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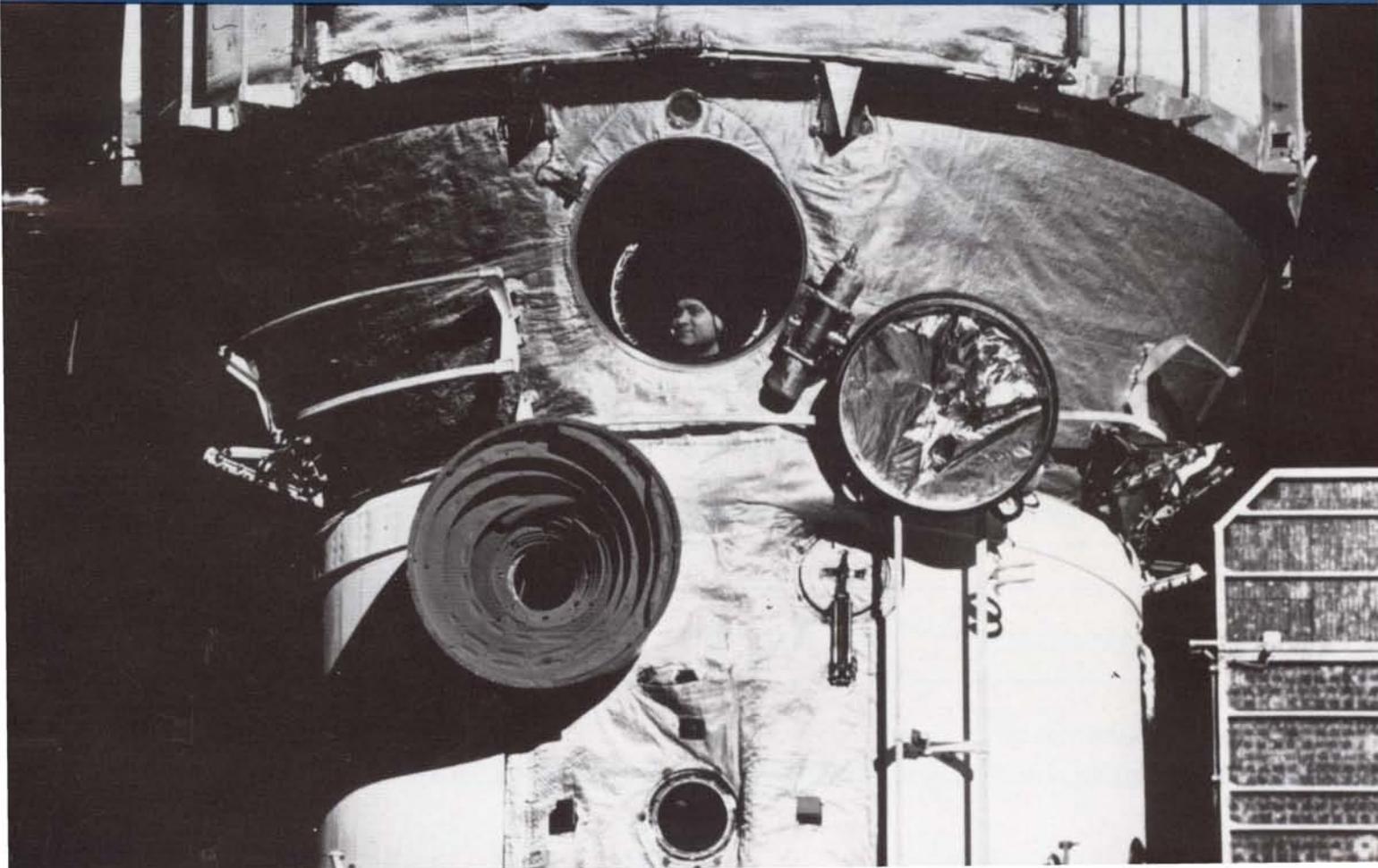
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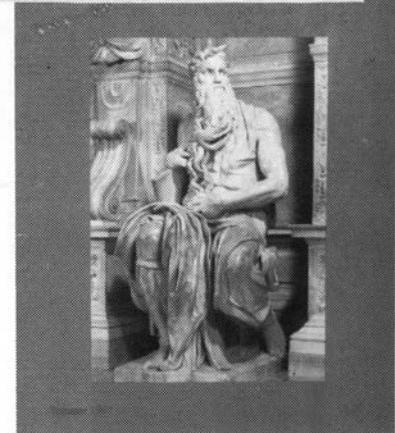
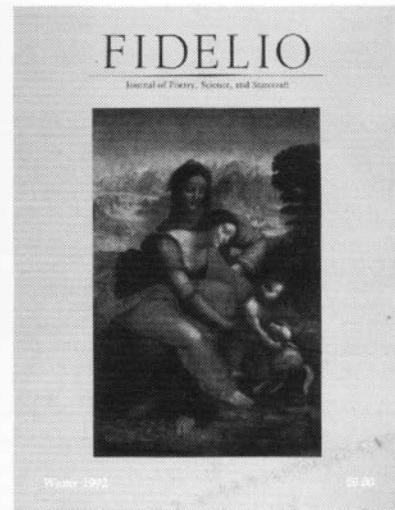
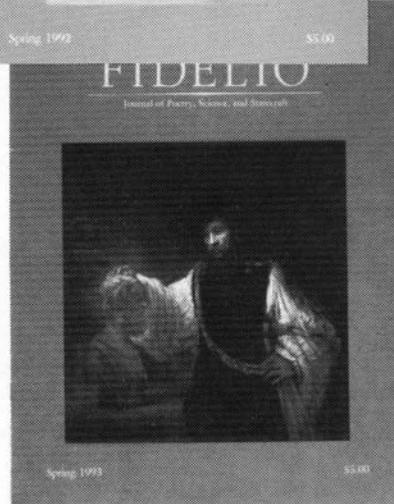
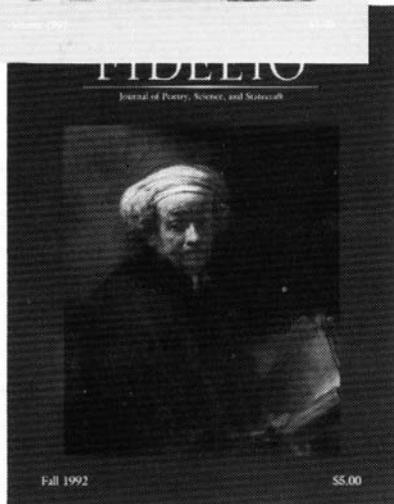
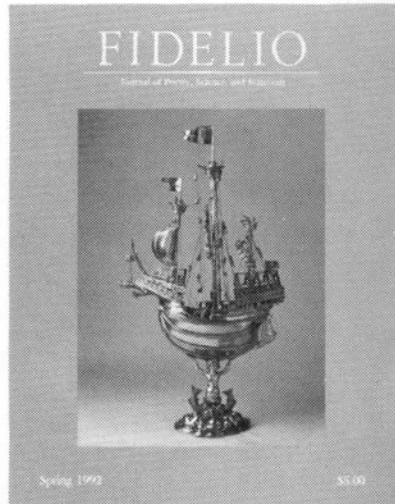
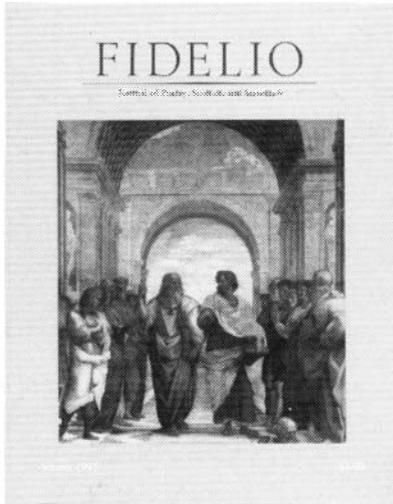
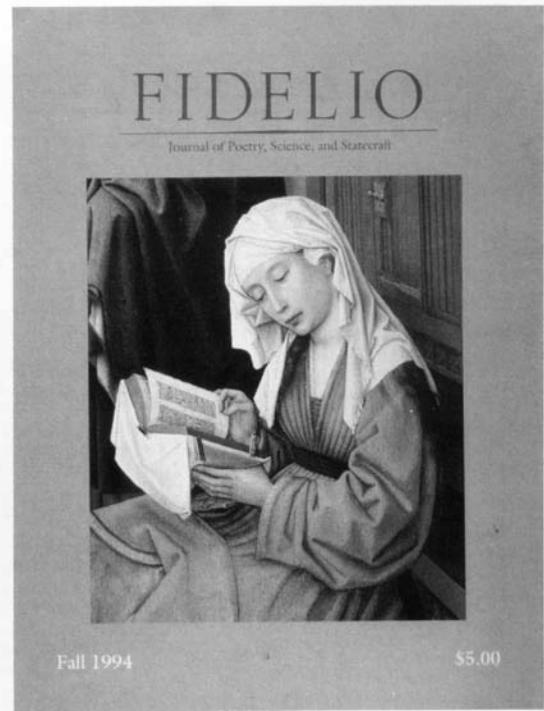
Lawmakers from Russia in dialogue with EIR  
Wonder who's Kissinger now? Newt Gingrich!  
Wall Street's eyes are on Argentina

