

# EIR

Executive Intelligence Review

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British monarchy targets the Americas  
Bush has a fast track to de-schooling  
Foundations of Japan's 'economic miracle'

**A new approach to  
saving Eastern Europe**



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Is America still the land of "liberty and justice for all"? Or, are we heading into a totalitarian police state, like Nazi Germany or Soviet Russia? Read this book, and learn the truth about what happened to justice in the United States.

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## U.S.A. vs. Lyndon LaRouche, et al.

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**"I SHOULD GET A CIGAR. . ."** bragged the judge after railroading through the frameup and conviction of presidential candidate Lyndon LaRouche.

Judge Albert V. Bryan was the judge who finally accomplished what a federal government "Get LaRouche" Strike Force had been attempting to do since 1983. That task force swung into motion using the resources of the FBI, CIA, IRS, and private agencies, at the instigation of Henry Kissinger, who bragged in the summer of 1984 that "we'll take care of LaRouche after the elections."

The first federal case against LaRouche and his associates, held in Boston before Federal Judge Robert Keeton, backfired on the government. A mistrial was declared, and the jury said they would have acquitted everyone on *all* charges.

But in Alexandria federal court, the "rocket docket" did the job. Judge Bryan hand-picked the jury in less than two hours, excluded all evidence of government harassment, and rushed the defense so rapidly that convictions were brought in on all counts in less than two months from the indictment.

LaRouche was sent to jail for 15 years, on January 27, 1989, a political prisoner. The conviction and imprisonment have provoked protests of outrage from around the world. In this book, you'll see why.

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## From the Editor

On May 2, Pope John Paul II issued his new encyclical *Centesimus Annus*. This document points a way toward how the world should be reorganized if mankind is to survive. The encyclical, issued to celebrate the hundredth anniversary of Pope Léó XIII's encyclical on the Church's social doctrine, *Rerum novarum*, proposes to put the oligarchy's free-market genocide into the trashcan along with its twin, the Marxist collectivism which collapsed in the revolutions of 1989, and place the human individual back at the center of the economy.

Our press deadlines don't allow us to report on the new encyclical until the next issue, but happily, we have an important paper by Lyndon LaRouche, the world's leading economist, which situates the tasks of rebuilding Eastern Europe from the same moral standpoint, as our *Feature*.

Otherwise, this week's issue is particularly strong in the economic domain. From Asia, we have a survey of the Japanese "economic miracle," which could offer no greater contrast to the free-trade swindle currently being rushed through the United States Congress in the form of the North American Free Trade Agreement. NAFTA is the subject of a just-issued new *EIR Special Report* entitled "Auschwitz on the Border: Free Trade Pact is George 'Hitler' Bush's Mexican Genocide." The 76-page report is available from EIR News Service for \$75.

The book review presents the story of how Buffalo, New York, which once ground the nation's flour and functioned as one its greatest ports and rail centers, has been turned into a post-industrial nightmare of drugs and sports, the U.S. equivalent of the Roman Empire's bread and circuses.

Within our *International* section are two articles which indicate some resistance within continental Europe to the new world order of George Bush, whose racist underpinnings we exposed in the cover story last week. Most important is the French novelist Butel's blistering critique; also noteworthy, the fact that a swath of the British elite has started to publish some very unkind truths about the Gulf war and the Kuwaiti rulers for whose "liberation" that war was fought. Many of the documents now appearing in the British press appeared six months or more ago in *Executive Intelligence Review*, when our objective was to *prevent* the hecatomb. We would hope that some rethinking of the policy itself, lies ahead.

*Nora Hamerman*

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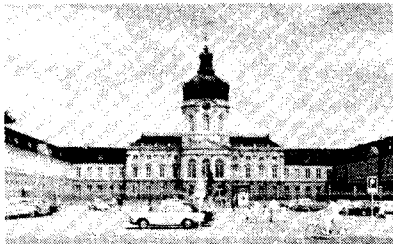
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## Privatization: going beyond austerity to disintegration

by Steve Parsons

On April 23, at the same time that the Bush administration was setting up the Iraq conflict as the launching pad for its new world order, White House Policy Planning Assistant James Pinkerton announced President Bush's intention to impose a parallel domestic policy on the United States. Pinkerton dubbed it the "New Paradigm," the dawning of a new age in America in which "the corrupt bureaucratic welfare state," mired in the failures of the Great Society and New Deal, is to be replaced by a "restructured government" characterized by "decentralization of authority," an emphasis on "individual choice," and truly "equal economic opportunity" in the context of "free market forces."

The vehicle for the New Paradigm is privatization, the shift from publicly to privately produced goods and services. For the adherents of free market dogma, it is the panacea for the world's ills. The reality of privatization, however, is far different.

### 'Panacea' will intensify the depression

Prof. Paul Starr of Princeton University aptly summed up privatization in a recent paper published by the Economic Policy Institute. "They prescribe it as a tonic for efficiency and economic growth, an appetite suppressant for the federal budget, a vaccine against bureaucratic empire-building, and a booster for individual freedom, including opportunities of disadvantaged minorities. . . . Its advocates have called for privatizing" virtually all government functions, from public schools and parks to infrastructure and social services. "They are convinced that government is . . . a bloated, parasitic public sector [that] blocks the bustle and growth of an otherwise burgeoning private economy. To change that picture, they say we need to put as much of government as possible in private hands."

In fact, it is the depression that is the driver to privatization, not the flowery theory of the free marketeers. Desperate governments, faced with gaping budget shortfalls and increasingly unpayable debt service requirements, are grasping at anything they can to hike cash flows and cut expenditures. They are almost literally willing to sell the Brooklyn Bridge at a song, and are frantically grasping at the huckster pitches of private corporations promising lower costs and greater efficiency.

While government programs and services do indeed have innumerable and worsening problems, these failings are aggravated by depression-driven collapses in revenue, lack of capital investment, and social disintegration. Under these conditions, private ownership or contract services can generally make profits only through even more severe cutbacks in service, higher fees, and austerity measures against the labor force.

With their balance sheets crumbling amid dismal prospects for normal growth through private sector expansion, corporations see privatization as a lifeline to the public trough. More often than not, after highly dubious short-term "successes" in one-shot cost-cutting, the firms that have contracted to run government services or institutions "misestimate" costs and cause such deterioration of quality that governments wind up paying more than ever in cost overruns and service supplements.

Not surprisingly, the biggest benefits from privatization are reaped by the banks.

### Free market loot for the banks

The privatization of government is already a booming business. According to a recent study by the Reason Foundation, a radical free enterprise think tank, in the last five years

privatization has taken off around the world. Since 1980, some \$210 billion of state-owned enterprises have been privatized, led by the British, who have sold off everything from their airports and railroads to electricity distribution plants. The British are claiming supposed savings ranging from 10-40%.

Ibero-America is the immediate priority target. Through the imposition of U.S.-dominated "free trade" agreements throughout the hemisphere, bankers are drooling over the dual prospect of financing hundreds of billions of dollars in potential Ibero-American government sales of their national assets to U.S. corporations, while getting that same money back from these governments in payment of their otherwise unpayable debt—that is, debt-for-equity.

In the United States, according to one survey, some 23% of local governments, driven primarily by budget pressures, have already privatized some services in order to "cut costs" and "increase efficiency"—from selling off sports stadiums to contracting out garbage collection. And more than 50% have imposed or raised user fees. In every case, government employees are laid off, with wages often sharply reduced, and benefits like health insurance either viscerated or entirely dropped.

And as in Ibero-America, the banks stand to make a bundle from privatization. Besides the vicious cost-cutting by governments implemented in large part to meet debt service requirements, the banks are poised to make a killing from an incredible fiscal gimmick that states have begun using to cover over their hemorrhaging budgets: selling state assets. As usual, New York and its banks are setting the pace.

The way it works is that the state "sells" an asset—a prison, a highway, a racetrack, anything it owns—to a state agency whose budget is entirely separate. To "pay" for the asset, the agency floats long-term bonds or debt issues, and then deposits the proceeds into the state's treasury or general fund. The general fund gets an overnight influx of cash, the state's budget deficit miraculously drops, and there is no new debt on the state's books. The state then "leases" back the asset from the agency at the cost of the debt service, plus pays the operating costs as usual.

On April 1, reports *Business Week*, New York Gov. Mario Cuomo announced that for \$200 million, the state had sold Attica prison to the Urban Development Corp. (UDC), a state agency, which paid for the purchase by floating bonds taken up by the investment banks. That was only the last deal for FY 1991, which ended on that day. Throughout the year, Cuomo had quietly sold state assets to various agencies for \$1.9 billion to partially paper over New York's yawning budget deficit.

These schemes aren't just asset-stripping; they are *asset-recycling*, in which assets serve as the basis for monetizing new levels of debt, all guaranteed by government. This pyramiding is to be taken out of the hides of taxpayers, users of state services, and labor.

## Cuomo's debt swindle

Over the life of these bonds, the debt service will add up to at least double, triple, and even quadruple the amount the state received from the asset sale—a tidy subsidy for the desperate banks on Wall Street. For the \$200 million from the Attica sale, the state will have to pay nearly \$500 million to bondholders over 30 years. For the sale of the Cross Westchester Expressway to the New York Thruway Authority for \$20 million, the state will have to pay \$70 million over 15 years.

Further, after the initial cash fix, the state is immediately saddled with ever-higher debt payments in each year's budget. To try to meet such payments, agencies will almost immediately begin to make the "asset" pay for itself. That means that highways and bridges will have more and higher tolls, and user fees will dominate all forms of services. Prisons will have to become more "self-supporting"—i.e., prisoners will be worked harder with fewer "amenities" and poorer food to cut costs. The ultimate logic leads to premature inmate deaths, resulting in the additional cost "benefits" of reducing prison populations.

When states and their agencies can't pay for the debt and operation of their institutions and services, the next step is actual privatization—that is, to sell the institutions to private business or to contract out services. For example, for Attica, the UDC could re-sell the prison to the Corrections Corp. of America, a booming private venture already operating prisons in several states. CCA would float a new debt issue or get a new bank loan to buy the prison. The cash would go to the UDC and the state, which would guarantee the new debt or loan, and use the cash to pay off some of the old debt.

This is Third World "debt-for-equity" looting brought home. CCA would then make the prison even more of a "business venture"—like the *maquiladoras* in Mexico, or, more precisely, in the same way that Auschwitz was a "business" for the Nazi SS.

Eleven states now have private jails or prisons in operation, with many more slated to follow. The justice system in the U.S. is targeted for privatization. In the words of the Reason Foundation's report, "Use of 'rent-a-judge' services, arbitration, and mediation have increased significantly. . . . Cities are increasingly looking to contract for the provision of attorneys, including public defenders" instead of government-hired attorneys.

That means certain law firms get to run the justice system, in tandem with judges whose incomes go up with their hired work. With private security personnel now more than double local police forces, there is a push to privatize collection of court fines through collection agencies. And in Wisconsin, businesses are now handling welfare services.

This is the real content of the free enterprisers' privatization swindle: the making of a full-fledged Orwellian police state. And it is the fulfillment of the promises of "controlled disintegration," a policy initiated 15 years ago by Jimmy Carter, Paul Volcker, and George Bush's blueblood mentors.

# The reality behind the G-7 debacle

by Mark Burdman

A meeting of the finance ministers and central bank governors of the seven leading Western industrialized nations in Washington on April 28 broke up in disarray, as U.S. representatives unsuccessfully sought to force the others to bail out the U.S. economy. The disputes and fissures that led up to the "Group of Seven" meeting, and the "comprehensive failure" (in the words of the *Times* of London) of that meeting itself, are not events of primary importance in and of themselves, but are rather symptoms of three fundamental developments in the economic, political, and strategic spheres.

First, there is the undeniable reality of the economic depression in the United States, now graphically confirmed even by figures released by the same Washington bureaucracy that had previously been heralding the phony "uninterrupted months of recovery." Second, and linked to this, is a phase-change in the process of economic collapse, leading into a new round of shocks in the financial system, parallel to those that occurred during the October 1987 stock market crash. This parallel, and the danger of a new "Black Monday," is now being openly discussed in the European financial press. Third, there is the crude attempt of the Bush administration, manipulating such controversies as the one over interest rates, to shift the blame for the American economic depression onto Germany.

This attempt is an integral part of a widening European-American confrontation on several fronts, which threatens to lead to the creation of a new, unstable global system of three political and trade blocs—a "North American Free Trade" dollar zone, a Japan-dominated yen zone in Asia, and an ecu zone for Europe. This is the financial aspect of the "new world order," unless influential forces in Europe, Asia, and the United States begin to converge on an alternative policy, along the lines specified by Lyndon LaRouche, for launching a world recovery instead of building up mutually conflicting trading zones.

## 'The crash is programmed'

On April 26, the U.S. Commerce Department released figures showing the first-quarter 1991 performance of the U.S. economy. Even these figures, undoubtedly massaged

by the Commerce Department before being released, demonstrate the accelerating economic collapse of the economy:

- housing expenditures plummeted 26.5%;
- business investment was down by 14.4%;
- retail sales fell 3.3%, adjusted for inflation;
- personal savings went down 4.1%;
- business failures soared by 54%, rising to 20,881, up from 13,577 in the first quarter of 1990;
- in the state of California alone, business failures were up by 78%; in Connecticut by 525%;
- exports fell by \$700 million, compared to the fourth quarter of 1990.

These and other figures indicate a depth of collapse that must inevitably catalyze further upheavals in the financial and equity markets. The Bush administration's policies will only reinforce such trends. What is happening now, harkens back to Lyndon LaRouche's warning of Oct. 7, 1987, on the eve of that month's historic debacle: "We have the worst financial bubble in modern history. It is stretched to the bursting point already. Bush's friends are hoping to delay the bursting by methods which will stretch the bubble more."

Even some of the leading voices of the liberal financial world of Europe are pointing to the striking parallels between the Bush-Baker-Brady approach of 1991, and what happened in the autumn of 1987, when then-U.S. Treasury Secretary James Baker III adopted an unusually aggressive attitude, demanding that Germany shore up U.S. financial markets. Under the heading "Financial Crash," the Düsseldorf weekly *WirtschaftsWoche* wrote in its editorial of April 26: "The crash is programmed. The point in time: Sunday, April 28, 1991, at the meeting of the finance ministers and central bank governors of the seven leading western industrialized nations in Washington. . . . The skirmish is reminiscent of the autumn of 1987." Recalling the American-German conflicts then, the magazine says the result was "the stock market crash of October 1987."

On April 30, the economics editor of the London *Times*, Anatole Kaletsky, warned that the "comprehensive failure" of the G-7 meeting, and the international markets' nonchalant reaction to that failure, "led some observers of the international financial markets to warn of a possible financial catastrophe ahead, reminiscent of October 1987. . . . Black Monday is widely believed, in retrospect, to have been linked to a similar breakdown of international economic coordination. The attitude of the foreign exchange markets to the G-7 meeting is also ominously reminiscent of the stock market in the summer of 1987, and the oil market just before the fighting began in the Gulf war."

Most devastating, was an editorial in the *Financial Times*, mouthpiece of the City of London, also on April 30: "Rarely can a great power have come to an important international meeting with arguments as feeble as those advanced by the U.S. at the meeting of the finance ministers and central bankers of the group of seven industrial countries



in Washington, over the weekend. But the arguments were not merely indefensible; they were dangerous. Those who recalled the row between Germany and the U.S. that preceded the stock market crash of October 1987, must have shuddered, especially since an exceptionally strong stock market preceded that meeting, too. . . . U.S. arguments are not merely unpersuasive; they are cheeky. The U.S. has received resource transfers from the rest of the world worth some \$670 billion in 1990 prices over the past nine years, and enjoyed current account deficits totaling around \$1 trillion. . . . It is no less outrageous for the U.S. to complain about high global real rates of interest.”

The editorial concluded with a pointed message to President Bush, informing him that “the principal aim of the rest of the G-7 is not to secure the reelection of the President, however many specious arguments may be put up for the purpose.”

### **‘The guilt will lie with Bonn’**

This last comment touches on the political dimension of Bush’s campaign to force Germany to lower its interest rates, as well as the administration’s sudden decision to lower American interest rates after the G-7 meeting. The fact is, neither in 1987 nor in 1991 has Germany been in a position to submit to American pressure. Furthermore, in neither instance would the policy demanded of Germany have any serious impact on the economic and financial condition of the United States. Rather, Bush administration confrontationism against Germany on the interest rates issue should be seen as an attempt to blame Germany when the U.S. financial system goes through further upheavals.

As Deutsche Bank chief economist Norbert Walter stated during an April 30 radio interview, the reality behind the interest-rate war is the fact that the U.S. is in a “deep recession” and Bush is very worried about the 1992 presidential election. The same point had been made by the Milan daily *Corriere della Sera*, in its lead editorial April 28. The paper said there was no sane reason for Bush to launch a public fight with Germany on interest rates, knowing that such public targeting would never gain concessions from the Germans. Bush’s real aim, claimed *Corriere*, was “to have an effect on public opinion in the U.S. If the U.S. economy falters in getting out of the recession, the guilt will be with Bonn, Tokyo, and their central banks.”

This squabble is one key feature of a widening American-European trade-financial and political-strategic confrontation. With the Gulf war, it dramatically escalated, and has now become the uppermost issue in discussions among European elites. Bundesbank Governor Karl-Otto Poehl described his position at the G-7 meeting as like that of “Daniel in the lion’s den.” The reality, no matter what is stated in public, is that no other problem is more on the minds of influentials in Europe than this worsening relation with the United States.

## **Slovak leader shift reinforces IMF foes**

by Paolo Raimondi

The change in the Slovakian government on April 23 may represent a major positive historical chance for all of Czechoslovakia. Jan Carnogursky, the leader of the Slovakian Christian Democratic Movement and the symbol of the anti-communist resistance during his imprisonment before the November 1989 revolution, was voted prime minister by the majority of the Bratislava Parliament.

Carnogursky, a Slovakian patriot, may play a critical role for the whole country, because of his strong opposition to the austerity policy of the International Monetary Fund (IMF) and his Christian pro-social, pro-industrial approach, aimed to integrate Czechoslovakia into a strong continental European alliance. His coalition government, which will be largely dominated by the Christian Democracy, has replaced Vladimir Meciar, the leader of the Public Against Violence party. According to reliable reports, Meciar, a former communist who was educated in the Soviet Union, was using the growing economic crisis and labor unrest to begin a cagey and quiet counter-coup, to get Slovakia back into a new type of alliance with the Soviet Union. Meciar recently reportedly began discussion with Soviet generals to prepare the ground for such a shift. The danger of this move compelled the Christian Democrats to act preemptively and sack Meciar.

### **The communist plan—and the ‘Chicago boys’**

Besides the general economic difficulties in moving out of the communist system, Slovakia’s economy has the serious problem of being exclusively oriented toward the Soviet market, which has almost totally collapsed in the past months. With a population of 5.5 million, Slovakia has a military-industrial complex with 111 firms and 70-80,000 employees, which produced all kinds of weapons for the Soviet Union and the Warsaw Pact, beginning with the T-72 main battle tank. The furniture industry, to give another example, employs 30,000 people, who produce mainly for the Soviet market.

The growing unemployment is producing fear and unrest which is then fueled in an explosive way by the incompetent and irresponsible austerity policy and price increases of Czechoslovakia’s federal finance minister, Vaclav Klaus,



Czechoslovak President Vaclav Havel: *We want to become full-fledged members of the European Community.*

one of Milton Friedman's "Chicago boys" and the main spokesman for IMF policy in the country. The "reformed" communists, like Meciar, and the real communists have maintained a strong influence in the working class and were awaiting for this moment of economic instability to act. Strikes are planned for the coming weeks against the disastrous effects of Klaus's "reforms." For example, in the little town of Martin, in Slovakia, where 10,000 people work at the Zts military factory, one-fourth are members of the Party of the Left Democracy (formerly the Communist Party). There are already 3,000 unemployed, and the newly elected mayor is the communist former director of the firm.

Meciar's plan was to exploit the crisis to say: Our economy is totally oriented toward the Eastern market; to pretend to change this will lead to a disastrous economic collapse, so we should have a special economic and political agreement with the Soviet Union. This is the communists' plan to take back what they lost with the 1989 revolution. One might ask what role the IMF is playing in this game, since its program

for collapsing the economies of Eastern Europe is playing directly into the hands of the communists.

### **Havel steps in**

In a radio speech on April 28, President Vaclav Havel addressed Meciar's ouster, discreetly taking the side of Carnogursky. Havel emphasized that the decision was "legal and legitimate," "a victory of parliamentary democracy which represents a decisive moment in Slovakian history." Havel said that Meciar had "made mistakes," and he criticized his attempt to mobilize people in the streets to protest against his ouster. "In 1989 we went into the streets so that we would never have to go into the streets again," Havel said.

Carnogursky's move has created a political situation which Havel has used to resist the Soviet pressure to quickly conclude negotiations for a new bilateral treaty. Moscow wants to include a clause stating that neither side will enter into a security alliance that could be directed against the other side. President Havel rejected this on the basis that it represents a violation of Czechoslovakian sovereignty, "not because we may one day join NATO, but because we do want to become full-fledged members of the European Community, and political union could have a security dimension as well."

As April ended, a long-prepared split in the Citizens' Forum party has also been concluded as a result of the fight over the economic reforms and specifically as a result of a growing opposition to Klaus's monetarist policy. After Klaus formed his own Thatcherite party, on April 27 a new liberal party (Heir of the Tradition of the Citizens' Forum, or HO) was organized under the leadership of Foreign Minister Jiri Dienstbier. German Foreign Minister and Free Democratic Party leader Hans-Dietrich Genscher and NATO Secretary General Manfred Wörner were invited to address the party's founding conference.

The economic crisis is now going to enter a new explosive phase, and the criticisms against Klaus are becoming stronger every day. Output fell nearly 12% in the first quarter of the year, compared with the same period of 1990. The largest decline was in the construction industry, where output fell 35%. Inflation soared to 37% in the same period because of a sharp cut in subsidies and resulting higher prices, but in May, when subsidies are removed on electricity and heating, energy prices are expected to go up 80%. But the IMF team in Prague has told the Finance Ministry that it regards economic indicators other than output and inflation favorably.

More and more people are waking up from the illusion of Klaus's free market economy, and are looking for a serious industrial cooperation program with Western Europe. While the IMF is now coming under attack daily in the national mass media, the idea of infrastructure development in the "Productive Triangle" of Europe, proposed by Lyndon LaRouche and circulated all over Europe by the Schiller Institutes, is becoming the top item on the agenda.

# Can we hold the line against cholera?

by Pamela Lowry

Cholera is described by health professionals as a Third World disease, a disease of poverty. Where modern water treatment plants and sewage disposal systems exist and populations are generally healthy, the bacillus cannot run rampant. Isolated cases of cholera may appear, such as have occurred on the Gulf Coast of Texas in the past 20 years, but prompt action by public health agencies, and a relatively high level of public sanitation facilities, have prevented any serious outbreaks in the past.

However, the existence of a cholera epidemic in Ibero-America, which is moving quickly northward, poses the question of whether normal public health measures are adequate to prevent the disease from striking Mexico and the United States. The cause of the current epidemic, whose epicenter is Peru, can be directly traced to the fact that Peru's sanitation infrastructure, and the health level of its population, collapsed under the weight of the usurious debt being paid by the Peruvian government to the International Monetary Fund. The same is true of the other South American nations to which the disease has spread.

## Emergency recommendations

On April 29, the World Health Organization (WHO) and the Pan-American Health Organization sponsored an emergency meeting of their newly created Cholera Task Force. WHO director Dr. Carlyle Guerra de Macedo called for a \$70 billion program of investment in infrastructure, sanitation, and medicines in order to save the continent from a devastating epidemic. Dr. Guerra stated that the "most specific characteristic of the cholera epidemic is [that it is] a shocking expression of the accumulation of deficiencies in the level of life of our populations." He added that the epidemic represented "the accumulation of a social debt," and implied that many curable diseases have surged as a result of this debt and that cholera is just one more of these. He concluded by issuing a call to begin the process of correcting the deficiencies of infrastructure that are the cause of the epidemic.

In Mexico and the United States, it is the public health

agencies which will bear the brunt of trying to ward off a cholera epidemic. Yet their ability to function effectively has been under attack from several directions. On the one hand, with health insurance companies going bankrupt and failing businesses unwilling to finance employee health care, there has emerged an emphasis on better health through better "behavior." This cost-cutting outlook is reflected in a statement by the Mexican health minister on April 26, which asserted that the Mexican population must be "co-responsible" for halting the cholera epidemic by using hygienic practices (see *Dateline Mexico*). When 41 million Mexicans live in substandard sanitary conditions, hygienic practices may simply be impossible.

The public health agencies in the United States, too, emphasize better "behavior" by their clients. While education on hygienic practices—how to sterilize surfaces, purify water with chlorine or iodine tablets—is useful, it is only a palliative in the face of collapsing water and sewer systems and the expanding health problems of the poor, the homeless, and the unemployed. Any "pocket" of poverty, and the United States is pock-marked with a growing number of them, is a target for the cholera bacillus.

## Cholera and infrastructure

The environmentalist movement has added its contribution to the problem by targeting basic infrastructure. Although reams of reports have been issued on the supposed health problems caused by Alar, industrial runoff, and other purported carcinogens, the threat posed by epidemic diseases seems to have eluded the greenies. According to the Conservation Foundation, "Large sewage and water treatment plants are just boondoggles for the civil engineers."

Add to this the collapse in water and sewer infrastructure brought on by depression conditions, and you have the conditions sufficient for a cholera epidemic. A recent survey of U.S. water treatment plants by the University of Minnesota's Institute of Technology stated that "our nation's 800,000-mile sewer system . . . is not only suffering from old age, but unable to cope with the needs of our burgeoning urban populations." One example cited is New York City, where, during periods of heavy rainfall, "the city's rickety sewer system unloads millions of gallons of raw sewage at a time directly into the harbor." This is not an isolated case: On April 22 in Boston, a federal judge blocked any new discharge into the metropolitan sewer system until a new landfill could ease the problem of sewer runoff into Boston Harbor.

Cholera is not just a disease; it is a warning. The early-warning signals, such as the mounting cases of water-borne diseases such as hepatitis A, have largely been ignored. Now a late-warning signal, in the form of usually curable cholera, has sounded. Either we pay what Dr. Guerra calls the "social debt" to the health of our population, or our crumbling water and sewer systems will make a mockery of any efforts by public health agencies to combat epidemic disease.

# LaRouche's economics debated in the Dominican Republic

by Cynthia Rush

In riding through the capital city of Santo Domingo, one is struck by two things. First, its beauty—streets lined with palm trees and brilliantly colored tropical flowers, large parks alongside the ocean, and a sense of urban planning and spaciousness. Second is simply the realization that Santo Domingo is the oldest city in the Western Hemisphere, founded in 1496 during the second of Christopher Columbus's four trips to the New World.

Especially now, as all of Ibero-America's governments prepare for next year's celebration of the 500th anniversary of the discovery of America—Santo Domingo will be the site of the Pope's meeting with Ibero-American bishops—there is tremendous pride taken in Santo Domingo's heritage. In a few brief hours of visiting the city's colonial zone with my colleague Ricardo Olvera of the Mexican chapter of the Schiller Institute, I caught a glimpse of the richness of this small country's history and culture, as well as a deeper understanding of just how important next year's anniversary will be for the whole nation, and the continent.

An enormous battle is shaping up around this celebration, reflected most immediately in the debate over economic policy. This is being fought out not only inside Ibero-American governments, but within the Catholic Church as well, as we discovered. With his numerous interventions, and now with the publication of his latest encyclical *Centesimus annus* on the centennial of Pope Leo XIII's 1891 encyclical *Rerum novarum*, Pope John Paul II has intensified his polemic against liberal capitalism, and the destruction it has wrought in the developing sector. In the Pope's view, the 500th anniversary of the discovery of America must be the occasion for the launching of a "new evangelization" in which economic policy is coherent with the social doctrine of the Church which places the defense of the dignity of man above all other concerns.

Opposing the Pope are the defenders of free market economics and free trade, whose principal proponent was the 18th-century agent of the British Empire, Adam Smith. These are the policies which are responsible for the devastation in Ibero-America today, seen most horribly in the rapid spread of cholera throughout the continent.

We got our first taste of this debate during our first public event in Santo Domingo, an April 8 conference proclaiming,

"There Is an Alternative to Neo-Liberalism," which was attended by approximately 150 businessmen, politicians, congressmen, and media. My presentation documented in some detail the collapse of the U.S. economy, attacked the fascist nature of George Bush's "new world order," and presented the dirigist economic alternative outlined by jailed U.S. economist Lyndon H. LaRouche. I made a point of emphasizing that LaRouche is a political prisoner in the United States today because he has consistently opposed the free trade policies of "the liar Adam Smith," and the malthusian depopulation and genocide schemes backed by the International Monetary Fund (IMF), the World Bank, and Anglo-American think tanks.

Ricardo Olvera followed with a presentation on *Operation Juárez*, the program put forward by LaRouche in 1982, which called for the creation of an Ibero-American common market and declaration of a debt moratorium. Using slides from the 1986 Schiller Institute book, *Ibero-American Integration*, which fleshes out *Operation Juárez*, Olvera discussed several key infrastructure projects, and pointed out that their implementation would require rapid population growth in what is actually an underpopulated continent.

Surprisingly, as the discussion period began, the first "question" came from a Father Nuñez Collado. Reportedly more businessman than priest, Father Nuñez Collado was irate at what he termed the "unscientific" nature of the presentations; he ardently defended Adam Smith, who he claimed advocated a fair distribution of society's goods and services to all people, and railed against "irresponsible" population growth.

## Dracula in the blood bank

Ricardo Olvera blasted Nuñez in later remarks, noting appropriately that Adam Smith was a proponent of the bestial doctrine of social Darwinism which calls for distributing crumbs among the poor, then seeing which of the "fittest" survive. Olvera eloquently asserted that Christian economics, and the social doctrine of the Church, place the sovereignty of man—created in the image and likeness of God—above all else.

Who is Father Nuñez Collado? An article in the April 11 issue of the daily *El Caribe* answered the question. The paper

reported that Msgr. Agripino Nuñez Collado, rector of the Catholic University and the priest's brother, was sponsoring a conference on "The Social Doctrine of the Church and Economic Policies for Development." Co-sponsored by the Ibero-American Bishops Conference, CELAM, and a local group, the International Center for Economic Development, the conference had invited none other than former Panamanian President Nicolás Ardito Barletta and the Peruvian guru of the "informal economy," Hernando de Soto, to speak on this topic! As one longtime observer of Ibero-American politics noted, "this is like inviting Dracula to work in the blood bank."

Barletta, a former World Bank vice president, helped to set up Panama's offshore banking apparatus, through which drug money flowed while he was President. De Soto, the darling of the Bush administration, is intent on destroying the last vestiges of democratic institutions in Peru in order to guarantee implementation of the World Bank's "structural reform." How could either of these criminals be qualified to discuss what economic policy is coherent with the social doctrine of the Church? Obviously a faction within the Church disagrees with the Pope, but even its representatives were nervous enough about the offense implied by Barletta and De Soto's presence that they held the conference behind closed doors.

### **'The IMF without the IMF'**

What is going on inside the Dominican Republic that it requires the deployment of two such evil representatives of the Anglo-American political establishment?

To date, the government of 89-year-old President Joaquín Balaguer has refused to sign a standby agreement with the IMF, and is under enormous pressure to do so. This is not to say that Balaguer, who was barely reelected in 1990, has not applied the Fund's austerity dictates. As one government official told us almost proudly, "we've imposed IMF policy without the IMF." A group of trade unionists with whom we met confirmed huge price increases in electricity, fuel, and other basic services, and offered proof that the government will physically repress anyone who opposes this policy. One worker showed us his arm and leg, both in a cast, as a result of police repression of a recent sit-in at a local church.

However, one thing that bothers the IMF about the government is the fact that over the past four years, Balaguer has built, and continues to build, a number of infrastructure projects. These include highways, housing projects, some of which are low-cost, and dams; several other projects to improve potable water and electricity infrastructure in Santo Domingo are in the works.

The Balaguer government is not made up of your typical Harvard-trained technocrat—no Salinas de Gortari here. This is the old school—*very* old judging from Balaguer's age—whose agenda may differ somewhat from what Bush and the banks want, despite longstanding ties to the United

States. It was undoubtedly useful to the government to have spokesmen for Lyndon H. LaRouche in the country for a few days, offering an alternative to the IMF's genocide. One government official made a point of emphasizing to us that LaRouche "was gaining great prestige in jail," since it was clear he was there because of his political beliefs. On April 9, the host of the "Revista 110" television broadcast, Julio Hazim, interviewed us for 90 minutes on the LaRouche economic program, his status as a political prisoner, Bush's "new world order," and the U.S. economic collapse.

Representatives of human rights groups who heard reports on the legal persecution of LaRouche and his associates by a federally coordinated task force were shocked at the barbarity of the persecution, and promised to act on the case.

### **Hope for the future**

Throughout our stay in Santo Domingo, Olvera and I often commented on both the tremendous openness and the political sharpness of the people we met everywhere we went. This seemed to be a universal quality among the racially diverse population—a mixture of white, black, Indian, and mestizo. Nowhere was this openness more evident than at the Autonomous University of Santo Domingo (UASD), founded in 1538, where we spoke to a total of 600 students over two nights. The UASD is the state-run university, whose lack of funds is matched by the poverty of its mostly working class students. Although in the middle of exams, for two nights they gathered in the main lecture hall to hear our presentations on the collapsing U.S. economy, Ibero-American integration, the U.S. war against Iraq, and Bush's new world order. We were bombarded with questions and comments and several students representing organizations wanted to meet to discuss further collaboration.

There were no frivolous questions. On the second night, moved by a viewing of a 17-minute *EIR* video of the devastation of U.S. bombing raids against Iraq, one young woman got up to eloquently urge that everyone become politically active, in whatever way they could, to solve the urgent problems facing the Dominican Republic. She reminded the audience that many students travel long distances to come to class, and often have trouble concentrating or learning, because they are hungry; that they damage their eyes and their health, because they study in homes without electricity or potable water.

I was also especially struck by the dedication of the economics professors at UASD. Several had studied in the U.S. and could obviously have commanded better salaries at any private institution than the state-run university. But they were committed to staying where they were and teaching these excellent young people for whom the UASD is the only hope of getting an education; they graciously shared their meager resources with us, and welcomed debate on the crucial issue of economic policy. Of our week's stay in Santo Domingo, I remember our experience at UASD most fondly.



# The foundations of the Japanese 'economic miracle'

by Ramtanu Maitra

According to the latest report of the Keizei Koho Center (Japan Institute for Social and Economic Affairs), *Japan 1991—An International Comparison*, the gap in per capita income between Japan and the United States has widened further in favor of Japan. Japanese per capita Gross National Product (GNP) is \$23,387 a year, against \$19,873 for the United States.

The latest available figures also show that Japan, with about half the population (and 12 times the population density of the United States), has a GNP of \$2,867 billion, compared with \$4,001 billion for the U.S.—an indication that, as Japan is growing at a much faster rate, it is going to overtake the United States in absolute GNP terms sooner or later. These figures are also interesting when compared to similar figures for 20 years ago.

Japan's "economic miracle," a pet subject of admirers and Japan-bashers alike, has been analyzed and reanalyzed umpteen times. Some in the West who are particularly disturbed by Japan's economic might, have attributed this miracle to a mystical work ethic that they believe is a mixture of Confucianism and Calvinism. Others assert that morality in Japan is based on human relations, and that there is no confrontation between the self and a set of unchanging principles. Some state that trying to be on top in every field is a stronger impulse in Japanese society than most others.

