of Pakistan, put into power by Washington after the fall of the Nawaz Sharif government last year, to push through some of the privatization programs to suit the International Monetary Fund-World Bank policies. Reports indicate that Qureshi was promoted as a potential prime minister, President, finance minister, or foreign minister.

New paradoxes

These preparatory moves had mixed results. While Raphel did succeed in soothing Indian nerves to some extent, General Kakkar categorically rejected the lure for "capping." Bhutto, sensing the mood, made similar noises. On the other hand, the proposal for one-time lifting of the Pressler Amendment and allowing Pakistan to pick up the paid-for 38 F-16s did not make the Indians happy, either. In Delhi, strategists began to question Washington's wisdom in allowing Pakistan to have F-16 fighter aircraft which can carry nuclear warheads over a short distance. They complained that such a deal would enhance instability in the area and hence was unacceptable to India. In the verbal duel, it was forgotten that Pakistan already has one squadron of F-16s, and that those F-16s are as capable of carrying nuclear warheads as

the new ones.

The new discontent in Delhi posed fresh problems to Talbott and the Clinton administration. A good deal of time during the trip was spent in convincing the Indians that the successful "capping" of Pakistan's nuclear weapons program, in return for 38 F-16s, will enhance India's security. It is not clear that Talbott succeeded in making Delhi accept this argument. However, the issue may have little bearing on the events that may unravel in the coming days. What is certain at this point, is that Pakistan is not willing to make the swap of F-16s for nuclear "capping" in any case, and Washington will have to do more to make Pakistan swallow this bitter pill. Some Pakistani analysts demanded that the only *quid pro quo* which will work vis-à-vis the "capping" of the nuclear program is the one that involves Kashmir. However, it is evident that the Clinton administration is not keen to link these two volatile issues into one single package, at least not as of now.

Despite these paradoxes that acted as counterpoint throughout Talbott's visit, some policy directions have emerged from various statements that Talbott made. The most important is the refusal of the Clinton administration to link the non-proliferation issue with the disputes in Kashmir. Talbott made it clear that non-proliferation is an important enough issue for Washington to be discussed and resolved as a key item on the agenda in its own right.

On Kashmir, Talbott laid out the U.S. position which, he said, had been consistent all along—a claim few in the subcontinent will accept as true. "The United States hopes that India and Pakistan will be able to solve the matter themselves in accordance with the Shimla Agreement," Talbott told newsmen in Delhi. He also made it clear that Washington is not interested in looking at the past on the Kashmir affair and is concerned only about the present.

Talbott also came with a proposal to hold a regional security conference which will be attended by five nuclear weapons states, Japan and Germany, and, of course, India and Pakistan. The 5+2+2 formula, which is a broadening of the earlier Pakistani proposal for a conference on regional denuclearization, has been accepted by Pakistan and not rejected by India. As Talbott pointed out, all these issues need a lot of discussion and a lot of work.

From the Indian point of view, perhaps the biggest positive outcome from Talbott's visit is the tacit acceptance by Washington that India's nuclear weapons program must be dealt with separately from the Pakistani nuclear program. In "de-linking" the programs, the Clinton administration has paid attention to the Indian argument that the Indian nuclear program must be considered in light of the presence of other nuclear weapons states in the region. Pakistan, on the other hand, had always linked its entire nuclear weapons development with the Indian program.



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A new 'Molotov-Ribbentrop Pact'

Sweden and the West are pushing the Baltic states to capitulate to Russia, despite their tough talk.

On April 11, the German daily *Die Welt* published an interview with Swedish Prime Minister Carl Bildt headlined "Russia Has No Right to a Voice in the Baltics." "Spheres of interests are incompatible" with the new Europe after the breakdown of communism, Bildt stated. He explicitly warned the Russians not to play upon the problems the Baltic states have with Slavic minorities, who, according to Bildt, were sent by the Soviets to undermine these states from within in the first place.

This militant language from a normally neutral Swede against the superpower Russia not only reflects megalomania on the part of Bildt, but also a new role Sweden is playing in the West's handling of its security policy regarding the northern flank. On March 28, the conservative daily *Svenska Dagbladet* leaked the report that an informal top diplomatic group has been meeting regularly and secretly in Stockholm at least every third month. It consists of participants from Sweden, Finland, Denmark, Norway, Germany, France, Italy, Great Britain, Canada, the United States, and the European Union Commission.

The group is named "The ad hoc Stockholm Group" and, despite its informal nature, it is deciding western policy toward the Baltic states. All problems related to the Baltic countries are discussed, including the Russian minorities, and economic and social issues.

Bildt's hard line emerged clearly on Nov. 17, 1993, when he declared that Sweden would not remain neutral in case of a Russian threat against the

Baltic nations. With this statement, Bildt, according to *Svenska Dagbladet*, made clear that the Baltic countries are considered as the "near abroad" for Sweden and the West—part of their sphere of influence.

For some time, Bildt has been pushing for stronger European-wide support of the Baltic states (see *EIR*, March 18, p. 53). *Svenska Dagbladet* quoted a Swedish source who stated that it is in Sweden's self-interest to involve other countries in the Baltic states so that Sweden and Finland will not be isolated in a crisis. According to this source, a firm network is now established, which might explain Bildt's militant language.

Despite this positive commitment, the other side of the coin is that Sweden is scheming, along with the West, to get Latvia to accept the Russian demand to use the Skrunda military base for four more years. This is pure appeasement. The military base has no strategic importance for the Russian military, but the West is pressuring Latvia because the United States fears that Russia will make similar demands on it to withdraw its forward bases elsewhere. In other words, the first priority is the "new Yalta" deal.

This analysis was put forward in the April 8 *Svenska Dagbladet* by Stefan Hedlund, a research professor on eastern Europe at Uppsala University. Hedlund is an outspoken critic of the policy of the Swedish establishment (and Bildt) to push International Monetary Fund shock therapy on eastern Europe, which is destroying their economies.

Sweden is similarly playing a du-

bious game with the military capability of the Baltic states. One example is the recent decision not to sell them military equipment, despite the fact that the unofficial embargo by the West has been lifted. The reason, Swedish Foreign Minister Margaretha af Ugglas told Swedish state TV April 10, is: We don't want to provoke the Russians as long as they have military personnel in the Baltic states, period.

Hedlund also asks why Latvia should feed and keep 35,000 so-called retired Russian military persons, many of whom are well-trained, armed officers and elite troops 35-40 years of age. Last spring, the Russian troops in the Baltic states held a military exercise, aimed at occupying and holding key positions until the main body arrives. One must examine the irregular pattern of incidents which have occurred between Russian military and Baltic authorities in this context. The most recent took place outside Tallinn, the capital of Estonia, on April 7, when Russian troops were conducting exercises without having notified the Estonians. This occurred the day after negotiations between Estonia and Russia over the Russian withdrawal broke down, because the Russians said that they will not leave on Aug. 31 and that Russia alone will decide when the troops leave.

It seems that at least some officials in the Baltic countries have seen through Bildt's hard-line posturing against the Russians. When Bildt was on a whirlwind visit to Riga, Latvia on March 29, trying to arm-twist the Latvians to agree to the Russian demands on the military base, Aleksander Kirsteins, the chairman of the Foreign Policy Committee of the Latvian Parliament, stated: "Bildt wants us to agree to a new Molotov-Ribbentrop Pact." And the largest daily of Latvia, *Diena*, wrote that Bildt's visit was "stirring up bad blood."

Two dogs, one master

Both leading candidates for the presidential elections are members of the Inter-American Dialogue, the bankers' lobby.

The Inter-American Dialogue (IAD), still reeling from the setbacks delivered to their preferred pro-communist candidates in the recent elections in Venezuela and Colombia, is trying a different approach in Brazil: It is supporting both of the leading candidates for the upcoming presidential elections—former Finance Minister Fernando Henrique Cardoso and the leader of the Workers Party (PT), Luis Inacio “Lula” da Silva. Both are members of the IAD, albeit of slightly different political colorations.

After finally being assured that he had the support of Brazil's creditor banks, social democratic Finance Minister Cardoso resigned his post and launched his presidential candidacy. Almost immediately, the London *Financial Times*, beside itself with praise, lied that the minister enjoys “great popularity.” The London *Economist* claimed that Cardoso's entry changed the race from strong lead held thus far by Lula. The magazine reported that “merchants and businessmen were relieved. Politicians from big and small parties came together in search of a possible alliance.”

Thus, the international financial press, the creditor banks, and the International Monetary Fund endorsed Cardoso's candidacy. To boost Cardoso and maintain the illusion that he can better control Brazil's volatile economy, the IMF is even refraining from including rigid conditionalities in the umpteenth letter of intent it is signing with Brazil's government, and will limit itself to indicating “guidelines” instead. The agreement is expected to be announced on April

15, to be portrayed as Cardoso's great victory.

With Cardoso as a candidate, and with diplomat Rubens Ricupero taking over the Finance Ministry—Ricupero is not only a free trade advocate but speaks for the “universalist,” or globalist faction at the Foreign Ministry—the financial establishment is hoping to keep the current dollarization program (which originated with the IMF) in place through the first years of the next administration. In a recent interview, Ricupero stated that “stability facilitates the action of any President, and this is the first plan conceived in Brazil that will carry over to the first year of a subsequent government.”

Lula shares this approach, and openly supports the measures decreed by Cardoso. “As long as the measures succeed, they will be continued by my government,” the neo-communist asserted. Thus, as things now stand in the presidential election, the IAD stands to win no matter what happens.

There are indications that the IAD prefers Cardoso, because he is more likely to avoid an anti-IMF social convulsion, particularly in light of the enormous lack of confidence in Lula within military circles. Cardoso has gathered the backing of an influential liberal military group headed by former Army Minister Gen. Leonidas Pires Gonçalves, who has adopted a very short-sighted viewpoint, ignoring, consciously or not, the fact that Cardoso and his backers will of necessity also target the Armed Forces and Brazilian national sovereignty if he wins.

Some in the military are trying to generate more support for Cardoso within the Armed Forces, and to overcome the strong mistrust in certain of these layers that exists as a result of Cardoso's leftist past and his evident support for establishment plans to dismantle the armed forces throughout the continent. For example, General Pires Gonçalves told *Correio Brasiliense* on March 28 that “Cardoso has performed a great service to the country by supporting the continuation in the Constitution of the clause establishing the responsibility of the Armed Forces for the maintenance of internal order.” He insisted that Cardoso “is neither leftist, nor Marxist,” saying these charges were nasty slanders.

The launching of Cardoso's candidacy, and above all his ties to influential IAD members and others in the Clinton administration, has depressed the PT and its candidate Lula da Silva. It is being reported that the IAD is not supporting Lula as visibly as it was before. In fact, when Lula travels to the United States in May, his trip will be sponsored by an obscure non-governmental organization, since the IAD refused to set up meetings for him as they have in the past.

Beyond these complications, the PT had a major setback when the party voted to support abortion, homosexual marriages, and other New Age insanities, provoking a strong, hostile reaction from the Catholic Church hierarchy, which up until now has been sympathetic to Lula's candidacy. On the other hand, Lula retains the backing of the Liberation Theology movement within the church, and the aggressive activity of the lay church grass-roots movement and the pro-terrorist groups such as “Without Land,” which could tip the scales for Lula, or, failing that, could opt for other means to take power.

Venezuela goes off the IMF track

The new government's resistance to the financial elites' dictates has triggered a violent counterattack.

The Venezuelan government, headed by Rafael Caldera, is slipping out from under the heel of "savage capitalism" and "globalization" represented by the International Monetary Fund (IMF). At least, that's the fear of international financial and political interests which have undertaken a blackmail campaign to force Venezuela to change its economic policies.

The situation came to a head on April 11, when a government spokesman announced that "Venezuela will not sign a new letter of intent with the IMF, as this would represent betrayal of the people on the part of the Caldera government."

In mid-February, the secretary general of the Venezuelan Labor Party, Alejandro Peña Esclusa, wrote a letter to Caldera, later published by the national news media, warning about an "Operation Pincer" against the country by international groups and their domestic allies. Peña was referring specifically to a recent meeting of the Council of the Americas in New York, where the Venezuelan government was urged to return to the monetarist policies that sank the country under the government of deposed President Carlos Andrés Pérez (CAP). The Council of the Americas, of course, means Chase Manhattan Bank (Venezuela's leading creditor), David Rockefeller, and his local associates of the Cisneros-Banco Latino group.

Peña's warnings were confirmed in early April, when "Operation Pincer" moved to corner the Venezuelan government.

On April 2, a U.S. Department of Commerce report included Venezuela on a list of 35 countries with "bad trad-

ing practices." Three days later, U.S. Ambassador Jeffrey Davidow was even more explicit: "Venezuela still has various trade laws and customs that are very damaging to the flow of free trade, and the fact that it appears on the U.S. blacklist shows that we are having problems and that we are trying to negotiate to avoid them."

That same day, the Miami paper *La Nueva Herald* published a report which included Venezuela alongside Haiti on a list of high-risk hemispheric trading partners. And eco-fascists have been protesting in front of Venezuelan consulates in Miami and other cities, against a supposed massacre of dolphins and urging a boycott of Venezuelan products, including tuna and Citgo gasoline. The result of this sustained barrage has been a reduction of the country's credit lines, which in turn has made the import of basic goods more expensive and more difficult.

The Venezuelan bond market has also been affected. Standard & Poor's and Moody's have recently downgraded Venezuelan bond ratings.

Chase Manhattan President Arthur F. Ryan met with Caldera in Caracas on April 5. Upon departing, Ryan attacked a ghost he thought had long disappeared. "A moratorium on the foreign debt is inadvisable," he said. "It would be better to stay with the arrangements already made and to believe that that is in the best interest of both parties, because if this matter is reopened, the problem will not be resolved and, further, it would seriously affect the flow of capital into the country."

Caldera's recent visitors include

B'nai B'rith's Edgar Bronfman and British Undersecretary of Foreign Affairs David Gillmore, who warned that talks with Venezuela "have been held up a bit" and that British investors will put their capital "only in countries that demonstrate political stability, a state of law, and the freedom to operate."