**Prospects for Russian  
economic revival**



*"I hope to convince you that, in order to solve the political problem in experience, one must take the path through the aesthetical, because it is through Beauty that one proceeds to Freedom."*

— Friedrich Schiller



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## From the Editor

‘It was by the press that the morals of this country have been ruined, and it is by the press that they shall be restored.’ The quote is from Alexander Hamilton, who founded the *New York Post*. But that paper has long since abandoned every ideal associated with George Washington’s first Secretary of the Treasury.

Until seven years ago, however, it appeared on the masthead of *New Solidarity*, a biweekly newspaper published by associates of Lyndon H. LaRouche, Jr. Hamilton’s motto encapsulates the motives why the newspaper was shut down on April 1987, in a U.S. government-forced bankruptcy of its publisher. By the time a federal judge overturned the bankruptcy, ruling it a “constructive fraud on the court,” the economic results of the bankruptcy were being used to railroad LaRouche himself and many of his cothinkers to prison.

All of this serves to shed light on a widespread current fraud—the attempt to drape the Conservative Revolution in the garb of the Founding Fathers. The *New York Post* outdid itself in vulgarity on March 9 by printing a cartoon depicting George Washington at the Constitutional Convention of 1787, holding a “Balanced Budget Amendment” submitted by Alexander Hamilton!

Hamilton was killed by Aaron Burr in 1804. He is remembered by patriots for postponing and limiting payment on Revolutionary War debts, and fighting for national sovereignty over credit to spur industrialization, quite the contrary to the *Post*’s gaffe.

In the *Feature*, Lyndon H. LaRouche, Jr. writes in this regard: “In the aftermath of the 1789 establishment of the successful, and influential American System of political-economy, it became more or less conventional to refer to a difference between the ‘national banking’ principles of Hamilton et al., and the ‘central banking’ monopolies of the oligarchical financial interests. The U.S. Federal Reserve System, as established in 1913, is an oligarchical central banking system, existing literally in direct violation of the explicit language of the U.S. Federal Constitution, existing because the anglophile oligarchy within the U.S. had seized power with the 1901 assassination of U.S. President William McKinley.” Not only must this be accurately presented—but it is the cornerstone for saving the Russian, Mexican, and other nations’ economies, including emphatically our own.

Nora Hamerman

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**Correction:** The graph on our cover last week should have been labeled "World Annual Growth Rates, 1986-94."