According to one view, the key is that Japanese corporations live in "near absence of any idea that there can be no truths, rules, principles, or morals that always apply, no matter what the circumstances." All these conjectures and speculations alike hide the factors that make Japan grow and prosper.

## Free trade not a dogma

The United States has attacked Japan as an opponent of free trade, whose nasty competitive ruses have taken advantage of the world. Japan *does* support free trade, but not as a dogma. The Japanese view an open trading system as a practical means of helping promote all-round development, not

some magical formula for success or a ruse to loot other nations. While the Japanese recognize the necessity for external trade to get access to technologies being developed worldwide, they have at the same time paid a great deal of attention to providing their own domestic industries the required protection and help until they build up strength.

Lately, Japanese leaders have been inclined to be less deferential to Western nostrums like "free trade," when they see one of its chief promoters, the United States, declaring that its allies' economic activity has replaced the communist menace as its primary security threat and hastening to lock up the Americas through a string of "free trade agreements."

The Japanese allergy to the economic dogmas of the Anglo-American establishment was evident, for instance, at the annual meeting of the Asian Development Bank (ADB) in New Delhi last May. ADB President Kimimasa Tarumizu, formerly a senior adviser to Japan's Finance Ministry, complained at that time in an interview with the *Economic Times* of India, that some donor countries insist on taking a "totally macro-economic approach. . . . That is wrong, you know. The macro-economic approach is not always appropriate. Japan, for instance, is still on the way to 100% liberalization. So the success of Japan cannot be explained by a totally macro-economic approach. Perhaps you are thinking of the U.S. Perhaps they are sticking to the macro approach. I think the development thrust of the developing member countries has to have another approach."

American analysts have for the most part limited their analysis of Japan's economic miracle to scrutiny of the role of the Ministry of International Trade and Industry (MITI) and its role in setting the parameters and overall direction of industry—precisely the dirigistic role played by the federal government in the early United States republic.

However, little attention has been paid to the extremely careful way in which Japan fostered the growth of a myriad of high-technology firms and small corporations which feed into the huge "brand names" most familiar to the world—Mitsubishi, Sony, Toyota, and so forth. These high-tech

firms, each employing under 1,000 employees, are the core of Japan's industry, where individual initiative and the entrepreneurial spirit have been granted conditions in which to thrive. Americans might recognize this layer of industry as the many high-tech firms that once spun new products out of the technologies used by the U.S. space program, for example. The highly skilled labor force of this *Mittelstand*—as this key middle layer of industry is referred to in Germany—has been carefully nurtured so as to ensure that employees can assimilate and work with new technologies.

### Roots of success

Although the decades of the 1960s, '70s, and '80s saw the fuller development of Japan's economic muscle, the roots go back more than 100 years to the days of the Meiji Restoration in 1868. It was the period when banking, supported and managed by trading families, was developed to provide the essential capital for the fledgling industries then in the hands of large family groups called *zaibatsu*.

These *zaibatsu* groups used family fortunes to build up the traditional sectors. Prominent among them, for example, is Mitsubishi, founded by former warrior-bureaucrat Yataro Iwasaki, which started off as a shipping firm that grew under governmental protection. The Mitsui family is another *zaibatsu* group which was composed of merchants going back to the pre-Meiji Edo period and was active in wide-ranging economic activities such as banking, insurance, cotton spinning, sugar, and machinery. Although some signs of professional management were visible even in the Meiji period, such as the case of Oji Paper, the Meiji era was essentially a period of individual capitalists involved in traditional industries.

Modern industry was established during the Meiji period, and did not absorb more than 10% of the working population even by 1915. The Russo-Japanese war in 1907 and World War I boosted Japan's shipping, railroad, and iron and steel industries immensely, and also gave birth to hydroelectric power. The economic boom caused by these industrial developments began to show up in post-World War I Japan immediately. From a perpetual debtor nation with balance of payments problems in 1914, Japan emerged a creditor nation in 1920.

Despite a series of economic ups and downs caused by such external factors as the Great Depression, an escalating war in China and Manchuria, and a highly unstable internal political situation, Japan progressed during the decade of the 1930s. In fact, the foundations of Japan's postwar growth were laid under the direction of the unorthodox Finance Minister Korekiyo Takahashi in the decade that preceded Japan's entry into World War II. In the early 1930s, when the Great Depression threw Japan into a financial quagmire, it was Takahashi who took a number of bold steps: He took the yen off the gold standard and devalued it gradually, injected a massive dose of government spending into the economy, imposed low interest rates to revitalize industries, and facili-

tated the issue of government bonds.

Takahashi's financial measures prompted an economic growth centering around export of cotton. At the same time, the low interest rate regime revitalized industry. With booming exports backed by a domestic fiscal expansion under government control, the Japanese economy got a shot in the arm. During this period, the output of the heavy and chemical industries overtook light industry in total yen valuation for the first time. The impact of government spending on rural relief projects during this period also paid dividends, and it seemed then that Japan was on the road to recovery despite a worldwide depression.

The rise of the military, which resulted in the assassination of Finance Minister Takahashi, put a halt to the robust and varied economic activities of the mid-1930s. But the groundwork had been laid. A whole range of chemical industries such as Showa Hiryo, which started indigenous ammonium sulfate production, Teijin, Asahi Kenshoku, Toyo Rayon, which turned Japan into the largest rayon producer in the world, and others, are the legacies of the Takahashi period. This period also saw the rise of Toshiba, Hitachi, and Mitsubishi Electric, which began mass production of heavy electrical machinery; Toyota and Nissan, which pioneered automobile production in Japan; and Nakajima Hiroki and Mitsubishi Heavy Industries, which started airplane production. No doubt, some of these engineering firms were hijacked by the military to produce armaments later, and particularly after the assassination of Takahashi who was keen on curbing military spending.

### American occupation policy

Japan's total defeat in World War II brought its economy to its knees. The victors in the Pacific theater moved in quickly with reforms in the midst of a grave food shortage. American occupation authorities implemented demilitarization and democratization reforms pertaining to the *zaibatsu*, land, and labor. But postwar growth in Japan cannot be accounted for simply by reforms prescribed by the occupation forces; these reforms merely helped grease the moving parts of the economic machine built up during the 1930s.

*Zaibatsu* groups were dissolved and an Anti-Monopoly Law was enacted in 1947. Another law, The Elimination of Excessive Concentration of Economic Power, was passed in 1947 and under it some 325 firms became subject to partitioning, although only 18 were actually split. These measures broke or significantly reduced the concentration of economic power in the hands of the family groups.

The land reform policy, a great success, acted as an extremely effective measure to overcome the semi-feudal nature of Japanese society. The ownership system was completely eliminated for absentee landlords through the compulsory sale of their holdings to the tenants who farmed them. Exceptions were permitted only in the case of resident landlords, who were allowed to let the tenants one hectare of

land. As a result of the land reforms, the owner-farmer became the mainstay of Japanese agriculture. A direct result of the land reform was that the proportion of total agricultural land utilized by tenant farmers was decreased from about 50% to 10%.

The American occupation also brought about the trade union movement. In 1945, the number of workers associated with the trade union movement was minuscule. In a span of three years, due to the encouragement of occupation authorities in the name of democracy, 60% of the workers in Japan became members of trade unions. Although most of the unions were organized on company lines, collective bargaining resulted in higher wages, better working conditions, and the acceptance by management of the career-long employment and seniority wage systems.

While these crucial inputs—dissolution of the *zaibatsu* groups, land reform, and the trade union movement—helped Japan to stagger back to its feet following the devastation caused by its participation and defeat in the war, the road remained rocky. Inflation became endemic, while unemployment was swamping the nation. In order to create jobs, Finance Minister Ishibashi increased fiscal spending, directing funds through the Reconstruction Bank to under-utilized industrial companies to revive production. Reconstruction Bank funds were allocated to the coal industry, and millions of war veterans who were unemployed were recruited as workers. Strict food rationing was imposed. The measures had partial success.

In 1949, Joseph Dodge, head of the Bank of Detroit, came from the United States to advise the occupation forces on how to curb inflation. Dodge imposed strict fiscal and monetary policies and forced the government to balance the budget. The Dodge Line, as it came to be known, killed inflation to a large degree, but caused a severe shortage of funds. Dodge insisted that Japan must not look to the United States for funds, but rather achieve recovery through its own efforts amid free competition.

From 1945 to 1951, Japan went from one economic crisis to another. The Dodge Line, described by some Japanese economists as “bitter medicine for taming inflation,” provoked a serious recession. Many businesses which had depended on government expenditure since the prewar years were plunged into bankruptcy and forced to lay off *en masse*, adding to the multitude of unemployed and nationwide labor unrest.

### Organizing the export boom

Amidst this bleak economic scene, the Korean War broke out. The U.S. decision to acquire military procurements, known as “special procurements,” from Japan, provided the economy an infusion of fresh blood. Industries ranging from coal to textiles began to revive. The special procurements, to the tune of \$800 million annually, accounted for two-

thirds of Japan’s total exports at that time. The export earnings helped Japan to import and build up its capital-intensive industries.

A series of measures followed the beginning of the export-led economic recovery. Two government-funded banks, the Export-Import Bank of Japan and the Japan Development Bank, were set up in 1951. The first was to handle deferred export payments and the second was to supply gov-

## Labor-management relations vital to Japan’s economy

Japan had a minuscule labor movement at the time the war in the Pacific ended. Following defeat, Japan was in shambles. There were immense shortages of food and clothing, and runaway inflation was pauperizing the citizenry. Under these circumstances, Japanese workers formed trade unions to defend their interests amid violent nationwide demonstrations. The most powerful union, the Sanbetsu Labor Federation, was led by the Japanese Communist Party.

Following the political dogma of the JCP, the Sanbetsu demanded revolution and complete control over the production centers. A series of violent clashes ensued, of which the Yomiuri Shimbun strike of 1945 and the Toho Motion Picture studio strike of 1946 were the most notable. A number of other strikes, such as that by electric machinery workers, employees of Japan National Railways, the seamen’s union, the steelworkers’ union, and the coal miners’ union brought the country to its knees. When a call for a nationwide strike on March 1, 1947 was given, the American occupation forces threatened the unions by putting tanks on the streets.

The concept of democratization began to take shape following the birth of the Ministry of Labor, which formed laws and systems to regulate labor relations. A new national labor center was born in the form of Sohyo (the General Council of Trade Unions), which campaigned against the JCP’s domination of the labor unions and its policy of violent revolution, and advocated creation of a free and democratic labor union movement.

With the Korean War and the subsequent boom to the economy, the Sanbetsu collapsed, giving way to the Shin Sanbetsu (National Federation of Industrial Organizations). It seemed at that point that Soyo and Shin Sanbetsu

ernment funds to strategic industries as long-term, low-interest loans. According to Takafusha Nakamura, former professor at the University of Tokyo and former director-general of the Economic Planning Agency's Economic Research Institute: "At the time, four industries were treated as strategic: electric power, coal, shipping, and steel. Electric power and coal were needed because energy shortages were hindering reconstruction, and shipping had to be helped because Ja-

pan's merchant marine had been almost totally destroyed by the war. The reason for giving steel preferential treatment was the urgent need to boost capacity—and to introduce Western steel-making technology—to meet the rising demand for steel caused by the economy's recovery. The priority assigned to these four industries is evidence that policy-makers planned to replace Japan's industrial structure, which was centered on light industry, with a structure featuring

would lead a free and democratic labor movement, but in 1951, when Japan signed the San Francisco Peace Treaty and Security Pact with the United States, the Sohyo turned leftwards, attacking the treaties (as they say in Japan: "The hen turned into a duck"). Soon the labor unions began to leave Sohyo *en masse* to form Zenro (which later became Domei), and the trade union movement was once again polarized between leftists and rightists.

Even in these difficult times, however, a distinct current emerged within the labor unions advocating productivity and elimination of political ideology in labor struggles. The concept of a labor movement that is "economically motivated" came to the fore and asserted itself within the four parallel labor confederations—the Sohyo, Domei, Churitsu Roren (a neutral union), and Shin Sanbetsu.

Exhausted by confrontation, both management and labor agreed to stabilize labor relations in the mid-1950s. Earlier, a number of strikes had crippled industry, and many businesses had lost their competitive edge as a result of labor problems.

The new labor-management relations, the cornerstone of Japan's fast growth, saw management agreeing to maintain career-long employment, seniority-based wages, enterprise unions, and equality in wages and work.

In subsequent years, Japan's trade unions have gone through mergers and changes, but labor stability has prevailed. A number of changes brought about by the dual structure theory have also changed the nature of the labor unions. The Metalworkers Union, which became the core of the labor movement in the 1960s and 1970s, began gathering the support of private labor unions to form a labor federation in the early 1980s. On Dec. 14, 1982, they formed the National Council of Private Unions (Zen Nihon Minkan Roso Kyogikai) with 425,000 members. In 1987, the movement gained further ground when the neutral Chritsu Roren and Domei were dissolved and merged into the National Federation of Private Labor (Zen Nihon Minkan Roso Rengokai). In 1988, the old Shin Sanbetsu, and in 1989, Sohyo, too, were disbanded, clearing the way for establishment of a General Confederation

of Japan Labor Unions (Nihon Roso So Rengokai), 8 million strong, into which the government workers union will also be absorbed.

Under the current career-long employment system, employees are promoted by both seniority and merit into higher wage categories. A new recruit expects his wages to be doubled by the time he is 35 years old and tripled by the time he is 50. To help ensure stable living standards, wage levels also take into account personal circumstances and needs. Thus, men are generally paid most when their family expenses, especially for education, are expected to be heaviest. The gap between the wages paid to high school graduates and university graduates is very slight and widens only with age. But even at the age of 35, when the gap reaches its peak, wages for most high school graduates are about 60-80% of those for university graduates.

Today, income differentials between managers and workers and between white-collar and blue-collar workers are much smaller than in almost any other country. Compensation for workers or managers usually does not change even if they are transferred, as they are working for the same company. Supervisors are not necessarily paid much more than their subordinates and, in fact, they are often paid less than their senior subordinates. This income system is another factor in creating a sense of unity.

Enterprise unions are a unique feature of Japan's labor-management equation and are composed of employees working for a single employer at a single location, for example, in the small industry sector. They are both a product of and a means for many structural reforms, such as the unity between white-collar and blue-collar workers, equitable wage distribution, merit-based promotion from within a company, and fewer status barriers between managers and workers. Most importantly, the enterprise unions, organized as they are in the thousands of ancillary units tied to the large companies, bring all of the company's employees together in helping the company to deal with the continuous changes in technology and the market.

heavy industry.”

Along with these policies, the government also implemented measures to boost industrial capacity and introduce new technologies. One of the crucial measures was a 50% special depreciation system for investment in major capital facilities. In 1952, the Enterprise Rationalization Law, which permitted companies to set up tax-exempt reserves to meet various risks, and also waived import duties for key items of machinery, was enacted. In 1953, the government amended the Anti-Monopoly Law to permit formation of cartels to fight recessions. This was done with an eye on the state of affairs in the textile industry, which was then caught in a severe slump. Simultaneously, an anti-monopoly provision banning companies from holding interlocking shares was struck down.

Two other events also helped to shape Japan’s “economic miracle.” The first was the end of the occupation brought about through the San Francisco Peace Treaty in 1951, which provided for a low level of defense spending. The second was the official abandonment of the Dodge Line, which occurred in 1960 and was followed by the unveiling of Prime Minister Hayato Ikeda’s famous income-doubling plan. The plan called for an annual growth rate of 7.2% during the decade—sufficient to double the GNP in 10 years. At the same time, trade was liberalized, and Japan braced up for fast growth.

Fast growth also ushered in various difficulties. The ghost of the Dodge Line, which imposed a balanced budget as a prerequisite for curbing inflation, was finally buried in 1965, when Japan accepted deficits in its balance-of-payments as a necessity for sustaining fast growth. During the 1960s, the brakes were put on twice, triggering slumps in 1962 and 1965. From 1965, however, Japan began to experience a consistent trade surplus and the growth rate reached 11.6% during the second half of the decade.

### **Indicative planning**

A number of policy initiatives, institutional interventions at critical junctures, and innovative concepts helped to lay Japan’s economic foundation. Perhaps the most significant is the approach to labor-management relations (see box). It is a feature that cannot be overemphasized.

In a speech to an annual meeting of the World Economic Forum in Davos, Switzerland, Masaya Miyoshi, president and director-general of the Keidanren, Japan’s leading business organization, pointed out that the criticism to the effect that the Japanese government helps the private sector strengthen its unfair competitive edge has been repeated over the years, but what this cooperation amounts to is simply smoothing communication between the government and the private sector such that the two are able to share a long-term vision for industrial development. This has allowed the government to efficiently improve industrial infrastructure,

one of the principal roles the government intended to play in the first place.

In fact, Japan’s postwar policy, which made industry productive and put it technologically in the front-ranks, has been characterized first and foremost by the government’s refraining from direct intervention, and instead offering information and recommendations to form the guiding principles for industrial development. It is what one economist calls the government’s “indicative planning.” Generically speaking, it is dirigism.

Such “indicative planning” was the key in overcoming one of the crucial problems that Japan faced in the late 1950s and early 1960s. The economic boom in manufacturing had attracted a large number of rural people to a few major cities along the east coast. Absorbing a large portion of the migration from rural areas were small businesses, whose average wages were far lower than that paid by the large concerns. Larger firms saw in it an opportunity to cut costs by subcontracting out to smaller firms. And there was the added advantage that during recessions, the subcontractors could be dumped or made to work at a lower cost. The government foresaw the problem arising out of this new development.

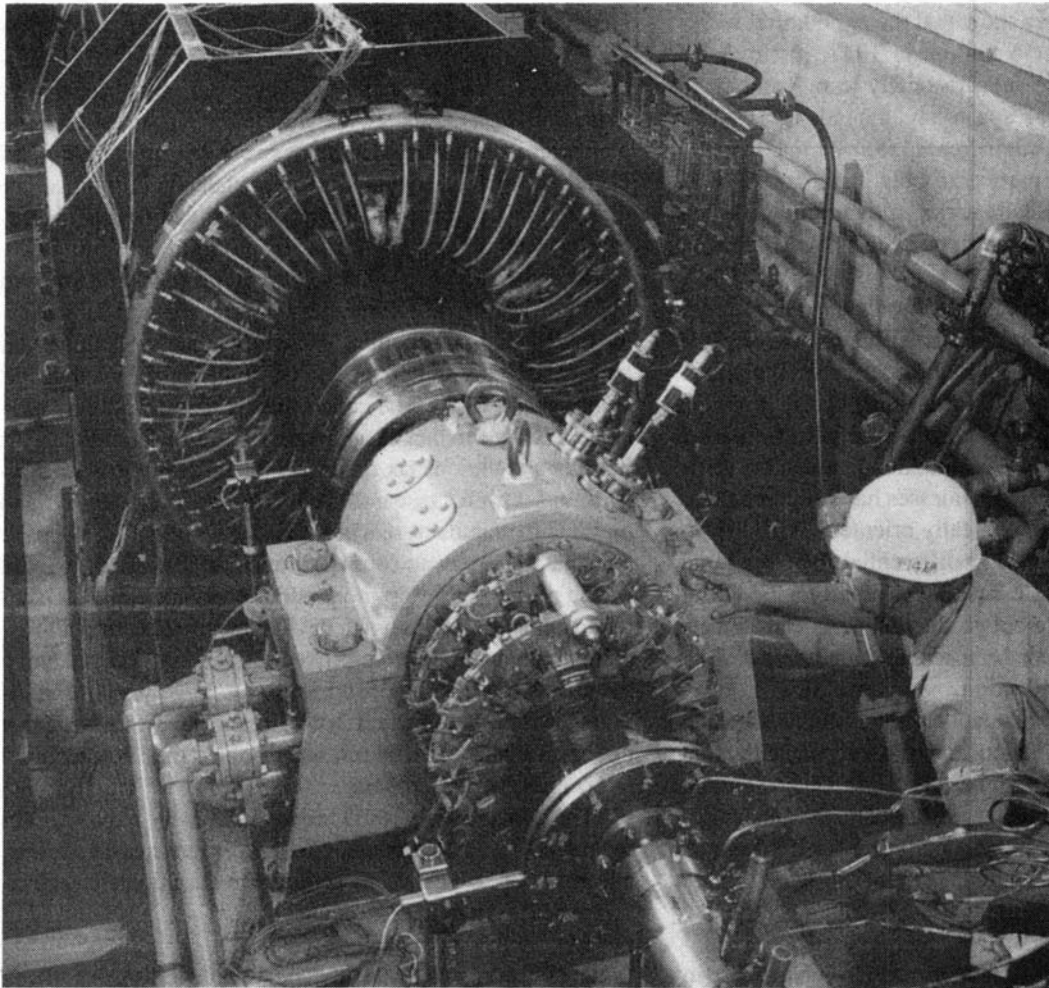
The smaller firms, technologically far behind the larger firms, had low productivity, which in turn perpetuated low wages and affected overall productivity growth in industry. Amid intensifying international competition, the government passed the Basic Small Business Law in 1963. This law required small businesses—capitalized at 50 million yen or less and employing 300 or fewer in the commerce sector, and 10 million yen and 50 employees in the service sector—to take measures to avoid excess competition and rationalize subcontracted transactions. With the Small Business Modernization Promotion law introduced the same year, funding was provided to modernize small business facilities and promote cooperation among firms.

The policy of promoting the technological modernization and upgrading of small firms, known as the “dual structure theory,” is still very much in practice and has matured significantly. A recent study showed that car and electrical appliance makers in Japan have a very high rate of dependency on “outsourcing” (subcontracting out to small facilities). Automakers such as Toyota and Nissan, for instance, farm out between 70-80% of their work to outside firms, compared to around 50% elsewhere in the world. General Motors (GM), the largest U.S. automaker, subcontracts only about 30% of its work.

### **‘Dual structure’**

But, in this, too, there is a difference. While Japanese manufacturers of finished goods are heavily dependent on outsourcing, the number of primary parts manufacturers they deal with directly is extremely limited. Toyota, for example, uses only 260 parts suppliers, and Nissan only 180. General





*An experimental superconducting generator. A commitment to high-technology, a highly skilled labor force, and capital and infrastructure investments—policies which are known as the "American System" of political economy—has led Japan to surpassing the United States in per capita Gross National Product.*

Motors, on the other hand, has a line-up of some 12,000 suppliers and subcontractors; Ford and Chrysler use 4,000 and 2,000 respectively.

In Japan, as a result of the dual structure theory, there is an assumption that business between the manufacturer and his suppliers, and between the various tiers of subcontractors, will continue over the long term. Parts suppliers are willing to upgrade their equipment and management in order to meet the cost and quality targets set by the maker or his subcontractors. The contracting firm at the end of the product line will give strong technical supervision and managerial back-up. Such a cooperative association keeps the lines of communication open between the manufacturer and his suppliers, and ensures information exchange among the subcontractors.

By contrast, the basis of the system prevalent in the United States, in particular, is short-term competitive bidding. Manufacturers take their business to the subcontractor able to supply the lowest price at any given time, and it is rare for a business relationship with any one firm to continue for long. Parts manufacturers and suppliers are thus forced to diversify their customer base. As a result, there is only limited techni-

cal and managerial exchange between manufacturers and suppliers. While the manufacturer in Japan will assist his suppliers and subcontractors to meet cost and quality targets, manufacturers elsewhere never develop a close relationship with the companies with which they work. The effect of this is to rob small and medium-size supplier industries of stability, and burden them unnecessarily with marketing overhead costs.

Despite the small number of contractors that each manufacturer turns to, the Japanese subcontracting system has developed into a multi-tiered stable pyramid. Typically, a manufacturer will rely on about 200 primary subcontractors. Primary subcontractors themselves employ about 4-5,000 subcontractors, who in turn farm out work to an additional 20-30,000 businesses. Besides developing a vast pool of small business facilities technologically abreast of the requirements of large firms, the dual structure theory also helped Japan's agriculture sector. The huge migration from the agricultural sector which was productively absorbed in the urban small industries, in fact, enhanced Japan's agricultural productivity overall.

National census figures show that the agricultural working population was over 16 million in 1947, just over 13 million in 1960, and then fell drastically to 6.7 million in 1975. For the same years, respectively, the index of agricultural production (1970=100) increased from 41 to 80 to 105, with livestock showing a particularly big jump from 3 to 36 to 113. On the other hand, land under cultivation, which had increased from 1947 to 1960, dropped consistently by about 10% up to 1975.

Of particular interest also, is that the functions of former traditional industries shifted to small businesses, as witnessed by the textile and light industries. Professor Nakamura points out that in the 1960s, the small firms accounted for the greater portion of consumer goods output, the market for which they had secured. The situation is much the same today, even though the small businesses have become more capital-intensive and technologically oriented. With the labor shortage and narrowing wage differentials between large and small firms, small-scale businesses rapidly adopted labor-saving technologies to cut production costs and, undergoing rapid growth, achieved considerable modernization of their management and production.

The significance of the subcontracting system has been in the process of transformation from the indirect utilization of cheap labor to a more rational division of labor among firms having original technology. In this way, high-technology, efficiency, and quality in manufacturing has been spread throughout the economy.

## Research and development

The results of indicative planning are also observable in Japan's research and development. The goal of technological and scientific excellence as the basis of national development, was underlined by steady, significant increases in private and public sector R&D spending. At the same time, Japan's continuing lag in basic research as of the 1980s also became a matter of concern to MITI and the government generally.

The characteristic of Japanese R&D policy, as described by Fumio Kodama, research director of the National Institute of Science and Technology, is the central focus on building a strong engineering infrastructure. The building of this infrastructure was carried out at every level of the production process, starting with the finished goods, and then moving backward to the building of manufacturing facilities and the development of materials. In terms of technological content, this strategy promoted development first in assembly technology, then in component technology, and finally in materials technology, Kodama points out.

In 1971, the Japanese government combined two laws, the law on Temporary Measures for the Development of the Machinery Industry (1956) and the law on Temporary Measures for the Development of the Electronics Industry (1957), to make the law on Temporary Measures for the

Development of Specified Machinery and Electronics Industry. The law was the forerunner to the development of numerical control (NC) of manufacturing, and research on very large scale integration (VLSI). In 1975, Japan became the pioneer in mechatronics, a marriage between mechanical and electronics engineering. The computerization of machine tools through numerical control, a classic example of mechatronics, took off that year.

In its R&D work, Japan uses what are known as research consortiums. Within these consortiums, numerous companies that were in competition with each other pool both capital and research personnel to establish research laboratories and conduct joint R&D. The government also provides considerable assistance to these joint research centers through project funding and various tax breaks. A prime example is the consortium set up for research on VLSI formed by Japan's five major chip manufacturers between 1976 and 1979. To make sure that there was no conflict of interest, the consortium did not do research on chip production technology, but concentrated on the experimental development of manufacturing equipment and ways to improve the process for crystalizing the silicon used in computer chips. A large part of the research was subcontracted out to companies that were not members of the consortium, including equipment manufacturers and silicon suppliers.

The consortium's R&D efforts ultimately led to the development of the optical stepper by camera manufacturers, and provided scientific data pertinent to the silicon crystalization process for silicon suppliers.

## New phase of infrastructure development

With a sound basic foundation, it is expected that Japan will move toward improving its R&D facilities—basic research in particular—and continue to develop technologies which are both labor-saving and capital-intensive. Japan has already conceived a second major phase of infrastructure development, the first having been completed in the mid-1960s. In the 1980s, MITI, in collaboration with the Ministry of Construction, the Japanese Land Agency, and the Science and Technology Agency, began the task of reshaping the physical geography and population distribution of the country as a whole. The plan calls for:

- 1) entirely integrating the country by connecting all major islands by land transport;
- 2) initiating the development of 19 new cities of a few hundred thousand people each as new "technopolis" centers; and
- 3) relieving the population pressure on the Tokyo region, possibly by dispersing certain governmental institutions to other regions or by the creation of an entirely new capital city, with Tokyo retaining the role as Japan's center for commerce and finance.

The new land transport links, in particular the several-billion-dollar Honshu-Hokkaido rail tunnel, were completed

by 1989, and further development is now concentrating on new high-speed rail links and U.S. Interstate-type or German autobahn-type highways. A law for the establishment of the new cities on the Tsukuba "Science City" model was introduced in 1983.

For the 1990s, MITI has targeted the aerospace sector (including satellite communication and commercial space flights) as the cutting edge for leveraging the further growth of the industrial sector. A still modest Moon-Mars exploration program will spearhead research and development, with results being passed on to companies such as Mitsubishi Heavy Industries, already significantly engaged in both civilian and military aerospace work.

### Community of interest

The strengths of the Japanese economy, especially the mechanisms it has institutionalized to deal with crises and achieve a consensus among business, government, and labor on a long-term economic vision, enable the nation to continue to prosper economically despite almost total dependence on the outside world for raw materials. The oil shocks of 1973 and 1979 did not paralyze Japan; in fact, the nation came out of these crises economically stronger because it took concerted measures to dramatically increase energy efficiency in industry and reduce its dependence on oil. Japan's burgeoning nuclear power program is testimony to that.

In 1985, Japan's currency was revalued upwards by 50% through the Plaza Agreement. Such upward revaluation, according to the camp-followers of the International Monetary Fund and World Bank, was expected to cripple Japan's economy, for a while at least, but the opposite occurred. Exports, which began to increase in the mid-1980s, expanded sharply even as the yen appreciated, nearly doubling in six years. Imports, static until 1986, began to rise thereafter. Japan's export surplus grew quite large, and though it has declined somewhat, it is still immense. In contrast, the U.S. dollar devaluation, by about 40% against major currencies between 1985 and 1988, did little to change the yawning trade deficit that that country is facing annually. The monetarists are still blaming each other for their foolproof theory going awry.

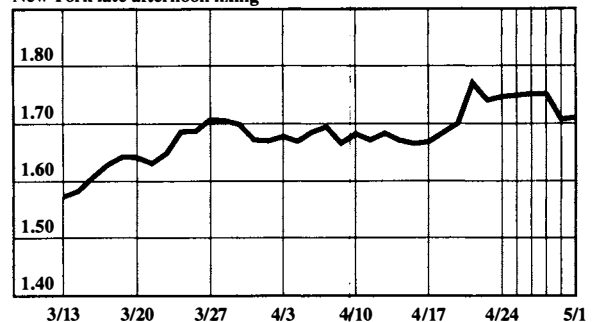
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## Currency Rates

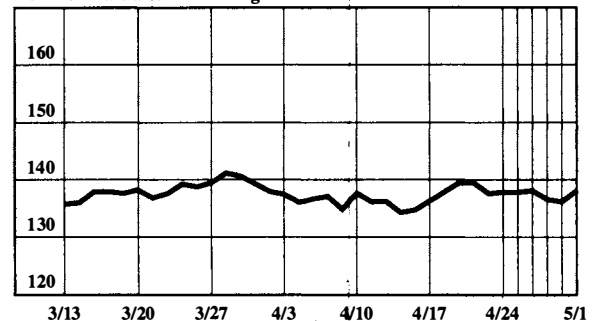
### The dollar in deutschemarks

New York late afternoon fixing



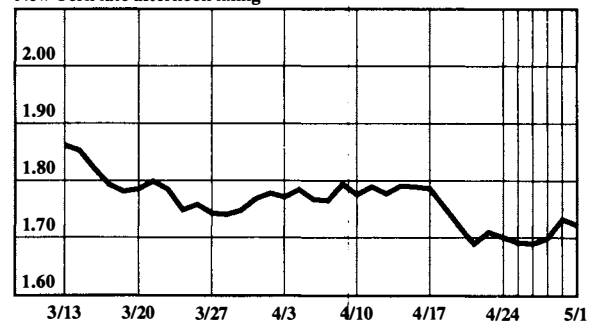
### The dollar in yen

New York late afternoon fixing



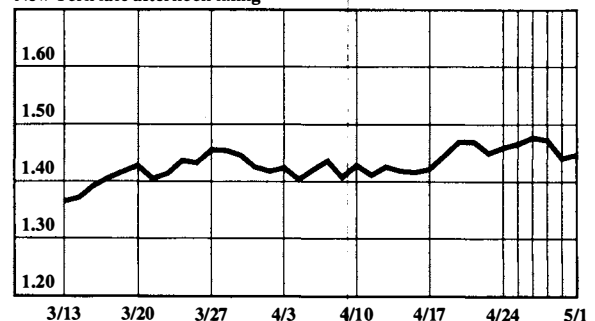
### The British pound in dollars

New York late afternoon fixing



### The dollar in Swiss francs

New York late afternoon fixing



## On the 'fast track' to cholera

*The health secretary says people should protect themselves from cholera, but the government will do nothing.*

**T**he only way to prevent the cholera epidemic from entering Mexico, is for the population to take "co-responsibility" in maintaining environmental hygiene and sanitation, primarily in rural areas, Health Secretary Jesús Kumate Rodríguez stated on April 22. Otherwise, he added, serious health problems could develop.

In other words, the Mexican government doesn't intend to take any substantive measures against cholera.

Outrageously, two days later, Kumate admitted that "the sanitary conditions in which more than 41 million Mexicans live—primarily those 17 million who live in extreme poverty—permit us to predict that they will be the most affected group in the event that the cholera epidemic continues to spread throughout the continent and reaches Mexico," the daily *Unomasuno* reported April 25.

Attempting to cover for his criminality, Kumate said that even the World Health Organization (WHO) insists "that neither vaccines nor *cordons sanitaires* can prevent cholera from entering our country."

What Kumate failed to report is that on March 27 in Lima, Peru, the WHO's director general, Hiroshi Nakajima, charged that the International Monetary Fund's (IMF) austerity measures are the primary cause of cholera. Nakajima explained that Peru's infrastructure "is in a deplorable state as a consequence of the economic crisis, and the water supply is a problem which could cause the cholera pandemic to become endemic in the immediate future."

Mexico's health secretary also ne-

glected to say that the major cholera-related problem confronting the majority of the Mexican people is the lack of infrastructure for potable water and sewage, not to mention the drastic cuts in medical services and the growing malnutrition caused by almost a decade of extreme austerity.

In Peru, the cholera bacillus is re-infecting tens of thousands of people who survived the first attack but who, following their hospitalization, had to return to the same living conditions—the same contaminated water and lack of proper sanitation infrastructure.

To date, neither Kumate nor any other Mexican government official has said anything about the "Sucre Declaration" which calls for "potable water and basic sanitation for everyone—now," issued on April 22 by participants at the 15th Conference of Health Ministers of the Andean Countries. Among other things, the declaration states that "cholera is a social consequence of the economic structural adjustment measures which the Andean nations have adopted."

Dr. Nazario Román, president of the Hipólito Unánue Andean Health Agreement, warned that wealthy countries aren't free from the threat of cholera, which could become a pandemic and extend to all continents; it "could reach Mexico and the United States with incalculable speed," Román said, "since recent cholera cases in Miami show that the disease respects no borders."

Nor is it just rural areas which lack potable water and sanitation infrastructure. Large urban concentrations suffer from the same problems. Ci-

dad Nezahualcoyotl, located right next to Mexico City, is one of the poorest and most socially marginalized municipalities in the country, where several million inhabitants barely survive. Diseases such as yellow fever and measles are commonplace, but more recently, AIDS has taken a deadly toll. Dr. Omar Ruíz Campos, a national community liaison officer who works for the Conasida agency, reports that there are 2,000 AIDS victims in Netzahualcoyotl, including people who tested seropositive and those who have full-blown AIDS. Use of contaminated blood from a local blood bank, which took donations from drug addicts, was responsible for infecting hundreds of individuals.

A similar problem exists along the U.S.-Mexican border, where, according to a recent videotape produced by the AFL-CIO, the areas around U.S.-installed *maquiladoras* are hellholes. The Mexican daily *La Jornada* said that the AFL-CIO video "shows scenes of a Third World Mexico, with 'lost' cities, ditches in which viscous fluids flow, uncovered sewage. . . ."