The British hand behind the "pinchers" is also seen in the London *Economist*. In late March, it put out a "confidential" report attacking Caldera's decision to eliminate the despised Value Added Tax and not to increase the domestic price of gasoline, and predicted that the economy would soon enter a severe crisis. On April 10, the *Economist* placed Venezuela first alongside Nigeria on a list of nations afflicted with corruption.

The Caldera government's response so far has been unflinching. Congressional president Gómez Tamayo called for a "united front" against this campaign. Ruling party Congressman Leonardo Montiel charged April 11 that the campaign against Venezuela in the United States is headed by the economic group Washington, Inc., which holds stock in the *New York Times*, *Miami Herald*, and *Wall Street Journal*, and has influence on TV networks such as CNN and Univision (a Cisneros property). "When someone is not agreeable to the IMF, this powerful communications, financial, and political structure is brought into play to implacably attack the nation it doesn't like," Montiel explained.

That same day, President Caldera's son, Sen. Juan José Caldera, charged that three former CAP ministers—Miguel Rodríguez, Gerver Torres, and Moises Naim—"are using their positions as employees of the IMF and World Bank in Washington to instigate an entire strategy to bring about the failure of this government."

Kissinger and Colosio

What was British intelligence agent Henry Kissinger doing in Mexico in the weeks before Colosio's murder?

The most frightening aspects of the perverse Henry Kissinger's recent syndicated column, "The Moment of Truth for Mexico," are its implications for the March 23 assassination of presidential candidate Luis Conal-do Colosio.

The first question is: Why did Colosio meet *in secret* with Henry Kissinger? A private political meeting is one thing, but a *secret* political meeting is quite another. Of the first, one could assert, "We met, but issued no statement." Of the meeting between Colosio and Kissinger, nothing was known until Kissinger himself chose to reveal it.

"I saw Colosio . . . ten days before his assassination," Kissinger wrote. "We met in a small, nondescript private residence on the outskirts of Mexico City." Kissinger described the absence of security personnel for the candidate, or of any of the other trappings which one usually associates with political power in Mexico.

Who advised Colosio to commit such an error, and why? But, beyond that, Kissinger asserted that he also met with current PRI candidate Ernesto Zedillo, under similar *secret* arrangements, about which Zedillo has revealed nothing yet. Did Kissinger perhaps also meet with Manuel Camacho Solís in the 10 days prior to Colosio's assassination?

Kissinger reminisced over earlier meetings with Colosio, when the latter was still PRI president, and said that Colosio "wistfully" acknowledged that "the economic reforms under President Carlos Salinas de Gortari would, sooner or later, undermine

the one-party rule which had brought peace and stability but also political stagnation" to Mexico. Kissinger reported that in his last meeting with Colosio, the latter also admitted that "if he won, his victory would be challenged as undemocratic and unleash a new round of violence." Colosio reportedly insisted that his administration would extend Salinas's economic revolution into the political and social realms.

Is Kissinger's report true? One thing is sure: Colosio Murrieta is not here to confirm or deny it.

Kissinger asserted that "a few weeks earlier," he had met with Zedillo, as chief of Colosio's presidential campaign, whom he found "some-what sharper" than Colosio. Did Colosio know of that meeting?

The meetings occurred at a moment when the preeminence of the PRI faced "an unprecedented challenge" from the Chiapas guerrilla uprising, and from the involvement of Camacho Solís, who, in the "unexpected" role of peace commissioner, was delivered "a highly visible platform to emerge as a candidate." Kissinger described the present situation of both the PRI and the Salinas government as "the harbinger of a new, uncharted era."

For Kissinger, "Some good will have come from the tragedy of Colosio's murder," and the best that Mexico's "friends and admirers" can hope for is that "we are witnessing the birth pangs of a new democracy rather than a return to the violence of the Mexican Revolution."

These quotes are especially relevant to the investigation of Colosio's

assassination. Within 48 hours of the assassination, Kissinger's masters in British intelligence were already putting out the line that the assassins were to be found inside the PRI. After Kissinger's article appeared, the campaign to blame Mexico's "political system" for Colosio's murder, and the PRI as "the brains of the conspiracy," was unleashed both nationally and internationally.

In memory of Luis Donaldo Colosio, it is incumbent upon the PRI's substitute candidate, Ernesto Zedillo Ponce de León, to reveal the contents of his meeting with the infamous destabilizer: whether the meeting in fact took place, and if he knows what occurred during Kissinger's meeting with Colosio. The same goes for Manuel Camacho Solís.

Recall that Kissinger was implicated—and formally investigated—in the kidnap-assassination of Italy's Prime Minister Aldo Moro. According to Moro's widow, Kissinger threatened her husband with death. Pakistani President Zulfikar Ali Bhutto, just before he was executed, charged that Kissinger had threatened him as well. According to the widow of the Shah of Iran, Kissinger was responsible for her husband's death.

Kissinger is a member of the advisory board of the Canada-based Hollinger Corp., one of a number of wartime British intelligence networks turned "corporate" after the war. Sharing and crossing those British-Canadian networks is the "corporation" known as Permindex, which has been implicated in the assassination of John F. Kennedy as well as in multiple assassination attempts against French President Charles de Gaulle.

In view of all this, it is imperative that Kissinger's political activities in the days prior to Luis Donaldo Colosio's murder be brought into the light of day.

International Intelligence

Sharon calls for civil disobedience

According to a report in the *International Jerusalem Post* the week of April 4, Israeli Likud leader Gen. Ariel Sharon called for "massive nonviolent resistance" to any government attempt to remove Jewish settlers from Hebron. He called upon "tens of thousands" to join in resistance, saying that such action is "the single, last, and only measure which we can take to combat the sheer madness of this government's capitulation to the PLO, even if the government persists in telling us that the expulsion of Jews from the second holiest city in Judaism is its own initiative."

Sharon's demagoguery continued: "Many thousands will flock to the city to foil the scheme to make Hebron *Judenrein*. But I stress that they must come unarmed so that no provocation could possibly occur. . . . I emphasize that no Israeli should lift a hand against an IDF soldier."

Aide to Mitterrand commits suicide

The list of French President François Mitterrand's aides who have committed suicide or died sudden deaths continues to grow. On the night of April 7, Mitterrand's close adviser François de Grossouvre was found dead, a pistol in his hand, at his office in the Elysée presidential palace.

An adviser to Mitterrand since the 1950s, de Grossouvre conducted many secret missions for Mitterrand and acted as the President's liaison to the secret services and to many dirty operations. De Grossouvre was Mitterrand's special envoy to Lebanon, Syria, and other Middle East countries. Press accounts of the suicide report that de Grossouvre seemed "very tired" in his last days. The daily *Libération* reported that he had complained bitterly that Mitterrand was no longer listening to him as much as before.

De Grossouvre had testified last year in a case involving a loan given by financier Roger Patrice Pelat, another friend of Mit-

terrand who died suddenly, to former Prime Minister Pierre Bérégovoy, who also committed suicide some months ago.

Russia complains of western espionage

Russian counterintelligence official Sergei Stepashin declared on April 5 that Russia would upgrade its counterespionage measures. He said that western and other espionage against his country had reached such an intensity that the functioning of vital processes in the military-industrial sector was being threatened, according to the Itar-Tass news agency in Moscow.

A number of foreign spies, some of them in the diplomatic community, were arrested in Russia over the preceding two weeks, the report said, without naming names or disclosing other details.

In a related development, the Russian national Vadim Sintsov, who worked for British foreign intelligence and was arrested recently, was produced on Russian TV April 1 in a kind of a show-trial arrangement, confessing that he had gathered top-secret information about Russia's military presence in, and deals with, Mideastern countries.

Winning coalition breaks up in Italy

Instead of the stability promised by the electoral reform that was supposed to give birth to Italy's Second Republic, new instabilities emerged after the first attempts to form a government among the parties that won the March 27-28 elections. Negotiations among leaders of the center-right coalition broke down, because of the unsuccessful attempt to find a common platform between the Northern League and Forza Italia ("Go Italy"). Northern League leader Umberto Bossi refused to support a government led by Forza Italia leader and media magnate Silvio Berlusconi.

Berlusconi tried to iron out the differences, but Bossi refused to participate in the negotiations and sent his number-two man,

Roberto Maroni. Bossi has demanded as a precondition for participating in any government, that a new "federal" Constitution be drafted, to reduce the powers of the central government, mainly on tax matters. Furthermore, the Northern League "Duce" has stated that a government led by Berlusconi would be a "threat to democracy."

By announcing the breakdown of the negotiations, Berlusconi declared that he is now waiting for President Oscar Luigi Scalfaro to appoint a candidate for prime minister, as he is authorized to do under the Constitution. Berlusconi added that if the formation of a government turns out to be impossible, "we would give a unique answer: We would go back to the voters to complete the clean-up."

In the new Parliament, no stable majority is possible without the Northern League.

Papandreou blames Germany, Vatican for war

Greek Socialist Prime Minister Andreas Papandreou on April 1 blamed the war in the Balkans on the policies of Germany and the Vatican. "We want to remind everyone that the drama of Yugoslavia is the creation of the European Union [EU], particularly Germany and the Vatican," he said.

"In our geopolitical region, the new elements are the resilience shown by Serbia, the reemergence of an active role by Russia, and the threatened military presence of Turkey in the Balkans," Papandreou said. "The most interesting point, which I'm afraid will prove decisive, is the absence of a long-term strategy by the EU, in combination with some uncertainties shown in U.S. policy in the area."

Papandreou was addressing the organizing committee for the third party congress of his Pan-Hellenic Socialist (PASOK) party to be held later this month.

The Vatican denied Papandreou's accusations in a statement on April 7. "The Holy See has tried since the start . . . to make the leaders of the republics which wanted independence reflect on the need to safeguard some form of confederation," chief

Briefly

● **THE POPE** and Rabbi Elio Toaff, the chief rabbi of Rome, presided at an ecumenical ceremony commemorating the Holocaust on April 7. Italian President Oscar Luigi Scalfaro was also in attendance. The ceremony included a performance of Franz Schubert's setting of the 92nd Psalm, which he composed for the opening of the Vienna synagogue in 1826.

● **'LONDON ORDERS:** Let's Overturn Clinton," was the headline of a two-page article in the weekly *Italia*, a magazine widely read in Italy by the anti-communist electorate. The article, signed by *EIR*'s Claudio Celani, said that "the Whitewater scandal was born in the British establishment in order to punish the President who broke the Anglo-American axis."

● **SHIMON PERES**, the foreign minister of Israel, has had secret contacts with Iraq in an attempt to further the peace process, according to unconfirmed reports in the London-based newsletter *Foreign Report*, which is published by the *Economist*. The initiative was reportedly taken by an unnamed former European defense minister and a senior adviser to PLO Chairman Yasser Arafat. A meeting between Peres and a top Iraqi official could take place later this year.

● **EGYPT'S** chief of counter-terrorism, Gen. Rauf Kheirat, was assassinated on April 9 by five gunmen who opened fire and threw a grenade at his car. A group calling itself the Islamic Group claimed responsibility, *Compass* wire service reported.

● **A SENIOR OFFICER** of Fatah, part of the Palestine Liberation Organization, was shot and killed in Lebanon on April 11. Hussein Abu Zeid was shot at the Palestinian refugee camp of Ain Al-Hilwa in Sidon. Security sources suspect followers of Munir Makdah, who split from Fatah after the signing of the Gaza-Jericho accord.

Vatican spokesman Joaquin Navarro-Valls said. "The Holy See's recognition of Croatia and Slovenia was not meant to increase hostilities in the region, but to put an end to them. That was also the intention of countries in the European Community."

CIS alarmed at reports of 30 new Russian bases

Thirty new Russian military bases will be established outside Russia, along with the implementation of the new military doctrine in 10 republics of the Community of Independent States (CIS), as well as in Latvia, General Kolesnikov, chairman of the Russian General Staff, announced in Moscow on April 6.

Kolesnikov said that the General Staff's plan had been signed by President Boris Yeltsin, so that the project can go ahead. He added that the bases are not only in Russia's interest, but also in the interest and "upon the direct request" of several other former U.S.S.R. republics.

The statement created an uproar among several CIS republics. Officials from nations in the Baltic, the Caucasus, and Central Asia immediately denounced the proposal. Only Belarus, Armenia, and some of the weaker and more unstable states of Central Asia have voiced their support. The sharpest reaction came from Latvia, whose state secretary in the Ministry of Foreign Affairs forced Yeltsin's spokesman Vyacheslav Kostikov to deny that Russia intended to set up a base there, saying that there had been a "technical error," by including Latvia on the list.

"As long as I am leader of Azerbaijan, there will be no foreign bases on the territory of our country," Azerbaijan President Haider Aliyev told the Moscow daily *Izvestia*.

"So far there is no question of Russian bases in Georgia," Georgian spokesman Zaza Shengelia told Reuters. "Most of the population and political parties are opposed to military bases."

"There will be no Russian bases on our territory," said Moldovan Defense Ministry

official Anatoly Koshchuk. "Foreign armies never brought peace to anyone."

Officials in Ukraine and Kazakhstan also rejected the idea.

Foreign Minister Andrei Kozyrev denied any knowledge of the order and, according to Reuters, stated that "we don't know where this order comes from or with whom it was agreed." Kozyrev also told Interfax news agency that "both diplomats and the military are standing with their mouths hanging open." He said that he had held a meeting with Defense Minister Pavel Grachev, who was equally bewildered. "No one consulted the Foreign Ministry on anything of the kind," said Kozyrev.

Pope hits culture of death in Easter address

In his traditional *Urbi et Orbi* ("To the City and the World") message, delivered from a balcony of St. Peter's Basilica, Pope John Paul II told an Easter Sunday crowd that he was appealing to leaders worldwide to promote family life. Noting that "many different threats are assailing the family at the very roots of its existence," the pope said: "Troubled by these threats, I am sending a letter to all the world's heads of state, on the occasion of the International Year of the Family, declared by the United Nations Organization with the cordial support of the Catholic Church."