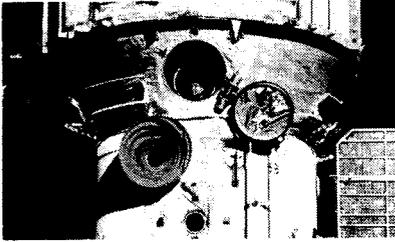
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## LaRouche warns: Abandon the monetary Titanic

by Anthony K. Wikrent

On Feb. 27, U.S. physical economist and presidential candidate Lyndon LaRouche declared that “with the Bank of England’s announcement of the Barings bankruptcy, in London earlier this morning, all major financial markets internationally are braced for a major meltdown of derivatives and related investments as the likely scenario for the period through March 10. What has erupted over the past weekend is far worse than the famous U.S. stock-market panic of 1987, and will have far more devastating, deep-going effects. This crisis was not caused by some single, errant employee of Barings’ Singapore office; it is a new phase in the worsening, global, systemic collapse in the London-centered, worldwide network of derivatives markets which began with the Orange County [California] and Mexico crises.”

Within days, the world’s monetary and financial system was beset by a “dollar crisis” so severe, that even currency traders were screaming for government action. Following three consecutive days of setting new record lows against the deutschemark and the Japanese yen, the dollar fell to an all-time postwar low of DM 1.345 and Y 88.7 on the morning of March 8. Then, traders, suffering physical exhaustion, seized on a series of statements by officials around the world—no doubt hastily concerted in desperate secrecy—for a temporary reprieve.

But the miserable poltroons who have led the world into this mess, who are still unwilling to face the reality of the cataclysm they have created, quickly put forward a panoply of rationales for the pandemonium enveloping the markets. First, there were those of Sir Christopher Jeremy Morse, non-executive director of the Bank of England and former chairman of Lloyds Bank, who told a caller on March 8 that talk of a return to the gold standard, the reform of the International Monetary Fund and World Bank, and even a

tax on financial transactions is “all overblown. . . . I think people will weather it through, and they won’t change the system at the end of this bad patch.”

Some, such as U.S. Federal Reserve Chairman Alan Greenspan, slyly used the chaos to advance their political agendas. In testimony before the House Budget Committee on March 8, Greenspan linked the collapsing dollar to the defeat of the Balanced Budget Amendment. Pointing to the futures markets, where dollar contracts did not decline until just after the amendment was voted down, Greenspan declared, “There was apparent concern in the international financial markets that something significant was happening to our resolve with respect to coming to grips with the balanced budget issue.”

### The lunatics have taken over the asylum

Then there was the establishment press. Not quite knowing what to make of the collapse, the *New York Times*, in an editorial entitled “Let It Drift,” declared that “no one knows” why the dollar continues to slide, so intervening might do more harm than good. The *Wall Street Journal* began a front-page article, “This is getting serious—fast,” and warned of a “full-blown global currency crisis that will drag down stock and bond markets around the world, disrupt international trade, and bring the economies of half a dozen countries to a grinding halt.” Nick Knight of Nomura Securities was quoted saying, “The thing is just madness. The lunatics have taken over the asylum.”

Those directly involved in the disorder appeared closer to panic. David Gilmore, a partner in a New York City firm named Foreign Exchange Analytics, told the *Journal of Commerce* on March 8 that the Group of Seven, scheduled to meet in Halifax, Nova Scotia in June, “must find a way to

stabilize the financial markets because what we are living with is unacceptable.” Françoise Soares-Kemp, a senior manager at the New York City office of Crédit Suisse, said, “The situation is out of hand, and unless we hear some noises that the central banks are working together to save the dollar, there will be a meltdown of confidence in paper money.”

Robert D. Hormats, vice-chairman of Goldman Sachs, told the *New York Times*, “This can only go on for so long. The U.S. cannot preserve the value of the dollar as a strong reserve asset and a strong transaction currency without mustering a solid defense at these levels. We need the financial equivalent of Desert Storm, a coalition to defend the dollar.”

### **They were forewarned**

What about the one man who warned that it would happen? In an interview on March 8, LaRouche stated, “If you look at the world economy, you see that what is happening is that the British System is collapsing . . . at a time that there’s a major war going on between London and Washington, particularly between London and the Clinton administration.

“The crisis in Mexico and the crisis of Japanese investments by Barings and so forth, were in part colored by the fact that the British are trying to run political warfare through financial means, against the United States, the Clinton administration in particular.

“In that shot, Barings got stuck in Mexico, because the President of Mexico didn’t tell Barings they were going to do what they did. So Barings couldn’t get its money out of Mexico, except at a loss. Barings was also involved massively in Singapore, and no one has actually seen the bottom line on this one. This is not a couple of billion dollars they lost, they *really* are up to the wazoo in this one. . . .

“So, you have the collapse of a financial system, which was inevitable, given the policies, and given the unwillingness of Americans among others to come to their senses on this insane derivatives policy. But the complicating factor is that at the same time you’ve got three British monarchical banks. One has gone belly-up [Barings] and one is staggering around like a chicken that has lost its head, S.G. Warburg. That’s two out of the three banks, the third being Coutts, which is out of National Westminster now. The British monarchy banks are in trouble.

“You’ve got this derivatives crisis, which I warned about in 1992. And you saw how much attention I got from the voters and others in the political class, in warning, quite accurately, about this danger.

### **Will people admit LaRouche was right?**

“Now the danger has hit. Are people willing to line up and say to me, ‘You were right, and we were wrong’? No. All right, until they’re willing to do something which is tantamount to that, this crisis is going to become worse.

“The two strongest industrialized economies in the world

are Germany and Japan. They’re in a relatively weakened state, but compare them to Britain. The British Isles are a complete garbage heap, a garbage heap which has been produced by those policies of Margaret Thatcher, which are the policies of Newt Gingrich and Phil Gramm. . . . If we continue to tolerate the kind of thinking which these neo-conservatives of the Mont Pelerin Society brood of chicks, such as Gingrich’s followers and Gramm’s followers continue to push, *there’s no hope for the U.S. or the U.S. economy.*

“The essential thing to remember about this crisis is not what’s going to happen to money figures, or what’s going to happen to this; it’s all going to happen, buddy! . . . *This crisis is going to continue to rock the world through at least most of this month and beyond.* Things are going to happen which were considered unthinkable in financial markets a few weeks ago. It’s inevitable, it cannot be stopped, until the political institutions agree that they were wrong, and I was right.