A report published in the April 22 *Unomasuno* notes that on the U.S.-Mexican border, an area to which over 1 million people emigrate yearly in search of employment, "the *maquiladora* industry is growing very quickly. . . . Nonetheless, this process of expansion hasn't been accompanied by the best health and working conditions for workers; there isn't enough housing for the large flow of migrants, and the municipalities have serious deficits in services, which has meant that almost all the border cities have growing belts of misery to their south."

In short, after a decade of genocidal austerity, Mexico has several breeding grounds for cholera.

## Food cartel boosts fast track

*The House Agriculture Committee held hearings to promote a new "Rockefeller task force" for free trade.*

If there were a political version of *Ripley's Believe It Or Not*, the April 24 House Agriculture Committee hearing on the North American Free Trade Agreement fast track proposal qualifies for entry.

The gala, day-long event featured the announcement that 46 "farm groups" have formed a new "Task Force on the North American Free Trade Agreement," to lobby Congress to sign onto fast track approval of NAFTA. In turn, Agriculture Secretary Edward Madigan used the group of 46, and 5 additional signers, to testify that "51 agriculture groups have supported the fast track and that's good enough for me." Madigan was joined by a panel of other Bush cabinet members, including Trade Representative Carla Hills, Labor Secretary Lynn Martin, and EPA representative Lyn Fisher. Two reports were released by the Government Accounting Office.

After questions to the panel, a select list of over 25 witnesses voiced support for fast track. Only two witnesses criticized the policy, leaving foreign media to wonder how they could give a fair presentation of both sides of the issue, when the Bush people controlled the debate.

The affair was so stage-managed, that the next day Agriculture Committee Chairman Kika de la Garza (D-Tex.) could issue only a mealy-mouthed press release, headlined ambiguously: "De la Garza Pledges to Closely Monitor U.S.-Mexico FTA Negotiations." De la Garza said, "I believe safeguards and other protections can be written into a free trade agreement that won't lessen our com-

mitment to our farmers, the environment, and other American interests." But he allowed no facts to come forward on the farm and food crisis.

Over the 1980s, free trade has so impoverished Mexico that per capita consumption of the staples corn and beans has dropped by 25%. One-third of Mexico's 85 million people are suffering malnourishment. Meantime, Mexican fruits, vegetables and beef are being drawn into the U.S. by cartel brokers, who are ruining U.S. farmers.

Who are the 46 influential "farm leaders" on the new pro-fast track task force? The list is a catalogue of the same food cartel companies whose domination of world food trade is ruining farming. In alphabetical order, they include: Archer Daniels Midland, Cargill, ConAgra, Continental Grain Co., Louis Dreyfus Corp. In addition, there are a group of farm membership organizations being led around by the nose by the cartel companies, including: National Corn Growers Association, National Pork Producers Council, National Cattlemen's Association, National Barley Growers Association, Rice Growers Association of California.

To add "star appeal," the task force has six former secretaries of agriculture: John R. Block, who testified, Richard E. Lyng, Orville L. Freeman, Clifford M. Hardin, Earl L. Butz, and Bob Bergland.

The task force was created by the Washington-based policy group called "The Citizens Network for Foreign Affairs," whose board of directors sports David Rockefeller of Chase Manhattan Bank, Dwayne An-

dreas of Archer Daniels Midland, and AFL-CIO President Lane Kirkland. Among the "honorary advisers" sits "Fat" Henry Kissinger; and the group's co-chairmen are Henry H. Fowler and Melvin Laird, former government officials, representing the true interests of this outfit: to impose new ways to underpay farmers and labor, and back up private debt holdings.

The controlled environment in the committee nearly blew when one critical witness, Craig Merrilees, referred to the task force as representing David Rockefeller and Cargill. Merrilees was speaking on behalf of the National Toxics Campaign and Fair Trade Campaign, which oppose both NAFTA and GATT. Rep. Tom Coleman (R-Mo.), point-man for Bush on the Ag Committee, flew into a personal attack, saying Merrilees didn't represent farmers, and praised the task force.

In an attempt to put a lid on the ugly facts coming out about the social collapse caused by "free trade," Carla Hills and her cohorts declared out of order any congressional expressions of concern, by asserting that the hearing was about "process," and not about "substance." Ambassador Hills continued her spin-doctoring, declaring that NAFTA is a "win-win" situation, and the fast track is essential. USDA's Madigan repeatedly intoned, "Fifty-one agriculture groups have supported the fast track. . . ." Labor Secretary Martin swore that the overall economy will grow under NAFTA.

In this mad hatter's environment, the Florida Secretary of Agriculture Bob Crawford, representing fruit and vegetable growers, and a spokesman for the California avocado producers did not have the nerve to oppose NAFTA outright, but merely to ask for exemptions and safeguards for their constituents.



## Fascist reorganization proceeds

*The asset-strippers are out to grab control of banks, and the FDIC has given them the loophole they need to do it.*

**W**hile the Bush administration's banking bill is floundering in Congress, the fascist consolidation of the U.S. banking system is, like Mussolini's trains, running right on time.

The April 22 decision by the Federal Deposit Insurance Corporation (FDIC) to award the failed Bank of New England to the team of Fleet/Norstar Financial Group of Providence, Rhode Island, and Kohlberg Kravis Roberts and Co. of New York, represents a major advance in the push to allow non-bank companies to own banks, circumventing the Bank Holding Company Act, which limits ownership of a bank by non-bank institutions to 25%.

"We are delighted to see this new money coming into the banking system," remarked FDIC chairman William Seidman.

The Fleet/KKR partnership will pay \$625 million for the Bank of New England, putting \$500 million into the bank as capital and paying \$125 million to the FDIC. In return, the partnership will get some \$16 billion in deposits and 320 branches. Fleet will finance the purchase by raising \$708 million, of which \$283 million will come from KKR. KKR will come out of the deal owning as much as 16.5% of Fleet, and under certain circumstances could wind up owning half of the new Bank of New England.

KKR, the high-flying junk bond and leveraged blowout specialist, has been after a bank for nearly a decade. In 1983, the firm considered a bid for SeaFirst Corp. of Seattle, which was subsequently bought by BankAmerica Corp. In 1989, KKR was a front-

runner for the banks the FDIC seized from MCorp of Texas, but Banc One Corp. of Ohio prevailed. At the time, Comptroller of the Currency Robert Clarke expressed doubts about KKR's suitability as a major bank investor. KKR already owns 9.9% in First Interstate Bancorp. of Los Angeles, having bought the stock on the open market. By allowing the notorious asset-strippers at KKR to buy such a large chunk of a major U.S. bank, federal regulators have effectively thrown the door wide open for non-bank corporations to move into banking—one of the goals of the Bush administration. After all, if KKR qualifies, who doesn't—as long as you have the money?

Also driving the move is the desperate situation at the FDIC.

"The bank insurance fund is nearly insolvent, and I cannot overemphasize how important it is to restore it as quickly as possible," Comptroller General Charles Bowsher warned the Senate Banking Committee on April 26. "If you don't get on top of this soon enough, then the taxpayers will eventually lose."

While the FDIC claims that the Bank Insurance Fund contained \$8.4 billion in assets at the end of 1990, an audit of the agency by the GAO put the figure at between \$2 billion and \$5 billion, depending upon how certain insolvent banks are classified.

"This level represents an all-time low, and the fund is in a precarious state," Bowsher said. Unless the BIF is rebuilt, "it is highly probable that the fund will be insolvent at the end

of 1991. We expect that the BIF fund balance at the end of 1991 will be somewhere between a high of \$1 billion and a low of negative \$5 billion. . . . Clearly, action must be taken right away to build up BIF and prevent its insolvency."

To reach that conclusion, the GAO examined the financial condition of 368 troubled banks, which together have about \$1.8 trillion in assets—half of the total assets of the entire U.S. banking system. The study found that 71 of those banks were "already insolvent, or nearly so," and would cost the FDIC some \$7-11 billion to close. Forty of those banks were in such bad shape, the GAO found, that the cost of seizing them should have been included in the BIF's net worth calculations for 1990.

"The remaining 31 banks," Bowsher said, "more likely than not, will fail without recapitalization, but do not meet the criteria of insolvency and therefore present accounting rules do not require the fund to reserve for these banks."

Bowsher recommended that Congress move quickly to inject \$15 billion into the insurance fund, through a special assessment on the banks of 40¢ for every \$100 in deposits—on top of the 19.5¢ per \$100 the banks already pay the FDIC.

Since the banks only earned \$16.6 billion in 1990 according to the FDIC, Bowsher's proposed assessment would wipe out nearly all of last year's reported profits.

Bowsher compared the situation at the FDIC to what happened with the now-defunct Federal Savings and Loan Insurance Corp.

"It's somewhat similar to the savings and loan situation of 1988," he said. "You don't have money to resolve problems now, so you start parking your problems and then it costs even more."

### Cooperation with Soviet Union grows

*The potential of joint German-Soviet projects is still mostly untapped, but progress is being made.*

On April 28, a news headline here reported an important development inside the Soviet Union: For the first time since the end of World War II, a Western airline has received permission to land in Kaliningrad, which had been a strictly military zone.

Even more interesting was that the airline that would begin flights to Kaliningrad was Hamburg Airlines, a commercial German firm. Kaliningrad is the old German city of Königsberg, which was renamed after 1945, when the Red Army conquered the city.

The other interesting aspect was that the chief administrator of Kaliningrad announced plans to modernize and turn the port of the city into a civilian facility which would handle shipments of components for the joint 1991-95 German-Soviet home-building project, and then be used to develop Kaliningrad into a special economic and trade zone, again emphasizing cooperation with Germany.

Cooperation in the rail transport sector has also returned to the German-Soviet agenda. At a seminar in Bonn on April 15, German Transport Minister Günther Krause endorsed the extension of the high-speed Hanover-Berlin railroad project to Moscow, via Warsaw. This was the first time since the Nov. 28, 1989 parliamentary address of Chancellor Helmut Kohl, that the project had received cabinet-level support in Bonn. This may indicate that officials, including the republic-level governments on the Soviet side, will sit down and discuss project implementation soon.

Another key area of cooperation

which may become even more important as the U.S.-German trade war over various high-tech and aerospace issues keeps escalating, is in the aerospace sector.

On April 26, the German Agency for Space Affairs and the Soviet Academy of Sciences signed a contract in Bonn, for the participation of Germany in the 1994 Soviet Mars exploration mission, and including cooperation in 13 scientific areas—primarily chemical and optical experiments to map out the shape and inner composition of the “red planet’s” atmosphere. The German share in the Mars mission is DM 150 million.

This may open the door for another important project: the development of the multi-use Sanger orbital shuttle. The Soviets, who have problems with the development of their Buran shuttle (which is modeled on the U.S. shuttle), have signaled interest in the Sanger, which is designed to cut the costs to put a payload into space to one-tenth of today’s costs.

The Sanger was proposed by Germany for funding by the European Space Agency, but due to British and some French opposition, ESA has decided to proceed instead with the Hermes, the first-generation European space shuttle, at least for the time being.

This puts the Sanger on the German-Soviet agenda for space technology projects. German Minister of Technology Heinz Riesenhuber discussed the issue with Soviet Deputy Minister of Aerospace Affairs Barukhin at the Hanover industrial fair in

mid-April.

The two ministers presented other joint projects in the aerospace sector: for example, a series of experiments to be conducted with a new type of fuel, cryogen. The fuel, which is based on hydrogen and has less specific weight than kerosene, has been tested on a Soviet Tupolev-155 since late 1988, and will be tested now on a German Airbus-310 airliner.

Another project is a modern version of the prewar German airship, the Zeppelin. The experimental version of the new airship, which has a payload of 10 tons, will be tested beginning this autumn between the western parts of the Soviet Union and far eastern areas of Siberia that lack modern airport infrastructure.

Using such aircraft may seem outmoded, but the new Zeppelin has advantages that make it useful for long-distance transport of goods: It can land on almost any flat strip of land, is not dependent upon a developed airbase infrastructure, and requires very little fuel. It is much slower than today’s aircraft, but the transport costs will be cheaper.

Regular flights on the Siberian route are scheduled to begin in late summer 1993, and if the project proves feasible, larger types of such airships will be built.

Lastly, there are perspectives for the revolutionary design of modern aircraft for transport of passengers as well as goods. The Soviets have already signaled interest in an experimental aircraft based on the Sanger design. The Hytex airliner would fly at a maximum speed of Mach 7 on a ballistic curve at extreme altitudes and cover the entire 12,000 kilometers from Frankfurt to Vladivostok in less than three hours. The Germans have not yet found a Western partner for this project; they may find one in the Soviet Union.

# Business Briefs

## Investment

### Call for new 'Marshall Plan' for Soviet Union

German Transport Minister Günther Krause, in an interview with the April 24 *Bildzeitung*, and senior Deutsche Bank official Georg Krupp, in comments made to the April 25 London *Financial Times*, called for a Western Marshall Plan-style aid effort for the Soviet Union.

The calls come as the International Monetary Fund has decided that further aid for the Soviet Union will not be forthcoming, a decision denounced in the German Parliament by Christian Democratic Union parliamentarian from Berlin Peter Kittelmann on April 25.

Krause reiterated an earlier proposal for the creation of a special fund for trade with the Soviets, which could work like a swing credit facility modeled on the postwar Marshall Plan credits for Germany.

Krupp expressed his hope that the April 28 Group of Seven meeting would revive the idea of an \$18 billion Marshall Plan for the Soviet Union. Krupp, the Bank's director for Eastern Europe, expressed great concern about growing Soviet foreign debt and inability to meet payments to exporters, but stressed that, nonetheless, the U.S.S.R. needed Western support.

## Biological Holocaust

### Cholera threatens 120 million in Ibero-America

A World Health Organization study projects that 120 million people, representing 25% of the Ibero-American population, are endangered by the cholera epidemic, the Mexican daily *La Jornada* reported on April 27. "The alarming propagation of cholera requires rapid and decisive action," WHO director general Hiroshi Nakajima warned, and he called on the international community to make financial contributions to assist WHO

in carrying out its anti-cholera campaign.

According to WHO estimates, the annual cost of providing Ibero-American countries with potable water would be \$5 billion over a ten-year period.

Nakajima also announced that the WHO has set up a special task force for the Global Control of Cholera. Outside of Ibero-America, new outbreaks of cholera in April have been reported in Bangladesh, Iraq, and on the island of Sumatra, Indonesia.

Cholera continues to advance steadily through the Western Hemisphere. WHO's statistics say that in Peru, there were 158,929 cholera cases, of which 59,229 were hospitalized and 1,130 had died by April 26.

## Defense

### Lockheed wins big jetfighter contract

The U.S. Air Force has announced that a Lockheed-led aerospace consortium will be the contractor team for the Advanced Tactical Fighter. The \$65 billion ATF program for 750 fighter jets will probably be the last major defense contract of the century.

Lockheed, Boeing, and General Dynamics have teamed up to build the YF-22, which emphasizes dog-fighting agility, using four tail surfaces and thrust-vector engine nozzles to maintain a 60° angle of attack in straight and level flight. This ability allows the aircraft to turn inside the maneuver of an adversary aircraft and shoot it down.

Northrop and McDonnell Douglas together built the YF-23, which emphasizes speed and "low observable" (Stealth) technology more than the YF-22, under the assumption that the revolutionary ability of the YF-23 to sneak up on an adversary will relegate dog-fighting to the dustbin of history.

Both aircraft will be able to cruise supersonically; the YF-22 at Mach 1.56, and the YF-23 at Mach 1.43, although maximum speed is higher for the YF-23. Up to now, all military aircraft, except Lockheed's SR-71 Blackbird (retired from active service last year), had subsonic cruise speeds.

Both aircraft use Stealth technology to reduce their radar signature to one one-thousandth that of an F-15, the present U.S. frontline fighter, which is now almost 20 years old.

The *Wall Street Journal* has reported that the losers of the competition, Northrop and McDonnell Douglas, will probably lose the ability to build advanced military aircraft. Bill Sweetman, an aerospace writer, believes the Northrop-McDonnell Douglas YF-23 comes closest to meeting the requirements of the Air Force. However, some Wall Street analysts believe the Air Force chose the YF-22 because the stronger financial postures of Lockheed, General Dynamics, and especially Boeing, will make it easier for the ATF program to survive congressional scrutiny.

## Austerity

### Cholera, measles outbreaks in U.S.

At least eight people contracted cholera in New Jersey in April after eating crab meat flown in from Ecuador, one of the five nations in South America now hit by the cholera epidemic. This outbreak is the third grouping of cases in the United States since the cholera epidemic began in Peru in January.

At the same time, the most serious measles epidemic in more than a decade has broken out in the Northeast, centered particularly in the New York-New Jersey area. The number of cases for the first four months of this year are nearly as high as for all of last year. The epidemics will drastically worsen with the onset of summer, which is the peak season for measles.

"We're viewing this as a real crisis situation," said Dr. Guthrie Birkhead, medical director of the New York State Health Department's immunization program. "We're all anticipating a bad summer. There's no end in sight."

"Most of the cases have been among pre-school-age Hispanic or black children," according to the *New York Times*, "some of them recent immigrants living in neighborhoods

where health care is poor or almost nonexistent, health officials say. But the health risk is not confined to those people. . . . Those born since 1956 may be susceptible, because they may have been immunized with a less effective measles vaccine."

A rising proportion of poor people over the last decade have not received vaccinations of any kind, as bankrupt public health and school systems have drastically cut back on administering and monitoring vaccinations. According to the New Jersey Commissioner of Health, Dr. Frances J. Dunston, "The measles outbreaks that we are seeing are no more than a sign that basic comprehensive health care is not getting to children."

## Development

### Gorbachov eyes Japanese economic model

The Japanese economic model is being seriously studied by the Soviet Union, President Mikhail Gorbachov indicated in his April 17 address to Japanese businessmen in Tokyo, printed in *Pravda* April 18. Gorbachov said, "The mechanisms of the market are not sufficient of themselves when one is talking about a period of crisis."

Gorbachov noted, "We realize that there are problems in that our economies do not match up. One of them has been developing in conditions of a supercentralized command system, the other according to the laws of the market. Although it must be said we observe that there are elements of centralism in Japan's economy as well. This is very interesting to us. . . ."

"We have to combine vigorous business, independence, democracy, and economic freedom with elements of centralism, especially as concerns scientific-technological progress, formation of funds to implement structural policy, and so on and so forth. . . . We value [Japanese] advice because this is the opinion of very competent and well-versed people. Moreover, they have their own recent history of 'perestroika,' of deep-going modernization in their own country."

Gorbachov continued, "A study of the experience of many countries which have found themselves at stages of profound modernization and a transition to a market economy and major structural changes shows us that someone else's . . . model has never been adopted anywhere in their pure form. . . . It seems to me that the Japanese example endorses this. . . . On the one hand, Japanese society has opened up in order to absorb all the achievements of civilization; but on the other it has tried to combine them with the traditions, the character, the experience, and all the realities of its own country."

## Environmentalism

### Tiny cars kill people, air bags or no

Fred Smith, President of the Competitive Enterprise Institute, warned that the argument that air bags can compensate for the lower safety of smaller cars is fraudulent, in a letter to the editor in the April 15 *Washington Times*. Smith blasted the latest bill in the Senate to mandate increased fuel efficiency for cars.

It has been documented that between 3-4,000 individuals die every year in the U.S. because of the current fuel economy standard. The occupants of a compact car have three times the likelihood of dying in a car accident than those of a medium-sized "gas guzzler." Smith points out that air bags will not take care of the difference. "According to a recent paper by Leonard Evans of General Motors' Research Laboratories, the protection offered by an air bag is equivalent to about 400 pounds of added car mass. But a Harvard-Brookings study of the fuel economy law demonstrates that it has already cut more than 500 pounds from the average new car. The net result is that current downsized air-bag-equipped cars are less safe than the cars we had before air bags and before federal fuel economy regulations."

Smith concludes, "By making fuel economy standards even more stringent, Sen. [Richard] Bryan's [D-Nev.] bill would drastically worsen this effect."

● **ABB ATOM**, the Swedish subsidiary of the ASEA Brown Boveri engineering firm, is forming a consortium with the Italian companies Ansaldo and Fiat to develop the Swedish nuclear reactor design PIUS "to suit Italian conditions." Italy banned nuclear energy in a 1989 referendum, and as a result was forced to import nuclear produced electricity from France.

● **WILLIAM PFAFF**, the syndicated columnist, in an article in the *International Herald Tribune* April 17, attacked the German "laissez faire" approach to development of the eastern states. He presents as one possible alternative "massive government subsidy to modernize industry and reconstruct infrastructure in the East."

● **THE HOUSE** and Senate Public Works Committees released a study by the Congressional Office of Technology Assessment April 25, which concludes that the difficulties in transportation and other public works "are the legacies of years of neglect and underfunding of the infrastructure that provides vital public works services."

● **THE FRENCH** state railway company SNCF has invested \$1.8 billion in the development and production of double-decker rail cars for 100 high-speed trains that will increase the passenger transport capacity of TGV routes by 35%.

● **DONALD TRUMP** is about to sign over most of his financial empire to his creditors. Trump's 50% interest in the Grand Hyatt Hotel will go to Bankers Trust, his 27% stake in Alexander's will go to Citicorp, the Trump Shuttle to Northwest Airlines, the Trump yacht to Boston Safe Deposit and Trust Co., and his Regency Hotel in Atlantic City is to be sold to pay Manufacturers Hanover. And 50% of the Trump Taj Mahal casino will be given to bondholders in exchange for new terms on bonded debt.

## For the economic development of Eastern Europe

by Lyndon H. LaRouche, Jr.

*This memorandum on the perspectives for the economies of the former East bloc nations, and some critical conceptual questions of economics in general, was transcribed and slightly edited from oral remarks by Mr. LaRouche from his prison cell in Rochester, Minnesota on Dec. 10, 1990. LaRouche, an announced candidate for President of the United States for 1992, is being held a political prisoner.*

The following memorandum should be read together with a selection of papers authored by myself, plus a letter on the subject of the Strategic Defense Initiative (SDI) to President Ronald Reagan. My papers, written during the period 1981-84, are on the subject of prospective U.S. policy in addressing specific problems both of relations with the Soviet Union and of economic policy respecting problems of economic development of the Soviet Union and associated states of Eastern Europe.

These papers at the time centered around a project which came to be known as the Strategic Defense Initiative, so named by the Reagan administration. This project was initiated by myself beginning in 1981 in response to an approach by a Soviet representative then based at the United Nations. As a result of this, a back-channel discussion was set up, coordinated with the national security institutions and selected high-level layers of the national security apparatus of the United States, and the Soviet government, for the purpose of exploring potential Soviet responses to my proposals.

### **The 'Productive Triangle'**

The special current relevance of these materials, which constitute in effect a kind of white paper on the background of the SDI, is that we now face a calamitous situation, in which, with the changes in Eastern Europe and the crises erupting in both Eastern Europe and the Anglo-American sector most emphatically, a new



Klaus Fimmen

*Brown coal, the main energy source in Communist-ruled East Germany, generates enormous pollution. It must be replaced by energy-intensive technologies, especially nuclear power.*

approach to the Eastern European problems, based on many of the same principles treated under the earlier SDI rubric, is now required. The new approach centers not upon the United States as the point of origin, but rather upon Western continental Europe as the point of origin, in part because Western continental Europe, together with Japan, is the only section of the world economy viable, at least to the degree of being capable, of launching the kind of global economic recovery initiative required at this time. The current approach is focused upon what is called the "Productive Triangle."

The Productive Triangle, documented in other locations, is identified here as a small area, approximately about the geographical size of Japan, with a population of slightly over 100 million persons presently, covering an area pivoted upon three principal cities in Western Europe—Paris, Vienna, and Berlin—and including the greatest concentration of density of productive power of any comparable area on this planet. It is seen that the economic organization of Europe, if it is to have a rational form at the present time, must be viewed as a development centered within this Productive Triangle, connected to the other principal centers of Europe by what we have chosen to call "spiral arms." The spiral arms are characterized largely by more or less broad channels of combined rails, power, and production, linking such cities as Berlin to Soviet locations such as Leningrad or Moscow, or to Kiev in Ukraine, and similarly linking other points of the triangle to other parts of Europe. The integrated economic development of Europe, by aid of the spiral arms into this

triangle, is the approach which is seen as uniquely applicable to assisting in solving the present deadly crisis within Eastern Europe generally and the Soviet Union in particular.

The similarity of this triangle proposal approach to what is proposed under the rubric of economic development prospects under SDI cooperation, is that it involves the transfer of advanced technology in soliton-like shockwave transmission from the centers of machine tool and related development into all parts along the most efficient pathways, which are associated with, for example, high-speed rails, but also including inland waterways, coastal waterways, and so forth.

With that said, let us look briefly at the problems we are addressing. In point of fact, the world has now entered a depression in which the only areas of the world which are not plunging into the very depths of the depression are Japan and Western continental Europe, most specifically a Germany-centered Western continental Europe. Without German economic development, even Western continental Europe as a whole would sink into a depression comparable to that which is now crushing the economies of the United Kingdom, North America, Oceania, and the developing sector generally.

### **Primitive accumulation, East and West**

There are several problems which are responsible for this, but let us focus upon the problems which are most relevant to the area of the former CMEA (East bloc trading system) nations, including the Soviet Union. There are two principal, crushing problems with the economies of the Sovi-



et Union and the other former CMEA states. One is fairly described and is understood within the Soviet lexicon as "socialist primitive accumulation," using that term as it was employed during the 1920s and early 1930s by Soviet economist Yevgeni Preobrazhensky, a term which Preobrazhensky credited rightly to Rosa Luxemburg.

To put the matter in perspective, primitive accumulation does not have to be limited to the so-called cases of states

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with socialist constitutions, although it is savage enough there. We have primitive accumulation occurring under the rubric of Adam Smith policies characteristic of the Anglo-American system, the English-speaking system, especially today. It also occurs in such other, derived, Adam Smith forms as the old colonial, neocolonial systems, including the present International Monetary Fund (IMF) conditionalities and General Agreement on Tariffs and Trade (GATT) arrangements.

Primitive accumulation signifies, essentially, a modern name for, or is another term to describe, usury or the effects of usury. Usury is expressed for us, of course, simply as financial usury, but it takes three notable forms.

First and most obvious is the usury in the private financing of public debt and the rise of central banking systems from which holders of public debt, through their banks, take control of the central banking systems and control of the currency and credit mechanisms of governments and whole conglomerations of states. Secondly, usury is associated historically over thousands of years with oligarchies and monopolies, in control of marketing of essential, primary raw materials, such as food cartels. Third, we have primitive accumulation in the form of looting, largely through financial and "free market" practices, of industry, of agriculture, and of the usage of real estate for such purposes as industry, agriculture, home rental, and what-not.

The collapse of the Soviet Union's economy can be attrib-

uted to three principal causes: First, the use of primitive accumulation as a source of capital, in the sense that was discussed by Preobrazhensky back in the 1920s and later; second, the added burdens on Soviet capital of military expenditures, which essentially had the effect of aggravating the intensity of primitive accumulation; and, third, the inability of the Soviet system to assimilate the most essential aspects of a successful industrial society. It is to the last, that we turn our attention briefly now.

### **Fundamental scientific discoveries**

The essential feature of true economy, as physical economy was defined by Gottfried Leibniz, is that distinction in human practice—or you might say human ecology—which sets man absolutely apart from or superior to all other forms of animal life: that man is capable, unlike any beast, of generating genuine fundamental scientific discoveries respecting the laws of nature, and doing that to such effect that man's practice is changed and improved, so that man is constantly becoming a species superior to himself as long as this practice of scientific progress is maintained.

What is poorly understood by most in this case, is that the powers of creative reason, by means of which scientific discoveries are generated, transmitted, and assimilated in practice, are processes which are sovereign within the individual personality; and, for that reason, a successful economy—one which is based on technological progress—requires within it, a special protection and fostering of this quality of individual creative reason, as opposed to a kind of Schelling-like collectivism.

This is shown in successful forms of modern industrial society in the following terms. A successful society, of course, includes conspicuously a modern industry. That was always understood by the Soviet leadership; other aspects of this were not so well understood.

It also requires an independent, entrepreneurial agriculture, one of whose best typifications, up until one or two decades ago, was the high-technology American family farm and similar kinds of farms in France, West Germany, and so forth. This layer is called the *Mittelstand*. It includes family farmers, who are productive in the sense that industry is productive; the small, but very high-technology machine tool industries; repair facilities which are state-of-the-art repair facilities; and also construction firms which, in the sense of high-technology, are the ones that make technology work.

### **Infrastructure requirements**

The other requirement is basic economic infrastructure, which has two aspects. One is what we call the hard or physical infrastructure, which includes transportation, fresh water management and water management generally, power generation and distribution, and communications. On the softer side is scientific and technological research as such, education related to that, and delivery of medical and related

health services to the population.

Economic infrastructure in Western countries, for example, has been most successfully maintained either as public works or as public utilities—i.e., private enterprises chartered by and regulated as to crucial performance standards by the government. Industry has been generally more successful as private industry, apart from some exceptions including the case of the arsenals in U.S. history; but agriculture, machine tool, and related sectors—the *Mittelstand*—have never been successful except when run as essentially private, entrepreneurial enterprises.

Let us look at some of the problems here. Take, first of all, infrastructure. The best case to compare with the case of Soviet failures in infrastructure, is the case of India. Despite the efforts of Prime Minister Jawaharlal Nehru and his successor and daughter, Indira Gandhi, to bring about the economic development of India, and despite the certain degree of success they obtained, their efforts in general were constantly frustrated by the blasted Indian bureaucracy, which always saw to it that no fundamental changes were brought about—changes which might have altered the social character of the composition of the Indian population, such as raising the lower castes or scheduled castes to equality through technological progress.

Therefore, although India had one of the world's largest development budgets, the bureaucracy has seen to it that certain programs such as development of the rail transport system, or a comprehensive fresh water management system, or power generation and distribution, have never been accomplished effectively in India—not because the means were lacking to do so, but because the Indian bureaucracy successfully sabotaged any effort to do so. Nehru was constantly frustrated by the bureaucracy on such counts, and Mrs. Gandhi, too. After Mrs. Gandhi's death, the situation went from bad to worse on this account.

In the Soviet Union and in the Eastern European countries we see the same thing. We see the stockpiling of labor and the breakdown of basic economic infrastructure, the stockpiling of labor and industries where the labor should have been used for the development of large-scale infrastructure projects in transportation, power generation and distribution, water management, and so forth. We see also a resistance to technological progress in the industries. Part of this goes to the simple lack of economic understanding.

Reading from Soviet and Eastern European literature of today, these problems appear not to be adequately comprehended. The picture we receive from such readings and similar observation, is that even leading circles within the Soviet republics and Eastern Europe, while aware of the acuteness of the problem, really reflect a great deal of floundering as to what the alternatives might be. That is, they are aware that the old system has failed, but they are not aware of what the alternative might be or how to get to any alternative. There do appear to be some who *think* they know what the alterna-

tive is, but in our view the proposed alternatives are worse than the disease.

The worst example, the most dangerous model is the so-called Polish model of Jeffrey Sachs and company. This is the worst of all possible choices. We have, admittedly, or did have, stockpile-labor in Polish factories, as a way of absorbing unemployed into employment rolls, by simply tacking them on to the employment rosters of the plant. However, the solution is not to dump these people into the streets, but rather to absorb them immediately in relatively high-technology projects—much-needed projects in basic economic infrastructure. Otherwise, this is just adding the Adam Smith form of primitive accumulation to what might be called socialist primitive accumulation, and keeping the worst of both worlds. That is what is happening now.

### **Marxism and the British Lombard system**

I observe with some dismay, but with understanding, an amusing but appropriate joke, which the media report as being told by Soviet President Mikhail Gorbachov: French President François Mitterrand has 100 lovers, and does not know which one has AIDS; George Bush has 100 security guards but does not know which one is the terrorist; and Gorbachov has 100 economic advisers and he does not know which one is sane! It is obvious that the Soviets and other Eastern European countries have been grasping for an alternative to the fatal Bolshevik model and practice. They are grasping at straws and have no clear idea of what works and what is acceptable, particularly under pressure of political and economic fragmentation. The Soviets, under the food and other shortages, have been susceptible to accepting the false notion of Thatcherism and similar Adam Smith models, as representing the success of the West, and the alternative to which the CMEA nations have recently returned.

Obviously, the collapse of the Bolshevik economic system in the form that it existed in the 1980s, strikes Eastern Europe and the Soviet Union with such dismay that there is a tendency to look to the West, on the presumption that Western propaganda is true and the Voice of America is reliable, to the effect that all Western economies are successful and follow the same so-called "free market" principles.

Precisely the contrary is true, of course; but, nonetheless, it appears that in Poland and in Moscow, there is no manifest clarity, on the surface, in reported discussion, on what is the alternative to which the Soviet economic reforms ought to lead. There is a disturbing predominance of tendencies to accept the cancer of Thatcherism, as an alternative to the cancer of primitive accumulation which the Soviet economy had already contracted, forgetting that Thatcherism is nothing but the Western form of primitive accumulation.

Apart from the fact that Soviet economic policy-makers are just simply not acquainted with the internal economic history of the dispute between the American System and the Lombard British East India system, there are specific features

of education in Marxism which tend to foster this disorientation, and these should be mentioned. First, Marx does not recognize the distinction, in the foreword of *Das Kapital*, between what might be called the American System and the British liberal system, except to prefer the British system as allegedly "more scientific."

In a quite related way, Marx's *Das Kapital* is permeated by his second error, of which he takes some note. He says repeatedly in *Das Kapital*, that he is leaving technological progress out of account, and this at crucial points, as in the latter part of Vol. 2 and the early parts of Vol. 3, as presented by Engels, in the presentation of what would be called today an attempted solution of a rather simplistic set of linear inequalities, as a way of representing capitalist accumulation. This leads of course in Vol. 3, into the famous paradoxical section on contradictions in capitalist accumulation, in which Marx notes with factual accuracy, but faulty analysis, that in capitalist growth—by which he means British liberalism and British East India Company growth in this case—the success of investment results in capital obligations whose demands far out-run the rate at which profit can be generated by production. Marx completely misunderstands that. Of course, what he says is true, that whenever the Adam Smith system or some approximation of it prevails, this is precisely the result. However, the reason he gives for it is the wrong reason. That is crucial.

Technological progress is the key to it. Wherever technological progress—capital-intensive, energy-intensive investment—prevails as a policy for society, the result which Marx sees as the law of capitalist accumulation, does not occur.

Secondly, Marx does note, but does not understand, that this contradiction of capitalist accumulation to which he refers, occurs in the discrepancy between the underlying productive forces, i.e., the physical reality of production and distribution of physical goods, and the accumulation of money or obligations for money payment. Essentially, Marx does not understand this money issue; that we see from very early on in *Das Kapital*, in his attempt to deal with the sources of money, the gold-monetary relations throughout.

### **Leibniz, List, and the American System**

Those in the Soviet Union who were schooled, more or less, in Marxian tradition—that is, the available interpretations of Marx by the so-called experts, excepting Rosa Luxemburg—would naturally be misled. If they see the failure of the Marxist-Leninist economic system, as least as it has been taught, they would tend, so to speak, to go back to Marx's sources—the British East India Company and the Physiocrat sources—and look at those things in the world about us which seem to be approximately successful and relatively wealthy, and which accord most nearly with the "free market" ideas of Adam Smith and Physiocratic ideas of Quesnay. That is the source of this misunderstanding.