The pope added that he was asking that all efforts be made "to ensure that the value of the human person is not diminished, neither the sacred nature of life. . . . The family remains the principal source of humanity—every state must guard it as a precious treasure."

"On this day of joy and light, in the presence of the life who breaks into history, may the culture of death recoil, that culture which humiliates the individual, not respecting the weakest and frailest creatures, and trying even to undermine the sacred dignity of the family, the heart of society and of the church. . . . The family remains the principal source of humanity: Every state must guard it as a precious treasure."

How will Clinton respond to drug lobby offensive?

by Jeffrey Steinberg

Executive Intelligence Review has learned that for the past two years, derivatives speculator George Soros has been pouring millions of dollars into the Drug Policy Foundation (DPF), the pro-drug legalization lobby. In part through the largesse of the Soros Foundation, the drug lobby has been able to expand its international operations over the past year, while keeping steady pressure on the Clinton administration to make good on what the dopers had hoped would be a "benign neglect" attitude toward the War on Drugs on the part of the White House.

The involvement of Soros, the international speculator who has been in the forefront of efforts to peddle shock therapy inside the former communist bloc, in the dope legalization effort underscores the close ties between Dope, Inc. and the free traders. Soros's name first arose in connection to the drug lobby over a year ago when his brother and business partner took out an ad in the *New York Times* assailing the Peruvian government's military crackdown on the narco-terrorist Shining Path. In the past, DPF's main funder had been Chicago commodities speculator Richard Dennis. Dennis continues to be a patron of the group, providing \$100,000 a year for a "Drugpeace Award" which is presented at an annual convention in Washington, D.C.

Last November, that award was presented to San Francisco Mayor and former Police Chief Frank Jordan. Just weeks before the award was given, Mayor Jordan's District Attorney Arlo Smith had shut down a year-long criminal probe of spying and theft of classified documents by officials of the Anti-Defamation League of B'nai B'rith (ADL), another organization with strong ties to the international dope lobby. No formal link has been established between the San Francisco DA's whitewashing of the ADL spying and Jordan's receipt of the \$100,000 cash prize, but the mayor's appearance

at the drug lobby fête raised eyebrows back home among law enforcement and prosecutors who were shocked to discover in February 1993 that Jordan had participated in an all-expense-paid ADL junket to Israel several years earlier, and who were enraged at the city's dropping the ball on the ADL criminal probe.

Targeting the mayors

The highlighting of Mayor Jordan's role in opposing an all-out war on drugs (he administers one of the country's biggest needle exchange programs, which sanctions hardcore drug abuse under the guise of "fighting AIDS") is an integral part of the drug lobby's international gameplan. Since 1990, when Baltimore's Mayor Kurt Schmoke emerged as one of the leading pro-dope lobbyists, the Drug Policy Foundation has been building an international network of local government officials whose frustration at the failures of national and international anti-drug efforts has driven them into the grips of the legalizers.

Last Nov. 16-17, Mayor Schmoke hosted the First Conference of the International Network of Cities on Drug Policy. The event was not only co-sponsored by the DPF (whose board includes Schmoke), but took place the two days preceding the start of the DPF's convention in Washington. At the Baltimore event, city officials from the United States, Europe, Australia, and Ibero-America signed on to the dope lobby's agenda, issuing a declaration that stated:

"The war on drugs has failed to reduce drug-related problems in the world's major cities. . . . Cities must be the laboratories of changes in drug policy, because national governments worldwide are still dominated by advocates of continuing and expanding drug prohibition."

The Baltimore event was dominated by speakers from

western Europe, who have been far more successful than their American collaborators in implementing the drug legalization agenda. Among the speakers were Rome City Council member Vanna Barenghi and Frankfurt, Germany, Alderman Margarethe Nimsch.

Beginning in November 1990, local officials from a number of European cities launched a campaign to force their national governments to abandon any effective anti-drug policy. At the First Conference of European Cities at the Center of the Illegal Trade in Drugs, held in Frankfurt, officials from Amsterdam, Frankfurt, Hamburg, and Zurich signed what became known as "The Frankfurt Resolution," which pronounced the war on drugs finished and advocated several legalization schemes.

The Frankfurt Resolution began: "We have ascertained that the attempt to eliminate both the supply and the consumption of drugs in our society has failed. The demand for drugs persists to this day, despite all educational efforts, and all the signs indicate that we shall have to continue to live with the existence of drugs and drug users in the future." Arguing that the majority of drug users live in major urban centers, the signers effectively declared autonomy from their national governments and vowed to legalize drugs in the major cities of Europe. As of August 1993, officials from 11 additional European cities had signed onto the resolution, including representatives from Rotterdam, Hanover, Basel, and Zagreb.

One of the founders of the group, which now is known as European Cities on Drug Policy (ECDP), Werner Schneider, spent three months touring the United States last autumn drumming up support for the Baltimore conference. Schneider is the drug policy coordinator for the City of Frankfurt.

From bad to worse

Despite all the "anti-prohibition" propaganda, the European experiment with drug legalization has so far flopped, a fact that even the dope lobbyists have been forced to concede. Their solution, however, is to plunge even deeper into legalization. Zurich, Switzerland, one of the first cities to adopt the decriminalization agenda, was turned into a magnet for addicts. Beginning in 1987, Zurich had designated a park in the center of the city, Platzspitz, as a drug use area, in the false hope that this would curb drug trafficking and use in other parts of the city. By 1992, the park had been dubbed "needle park" because it had become a hard drug-trafficking center for addicts from every part of the continent. Protests forced the city to shut the park after police were able to demonstrate that over 80% of the addicts had come to Zurich from other cities.

Now, however, under pressure from the same dope lobbyists, the Swiss government has signed on to a three-year project that began late last year, in which the national government is distributing hard drugs to addicts in eight cities. The program is being run by a World Health Organization psychiatrist. It includes the manufacturing and distribution

of "smokable" forms of cocaine—i.e., crack! The WHO shrink, Dr. Ambros Uchtenhagen, makes no bones about the fact that the Swiss government effort is, in part, a "Clockwork Orange" experiment aimed at gathering clinical data on what he termed "cocaine psychosis."

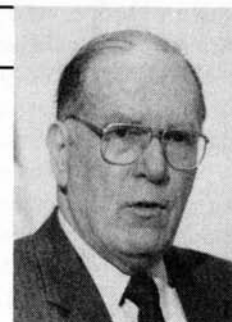
Another foot in another door

The Baltimore conference also marked the first public endorsement of drug legalization by Colombia's Attorney General Gustavo de Greiff Restrepo. Speaking at a panel on Latin American drug policy on Nov. 16, 1993, De Greiff said that "the war on drugs is a lost battle. It has been fought on the international level and it has failed. . . . The profits are so large that it is a delusion to think that jailing or killing major traffickers will result in [a smaller amount of] drugs in the market. . . . In the end, the only solution is legalization, with regulations to control the market."

De Greiff's remarks are yet another example of the fallout of the Bush administration's phony War on Drugs. As *EIR* first reported in 1989, drug lobby strategists were fully aware of the hypocrisy of George Bush's professed commitment to fight a drug war. Particularly following the December 1989 U.S. invasion of Panama and overthrow of the Noriega government, all serious drug fighters in the hemisphere knew that the United States was no longer serious about curbing the international drug flow. The dope lobby knew and publicly boasted that Bush's big-budget, big-propaganda effort would help win new converts to the legalization cause, and they adopted a slick Madison Avenue approach.

The dope peddlers also knew that the mid-1980s crack cocaine boom in America's urban centers, which was part of a top-down strategy devised by Dope, Inc. to turn urban America into a living hell dominated by gang violence, would also create a groundswell of protest against the perpetuation of the government's drug strategy. At a series of Drug Policy Foundation conferences throughout the Bush era, DPF leaders cautioned against harsh rhetoric and intransigent demands, adopting instead such doublespeak formulations as "harm reduction," and "drug reform."

Free market honchos such as the Hoover Institution's Dr. Milton Friedman, himself an early 1990s recipient of the \$100,000 DPF "Drugpeace Award," joined with another Hoover member, Joseph McNamara, and the Drug Policy Foundation to sponsor a February 1993 resolution calling for the creation of a new Federal Commission on Drug Policy to overhaul the country's drug laws and put an end to any effort at curbing the illegal drug trade. The resolution was introduced into Congress by Rep. Don Edwards (D-Calif.) as H.R. 3100, the National Drug Control Policy Act of 1993. The resolution, known also as the Hoover Resolution, called on the President to create a federal commission on drug policy to "recommend the revision of drug laws of these United States in order to reduce the harm our current policies are causing."



Where's the smoking gun in Arkansas? Ask George Bush

The following is abridged from the transcript of Lyndon LaRouche's weekly radio interview with "Executive Intelligence Review Talks," on April 13. He spoke with Melvin Klenetsky. Readers who are interested in having their radio stations anywhere in the world broadcast LaRouche's weekly interview can contact Frank Bell at (703) 777-9451.

EIR: I want to go into some of the developments around Whitewater, especially with this recent book *Compromised*, by Terry Reed. It tells the story of Mena, Arkansas, where the pilots were trained for the Contra side of the Iran-Contra affair; it's come up recently in connection with some of the investigations into Whitewater.

LaRouche: I should remind people of what we did in 1991, especially into 1992, a significant investigation of the Arkansas area, and also, specifically, of the Terry Reed case and the related Seal case.

As you probably know, Seal was one of these Bush pilots (I think that is the best term for him) who was picked up as an informant for the Drug Enforcement Agency, who was working as a sting agent, and also a drug importer from Colombia, for an FBI official by the name of Oliver "Buck" Revell.

Oliver "Buck" Revell turned Seal over to Oliver North at a certain point. Oliver North at that time was using a pseudonym of John Cathey, putatively a CIA agent—which he was not. He was operating out of 2C840 at the Joint Chiefs of Staff under a counterintelligence cover, a counterterrorist cover, directed by Major General Secord and others.

Now, North ran Seal. North was working for George Bush, Vice President George Bush. There are National Decision Directives #2 and #3 which identify the exact command structure under which North was working for Bush, in the entire Iran-Contra area. Of course, there's a big cover up on that, which is the relevant point.

According to the book *Compromised*, which was co-authored by Terry Reed and John Cummings, Barry Seal got the idea of blackmailing George Bush (or extortion, or whatever you want to call it), to get a little better deal for himself, because Barry had information, according to Barry's claim, that he had the goods on two of George Bush's sons for being involved in drug running. Now there are other

indications besides that which have come to my attention in the course of investigations.

Later, the book identifies—and I have some corroborating indications, though I wouldn't be able to sustain it entirely myself—that George Bush ran a sting operation against the governor of Arkansas, a fellow by the name of Bill Clinton, trying to get Clinton into a position to protect George Bush's sons from the kind of operation which Barry Seal was running. Seal was putting on pressure.

Barry Seal then was mysteriously killed. That is, he went to a courtroom, and as he went to his probationary assignment, he died. Some people shot him down; he was supposed to have anonymity as a government informant, but the judge ordered that the address and time of his appearance at this location, would be published on the record, and the man was promptly dead. So that took care of the extortion threat against George Bush, which is reported in the book as coming from Barry Seal; Barry Seal was dead.

Clinton's brother, Roger Clinton, was stung with a drug operation; that was supposed to prevent Clinton from getting on Bush's tail, and Bush apparently had cooperation from the state troopers of the state of Arkansas, in running some of these operations. Remember, whatever Ollie North did, he was doing for Bush. Bush was his boss.

What has happened now, is that this crazy Ambrose Evans-Pritchard, the British agent who is working under cover for the London *Daily Telegraph*, running the operation against Clinton, these guys got their noses into the Terry Reed case, and were trying to use the Terry Reed case, with the book just being published, against Clinton, as part of Whitewatergate. Well, we looked at the thing, and we said, "Wait a minute, buddy! You're going after the wrong target. If you keep pushing this line, the guy you're going to expose is George Bush, and you're going to create a lot of problems for his two sons, who are running for office; and you may get some people around the country in Texas and Florida, who will say 'Don't elect those sons of Bush.'"

So that's the kind of situation. It's highly interesting, and it shows how stupid some of these Bush people are, because Bush, of course, is a heavy supporter of this operation against Clinton. And to imagine that Bush is supporting an operation which is about to expose him—I don't think he's going to be

too happy with that.

EIR: I understand that there is a Mexican side to this, which involves Cuauhtémoc Cárdenas, the former governor of Michoacán who's a presidential candidate. Apparently the machine-tool plants that were used in Mena, Arkansas, as part of Iran-Contra, were moved to Mexico, and one of the people involved was a gentleman by the name of Cuauhtémoc Cárdenas, according to the book, who is now running for the office of the President in Mexico.

LaRouche: I think people should read the book *Compromised*. It has an extended passage on this.

Remember, our knowledge on the Terry Reed case is based in large degree on cross-checking federal court records on the two cases: one, the criminal case which Terry Reed defeated, where they tried to frame him through the state troopers to cover up for Bush; and he beat the case through discovery, which showed the whole thing was a government fraud. And the second thing was a civil case arising out of the same action which also put a lot of things on the record.

So, most of the circumstantial area in which Cárdenas is named, is on the legal record, and it's top-grade evidence, shall we say.

Now, there are certain parts which would have to be corroborated, and there is an open letter in Mexico on this matter, publicly addressed to the presidential candidate Cuauhtémoc Cárdenas, which asks him to clarify this matter, because he is named in a way which really smells, and he has to clean this thing up quick, or else admit it's true, one of the two.

What they claim is this, and what I know is true, is that Terry Reed was used by Bush's Oliver North to move the dirtiest part of the drug-weapons operation out of Mena, Arkansas in the Intermountain Regional Airport, and to move it into Mexico, into Guadalajara Airport.