“. . . There are things we can do, but they’re not within the existing rules of the game. . . . I’m afraid you’ve come to that time when people are going to have to be put through an emotional wringer before they’re willing to give up some of those stupid ideas which they support. . . .

“What is required, is that a group of governments agree that the present shattered, disgustingly bankrupt international financial and monetary system, including the U.S. Federal Reserve System, is bankrupt. And that it’s the function of governments now to put the existing central banking systems, including the Federal Reserve of the United States, and major financial markets, into a systematic bankruptcy reorganization. Under those conditions, a group of nations can bring this crisis under control, using policies which Phil Gramm would never tolerate, which Newt Gingrich would probably never tolerate. You’ve got to abandon, write off, your financial commitments, the policies you’ve been running under recently. [Instead,] rely upon your technology, your industry, your infrastructure development. But we’re not going to solve our international financial problems, unless we get a group of nations together, to say, ‘Let’s get rid of this damn British System *now!* Let’s get away from the Adam Smith free trade lunacy system, and let’s go back to production; let’s go back to the system which used to be called the American System.’ *Anything else* is going to the market to see what your loan rates are on buying a ticket for a better stateroom on the sinking *Titanic*.

“You want to get out of the mess? You must give up the things that are destroying you. You want to survive? Buddy, get off the *Titanic*, and get in the lifeboats, and stop talking about how to get a better stateroom. Get to the lifeboats: It’s finished.

“And the sooner we’re off the *Titanic*—that is, the monetarist tradition of Thatcher and Gramm and Gingrich, and the *Wall Street Journal* crowd—the sooner we have a chance of surviving. Until we do that, nothing counts.”

# Wall Street's eyes are on Argentina

by Gerardo Terán Canal

"Argentina has been spotlighted by investors as the Latin American economy most likely to crack next," the *Financial Times* of London warned on March 8. The *Wall Street Journal* added on the same day that "investor fears that Argentina could face a financial meltdown such as Mexico's have been building for two weeks." As the country's markets gyrate, and even shut down as the Buenos Aires stock market did abruptly on March 7 after dropping 7.7%, international financial observers are noting the country's severe liquidity crisis, the drop in reserves by \$3 billion this year, and growing capital flight.

In question, they say, is whether the government's convertibility plan, which by law establishes a one-to-one parity between the peso and the dollar, can survive under these circumstances (in order to prop up banks, the central bank has already taken steps which violate the plan's charter). Secondly, can President Carlos Menem, whose fate is tied to the success of the convertibility plan, be reelected in May, if the plan does not survive?

Wall Street analysts are also chewing their nails over the fact that Argentina has \$9 billion in principal and interest payments to meet this year. Can it pay? Not even the severe austerity package announced by Finance Minister Domingo Cavallo on Feb. 27, intended to raise an additional \$3.5 billion in revenues, has inspired the required "investor confidence" which Cavallo so frequently mentions. The default on \$63 million in foreign debt by the Alto Parana, S.A. paper company in late February fueled panic that more companies will follow.

The possibility that Argentina will be the next to fall is keenly perceived locally. On March 5, one of the country's oldest and most prestigious newspapers, *La Nación*, resorted to the symbol first used by economist Lyndon LaRouche when it published a picture of a sinking *Titanic* next to an article entitled "Industry—Everything Is Shaking." The daily documented the dramatic collapse of Argentina's physical economy and corresponding decline in consumer demand, evidenced by a sharp drop in sales.

Cavallo and other government officials describe the situation as a "crisis of confidence" by foreign and national investors. Between Dec. 20 and Feb. 27, some \$3.7 billion fled the domestic banking system—7% of total assets. Banks have already used \$1 billion of a safety net set up to keep banks

afloat and reportedly need another \$2 billion *over the next few weeks*. Yet on March 8, Cavallo announced there is only \$200 million left in the bank safety net and urged the creation of a new trust fund that could serve as a "lender of last resort" for banks. In two months, the number of banks in the country has dropped from 168 to 141.

What Cavallo doesn't want to admit is the likelihood that both the government and the private sector won't be able to meet their foreign debt obligations this year. The government must pay \$1.7 billion on March 31, and there is \$400 million in maturing debt due on the same day by the private sector.

## Chaos reigns

The tenuousness of the situation is seen in what happened during the week of Feb. 26 to March 4, when it appeared that everything was out of control. On Feb. 28, the stock market fell by over 7.7%—bringing the year's drop to 40%. Interest rates hovered around 50% and, according to one business source, bankers were calling up company executives and offering interest rates as high as 30% if those companies would deposit their funds in the banks. By March 2, the interbank lending rate known as "call money" had shot up to 55%. Some companies had to pay as high as 90% interest for 30-day loans needed to pay off debts first borrowed at less than 30%. Credit is simply not available.

On Friday, March 3, at 3:00 p.m., the Buenos Aires stock market dropped by more than 8% and rumors flew through the financial district about the death of the convertibility plan. Reliable sources told this press service that Cavallo even had his plane tickets in hand and was prepared to leave the country, to take up a new position at the International Monetary Fund (IMF). Businessmen ran to withdraw funds from the banks based on the rumor that the government was planning to do what it had done in 1989 (also under Cavallo's supervision): freeze fixed-term deposits and pay depositors with dollar-denominated foreign debt bonds, Bonex, in order to inject liquidity into the banking system.

The day was only saved when at 3:05 p.m., the IMF announced that it would allow Argentina to access \$420 million in "undrawn resources" from a \$3.7 billion loan it had received three years ago. In addition to this, Menem announced that the World Bank would also grant a \$1 billion loan for the reform of provincial banks.

Euphoria returned only briefly. At the beginning of the following week, the markets dropped again. And now, the finance minister is singing a somewhat different tune. In statements to the Congress on March 8, he warned that "reality is serious. . . . There is a crisis in the international markets which can worsen in the coming hours. . . . We are living through extremely critical times in which we could fall apart in a very costly fashion and find ourselves at the bottom of a well out of which it would take a very long time to climb." Admitting that Argentina may now face a recession, the minister demanded that "structural reform" be accelerated.