As I have emphasized to Soviet interlocutors again and

again, the crucial problem which I have had to face in dealing with Soviet circles, in matters of the economy, is their failure to see that Adam Smith was anything but scientific, and to see the failures and dangers of the Physiocratic system of the opponents of Jean-Baptiste Colbert and Gottfried Leibniz. The essential thing, from the standpoint of Russian economic history, which I have emphasized also, is that to understand modern Russian history, we must go back to the time of Peter the Great, and consider not only the proposals which Leibniz presented to Peter the Great for the development of Russia, but examine also the success of the implementation of those proposals, up to the point that Peter's successors reversed these proposals, and reinstated serfdom, and so forth.

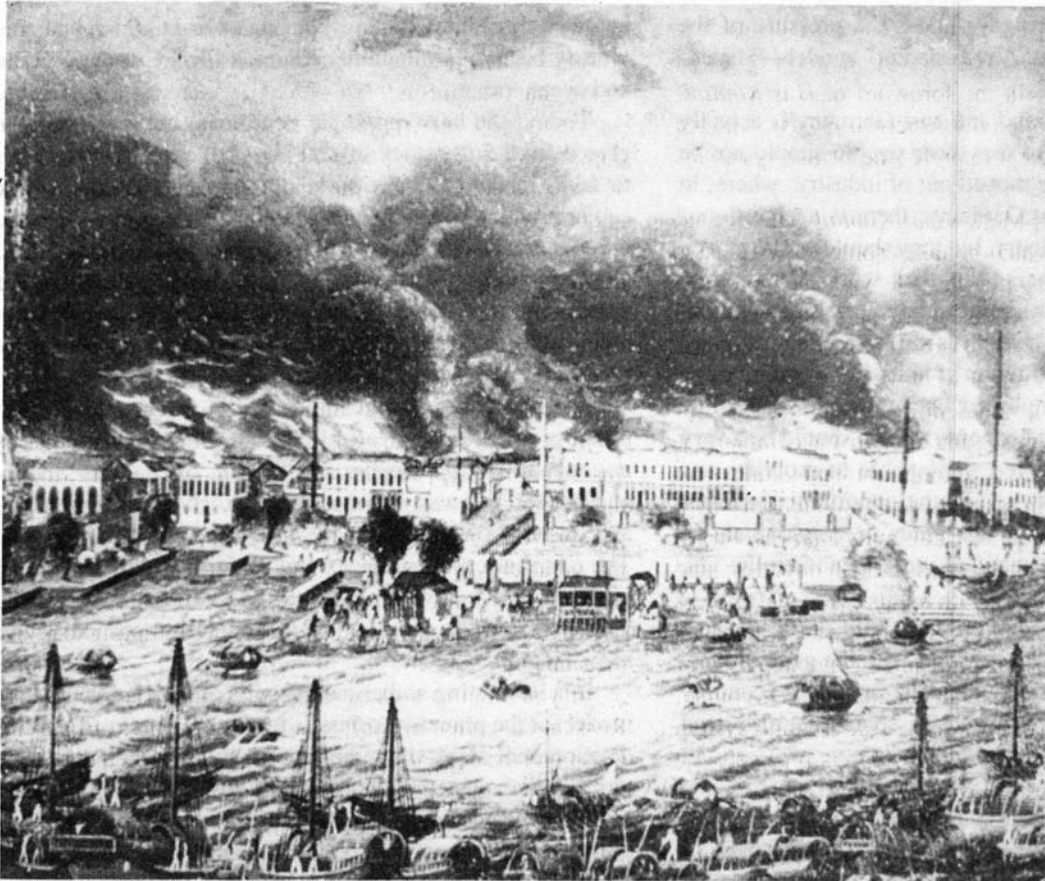
It must be remembered that it is a fair estimate that by approximately the middle of the eighteenth century, the industrial development of Russia outpaced that of England. It was only after the return to a more feudalistic regime, that the great ebb in Russian economy began, which persisted into the time of Czar Alexander II, when again a revival occurred. Later, we have P. A. Stolypin attempting to revive the same thing.

If you want to look at the successful period in modern Russian economic history, you have the period of Peter the Great and the decade immediately following, then the period under Alexander II, Count Sergei Witte, and Stolypin. These relatively great periods of success should point Russian thinkers to the proper point of inquiry, to Leibniz and to the American System, and to understanding the quarrel on economic policy as the principal immediate feature of the conflict between the Americans and the British in the 1776-1815 wars of independence; also the principal motive in the British creation of the Confederate puppet government, in the attempt to destroy the United States in the middle of the nineteenth century.

I would emphasize again these two points, that the Russian lack of understanding of the contradiction in economic policy within Western Europe and the Americas, is partly the result of the influence of Karl Marx's writings, and of Marxist writings on the points I have noted.

### **The role of the state**

The parallel between my proposals for development of the SDI and the development of the Productive Triangle, is that both require that a state function using three principles to foster rapid growth in a manner consistent with the earliest conceptions of U.S. Treasury Secretary Alexander Hamilton and Friedrich List, and Leibniz before them. The American System is the development of basic economic infrastructure by the state, and the understanding that it is the state's responsibility to generate the credit, the direction, and the maintenance of these projects. This is done either directly through state economic action, with the state as employer and economic entity managing these functions, or through the state creation of a relatively global system of regulation, within



*The Adam Smith school of "free trade" in action: This is a painting of burning opium warehouses in the Bay of Hong Kong during the Opium Wars, which the British Crown launched when the Chinese resisted the free trade in opium.*

the boundaries of the state and in cooperation with other states. The latter allows private interests to build, operate, and maintain some infrastructure monopoly, but under state control or regulation of that monopoly, under conditions which must be fulfilled in order to continue to enjoy that monopoly. That is the American System, as implicit in the first section of Article I of the U.S. Constitution. That is one method to foster growth.

The other is of course the fostering of technological progress, which means also a fostering of entrepreneurial activities in two respects. There must be a state-sponsored, i.e., national consensus, task-oriented project orientation, which has two aspects. One is a fostering of very high technology for the small entrepreneurships, exemplified by the machine tool shops, high-technology repair shops, and so forth, and the other for private agriculture and manufacturing.

The project which comes to the core of Leibniz and of the idea which is presented here, is the SDI, as it was conceived and presented to the Soviets as well as to the United States. It was a crash program employing new physical principles developed as an aspect of strategic ballistic missile and related military defense in such a manner as to spin off into the economy new machine tool types consistent with the same technology—the idea of the laser-related machine tools, the ultra-high-temperature, high energy-flux-density

plasma processes, and so forth. These things should become the commonplace of production through spinning off the military machine tool sector directly into the civilian machine tool sector, which thus is transformed. This technology applied to the smaller machine tool field, is spun off into agriculture and industry at the same time, and thus you get a highly rapid rate of per capita growth of productivity and standard of living at the same time.

We should also emphasize that large-scale state, or state-sponsored, or state credit-sponsored employment, in terms of the development of infrastructure (including education and medical health care delivery), is also a proper stimulus to the economy.

It should also be emphasized that there should be a policy of close to zero unemployment, of less than 1-2% actual unemployment of the candidates for the labor force in the economy, and this is to be accomplished by expanding infrastructural projects, not as artificial or arbitrary make-work, but as needed infrastructural projects, and expanding the completion of these projects to absorb idle labor. The stimulus to the economy provided by the employment and purchasing activity of the infrastructural projects, moves the economy as a whole.

Thus we see particularly the insanity which is developing in Poland under the Sachs model, and threatening to be a

characteristic of east Germany, under the pressure of the Anglo-American so-called “free market” model—Thatcherism.

Unemployment in Poland and east Germany is actually criminal folly, in the sense that these people should not be unemployed; they may be moved out of industry, where, in the case of Poland or east Germany, there is a superfluous redundancy in that big industry, but they should not be moved out into the streets. Rather, redundant workers should be moved out and absorbed appropriately in large-scale and other infrastructure projects, such as rail, water management, power, and even the construction of housing and so forth, so that no one should be unemployed, because that is an absolute waste and tends to glut the economy. There should be a very small fraction of unemployed attributable to mobility and special problems. There should be the opportunity to foster employment, by opening up the gates of employment in needed and economically justified work to absorb the idle labor.

This policy of developing infrastructure on the highest technological basis possible, together with the general view of things like SDI as the technology-driver for the economy in general, should be basic. However, something else must be considered: what I call the river principle.

### **The river principle and transportation arteries**

If we look at the history of Europe and of other parts of the world, we see a peculiar way in which water has played a decisive part in shaping the economic history of mankind, at least the successful portion of economic history. It is evident too, that the use of the seas, large lakes, and oceans for fishing and similar purposes, is one of the optimal ways of furthering communication and creating quasi-urbanized to urbanized civilization for simple physical reasons. It is through such communication, that the basis for systematic agriculture developed, by the bringing of various kinds of plant and animal types together in one location, and by the use of oceans or rivers for travel.

It is also seen that the logical continuation of quasi-urbanization, in particular some of the models of large rivers, tends to lead to an up-river kind of development—for example the Greeks. The conditions of water, energy, and logistical possibilities provided by water transport are crucial. This is obvious in relatively modern times in the case of the development of Europe, according to the plan of the administration of Charlemagne—the great canals and great transport network linking all of Europe into one system, or attempting to.

If we stand back and look in lapsed-time photography of the history of Europe, we see how these developments of inland and ocean and sea transportation determined the development of agriculture and urban life, and the economic history of Europe as a whole. We see with the emergence of the powered machinery, going beyond water power which is a part of the simple water system of development, that the

powered machinery naturally followed lines which had previously been determined in economic life by water systems and ocean travel.

Today, the basic principle continues, but if we wish to give them a finite stock of real physical capital, if we wish to take, in effect, the highest rate of improvement of per capita productivity and per hectare productivity of a region, we concentrate, in the sense of leading edge of concentration, the application of that physical capital along routes which correspond to ocean-river travel routes, and spread inland to other parts from there. Or, we use rail routes, which are more than rail routes—arteries—in a similar fashion.

By artery, we mean generally use of a river route, ocean route, or rail route as an artery. It is a pathway for movement not only of rail passengers and freight, or river passengers and freight, but also of other things, such as the generation and distribution of power, which is centered in this artery. The distribution of pipelines and so forth would tend to be centered in some way in association with this same artery. You will find the distribution of population shaped in the same fashion.

It is interesting sometimes to compare the Kepler-Gauss model for the planetary orbits, with what happens in healthy development along the major arteries. The large urban centers are like planets, with material following along in the orbit between these planets and so forth, with a concentration of mass in the urban centers, like a planet.

From these arteries, the impulse of the economy, the index of activity per capita, per square kilometer, moves out into the surrounding landscape, so that the development of the surrounding landscape is based immediately on the local service from urban centers on the main arteries.

Thus we have something which is very much like an astrophysical phenomenon. The development of Europe is the result of such a history.

### **Three great cities**

We have the emergence of a triangle, which is approximately Paris-Vienna-Berlin—three great cities in Europe. The fact that these are (or were) three very great classical cities is not accidental. These were intended to be centers.

Look at Vienna. Vienna is the center for the Danube, southern Europe. It is also the product of the Ostmark development. You have Budapest, which has a similar characteristic. When you look at Czechoslovakia, you see the Moldau connection into the Elbe in Prague, as reflecting something quite similar. You see Berlin, even though it was something of an artificial city, it was not really artificial the way it was developed; it had similar characteristics cutting into this great river system. We can go from Prague, by the Elbe River system, into Hamburg.

Berlin was developed as a classical city. One stands in the city of Berlin and one sees, in the way in which the city as a whole was designed, that it is a classical city. Vienna is

in many respects a classical city. Paris is in most respects a classical city, up until recent, insane speculative forms of real estate development began to make the city economically and ecologically sick and degenerate.

These three cities are crucial, and we see why. We look at the river systems, the inland transport systems, and we see exactly why these cities played this role. We see why also the very peculiar density of population concentration, urban concentration, and concentration of productive power within what we have designated as this triangle historically.

### **'Spiral arms' of development**

Now we stand back again and look at this also historically. We see that the natural development, from this kernel, this core, this triangle, of the economy of Europe, follows the pathways of what might be called "spiral arms." The term spiral arms is, partly, simply descriptively suggestive, but also it suggests a principle involved: the principle of spiral arms in developing galaxies. A natural and economical flow of production and materials is along these spiral arms. The greatest productive and energy efficiency is in these spiral arms, in such measures as per capita and per hectare density of physical output, also in ton-kilometers per hour, these efficiencies are absolutely crucial.

For example, take the problems of distribution of food and other essentials within the Soviet economy. The lack of an efficient rail system, at least high-speed double track and effective turnaround of boxcars, is showing its crippling effect. Other factors have entered into the recent disaster there, but the breakdown of the transportation system has been the most conspicuous feature of this process. So, the single-track system in the U.S.S.R., the lack of a double-track system or a very high-speed system, which I will come to in a moment, is crucial and prevents the Soviet economy from a rational, healthy development.

Just look at the population density of the U.S.S.R. in persons per hectare, and production per capita, per square-kilometer, over the U.S.S.R. as a whole. Look at the lines of communication—production, communication, flow of freight. In order to have the same efficiency as Western Europe, at what rate and what cost must freight move from Vladivostok to Moscow or Kiev? These are very obvious things. The military person would look at these things from a slightly different standpoint, but come up with the same observation. This is what the Soviet Union's development requires, as did that of the United States in the mid-nineteenth century: the most advanced sort of transportation to make its production approximately competitive in productivity with Western Europe during the foreseeable future.

What has happened is that the Soviet and CMEA economies used what Preobrazhensky would undoubtedly have still called in the postwar period "primitive socialist accumulation," to overcome or to compensate for three problems, apart from the sheer burden of a high per capita rate of mili-

tary expenditure relative to other countries. The first problem, was to compensate for underdevelopment by super-exploitation: low wages, and so forth. Second was to compensate by running down natural resources without putting modern infrastructure into place to develop them. Third was the failure to deal with the follies of agriculture: to recognize that agriculture had to concentrate primarily in the Black Earth areas and that the traditional form of agriculture in the Black Earth areas had to be improved upon in the same manner as the agricultural revolution had occurred around the family high-technology farm in the United States or in Germany or parts of France under de Gaulle.

### **Depletion of resources**

Therefore, primitive accumulation—the depletion of the existing man-made and natural resources, including human beings, to try to compensate (relative to the military requirement) for the lack of policy—is the central problem which has to be addressed now. What was lacking in the U.S.S.R. was an understanding of the Leibnizian principle of technology.

There was a lack of understanding of the role of basic economic infrastructure, and on top of it, an almost oriental cretinism within the bureaucracy. When I say oriental cretinism, I refer for comparison to the cretinism of the Indian bureaucracy, which mishandles the development budget of India, to prevent over decades a rational development of water management, of rails, of power generation and distribution. Similarly, in the Soviet economy, there has been a bureaucratic mismanagement of an oriental cretinism variety, which has prevented the understanding of what the problems and priorities are for actual growth.

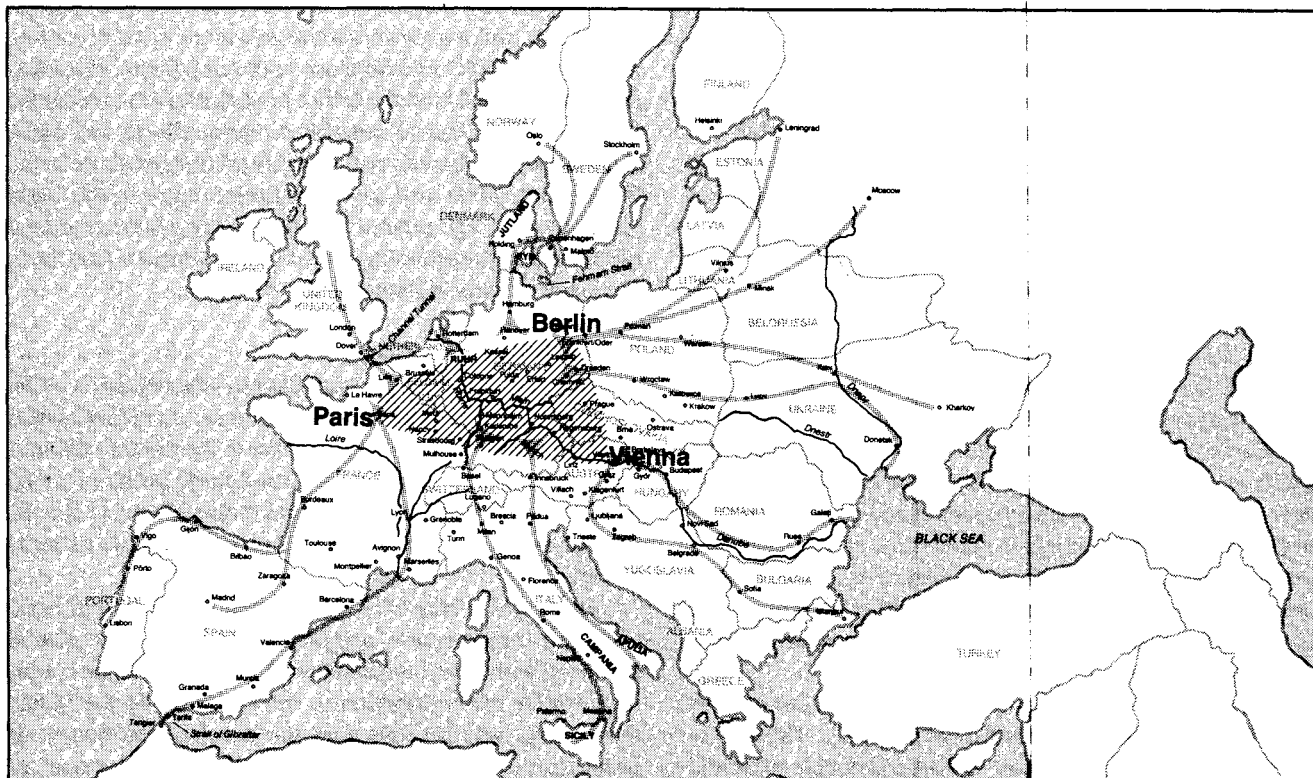
Primitive accumulation in these forms—that is, the depletion of resources combined with the failure to introduce the benefits of technological progress in the economy generally—results in the lowering of the actual reproduction potential of the society per capita, as is described in a recent book of mine, *The Science of Christian Economy*. This means that while society is maintaining a strong front (in terms of military potential), behind the military front, which is maintained in large part at the expense of the inner civilian economy, the civilian economy is collapsing. The civilian economy's roots are rotting out, and the whole structure then topples. The problem brings about the collapse of the entire structure, to the point where we now are.

### **A community of interest**

Had the Soviet government, in 1982 and early 1983, accepted the concept which I presented to it along these lines for the use of a necessary change from Mutually Assured Destruction (MAD) to strategic defense, to effect a common global effort for the use of methods based on new physical principles for the rapid change not only in military but the civilian areas of the globe, the present crisis and the present



## The 'Productive Triangle' and its spiral arms



problems in the U.S.S.R. would not exist.

But that is water over the dam: We cannot go back to 1982-83 and correct the error; we can learn the lesson from it. We have now, in reduced circumstances relative to 1982-83, a new opportunity, which is the Productive Triangle, which, it should be recognized, embodies, essentially from a different basis and context, the same principles which were embodied in the intent of the earlier proposal for strategic missile defense based on new physical principles.

The other problem here, which must be faced, and yet must be avoided, in a sense, is that the question is posed—as it has been posed since Dante Alighieri's *De Monarchia* and his related writings at the beginning of the fourteenth century—that the development of representative government, and also, I would add, the development of economy, requires a notion of national sovereignty based on two things. First, principles of self-government accepted by the people, i.e., a constitutional notion in the tradition of Solon; and second, the deliberation by the population and within the institutions of self-government, in the medium of a literate form of spoken and written language.

Thus, the question of what should be the political fate of the arrangement within what is called the Soviet Union, must attract our attention on this matter of principle, because we are dealing precisely with the defense of the principle of

sovereignty. What do people do with this problem? That is their sovereign decision to make. Therefore, the basis of cooperation must not be dependent on any arbitrary or negotiated assumption respecting the political future of Eastern Europe or the Soviet Union on this problem. Rather, we must say, that whatever the peoples of the Soviet Union do, whether they seek to divide from one another, in the sense of setting up separate states or maintaining some form of several or confederated central government, certain things remain concrete. These people have, together with the people of Western Europe, a certain fundamental common interest, in the economic security and well-being of one and all.

The most successful negotiations, and other related efforts, will be those which are equally appropriate (from a standpoint of this notion of common principles) for any outcome of the present developments within the Soviet Union, respecting the subjects of separation, confederation, and federation.

### Credit generation and banking

If there is not large-scale infrastructural development of the type we have indicated in Eastern Europe and the Soviet Union, as well as further infrastructural development in Western Europe, which is important, the situation in Eastern Europe and the Soviet Union is more or less a hopeless one.

Perhaps the most crucial obstacle to infrastructural development is the widespread and rather intensive belief, one may say blind belief, in the delusion that credit for large-scale infrastructural projects can be obtained only in the way in which the Bank of England, the present IMF and World Bank, and like-thinking institutions would prescribe. Fortunately, the belief is a delusion. Unfortunately, as we have indicated, the delusion is thus far widely accepted.

In the history of the past 500 years of development of the economies of Western continental Europe and the Americas, there are two opposing models for the creation of public credit for financing of basic economic infrastructure and promotion of trade. One is the familiar one, which can be called, from the history of feudal times, the Lombard model: the model of central banking based upon the principle of usury. The opposing model is sometimes identified with the American System of political-economy, that is, the system associated with Treasury Secretary Alexander Hamilton, Mathew and Henry (father and son, respectively) Carey, and with similar figures in Europe.

In the American experience in particular, this alternative to usury first appeared in the Massachusetts Bay colony in the middle of the seventeenth century. This colony, which was independent of the Parliament of Britain by virtue of a charter, and subject only to the monarchy, created its own domestic currency as a fiat currency drawn on the credit of the Commonwealth. Massachusetts Bay then used this credit by loaning it at very low prices, in the form of national banking, to foster circulation of goods produced in the Commonwealth, to foster what became a spectacularly successful growth in iron industries and other industries in the region.

This method of state credit was suppressed after the events of 1688-89, though there was a campaign for its restoration by Cotton Mather, and also in Benjamin Franklin's famous paper on the subject of a paper currency.

These methods were introduced cautiously as a form of national banking under President George Washington, at the initiative of Washington's Treasury Secretary Hamilton. Formally, this method of financing was used periodically up to the time of the late 1870s, until a corrupt Congress and President put into law, a British-sponsored proposal known to the history books as the U.S. Specie Resumption Act. Despite the Specie Resumption Act, which put the public and private credit and currency of the United States under the tyranny of London, these same methods of national banking were used in a mixed form later, notably in mobilizing for war.

### **National sovereignty**

The same principles can be adduced from the history of Europe. The principles are as follows: "Sovereign" government signifies that the government must be sovereign in all respects, including in currency and its indebtedness. Except as a government may be obliged to go abroad for the material

means of sustaining its domestic economy, there is no reason for accumulating a large foreign debt. As in the case of seventeenth-century Massachusetts, the fostering of development involves responsibility for the outcome, using methods of national banking to create a national currency in adequate supply, for purposes of lending this currency and credit at low interest rates to producers and sellers, and also domestic borrowers, and in some cases, foreign borrowers. If these loans are made prudently, that is, principally always for the production and circulation of useful physical goods, then the national debt created by the generation of this credit currency, will lead to no catastrophe or great disorder. Under these conditions, and under condition that capital-intensive and energy-intensive investment in scientific and technological progress is the mode fostered by the use of such credit, then the growth of national wealth, including the tax revenue base of the government itself, will always exceed (barring national catastrophe such as war) the amount of debt incurred by the state on account of issuance of such credit.

Thus, we have the two systems of credit. One, associated with the American System, is that the state creates a currency and maintains a monopoly on that currency, forbidding the creation of currency by private banking interests, or the creation of currency in one's own country by a foreign agency. The true national banking mechanism, including private banks which work with the national banking institution, circulates this created credit, or currency, at low interest rates to selected categories of borrowers.

The selection is based on consideration of prudence, ordinary banking prudence, and otherwise according to criteria of the type I have just indicated. These criteria are that scientific and technological progress should be fostered in a capital-intensive, energy-intensive way, such that rises in productivity and in absolute product, generated by use of credit at low interest rates, result in a greater production and rate of production of physical wealth, than is represented by the increase in debt and currency generated to foster this economic growth.

On the other side we have what might be called the British system, the Lombard system. Under this system, the assumption is made that the world must start from the fixed hoard of combined gold and paper money, and what not, in largely private hands. State works, if they are to be fostered by means other than current tax revenue, must be fostered by the sale of public debt to private holders of such hoards of gold and paper money. The government must pay whatever borrowing costs private financial markets demand.

Such are the two opposing systems of currency and credit.

The principle mechanism by which the collapse of the Anglo-American economies and world market have been caused during approximately the past quarter-century, has been the control of the Lombard markets in public and private debt, suppressing radically the remnants of national banking practice and related practices in the economies. The exemplifica-

tions of this error have been IMF conditionalities as applied to entire nations of the world, and otherwise in the United States itself, the so-called Volcker measures. One discussion of the Volcker measures is relevant to our purpose here.

### **The Volcker measures**

During the middle of the 1970s—1975-76 specifically—a task force associated with the U.S. offshoot of Chatham House, the New York Council on Foreign Relations, was commissioned, under the direction of Cyrus Vance et al., to produce a set of papers outlining proposed policies for the 1980s. The study was called the *1980s Project*. It was funded by the Lilley Foundation, and the proceedings were published by McGraw-Hill. This *1980s Project* became the policy of the Carter administration, the latter a Trilateral Commission creation, and were in fact the economic and related policies of the U.S. government in domestic and foreign affairs during the 1980s.

One of the central features of this collection of papers, is one which specifically attacks what is called, by the admirers of Adam Smith, mercantilism; and warns of the danger of the emergence of a neo-mercantilist, i.e., Hamiltonian-Listian policy, especially in the developing nations. What was proposed to prevent the rise of neo-mercantilism, is a tactic named specifically “controlled disintegration” of the economy.

During the spring of 1979, while he was campaigning in Britain for President Carter’s nomination of him as chairman of the Federal Reserve System, Paul Volcker publicly, specifically identified controlled disintegration of the economy, as part of the repertoire he proposed to bring to the U.S. Federal Reserve System and the world economy. What are called the Volcker measures, are those measures which are associated with the words “controlled disintegration” of the economy, set forth in anti-neo-mercantilist remedies, within the Council of Foreign Relations *1980 Project* papers.

What Volcker did essentially, was, first, to deregulate the U.S. banking system, at the same time that interest rates were driven to relatively astronomical or at least usurious levels, in a kind of shock effect echoed recently in the Jeffrey Sachs program in Poland. Interest rates ranging up to 18% per annum were the reality of the early 1980s, representing a cost of money borrowed from the Federal Reserve System, and obviously borrowed from other sources, which was double or triple the prevailing average yield on mortgages, in industry, in agriculture, and so forth.

The effect of this high-interest-rate policy, combined with the shock effects of banking deregulation, was to bring about the collapse of the thrift banking institutions of the United States, such that the savings and loan banking system was in fact already bankrupt from the onset of 1982. Similarly, these usurious interest rates drained money capital out of the money flows through agriculture, industry, and so forth to the effect that these entities resorted to primitive accumulation against

their own stored up fiscal capital and related improvements, as well as their labor forces and so forth, in order to increase sufficiently the margins of debt-service allotments.

The result was rapid de-industrialization and the rapid de-capitalization of agriculture and other things, and acceleration of the rate of depletion of basic economic infrastructure.

As a result, in fact, the United States has been in a process of physical economic decline since no later than 1970. This is particularly the case, and it is obvious that this is the case, if one takes into account the condition and state of basic economic infrastructure: water management, transportation, generation and distribution of power, and so forth, since 1970.

There is a \$3-4 trillion deficit, a built-up repair bill, in the United States in the area of basic infrastructure, built up since 1970. If that deficit is added to the shrinkage or lack of growth in other areas, then it becomes obvious that the United States has been in a generally accelerating rate of physical contraction since approximately 1970, and that this rate of contraction accelerates with the access to the Federal Reserve System of Paul Volcker and his policies of banking deregulation and controlled disintegration of the economy.

### **The new world order utopians**

One must never overestimate the sanity of governments and related leading institutions, especially these days. It ought to be recognized that the greater part of the Western establishment in power, has been operating for a quarter of a century under an increasingly obvious commitment to millennial utopian goals of a character most simply described as “New Age.” These utopian goals are reflected in social-cultural programs, associated with the introduction of the rock-drug-sex counterculture and with the fostering of malthusian goals in the name of ecology (as a substitute for the former emphasis on capital-intensive, energy-intensive investment in increase of the productive powers of labor and the welfare of society per capita through scientific and technological progress). It is also clear that the core of this pro-malthusian Western establishment, includes prominently among its advertised utopian goals, the millennial establishment of what is called sometimes a “new world order,” which is in effect a global pagan Roman empire, ruled in this case not by the Latin-speaking or Italian-speaking Romans, but by the Anglo-Americans.

That is what we see in progress at this moment—the attempt to use the United Nations, and particularly the Security Council, as an agent of Anglo-American utopian dictatorship by whim, over the planet as a whole.

Therefore one must, in these circumstances, where utopian goals, such as those of the Anglo-American neo-malthusians, or the most radical Eretz-Israel Zionists, are operating on the basis of a kind of paranoid-schizophrenic-like reality, make mistakes of attributing their behavior to what we might otherwise consider a rational consideration of relationship to

reality. These utopian forces, as the case of the World Wildlife Fund-World Wide Fund for Nature illustrates, rejoice with glee as they implement pseudo-scientific programs, ostensibly to save the planet's environment, but which actually are destroying the economy and bringing about the greatest imaginable catastrophe, in terms of mass death, famine, epidemic disease, and so forth, on the planet. In a similar way, these forces gloat over the sheer destructive effects of the most radical usurious program of a type variously illustrated by the Volcker measures in the United States, by the IMF and World Bank conditionalities policies, by radically insanely unscientific ecological programs, and by means such as the Jeffrey Sachs shock program.

To these forces who are historically associated with usury as the means of existence over thousands of years to date, the cult-like practice of usury, and the interest in maintaining the supremacy of the usury-based oligarchy over this planet, are the primary goals which act as a substitute for reality, or for what the rest of the human race, the rational majority, would consider normal and sane. For them, usury is not only their way of life, it is also the central part of the armamentarium used to destroy nations, to prevent nations from doing what the United States did over the period from 1776 to Abraham Lincoln's defeat of the British puppet government of the Confederacy.

Similarly, these fellows had never been concerned so much with the military power of Germany in fostering the two world wars of the century, but rather have feared, that the influence of Listian and related ideas inside Germany, if Germany were joined by France and Russia, among other nations, on the continent of Eurasia, would create a force like in nature what the United States tended to become, strong enough to eradicate the system of usury from this planet forever.

That is the situation today. These utopians see usury and its effects as the key weapon through which to destroy the potential for a Eurasian economic power strong enough to contain, perhaps to overwhelm, the power of the Anglo-American usurers, and thus to prevent the establishment and perpetuation of a global pagan Roman Empire ruled by the Anglo-American oligarchy.

That historical reflection situates, and is perhaps indispensable to assist one in understanding and discussing clearly, the issues of banking and banking debt policy today.

### **Current banking practices futile**

As long as nations believe, under present international monetary conditions, that one must use what are called generally accepted current international banking practices, as the exclusive acceptable mode for financing investment into infrastructure, industry, and agriculture, Eastern Europe and the Soviet Union shall never, within the foreseeable future, achieve the necessary development of infrastructure, agriculture, and industry. And under those conditions, in the present

physical conditions, the worst social and political, as well as economic, results must be expected. Thus, on this issue, there is very little room for compromise.

The fact that the Anglo-American financial system is collapsing, is the opportunity, as well as the time of necessity, for reintroducing what might be called "Hamiltonian methods" of national banking for the purpose of large-scale investment in basic economic infrastructure. To summarize what that implies: Through national credit, we are assigning,

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implicitly, idle labor and idle resources to productive employment, in developing basic economic infrastructure, as well as improvements in agriculture, industry, and small high-technology enterprise. In general, we restrict the use of credit for other purposes, as much as is possible, in order to avoid the possibility that the debt caused by use of other credit might grow as rapidly as the increase of per capita output of physical wealth.

Two considerations are primary, apart from the general emphasis on scientific and technological progress in a capital-intensive, energy-intensive mode.

First of all, we must emphasize the matter of proportionality, that there is a ratio of employment in the respective categories and sub-categories of production, such as infrastructure and its sub-categories, agriculture, manufacturing, and so forth, which in effect represents a balance in the same way that the division of labor in a factory represents a balance or imbalance. A balancing of investments for the optimal effect is of course a priority, as also is the matter of the generation of flows of trade, the circulation through markets, in such a manner to stabilize the growth of the productive tax revenue base and the national credit system itself. This will require international credit, and the strength of international credit will be dependent in the medium to longer term on the success of the national credit system used in the respective countries.

## British monarchy mobilizes against the Americas

by Mark Burdman

Will May 16 mark the day on which the United States officially becomes a colony of the British Empire again? On that date, Her Majesty Queen Elizabeth II will address both houses of the U.S. Congress, the first British monarch ever to do so. Judging from some of the latest pronouncements from circles in and around the monarchy, the intervention of herself and her royal brood might even imperil the further existence of the United States and of its Ibero-American neighbors to the south.

In an April 18 front-page article, the London *Daily Telegraph* claimed that the proposal for the Queen's speech had first come from "the British side," but was then "enthusiastically endorsed" by House Speaker Tom Foley (D-Wash.), who arranged for her formal invitation. The paper gushed that Capitol Hill is "buzzing" over her appearance, "with few pausing to consider the historical significance of welcoming the Queen to the heart of the government of the former colony that had rejected her royalty." The *Telegraph*, owned by the pro-British Empire Hollinger Corporation of Toronto, Canada, further claimed that congressmen will be "fighting for seats" and it will be an "opportunity for members to cheer," in contrast to the usual practice of congressmen shunning joint addresses.

The British daily said that the Queen is likely to "congratulate President Bush, the Congress, and the American people for their leadership in the Gulf." According to *Time* magazine and the London *Guardian*, she will join U.S. Gen. Norman Schwarzkopf in a ceremony in Tampa, Florida and grant him an honorary knighthood.

The London *Guardian's* Washington correspondent Martin Walker reported May 1 that the Gulf war and ensuing Middle East crises were absolutely vital in restoring a U.S.-British "special relationship" based on the concept that "blood is thicker than deuschemarks," after a period in early 1990, when it had appeared that the U.S. was tilting toward

Germany. "The courtier classes of Washington are fighting for invitations to the Queen's garden party at the British Embassy on May 15. British troops have been invited to take an honored place in the ranks of the Victory Parade on June 8. . . . And as a very senior British diplomat smugly confided to the British press at the height of the war, 'U.S. officials say that we are part of the State Department. It's as if we were one bureaucracy.'" Walker noted that the British are now very nervous that U.S. policy could soon tilt toward closer coordination with the Germans and the Japanese, purely because of the desperate economic situation within the United States.

The Queen's schedule will include a May 14-16 stay in Washington, where she has been invited on a state visit by President Bush. On May 15 is the cited garden party, where, say British sources, she also hopes to meet "average Americans." Following this, she will be visiting Florida (Miami and Tampa) and Texas (Austin, San Antonio, Houston and Dallas) over the May 17-23 period.

### Humans as microbes

It is most ironical that the Western media have spent so much energy in slandering Lyndon LaRouche for his alleged (misreported) claim that "the Queen of England pushes drugs." Pushing drugs would be a relatively minor crime, in comparison with what the monarchy is openly espousing.