Now, Terry Reed was brought in, because Terry Reed is a machine-tool specialist, that is, apart from his military-intelligence background. So he was running ostensibly a machine-tool operation on behalf of the U.S. government; and he believed, and had every reason to believe, that he was working for the U.S. government; as a matter of fact, he was.

But he then discovered the thing was dirty, because he saw the white powder and the weapons, and he realized that this was not what he'd been told it was, it was something quite dirty, and he wanted out, and that's how the whole case came to the fore. And he then later recognized that Oliver North was the John Cathey who had been doing all these dirty things, together with Amiram Nir and with a guy he knew as Max Gomez, and who he later found out was Felix Rodriguez of the CIA, and so forth and so on and so on.

So in this, is an account by Terry Reed of a conversation he had with Max Gomez—i.e., Felix Rodriguez—and also with Cárdenas; it's in the book; in which the situation is described to him by Felix Rodriguez, and presumably others,

that is, that Cárdenas is a stooge for George Bush, and is on the U.S. payroll; and despite the fact that Cárdenas will be uppity and so forth, recognize that we own this guy. So that's what the conversation is about.

Now, this means that Cárdenas, either as a governor in Mexico or as a former governor, with a lot of political clout, was covering up for this drug and weapon operation running through Guadalajara Airport into Mena, Arkansas.

I happen to know some people who were involved in these operations; I met them in prison, people who knew [Eugene] Hasenfuss, they were co-workers of Hasenfuss, and they knew Barry Seal very well. And they were part of this system of Bush pilots. They were former marijuana pilots, who were running cocaine from Colombia into places like Fort Howard, Florida; places like the Bahamas, as well as places like Arkansas, up into Illinois.

So, between what we've done on investigation, what we've done on the court record, the book and so forth, I know a lot that can corroborate aspects of what I read in the book; and the thing is highly credible, though, as I say, there are aspects which will have to be checked before we come to a conclusion.

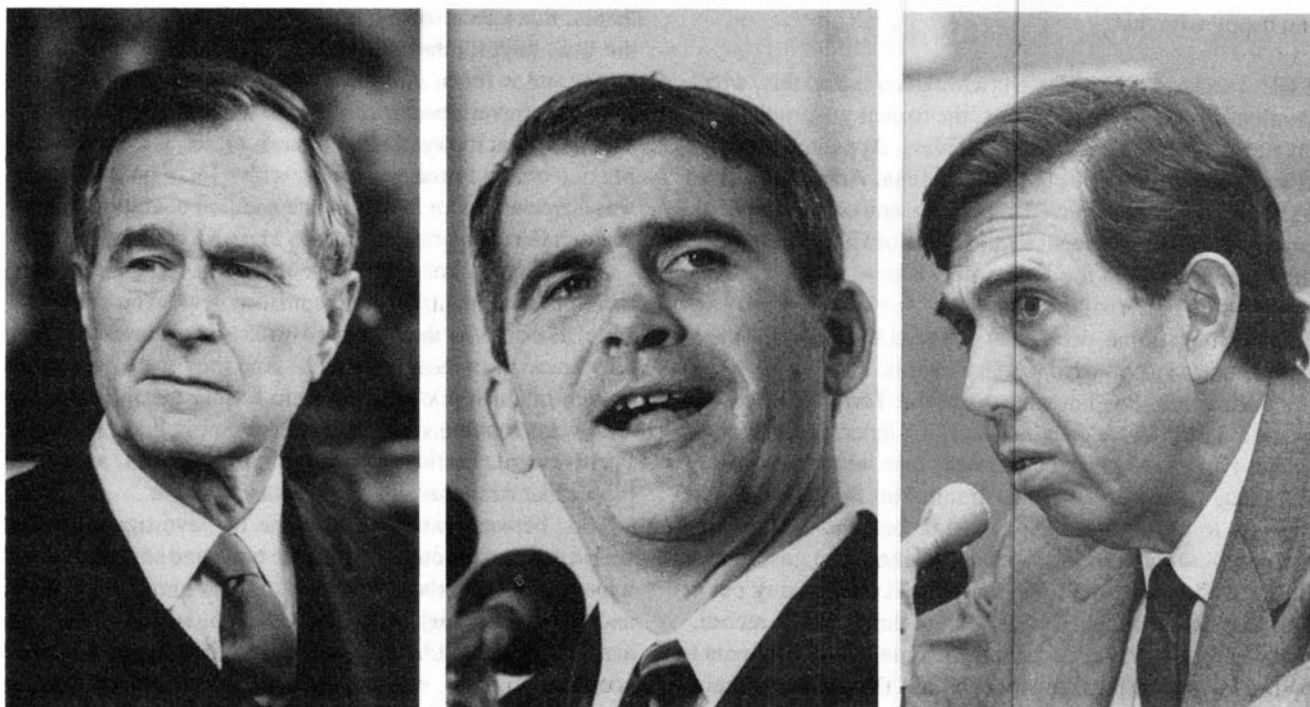
But what we have here in the story, is a smoking gun. The acts occurred; the people are named. Now, if anyone ever thought that something ought to be investigated, here is a prime case for investigation.

On top of it, it involves an area in which North has lied, in which Bush has lied, in which sections of the Senate and House Intelligence Committee set up an operation to cover Bush's butt.

Bush, according to national division directors, was Oliver North's boss; and every time that Oliver North says "Reagan knew," he should be speaking about George Bush, because *George Bush was North's boss*, and George Bush had hands-on supervision over this entire area. So it's a smoking gun which goes into an area of an established coverup, an attempt to cover up for George Bush and North, and this thing ought to be investigated.

EIR: Most people think of Iran-Contra in a different way, as defending a government against left-wing guerrillas and terrorists. Oliver North was seen as a hero in the congressional hearings on Iran-Contra, and yet, you're talking about this whole operation in terms of drug-running, weapons-trafficking. This is quite a revelation for the American population. Also, I think it's quite interesting that you're saying that George Bush—not Ronald Reagan—was the real hands-on deployer of Iran-Contra and Ollie North.

LaRouche: Well, we knew a lot at the time, and a lot of other people did. The Senate and House representatives at the Joint Intelligence Committee hearing threw a bunch of real soft pitches at Ollie North, which gave him immunity from prosecution for what they had the evidence on him for; and also painted this guy, who was running a dirty, venal



Three people who are in big trouble because of the latest revelations about the Iran-Contra drug traffic and an airport in Mena, Arkansas (left to right): George Bush, Oliver North, and Mexico's Cuauhtémoc Cárdenas.

operation, as some kind of a national hero!

But since that time, we've had occasion to investigate a number of things, which keep coming back to George Bush and Oliver North—including an investigation of Room 2C840 in the Joint Chiefs of Staff, which is called by insiders the "focal point," which is where this dirty operation was based, based on the same thing as the Shackley-Wilson operation of earlier times, being run by Major-General Secord and this cast of characters—all under the supervision, according to the *National Decision Directives*, of Vice President George Bush. I guess they decided that since he was the vice president, they'd put him in charge of vice! And that's what this was.

Now, this wasn't just Iran-Contra; this was running big chunks of drugs into the United States for consumption by the U.S. drug-using class, especially cocaine.

But that's only an aspect of it. A lot of this money was used in a much bigger weapons-trafficking operation, which involved two wars, both of which went on for about eight years.

One was a war between Iran and Iraq, which went on for about eight years and took about 2 million lives. And a lot of military hardware was used up in that war.

Then you had a war going on in Afghanistan, where there were all kinds of people from the U.S. Establishment, the same crowd, involved there: running weapons through people like the people who were just convicted in New York, of this so-called World Trade Center bombing. They were

running masses of weapons through Pakistan into Afghanistan, into drug runners, like the Hekmatyar operation up there, and that took at least a million lives there.

These were used weapons. Ollie North and company were getting weapons, through Israel, through that operation, from Sweden, through John Train's acquaintances up there, for example. They were getting weapons from East Germany, through Rostock, through a guy called Schalck-Golodkowski, who was running that monopoly for the East Germans, taking weapons which were Soviet-style weapons from Poland and elsewhere, putting fake end-user certificates on them, and sticking them on Danish ships like the *Pia Vesta*, which was intercepted by Manuel Noriega, when he was chief of the military in Panama. That didn't make Ollie at all happy, or George Bush. They got caught with these illegal weapons, couldn't talk about it.

But this was a massive weapons-trafficking, all crooked, all used to further both sides in a war.

We've had the case in Britain, this investigation there, where the details came to light: The British government under Mrs. Thatcher was playing both sides in the Iraq-Iran war, in order to keep the war going for geopolitical purposes, as long as possible. So the minute that the Iraqis were in danger of losing, they would get more weapons. When the Iranians were getting a tough blow from the Iraqis, they would get more weapons; and the British and the Bush leaguers in this United States, were playing that game, along with people like Ollie North, for all the money they could get out of it.

And this was a real bunch of venal scoundrels, merchants of death in the worst sense.

What was called Iran-Contra, was a small piece of the action on this particular dirty operation.

This involved, prominently, the friends of Ariel Sharon, his faction in Israel; and involved the neo-cons (politically or otherwise), the people who are supporting the British in running this smear operation against the presidency of the United States right now.

So it's a big story, it's a dirty story. In my view, the truth about it has to come out. You want to talk about coverup? Let's clean up the coverup. George Bush's friends have opened up the question of the Terry Reed case; well, there's a smoking gun—let's go look at it.

EIR: One of the people who is famous for playing these kinds of dirty tricks on both sides, is Henry Kissinger. He recently told reporters in Washington, that the U.S. should never have supported Bosnian independence, since Bosnia, to his knowledge, never existed as a nation. How do you view these statements by Kissinger? What are your thoughts about the recent use of air power by NATO against Serbian positions that were shelling Gorazde?

LaRouche: Remember that the operation in the Balkans was set up by British intelligence, which involved the people who owned Henry Kissinger, according to his own admission. He's owned by the Hollinger crowd, the crowd that runs with Lord Carrington. Carrington was involved early on in this; this is a complete British operation. And Kissinger's former employees, Larry Eagleburger, and Brent Scowcroft under Bush, were the key guys on the Bush side, who helped Margaret Thatcher set up the Serbian attack on their neighbors. And of course, there were some very venal operations—typical of Kissinger. Take the case of the Yugo car, a dirty operation involving Larry Eagleburger and Kissinger Associates, to scam Yugoslavia to dump a car on the United States at less than cost, so that Milosevic could acquire the piggybank fund to enable him to launch his fascist aggression upon Slovenia, Croatia, Kosova, Bosnia; and next, of course, on the schedule, is Makedonija.

Kissinger is a liar most of the time anyway, so don't give him any credibility; and actually, he doesn't know anything about Bosnia, apparently. Bosnia did have a long-term independent existence, and Kissinger just didn't bother to find out about it. He just makes up his facts, often, as he goes along.

But on the air strike: There are several problems here. The air strike was the right thing to do. Belated—a year late; but it was the right thing to do, even if it was called for by the British commander, Rose, on the scene, without telling Yeltsin, and Yeltsin then blamed Clinton for not telling him, when Clinton wasn't told. The British played funny games.

But you have two forces there. You have the U.S. and French Air Forces, which should not play a ground game.

Then you have the Bosnian forces, which are increasingly well-armed. With the aid of air power—without getting the United States down into the mud on the ground—you can run a very good operation to cut through the fraud of this “Serbian invincibility,” because the Serb forces are *not* invincible, it's just that they have the British and Kissinger's friends helping them; without that, they'd be nothing.

We should not be in haste to get to the bargaining table to get a settlement; but we should rather be looking at a *status quo ante* settlement. Because once the Bosnians begin to knock these Serbs around, which they can do if the Serbs aren't able to run these kinds of operation as they are against Gorazde, then you've got a different situation and you can have a little different political terms of negotiation. That's what we should do.

I just don't want to get into a Vietnam situation, a Kissinger-type situation, in which the battlefield is run for the purpose of the following morning's negotiation at the bargaining table. That was the essence of Vietnam. Vietnam was not run as a war; it was run as a dirty, bloody operation to further Kissinger's operations (when he came into the picture, of course), not only in the Paris negotiations with Hanoi, but also Kissinger's negotiations with the Soviets and with Beijing.

So here was a dirty war, which took a great number of U.S. lives—as well as millions of others—fought not for some military purpose, but fought entirely to adjust the negotiating table conditions. And if you allow this London crowd, or these United Nations fanatics to get into that kind of thing, of saying, “No, the object is to force the Serbs to be more reasonable at the bargaining table, on some little point, in the morning,” that is the most unwholesome, dirty thing you can do; and that's the way you get into a quagmire.

So *don't* get into a quagmire. If you're going to fight war or participate in military actions, *let the generals carry out the mission* for which the war is being fought. And obviously, our generals do not want to get entangled in a muddy ground war in the Balkans. They would rather take the view that the Bosnians should get the weapons they need to fight, and the Croats the same thing. And this kind of bargaining table operation, this so-called “cabinet warfare” operation, should come to a screeching halt.

The danger here is cabinet warfare. If we avoid cabinet warfare, and do a clean military operation for a specific mission and purpose, then we can handle the thing properly.

EIR: Poverty has touched more than 40% of the Russian population. Industrial production declined 16% in 1993, after an 18% decline in 1992. The Russian military is saying that they're going to open up 30 new bases in the “Near Abroad,” and they're implementing a new military doctrine for the Community of Independent States in 10 CIS republics. How do you see these developments? How do you see them affecting Russian-American relations?

LaRouche: First of all, there are aspects of the Russian “Near Abroad” response—this seeking bases in various places—which involve questions of constitutional law which I’m afraid very few people in the United States understand today.

There is a book which was written in 1952 by a now more aged, dear friend of mine, Professor von der Heydte, on the difference between the concept of constitutional law under modern nation-states and the old imperial idea of law.

Let me say in brief, that the Russian tradition in law, is the *imperial*—that is, the pre-Renaissance tradition of imperial law. It is not based on the principles of law which were established in the 15th century in western Europe, which are the principles of law which we used to have, as our constitutional law in the United States.