# Italy at the crossroads: Barings or LaRouche?

by Liliana Celani

The alternative of the title was clearly posed at a conference organized by *EIR* and the Italian Movimento Solidarietà which took place on March 2 in Rome to present Lyndon LaRouche's evaluation of the present disintegration of the financial system and the possible solutions, as well as the Italian edition of his book *The Science of Christian Economy*. Many among the diplomats, journalists, and industrialists attending the conference remembered very well a previous *EIR* conference which took place in Milan in June 1993, in which a total disaster for the lira and the Italian economy was forecast, unless the financial disintegration due to derivatives speculation and the British plot to deindustrialize Italy with privatizations, discussed at a secret summit on the royal yacht *Britannia* off the coast of Italy near Rome in June 1992, had been halted.

"LaRouche was completely right then, and is completely right now in demanding a tax on derivatives, as the Barings collapse demonstrated to all of us," was the comment of many people attending, who remembered very well his proposal. "How can it be that we learn about derivatives and about all those great infrastructural projects being discussed in the European Union from *EIR*, and not from the daily press?" was one of the many questions posed.

In order to understand why this is the case, it was enough to watch the Italian news telecasts during those days. The same day Barings was declared bankrupt, one of the three main national news programs, TG3, interviewed of all people the head of Merrill Lynch in London, to ask him what Italy should do to stop the collapse of the lira, which since the British have been "advising" Italy, has been devalued by almost 50%, falling from 700 liras to the German mark, to 1,200 liras in the first days of March.

"Do you agree with the International Monetary Fund delegation which was in Rome today, that the only way to save the Italian economy is to privatize the pension system too, and to move the austerity budget of 1996 up to 1995?" was the question asked by the correspondent in Rome to Merrill Lynch. He obviously agreed, and denied that the Barings collapse had any implication at all for free market economics, or that any regulation would be necessary.

With such friends, Italy certainly needs no enemies, since it is precisely the counsels of Merrill Lynch, Warburg, Lehman Brothers, and Goldman Sachs which brought the Italian lira to the level it is, and the Italian economy to the brink of



Former Prime Minister Giulio Andreotti: His trial in Sicily is apparently aimed at eliminating Catholic politicians from any role in government.

deindustrialization. The case of Warburg is indicative: This is the bank which was financially strapped before Barings, and which in June 1992 organized the *Britannia* yacht summit. Warburg was assigned by the Ciampi government to privatize IMI, one of the main state banks at the top of the list of British asset stripping. No wonder that Merrill Lynch would advise Italy to quickly privatize its pension funds (and maybe invest them in derivatives in Singapore?), and cut its budget.

Amazing is the fact that there are still Italian political leaders who not only ask them for advice, and follow it, but who even go to the City of London to take their marching orders, as was the case for the head of National Alliance, Gianfranco Fini. Fini was in London on Feb. 14-15 to address the Royal Institute for International Affairs, and have a private meeting with the Rothschild Bank. On Feb. 23, Lord William Rees-Mogg, former adviser to Margaret Thatcher, endorsed Fini in a London *Times* commentary calling for an Italy-Britain axis against Germany and France. As a senior Christian Democratic politician told *EIR*, "There is at present a total disorientation in Italian politics. People believe that the Italian lira is collapsing for domestic reasons, because they cannot see beyond their noses, and do not see the collapse of the financial system. Parties do not count any more: They are all split internally around the question of whether there should be a left-wing government or a right-wing government, although both have the same program, and it's the City of London's."

"After the Barings collapse you would expect to see Great Britain finally as the 'Naked England' [a pun on Goya's

“Naked Maja”—ed.], since the cover of the Windsor monarchy is falling down, but on the contrary, people are so blind and eager to make a career that they still believe in what they are told to do,” he added.

Inside the PPI, the Popular Party which replaced the Christian Democracy, there is a fight over whether the PPI should join the so-called “moderate pole” led by former Prime Minister Silvio Berlusconi in the next national elections, expected when the Dini government falls, or join the “left pole” led by Romano Prodi, former senior adviser to the Goldman Sachs investment house, who is pushing for a North American Free Trade Agreement-like free trade treaty, and promises to be more loyal to the City of London than Fini.

Also inside the PDS, which used to be the Communist Party, people are very angry at the new secretary Massimo D’Alema who chose such a “ridiculous candidate” as Prodi to lead the left, thus making sure the moderate pole wins again. Italy is the only country in the world where the left is supporting a government, led by Lamberto Dini, which is proposing an anti-popular austerity budget, which is instead opposed by the right wing. As a matter of fact Dini’s austerity budget was approved by the Italian Parliament on March 8, thanks to the votes of the PDS and the separatist Northern League.

### **Dirty tricks behind ‘clean hands’**

To make things even more complicated for both the Italian population, which is fed up with the circus being played every night on the news shows, as well as for foreign observers, who are starting to give up on understanding Italian politics, whenever there is an attempt to create a reference point, such as a newly reunified Catholic party (which would be looked at with interest in Germany and elsewhere), its proponents are suddenly hit by “Clean Hands” so-called anti-corruption investigations. This tends to confirm that there is a very political use of “justice” in Italy.

The most famous such case is the trial which opened on March 2 in Palermo against former Prime Minister Giulio Andreotti, one of the historic leaders of the Christian Democracy, and presently chief editor of the Catholic magazine *Trenta Giorni*. Andreotti used to be the most powerful politician in Italy, and in his position as prime minister, he had (like Aldo Moro, kidnapped and murdered by Red Brigades terrorists in 1978) more than once quarreled with Henry Kissinger and, more recently, with the Bush administration. His trial, together with a number of smaller scandals popping up every day in the press, is apparently aimed at eliminating the role of Catholics in Italian politics.

If confusion reigns in the Italian political panorama at least something became very clear in the first week of March: Italy should look for better advisers in economic policy, definitively drop the City of London ones and rather go with LaRouche’s proposals to stop speculation and revive industrial production.