On the night of April 22, the royal consort Prince Philip's World Wide Fund for Nature (WWF) held its annual "world conservation lecture," delivered this year by Stanford University's Dr. Paul Ehrlich, notorious for his more than two decades of "population bomb" propaganda and for an array of ghoulish proposals for reducing population. His message this year was that human population growth is a fundamental cause of the destruction of the world's environment, and that conservationist groups must not "allow population growth

and the things associated with it simply to continue. . . . By 2020, at present rates we're going down the drain." Ehrlich particularly targeted Americans, charging that the average U.S. citizen does 50 times more "damage" to the planet than the average Bangladeshi.

On April 26, Prince Philip chaired a gathering at St. George's House in Windsor, the unofficial think tank of the British monarchy, where Britain's highest level influentials gather to elaborate future trends in imperial policy. Former British ambassador to the United Nations Sir Crispin Tickell delivered the annual lecture. Sir Crispin blamed human population growth for such phenomena as global warming and the destruction of "bio-diversity." He insisted that policy planners shift their thinking from seeing the world's resources and development in "economic" terms to seeing these issues in terms of a notion of "biological value," to arrive at a notion of the "biological value of eco-systems."

According to the *London Times* account of his address, Sir Crispin then likened the human race to microbes on a laboratory plate, with food in its center, and the microbes multiplying in accelerating numbers and at their most prolific as they reach the edge. "Then the food runs out. The microbes die in their multibillions, and extinction takes place." He said that "for us, unlike the microbes, there is still a chance," if the human race deals with "accelerating changes to the environment."

He asserted that all past human civilizations had crashed, because none had reached a well-regulated "steady state," with population in balance with natural resources. "There is no reason to believe that ours is any different. Indeed, current signs are to the contrary." This address recalls Prince Philip's own statement, some years back, that he wished to be reincarnated as a deadly virus, so he could more effectively reduce world population.

Sir Crispin is one of the architects of the new world order that President Bush is seeking to implement. As British U.N. ambassador in the weeks after Iraq invaded Kuwait, he helped to rally the United Nations Security Council "Permanent Five"—the U.S., U.S.S.R., Britain, France, and China—behind the Thatcher-Bush drive for war.

### **The dismantling of America**

Prince Charles, the heir to the throne, was spending the April 22-27 period in Brazil, delivering his environmentalist message to Brazilian governmental and business elites. The highlight event was an April 26 tête-à-tête on the royal yacht *Britannia*, bringing together such luminaries as British Petroleum head Sir Robert Horton, Lloyds Bank chairman Sir Jeremy Morse, U.S. Environmental Protection Agency director William Reilly (a long-standing collaborator of Prince Philip), European Community Environment Commissioner Carlo Ripa di Meana, and Club of Rome financial patron Maurice Strong, who is secretary general of the 1992 U.N. Conference and Environment and Development (UNCED), in Brazil.

That monstrous gathering, which is now being referred to as the "Earth Summit," will have as its theme "sustainable development," a fancy term for denying countries south of the Tropic of Cancer the right to industrialize. "Sustainable development" was also the theme of the April 26 meeting on the royal yacht *Britannia*, which meeting might be considered the launch-point for an intensified international mobilization for the 1992 ecologists' extravaganza in Brazil.

The Amazon meeting was organized by a recently formed group called "Business in the Community International," which has been assigned the task of coordinating the global activities of Charles Windsor's "Business Leaders Forum." This forum was formally launched in February 1990, appropriately enough in Charleston, South Carolina, the city that was the hotbed of the British-fomented Confederacy plots of the mid-19th century, leading into the American Civil War. The Business Leaders Forum receives funding from the Atlantic Richfield oil corporation (ARCO), among others. ARCO, under the aegis of its former director Robert O. Anderson, has been a chief funder of environmentalist activities for two decades.

Both Prince Charles and his wildlife-loving father are promoters of the cause of the Yanomami Indians and other Amazon nativist phenomena. International publicity for the "plight of the Yanomami" is coordinated by the London-based Survival International organization. Survival's special pamphlet on the Yanomami begins with an appeal from Prince Charles, published under his photograph. This is in line with what the London *Independent* of April 27 characterized as Prince Charles's desire to restore the "ancient sense of kinship with nature." As Survival emphasizes, the Yanomami are spiritists and believe in the efficacy of shamans (loosely, a combination of magicians and witch doctors).

There is yet a deeper and more noxious intent involved here. Both Philip and Charles are involved in the gnostic-pagan mobilization to oppose the 1992 celebrations commemorating the 500th anniversary of Christopher Columbus's "discovery of America," and the ensuing Christian evangelization of the Americas. Prince Charles has held that discovery responsible for unleashing global processes damaging to the environment, while the WWF had begun, already back in 1987, to work with various "indigenous" groups. As for North America, Prince Philip backs its restructuration into various "bio-regions," a commitment that he formalized in mid-May 1990, when he was the key speaker at a meeting of the North American Conference on Religion and Ecology (NACRE), the group which promotes the "bio-regional" idea. At a Washington press conference organized by NACRE, Philip openly expressed his preference for pagan religions over the Judeo-Christian-Islamic monotheistic tradition.

So, for the Windsors, it is not enough to undermine the joy in the discovery of America. With their trips to South and North America, the Windsors and their brain-trusts seem intent on destroying the Americas, South and North, today.



# Racist demographics of Bush's genocide

by Joseph Brewda

As a result of George Bush's Operation Desert Storm, one out of every two Iraqi infants has died, yielding one of the highest infant mortality rates in the world, in what was formerly a relatively advanced and industrialized developing country. As recently declassified U.S. National Security Council (NSC) documents dating back to the 1970s show, this is a deliberate policy by the Anglo-American establishment, to deal with what they consider the "population problem"—the fact that, in their view, too many black and brown babies are being born in the world.

That genocide is the official policy was again made clear on April 30, when the U.S. government announced that it would veto an Iraqi request for the U.N. to authorize it to sell \$1 billion of oil to purchase desperately needed food. The continuing embargo on medical and food relief is ensuring that millions more Iraqis will die of starvation and epidemics this summer. The U.S. Air Force has also threatened to shoot down an Iraqi plane spraying insecticide, claiming that the insecticide might be used to poison insurgent Kurds. As a result, some 60% of the wheat and barley harvest is threatened with destruction.

Meanwhile, the U.S. administration has encouraged the Israeli government to continue its oppression against 1.7 million Palestinians in the Occupied Territories. During the war with Iraq, Israel cut off all food supplies to the Palestinians, transforming the territories into a gigantic concentration camp. Despite U.S. Secretary of State James Baker's supposed new peace initiative, Israel is building new settlements in the territories, designed to displace the Palestinians.

There are several reasons for this U.S. policy. One reason is generally overlooked. The Palestinians of the Gaza Strip have the highest birth rate of the Mideast; the Iraqis had—until the war—the second highest. Jewish Israel, on the other hand, is, except for Soviet Jewish immigration, barely sustaining its own population.

Bush war's with Iraq has partially reversed this demographic trend. The infant mortality rate in Iraq now exceeds 50%, while the death rate of children overall is 10 to 20 times what it was before the war, the Red Cross reports.

## A Kissinger policy

In last week's *EIR*, we published excerpts from recently declassified NSC documents which reveal that the policy being imposed on the Arabs is not a new one. In spring 1974,

shortly after he personally set up the 1973 Arab-Israeli war, Secretary of State Henry Kissinger prepared a 200-page, top-secret study entitled "National Security Study Memorandum 200: Implications of Worldwide Population Growth for U.S. Security and Overseas Interests."

Kissinger lists 13 "target countries" in which the United States has a "special national security interest" in reducing those countries' populations. One of these countries is Egypt. The Gaza Strip, seized by Israel in the 1967 war, is part of Egypt.

Here is what Kissinger has to say about the demographic relationship between the Arabs and Jews of the region in NSSM 200: "Egypt with about 37 million today is growing at 2.8% per year. It will approximate 48 million by 1995, and more than 85 million by 2000. . . . With Israel starting at today's population of 3.3 million, the disparity between its population and those of the Arab states will rapidly increase. Inside Israel, unless Jewish immigration continues, the gap between the size of the Arab and Jewish populations will diminish."

This difference in Arab and Jewish population growth has an "ominous" effect on "U.S. interests," Kissinger concludes. For such reasons, he continues, Egypt must be induced to reduce its population growth rate. A similar policy applies toward Israeli Arabs, and Arabs in the Occupied Territories.

## Israel, Islam, and the new world order

It is noteworthy that Kissinger, in this and related declassified documents, decries "religious factors" and "pro-natalism," which make it difficult to convince states like Egypt to accept population control. It remains unstated, but obvious, that one of the primary reasons for the U.S. government's hostility toward Islam, as in the case of its hostility to the Vatican, is Islam's aversion to abortion and contraception. For such reasons, Islam cannot be assimilated, at least in its present form, into the "new world order."

If a population, such as the Palestinians or Iraqis, will not reduce its population growth voluntarily, its population can be reduced involuntarily. Wars and disease, as well as the usurious financial policies pursued by the International Monetary Fund, which increase malnutrition and disease, are such means.

Kissinger's reference to Jewish immigration is particularly striking.

In 1971, Kissinger held a series of meetings with then-Soviet Foreign Minister Andrei Gromyko relating to the ongoing negotiations over the Strategic Arms Limitation Treaty (SALT). But that was not their only topic of discussion. They also took up the issue of opening the floodgates for mass Soviet Jewish emigration. These Jews, who were first allowed to enter the United States in the 1970s, are now, through U.S. and Soviet agreement, only allowed to emigrate to Israel.

# Bush vetoes European Defense Union, promotes 'New Atlanticism'

by Michael Liebig

On April 25, journalist Jim Hoagland described in the *Washington Post* and *International Herald Tribune* the attitude of the Bush administration toward Western Europe. Hoagland wrote: "The United States has belatedly discovered that European unity may be too much of a good thing. . . . America does not want the accelerating drive for European unity to result in a European bloc that makes its own decisions on defense and trade policies and then presents them as a *fait accompli*. Europe for the Europeans is a great idea, up to a point. That point is reached when Europe becomes a rival rather than a partner." The Bush administration will therefore launch a political drive for the "New Atlanticism," Hoagland reported.

This campaign, carried out via the trade war doctrine of Director of Central Intelligence William Webster, who has identified the United States' industrialized allies as its new "enemies," is already in full swing. It targets, as we have been reporting in recent weeks, Europe's—above all Germany's—high-technology and defense industries, its agricultural policy, its "dirigistic" economic policy in eastern Germany, and the "dirigistic" trade policy toward Eastern Europe—above all, the Soviet Union. Now, it is being aimed against a European security policy.

The United States opposes an independent European defense because it is relying on European participation in further colonial adventures in the Third World, like the just-concluded war on Iraq. Any independent European entity might ultimately resist such participation.

## Tentative and contradictory

The European security policy is still tentative and contradictory, as the joint initiative of French President François Mitterrand and German Chancellor Helmut Kohl of Feb. 4 makes clear. The two leaders stated their firm intention to create a European Union *including* security policy and military dimensions, but at the same time, the Mitterrand regime—and to a lesser extent the Kohl government—are, on key world political questions, following a completely opposite policy from their stated objectives. Indeed, in early February, France was deploying troops to fight in an "Entente

Cordiale" alongside the Anglo-Americans in the Persian Gulf, in what former French Defense Minister Jean-Pierre Chevènement dubbed a "colonial-era expeditionary war."

Meanwhile, Great Britain and its continental partner, the Netherlands, are thwarting in the European Community and Western European Union every real advance toward a European "defense identity" in security policy and military matters. Moreover, the creation of a European Defense Union, of which Great Britain would be a member, is a contradiction in terms. The Anglo-Americans want to maintain the present political and military structure of NATO—except that it should be redirected against the Third World.

## Gaullist concept needed

Any real reform of NATO and creation of a European Defense Union must be oriented toward the fundamental strategic thinking of Gen. Charles de Gaulle and his associate General Beaufre, from the 1960s, when de Gaulle was President of France. The continental European governments who set up the European Community in 1957 must today create the European Defense Union. Only when the core "Carolingian" states of Europe—France, Germany, Italy, and the Benelux nations—are unified around the content of a European Defense Union and its effectiveness has been proven, can the union be extended to the whole area from Portugal to Poland.

At the end of the 1970s, the American thinker Lyndon LaRouche fashioned his concept of the future shape of the European-American relationship on lines similar to de Gaulle's thinking about European security. The core of this approach is that a European Defense Union would form the military framework for Europe's primary strategic goals: 1) economic and social progress for Europe, including Eastern Europe, also with respect to the United States and Japan; 2) political reform through economic development of the present Soviet Union within the framework of stability; 3) stability of the Third World through economic development.

But the strategic objectives of the Anglo-American elites are heading in a different direction. In their scheme, Western and Central Europe would remain politically and militarily

divided, in order to further play the "balance of power" game on the continent. The creation of an economic zone from the Atlantic to the Urals or even to the Pacific Ocean would be prevented. The present-day Soviet Union would be weakened politically and economically allowed, over a long period of time, to "stew in its own juices." It goes without saying that this strategic orientation excludes any transatlantic partnership on the basis of *equality*.

The Bush administration sent a secret demarche to the governments of the European Community in February. In it, the U.S. government categorically ruled out any European Defense Union, alleging that by weakening NATO politically, it would undermine the U.S.-dominated integrated command structure, and that excluding the United States from the shaping of European security policy would lead to the creation of transatlantic blocs, in which a tendency to include Poland, Hungary, and Czechoslovakia would have a negative impact on the security interests of the United States.

This "veto-demarche" has since been delivered to European capitals by high-level officials of the State Department, James Dobbins and Robert Zoellick. Their boss, James Baker III, had the same line when he spoke to the EC foreign ministers on April 18 in Brussels.

In the cited article, Jim Hoagland claims that what has Washington worried, is that Germany is now associating itself positively with traditional French efforts to create an independent European defense organization, and post-Thatcher Britain is somehow willing to incline toward a "more European policy." So, "the French reservations cannot be dismissed by Washington as a narrow French viewpoint, as in the past." All of this wrangling has forced a postponement of the NATO summit from this summer until late in the year.

Zoellick, one of Secretary of State James Baker III's most trusted aides, demanded in a speech April 23 to the Atlantic Bridge meeting in Berlin, that Germany not "pursue separate security policies that prevent it from demonstrating alliance solidarity." Further, with evident reference to Germany's positions vis-à-vis the Gulf war and the current NATO strategy review, Zoellick warned that if Germany stood outside alliance actions beyond Europe, it would confront "more pressure to contribute on the economic side." But whatever Germany would give in this form, he added, "it will never be enough" to quell resentment from those who provide the military forces for such operations.

Zoellick also insisted that European integration not lead to "insularity." Evidently with reference to the GATT-"free trade" process, he demanded that Germany (in Hoagland's paraphrase) "accept responsibility for protecting the world trading system as a whole, instead of seeing trade issues only through the European Community prism." The fact that Zoellick delivered this speech in Germany, Hoagland stressed, "denotes special concern that Chancellor Helmut Kohl may be following the French down the primrose path of

gutting NATO so that the Community can assume European defense responsibilities."

Urgent appeals, like that of German Defense Minister Gerhard Stoltenberg on April 13 in Washington, that the United States and Europe must not fall into a trade war and become politically estranged, are likely to fall on deaf ears with the Bush regime. When Alfred Dregger, one of the most high-profile proponents of the European Defense Union idea, states that it is fully compatible with NATO and would strengthen the European security pillar of the Atlantic Alliance, the Bush administration peevishly rejects this—especially since Dregger thinks that the European Defense Union means a "partnership among equals" between Europe and the United States. And that is exactly what is being prevented.

Dregger, a seasoned military expert who can hardly be accused of naivety about the Russian threat, traveled in mid-April to the Soviet Union where he met with Marshal Sergei Akhromeyev and Defense Minister Dmitri Yazov as well as

## Yugoslavia extremists in pre-May 15 push

The Yugoslav crisis, which had been contained through most of April by the vehicle of regular weekly meetings of the Presidents of the six Yugoslav republics, has exploded again.

The centrifugal thrust toward a breakup of the federation among Serbia, Croatia, Slovenia, Bosnia Herzegovina, Macedonia, and Montenegro, has been accelerating due to the wrecked economy after years of Yugoslavian obedience to the International Monetary Fund's austerity dictates. The toppling of communist regimes all over Eastern Europe has also fueled the drive for independence by the republics, especially Croatia and Slovenia.

But the crisis had been somewhat defused by an agreement reached in April by the six Presidents. The agreement called for a republic-by-republic referendum to decide Yugoslavia's future, either to become a league of sovereign republics, or to continue as a federation. This arrangement now threatens to go up in smoke.

There is nothing spontaneous in the latest round of violence between armed Serbian militias and Croatian police, April 30-May 3, in the regions of Croatia dominated by that republic's Serbian minority. The shootings, which have claimed at least a dozen lives, are the result of a drive by arch-Serbian extremists, backed by their supporters who form one faction in the top Army leader-

Chief of General Staff Gen. Mikhail Moiseyev and other top military representatives. Upon his return, Dregger quoted Akhromeyev that "the creation of the Western European Union is objectively inevitable. We must for our part forge ties to our former allies bilaterally. That would change the role of the United States, whether they like it or not." Dregger then added, "I can say, that I agree fully with Marshal Akhromeyev on this."

There are growing indications that the Bush administration is not only directly torpedoing the European Defense Union project, but is also making a renewed bid to win influence in Moscow, by appealing to a common superpower interest against Western and Central Europe. The Bush administration seems to be pulling back from the position, "We are the only superpower, and Moscow should stew in its juices." This shift appears to be occurring for three reasons. One is that U.S. influence on Soviet internal and foreign policy was waning. The second, that a full scale economic

collapse and a bloody civil war in the nuclear-armed Soviet Union heralds incalculable risks, even for the United States and Western Europe. Third and above all, that Germany's influence on Moscow in the economic, and as the statements of Akhromeyev indicate, security policy domain, is steadily growing.

Even if the Bush regime lacks the will and the capacity to stabilize the Soviet internal situation through real economic cooperation, it now wants to upgrade the "special" relationship with a weakened Soviet Union. One place this could be manifested is the Middle East. The Baker-Bessmertnykh talks in the Caucasus on April 24-25 point in that direction. Moreover, in June, Bush wants to bring off a summit meeting with Gorbachov. The primary objective of this summit for Bush is to slam down the "window of opportunity" for real economic and security policy cooperation between Western and Eastern Europe, which opened up again in the wake of the Gulf war.

ship, to torpedo the referendum agreement and instead promote a breakup of Yugoslavia and a civil war.

These extremists believe that out of the ruins of a civil conflict, a Greater Serbia can emerge this year, which would incorporate all areas in all republics of Yugoslavia where the Serbian population predominates.

### **Tight deadline**

The Serbian extremists are operating on a very tight timetable, up against the deadline of May 15. Until that date, a nationalist Serb, Borisav Jovic, is Yugoslav State President, and thus, political commander-in-chief of the Armed Forces. This capability has been repeatedly exercised during the last days of April and first days of May to deploy Yugoslav Army units into the Serb-inhabited Croatian republic regions of Knin and Krajina.

After May 15 that capability to legally intimidate a republic, such as Croatia, will have evaporated. Under the Yugoslav system of an annually rotating the state presidency, Jovic will have to make way for his replacement, the Croat, Mesic, who will never allow the use of the Yugoslav Army on Croatian soil.

Serbia is also about to lose its present assured five "yes" votes, the minimum required on the collective state presidency for deploying the Army. Serbia had acquired the fifth vote through a byzantine arrangement with the centrally located republic of Bosnia, which has a Muslim majority, and a large Serbian minority. In exchange for Serbia refraining from repeating in Bosnia what has happened in Croatia—i.e., the launching of an armed movement for autonomy in the Serbian regions—Bosnia had sent an ethnic Serb as its representative to the state presi-

dency in Belgrade. But on May 2, at the height of the latest violence in Croatia, Bosnian President Izetbegovic announced that he will "very soon" recall the Serb and replace him with a Bosnian Muslim.

A third element of instability, likely to encourage desperate actions by the Serbian extremists, was added by the unforeseen shift in the Armed Forces' leadership in late April, when Defense Minister General Kadijevic, a moderate Serb, suddenly became gravely ill, and was forced to relinquish his day-to-day running of the Armed Forces. This responsibility has been filled by Chief of the General Staff General Adzic, a rabid Serbian nationalist.

The first sign of an explosion that could blow up the political settlement occurred on Monday, April 29, during the regular weekly meeting of the six republic Presidents. This meeting was held in the Montenegrin capital of Cetinje, at the former Royal Palace, seat of the pre-World War I monarchs of Montenegro.

During a break in the proceedings, Croatian President Franjo Tudjman gave a press conference, as he had done at all five previous such meetings. This time around, *bona fide* journalists were in a distinct minority. The room was packed with non-journalists, clearly deployed by the Serbian-dominated Yugoslav secret police. Tudjman was subjected to a torrent of provocations and insults, causing him to end the press conference but then to also leave Cetinje and break up the meeting of the republic Presidents. By this tactical blunder, he had accomplished the goal of the Serbian disrupters.

Twenty-four hours after this staged incident, mass violence began to erupt in the Serbian-inhabited regions of Croatia.—*Konstantin George*

# Youth group exposes 'Get Mahathir' gang

by Lydia Cherry

The Zionist movement in Australia is "attempting to topple" Malaysian Prime Minister Dr. Mahathir Mohamad, according to the United Malays National Organization (UMNO), the youth group of the ruling party. The group, whose membership includes high-ranking officials in Kuala Lumpur, insists that the campaign launched by the Australian side is not just to discredit Dr. Mahathir but to topple him. The Australian Zionists "fear the intensive growth of Islam in the region and Malaysia is a bulwark against their intentions," said Haji Mustapha Yaakub of UMNO's international affairs bureau, according to Malaysian press April 27. The spokesman also said that Umno Youth had found that the Zionist movement in Australia had links with certain leaders in the Malaysian province of Sabah, where there is separatist unrest. "They are given special treatment in Australia, and Umno Youth believes that the Zionist movement there and the anti-federal campaign carried out in Sabah have certain connections," he said in a statement. He noted that the Asia-Pacific Jewish Association, which is backed by the World Jewish Association has made Australia its regional center of operations. A day later, a Malaysian police inspector was quoted saying that police would now closely monitor the connection between the two groups as alleged by Umno Youth.

The statements by Umno Youth make no reference to what the American and Australian elites see as an unforgivable initiative that Dr. Mahathir launched last December in proposing the "East Asian Economic Group" (EAEG). Mahathir's economic grouping would include the six members of the Association of Southeast Asian Nations—Malaysia, Thailand, the Philippines, Singapore, Brunei, and Indonesia—and add Japan, China, South Korea, Taiwan, Hong Kong, Vietnam, Cambodia, and Laos. It would specifically exclude Australia, Canada, and the United States. The United States and Australia have been emphatic that were Mahathir's idea to be realized, the bloc would directly compete with the economic group founded by Australia in 1989 with U.S. backing, the Asia-Pacific Economic Group (APEC).

This bloc initiative has incurred the wrath of Henry Kissinger and has spurred U.S. officials to go to "all the countries in the region trying to prevent the EAEG's formation," according to *New Straits Times* April 30. Nonetheless Dr. Mahathir continues to organize for the initiative "like a determined insurance salesman," a U.S.-run wire service bemoaned. Malaysia's International Trade and Industry Min-

ister Datuk Seri Rafidah Aziz has also been moving around the region explaining Mahathir's initiative, insisting that "ASEAN should not be intimidated by threats by superpowers to withdraw funds or grants" if countries go along with EAEG.

On April 1, the Malaysian finance minister met with State Department counselor Robert Zoellick, and later told reporters he had explained to the U.S. side—once again—that EAEG is a "loose venture to protect the region . . . a diluted version of the North American Free Trade Agreement." He explained: "It is not true that we want to exclude the U.S. from the region. . . . They have APEC."

The kind of economic alliance envisioned by Dr. Mahathir, however, is very different from NAFTA, as it has been proposed with Mexico. While the latter entails putting into operation what has been termed an "Auschwitz on the border," Mahathir has consistently addressed the question of the developing sector. As he explained in Bali, Indonesia March 4: "Membership of the group by developing countries should serve to remind the other members of their responsibility to the developing world. A concerted effort can then be made to boost the economic growth of the weaker members." In Bali, with Henry Kissinger present, Mahathir also addressed, as has the Malaysian press since then, the "severe erosion in [America's] economic position and welfare" and warned that the U.S. is not beyond using military force to back up its economic intentions.

## APC exposes Australian wing of the destabilization

Umno Youth spoke of a press release from an Australian political group, the Australian Peoples' Conference, that was carried by Malaysian press April 26. "The attacks on Malaysia's prime minister have all the pawprints of the Anglo-American-Zionist establishment," writes the Australian People's Conference in the cited press release. The APC notes, for example, the role of one Michael Danby, the editor of *Australia-Israel Review*, a member of Prime Minister Hawke's faction of the Australian Labor Party, and a key figure in the Zionist propaganda machine. Danby personally penned a poisonous editorial attack on Mahathir. In the February 1990 issue of the same magazine, Danby had run a virulent slander of Lyndon LaRouche and *EIR*. Danby's piece against Mahathir, according to the APC, was then "disseminated in the Australian media and to Australia's leading politicians."

Noting the distortions in *The Australian* regarding remarks made by Singapore Senior Minister Lee Kuan Yew on the EAEG, Malaysia's *Business Times* quotes the APC: "It may be no coincidence that *The Australian* is owned by Rupert Murdoch, a business partner of Sir Peter Abeles, and a close friend of Australian Prime Minister Hawke and a longtime supporter of Australia's Zionist community." Concludes the APC: "Australia is clearly acting as an Anglo-American junior partner in keeping the [EAEG] proposal from being realized."



# Italy: ex-communists, bankers sound alike

by Leonardo Servadio

"I see on the horizon a very dramatic crisis in the Christian Democracy," said Italian Republican Party (PRI) leader Giorgio La Malfa in an interview published by the Catholic weekly *Il Sabato* at the end of April. La Malfa was elaborating on his ideas in the debate raging over what kind of "institutional reform" to implement in Italy.

The debate is dramatized by repeated attacks against the Italian economy from the top international authorities on finance. German central bank Governor Karl-Otto Poehl and the International Monetary Fund (IMF) have criticized the huge government debt, which this year surpassed the annual gross national product, and is burgeoning due to a yearly interest bill of some 130,000 billion liras (\$100 billion). The IMF is demanding drastic cuts in Italy's spending; Poehl claims to be worried about Mafia interests eating at the public trough.

Moody's investment rating house has threatened to downgrade Italy from the highest rating on the international markets, AAA, to AA. The policies being proposed to put Italy's economic house in order require austerity measures. The only way to avoid them would be to carry out a real long-term productive research and development and infrastructural investment program, accompanied by a real fight against corruption. But while there is big talk about building infrastructure as a "lever" for economic growth (especially, high-speed railroads and a bridge over the Messina Strait separating Sicily from continental Italy), so far the actual capacity to implement positive policies has not been there. Due to this impasse, the watchword is: Make the institutions more efficient, so that finally things can get done.

## 'Alternative' would kowtow to U.S.

This is the context for La Malfa's decision to keep his small but influential Italian Republican Party, which represents banking and Freemasonic interests and has historically been backed by Anglo-American intelligence, out of the present government coalition, even though the PRI has been allied to the ruling Christian Democrats in the Italian government ever since World War II. La Malfa's move seems to pave the way for an eventual, British-model "alternative" to the government with a different majority. In Italy, this could only pivot around the former communists of the Democratic Party of the Left (PDS), the next largest party after the Christian Democracy. La Malfa hopes a split inside the Christian Democracy would

reduce its power and boost the "alternative."

Such a split would stem from two factors: 1) the collapse of the communist threat (the presence in Italy of the West's biggest communist party was deemed a major reason why Italian voters kept giving the highest percentage of votes to the Christian Democracy since World War II); 2) the anti-American stand taken by the Church recently. "When the Church has a foreign policy view such as that which it expressed with great force during the Gulf war, and like that which it announced will be contained in the upcoming social encyclical (with the accent on the defects and limits of the capitalist system), I see for the Christian Democracy the risk of a split," said La Malfa. "The post-communist Church makes it impossible for the Christian Democracy to remain Italy's biggest party. A situation might emerge in which the CD, in the future, becomes two different things: a strictly Catholic CD, based on the position, so to say, of Communion and Liberation,"—the Catholic political movement which has been blunt in its criticism of the Gulf war and the Freemasonry—"and a totally different CD, more secular and European."

By more "secular" and "European" La Malfa means, apparently, readier to kowtow to Washington. La Malfa's analysis hits the nail on the head. Italy's Catholic forces will never go along with the various brands of "consumerism" and predominance of financial capitalism which define the present U.S. model.

However, the ex-communists of Achille Occhetto's PDS have no such scruples, and are taking all the needed steps to get plugged into the international authorities which might support a PDS entry into the government in the Christian Democracy's stead. Last year Occhetto visited the temple of capitalism in New York, meeting with the Council on Foreign Relations and David Rockefeller. Then he went to the State Department. It was a first step, coordinated with Gorbachov's wing of the Soviet Communist Party. At the same time, he moved to introduce his party into the Socialist International, building on longstanding ties with the German Social Democrats.

Now Occhetto has taken another big step. He went to Israel to meet Labor Party leader Shimon Peres and Prime Minister Yitzhak Shamir. With Peres, Occhetto was in "total agreement," as the Italian press reported. With Shamir he had disagreements but apparently not dramatic ones. Occhetto issued a self-criticism: "Often among us there was the tendency to identify Zionism with religious fundamentalism. But we were wrong, since Zionism was born as a movement of national liberation, pluralistic, and full of different cultural and political orientations."

"The State of Israel was not the maker, but the victim of the Cold War," said Occhetto; hence, the end of the Cold War will help to end Israel's isolation. Given the tight connection between Israel and the Italian Republicans, this might be interpreted as a move by Occhetto, toward an internal alliance with La Malfa's party.



# Persian Gulf war scandals highlighted in British press

by Mark Burdman

Factional warfare among the Anglo-American oligarchy has broken out in the form of a series of articles which have appeared in the British press since mid-April exposing some of the manipulations and frauds that were employed to bring about the war in the Persian Gulf. One aspect of this may be the apportioning of blame for what is becoming an uncontrollable mess throughout the Middle East region.

The substance of the items now being exposed in the British media was already reported months ago in *EIR*, even if the new revelations in Britain contain new details. *EIR* made a point of exposing these scandals before George Bush launched the insane onslaught against Iraq. In Britain, some of those newspapers now publishing the revelations were supporters, in some cases avid supporters, of the war.

## The Bazoft saga and Tiny Rowland

On April 23, the *Daily Telegraph* reported on the May release of a book on Iraq by *Financial Times* journalist Simon Henderson entitled *Instant Empire* (Mercury House, London). According to the *Daily Telegraph*, Henderson asserts that Farzad Bazoft, the London *Observer* journalist whose execution by Iraq on charges of being a spy “was a milestone on the road to the Gulf war,” was in fact a spy for the British intelligence services, carrying out a highly sensitive operation to spy on Iraqi military facilities under the direction of an official of the British embassy in Baghdad when he was apprehended by Iraqi authorities. According to Henderson, Bazoft’s surveillance of Iraq’s Qaqa military facilities and attempts to determine why an explosion had happened there, were part of a wider British intelligence-CIA “sting” operation to uncover and abort Iraqi military procurement operations. When journalist Bazoft was chosen for the espionage task, he was “already on the books of British intelligence, which cooperates closely with the CIA,” although he was later “left to hang” by the British after his capture.

Henderson’s point is hardly to defend Iraq’s hanging of Bazoft. But as the *Telegraph* review suggests, the international outrage over the hanging was exploited by the British and Americans, to win “public opinion” over to a war campaign: “The perception of his treatment was a factor in the metamorphosis in the public mind, particularly in America—

of Saddam the useful container of the revolutionary Iranian theocracy to Saddam the ‘new Hitler’—which gave President Bush the popular support he needed for his stand over Kuwait.”

The question of whether the Iraqi leadership could have avoided falling into a trap, by having punished Bazoft other than by hanging him, is not the immediate issue. Bazoft was cynically sacrificed by his intelligence masters, in a dangerous game that provoked the Iraqis in such a way as to make a confrontation in the Gulf all the more inevitable.

Henderson is sticking by his story, in response to complaints that he is defaming the memory of a man who was brutally treated by Iraq and that his contention of Bazoft’s espionage connections is untrue. One such complaint came from the editor of the *Observer*, Donald Treford. However, the *Observer* itself has a lot of explaining to do. One mystery that has never been sufficiently explained, and which none of the exposes in Britain so far has touched on, involves the circumstances of *Observer* owner Tiny Rowland’s trip to Baghdad, in mid-July, nominally to arrange the release of British nurse Daphne Parrish from a Baghdad prison. After Rowland’s departure, the British Foreign Office began to make cooing noises to an Iraq that was ostensibly suddenly back in Britain’s good graces. Yet just at that moment, Saddam Hussein began to dramatically up the ante, with violent threats against Kuwait. Did Rowland promise something that induced Saddam to move toward confrontation?

## ‘The CIA has been destabilizing Iraq’

Meanwhile, the daily *Glasgow Herald* (owned by the same Tiny Rowland), has publicized elements of the set-up and manipulation of Iraq. On April 16, the paper reviewed a new book by former high-ranking CIA official John Stockwell, *The Praetorian Guard—The U.S. Role in the New World Order*. Stockwell’s main thesis, is that George Bush is committed to a series of wars in, and against, the Third World, in order to divert attention from his growing domestic problems, including his implication in the “drugs-related Iran/Contra aid deal,” and in pursuit of the policy of Bush’s hero Theodore Roosevelt, who confided to a friend in 1897: “In strict confidence—I should welcome any war, for I think

this country needs one.”

Following the 1989 war against Panama, the war against Iraq is the second application of this strategy, but not the last. Stockwell charges that the Bush administration and the CIA first intentionally *provoked* Iraq, and later *encouraged* it to move against Kuwait. He is quoted by the *Herald*: “Through Kuwait, the CIA has been destabilizing Iraq. During the Iran/Iraq war of the 1980s, Kuwait advanced its border further north and seized valuable Iraqi oil reserves. By manipulating oil prices, Kuwait cost Iraq billions of dollars in revenues.” Beyond this, the United States, through Ambassador to Iraq April Glaspie, conveyed to Saddam Hussein, in late July 1990, a reassurance, in effect, that it would not respond to any action by the Iraqis against Kuwait. Stockwell is quoted in the April 16 *Herald*, insisting that the U.S. “had its own imperatives” in launching “expensive military action” against Iraq, beyond the issue of Kuwait as such.

The magazine *Private Eye*, in the edition dated April 26, claims to base its account on secret Kuwaiti intelligence reports that it has recently obtained, reports that on Oct. 22, 1989, the director-general of state security in Kuwait, Brigadier Fahd Ahmed Al-Fahd, had a long meeting with the Kuwaiti Interior Minister, “who, like all top ministers, is related to the emir.”

Says *Eye*: “As a result of that meeting, the brigadier traveled to the United States for long and anxious interviews at the headquarters of the Central Intelligence Agency. On Nov. 14, 1989, Brigadier Fahd had a long meeting with the director of the CIA, Judge William Webster. Webster and all his officials emphasized throughout these meetings that they must be kept top secret ‘in order not to arouse sensibilities among our brothers in the Gulf Co-Operation Council, Iran and Iraq.’” Fahd’s account asserts that “the CIA was willing to take joint steps to eliminate points of tension in the Gulf region.”