So therefore, when you’re looking at the Russian state mentality, and its approach to these things, you have to know what yardstick you have to use to understand what they are saying and what they are doing. It is a different standard of law than we have had for the past, say, almost 600 years in the West.

Otherwise, the problem is very simple. We had the opportunity, in November–December 1989 and afterward, to launch the kind of reconstruction program which we launched in Europe at the end of World War II. We had the opportunity to do a reconstruction approach, as we did in, say, Germany and other parts of Europe at the end of World War II, the policy we continued through the Kennedy years, which we stopped after the Kennedy years. That kind of policy, would have been the right economic-strategic policy from which all political approaches should flow.

We didn’t do that; when George Bush and his manager, James Baker III, sent Bob Strauss as ambassador to Moscow, I made two comments. I said well, first of all, the problem here is that, for about 40-50 years, the Bolsheviks told the Russian people that capitalism is thuggery and theft; and now Gorbachov has said to the Russian communists, we’re all going to become capitalists; and to make things worse, George Bush and James Baker III are sending the “prince of thieves,” Bob Strauss, over to Moscow as ambassador. The result is not going to be a good one.

Added to this kind of operation, the IMF conditionalities and shock therapy—what they did is to ruin all of the former Warsaw Pact—eastern Europe. East Germany is a disaster area, as a result of its capitulating to American and British conditions, or Thatcher-Bush conditions. Poland is down to less than 30% of its 1989 production. All of eastern Europe is the same. Russia, Ukraine: much the same. What the exact numbers are, is a matter of indifference; they’re very poor numbers right now.

This makes the Russian people very angry, and the Russian people, unlike other nations of eastern Europe, have thermonuclear capabilities. They have some of the best in the world, as ours collapse; and they say: “If we have thermo-

nuclear weapons, why are we hungry?”

Unless a positive solution is introduced to this Russian situation, then you will tend to get, not a military dictatorship, but a very tough regime which begins to rely upon every degree of power that Russia can exert, both in the former Soviet Union and beyond, in order to put pressure on the world, to get some potatoes and bread on the tables of hungry Russian people. And that’s what you’re seeing.

EIR: The Banco Latino of Venezuela reopened after Venezuelan President Rafael Caldera pumped \$2.75 billion into it. Before, we had a big drop in the stock markets, there were crises in different financial institutions, such as Banesto in Spain, Crédit Lyonnais in France, Metallgesellschaft in Germany. There is a very shaky situation around the world.

LaRouche: Well, if you go back to 1931, and you look at the crash of the banking system and the world financial and monetary crisis which occurred that year, at the time that the British still controlled the world monetary system, you had the collapse of various things, but one of the first, was the Kreditanstalt Bank in Vienna. In the spring, that collapsed. That meant the entire Europe credit structure tied to the pound went into a nosedive. As a result of the collapse of Kreditanstalt, you had in Germany a very large bank go under: the Donatbank, which had a similar profile to that of Kreditanstalt.

The collapse of these two banks set forth a chain reaction which led to the September 1931 collapse of the British pound, when [Ramsey] MacDonald let the pound float; and it was that floating of the pound in September of 1931, which brought on what people in the United States then came to know as the Great Depression of the 1930s.

If you look at today’s headlines, looking particularly at what’s happened since mid-March through the present—April—what you’re seeing is Kreditanstalt Banks and Donatbanks or similar private funds collapsing every day, or virtually every day.

You see George Soros, the man who could commit no errors, losing \$600 million in one day in yen speculation. You see hedge funds in multibillion-dollar amounts going belly up. You see one of the major banks, part of 19th- and 20th-century history, Crédit Lyonnais, going more or less belly up, as a result of its involvement in the French or the Paris market in derivatives. You see similar things happening all over the United States.

We are now in an unstoppable, total global collapse of the present world financial and monetary system. Nothing can be done to stop its collapse; nothing can be done to save it. The IMF system is *finished*; nothing can be done to save it.

The only question is exactly when the total breakdown will occur. We are already having the collapse. We are into what may be called a final collapse of the present, post-1971, floating exchange rate, financial and monetary order.

Nothing can stop it. It's over; the show has ended; the curtain has yet to be rung down. And that's the day that money doesn't work very well any more; and we're getting fast toward that point.

The issue is, as President Caldera of Venezuela had to face it in the case of Banco Latino, that the government is going to have to act at that point, to decide what we are going to save, in terms of the banking system—because they're all going to be bankrupt. What are we going to do to build a new financial and monetary system?

Now that has to be done more or less on a dime. The problem at this moment, even though I think the Clinton administration might be a positive factor in this, the fact of the matter is, even though we have constitutional provisions and we have legal provisions on the books by which the President of the United States could, with the consent of Congress, act to solve these problems, there is at this moment *no consensus* even among a minority of the leadership, to do anything about this.

There is some talk about industrial policy: in Germany; we have the *Atlantic Monthly* series which raises the question a bit in the United States and so forth; but there is no consensus about what an industrial-financial recovery program means. And the thing that worries me at the moment, is that I as a political figure seem to be the only one with that kind of package in my hand.

We need to have a broader grasp of the fact that this system is dead. Don't try to save it, don't talk about "recovery," stop this nonsense. It's gone.

The question is: Is there life after death of the IMF? Or: Is the United States going to live, or is it going to go into deep misery simply because the IMF collapses? Or will the United States government take those actions which, according to its Constitution, are in its power, to save the United States, to prevent a deep worsening of the misery of our people, to get us on the road to a genuine recovery, not a Bush league recovery of the type we had back in the 1980s? And that's the issue. And we have to see what is happening before us on the television screen.

Every day we're seeing 1931-like events, and bigger; and instead of being frozen like rabbits frightened by a snake, we have to recognize that there are solutions, and we have to insist that political leaders put themselves in position to define, ready to implement, those solutions at the time that's needed.

EIR: I'd like to move on to the United Nations. They've declared 1994 the "Year of the Family," part of which will be the September U.N. Population Conference in Cairo. Pope John Paul II is quite upset about the Cairo conference. He said it's really against the family.

Do you think that the major foundations of western civilization, such as family and nation, are on the chopping block, as the pope seems to feel? And what role is the United Nations

playing in these efforts to undermine family and the concepts of family and nation?

LaRouche: I think they should call the U.N.'s intent in this matter, the Cairo conference—which I don't think should be allowed to occur—a memorial to the memory of the departed institution of the family. Because if the Cairo conference were to succeed, the family as we know it around the world, would be dead as a protected institution. You cannot be for the family, and tolerate the Cairo conference. Now, what's going on here?

What we're looking at in the U.N., is two things. We're looking first of all at a *purely Malthusian* operation. People should go their libraries and check the books. They will find that there's not a single idea ever written by Adam Smith, Jeremy Bentham, or Thomas Malthus, which was not plagiarized from the writings of a rather notable but unfortunately little-known Venetian writer by the name of Giammaria Ortes.

Everything that Adam Smith wrote, in terms of conceptions, in both his *Theory of the Moral Sentiments* in 1759 and in his 1776 *The Wealth of Nations*, was copied directly from this satanic priest, this Giammaria Ortes of Venice.

Everything that Bentham wrote on pleasure and pain, his *Principles of Morals and Legislation*, his *Defense of Usury*, his *Defense of Pederasty*; everything that Malthus wrote on population; everything that these U.N. people have written about "carrying capacity," *was written in the 18th century in published works of Giammaria Ortes*, from which these British fellows took everything they had.

So when you look at this that way, you realize that the idea of world overpopulation is a fraud; that Malthusianism is a complete fraud, it's an unscientific piece of quackery, which would not have passed around the world except that we have so few people today who have any scientific literacy whatsoever. If we had the scientific literacy today that we had, say, in the 1950s, that bunk would never be tolerated. Only by making people illiterate and dumb, do you get them to go along with this kind of stuff. Now, what's worse than that?

What they're proposing, is the extinction of the institution of the nation-state, and the extinction of the rights of the family; pure and simple.

If the Cairo conference proposals were to be adopted, even in a somewhat diluted form, you would have the following result. United Nations Blue Helmet forces would be gamekeepers; and the people would be theme park residents in a global zoo, or a global animal reserve, in which the gamekeepers would go around to countries, and tell the countries what size population they were allowed to have. And if they didn't accept that, *then the gamekeepers would make sure that the population size was adjusted*.

This stuff stinks worse than Auschwitz; and no one has any moral excuse in the world, or any scientific or any opinion excuse, any more than Adolf Hitler did.

Democrats face off in U.S. Senate race

The tornado-devastated city of Petersburg, Virginia was the scene of the first encounter between the contenders for the Democratic nomination for the U.S. Senate from Virginia. Appearing before a group of 30 mostly African-American Democrats from the Third Congressional District on April 9 were Virginia State Sen. Virgil Goode, incumbent Sen. Chuck Robb, and Nancy Spannaus, the LaRouche Democrat. The fourth candidate expected to file in the race, Richmond lawyer Sylvia Clute, was not present.

Unlike the last two campaigns Spannaus ran in, this race is wide open from anyone's standpoint, and the ability of the Democratic Party bureaucracy to exclude Spannaus is more limited. For the first time in nearly 20 years, the Democrats are holding an open primary, scheduled for June 14. It remains to be seen whether the constituencies of ordinary working people—still unrepresented by all but Spannaus in this race—will continue to be intimidated against working for Spannaus. Spannaus ran for Senate in 1990 and governor in 1993.

After five-minute presentations by each candidate, it didn't take a rocket scientist to figure out that Spannaus was the only one addressing the real political and economic issues. Ironically, despite the fact that Goode and Robb are machine politicians, Spannaus was also the only candidate to have filed her petitions with the state—more than double the requirement.

Spannaus began with an outline of the impending meltdown in the financial markets—a meltdown that has liquidated more than \$1 trillion in the last weeks. This collapse was projected by the only credible economist around, Lyndon LaRouche, and a tax on derivatives speculation was proposed by him to dry up the markets. Now, more than a year later, she said, Rep. Henry Gonzalez (D-Tex.) is leading the fight against the speculative excesses threatening the financial system. His efforts need to be supplemented by LaRouche's program for federalizing the Federal Reserve, and creating millions of jobs rebuilding the energy, transport, and water infrastructure of the nation.

Because of the financial collapse, it is critical as well for Democrats to mobilize to defend the presidency against Whitewatergate. The LaRouche Democrats are leading a national campaign on this, Spannaus said, because we cannot

let our country be treated like a banana republic by the British.

Goode spoke next, highlighting his personal history in the state Senate, and his longtime support for former Gov. Douglas Wilder. He noted how proud he was of Virginia's AAA bond rating, and his commitment to maintaining a balanced budget. If he gets into the U.S. Senate, he promised, he would continue the same record of budget-balancing and constituency service.

No difference?

Senator Robb then took the podium to address the group. Appearing more self-confident than usual, Robb said he would fight hard in the primary, despite the fact that the U.S. Senate would be in session. He also claimed that he would overcome one of the main problems he saw in the gubernatorial campaign of former Attorney General Mary Sue Terry last fall—lack of coordination with local Democratic committees. (Terry was defeated by Republican George Allen.)

Robb then stated baldly: If the Republican nominee is who I think it will be, "there's not even any difference between us and the Republicans on economic and foreign policy issues, or even fiscal policy (since they claim to be for balanced budgets.)" Therefore the campaign this fall, he said, will center primarily on "rights" issues—human rights, individual rights, a woman's "right to choose." I have a consistent positive record on human rights, Robb argued.

In a town like Petersburg, which has been economically devastated for years and still has not been rebuilt following a killer tornado in 1993, one would think that Democratic leaders would have reacted to Robb with outrage. But it almost appeared as though no one noticed. Virginia, after all, is the longtime home to Byrd Democrats, whose fiscal conservatism is virtually indistinguishable from that of Republicans today. It is almost taken for granted that there is not a "dime's worth of difference" on economic issues.

Ollie's follies

The Democratic fight is still being upstaged in the media, of course, by shenanigans around Oliver North, senior Sen. John Warner (R), and North's challenger James Miller. Miller had called a press conference the previous week to expose North's psychiatric history, and ended up having his own consultations with psychiatrists exposed. Many considered the blowback nearly fatal to Miller's chances to defeat North at the Republican convention on June 4.

North may find himself obliterated, however, by blowback from the Whitewatergate scandal, about which Spannaus is making new revelations. The revelations show North and his boss George Bush to have been in the center of dirty operations in Arkansas, which British scandal mongers had hoped to pin on President Clinton.

One Moore CAN kidnapper could wind up in the can

by Nora Hamerman

Would-be U.S. Senator from Virginia Oliver North's Vietnam tentmate, Donald L. Moore, has been indicted again for kidnapping. This time, Moore, a former Loudoun County, Virginia sheriff's deputy, could join his co-conspirator Galen Kelly in a lengthy stint behind bars.

On April 8, a federal grand jury in Alexandria, Virginia handed down the indictment of Moore on charges of kidnapping and conspiracy in connection with the May 1992 kidnapping of a Washington, D.C. woman.

The talkative Moore, who bragged through his whiskers of his role in the frameup of statesman Lyndon H. LaRouche, Jr. and his associates, has been unusually silent about the new indictment. Moore, also a former special deputy U.S. marshal, was a key investigator for the federal/state task force which set up the 1986 raid on businesses and organizations associated with LaRouche in Loudoun County, Virginia, and later illegally prosecuted LaRouche.

Moore's co-conspirator, Galen Kelly, was convicted in 1993 and sentenced to seven and a half years in prison for his role in the same kidnapping. Both Moore and Kelly are associated with the Cult Awareness Network (CAN), a Chicago-based group that functions as a clearinghouse for kidnap-for-hire rings.

What is CAN?

CAN sells itself to the public, through the complicit mass media, as an organization devoted to fighting "dangerous cults" on behalf of family members who disapprove of their children's (or parents') religious or political associations. The Cult Awareness Network's main business is to solicit and carry out a traffic in abductions of the targeted individuals, in return for a handsome fee.