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## The Case of Essen

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# Deindustrialization takes toll in Germany

by Birgit Vitt

Elections to the state parliament are coming up on May 14 in the key German industrial state of North Rhine-Westphalia, and the state’s supremo, Gov. Johannes Rau, is trying for the last time to get an absolute majority for the Social Democratic Party (SPD). Yet all the other possible political combinations, such as “red-green” (Social Democrats and Greens), “black-green” (Christian Democrats-Greens) or “black-yellow” (Christian Democrats-Free Democrats), couldn’t make the economic policy any worse than it already is. There is not the trace of a perspective.

Above all, for a long time there has been no politician in North Rhine-Westphalia who has felt the need to say a word about the upheavals on the international financial markets. This reality does not exist in what is still the biggest industrial region of Europe—at least, to all appearances, not in public discussion. Although the first big bankruptcies triggered by speculative business practices have reached this state, like the Herstatt failure and the downfall of Kloeckner, people prefer to stick their heads in the sand.

It is precisely in order to finally get this discussion under way, that the Civil Rights Movement Solidarity, the Germany-wide political organization founded by Helga Zepp-LaRouche, is going to be running a slate of candidates in the upcoming state election.

Even in North Rhine-Westphalia—where people are so proud of their universities and where, in 1994, the Nobel Prize in Economics was awarded to a Bonn economist for applying game theory to economics—there are a few individuals on whom it is finally dawning, after 15 years, that something like a “deindustrialization process” has happened in this region, which we are now paying for. Because, as these insightful folk say, without production there are no buyers for services.

Now, the Chamber of Industry and Commerce (IHK) in Essen has come to this conclusion, in a study entitled “The Industrial Development in the Essen IHK District from 1977 to 1992,” released in February. The Essen IHK District comprises the cities of Essen, Oberhausen, and Mülheim. It is a district distinguished by mining, steel production, machine toolmaking, and other industrial operations of the sort disparaged today by many as industrial “dinosaurs.” The period covered in this study is informative, insofar as it encompasses



*In a protest against deindustrialization in the Rhine region, steelworkers "bury" German anthracite coal at a demonstration in Bonn in 1993.*

the whole period of the Rau state administration's so-called restructuring policy.

### Developments since 1977

The figures for the Essen industrial-commercial district can be compared with the trends in the same timeframe in the nearby Ruhr region; in the state to which both districts belong—North Rhine-Westphalia; and in the German Federal Republic as a whole. By and large, the Essen district comes out the worse in all these comparisons.

At the outset of the period studied, more than 50% of the official workforce (those who pay into the social insurance system) were active in the sectors of energy, mining, industry, and construction. In 1992, this "blue collar" ratio had fallen to 39.3%. The service sector had increased its job offerings in the "general services"—which includes, for example, tax consultants, lawyers, medicine (+45.7%), credit institutions and insurance (+25.7%), as well as the public and semi-public sector (+27.6%). For the individual cities the following shift occurred: In Essen in 1977, some 53.7% were active in services, but in 1992 this climbed to 64.1%. In Mühlheim in 1977, some 57% were active in production, and 15 years later, 9% fewer. In Oberhausen, 63% of the active workforce was employed in productive industry in 1977, and by 1992, only 46%. This trend is also manifested in the gross production of goods. In Essen, the share of the producing industries in the gross product stood at 38%, in Mühlheim 42%, and in Oberhausen 38%. In the Ruhr region it was 41%, in North Rhine-Westphalia 43%, and in the Federal District (around Bonn), 42%. The Essen IHK District therefore gets the worst of the comparison.

This, of course, has also had its impact on the number of

people active in industry. The total shrunk from 126,235 to 79,695 (down 36.9%). When we look at specific sectors, the operations of raw materials and goods producing firms lost 15,902 jobs, while in capital goods production, 12,294 workers were laid off; in mining, 11,657; and in consumer goods producing firms, 6,824. The unemployment rates in December 1977 were at 6.4%, and they climbed continuously to 15.8% until 1987. They sank during the next five years to 10.4%, but since December 1992 they have climbed again. The drop in this figure was certainly a result of the short-term positive effects of German reunification. In absolute numbers, we end up with a rise in joblessness of 107%, in other words, the region went from 22,240 unemployed in 1977, to 46,064 in June 1993. The ratio between the number of jobless and the number of available jobs (to say nothing of the type of work) climbed from 6 to 19 per job.

This observation must be seen together with population trends. The number of inhabitants of the Essen industrial-commercial district shrank during the period of the study by 4.9%, from 1,082,854 to 1,030,256. This would be an even more negative statistic except for the shift after the fall of the Iron Curtain. Even here, the Essen IHK district, in comparison with the Ruhr (−0.3%), the whole state of North Rhine-Westphalia (+3.8%), and the states of the former West Germany as a whole (+6.4%), is much worse off.

Energy demand sank by 43.2%. According to studies, the reason for this is better energy utilization, changes in structural processes, the shutdown of operations or sectors, and conservation measures. The lion's share of it, however, is due to decreased production of coal and coke, because among others, Thyssen ceased its steel production in Oberhausen.

The inferences which are drawn from these trends in the Chamber of Industry and Commerce study show clearly what the problem of economic policy is in Germany. Above all, they lack any broader vision for economic development out beyond the state borders of North Rhine-Westphalia or the Federal Republic of Germany. Since they stay within the existing framework of thinking, what comes out is a mixed bag of good and bad proposals. Thus the proposals range from seizing onto the environmental market as the motor for growth, to more useful ideas such as strengthening small and medium-sized businesses, setting up job retraining programs, reducing environmental taxes, and improving the transportation grid.

The fact is, as long as the basic principles of physical economy are not scrutinized, and first and foremost, as long as there is no clearheaded analysis of the scissors relationship between production and financial development which currently prevails internationally, and also in Germany and North Rhine-Westphalia, the spokesmen for the economy, the political parties, and other social organizations will not be able to put forward any proposals which will lead to the solution of the crisis and the elimination of joblessness.