According to Brigadier Fahd’s own report, Webster also encouraged the Kuwaitis “to take advantage of the deteriorating economic situation in Iraq, to put pressure on that country’s government to delineate our common border. The CIA gave us its view of appropriate means of pressure.” Such means were chiefly to do with oil prices. Paraphrases *Eye*: “If oil prices could be kept down by the Kuwaitis, the CIA suggested, the pressure on Iraq to settle the border dispute would grow. This proved prophetic. Iraq was so squeezed by the low oil price that it invaded Kuwait and started the Gulf War.”

Other parts of the documents detail how Kuwait’s Amiri Guard, the crack unit which guards the royal family, had to spend increasing amounts of time trying to control the Kuwaiti royal family’s degenerate behavior, including drunkenness, gambling, use of prostitutes, etc.

### **The authoritarian Emir and his Kuwaiti torturers**

In the early stages of the Gulf crusade, *EIR* had exclusively reported on the practice of slavery by the Kuwaiti

ruling family, as evidence that Bush and his friends were rallying the world behind a bunch of slave traders. Now, one of the British papers which most fervently supported the Thatcher-Bush campaign to “liberate Kuwait,” is publicizing shocking material on the Kuwaiti leaders’ behavior. On April 27, the Establishment’s London *Independent* published front-page headlines of a size usually reserved for Britain’s tabloids. The lead article was headed, “Kuwait’s Royal Torturers: U.S. evidence links emirate’s ruling family with death squads murdering Palestinians.” A second front-page piece was entitled, “Inside the Sheikhs’ chamber of horror.”

Since the end of the U.S.-led shooting war against Iraq, many stories have come out about Kuwaiti brutality, against Palestinians, Iraqis, dissident Kuwaitis, and others. But in terms of details and sensationalism, the April 27 package is a departure. One central contention of the *Independent* coverage, is that the ruling family, while under “allied” protection in Saudi Arabia, was devising a plan for the mass expulsion of Palestinians from Kuwait when and if the al-Sabah family came to power. Although the *Independent* doesn’t pursue this angle further, it mentions that the U.S. State Department was aware, while Iraq was still occupying Kuwait, that the Emir had such a plan being prepared. The articles convey the idea that the United States set in motion several operations to contain, or nullify, aspects of this plan, but at the same time, certain unnamed U.S. Special Forces and other U.S. Army operatives seem to have played a role in either covering up for, or expediting, the brutal treatment of Palestinians, once Kuwait was “liberated.”

The “chamber of horrors” story is about “brutal physical and psychological torture” that still takes place, in Geewan, a Kuwaiti military complex “controlled and operated by Kuwait’s ruling al-Sabah family.”

The *Independent* ran an unusual front-page editorial entitled “The Emir must clean up his act.” Noting that “last August, the United States and Britain pledged to restore the Sabah family to its hereditary throne in Kuwait,” the paper commented: “Not to put too fine a point on it, we pulled the Emir’s chestnuts out of the fire. . . . But the revelations on this page raise a question which will now be asked in exasperation all over Western Europe and North America. In terms of human rights, was there a pennyworth to choose between the autocrat we fought against, and the autocrat we fought to defend? While he was sheltering behind our armies in Saudi Arabia, the Emir was preparing to evict some 200,000 Palestinians from Kuwait with the greatest brutality, simply because they were Palestinians. When we had restored him to his fief, his country was disgraced by barbaric acts of torture hard to distinguish from those ordered by Saddam Hussein himself. . . . If the authoritarian Emir does not clean up his act, he may learn that the Western democracies will not forever tolerate as an ally a ruler who so grossly offends their sense of decency.”

# The supermen and the crocodiles

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*By novelist Michel Butel, one of the very few Frenchmen who have dared to speak out publicly against France involving herself in the Gulf war.*

*Mr. Butel is a French novelist who contributes regularly to a new French monthly called L'Autre Journal. He has given us permission to reprint a shortened version of his attack on Bush's "new world order" which originally appeared in France in March 1991.*

All about us, the feeling that something extremely serious has just happened. We know it, but we do not know why. For many of us who were against the war, it meant we were alone, shaken, living through a personal tragedy. The war happened so fast we even wondered if things could possibly be as bad as they seemed, as bad as we thought they must be. This was a silent war, a war the real pictures of which will never be broadcast; this was a war of animals. We went around telling people that for France to wage war alongside the Americans was to bring shame upon our people. Others did not attack us openly, but thought to themselves "Was France not ashamed?"

In truth, we hid our shame and kept it for ourselves. We spoke of the war in an undertone. In the cafes, in taxis, while joking or just chatting, our voices were hardly more than a whisper: We felt embarrassed at being among ourselves. We had premonitions of what was to come.

Precisely at the point you are being pressured to act, and act swiftly, hesitation swells up inside you. In the headlong rush to war, standing on the threshold of war, our weakness, our hesitation, becomes our strength. At such moments, the mere fact that you ask a question, that you say: "Wait, for God's sake, wait!" even without knowing what waiting will bring, that fact alone becomes an act of insubordination. Now, if that slight holding back has become a proof of insubordination, what kind of a world are we living in? How have we allowed things to go that far?

Among the obstacles thrown in the way of our struggle, was not only Saddam Hussein's foul conduct: There was also our refusal to grasp that we were about to enter a new world, the consequences of which had to be carefully mulled over. This world-to-be slunk in like a wolf, under cover of the shadow in which crime flourishes. Those who strive toward that thing so aptly called "the new world order," knew per-

fectly well that the less said about the real aims of their project, the better. Whereas, those who opposed the project did not know *how* to oppose it. There lies the bankruptcy of intellectuals today. There lies regression. There lies our infantilism. An agonizing experience you go through is supposed to toughen you up, to give you a backbone of steel, to put ideas to the test, to bring up powerful new arguments. Whereas, were the world to stop this second, you would remain with the idea that nothing had happened in this war, that there is no point in doing anything anyway.

Not a single film-maker worthy of the name spoke out against the war in his own way, while everyone complained that "there are no pictures." We were told that there were no pictures because of strict U.S. censorship, and that there was no point in reacting against this. If we allow ourselves to believe that, we plunge still further into infantile regression. We will give up thinking up ways to aim sniper fire at these propaganda tools. This is where the laughable and the unbearable meet. What is laughable, is that there has never been a time when artists and intellectuals have been so well off. They are so persuaded, or perhaps so sure, that their fate and their freedom to create are wholly dependent on handouts, that they have lost even the strength to fake being awake. There is no such thing any more as politically committed art, whether it be writing, or film-making. A bunch of mercenaries, level zero.

What is unbearable, is the fact that we *could* have made a film about the war. We could have started filming George Bush waking up, having a nice breakfast. He would have liked that, he would have liked to be filmed, he would have considered it a godsend. Then you'd see him sitting at the breakfast table, wearing a nice dressing gown, or maybe going to Sunday service. You'd see Mrs. Bush with her grandchildren, wandering through their lovely gardens. What you need is to watch the everyday rounds of the people who wanted this war. If we could get information on the American Generalissimo, for example; if he drinks 30 liters of beer a day, then let's show it. That quiet, peaceful, pleasant day, with Mr. and Mrs. Bush and their lovely little family, and then the right kind of musical soundtrack—that would

be the most violent film you could make on the war.

We are embarked upon a ship of fools sailing toward the destruction of the world. This work of destruction begins by destroying each individual human being. War has been declared on each member of the human race. At the moment, we still lack any idea of the forms which this war will take on in the near future. The American people decide nothing in this respect. What decides is the American state, whether Republican or Democrat, but as an abstraction, an *it*, which preys upon each and every one of us. In such a way did the changing of the Communist ideal into Stalinist terror, drive men, women, adolescents, artists to suicide. From their very childhood, millions of human beings have already lost all hope, they know they will never become what they might have been. In the same way, the "new world order," before killing men by bombs or napalm, destroys and humiliates throughout the world: It gets at people inside their own mind, it creeps into their conscience, by tearing down the hopes by which mankind is invented, mankind being an invention of men who, together, are mankind.

Whether in the Arab world, in Spanish America, or in the West, we need, I think, a new form of accountancy: We have to learn how to count millions of rays of hope, which have been extinguished among millions of children and adolescents, by this "new world order." Rays of hope, burnt out before these children were old enough even to know consciously what hope is, before they could single out as the killer the State which aims to rule the world. Try to imagine this: There is a layer of hope, as clear and identifiable as the ozone layer, a layer of hope which mankind depends upon to be able to recreate itself. It is that layer of hope which is being wiped out.

### **The Americans today**

Fine. I write that, and you tell me I'm going too far. But can't you see that the hour has struck in which the whole world is about to be turned into the Third World? Sooner or later, the Americans will blow up, they will lose their temper and their heads because of the decent, cleanly side of the Germans or the Japanese. Sensible, nice people will calmly write that the Americans are taking on other economic superpowers. Wrong! What frightens the Americans, is precisely that the Germans and the Japanese *do* have a decent, cleanly side. While the Americans roar in their Protestant rage that they have to watch everything, monitor everyone, clean up everything, in reality what they want is mankind changed into a kind of sub-species, groveling in the dirt, writhing under epidemics, too filthy even to step on. The Americans want the rest of the world to become filth. They want corruption to reign everywhere, because their power feeds upon it. Then only two things will remain: their moralizing speeches, seeking God, convinced that they, the Americans, are like Him, as they cry "See, see our sins!"—while they point the finger at mankind which has become filth, from Mexico to

Shanghai. The more the world sinks into criminality and Third World conditions, the more our liberal thinkers drone into our ears: "Nonsense, that's not what we want! America stands for popular emancipation!"

America does not desire to do good. The "new world order" doesn't give a good goddamn about good. It seeks proof of evil; evil must be there, right here on Earth, in order for good to be necessary, and for them to be able to keep up their strange dialogue with the God of that religion they believe in. Their program: to ruin all economies on this planet; that program is being carried out right now. The future: a very few Anglo-Saxon centers where all decisions are taken, "managing" economies and societies which have totally broken down and can no longer be "managed." That future is almost upon us. The program: Spread narcotics, spread violence, consumerism, corruption. They are the program. We have become the virus.

America is no longer contained within her own borders. America is everywhere. The problem is neither George Bush nor the present U.S. administration, as such. Go to the U.S. and see, on the one side, Cape Canaveral, Silicon Valley, and so on, and on the other, the hordes of homeless, the mentally ill who have been dumped onto the streets. This is the society which America wants to export to us. Her ambitions will be thrust upon us by force of arms, by economic and theological means, by her concern to "re-educate" us all. With the "new world order," we have acquired a new schoolmaster. An era opens where the mafia of Law will peer over all our shoulders and help us do our homework. Advisers will swarm among us, poring over our national accounts, helping us think, rewriting our national constitutions. One world empire, mankind like bees in her beehive.

### **'We are the law'**

Even were we to allow that there is such a thing as the idea of law as righteousness, how can we pretend that it is anything but totalitarian? In the name of Marxism, or what they claimed was Marxism, the Khmer Rouge worked on exterminating their own population, down to the last man. Don't expect a weakness such as pity from the righteous! Expect only ferocity beyond belief. I know I've upset and shocked you by saying that the U.S. has declared war on the entire world, on the right of each man to create his own life as he pleases. But there never has been an idea of the law as righteousness, which has not been a criminal idea, an idea cooked up to justify one crusade or another.

Religious world order, Marxist world order, "new world order," these orders have been overthrown only by successive waves of insurrections and by rebellious minorities. The time has come to stop avoiding this question: Is it not true, that when a state adopts its own peculiar brand of morality, it has decided to become a criminal state?

We are entitled to demand from the state that it do something to make sure it survives, for example, that it sign what-

ever agreements are necessary to keep our oil supplies on line. But no state should go beyond such tasks. No state has the right to feel afraid. An individual who feels afraid spells trouble for his friends and for himself. That's bad enough. Fear throws all human relations into doubt. Thus, to fear death, is to fear something which we have not to fear. A state cannot allow itself to feel fear, it has no right to such feelings. Where necessary, the state must organize its affairs in such a way that it need not fear. But a state which indulges itself

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*No resistance is possible unless we be convinced that there is such a thing as thought, that the ideas, the forms of organization which can change the world, do live and will remain.*

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by proclaiming its own morality, a state which sets itself up as arbiter of what is good and what is evil, while wielding quite different forms of power than that of religion, is a state which perpetrates the same crime against mankind as religious fundamentalism.

In the entire history of mankind, there has never been a state so imbued with its own righteousness as America. This state seeks to persuade us that *it is the law*. From the dawn of human history, I truly believe that no threat has appeared so great as the unshakeable belief of the American state in its own morality. The greatest ecological threat we have ever faced: the spread of this American righteousness, faster than any chemical or bacteriological threat, against which we lack any defense.

Should we boycott their hamburgers, their Coca-Cola? Things are way beyond that. Inside each one of these wonderful objects, lurks the same folly, whether it be the McDonald's empire or the Coca-Cola empire: a hygienic craving for super-profits, which seeps through in their films, in their popular music. What other peoples in other countries like to do, their tastes, the natural acts of everyday life, are seen as criminal acts, to be struck down by their barbarous desire for a society of clones. Under watchful eyes, we are all supposed to become spectators turned to stone. On the one side, the Angels of God, the supermen of the future, apostles of righteousness. On the other, the trash, the sub-species, men who may, who knows, revert to the state of crocodiles in 10,000 years.

This American war is too serious to be left in the hands of those who are waging it. The thing has gone beyond the military as such. Very soon, American strategic reverses of recent years will be avenged. A machine has been put into motion which moves on like a robot. Even people who think they are safe, scientists for example, are in for ugly surprises, if anything they have done may have harmed the Americans in any way whatsoever. The good old days when America

would allow herself to be voted down from time to time, have gone. Now, they will run everything. The IMF, the FAO, UNESCO, the U.N. Even those who protest from the sidelines will not open their little yaps unpunished. Sweet, sensitive Americans, vulnerable down to the nerve-ends in their finger tips: If you want to rule the world, you need pro-consuls in every corner of it.

This "new world order" is a sickness, worse than any pandemic. I believe that people have something on the tip of their tongue, a vital truth, which they fear to speak. For example, you read in the press that there was a coalition of the entire world, which threw itself upon a country the size of two provinces of France. Don't stop there. Try to understand this: Facing us, there was a territory, something which doesn't move, which can't get away. Then suddenly, a huge searchlight goes on, oscillating and turning on its axis, all in the name of international law, and then a target wanders into the path of the light. That's it. It's over. The target is taken out. Iraq, Kuwait, who cares? Maybe Syria, maybe Pakistan tomorrow. Who knows, why not China later? Why not Europe?

Somehow, the Catholic Church had a premonition that this war was not her war, that this law of righteousness was not her law. The Church, which has always backed imperialism, seems to have shaken herself, realizing that she is being dragged at top speed down the road to an unknown theological destination. It seems unlikely that the Pope feels much admiration for this war waged under the banner of international law. Were the Pope to openly break with the policy, America will seize the chance offered by the next election in the Vatican to restore order to the Church. Attack by fragmentation.

I turn to Europe. I have only one question: Do the Italians still exist? Is there such a thing as Spain anymore, or Portugal? Does human life go on in those regions of the world upon which "international law" has not yet turned its searchlight? America now finds Europe utterly satisfactory, because Europe has come to mean the complete wasting away of the substance of each one of the individual nations of which she is composed. That is the *sine qua non* condition for Europe to exist today. Any singular thing, any peculiarity, must be given up, disavowed. To enter Europe, put on a new suit, the same as everybody else's. A total abstraction. Just like America, where, once having uprooted the culture and the past of her minority groups, she tells them to become more American than the Americans.

### **Resistance and 'human rights' ideology**

There is no such thing as resistance unless that resistance believes in changing this world, no matter how much you are laughed at, no matter how much people say that technologically, or militarily, you must fail. Unless you do that, all you are left with are more or less disgusting forms of collaborating in propping up and spreading the old order. Whether in Czechoslovakia or here, that is the net outcome of "human

rights" ideology. In its more conventional, respectable forms, you have campaigners for safety at the work place, Amnesty International, Doctors Without Frontiers. They treat workers so they can go back and die happy of silicosis. They manage to get a grotesquely tiny number of victims out of the hands of their torturers. They patch up the wounded so they can march back to die on the battlefield. This "human rights" ideology has thus erected a mirage of charity—harmless, selfless, a wretched little crusade subordinated to the great Crusade of America. And so the freshly baked Eastern European democracies decide to send their symbolic contingents out to fight in the Gulf. Artists of the world, where are you? Those soldiers need a new uniform. A successful dress designer could do it, he could stitch them up a uniform for the new model human rights soldier.

No resistance is possible unless we be convinced that there is such a thing as thought, that the ideas, the forms of organization which can change the world, do live and will remain. We must pick up the strands of a very venerable idea: the idea of autonomy and singularity. To be a subject. It must said over and again that thinking is not something which "just grows." Merely putting away wrong ideas is not thinking. To come at a thought which is real, is a long and hard process. Unless we are willing to make an unbearable effort, we will go on playing right into the hands of our enemy. Just as we have talked ourselves into believing we have got an insurrection under way, the truth comes out that we are asleep and have created nothing.

Clemenceau fired upon war invalids. Sooner or later, the Americans will open fire upon demonstrations inside their own country, maybe men and women sick with AIDS. The Americans proclaim that they have struck the heart, that is Baghdad. To strike the heart, is to strike at the place from which all movement comes. To strike at someone in the place from which his life flows. Children are the heart of mankind. Do not believe that this "new international law" will shrink from striking into that heart one day soon. Spoken trippingly off the tongue, the word "law" is terrifyingly evil. This democratic agreement on what is the law kills and maims. Those who rely upon it have no opposition anymore. They no longer have any interlocutors save themselves. They have become capable of anything, nor will they hesitate to rub out anyone, anywhere.

The world begins to quake before the thunderous peals of laughter of a beast who cares for nothing and believes himself to be eternal. This beast mocks us all. His first victims struggle through what seems to be an endless sea of cynicism. Where is the shore? Where shall we find help? No one can say. Though we are more in the minority today than we ever have been, because this order is more totalitarian today than it ever has been, we must find the power to imagine, the power to create; we must say it aloud: Our best weapon is that we know with absolute certainty that it is right to fight this.

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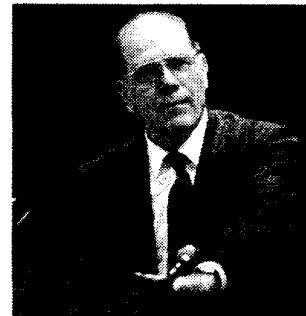
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—Lyndon H. LaRouche, Jr.

# IN DEFENSE OF COMMON SENSE

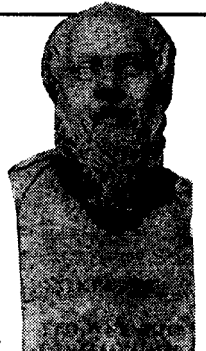
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## Prince Charles boosts green agenda

*The unemployed prince peddles "self-sustained development," which means no development at all.*

**D**uring his April 23-27 visit to Brazil, Prince Charles, who apparently has nothing better to do with his time, called on the country to adopt "self-sustained development," which is a new name for the same old British Empire colonial free trade. He manifested no inclination to hide the British monarchy's desire to return Brazil to its colonial status as a supplier of raw materials, as it was at the beginning of the last century, when King Dom João VI of Portugal imposed on the young Brazilian nation the British free trade system.

In São Paulo on April 25, Charles spoke before the First Businessmen's Forum on Community and Environment, sponsored by the Business in the Community International, a group he created himself. The prince began his speech by invoking the name of the guru of free trade, Adam Smith, nostalgically recalling the relationship that once existed between the Empire and the subjugated nation.

"Our trade relations go back many years," Charles said. "In fact, the decision by Dom João in 1808 to open the ports of the Portuguese colony of Brazil to all friendly nations, based on the defense of free trade advocated by Adam Smith, was a considerable step in the direction of independence. By 1821, one year prior to independence, Brazil had become one of Great Britain's most important foreign markets, absorbing more British merchandise than Asia, and 80% of all British exports to Latin America."

Charles was accompanied to Brazil by the ecological-fascist group in

charge of organizing Eco-92, the international conference on the environment to be held next year in Rio de Janeiro, whose chairman is Maurice Strong, a Canadian member of the malthusian Club of Rome. During their stay, they campaigned in favor of "self-sustained development." For the Third World, this means returning to a level of pre-industrial development.

While emphasizing the "wealth of natural resources" Brazil possesses, Prince Charles got to the real issue which concerns him: ecology. "Today it is extremely clear," he said, "that since the publication of the report *Our Common Future* by the Commission on Environment and Development, if we continue to produce energy, manufacture, produce food and fish, and use the forests the way we are doing today, and if the world's population continues to grow at its current rates, we will drastically reduce opportunities for prosperity."

Maurice Strong was unable to hide his hatred for the human race. Speaking before a businessmen's seminar in Rio de Janeiro, Strong commented on the outlook for the species' continued existence: "If the human race were a company, 'Human Race, Inc.,' we could say that it works without maintenance, administration, or accounting. That means, it's heading for bankruptcy."

"Reversing this catastrophe," he added, implies "transforming its economic behavior," and, using the same analogy, a brutal reduction in "the company's" population.

Both Prince Charles and Strong have been coordinating their efforts to bring together a single world forum dealing with ecology and self-sustained development, a business grouping characterized by its ties to the so-called British Israelite group, and committed to a free trade agenda. Prior to the Brazil meetings, during the first week of April, a group of over 700 international businessmen met in Rotterdam, the Netherlands, convened by the Business Council for Self-Sustained Development, a creation of Strong's right-hand man, Stephan Schmidheiny, a Swiss.

In Brazil, on board the royal yacht *Britannia* anchored at the city of Belém, Charles met privately on April 26 and 27 with the leadership of the Anglo-American environmentalist movement and some of its Brazilian hangers-on: The group included U.S. Environmental Protection Agency head William Reilly and Britain's Environment Minister David Triepier.

The Brazilian delegation at this gathering included select businessmen, some of whom had also been at the Rotterdam meeting. Also present was Israel Klabin, the Brazilian mentor of Environment Secretary José Lutzenberger, as well as José Safra, both personal friends of former U.S. Secretary of State Henry Kissinger.

Despite the protests of several Brazilian nationalist groups which correctly identify British royalty with the effort to internationalize the Amazon, President Fernando Collor de Mello showed up at the evening session along with some of his ministers and with the top officials who are organizing Eco-92. To date, the results of their deliberations have been kept secret; however, the press has revealed the existence of a document which states that Brazil and Great Britain intend to come to the 1992 meeting with identical positions.

## Misrule of law

*Under the regime of U.S. proconsul Hinton, political prisoners are being brutalized in Panama's jails.*

**C**leto Hernández is a black man who comes from Colón, Panama's second largest city. Like many others who come from humble backgrounds, not only in Panama but elsewhere in the world—including the United States, as illustrated by the case of Gen. Colin Powell—Hernández saw the military as a way to make something of himself.

Because of the reforms introduced by the late nationalist leader Gen. Omar Torrijos, Hernández was provided the opportunity. Through hard work and perseverance, he got a university education, became fluent in several languages, and rose to the rank of major in Panama's Defense Forces (PDF). That all came to an end when the U.S. invaded on Dec. 20, 1989. Hernández became a prisoner of war of the army sent by George Bush, and he has remained behind bars ever since.

At present, he is being held at the Renacer prison camp. "Apparently the camp is run by Panamanian authorities," said journalist Escolástico Calvo in a recent interview, who himself was held prisoner for almost a year after the invasion. "But the Americans go in and out whenever they feel like it." Why is Hernández being held? Because he once dared to arrest Susan Davis, daughter of former U.S. Ambassador Arthur Davis, while she was illegally participating in an anti-government demonstration. That makes Hernández a nationalist and a potential dissident, which the occupation authorities will not tolerate. As the operational commander of the U.S. invading forces, Lt. Gen. Carl Stiner, said shortly after the inva-

sion, the U.S. mission is to "destroy the leadership and infrastructure of any dissident group." According to Stiner, "We've got to ensure that we root out these elements that are capable of disrupting the government."

Besides Hernández, "there are a goodly number of military [men] imprisoned in Renacer," said Calvo. Those include Col. Marco Justine, Maj. Francisco Córdova, Col. Nivaldo Madriñan, all jailed without trial since the invasion.

"Every day, they invent new charges against them," said Calvo, explaining the U.S. system of judicial terrorism in Panama. The charges range from the absurd to the Kafkaesque. Take the case of former legislator and university professor Rigoberto Paredes: "One of the accusations against him was that he murdered someone, hacked the body into pieces, put it in a trash bag, and threw it into a river. But so far, there is no body, the name of the alleged victim is not known, there is no one claiming a missing relative, and there are no witnesses."

"They also charge that Rigoberto Paredes abused the town of Arraijan (which repeatedly elected him by substantial margins, as their representative in Panama's legislature). That he went from house to house and stole dolls from little girls, and that he confiscated the baseball mitts, bats, and balls from the kids in Little League." That charge was backed up with a complaint signed by 500 residents of the town. Trouble is, "it has since been proven that every single one of those signatures was forged. But that man has been kept be-

hind bars for 16 months."

Benjamín Colamarco, former head of the citizens militia, the Popular Battalions, has also been kept in preventive detention since the invasion, charged with "conspiracy" for taking up arms (as required by Panama's Constitution) in defense of his fatherland. Former Attorney General Carlos Villalaz is jailed because of something a former subordinate is alleged to have done.

Not everyone is in jail. Former head of the National Bank, Rafael Arosemena, was granted political asylum at the Mexican embassy, former legislator Luis Gómez is at the Cuban embassy, and several officers of the PDF are at the Peruvian and Guatemalan embassies. But, the U.S.-installed government of Panama refuses to grant them safe-conduct out of the country, claiming they are common criminals and not political refugees, even though the Caracas Convention on Diplomatic Asylum, which Panama signed, explicitly states that the right to determine whether a person is being persecuted for political or for other reasons belongs exclusively to the state from which asylum is being sought.

Journalist Julio Ortega has to report weekly to a judge, having been framed on trumped-up charges because he dared criticize the puppet government. In late April, Ortega's wife got a letter from the Caja de Ahorros, a government institution originally established to help middle-income people buy housing, which said that, starting in May, the monthly mortgage on their home will be increased to more than 100% of the family income.

Who is responsible? "There is a proconsul here, as you know, a Mr. Deane Hinton, the U.S. ambassador," says Calvo. "He is the one who gives the orders."

## In search of Muslim votes

*The electoral arithmetic concocted by armchair analysts has little to do with reality in India today.*

With the general elections for the 10th Lok Sabha (parliament) around the corner, local analysts, completely at sea as to which way the prospective voters are leaning, are calculating and re-calculating the caste and religious factors to try to predict winners. One hot item on the agenda is to decide which way the 200 million-plus Indian Muslims will vote this time.

All the major political parties—the Congress (I), the Janata Dal of former Prime Minister V.P. Singh, the Samajwadi Janata Dal of Prime Minister Chandra Shekhar, and the Bharatiya Janata Party (BJP)—are finding it increasingly difficult to convince the electorate of their stated commitments. If one party gets a reasonably respectable reception in one state, the same party is drawing a blank in the neighboring states.

The armchair analysts have pulled out all demographic records to put the Muslim votes in one grab bag. In their view, one of the keys to the situation is the sudden rise of the Hindu chauvinist, anti-Muslim BJP. The BJP, which secured a surprising 86 seats in the 520-member ninth Lok Sabha, is polarizing the Hindu and Muslim communities.

Last October, following an attempt by its militant wing to demolish the Ramjanambhoomi-Babri Masjid (mosque) at Ayodhya in order to build a Ram Temple on the premises, the BJP withdrew its support from the ruling National Front government and brought down the 11-month-old V.P. Singh government. The government opposed the demolition of the

mosque, and projected itself as the defender of the Muslim faith, while the BJP has accused the government of dancing to the Muslims' tune. The analysts have seized on this shadow-play as conclusive evidence to now put the Muslims voters safely in V.P. Singh's bank.

Another issue is the disturbed situation in Jammu and Kashmir, a disputed state bordering Pakistan with a majority Muslim population. The militant Muslims there have stepped up anti-India activities over the last 16 months or so. As a result, the state is under emergency governor's rule, and the militants, who are seeking an independent state, and the security forces are involved in constant skirmishes.

The situation got nasty in the winter of 1989-90, and Prime Minister V.P. Singh sent a tough administrator, Jag Mohan, to curb the militancy. He has been accused of using an iron fist, but V.P. Singh quickly washed his hands of the accusation, claiming that Jag Mohan was appointed under pressure from the BJP. Seizing this, too, as evidence of V.P. Singh's good rapport with the Muslims in general, analysts claim that the Muslim electorate is for V.P. Singh to pluck.

Whatever the merit of such analysis, the Muslims do have a distinct impact on politicians looking desperately for votes. V.P. Singh, for example, spent three hours in the company of the obscurantist Shahi Imam of Delhi's Jama Masjid, wooing the Muslim cleric to throw his support to the Janata Dal. Reportedly, the wily Imam agreed to V.P. Singh's pleas,

but not before making sure that some of his friends in the state of Bihar were placed on Janata Dal tickets.

On the other hand, the Congress (I), which has been credited over the years with having a vise-like grip over the Muslim votes, is distinctly rattled by these analyses. The party president, Rajiv Gandhi, has paid more than one visit to Aligarh Muslim University, one of the major seats of Muslim intellectuals in the north, to listen to their grievances and ostensibly to formulate a policy which will bring the Muslim voters back into the Congress fold.

There are reasons to believe that the Muslim votebank is a chimera, a mere brainchild of the demographers. While V.P. Singh sat around for three hours with the Shahi Imam, who is despised by many Muslims because of his obscurantism, there are many who maintain that the Imam's writ does not even cover the mosque he controls.

The myth about the Muslims voting *en bloc* has been exposed again and again. All that the statistics reveal is that they might have voted *en bloc* in certain circumstances after a riot, as in 1975 over the issue of forced sterilization, but have never voted for a political party which tried to strike a posture as pro-Muslim.

These statements are indicative of the fact that there is no party which can be considered a clear choice of the Muslims of India. Despite the posture of power on the part of the semi-literate Shahi Imam of Jama Masjid, the fact is that a large number of Muslim youth, with professional education and far removed from the political intrigues and patronage of the Imams, have distinctly changed the nature of Muslim politics in India. These individuals, not inconsequential in number anymore, are now articulating viewpoints which are democratic and distinctly non-religious.

## Legalized crime in Colombia

*The threat of civil war looms, as the narco-terrorists move to grab top-down control over the country.*

**P**resident César Gaviria issued Executive Decree 836 in late April, which amended Colombia's existing tax regimen to permit all holders of undeclared assets to legalize them by including their value on their 1990 tax returns and paying a 3% surcharge. The Finance Ministry will demand no explanations as to origin, means, or dates of acquisition of said assets, nor will it impose any sanctions for the sudden appearance of these formerly undeclared assets.

The decree, tailor-made to satisfy the requirements of Colombia's soon-to-be amnestied cocaine traffickers, follows recent court decisions to return to their "rightful owners" hundreds of narco-properties that had been confiscated during former President Virgilio Barco's 1989-90 war on drugs.

With their properties safe in hand and now ready to be legalized, the remaining step to consolidate Colombia as a drug traffickers' paradise, is the amnesty of the traffickers themselves.

The first big step in that direction was taken in the National Constituent Assembly, with the introduction by former Foreign Minister Diego Uribe Vargas of a long-awaited proposal to constitutionally ban the extradition of Colombians. The Assembly has formed a commission to consider the proposal and make recommendations to its full 73-member body. That commission is made up entirely of anti-extradition lobbyists!

The lead editorial in the April 21 issue of the anti-drug daily *El Espectador* drew the appropriate conclusion: "It is now certain that the National Constit-

uent Assembly will approve a generalized amnesty before it ends, which will cover, among other criminal actions, those committed by narco-terrorism and subversive vandalism. . . . As a result, the Assembly will legalize crime as a source of law."

The Assembly's overtly pro-drug and pro-terrorist actions raise the obvious question of whether constitutional law still governs Colombian society at all. The Assembly was originally convoked by President Gaviria to revise the national Constitution under a state of siege decree allegedly designed to bring about "global peace." Now, it has taken on a life of its own. The narco-terrorist M-19 movement, amnestied last year and given a cabinet post inside the government, controls a bloc of 19 of the Assembly's 73 seats—not counting those held by front-men of the drug traffickers, or the three seats just given to the M-19's amnestied narco-terrorist brethren in the EPL, PRT, and Quintín Lamé Brigade. The M-19 has just proposed that the Assembly formally dissolve Congress, to prevent it from modifying whatever new Constitution the Assembly writes.

Congressional leaders have responded that, since they were elected with more votes than the Assembly delegates—who were chosen by less than a quarter of the electorate—they have more legitimacy. And yet it was these same congressional leaders who approved the various "peace amnesties" that the Gaviria administration has granted the narco-terrorists, and which established a dual-power ar-

rangement in the country.

As the Congress and the Assembly battle it out, the conditions grow ripe for civil war. Colombians were shocked to learn on April 21 that the Justice Ministry had authorized the use of armored cars for the families of the "surrendered" Ochoa brothers, part of the hierarchy of the Medellín Cartel. Colombia's beleaguered judges, forced daily to choose between a bullet and a bribe from the traffickers, have begged for armored protection for years, to no avail.

The Gaviria government is even financing the "literacy campaign" of the amnestied EPL guerrillas, who are distributing alphabet posters to citizens which read, for example: "*M* is for *military*. Our military activity has enabled us to enter the Constituent Assembly."

The narco-terrorists have moved to turn entire cities into their feudal turfs. In the capital city of Bogotá, the M-19 has created a "para-police" patrol financed by forced contributions from the city's merchants. The Moscow-controlled FARC, together with the EPL, has done the same in the second-largest city of Medellín, and has recruited the drug-addicted maniacs who once made up the ranks of the Medellín Cartel's paid assassins as "popular militias," to purge the city of "undesirable" elements.

High-level Colombian military officials told a meeting of Medellín industrialists in April that these so-called popular militias are 800 strong and armed with automatic weapons, and control 90% of Medellín's poor neighborhoods. One source said the Gaviria government has deliberately kept the military from interfering with these "militias," for fear of disrupting its peace pact with the EPL. "The Army is being forced to remain mute in the face of this subversive advance," said the military source.

# International Intelligence

## **Soviet Army grabs more buildings in Lithuania**

A sign that a U.S.-Soviet summit may be in the works is the aggressive crackdown in Lithuania being conducted by the Soviets, with no protest from the United States. A pattern of building seizures by Soviet black beret troops operating in Lithuania was reported at the end of April.

The press spokesman of the Supreme Council of the Republic of Lithuania, Andrius Azubalis, said on April 27: "We are getting the impression that the leadership of the Soviet Union has either lost control over the military units deployed in Lithuania, or is lying when in contact with the Lithuanian leadership. Just last night, during a telephone conversation between President of the Republic of Lithuania Vytautas Landsbergis and Soviet Deputy Prime Minister Vitaly Doguzhyev, the latter affirmed that there can be no talk of the use of force, and that all disputed questions must be solved by political and economic agreement."

In contrast to actions in January, Lithuanian sources report, the Soviet actions include cities besides Vilnius and Kaunas, and involve at least 12 government buildings. Algimantas Norvalas, a deputy of the Supreme Council, informed the Parliament that, during the night, several technical schools, a hotel, and two sports clubs were attacked and occupied. The military has confiscated technical equipment, building materials, and cars from the schools.

## **German-Polish treaty nears completion**

Expert talks on a new treaty between Poland and reunified Germany reached a breakthrough on April 24, with all disputed issues settled, including the status of the ethnic German minority in Poland. The treaty is a comprehensive document, giving a perspective for cooperation between the two states in foreign and security policies, economic

relations, scientific and cultural projects.