CAN was originally called Citizens Freedom Foundation. It was founded in 1974 by Henrietta Crampton and a small group of advocates of "deprogramming," a euphemism for making someone change his beliefs by force, otherwise known as Korean or Chinese Communist "brainwashing." As Bucknell University professor Larry Shin told the *Philadelphia Inquirer* in 1992, deprogramming is "the most destructive of the legacies of the great American cult scare.

... CAN is much closer to a destructive cult than most of the groups they attack." CAN keeps files on over 1,000 organizations which it deems to be "destructive cults." Inquirers about a particular group will be turned over to "experts" who are deprogrammers, and who typically charge \$20,000 for a "deprogramming."

CAN also directed John Overington, a West Virginia state legislator, in a national campaign of sending CAN hate literature under his official letterhead to every state legislature in the country, seeking to harass LaRouche supporters by initiating bogus legal proceedings. His mother, Helen Overington, had been a strong political supporter of the LaRouche movement and was "deprogrammed" at her three children's instigation. John Overington proposed legislation which would effectively outlaw political fundraising. One such bill passed the Maryland General Assembly in 1992, following hearings at which CAN and Galen Kelly—then still at large—provided most of the "expert" testimony.

On April 1, 1994, CAN brainwashing victim Helen Overington filed a federal racketeering (RICO) suit in Maryland against Lyndon LaRouche, his associate Rochelle Ascher, and others. The complaint states that when the children of Mrs. Overington discovered their mother had given money to political organizations they did not like, they arranged a meeting with Mira Boland of the Anti-Defamation League. Even after meeting Boland, according to the suit, Mrs. Overington was not convinced that she had been defrauded. The family then set up a meeting with Virginia State Police officer Charles Bryant, who finally convinced the elderly woman to turn against her former political associates.

Travesty

The Overington story (pp. 51-53) and the rest of the seamy reality about CAN was exposed in the 1993 book *Travesty, A True Crime Story*, by an EIR Investigative Team. The book recreates, through verbatim court documents, a 1992 federal investigation as a result of which Moore, Kelly, Edgar Newbold Smith, and Robert Point were indicted for conspiracy to kidnap Lewis du Pont Smith, son of Edgar Newbold Smith and a financial and political supporter of

U.S. presidential candidate LaRouche. Moore, Kelly, Smith, and Point were acquitted on these charges in an Alexandria, Virginia federal court in late 1992, in the judicial travesty of the book's title.

That investigation led to the indictment and conviction of Kelly in a second kidnap. Now the dragnet has snared Moore as well.

During the 1992 investigation, Moore was secretly recorded by Douglas A. Poppa, another former Loudoun County deputy who was acting as an undercover informant for the FBI. Between July and September 1992, the FBI amassed more than 60 hours of tape recordings in which Moore and Kelly discussed their kidnapping plans in lurid detail. During those conversations, Moore admitted to engaging in numerous illegal activities during the LaRouche investigation, including illegal searches and seizures and pressuring witnesses to lie. On one occasion, Moore said triumphantly, "I'm trying to start a war against LaRouche again. All over the United States" (*Travesty*, p. 73).

In another conversation caught by the FBI wiretap, Moore threatened that he would blow then-Attorney General Mary Sue Terry "out of the saddle" over his knowledge of massive government irregularities in the LaRouche investigation. "It was one black bag job after another," Moore asserted (*Travesty*, p. 137).

Massive evidence on the public record proves that the U.S. government knew at all relevant times, from 1979 to the present day, that Lyndon LaRouche and his co-defendants were innocent of the charges for which they were convicted. This evidence consists chiefly of the government's own documents, statements of government officials, and sworn testimony of government witnesses. These show that the prosecution lied on all relevant issues during pre-trial and later proceedings. This proof is documented in six volumes of such evidence filed within the federal Fourth Circuit Court of Appeals, and is summarized in a 32-page booklet released by LaRouche's 1996 presidential campaign committee in March 1994.

Moore labeled the plans against Lewis du Pont Smith a "kidnapping, let's call it what it is," and even contemplated that Lewis Smith, if he resisted capture, might end "sneakers up in a ditch." The defendants in the case and their lawyers were the same people who had thrown LaRouche into prison, when they were working for the government. As *Travesty* recounts, they were all acquitted, because the judge in the trial allowed Newbold Smith to rant for hours against his son's political associations, but excluded any testimony from Lewis and Andrea Smith and her mother, Martha Diano.

Rewarded by trip to Israel

Moore is also a key anti-Semitic asset of the Anti-Defamation League of B'nai B'rith (ADL): One of his memorable remarks on the FBI surveillance tapes was, "Jews are highly susceptible to cults" (*Travesty*, p. 97). In October 1991, Moore was taken on a trip to Israel by ADL Washington, D.C. fact-finding director Mira Lansky Boland as a payback

for Moore's cooperation with the ADL.

Also on that trip was former San Francisco police officer Tom Gerard, indicted in 1993 for illegally selling confidential law enforcement information to the ADL. Moore also claimed to Poppa that he provided confidential law enforcement information to the ADL and others.

According to the April 8 indictment (text follows below), Moore conspired with Kelly, and two members of the Jewish Defense League—Ira and Michele Bruschansky—to kidnap Beth Bruckert during April and May 1992. This Jewish Defense League is the U.S. arm of the terrorist Kach and Kahane Chai parties which were recently outlawed in Israel for their role in the February 1994 massacre of Palestinians in Hebron.

The indictment alleges that Moore conducted surveillance of Bruckert, directed the rental of a cargo van, provided walkie-talkies, and planned to monitor the radios and divert the police. On May 5, 1992, Moore met with Kelly and the Bruschanskys in Leesburg, Virginia, and told them, "This is the night you have to get her," according to the indictment. However, when Kelly and the Bruschanskys went into Washington, D.C. they kidnapped Debra Dobkowski (Beth Bruckert's roommate) instead. According to the indictment, after realizing they had kidnapped the wrong woman, Ira Bruschansky asked Kelly "what kind of a 'jerk' he had been for picking up the wrong person." Kelly advised him that Donald L. Moore had planned that aspect of the operation.

Documentation

United States of America v. Donald L. Moore

In the United States District Court for the Eastern District of Virginia

Alexandria Division

United States of America v. Donald L. Moore

Indictment

March, 1994 term—at Alexandria

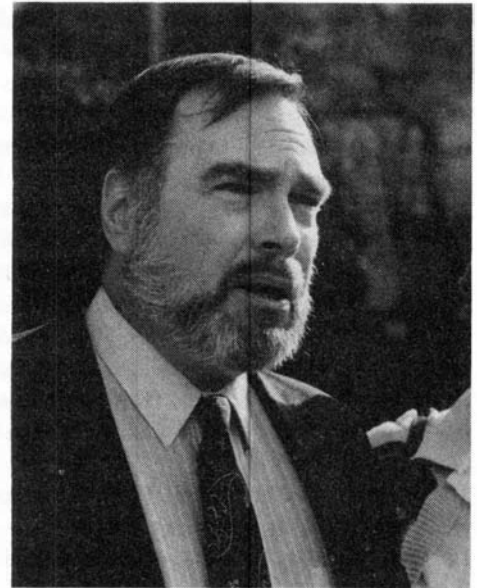
The Grand Jury charges that:

On or about April 27, 1992, defendant **Donald L. Moore**, and others known and unknown to the United States of America, did unlawfully, willfully and knowingly combine, conspire, confederate and agree to commit the following offenses against the United States:

To unlawfully seize, confine, inveigle, decoy, kidnap, abduct, carry away and hold for reward and otherwise, Beth Bruckert with the said person to be willfully transported in interstate commerce in violation of Title 18, United States Code, Section 1201(a)(1).



Donald L. Moore (in sheriff's uniform) and Galen Kelly, two leading bunglers of the "Get LaRouche" task force. Moore is now under federal indictment for kidnapping, and Kelly is already behind bars for the same offense. Kelly, asked what kind of a "jerk" he was for kidnapping the wrong woman, replied that it was Moore who planned that aspect of the operation.



Manner and means

1. It was part of the conspiracy that the defendant, **Donald L. Moore**, and other co-conspirators, agreed to receive, and did receive, money for the intended kidnapping of Beth Bruckert.

2. It was further part of the conspiracy that the defendant, **Donald L. Moore**, and other co-conspirators, would rent rooms at Carrodod Hall in Leesburg, Virginia, and use them as their base of operations.

3. It was further part of the conspiracy that the defendant, **Donald L. Moore**, and other co-conspirators, would acquire a cargo van to be used to transport the intended victim, Beth Bruckert, once she was kidnapped in Washington, D.C., back to Carrodod Hall in Leesburg, Virginia.

4. It was further part of the conspiracy that the defendant, **Donald L. Moore**, and other co-conspirators, would, through trick and/or deception, kidnap Beth Bruckert, take her against her will from a street in Washington, D.C., as she was leaving her place of employment, and take her to Carrodod Hall in Leesburg, Virginia.

Overt acts

In furtherance of the conspiracy and in order to effect the objects thereof, the defendant, **Donald L. Moore**, and other co-conspirators, committed overt acts in the Eastern District of Virginia and elsewhere, including, but not limited to the following:

1. On or about April 27, 1992, Galen Kelly traveled from outside the Commonwealth of Virginia to Carrodod Hall, a restaurant/motel located in Leesburg, Virginia.

2. On or about April 27, and April 28, 1992, Galen Kelly registered and stayed at the Carrodod Hall in Leesburg, Virginia.

3. On or about April 30, 1992, Galen Kelly registered

and rented two rooms at Carrodod Hall.

4. On or about Sunday, May 3, 1992, Ira Paul Bruschan-sky, a/k/a Phil, and Micheline Bruschan-sky, a/k/a Michele, traveled from New Jersey to Carrodod Hall in Leesburg, Virginia, to meet with Galen Kelly.

5. On or about Sunday, May 3, 1992, Galen Kelly, in Leesburg, Virginia, introduced defendant **Donald L. Moore** to co-conspirators Ira Paul Bruschan-sky a/k/a Phil, and Micheline Bruschan-sky a/k/a Michele, at which time they discussed and planned the abduction of Beth Bruckert.

6. On or about Sunday, May 3, 1992, the defendant, **Donald L. Moore**, Galen Kelly, Ira Paul Bruschan-sky a/k/a Phil, and Micheline Bruschan-sky a/k/a Michele, surveilled Beth Bruckert. Upon initially seeing her, defendant, **Donald L. Moore** yelled, "There she is, let's follow her." They followed Beth Bruckert's car, and after a short while lost her.

7. On or about Monday, May 4, 1992, the defendant, **Donald L. Moore**, Galen Kelly, Ira Paul Bruschan-sky a/k/a Phil, and Micheline Bruschan-sky a/k/a Michele, continued plotting and planning the abduction of Beth Bruckert. Later that day, Ira Paul Bruschan-sky a/k/a Phil, and Micheline Bruschan-sky a/k/a Michele, drove into Washington, D.C., to conduct further surveillance of Beth Bruckert ending at approximately 3:00 a.m. on Tuesday, May 5, 1992.

8. On or about May 5, 1992, at defendant **Donald L. Moore's** direction, a 1990 white Ford cargo van was rented, license No. RNN-503 from Tyson's Ford and brought to Carrodod Hall in Leesburg, Virginia.

9. On or about May 5, 1992, Galen Kelly, Ira Paul Bruschan-sky a/k/a Phil, and Micheline Bruschan-sky a/k/a Michele, and others, met in Galen Kelly's room. The defen-dant **Donald L. Moore** entered carrying a box of walkie-talkies, radios, flashlights and yellow rain coats. The defen-dant, **Donald L. Moore** told the group that Beth Bruckert

would be leaving her Washington, D.C. job site around 11:30 p.m., that night and stated, "This is the night you have to get her." Additional directions and instructions were given by defendant **Donald L. Moore** and Galen Kelly.

11. The defendant **Donald L. Moore** briefed the others on the street and vehicle location of Beth Bruckert's car. Defendant **Moore** gave Kelly a key, which **Moore** said would open Beth Bruckert's car. Defendant **Moore** told them he would not physically accompany them that evening, but would monitor the radios and divert the police, if necessary.

12. On the evening of May 5, 1992, the defendant, **Donald L. Moore**, took masking tape and placed it on the side of the rental van to conceal its logo and used tape to alter the license plate number. Defendant **Moore** handed out rain coats and departed.

13. On or about May 5, 1992, at approximately 10:00 p.m., Ira Paul Bruschansky a/k/a Phil, and Micheline Bruschansky a/k/a Michele, drove the rental van into Washington, D.C.

14. On or about May 5, 1992, at approximately 10:00 p.m., Galen and another individual drove Kelly's personal car into Washington, D.C.

15. On or about May 5, 1992, at approximately 11:50 p.m., **Ira Paul Bruschansky**, a/k/a Phil, and Galen Kelly seized and forced Debra Dobkowski into a van against her will, mistakenly believing her to be Beth Bruckert.

16. On or about May 6, 1992, Galen Kelly, Ira Paul Bruschansky a/k/a Phil, and Micheline Bruschansky a/k/a Michele, and another individual drove Debra Dobkowski against her will from Washington, D.C. to Carrodock Hall in Leesburg, Virginia.

17. On or about May 6, 1992, after arriving at Carrodock Hall, Ira Paul Bruschansky a/k/a Phil, and Micheline Bruschansky a/k/a Michele, and another individual realized they had kidnapped the wrong person and returned Debra Dobkowski to Washington, D.C.

18. On or about the early morning hours of May 6, 1992, after returning Debra Dobkowski to Washington, D.C., Galen Kelly retrieved his personal car, Ira Paul Bruschansky a/k/a Phil, and Micheline Bruschansky a/k/a Michele, and another individual returned the rented van to Tyson's Ford, wiped the van down to remove fingerprints, collected all their equipment and waited for Galen Kelly.