# EPA's reformulated gasoline edicts beginning to cause widespread revolt

by Jim Olson

On Feb. 24, the U.S. Environmental Protection Agency (EPA), in the face of growing opposition to its mandated use of "reformulated" gasoline (RFG) during the winter months in the nine smoggiest urban areas of the United States, released Milwaukee and its urban area from the requirement, and is allowing the sale of non-reformulated gasoline there.

Wisconsin Gov. Tommy G. Thompson (R) wrote a letter on Feb. 10 to EPA Administrator Caroline M. Browner demanding that the program be suspended throughout the state. Thompson himself was feeling the political heat from the many thousands of phone calls and letters that have poured into the state capital of Madison since the program began on Jan. 1 this year.

More and more motorists in other regions of the country are also making their voices heard. Even before the national program officially began on Jan. 1, several regions in Pennsylvania and New York that had previously volunteered to be included in the EPA plan opted out, after officials no doubt sensed the building ire of their citizens.

Complaints about RFGs run the gamut from higher prices, reduced mileage, and noxious fumes to rough-running and/or ruined engines. Many, if not all, of the complaints are probably true. For example, although EPA officials said that the price increase of gasoline at the pump, due to reformulating, should be between 3 and 6¢ per gallon, a spokesman for Governor Thompson said in February that price increases in Wisconsin have been as high as 17¢ a gallon.

Another complaint, that the RFGs cause reduced mileage, is admitted to be true by all sides, because it is simply a matter of the chemistry involved. Supplying some of the oxygen for combustion from within the molecule, as is the case with two RFG additives, methyl tertiary butyl ether (MTBE) and ethyl tertiary butyl ether (ETBE), rather than from ambient air, necessarily reduces the latent heat content within the substance. The oxygen within the molecule replaces a combustible, such as carbon or hydrogen, resulting in reduced mileage per unit volume, or "less bang for the buck."

Many in Wisconsin have complained of nausea, dizziness, and headaches from the RFG fumes, which may be either from MTBE (methane-derived) additive or ETBE (eth-

anol-derived) additive. In any event, Administrator Browner, along with the MTBE and ETBE producers, defended these additives, and gave Governor Thompson less-than-satisfactory answers to the health concerns he raised. Meanwhile, the governor has state officials examining the health complaints, and the atmosphere around the governor's mansion is less than friendly toward the EPA.

Additionally, the traditional petroleum refiners complain, with justification, of the enormous direct and indirect subsidies which the ethanol producers have been given by the federal government (and to some degree by many state governments), going all the way back to the Carter administration.

## What are RFGs?

The latest variations of the reformulated gasoline program emanating from the Environmental Protection Agency have come in response to the requirements of the Amended Clean Air Act of 1990 to reduce pollution. Generally, the current attempts to provide a cleaner-burning gasoline consist of formulating a liquid fuel containing more oxygen-bearing molecules. The feedstocks of such molecules have been methane gas (a molecule of which contains one carbon atom and four hydrogen atoms bonded to it), which comes mainly from oil and gas wells in the Earth, and ethanol (a molecule of which contains two carbon atoms, six hydrogen atoms, and one oxygen atom), a liquid. Ethanol is the same as ethyl alcohol, the ingredient of alcoholic beverages, and corn fermentation is the primary source for fuels.

Methane is used to produce methyl tertiary butyl ether, an oxygenated additive. The petroleum refiners have proposed this additive, and over the course of the last decade they have invested many billions of dollars toward its production, costs which show up at the pump in higher prices.

## Archer Daniels Midland gets into the act

But another part of the EPA program is its longstanding and mindless promotion of so-called renewable energy, and from that springs the schemes to use ethanol and ethanol derivatives. And behind the scenes there have been several

decades of untrammled skullduggery and unabashed lies, as we shall see.

In December 1993, the EPA issued a proposed regulation which mandated that for calendar year 1995, some 15%—and rising to 30% for subsequent years—of the oxygen content of reformulated gasoline must be provided from ethanol or its derivative ethyl tertiary butyl ether. This proposal was set in stone in June 1994, when the EPA filed its final ruling.

In response, on July 13, 1994, the American Petroleum (API) and the National Petroleum Refiners Association (NPRA) issued a press release announcing the immediate filing of a lawsuit in the U.S. appeals court in the District of Columbia, asking the court to set aside that part of the EPA ruling mandating the increased use of ethanol and its derivatives in making reformulated gasoline (arguing that the Environmental Protection Agency had no statutory authority under the Amended Clean Air Act to dictate the type of oxygenated fuel to be used), and therefore seeking a stay to stop implementation of the mandate.

In the joint press release, NPRA President Urvan R. Stenfels said, "We are confident the court will see the justice of our position, and will bar hijacking the taxpayers' highway construction and transportation funds for a political payback." API President Charles J. DiBona was equally outspoken: "The clear winner from the mandate is a single corporation, Archer Daniels Midland. ADM controls two-thirds of U.S. ethanol production—and ADM would receive more than half of the money generated by this decision." He continued: "It really amounts to . . . an outrageous forced transfer of hundreds of millions of dollars each year from consumers and taxpayers to ADM, with absolutely no environmental justification."

In September 1994, the court issued the stay and set further hearings for this year.

There is a strong stench from the promotion of ethanol as the primary RFG additive, which cries out for investigation.

This author shed some light on the ADM and the ethanol hoax in an article for the weekly newspaper *New Federalist*, on Jan. 23, headlined "Andreas and the Gasohol Fraud: Million\$ Hijacked from Taxpayer":

"ADM is the personal fiefdom of former Cargill grain cartel executive Dwayne Andreas, a political heavyweight with longstanding ties to the organized crime-linked Anti-Defamation League of B'nai B'rith. In congressional testimony in the late 1980s, Andreas described himself as the devoted political protégé of former ADL National Director Ben Epstein, a member of the ADL's 'Minnesota Mafia' that sponsored money launderer Robert Vesco's entry into the world of offshore finance and was intimately tied to the Meyer Lansky National Crime Syndicate.

"Andreas was described in the late 1980s by the *Wall Street Journal* as Mikhail Gorbachov's 'closest pal in the West' after he held a meeting with Seagrams Corp. chairman and ADL moneybags Edgar Bronfman and several other East

bloc 'carpetbaggers' to plan out a scheme for sending U.S. government-subsidized grain to the Soviet Union in return for the delivery of hundreds of thousands of Soviet Jews to Israel.