German Foreign Minister Hans-Dietrich Genscher and Polish Foreign Minister Krzysztof Skubiszewski said, after a meeting in Weimar, Germany, that the finishing touches should now be put on the treaty and it should be signed and ratified as soon as possible.

Poland's prime minister, Jan Bielecki, said during a late-April meeting with representatives of ethnic Germans living in the south of Poland, that "Poland's road into Europe leads through Germany." This was the first meeting between a Polish head of government and the Germans in the postwar period.

Bielecki said that his government had a genuine interest in providing a good environment for the German minority—about 150,000 people—to have them actively involved in the rebuilding of Poland. "The Germans here should feel like Polish citizens of German origin," Bielecki said, adding that it was "important for the Poles to realize that Poland's road into Europe leads through Germany, and through friendship and close cooperation with Germany."

## **Former minister opposes French Gulf policy**

Former French Defense Minister Jean-Pierre Chevènement has reemerged on the political scene, issuing a call for France to reassert a traditional defense doctrine independent of the United States.

Chevènement, who resigned from his post last fall in protest against the Mitterrand government's support for U.S. policy against Iraq, announced on April 22 that he will seek to regain his seat in the French National Assembly.

In an article published in a French newsletter, *The Letter of the Modern Republican*, he argues that it is wrong to pursue "expeditions" of the type that were carried out "in the era of the colonies." The Gulf war was hardly a model for what a war should be, but rather an "anti-model that could have been avoided, not at all necessary, and dangerous to the inter-

ests of peace in the region."

He also opposes François Mitterrand's doctrine of "right of interference" into sovereign nations, saying this would be to "export democracy at the point of bayonets."

The French daily *Le Monde* commented April 23 that Chevènement's effort to develop an "idea of France" recalls the thinking of Charles de Gaulle, who sought an independent role for France in a "non-American Europe."

## **Salinger book exposes Kuwait-CIA deal**

Penguin Books has published an English-language paperback edition of Pierre Salinger and Eric Laurent's account of the diplomacy leading up to the Gulf war, which highlights Kuwaiti government documents showing collusion with the CIA against Iraq, dating back to the fall of 1989.

The Salinger-Laurent book, *Secret Dossier—The Hidden Agenda Behind The Gulf War*, includes in its appendix an eight-point memorandum dated Nov. 22, 1989, from Kuwaiti Brig. Gen. Fahd Ahmed Al Fahd, the director-general of the State Security Department, to Interior Minister Sheikh Salem Al Sabah Al Salem Al Sabah. That memo, previously only published in *EIR*, highlighted the results of a week-long visit by General Al Fahd and a contingent of Kuwaiti security officials to CIA headquarters in Langley, Virginia.

Among the key points agreed to by the Kuwaitis in a secret Nov. 14 meeting with CIA director William Webster were the following:

"5) We agreed with the American side that it was important to take advantage of the deteriorating economic situation in Iraq in order to put pressure on that country's government to delineate our common border. . . .

"6) The United States side is of the opinion that our relations with Iraq should be conducted in such a way as, on the one hand, to avoid contact with that country and, on

the other, to exert all possible economic pressure on it and to concentrate on effectively bolstering its alliance."

While being highly critical of the Iraqi regime, the Salinger-Laurent book accurately documents key events leading up to the Gulf war, including British Prime Minister Margaret Thatcher's critical influence on President Bush in their meeting in Aspen, Colorado in early August 1990, the spring 1990 Israeli war plans against Iraq, and the Anglo-American financial and black propaganda offensive against Iraq dating back to 1989.

## ***Brazil's Collor backs 'Indian rights' groups***

Brazilian President Fernando Collor de Melo announced new decrees on the "Indian question" at a palace ceremony celebrating Indian Day on April 19. For starters, he prohibited "non-Indians" from entering the Yanomami racial "reserve." The only exception will be for employees of the government's National Indian Foundation. Collor did not give any details on how this racist ban will be enforced.

Since most of the military are not Yanomami Indians, this prohibition marks a first step toward turning the reserve into a territory outside Brazilian sovereignty. As such, it strengthens the hand of those preparing a "new world order" assault on the sovereignty of Third World countries, as well as those "indigenous rights" activists who claim that the evangelization of South America was "genocide" against the Indian population.

In addition, Collor revoked 19 decrees issued under the previous Sarney government, which had limited the territory granted to the Yanomamis for their exclusive use as a "reserve." The Sarney decrees, passed in 1989, had shrunk the reserve from 23 million to 5 million acres. Collor also revoked permission for prospectors to mine in "three tracts of virgin land" totaling 1.6 million acres, which border the Yanomami reserve in the state of Roraima, near the

Venezuelan border.

Justice Minister Jarbas Passarinho explained that "the government now intends to set an example in the treatment of indigenous lands. By isolating the region, we are protecting the Yanomami people and minimizing the problems of contact with non-indigenous peoples."

## ***Club of Rome chapter is formed in Mexico***

Former Mexican Presidents Miguel de la Madrid Hurtado and Luis Echeverría Alvarez participated in the founding of a Mexican chapter of the Club of Rome, the international malthusian organization dedicated to the ideology of "limits to growth"—particularly the growth of dark-skinned Third World populations.

Miguel Angel Granados Chapa reported in his column in the Mexican daily *El Financiero* on April 23, that the chapter was founded on April 22. It has 18 members and is interested in "contributing to the discussion and clarification of the global difficulty," presented by "humanity's grave problems," including population growth.

The Club of Rome has launched a major offensive in Ibero-America, in preparation for the "Earth Summit 1992" scheduled to take place in Brazil. The formation of the Mexican chapter is just one of the many meetings and conferences they have been organizing around the continent.

Granados praises the Club of Rome's 1972 book *Limits To Growth*, one of the first salvos of the zero-growth movement internationally. Now, the Club of Rome is putting out a new report, "The First Global Revolution," to be discussed at its next general assembly in November in Montevideo, Uruguay.

The Mexican members of the Club of Rome say they want to use their experience and the "cultural identity of the country," which is moving toward greater participation in the world economy, in their evaluations of the "great problems of the end of the century and beginning of the next."

● **GERMAN** Defense Minister Gerhard Stoltenberg made his first visit to the Soviet Army headquarters in eastern Germany on April 26. He was received by Gen. Maj. Matvei Burlakov, the commander-in-chief of the Soviet Western Group of Forces, and given a tour of the military facilities at Zossen/Wünsdorf.

● **BETHLEHEM** Mayor Elias Freij denounced continuing Jewish settlements in the West Bank, in comments to the Israeli daily *Ha'aretz* of April 22. He reported that the pattern of settlements indicates that Israel intends to enclose Bethlehem with a ring of Jewish settlements. "Israel does not want peace," he said. "It wants a piece of land."

● **YASSER ARAFAT** has hinted that negotiations may be possible with a post-Shamir Israeli government. In an April 8-9 interview with the magazine *Global Viewpoints*, Arafat says that "even the Israelis know" that the PLO is the only viable Palestinian interlocutor in regional negotiations. "Yitzhak Rabin knows that. Shimon Peres knows that. I would even say that 70% of the Israelis accept this fact. Part of the [ruling party] Likud accepts this."

● **CHANCELLOR KOHL** endorsed Berlin as the future seat of the German government, saying on April 23 that the transfer of the government would not be completed in less than 10-15 years, but that Berlin would have to be the capital of the united Germany, as is stated in the Constitution. The issue is the subject of heated debate, with some maintaining that a move would be too expensive.

● **NORTH KOREA'S** official news agency called Mikhail Gorbachov's meeting with South Korean Prime Minister Noh Tae Woo "criminal dealings" and accused Gorbachov of "selling his communist principles for dollars," the BBC reported on April 23.



## Bush on education: a fast track for deschooling

by Carol White

President Bush's concern to improve the quality of American education is no more credible than his claims regarding the fundamental soundness of the American economy; both are in serious trouble precisely because of the policies of George Bush and his administration.

On April 19, the very day that Bush gave a press conference at which he released his plans for *upgrading* U.S. school performance, one of his bellwether school districts announced that it was closing its schools on May 1, six weeks ahead of schedule.

The northern California school district of Richmond had filed for bankruptcy, announcing that it had only money enough to pay teachers' salaries until April 30. The state of California refused to assist it in keeping the schools open, unless the district got an agreement from its teachers agreeing to salary and benefit cuts in order to keep the schools open. The situation in California is paradigmatic of what is going on throughout the United States. At best, next year will see larger class sizes and cuts in athletic and other programs.

It is a fair estimate that nationwide, as many as 5% of teaching jobs may be lost by next September, compared with the year before. It may be the case, however, that the debt load facing state and local governments—where the bulk of the cost of supporting public schools falls—will cause more catastrophic school shutdowns, as was threatened in Richmond, California.

### Rhetoric, but no funding

Two key features of Bush's education program are a system of tests to set a national standard of school performance, and a drift toward privatization of education, under the guise of giving financial assistance to parents to educate their children in the school of their choice, public or private. While national testing is not a revolutionary proposal, for it

to have any value, there must be a perspective for how the curriculum should be upgraded. Furthermore, unfortunately, the majority of today's teachers are themselves sadly under-educated and miseducated.

With the poor quality of U.S. public schools and the amount of outright criminality tolerated on their campuses, it is difficult not to sympathize with parents who send their children to private or parochial schools; however, Bush's proposal is intended to create the appearance of helping, without generating the funds necessary to allow middle- and low-income families any hope that their children will receive a decent education.

Public schools are funded primarily by state and local governments. These are now literally on the edge of bankruptcy nationwide. Police, sanitation, and other city workers are being laid off and vital services are being cut back, unemployment is so high that millions are homeless and without resources while welfare and even unemployment insurance funds run out. The truth is that U.S. cities are rapidly reproducing Third World conditions, and the conditions in the public schools reflect this.

George Bush knows this, and he knows that his policies, such as the fast-track approval of a free trade pact with Mexico, would swell the U.S. unemployment rolls. Considering the callous disregard of this administration toward the unemployed and poor—a disregard which is coherent with the brutal policy now being implemented against the children, as well as the adults of Iraq—who can believe that he really believes it important to improve the education of American school children whose parents are not affluent white Anglo-Saxons?

### The Richmond story

The actual content of President Bush's "vision" for education was dramatized when the debt-ridden Richmond uni-

fied school district, once praised as a pace-setter for the kind of program which Bush now proposes for the whole country, filed for bankruptcy.

In order for the Richmond district to keep its 47 schools open and its 31,500 young people in school after May 1, it needed a \$29 million bailout. California Gov. Pete Wilson attempted to make a state loan contingent upon the state teachers' union granting a state administrator broad financial powers, including the right to suspend union contracts and unilaterally lower teacher salaries and benefits, and a three-year suspension of collective bargaining, i.e., union-busting. This would have permitted wholesale chopping up of the district's budget and programs, resulting in layoffs of hundreds of teachers, huge pay cuts, and the termination of all high school guidance counselors.

Twelve days later, as it appeared that students of the district would indeed lose six weeks of school, the Contra Costa County Superior Court ordered the state of California to come up with the money needed to keep the schools open. This was in response to a lawsuit filed by 200 parents, urging the court to force the state to step in. The court decision was bitterly denounced by Wilson, a Bush Republican, who announced that the state will appeal the decision. The context for Wilson's public howling is the anticipated \$7.1 billion budget shortfall over the next 18 months. Wilson's plans to meet this shortfall call for \$4.1 billion in budget cuts, as well as for new taxes totaling \$1.7 billion.

The California Teachers' Association has also gone to court, claiming that California has provided Richmond with less money per student than similar districts. Richmond is a working-class city located on San Francisco Bay. Seventy percent of the students are from minority groups.

Ironically, former superintendent of schools Walter Marks ran up a \$24 million deficit implementing a system for free choice by parents, based upon the development of "magnet" schools. The Richmond district received White House commendation for this program three years ago. Other districts which have created such programs elsewhere in the nation, have run into similar problems of insolvency.

Just 18 months ago, the Bush administration praised the Richmond district, which set up a "choice" system to attract white families back into largely black, inner-city schools, as a model of low-cost improvement of a failing education system. The district overspent its budget by \$60 million in the last three years, adding employees and equipment and setting up schools with special curricula.

The price tag for Bush's proposed program for upgrading education, would be a mere \$820 million, of which \$535 million would be earmarked to create one experimental school in each congressional district—i.e., \$1 million each—with another \$230 million in funding for children whose parents wish to take them out of the public school system. Another aspect of the program is the pledge by a private corporation, the New American Schools Develop-

ment Corp., to raise between \$150-200 million to fund three to seven "new American schools."

Whether or not the United States is willing to travel the full route down the British road of privatization of public services, the Richmond case is rallying support from those who back Governor Wilson in his claim that the state of California should not be required to ensure an education for children of school age resident in their state. But Richmond is only the tip of the iceberg. Take the case of New York City, with a budget deficit for next year of several billion dollars. On Jan. 16, Mayor David Dinkins announced that the city will lay off 16,000 workers over the next 18 months, and eliminate 9,000 more jobs through attrition. More than 10,000 of the layoffs would come in the Department of Education.

### **New York City schools a case study**

The New York teachers won a 5.5% pay increase this past year, but only 1.5% of that money actually is to come out of the city budget—part is taken from the teacher's pension fund and depends upon the pension fund showing earnings above 8.8%, and the rest of the money is to come out of the \$70 million Excellence in Education Fund, which is to come out of the state budget. The contract was negotiated in October last year, but by January of this year, the city was asking teachers to accept either furloughs or layoffs. The union agreed to have each teacher forgo \$600 in salary per year, but this was only the beginning.

The teachers are again being asked to accept a furlough, as the New York City budget crisis goes out of control. Furthermore, Governor Cuomo is refusing to pay the \$70 million state share of the funding. This comes to approximately a \$1,000 additional pay cut for each teacher, and layoffs are still projected in the 10,000 range. This is one-sixth of the New York City teaching staff.

It is not only the case that the schools today are falling victim to the budget crunch, they are also being turned into breeding grounds for immorality. President Bush once declared that he believed birth control should be treated like vaccination against polio. In effect, everyone should be vaccinated against having children. This is in fact what is now going on in our schools. Children are being given condoms and thereby encouraged to be "sexually active" from pre-adolescence on, while family values and morality are being systematically undermined.

Money may not be there to pay teachers an honest wage, but there is no shortage of funding to thrust condoms on young people. Starting next September, all New York City schools will launch a program to distribute free condoms to high school students, as part of the AIDS prevention curriculum. This is, of course, part of a national pattern which condones any kind of sex as long as it is outside the family, and not intended to produce a next generation of school children.

# Massachusetts: a corporatist nightmare

by H. Graham Lowry

In his first four months in office, Massachusetts Gov. William Weld has designed a fascist program for turning the state into a corporatist jungle, complete with a genocidal scheme for writing off the poor and the sick as "useless eaters." As a club to enforce it, the blueblood bankers' boy is using a massive list of spending cuts, in the name of covering a deficit now projected at nearly 20% of the entire budget for the coming fiscal year.

The deficit for 1992, projected in January at \$1.8 billion, had grown by the end of April by an additional "half a billion to \$700 million," according to Secretary of Administration and Finance Peter Nessen. That brings the deficit for 1992 to \$2.5 billion out of a \$13 billion budget, and the total for 1991 and 1992 to \$3.5 billion. Nessen's office has compiled a list of cuts in over 300 programs for 1992, he says, and "their total will probably be over \$2 billion. . . . You've gone through so many series of cuts in the past several years, that whatever we do is deep." Many of them would throw welfare and Medicaid recipients on the scrapheap.

## Privatizing the state's infrastructure

Beyond savage austerity in human services, details have begun to emerge of another major component of the plan: a corporatist policy of "privatizing" dozens of functions now performed as public services of the state. According to an internal planning document prepared by Weld's administration, a major casualty would be the state's already disintegrating infrastructure. Weld is seeking ways to turn over to private companies everything from the state's highways, rail lines, the Massachusetts Port Authority, and the Mass. Bay Transportation Authority, to waste disposal plants and incinerators. His chief of staff, Mark Robinson, who also served as his top enforcer when Weld headed the Criminal Division of the U.S. Department of Justice, says the plan is "a first step toward what Governor Weld meant by smaller government doing fewer things better . . . not just to downsize it."

Throwing aside the republican constitutional tradition of the United States, Chief Secretary John Moffitt says, "The issue is not public versus private. It is competition versus monopoly."

Not surprisingly, Weld also intends to privatize the De-

partment of Corrections, and have private companies run "prison operations and management" as well as inmate health care. Private operators would also be sought for the corrections "boot camp" Weld has proposed for some juvenile offenders, and for the juvenile detention centers currently run by Department of Health and Human Services.

The state hospital inventory would also be turned over to corporatist control. The collection of court fees would be farmed out to private firms, and even the state bar examination would be privately administered. So would the Department of Labor's employment and training functions, and the Industrial Accidents Board's arbitration and settlement collections for worker's compensation claims. Private companies would take over the management of state parks and recreation facilities, and collect all fines and fees.

## Disposing of 'useless eaters'

With his rising deficit, Weld has also pressed for harsher measures against the poor. The billion-dollar list of cuts he approved on April 25 includes the elimination of general relief, a \$213 million program currently providing cash assistance to about 40,000 people who have certified disabilities or are unable to hold a job because they must care for sick relatives or children. Ninety percent of them have no income other than the \$338 a month they receive in general relief. Sue Marsh, director of the Coalition for the Homeless, said, "Most if not all are going to end up on the street."

Another proposed cut would eliminate the state's \$100 million rent-subsidy program, leaving 17,000 families without the means to pay their rent. Lisa Chapnick, director of public facilities for the city of Boston, says eliminating rent subsidies "would cause human and economic devastation. It would make small landlords' properties go from stable to unstable. It makes no sense in human terms, and in terms of dollars, because, where would these people go? Emergency assistance? Shelters? Nursing homes? All cost more."

Weld also called for cutting Medicaid by \$222 million, largely by restricting the care available under the program. Recipients would no longer be free to choose their physicians and hospitals, but would be assigned a doctor and herded into "managed care" programs similar to the notorious "triage" system of private health maintenance organizations (HMOs). Eligibility would be tightened to reduce the number of recipients, who would also be billed for part of their care. HMOs have generally discouraged tests and referrals to specialists in order to keep costs down. A 1986 study of managed care in Seattle showed that Medicaid patients, enrolled in a health maintenance organization, had higher illness and death rates than those who retained traditional medical care.

"We're talking about [eliminating] insulin for diabetics. We're talking about AZT for people with AIDS," said Neil Cronin of the Massachusetts Law Reform Institute. "This is a genocidal policy! Why aren't we screaming? Why aren't we mad?"

# Supreme Court limits habeas corpus appeals

by Leo F. Scanlon

The conservative majority of the Supreme Court has often presented its approach to law as an antidote to the “judicial activism” of their liberal colleagues, who are accused of acting like legislators instead of judges. That argument stands eviscerated by the actions of the majority in the case of *McCleskey v. Zant*, in which the court overrode statutory language governing federal *habeas corpus* proceedings, and strove to implement the Bush administration Crime Bill by judicial fiat. *Habeas corpus* proceedings concern the release of a party from unlawful detention.

Attorney General Richard Thornburgh added to the Roman circus atmosphere being cultivated by this court when he took the unusual step of testifying as a friend of the court in a death penalty case. Thornburgh’s action came as expectation mounted that he will be running for the Senate seat of the late Sen. John Heinz (R-Pa.). His choice of issues—allowing inflammatory (“victim-impact”) testimony at trial in order to pressure juries to sentence murderers to death—underlines the fact that the Bushmen are preparing a flood of executions as a political spectacle during the upcoming elections.

## Court sanctifies prosecutorial misconduct

As with other recent death penalty cases brought before the Court, the majority, led by Justice Anthony Kennedy, and including Chief Justice William Rehnquist, and Justices Sandra Day O’Connor, Antonin Scalia, Byron White, and Douglas Souter, aggressively attacked prevailing legal standards in order to guarantee the quickest possible execution of the defendant, Warren McCleskey. McCleskey was accused of shooting an off-duty police officer during a robbery staged by him and several accomplices. There was conflicting testimony as to who actually shot the guard, and one witness testified that it was another robber, not McCleskey, who did the shooting. The conviction of McCleskey rested on the dubious testimony of one of his accomplices, and was secured by the testimony of a prison informant who was placed in an adjacent cell by the prosecution in order to elicit incriminating testimony. A jailhouse boast that he “would have shot his way out even if there had been 12 cops” at the scene, earned McCleskey a death sentence.

The fact that the only significant witness against him was an informant was concealed from McCleskey and his attorney throughout the trial and during the course of two

state and an initial federal *habeas corpus* proceeding. Two weeks before the filing of a second federal *habeas* petition, a prison official admitted the relationship of the prosecution to the witness. A lower court ruled that this merited a new trial, but the Supreme Court said no.

The majority ruled that McCleskey gave up his right to a hearing by not asserting it in his first federal *habeas* petition, even though the facts were deliberately concealed by the government. All such claims must be submitted at the first, and likely only petition a capital murder defendant is likely to receive, said the court.

The decision prompted Justice Thurgood Marshall to write: “The new rule announced and applied today was not even requested by respondent at any point in this litigation . . . rather than remand this case for reconsideration in light of its new standard, the majority performs an independent reconstruction of the record, disregarding the factual findings of the District Court and applying its new rule in a manner that encourages state officials to conceal evidence that would likely prompt a petitioner to raise a particular claim on *habeas*. Because I cannot acquiesce in this unjustifiable assault on the Great Writ, I dissent.” He was joined by Justices Harry Blackmun and John Paul Stevens.

The draconian ruling is supposed to prevent criminals from delaying execution by filing multiple, frivolous, federal *habeas* petitions. But there is no bar to any lower court judge from recognizing and rejecting a truly specious motion. The Congress remains concerned that there are substantive issues involved in a majority of the *habeas* petitions which come to the federal courts from the states, and therefore explicitly rejected the majority’s approach to dealing with that problem during the debate on the Crime Bill in 1990. Yet, as Blackmun observed, “the majority itself tosses aside established precedents without explanation, disregards the will of Congress, fashions rules that defy the reasonable expectations of the persons who must conform their conduct to the law’s dictates, and applies those rules in a way that rewards state misconduct and deceit.”

Statements by administration spokesmen make it clear that the use of executions as a device to shape public opinion is an end which overrides any constitutional bars to prosecutorial “misconduct and deceit.” The “Victim and Witness Protection Act of 1982” encourages prosecutors to introduce emotionally charged testimony at sentencing hearings. In the case before the Supreme Court now, the State of Tennessee argued that “evidence of the effect of a murderer’s act upon society is crucial to society’s legitimate need to *exact retribution*” (emphasis added). Similarly, Thornburgh explained to the London *Economist* that retributive executions, which have no deterrent effect on crime, are necessary to “enhance the credibility of the criminal justice system.”

As in the Roman circus, the awesome power of the state to arbitrarily take a life, is legitimized by the passion and emotions of the spectators.

# U.S. accuses China of 'unfair' trading

by Michael Billington

In 1990, when the blood was still fresh from China's Tiananmen Square crackdown of 1989, the Bush administration and the Congress chose to extend the Most Favored Nation (MFN) status to the discredited Deng Xiaoping regime in Beijing, arguing that the People's Republic of China was too close a friend to antagonize over a little thing like the murder of its youth, and that Deng was committed to a policy of reform which was in the interests of the United States. Now, however, with most of the political trials of the Tiananmen demonstrators completed, the Bush administration and Congress have launched a campaign to revoke MFN when it comes up for renewal in July, and simultaneously unleashed a barrage of accusations and threats against the P.R.C. economic, military, and foreign policy.

This is not caused by any second thoughts over human rights issues. Rather, the impoverished Chinese economy is accused of being unfair because it is running a trade surplus with the United States, and because it is providing military and technological assistance to Third World nations. The content of the attack is fully in keeping with the policies of the Bush "new world order" to eliminate national sovereignty, and impose a policy of technological apartheid against the Third World.

The severity of these attacks is stunning, especially in light of the fact that George Bush has, until now, placed the full weight of his office and all of his "secret government" capacities behind the defense of the P.R.C., regardless of the atrocities carried out by that regime.

The attack began with the recently issued U.S. government report "Foreign Trade Barriers," charging that the People's Republic now runs the third-largest trade surplus with the United States, trailing only Japan and Taiwan. The P.R.C. Ministry of Foreign Economic Relations and Trade denies the charges, and says they are an accounting trick by Washington. While the U.S. claims that \$15 billion worth of goods were purchased by the U.S. from China in 1990, China says exports were only \$5 billion, leaving a \$1.4 billion *deficit* rather than the \$8 billion-plus surplus alleged by the United States. The \$10 billion difference comes from two sources: goods produced in the Special Economic Zones by

foreign firms with foreign raw materials, over which the P.R.C. has virtually no control and derives little, if any, tariff income; and from goods exported to Hong Kong for processing before being exported to the U.S. This existence of the mainland for "little Hong Kong" sweatshops, with cheap labor and tax breaks for foreign investors, is now being used against them by the very interests that set them up. The P.R.C. news agency Xinhua complained that even "Hong Kong, Taiwan, and South Korea moved their labor-intensive productive enterprises to the Chinese mainland to utilize its fairly cheap laborers. Since these enterprises sell most of their products to foreign countries, especially the U.S., it appears on the trade statistics that the export volumes of these regions to the U.S. declined while that of China, including its *entrepôt* trade volume, increases."

Bush also announced on April 26 that China, along with India and Thailand, are guilty of pirating software and other patented material, and threatened action if certain demands are not met.

## Third World nuclear policy singled out

With the trade war drums pounding, the P.R.C.'s military and technological trade with Pakistan, Syria, and Algeria came under attack. Pakistan is under increasing economic warfare from the U.S., and is a serious contender as the next target for the "Iraq treatment." China's support to Algeria in developing nuclear technology was declared by British and American intelligence to be a potential threat, claiming it was an attempt to create the first "Arab bomb." It was reported that the test reactor under construction was "too large for a test reactor and too small for energy," and therefore must be for the production of nuclear weapons fuel. The press prominently played Sen. Joseph Biden (D-Del.) of the Senate Foreign Relations Committee calling China a "rogue elephant among the community of nations." The demand that advanced technology—especially nuclear technology—be denied to the Third World because of its potential "dual use" for military purposes has become a buzzword for the Anglo-American policy of "technological apartheid."

Within days of the charge against Algeria, the same sources accused the P.R.C. and Korea of smuggling massive amounts of arms into Iraq through Singapore and Jordan in an effort to rebuild Iraqi military power, thus transferring the manipulated hysteria over Saddam Hussein onto the P.R.C.

It is in this context that President Bush decided to meet with the Dalai Lama of Tibet. Bush has never had a word to say about the 40 years of brutal suppression of Tibetan independence, and once even accused the Dalai Lama of a "callous attitude" for not negotiating with Beijing. The personal meeting at this time is a message to Beijing, whose meaning is best expressed by the fact that on the same day Bush ordered the U.S. military to establish camps for the Kurds in northern Iraq, a breach of sovereignty carried out without even the pretense of U.N. approval.

# A dirty little war is brewing over Bush's 'October Surprise'

by Jeffrey Steinberg

After having been thoroughly discredited years ago, false charges have once again surfaced linking associates of jailed American statesman Lyndon LaRouche to the Feb. 28, 1986 assassination of Swedish Prime Minister Olof Palme. This time, the revived slanders may be part of a Bush White House damage-control operation aimed at blunting a growing pattern of stories linking the President to some of the most serious political crimes of the past decade.

On April 15, former Carter administration national security aide Gary Sick revived the long-festering "October Surprise" scandal with a lengthy report in the *New York Times* cataloguing evidence that the 1980 Reagan-Bush election campaign blocked the release of American hostages in Teheran until after the presidential elections. Since the release of that story, Bush has come under fire from a wide range of news outlets and political figures.

A package of scandals involving the President is now back on the front pages of the international press, and President Bush is reportedly very unhappy. According to one Washington, D.C. source, the White House became so distressed about the efforts of the *Financial Times* to unearth dirt on the President, that Henry Kissinger was quietly asked to go to London to pressure his friends at Chatham House (headquarters of the Royal Institute of International Affairs) to slow down the *Financial Times's* effort.

A few days later, the *Financial Times* published a story linking Kissinger to the Banca Nazionale del Lavoro (BNL), the Atlanta branch of a large Italian bank that allegedly funneled \$4 billion in unsecured loans to the Iraqi government in the late 1980s. Kissinger admitted that he served on the international advisory board of BNL up through Feb. 22, 1991, although he denied that he or his consulting firm profited from his affiliation. Press sources say that Kissinger received an annual retainer from the bank of \$250,000.

## ADL slander revived

In the midst of this uproar, the April 26 issue of the London *Guardian*, in an article titled "Palme Death Lead," cited recent stories in the Swedish and French media accusing the "European Workers Party" (EAP) of having hired a

French mercenary to assassinate Swedish Prime Minister Palme. The various versions of the story linked the EAP (which is actually called the European Labor Party, and which was founded by Swedish associates of LaRouche) to a "transatlantic right-wing plot" to eliminate prominent European politicians. Other seemingly contradictory versions of the same basic story linked the Palme assassin to the CIA's cold war paramilitary program "Operation Gladio," and to associates of George Bush in the Freemasonic lodge called Propaganda 2.

The revival of an even more oddball version of an already discredited Anti-Defamation League slander against LaRouche only makes sense now from the standpoint of the "October Surprise" allegations against President Bush.

While the *New York Times*, ABC-TV "Nightline's" Ted Koppel, and the *Financial Times* have all chosen this moment to resurface the 1980 election scandal, many political insiders in Washington, New York, and European capitals are aware of the fact that *EIR* was the first news outlet to expose the dirty deal by the Reagan-Bush camp with the ayatollahs in Teheran. *EIR* was also first to expose the fact that the same dealing with the Iranian terrorists had been a hallmark of the Carter administration's secret diplomacy toward West Asia as early as March 1979.

On Dec. 2, 1980, in an exclusive story headlined "Strange Diplomacy in Iran: Henry Kissinger Is Dealing With the Ayatollah Beheshti on Behalf of the U.S. Government," *EIR* wrote about a Nov. 12, 1980 secret meeting in Paris between former Secretary of State Henry Kissinger and Speaker of the Iranian Parliament Ayatollah Beheshti:

"From intelligence sources in Washington, *EIR* has learned that along with Kissinger, a number of other individuals have recently been involved in this effort, although, the source stressed, they did not have the approval of Ronald Reagan himself. The persons involved include a pro-Kissinger group drawn from Georgetown University's Center for Strategic and International Studies (CSIS), including Michael Ledeen, David Abshire, William Hyland, and others. In addition, Ledeen and former *Newsweek* chief Arnaud de Borchgrave are reported to have traveled abroad to make contacts with Khomeini's representatives.



"From information pieced together from Iranian exile sources and intelligence analysts, it appears that the pattern of cooperation between the Khomeini people and circles nominally in Reagan's camp began approximately six to eight weeks ago, at the height of President Carter's efforts to secure an arms-for-hostages deal with Teheran.

"Carter's failure to secure that deal, which a number of observers believe cost him the Nov. 4 election, apparently resulted from an intervention in Teheran by pro-Reagan British intelligence circles and the Kissinger faction. 'Remember the walkout of a certain hardline faction of the Iranian clergy?' said one source. 'That was no accident. It was orchestrated with the Fedayeen-e Islam by the Reagan people.' The walkout postponed the Iranian majlis's (parliament) acceptance of the Carter offer until it was too late to affect the outcome of the election."

### Jimmy Carter's signal

On April 26, 1991, former President Jimmy Carter told the *Wall Street Journal* that he found the October Surprise allegations "almost nauseating" and wanted a full inquiry immediately. Sources close to the Democratic National Committee had previously told *EIR* that such a statement by Carter would be a signal for congressional Democrats to push hard for the October Surprise probe.

By April 30, Speaker of the House Thomas Foley (D-Wash.) was acknowledging that he was "exploring informally" the mechanisms for a congressional probe of the November 1980 election scandal. House Judiciary Committee chairman Jack Brooks (D-Tex.) is considering a probe, and on May 2, House Foreign Affairs subcommittee chairmen met with Gary Sick to review evidence that he had compiled. Rep. Butler Derrick (D-S.C.) has begun circulating a petition among fellow congressmen calling on Speaker Foley to appoint a "nonpartisan commission of private citizens" to investigate. That idea was originally floated in a *New York Times* column by former Carter State Department official Leslie Gelb on April 16, 1991.

The situation has not yet reached anywhere near the proportions of the Watergate scandal that ousted President Nixon. However, the knives are out, and Bush is a man with many skeletons in his closet. The targeting of LaRouche on the issue of the Palme assassination—whether or not the libel was commissioned by the President's men—may be a signal that the real scandal that has White House aides and the President losing sleep is not the events of October 1980, but rather the often bloody coverup of the later scandals of the Iran-Contra debacle. In the case of Irangate—including the Irangate-motivated Palme murder—LaRouche and *EIR* were way out in front of the story, and anyone who wants to get to the bottom of the foreign policy disasters of the 1980s would do well to study the *EIR* archives.

Maybe that's what they are doing at the Old Executive Office Building tonight.

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## Book Review

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### Post-industrial Buffalo: Who killed a great city?

by Denise Ham

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#### **City on the Lake, History and the Challenge of Change in Buffalo, New York**

by Mark Goldman

Prometheus Books, Buffalo, N.Y., 1990  
324 pages, paperbound, \$15.95

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Buffalo is a case study of what went wrong with America, and Mark Goldman's book celebrates this tragedy of collapse and decay. Written as a social history, Goldman recounts the de-industrialization, de-education, and transformation of what was one of the greatest cities in America. Goldman, an insider to this process, promotes the post-industrial collapse.

Anyone trying to figure out why the United States is bankrupt today, must study the last 25 years of our bad economic policy. After the assassination of John F. Kennedy in 1963, the nation's cities went through a social upheaval. Every major industrial city in America became the hunting ground for the CIA-trained social fascists. Using the ancient method of "divide and conquer," whites were pitted against their black neighbors in the workplaces and in the schools. Applying the psychological warfare methods of the wartime Office of Strategic Services against the enemy, CIA-run think tanks did psychological profiles on U.S. cities to determine their weak points, so they could more efficiently be destroyed. No bombs were needed in this effort; instead, the job of the think tanks—Ford Foundation, RAND Corp., Rockefeller Foundation, etc.—was to figure out how to brainwash the mostly ethnic and black industrial work force, ultimately, to impose zero growth, post-industrial economics upon itself.

The most efficient method of controlling people is to prey upon their backward, pluralistic tendencies. Tavistock Institute, the premier psychological warfare/counterinsurgency outfit, took the point in 1966 in a report targeting the threat the NASA Apollo Program posed to the de-industrializers' efforts, not just because it generated a 14:1 spinoff in high-technology industries, but *because it fostered cultural and scientific optimism* in the citizenry as a whole. By Tavistock criteria, advanced technology and scientific advance-

ment were bad; but hope, excitement, and optimism about advancing mankind was insupportable.

The way to detect the counterinsurgent organizers in your neighborhood, is to watch how they ingratiate themselves toward an existing prejudice. Buffalo was an easy target: With the mix of ethnic Irish, Italian, and Polish working class, in an economy that was already decaying, the hostilities among these groups reached a frenzied pitch when black people demanded equal rights. A fertile field for the counterinsurgent, whose job is to enter the community halls, unions, and religious institutions, and pit everyone against each other. This method rarely succeeds in an economic climate of healthy industrial growth, but Buffalo was beginning to suffer from unemployment and increasing poverty.