19. On or about May 6, 1992, at approximately 2:30 a.m., while waiting for well over an hour, Micheline Bruschansky a/k/a Michele, called and spoke to Elizabeth Kelly, wife of Galen Kelly, at Kelly's residence in New York, informed her of their location and asked her to relay the information to her husband, Galen Kelly.

20. On or about May 6, 1992, after waiting for approximately one and a half hours, Galen Kelly picked up Ira Paul Bruschansky a/k/a Phil, and Micheline Bruschansky a/k/a Michele and another individual. At that time Ira Paul Bruschansky a/k/a Phil, asked Galen Kelly what kind of a

"jerk" he was for picking up the wrong person. Galen Kelly advised that the defendant, **Donald L. Moore**, had planned that aspect of the operation.

21. On or about May 6, 1992, between 3:00 a.m. and 4:00 a.m., Ira Paul Bruschansky a/k/a Phil, and Micheline Bruschansky a/k/a Michele, and another individual returned to Carrodock Hall, picked up another person, and without checking out, drove to the Days Inn in Leesburg, Virginia and checked in.

22. Later that morning, on or about May 6, 1992, the defendant, **Donald L. Moore** met Galen Kelly, Ira Paul Bruschansky a/k/a Phil, and Micheline Bruschansky a/k/a Michele and others at Jerry's Subs and Pizza on East Market Street in Leesburg, Virginia.

23. On or about May 6, 1992, Galen Kelly, Ira Paul Bruschansky a/k/a Phil, and Micheline Bruschansky a/k/a Michele and others, returned to the Days Inn. Seeing police cars in the vicinity, Galen Kelly panicked. Micheline Bruschansky, a/k/a Michele, handed out baggage through a rear hotel window. Ira Paul Bruschansky a/k/a Phil, and Micheline Bruschansky a/k/a Michele, left in their car. Galen Kelly left in his.

24. On or about the late afternoon of May 6, 1992, Ira Paul Bruschansky a/k/a Phil, and Micheline Bruschansky a/k/a Michele, met up with Galen Kelly in Leesburg, Virginia. Galen Kelly told them to get out of the area and return to their home in New Jersey, which they did.

(In violation of Title 18, United States Code, Section 1201(c).)

Count two

The Grand Jury further charges that:

On or about May 5, 1992, in Leesburg, Virginia, in the Eastern District of Virginia, **Donald L. Moore**, did unlawfully, knowingly and willfully aid, abet, counsel, command, induce and procure the seizing, confining, inveigling, decoying, kidnapping, abducting, carrying away and holding by Galen Kelly, Ira Paul Bruschansky a/k/a Phil, and Micheline Bruschansky a/k/a Michele, of a person for reward and otherwise, at which time said Debra Dobkowski, thought to be Beth Bruckert, was willfully transported in interstate commerce between the District of Columbia and the Commonwealth of Virginia.

(In violation of Title 18, United States Code, Section 1201(a) and 2.)

A true bill:
Foreperson

Helen F. Fahey, United States Attorney
by Justin W. Williams, Asst. United States Attorney,
Chief, Criminal Division
Lawrence J. Leiser, Asst. U.S. Attorney

Israeli leader argues for peace accord

A Labor leader calls on American Jews to support the peace process, but ADL sabotage must be confronted.

Nissin Zvili, the secretary general of the Israeli Labor Party and a member of the Knesset (Parliament) Foreign Affairs and Defense Committee, had his work cut out for him when he addressed the Washington branch of B'nai B'rith on April 5. Zvili was issuing an appeal to American Jews to support the efforts of the government of Prime Minister Yitzhak Rabin to achieve a viable peace in the Middle East.

It is not merely a question of finding "pragmatic" grounds for achieving an agreement between Jews and Arabs, Zvili said, but rather of a need "to adopt a completely new strategy in the region" by "finding the common interests of all the peoples in the area." Although Zvili brooked no illusions as to how difficult the road would be toward a lasting peace in the Middle East, he quietly explained that it would take "more strength and more courage to make peace than to wage war."

The conditions for such a peace, Zvili explained, had been created by 1) the disappearance of the Soviet Union, and 2) by the Arab countries reaching the decision that there was no way to destroy the state of Israel. It was, however, a complicated process, involving negotiations with three Arab countries and the Palestinians. The two major hurdles that remain are to reach an agreement with Syria and to solve the Palestinian problem.

Zvili was by no means "preaching to the choir." Some of the toughest opposition to the Middle East peace accords has come from the B'nai B'rith's Anti-Defamation League,

which is currently sponsoring the Ariel Sharon-Yitzhak Shamir effort to plunge Israel into civil war in its opposition to the peace accords. A peace agreement would seriously impinge on ADL manipulation, financial and otherwise, of the American Jewish community. The ADL has also provided the umbrella for the more militant Zionist groupings such as Meir Kahane's Jewish Defense League, out of which mass murderer Baruch Goldstein came, groupings characterized by Rabin as "scum." Abe Foxman, national director of the ADL, was even so bold as to attack the Rabin government for "seeking to restrain American Jewish opposition." This was also reflected in the words of Gerard Leval, a leading member of B'nai B'rith, who spoke just before Zvili at the Washington meeting. Leval noted, almost with relish, that the "slightest disturbance" could disrupt the peace process.

Zvili explained that a treaty with Jordan was practically a "done deal," but for political reasons, the details of this would only be announced by Jordan's King Hussein when the Israelis had reached an agreement with the Palestinians. Zvili also hinted that the Jordan agreement involved comprehensive economic development projects. It is the first instance of an agreement in the Mideast where "the key elements are issues of cooperation and development rather than of security," said Zvili. "When we examine our real interests, we can find them."

Zvili also indicated that one of the biggest hurdles would be to reach an

agreement with the Syrians. This had been an issue of discussion when Rabin last met with President Clinton. The United States played a particularly important mediating role in this regard when Clinton, during his European trip in January, made a special trip to Geneva to meet with Syrian President Hafez al-Assad.

Zvili didn't express optimism about a quick agreement with Syria, although he indicated that Israel could propose a package perhaps in a number of weeks. "We must be willing to pay a price" for peace with Syria, said Zvili, which would involve some kind of compromise on the Golan Heights, an area captured by Israel during the Yom Kippur War and generally regarded by Israeli military figures as integral to the security of the country. Various alternatives have been broached regarding this problem, including the possibility of having U.S. peacekeepers take over the Israeli positions. Although Zvili was grilled on this sensitive issue, he wouldn't allow himself to be pinned down to any particular solution, saying that all this would be subject to negotiation.

In response to a question from this reporter concerning the followup of the economic commitments which had been made by the Group of Seven to secure the political arrangements, Zvili admitted that there had been little progress. "Money has been committed," he said, but "little has been done. . . . The most important element of the entire peace process . . . is the economic development of the whole area of the Middle East."

If Zvili and the Israeli Labor Party are to succeed in mobilizing the needed support from the American Jewish community, they'll have to come down hard against the political sabotage being conducted by the B'nai B'rith's ADL and their terrorist compatriots against the agreement.

Dole threatens gridlock over Whitewater hearings

Senate Minority Leader Bob Dole (R-Kan.) threatened on April 8 to "slow things down" on Capitol Hill unless Democrats schedule hearings by May 1 on the "Whitewater affair." Under pressure from Republicans, the Senate and House in March both voted to authorize hearings, but no date has yet been announced.

Meanwhile, Rep. Jim Leach (R-Iowa), a leader in the British-orchestrated assault on the presidency, has come under increasing fire to come forward with evidence related to the attacks he made on the President and First Lady's investment dealings on March 24 on the House floor. Leach released a memo on April 7 in which he tried to show that the Clintons had received \$49,833 in benefits from their Whitewater investment, compared with the \$46,636 they said they had invested in it.

McCloskey assails policy on Bosnia

Rep. Frank McCloskey (D-Ind.), who serves on both the House Foreign Affairs and Armed Services committees, warned the Clinton administration at a press conference on April 6, shortly after his six-day trip to Bosnia, that the only thing the Serbs will respect is force or a credible threat of force. McCloskey charged that the United States and the West are complicit in a policy to force the Bosnians into "an unworkable and unmanageable peace."

"We may say that we're not forcing the Bosnians into any particular negotiating position," McCloskey said, "but by our statements and, believe me, by documents that are in control of various U.S. agencies, this

is the case. We are forcing them—we're trying to force them into a particular unworkable settlement." He warned that if action were not taken to stop Serbian aggression, it would be equivalent to "telling the Bosnians that they have lost the war," saying to them, "you'd better take what you can get, you know, while you have some people alive."

McCloskey called for lifting the U.N. arms embargo so the Bosnians could defend themselves, and for strategic air strikes. However, he cautioned against putting U.S. peacekeeping troops on the ground, trying to keep boundaries stable in a peace that is not a peace, a peace that the parties don't want. But he encouraged greater involvement of U.S. military and civilian personnel in support functions.

McCloskey also warned that if the West allows the slaughter in Bosnia to continue, the alliance between the Bosnians and Croats would be threatened. He praised the efforts made by the Clinton administration, but said that if "the Serbs are being given a green light for destruction elsewhere . . . that alliance in itself will not hold and we'll have a situation as bad as or worse than it ever was."

Anti-money-laundering bill passes House

On March 21, the House passed the Money Laundering Suppression Act of 1994 (H.R. 3235) on a voice vote. The legislation had been introduced last fall by Banking Committee Chairman Henry B. Gonzalez (D-Tex.). According to Gonzalez, "Its provisions both enhance the government's ability to combat money laundering and reduce unnecessary reporting burdens on banks."

One provision of the bill provides for a substantial reduction in the number of currency transaction reports (CTRs) that must be filed by banks and other financial institutions. "The 10 million CTRs filed every year entail huge costs for filers and the Treasury Department, which must process the data," reasoned Gonzalez. "In addition, this mountain of reports actually has made it more difficult for law enforcement agencies to sort through the database during an investigation." The solution could be alleviated, he explained, by exempting banks from filing CTRs on customers whose transactions have little or no law enforcement value.

The bill also addresses the problem of money laundering at so-called non-bank financial institutions. As banks have improved their compliance with currency reporting requirements, money-laundering activity has shifted to these businesses. It is difficult for the government to monitor them because they do not receive the same attention from regulators that banks do. The bill requires non-bank money transmitters to register with the Treasury Department, and recommends that money transmitters be licensed at the state level. "Reports on legitimate transactions are the chaff in which the kernels of illegitimate transactions hide," said Gonzalez.

"By eliminating those reports, it should be easier for law enforcement officials to identify those reports which have a high degree of usefulness in combatting money laundering," said Stephen Neal (D-N.C.), a co-sponsor of the bill. "Section 11 of the bill clarifies that the offense of structuring transactions to evade currency reporting requirements does not require the government to prove that a defendant knew that structuring is illegal," he said. This provision was put in the bill in response to a 1993

Supreme Court ruling that such a showing is necessary.

Jim Leach (Iowa), the ranking Republican on the committee, agreed that money laundering was "an extraordinary problem, representing the lifeblood of the drug trade." He also said that the bill would "centralize the reporting of suspicious transactions, subject foreign bank drafts to reporting for the first time, require the banking agencies to improve training for bank examiners to detect money-laundering schemes, and require all money-transmitting businesses to register with the Treasury Department."

The only reservation to the bill came from Jim Bilbray (D-Nev.), who was concerned that establishing a new federal system to parallel an already-existing state system would "result in significant new costs to my state's most important industry," i.e., casino gambling. He was assured by Neal that this matter would be appropriately resolved when the bill goes to conference committee.

Specter would cut drug enforcement

The Senate adopted on March 26 a resolution sponsored by Arlen Specter (R-Pa.) as an amendment to the concurrent budget resolution, which promulgates the view that law enforcement as an approach to the drug problem has been a failure.

In his remarks, Specter said that the amendment "would re-allocate funding for the so-called supply side, where funds are expended in Latin America for crop eradication and for police work in Latin America, which has proved to be unsuccessful, and would transfer those funds to the so-called demand side, where monies would be used for rehabilitation and

education in the United States."

Specter called for a 50-50 split, as opposed to the current 60-40 split. He said that in spite of the fact that there have been "substantial reductions" in the number of hectares under opium and coca cultivation, the net effect has been an increase in production "because it is so profitable to make opium and to produce coca."

The amendment was criticized by John Kerry (D-Mass.), who warned that "the Specter amendment fails to recognize that there is a close connection between international drug trafficking and our domestic crime and drug problems. . . . The fact that our past efforts have not been as effective as they need to be does not justify simply shutting down international efforts. We require a smarter strategy, not an absence of strategy, which I fear would be the net result of the Specter approach, were it to be implemented."

Gonzalez disputes economic statistics

House Banking Committee Chairman Henry Gonzalez (D-Tex.), in remarks on the House floor on March 23, took the Federal Reserve to task for not connecting its monetary policies with the needs of real people for real jobs. "In the old days," he said, "doctors used to 'bleed' patients in order to bring them back to health. Unfortunately, more than a few patients have failed to respond to this therapy."

Gonzalez said this was "a disturbing analogy with the Federal Reserve's current prescription for economic health—a policy of raising interest rates in order to slow down an already-dragging economic recovery. Rather than resuscitating the patient, the doctors at the Fed are knocking the patient unconscious." Gonzalez was

referring to the recent decision by Fed Chairman Alan Greenspan to raise the federal funds rate.

"There is a serious inconsistency," he said, "between the conditions nearly everyone in the labor markets encounters and the aggregate statistics compiled by the government which show overall economic activity picking up from 1991 when growth was negative." He pointed to the real trends in the physical economy. "As trained and experienced people are laid off all over the country, they not only find fewer ads seeking employees, but the quality of the jobs being offered has seriously fallen. . . . Hourly earnings, adjusted for inflation, for 80% of the U.S. work force have been falling since 1965. . . . What this means is that most of the nation's workers buy less and less with the money they earn. Today, they can only buy about the same as they could in 1965."