### **Saul Alinsky, counterinsurgent de-schooler**

One of the top social controllers in the late 1960s was counterinsurgency specialist Saul Alinsky. Alinsky's henchmen traveled from Chicago to other industrial cities to foment paranoia and fear of outsiders. Goldman gives us a classic example in the chapter on "New Schools for a Changing City":

"BUILD [an acronym for Build Unity, Independence, Liberty, and Dignity] had been created in 1967 when a group of white and African-American churches and community organizations brought Saul Alinsky, Chicago's community organizer, to Buffalo to organize the black East side. . . . BUILD began a study of the Buffalo public schools and early in 1968 issued a report it called 'Black Paper No. 1.' Citing the 'murderous conditions in ghetto schools,' the paper called for the creation of a 'ghetto academy' that would stress parent involvement. . . . the report concluded: 'We have got to take back the schools. We have got to make them community schools. Public schools are run by people who don't understand black people, our history, our culture. In fact, most of the people who run and teach in our schools are afraid of black people, afraid of black children. . . . What distinguished the BUILD academy from all the other schools in Buffalo was its dedication to strong and effective parent and community participation in school affairs.'"

This farce was exposed by Lyndon H. LaRouche and his associates as the heart of racism. In 1975, in an article entitled, "What Happened to Integration?" LaRouche exposed the CIA nexus which created what was unabashedly called "de-schooling," and today is identified as "political correctness":

"The principal reason for the rapid deterioration of classroom instruction was economic. The object of the takeover [by Alinskyite counterinsurgents] was to fund a local community school apparatus under circumstances of declining real public revenue allocations per pupil. The attempted shift of funds to create porkbarrels for the 'community control' project itself was intended to come principally from teachers' salaries. This porkbarrel fund was sought therefore by policies for hiring less-qualified teachers at lower salaries, and then attempting to rationalize the result as 'improved educa-

tion' on the premise that the instructor was non-union and black or Hispanic and by the ruse of packaged 'animal training' classroom drill programs such as those aimed at producing improved literacy test scores without increasing the pupil's cognitive reading abilities. . . ."

By the mid-1970s, Buffalo's local control apparatus was in place, ready to further the task of destroying education. In the chapter "New Schools for a Changing City," Goldman explains:

"BUILD was articulating a philosophy of community control and parent involvement that *appealed* to [parent Elizabeth Burgos], and she joined the organization. . . . Her husband worked at Bethlehem Steel and had barely survived the massive layoffs of 1977. . . . Burgos knew that the days of heavy industry were numbered and was concerned about developing what she called a 'real-life curriculum' at her old neighborhood school that would adequately prepare the children of the Fruit Belt [Buffalo's black ghetto] for the future."

As the story unfolds, Burgos hears that School 37 is scheduled to be closed. Horrified, she and others in the community fight to keep it open. Evelyn Cooper, "the board's most effective 'advance person,'" is deployed to sell the idea of a "Futures Academy" to Judge Curtin. Liberal Judge Curtin okays the idea, and Cooper visits "businesses, companies, and institutions throughout the metropolitan area," securing the commitment "of newspapers and television stations, banks and utility companies, colleges and the university to become 'partners of the Futures Academy.'"

"Cooper wanted their participation, she said, not their money, their involvement with the school as *advisers* to the teachers and *mentors* to the students. She wanted to create a 'town' in one of the large empty rooms on the school's third floor, where all the functions and operations of a working community would be replicated. In the 'town'—in the 'bank,' the 'supermarket,' the 'civic center,' the 'post office' and the 'movie theater'—the children, from kindergarten through eighth grade, would learn about the skills and responsibilities required by the world of work in an increasingly service-oriented economy. . . ."

### **Brave new world in Buffalo**

In the next chapter, Goldman plays with statistics in order to prove that these new "magnet" schools helped further education:

"Buffalo's public schools improved as they integrated. In 1988 Buffalo students earned 165 New York State Regents Scholarships, twice the number won in 1977. . . . Eight of the city's schools, more than in any city in the nation, received presidential citations for excellence. . . . People began to flock to Buffalo from all over the country and from Europe and Japan to see for themselves how this down-in-the-dumps industrial city in the heart of the Rust Belt had done what Boston, Cleveland, Chicago, and New York had been unable to do."

However, in a later chapter, "Race, Class, and Ethnicity in Contemporary Buffalo," he describes "the impact of the loss of industrial jobs," and how it devastated the black community, as well as "the blue-collar middle class" which "has been shrinking all over the city." Those who couldn't join the exodus from the collapsing city had this to face:

"Poverty gnaws away at other neighborhoods throughout the city, the old ethnic neighborhoods which used to symbolize family, stability and right-living to their inhabitants. . . . The public schools in these neighborhoods are filled with the children of the poor. In fact, according to Superintendent Reville, over 60% of the children in the city's schools in early 1989 came from families that lived in poverty. Reville arrived at the number by dividing the number of children in the system into the number of those who qualified for free lunches. While that figure may be somewhat exaggerated to justify large spending requests, public education in Buffalo is saddled with crippling problems of poverty. Buffalo is poor in comparison to most urban areas. Buffalo's average 1985 personal income of \$8,840 placed it 66th among 75 cities in the country and almost \$3,000 below the national average. . . . While among the lowest in per capita income, Buffalo is among the highest in percentage of people receiving public assistance. . . . The City Mission has been serving more meals than ever before. . . . The Friends of the Night People, meanwhile, was serving 2,000 meals per month to working people. . . . Poverty then, was a critical debilitating problem for teachers and administrators in schools in the city's poorest neighborhoods. 'Some of these kids,' says Marilyn Reich, a kindergarten teacher at School 31 on Stanton Street, 'deserve awards just for getting to school.' . . . By the end of the 1980s, many began to sense that schools in these neighborhoods had become dumping grounds for the poor. The best and the brightest kids in the neighborhood schools, unfortunately labeled 'generic schools,' were being skimmed off by the magnet schools, creating a growing division along class lines within the public school system that had never before existed."

### **An industrial dynamo**

In order to fully understand the horrors of this situation, you must know what Buffalo was before the dawn of the "New Age." Goldman, if inadvertently, shows how powerful an industrial center Buffalo was in his chapter on "The Vanishing Industrial Economy." In July 1951, *Fortune* magazine published an article on Buffalo, complete with 12 pages of "stunning photographs portraying the industrial diversity of a great city." Here is a picture of Buffalo, exactly 40 years ago:

"As recorded in *Fortune*, Buffalo was the 11th largest industrial center in the country in 1951, the third largest producer of steel, the largest inland water port, the second largest railroad center, and the 'first city in the world' in flour milling—Buffalo produced enough flour to supply every family in the country with half a loaf of bread every day. The

city had 12 railroad freight terminals that served 45,000 trains a year. And with more than half a million people living in the city itself and a million and a half in the metropolitan area, Buffalo was the 15th largest city in the country. Its five iron and steel plants employed close to 30,000 workers, one-eighth of the city's total local labor force. . . . Buffalo's American Brass was the 'number-one fabricator of copper and brass sheet, strip, and tubing'; Chevrolet's Tonawanda Plant produced a third of all Chevy engines. The city hosted heavy industries like Lake Erie Engineering, Eastman Machine, Buffalo Forge, and Worthington Pump. . . . Sylvania, Westinghouse and Western Electric. . . . Carborundum, Hooker and Vanadium. . . ."

Why the decline, then? While Goldman points his finger at foreign competition opened up by the St. Lawrence Seaway, and economic "overheating" from the Vietnam War, his real target is the same Kennedy program that produced the manned space effort—in this case, the 1962 Investment Tax Credit. His chief complaint, like the Tavistock attack on NASA, is that it fostered rises in productivity through technological advances:

"In 1960 the city's six milling companies—General Mills, Pillsbury, Peavey, Standard Milling, International Milling, and George Upton—were so productive that more than a third of the population of the United States used flour or flour products milled in Buffalo. But by the mid-1960s Buffalo's grain business began to hurt. In 1966 alone five flour mills were shut. . . . Such was the legacy of the St. Lawrence Seaway. Industry, however, was booming in the mid-1960s, spurred on by an economy overheated by spending on the Vietnam War. Other factors also played a role. Beginning in 1962 the federal government offered industry generous incentives ('investment tax credits') for the purchase of modern equipment. By 1964 Bethlehem Steel and Republic Steel, the two largest steel companies in Buffalo, had installed state-of-the-art basic oxygen furnaces able to produce as much steel in one hour as the old open-hearth furnaces produced in six."

The Investment Tax Credit policy was the right policy for a government wishing to promote industrial expansion. Unfortunately, after Kennedy's death, and with Johnson's misnamed "Great Society" programs, the American people became increasingly stupid, electing one fool after another, each promising some version of a "get rich quick" scheme. Worse, many people accepted the post-industrial economy; and many simply turned their backs on high technology, buying the line that we were destroying the environment and whining "besides, there are too many people anyway!"

### **The godfather of community control**

The logical conclusion of this ideology was to have formerly industrial cities become centers for drugs and sports. This is exactly what happened in Buffalo. In the chapter "A New Economy for the Changing City," Goldman mentions

Richard Rich—of Rich Products, maker of the well-known soybean-based coffee creamer—as one of the “Group of Eighteen” that runs the city. Rich is described as one of the big promoters of Buffalo through his interest in sports. The home of the Buffalo Bills is Rich Stadium. Rich is currently “spearheading the effort to attract a major league” baseball team to the city. Goldman says that Rich “has unquestionably been successful in creating a new and different image for the city, one based more on sports and recreation than industry and work. . . .”

One of the baseball teams that Rich tried to bring to Buffalo was a team from Canada that is owned by the Bronfmans, of 1930s bootlegger fame, and today financial backers of the drug-mob-linked Anti-Defamation League. The deal didn't come off. Another very famous element in the Group of Eighteen is the Jacobs family, also backers of the ADL. Goldman nearly trips over his own feet in his salute of Jeremy Jacobs:

“Jeremy Jacobs, who has played an important but far more private role in the life of the local economy, is the president of Delaware North Companies. With its 205 affiliates, it has annual sales in excess of a billion dollars. It is one of the largest privately owned companies in the country. The owner of the Boston Bruins and Boston Garden, Delaware North also holds concession contracts for 14 professional baseball, hockey, football, and basketball teams, including the Detroit Tigers, the Milwaukee Brewers, the St. Louis Cardinals, the Cincinnati Reds, the Chicago White Sox, the Boston Bruins, the Chicago Blackhawks, the Buffalo Sabres, the Boston Celtics, the Phoenix Suns, the Chicago Bulls, and the Cincinnati Bengals. Delaware North is also the nation's largest parimutuel company, owning two horse-racing tracks, three dog tracks, and two jai-alai frontons. Twenty-five percent of Delaware North's business is parking—it is one of the largest owners of public parking in the country—and in 1986 Jacobs bought the Dairy Farm company, a Hong Kong food service business with contracts at six airports in Asia.

“Delaware North . . . was alleged to have links to the underworld (in 1972 *Sports Illustrated* did a cover story on the company, then known as Emprise, in which Louis Jacobs was referred to as the ‘Godfather of Sports’) but under Jeremy's management the company shed much of its questionable taint. . . .”

Author Goldman, however, neglected to mention the 1976 murder of investigative reporter Don Bolles, which nearly toppled the empire. The bestselling exposé book *Dope, Inc.*, first issued in 1978, devoted a chapter to “The Jacobs Family's Emprise: Sports and Crime,” starting from the Bolles murder and showing how the Jacobs sports concessions have provided a perfect channel for the laundering of illicit profits, including from drugs. By the time of *Dope, Inc.*'s second edition in 1986, the *EIR* investigators who wrote the book were able to document a far larger empire than the one described by Goldman—who also fails to mention that the Buffalo-based Marine Midland Bank was taken

over by the Hongkong and Shanghai Banking Corp., the flagship bank for international drug-money laundering since the Opium Wars. Among Jeremy Jacobs's close business associates, it was Paul Schoelkopf who spearheaded the local campaign for the banks' merger. (In fact, the book *Dope, Inc.* was first commissioned to combat the takeover of U.S. banks by what was then \$200 billion in offshore drug-money-laundering operations.)

The book's “careful analysis” is really a duplicitous apology for fascism in America. Yet while Goldman lauds the success of the community controllers in creating better schools and, in general, gives the impression that the revitalization of the economy is on the horizon, the truth of what Rich, Jacobs, and the other sports moguls and their CIA accomplices have done to Buffalo slips out:

“As in African-American neighborhoods all over the country, whole communities are plagued by a pervasive and insidious social disintegration that gets worse every day. Although still lower than in other cities of similar and larger size, drug-related crime is growing at a rate that is frightening to people throughout the community. . . . Recently, Buffalo has become a major distribution center for heroin, cocaine and marijuana leaving and entering the country across the Peace Bridge. It is a tradition that goes back to Prohibition.”

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## Who Killed Olof Palme?

### A Classical KGB Disinformation Campaign:

NBC-TV and the Soviet military daily *Krasnaya Zvezda* both blame LaRouche. . . .

Swedish Police Chief Hans Holmér suppresses major lines of inquiry, becomes a laughingstock. . . .

Twelve Stockholm investigators resign from the case, in protest against Holmér's cover-up. . . .

The British press breaks the story of Emma Rothschild's love affair with Palme—and the possibility that her father is a Soviet spy. . . .

## What's the real story?

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## Gonzalez exposes Kissinger Associates in Iraqi financing

House Banking Committee chairman Rep. Henry B. Gonzalez (D-Tex.), who is investigating the U.S. branch of the Italian government-owned Banca Nazionale del Lavoro (BNL) for its role in financing military sales to Iraq, named Deputy Secretary of State Lawrence Eagleburger and National Security Adviser Brent Scowcroft as key players in the BNL scandal, in floor statements on April 25.

Utilizing material previously published by *EIR* and submitted to congressional committees during hearings on George Bush's nomination of Eagleburger to his present post, Gonzalez highlighted the ties of Eagleburger to BNL and to the Ljubljanska Banka in Yugoslavia. Both these banks were instrumental in loan arrangements to Iraq. Gonzalez also notes Kissinger's role as a paid member of the BNL Consulting Board for International Policy.

Gonzalez shows how Eagleburger and Scowcroft, through their political influence, were able to set up loans to Iraq through the Export-Import Bank, thus bypassing then-existing restrictions on exports to Iraq. Gonzalez argues that Eagleburger and Scowcroft were personally responsible for the sale of military technology to Iraq and that the policy of the Bush administration was to set up Iraq as a military power in the Mideast.

Gonzalez notes that no American firms have been charged with violations of U.S. export control laws related to Iraq, in spite of the fact that the administration has been targeting European firms for reprisals due to their trade relations with Iraq.

Obstacles to the Gonzalez investigation on the BNL scandal have been set up all along the way by the Bush administration. In a letter to Gonzalez

from Attorney General Richard Thornburgh on Sept. 26, 1990, Thornburgh warned that the BNL case is a "sensitive case with national security concerns," and claimed that the Gonzalez investigation will jeopardize alleged Justice Department investigations and prosecutions in the case. Gonzalez also notes that John Macomber, the president of Eximbank and a friend of Eagleburger, would not permit investigators from his committee to have access to the Eximbank's country risk analysis for Yugoslavia.

## LaRouche presidential bid spooks Bush Republican

Sen. Mitch McConnell (R-Ky.), one of the strongest supporters of George Bush, introduced an amendment on April 25 which would eliminate monies in the Presidential Election Campaign Fund and ostensibly provide increased funding for child nutrition programs instead. McConnell was especially perturbed by the fact that Lyndon LaRouche's last presidential campaign received over \$500,000 from the Federal Election Commission (FEC) in federal matching funds. McConnell used LaRouche as a boogeyman in order to halt presidential campaign financing.

Although he mentioned "fringe" candidate Lenora Fulani who also received FEC money, it was obvious during McConnell's remarks that his was a "Stop LaRouche" bill. "There may be a few people that have not heard of [Fulani]. Maybe they have heard of Lyndon LaRouche. He has gotten \$500,000 to run for President under this system—Lyndon LaRouche, Mr. President!" McConnell raved.

The amendment would effectively eliminate any presidential candidate

who did not have the big bucks to finance his campaign.

Sen. Bill Bradley (D-N.J.), referring to the frequent use by White Chief of Staff John Sununu of U.S. Air Force planes for personal trips, urged McConnell to change his amendment so that anyone in the Executive Branch who used a government plane to fly to a political fundraiser would have to pay the full cost of the airplane. McConnell retorted, "The issue is whether or not we want to continue to spend tax dollars on political campaigns for President of the United States; whether we want to provide money for Lyndon LaRouche and Lenora Fulani. Maybe the senator is in favor of all of those things," said McConnell, "and if he is, why not just allow a vote on the McConnell amendment?"

McConnell said public funds were a "fringe benefit for fringe candidates," labeling the money given to LaRouche and Fulani a "disgrace." As Democrats continued to propose modifications such as Bradley had proposed, McConnell finally withdrew his amendment.

## Maquiladoras scored in Senate hearing

Senators heard the sobs of a Mexican mother whose son died in a *maquiladora* factory, during hearings before the Senate Environment and Labor subcommittee on April 23. The sub-human living conditions in the *maquiladoras* are the result of policies being pushed as part of the North American Free Trade Agreement (NAFTA).

Sen. Howard Metzenbaum (D-Ohio), who chaired the hearing, told the woman, "If your son had been employed in this country, Ford would

have been in flagrant violation" of U.S. worker-safety laws, the *Philadelphia Inquirer* reported.

Sixteen-year-old Julio Cesar Urbalejo, died in a Ford Motor Co. plant in Juárez, just south of the U.S.-Mexican border. He was sent into an underground tunnel to clean wastes. He had no protective gear and no training, and while in the tunnel he got caught in a mechanical grinder which had no safety guard nor an emergency shutoff system. He earned 45¢ an hour at this plant.

Photo displays were set up in the hearing room which showed pictures of life in the *maquiladora* zone: families living in shacks made of cardboard and packing crates, children playing beside canals filled with sewage and chemicals.

Dr. Laurance N. Nickey, director of El Paso County's health district, testified that in one community just south of El Paso, 35% of the children are infected with hepatitis A by age 8, and up to 90% by age 35. Tuberculosis is occurring at double the U.S. rate.

## **AFL-CIO, Schiller Institute attack NAFTA**

Opposition to the U.S.-Mexico North American Free Trade Agreement is making itself felt, as the U.S. labor movement, spearheaded by the AFL-CIO, has been conducting an ongoing lobbying action to stop the agreement. Environmental groups are also opposing the agreement, fearing that it will lead to a further deterioration of the Mexican environment unless strict safeguards are introduced. The Schiller Institute, founded by Helga Zepp-LaRouche, is conducting a nationwide campaign, activating other organizations to oppose the agreement,

and phoning and educating congressional offices on why they should oppose it. The institute held a lobbying day on May 1 against the agreement.

The controversy stems from the administration's wish to have a "fast track" authority to negotiate a bill that can be submitted for a vote without the chance for amendment. The agreement with Mexico would allow U.S. firms to set up operations in Mexico with cheap Mexican labor, thereby forcing an overall reduction in the wage levels of U.S. workers.

The treaty would also open up Mexico to supranational looting modeled on that implemented in the United States in 1978, which allowed drug-linked banks, such as the Hongkong and Shanghai Bank, to operate freely and without oversight in the U.S. This provision was acknowledged by Deputy Assistant Secretary of the Treasury for International Monetary Affairs Barry S. Newman, in testimony before the House Banking Committee on April 24. Newman is the U.S. negotiator for the General Agreement on Tariffs and Trade (GATT) and NAFTA.

Congressional supporters of NAFTA, admitting that there will be a tough fight over the agreement, have appealed to President Bush to give assurances that U.S. jobs and employment standards, as well as environmental conditions in both countries, would be protected under the accord. Bush met with congressional leaders at the end of April, and they reportedly agreed on an "action plan letter" in which Bush would promise to take into account concerns on environmental and labor issues during negotiations on an agreement. According to the scheme, Congress will have until June 1 to stop an automatic two-year extension of the administration's "fast track" authority.

Supporting the treaty is a conglomeration of business groups, including U.S. Chamber of Commerce, the National Association of Manufacturers, and the National Foreign Trade Council, an ad hoc group of 500 leading American corporations. The Mexican government has hired a lobbying firm to run an advertising campaign to push the agreement through.

## **'Productive Triangle' presented to Congress**

Lyndon LaRouche's "Productive Triangle" proposal for the economic development of Europe as the motor of a world economic recovery, was presented to Congress by *21st Century Science & Technology* associate editor Marsha Freeman, in testimony to the Transportation Subcommittee of the House Appropriations Committee on April 30.

Freeman described LaRouche's Triangle proposal, recommending that members of the subcommittee study the proposal in order to gain a greater understanding of the importance of infrastructure and particularly transportation investments.

"By rebuilding and modernizing, and pushing forward on the frontiers of technology," Freeman told the members, "Western European nations will enable the economic revitalization of the ravaged nations of Eastern Europe."

Freeman referred to the horrendous lack of investment in U.S. infrastructure, noting that high-speed rail, and systems such as magnetically levitated trains now being commercially introduced in Europe, are long overdue in the U.S.



# National News

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## The age of abundance is over, say contractors

Marvin Black, the new president of the Associated General Contractors, declared that the "age of abundance" is over, in a news release issued April 15 after he and 100 other construction industry executives met with George Bush.

"Let's not waste time on the politics of how we got to this point," Black stated. "Banks are in the grip of fear that stops them from making loans for construction projects. . . . The message from the nation's lenders is clear. The age of abundance is over."

"Tax laws that helped induce construction are gone. . . . A fallacy and irony is the mindset that assumes the business community has deeper pockets than the Treasury. These pockets are either empty or porous. The reality is that the age of abundance is gone and is being succeeded by an age of scarcity. . . . America has to get it through its collective head that the age of abundance is over."

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## LaRouche was right on KAL 007 downing

Lyndon LaRouche's charge that the Soviet Union deliberately shot down Korean Air Line flight 007 in 1983, was corroborated by new Soviet admissions reported by space engineer James Oberg in a commentary in the April 23 *Wall Street Journal*.

*Izvestia*, as part of a 17-part series from December 1990 through February 1991, interviewed the pilot who shot the plane down, Lt. Col. Gennadi Osipovich, who admitted he had recognized that KAL 007 was not the RC-135 reconnaissance plane that the Soviets then maintained they believed it to be. He said his superior officers had ordered him to lie, to claim that he had radioed it on an emergency channel although he had not, that the target plane's lights were off although he had seen them on, and that he had fired tracers although his cannon had no such shells. He briefly

flashed his lights, but the crew had not been able to see him; that was all he had time for before the airliner threatened to "escape" into international airspace.

*Izvestia* reported on the Soviet recovery operation that found the wreckage of the plane and obtained its data recorders intact. To mislead the Americans, the Soviets dropped a false "pinger"—the battery-powered locator that emits underwater sonic pulses to guide searchers. Amid the wreckage, the Soviets evidently could find no spy gear.

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## Democrats could become minority, says Eizenstat

"I believe that one more landslide defeat in a presidential election can very well make us at any level a minority party," Stuart Eizenstat, a strategist for the Democratic Party, declared April 28 on the ABC News talk show "This Week with David Brinkley."

"This is why this election is so important, we cannot just take a pass at it. We have to re-focus on our basic constituency that we have lost. That is the middle class, working class constituency," Eizenstat said. The reason for the several consecutive defeats "was that we did not have a candidate who had articulated enough the middle class message. Our message has been purely a message for poor people. . . . We didn't articulate what happened to the middle class in the last 15 years, namely that their income has been flattened for 15 years, that it now takes two earners in a family to make what one made 15 years ago."

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## Say Bush plans new wars against Third World

George Bush is planning new wars against Third World nations, contends former high-ranking CIA official John Stockwell in a new book, *The Praetorian Guard—The U.S. Role in the New World Order*, according to a review of the book in the April 16 *Glasgow Herald*.

Bush's motivation is, in part, "a diversion from domestic political problems," such as his being "heavily implicated in the drug-related Iran-Contra aid deal," the paper reports.

The review stresses Stockwell's view that Cuba is a likely next target of Bush. Cuba would probably have been attacked already, except for the fact that "Iraqi President Saddam Hussein gave President Bush an early Christmas present and let Cuba off the hook, at least temporarily."

If Stockwell's views are correct, the paper notes, the future role of the United States and Britain will be that of "hired mercenaries keeping poor countries in their place, waging a Third World War in the sense of a war against the Third World." Americans will thereby become the new "Hessians," named after the German mercenaries who fought against the American Revolution in the 18th century. Stockwell expresses concern that this foreign policy trend is linked to "increasingly draconian encroachments on civil liberties in the U.S."

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## Du Pont heir addresses board meeting on CFCs

Lewis du Pont Smith, an heir of the Du Pont family fortune, addressed 1,000 shareholders in attendance at the Du Pont Corp.'s annual meeting of shareholders in late-April, motivating his proposal to reverse the company's planned phaseout of chlorofluorocarbons (CFCs).

Smith's memorandum, which had been rejected by the company, included the April 16 *EIR* cover story on CFCs. The company had been ordered to include it in its proxy report by the Securities and Exchange Commission.

Smith demanded equal time with the environmentalists on the board and in the room. "What is Du Pont desperately trying to hide from the shareholders and the public at large? The facts documented in this memorandum demonstrate that there is no conclusive evidence that the ozone layer is thinning. . . . Phasing out CFCs, according to refrigeration analysts, will result in 20-40 million dying annually in the developing sector from hunger, starvation, and food-

borne diseases due to the collapse of the refrigeration infrastructure and cold chain precipitated by the ban on CFCs. From a financial standpoint I understand why you're phasing out CFCs: Du Pont stands to gain billions of dollars of profits in the next 10 years with their replacement. But at what cost? Millions of human lives and \$5 trillion for the world economy to replace CFCs. It should be noted that the entire push for this change of policy on CFCs was brought about by the Bronfmans who control the board of directors."

Bronfman-appointed corporate chairman Edgar Woolard said, "We have consulted a new scientific committee and determined that there is a real threat to the ozone layer. And I want to make it clear that the Bronfmans had nothing to do with this change of policy."

Smith said this was a fraud, that there were never critics of the ozone depletion theory on the ozone trends panel or any other panel that Du Pont consulted. "It was a stacked deck," he charged.

## Exxon Valdez settlement rejected by Alaska judge

Federal District Judge H. Russell Holland rejected April 24 the deal worked out by Exxon and the Bush administration over the Exxon Valdez oil spill. The deal, which took 57 days of complex negotiations, called for Exxon to pay \$1 billion in civil fines and \$100 million in criminal penalties.

Holland told the press, "the fines that were proposed to me were simply not adequate. They do not adequately achieve deterrence. I'm afraid these fines send the wrong message, suggesting that spills are a cost of business that can be absorbed."

According to the press, Holland may be considering levying a criminal fine against Exxon amounting to \$700 million, which, added to the civil penalties, would mean a total fine of \$1.7 billion. It is likely that Exxon will now renege on the plea bargain and go to court.

The decision will have a monumental effect on all environmental laws and prosecutions. Exxon's decision to plead guilty to "eco-crimes" was unprecedented, since no

crime was actually committed. Now that the judge has rejected that plea bargain, the environmental groups are out for blood.

Groups like the Sierra Club, the Natural Resources Defense Council, and the National Audubon Society stand to gain billions of dollars in lawsuits they have started against Exxon. The judge's decision, and Exxon's previous capitulation, also opens a Pandora's box for environmental litigation that would cost hundreds of billions of dollars for any kind of industrial accident. Further, criminal charges carry stiff jail sentences, so the number of company executives who might go to jail for "environmental crimes" every year could total in the thousands by next year.

## FBI stalls in LaRouche versus Webster case

The FBI is stonewalling on the March 19 order from Federal Magistrate Sharon Grubin to answer questions in the case of *LaRouche v. Webster*.

Grubin had ordered the FBI to answer interrogatories about ongoing FBI operations against LaRouche and his associates, including those under so-called "active measures" and Executive Order 12333. The FBI was also ordered to answer questions about its relationship with the Anti-Defamation League.

On the day the answers were due, the FBI sent a letter to the magistrate saying it needed an additional 60 days to determine whether it can *comply* with the judge's order.

In the letter, the FBI claims it does not have adequate personnel to conduct a search for "any variation" of the name "Lyndon LaRouche Group." The FBI has created many variations of this name for the purposes of hiding various documents. It also claims they cannot search their files for "information on financial supporters" of LaRouche-related entities, despite the fact that when the FBI wants to harass financial supporters, they have no trouble finding them.

The government has admitted to the existence of more than 55,000 pages of documents.

## Briefly

● **THE INTERIOR** Department announced April 26 that 12 million acres of the Pacific Northwest are "critical" to the survival of the northern spotted owl. The area is roughly twice that recommended for protection by a panel of government scientists last spring. The action will cost 100,000 jobs.

● **VYTAUTAS LANDSBERGIS**, the President of Lithuania, will visit the United States, traveling to Washington, D.C. May 7-8 where he is to meet with Secretary of State James Baker. He will address the Los Angeles World Affairs Council during a May 9-10 visit to California, and will visit Chicago May 11-15.

● **AN AMERICAN** woman, 22 years old, who got AIDS from her dentist was interviewed on Swedish national television April 21. She said that she neither has had sexual intercourse nor taken drugs, and that therefore the "risk group" theory must be wrong: She called for an obligatory AIDS testing program.

● **THE HERITAGE** Foundation, exposed by *EIR* for its ties to the Fabian Society, called for the end of the civilian space program, in a study released April 25. Coming at a time when the defense industry has slashed its R&D spending by more than 30%, the report advises that exploration and scientific research "should be left to the private sector."

● **PAUL EHRLICH**, the author from Stanford University of the *Population Bomb* who delivered the annual world conservation lecture to Prince Philip's World Wide Fund for Nature April 22, called on conservation groups to become more involved in efforts to control population in the industrial nations, the April 24 London *Daily Telegraph* reported.

● **'MY THEORY** is that George Bush has had to tell so many lies—and has such a hard time remembering them—that he sounds dyslexic," novelist Gore Vidal said in an interview in the *May Esquire*.

# Why the U.S. cannot rebuild from within

On May 1, the United States lowered interest rates by half a percent, in defiance of the international banking community. Outside of the United States, this was interpreted as a mark of desperation by a U.S. administration which is trying to export an out-of-control domestic economic collapse. Within the United States, President Bush's remarks to journalists on that day were quoted favorably. "I think we're going to be coming out of the recession, particularly with this drop in interest rates," Bush told the American people.

Yet, more than one month earlier, Bush had a secret Department of Commerce report which anticipates the loss of 40% of jobs in key U.S. industries, such as auto, textiles, and steel, if a free trade pact with Mexico is signed. Clearly, either Bush is lying or he defines a recovery in very different terms from the average citizen who is trying to support a family—most likely, both are the case.

The truth is that George Bush is attempting to manipulate the world's economy in order to keep American financial institutions afloat and the oligarchical, Anglo-American faction which he represents, in power. To accomplish his goal will mean that he succeeds in imposing a fascist regime upon the United States, and that that regime will dominate the world. Such a fascist United States will be far more vicious than the Nazi Third Reich. This is already measurable in the numbers of men, women, and children who have died prematurely because of the actions of George Bush and his associates.

Bush hopes to cannibalize the resources of the Third World. At home, his crew intends to create a "Third World" portion of the population which will be destined for the scrapheap. This may be called an economic recovery, but it will in practice mean that only a small core of the population will live in adequate conditions while the rest are consigned to slave labor-style camps such as the *maquiladoras* presently located on the U.S.-Mexican border, or simply left to die homeless.

The option of a defense-led recovery in the United States, centered around the Strategic Defense Initiative as the science-driver for an infusion of new technology

throughout the economy, is no longer a workable alternative to Bush's plan to establish an imperial fascism, as it was when first proposed by Lyndon LaRouche in 1982.

The depression of the 1930s was ended by the build-up for World War II, but this could not happen in the same way again, because the U.S. physical economy is now in incomparably worse shape. This is reflected in the collapse of the state and local budgets, which is going to become much more conspicuous over the course of this quarter. So the United States has reached a point of physical breakdown, which it never even approached during the 1930s.

In his 1980 and 1984 presidential campaigns, Lyndon LaRouche warned that this would happen, if the economic policies which he advocated were not adopted. His tax and credit policies, which would have created a capital flow into heavy industry and research and development, coupled with major infrastructure development projects (emphatically including the infrastructure needed in space), would—had he been elected—have given this country one last chance to work itself out of the depression on its own steam. This was America's last chance for a self-generated real recovery, one which would have reached out to meet the needs of *all the population*.

Today, a U.S. recovery depends upon the generation of an international climate of development, centered in Germany. If the LaRouche program for major infrastructural development reaching into Eastern Europe and the Soviet Union, and including particularly Italy and France, is realized, then there is hope for the United States. Ironically, the U.S. and Britain are doing everything in their power to sabotage such a turn of events.

A U.S. recovery is possible, but only on the basis of a global recovery. The political moral of this is obvious. It is long overdue that George Bush and Henry Kissinger are recognized as the political successors to Adolf Hitler, and stopped. It is about time that people take heed of Lyndon LaRouche's warnings. They have proven all too right in the past.

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## Blame George Bush!

EIR Special Report, March 1991

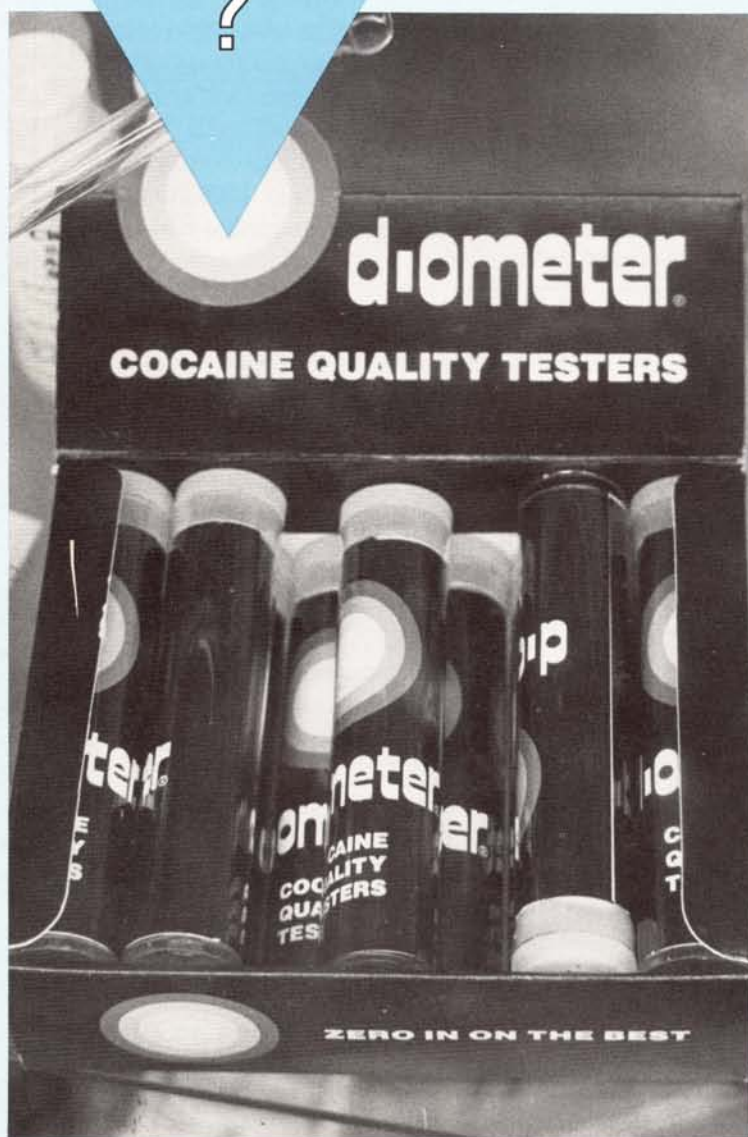
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