Mitchell declines Supreme Court nod

Senate Majority Leader George Mitchell (D-Me.) announced April 12 that he would not be a candidate for the Supreme Court to replace retiring Justice Harry Blackmun. Mitchell said that he felt it was important to continue serving as majority leader in order to assist the President in getting his health care program and other legislation through Congress this year.

Mitchell's recent announcement that he would not run again for his Senate seat had raised eyebrows in Washington. Mitchell was considered a shoo-in for the Supreme Justice post. He left open the possibility of making himself available, should another Supreme Court appointment become available.

National News

Kahane Chai terrorists under IRS, Justice probe

Kahane Chai, a successor to the terrorist Jewish Defense League to which Baruch Goldstein belonged before emigrating to Israel, is under investigation by the IRS, the Department of Justice, and the State Department, according to the *Los Angeles Times* of April 10. The daily said that the agencies have opened an investigation of the "fundraising practices of the radical Jewish group Kahane Chai, which praised Hebron mass killer Baruch Goldstein as a 'true hero.'"

The probe also includes "at least four associated fundraising groups" based in New York State, where the state attorney general has also opened an investigation, based upon an exposé in *Jewish Week* that highlights "infractions" of New York tax laws.

The core of the federal inquiry is "whether a group said by the Israelis to promote terrorism can legally set itself up in the United States as a tax-exempt organization by claiming that the money it raises is used for charitable purposes abroad." The federal probe is looking to see if IRS laws and the Foreign Agents Registration Act have been violated.

Economics of scarcity taught to grade-schoolers

A group from the Center for Economic Education at the University of Kansas is promoting a curriculum guide in economics which would inculcate children in concepts such as scarcity of resources as early as kindergarten. The curriculum guide, recently published by the National Council on Economic Education, uses the techniques of outcome-based education (OBE) to define six "performance outcomes" that are to result from use of this teachers' guide aimed at children from kindergarten to grade 2. These outcomes include the usual vague terms: "informed citizens," "effective participants in the global economy," etc.

However, most deadly is the insidious malthusian content of the program. The words "technology" and "development" do not appear in the glossary of terms. Rather, everything is a "resource." A strange concept introduced is the "opportunity cost," which is defined as "the next best alternative that must be given up when a choice is made," which is the focus of several lessons combining scarcity ("resources") and "opportunity cost of a choice." The lesson guide advises: "As students report their decisions, write them on the chalkboard. When all groups have reported, explain that because the resources are *scarce*, each group will be able to make only one gift, so they will have to make a choice."

Children are also taught songs, including "O Scarcity," to the tune of "O Christmas Tree": "We really want a lot of stuff/ But sometimes there's just not enough/O scarcity! O scarcity!/ We cannot have it all."

Defense of President enrages British press

In a short, snide item, the London *Financial Times* of April 7 covered the April 6 press conference by Lyndon LaRouche's presidential campaign committee releasing the exposé "Assault on the Presidency," which proves that Whitewatergate is a British-administered attack on the office of the U.S. presidency. "Bill Clinton can do with all the help he can get in defusing the Whitewater row," wrote the *Times* "Observer" column. "But even he might balk at his newest defense—Lyndon Larouche [sic], the political extremist and conspiracy merchant not long released from a Virginia jail after serving a term for tax fraud [sic]."

"Larouche, who took the short trip round the dark side of the moon from the far left to (mostly) far right, is planning another presidential run. His exploratory campaign organization goes by the wonderful title of The Committee to Reverse the Accelerating Global Economic and Strategic Collapse.

"Whitewater, according to the CRAGESC gospel, is of course all a plot by British Intelligence and others intent on destabilizing the U.S. presidency. Active

co-conspirators include Conrad Black and his media empire, Henry Kissinger and those responsible for the Hebron massacre."

The only coverage in the United States was from the *North Jersey Herald* in New Jersey, which, aside from some sarcasm and misstatements about LaRouche, accurately quoted him in the foreword: "No sane observer could honestly reject the proof we present here, that the author of 'Whitewater Affair' is a major component of the British foreign intelligence service."

Du Pont company bans Spannaus campaign

The union local representing workers at the Du Pont nylon factory in Martinsville, Virginia has filed a grievance with the National Labor Relations Board over the attempts by management to bar the campaign of candidate for the Democratic senatorial nomination Nancy Spannaus, a longtime associate of Lyndon LaRouche, from having contact with them.

The action stems from a series of incidents which began on the morning of March 24, when Spannaus supporters handed out a leaflet about a fundraiser that evening at the union hall; the leaflet attacked outcome-based education and the company's High Performance Work System, the wage-busting labor recycling system which management has rammed down the throats of the work force. HPWS is also opposed by the union.

The plant's managers came undone, and one even appeared on the factory's closed-circuit television network to denounce Spannaus. Later that day, the plant manager told a campaign representative that, because of the leaflet, Spannaus would not be allowed to even touch company property.

In addition to the union's grievance filing with the NLRB, the Spannaus campaign issued a statement, "Any Time . . . Any Place," in which she challenged "any and all corporate officials or other public representatives of the Du Pont Corp." to a debate on four issues: 1) the validity of HPWS; 2) Du Pont's embrace of the "free trade" slave-labor policy; 3) the posturing of Du Pont

corporate leaders as experts in education; and 4) Du Pont's posturing as environmental experts, including its role in promoting the ozone hoax.

Missouri voters nix riverboat gambling

In a stunning reversal of many states' headlong rush into the validation of the "gaming" industry, Missouri voters on April 5 defeated an amendment that would allow the state legislature to legalize "games of chance" on floating casinos.

The vote came after the state Supreme Court ruled that a 1992 law, passed originally by 62% of voters, was not enough to set aside the Missouri Constitution's ban on games of chance. However, the judges drew a distinction between "games of chance" and "games of skill," and has since sent the case back to a lower court for more hearings.

Six counties and 15 cities along the Missouri and Mississippi rivers also held local polls to decide whether to allow riverboats to dock along their riverbanks. More than 20 would-be riverboat operators, who have already invested more than \$140 million in the state, had mounted a multimillion-dollar ad blitz to woo voters. Several operators said they planned to go ahead with limited operations that would not include slot machines, which are classified among the "games of chance."

Emergency room drug cases in dramatic rise

A 9% rise in emergency room drug cases nationwide was reported by the federal government's Drug Abuse Warning Network (DAWN) on April 11, according to the *Washington Post*. Some 232,800 emergency room admissions from January to June 1993 were reported, 18,200 more than during the same period in 1992. Heroin-related cases went up by 44%, accounting for more than half the total increase.

This report comes on top of a federally

sponsored study released in February, which found drug use increasing among teenagers in the last two years, and a Public Health Service report released in early April which showed that large numbers of Americans do not think that occasional use of cocaine, marijuana, and other illicit drugs is a great threat to health.

A recently released study by the University of Michigan has found a significant increase in drug use over the preceding two years, reversing a trend toward declining drug use. The school's Institute for Social Research reported that a quarter of all 12th-graders said they were smoking marijuana, compared with just one-fifth two years earlier. Many said they are using LSD and amphetamines, and inhaling glue.

Green demos flop against observatory

Nationwide demonstrations planned for April 5 by Earth First! and other ecological groups against the Mt. Graham International Observatory in Arizona drew few protesters and less hoped-for coverage. In Miami, the very small protest took place across the street from an equally small anti-fishing demonstration calling for a boycott of Venezuela, ostensibly because of dolphin killing. (The film showing dolphins being killed has been exposed as having been staged by the environmentalists.)

Earth First! has engaged in sabotage of equipment on Mt. Graham, most recently doing \$20,000 worth of damage in January. It was the third major sabotage of the project since 1985.

In a related development, an effort by the Apache Survival Coalition to have the observatory shut down on the claim that Mt. Graham is sacred Apache land, was rejected by a U.S. appeals court on April 8. The three-judge panel ruled that the coalition had failed to respond to the government's planning process for six years, and that the group's claim must be forfeited because of "inexcusable delay." Apache Survival Coalition is a tiny leftist grouplet funded by environmentalists.

Briefly

● **LAROCHE** supporter Kevin Morgus won a write-in bid for reelection to the Greater Albany School Board in Oregon on April 12. In an election in which only write-in candidates filed, Morgus won with 44% of the vote, making his attack on outcome-based education the focus of his campaign.

● **NUTTY** developments in the ozone fraud: The Natural Resources Defense Council has filed suit against the Environmental Protection Agency for failing to require labels on nuts and other agricultural products treated with methyl bromide, the most effective fumigant known to man. The NRDC spreads the falsehood that methyl bromide depletes atmospheric ozone.

● **A CATHOLIC** student at Carnegie Mellon University has been suspended after he removed a homosexual poster saying "Know Your Scumbag" with a photo of Cardinal John O'Connor. The charges were brought by a homosexual professor, to whom the student had complained that the poster was religious bigotry, and that a poster saying "Down with the Jews" with a picture of a rabbi would be removed immediately.

● **HISTORIAN** Arthur J. Schlesinger blasted the *New York Times*'s scandal-mongering over Whitewater in the *Wall Street Journal* on April 11. He said, "What grand opportunities earlier *Times* editors missed in not demanding special prosecutors and congressional investigations of LBJ's Texas past, Chester A. Arthur's administration of the New York custom-house, and James A. Garfield's connection with Credit Mobilier and the wooden-block payment scandal."

● **LAS VEGAS** is stepping up efforts to get water from the Colorado River. The Southern Nevada Water Authority, which includes Las Vegas, has been talking about upsetting the untouchable seven-state pact that determines the amount of Colorado River water going to each.

Stop the Cairo conference!

The 1994 International Conference on Population and Development, scheduled to be held Sept. 5-13 in Cairo, Egypt, if allowed to occur, will by its very nature be a crime against humanity. It is intended to codify into international law restrictions on the rights of families to procreate, and to legislate the level of "sustainable development" required to enforce these restrictions. It is, of course, the so-called colored peoples of this globe, and the poor, who are the intended subjects of this legislation. Policing powers will be given to the United Nations "peace-keeping" forces.

Lest it seem that the characterization of the conference is exaggerated, note the following, quoted from the principles of the United Nations "Draft Program of Action": "To achieve sustainable development . . . states should reduce and eliminate unsustainable patterns of production and consumption and promote appropriate demographic policies. . . . The right to bear children implies responsibility to care for children and to consider their interests *and the interest of the larger community*" (emphasis added).

Not only is reproduction to be monitored, but medical services are to be restricted, as the following passage from the same document makes clear: "All countries should reexamine [health] training curricula and the assignment of responsibilities within the health care delivery system in order to reduce reliance on physicians and on secondary and tertiary care facilities. They also should seek to make basic health services more sustainable financially by making greater use of social marketing and fee-based services." Thus, the U.N. is not only advocating that less top professional medical assistance be available for populations whose level of disease is already rising at an alarming rate (such as Africa, but also such areas as Los Angeles, where even chicken pox is becoming a threat); they wish to restrict paramedical clinical facilities as well.

The policies practiced at the Nazi concentration camp at Auschwitz are thus going to be visited on the entire world's population, on a scale that might have

made even Hitler blanch. Africa is already a dying continent; the nations which formerly comprised the Soviet Union are dangerously impoverished; Ibero-America is only somewhat less worse off; and in the so-called advanced sectors, destruction of the real economy is mirrored by the increasing numbers of poor.

Today, under the guise of "internationalism," the U.N. is the agency of a new imperialism intent upon re-colonializing the world. Under the rubric of "globalism," a world federalist dictatorship is being put into place before our very eyes. The International Monetary Fund and World Bank are agencies of this new dictatorship, which has already set conditionalities upon economic development in those countries forced to depend upon their financial assistance.

In no nation today is there a political leadership adequate to deal with the enormous crisis before us; however, the present moves to destroy the nation-state as an institution and replace it by a dictatorial world government is a crucial part of an attack upon the larger foundations of moral social order. Attacks on the sacredness of human life go hand in hand with attacks on the most fundamental precepts of natural law.

The first such population conference held by the United Nations took place 20 years ago in Bucharest, Romania. During the two decades since then, we have seen a decline in the world economy, paralleled by an increasing acceptance of fascist ideology. While the fascism of today hides under the cover of environmentalist ideology, and even outright endorsement of pagan Earth worship, it is increasingly barefaced, as the quotes cited from the program of the planned Cairo conference indicate. The seeds of the present economic and social collapse were planted then, in anticipation of their harvest now.

If the United Nations is not stripped of its power soon, it will soon become the center of a fascist world government. A first step in preventing that, is to mobilize all decent people to demand of their governments that the Cairo conference be cancelled.

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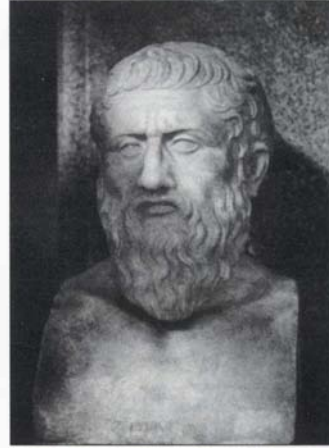
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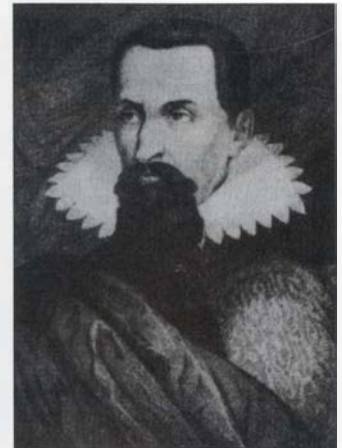
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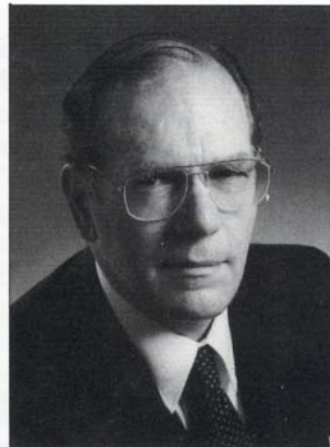
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