"With these kinds of friends and credentials, it's no wonder that Andreas has systematically poured enormous amounts of money into both major political parties over the past decade to insure that his 'interests'—like the ethanol scheme—are protected no matter which political party winds up on top at any given moment."

Finally, on Feb. 16, 1995, the three-judge panel at the federal appeals court began hearing oral arguments on the API/NPRA lawsuit against the EPA. The judges were extremely skeptical of the arguments of the EPA's representatives in favor of expanded use of "renewable" energy sources (ethanol and ETBE). Judge David Sentelle questioned the rationale behind the requirement to raise the ethanol additive to 30% from 1996 on and was given no satisfactory answer. Judge Stephen F. Williams was quoted as saying, "It seems to me EPA is in outer space."

However, nothing was decided except to continue the stay, and a final decision is not expected for several months.

### **Malthusian twins: EPA and Dept. of Energy**

Disregarding for the moment the pernicious operations of Dwayne Andreas and his grain cartel and organized crime-linked cronies, we find the malthusian ideology deeply embedded in the two federal agencies most relevant to the RFGs scheme: the Department of Energy and the Environmental Protection Agency. The policies of these two agencies intertwine so as to ensure decreasing energy availability and in the name of "protecting the environment."

The Department of Energy came into being in the 1970s largely as a result of the contrived Middle East "oil crises" orchestrated by Henry Kissinger and his controllers. The department's ostensible purpose was to develop and increase domestic energy supplies with the ultimate aim of achieving "energy independence."

The crisis—however contrived—provided an ideal opportunity to commit the nation to a growth-oriented, nuclear-based energy policy. However, the opposite course was struck, and we now reap the whirlwind. Two simple examples serve to illustrate the point: The United States now imports more of its oil supplies (in gross tonnage and percent) than it did before the creation of the Department of Energy. At the same time, domestic oil and gas exploration and production are withering. In the northeast United States, electrical utilities which were, in the 1970s, judiciously adding nuclear power plants to meet demand, have long since abandoned that course. Instead, we see the spectacle of them buying significant amounts of electricity from Canadian sources. And of course, the nuclear-power plant-manufacturing capabilities of Westinghouse, General Electric, and General Atomics have likewise withered. Some "energy independence"!

# Inside the cyclotron

*Anno Hellenbroich reports on DESY, one of the world's biggest cyclotron installations, operating in Hamburg, Germany.*

During the winter months, maintenance work is carried out at the major research institute called DESY, Deutsches Elektronen-Synchrotron, located in Hamburg, Germany. This offers a favorable opportunity for the visitor to climb down even to the heart of this installation, into the over-6.3 kilometer-long elementary particle accelerator 30 meters below ground.

This part of the cyclotron, which was 90% federally funded, first came on line in 1992. This is the only place in the whole world where electrons and protons are accelerated almost to the speed of light and 30 billion electron volts (BeV) of energy and more, shot against each other and collided. With detectors and complicated methods of evaluation, it is hoped that the subatomic structures of the components of matter as we know it and the interacting forces inside protons and electrons can be better known and better demonstrated.

Above all, it is startling to learn that with one hand, one can almost put one's arms around the electron storage ring; powerful energies are packed into such a small space. The proton storage ring, which runs its course above the circular electron path, is considerably thicker, because a good deal more energy is needed for the acceleration of particles 2,000 times heavier. Superconductivity is used for the sake of economy. If the electromagnets could be cooled down all the way to absolute zero, then current could flow through them without loss, so that one would only need the initial current. Hence, in the only European experiment on this scale, the proton storage rings and the electromagnets have been cooled with helium as the refrigerant to  $-269^{\circ}\text{C}$ , or  $4^{\circ}$  above absolute zero. The electrons are accelerated from 12 to 30 BeV and the protons from 40 to 820 BeV.

So that the electron and proton beams will not be contaminated by air molecules, 2,000 vacuum pumps are in operation to achieve the most disturbance-free possible cycle of the tiny "electron clouds."

This, then, is the "great experimental apparatus," the supermicroscope, with the help of which more than 1,000 scientists from 17 countries are investigating the structure of matter. "After all, what affects the existence of man more than the question of the origin of matter, from which not only the world around him, but also all living things and he himself

are constituted? What are the atoms that make up our existence? What are the laws according to which they are formed, change, and then fall apart again?" asks the 1993 DESY annual report. Lines of research with similar experimental objectives are being pursued in six other institutions in the United States, England, Russia, Japan and in the European Center for Nuclear Research (CERN, the European Union's nuclear research center) in Geneva.

## **Synchrotron light: fascinating 'supermicroscope'**

With the development of DESY (founded in 1959), the exploitation of certain properties of an energetic electron led to quite new research results: If an accelerated electron is forced onto a curved path, it radiates energy. Since this light, "synchrotron light," has a very broad spectrum—from infrared, below visible light up to gamma rays—i.e., stretched over 30 octaves of the wave-length spectrum and bunched up like a laser, this light can be employed as a research tool in surface physics, chemistry, molecular biology, crystallography, medicine, and geophysics. For this reason, recently, one of the earlier smaller ring accelerators, DORIS III, has been converted to the production synchrotron light. Thirty-nine workstations have now been set up in this second supporting leg of DESY, the HASYLAB. More than 900 scientists from 23 countries are at work in the most diverse branches of research.

As the DESY annual report impressively documents, new insights have just been gained into cell organelle and cell membrane research. Since the electrons fly around in "cloud packets," the million flashes per second can also be used for slow-motion snapshots, an outstanding means for better grasping processes of change. Thus, a Max Planck group working on ribosome structure under the leadership of Israeli Prof. Ada Yonath is achieving decisive progress in the geometric and functional construction of ribosomes. Here the scientists are seeing paths to knowledge which, for example, can lead to the production of effective antibiotics or to the retarding of undesired protein production in cancer cells.

Since the reunification of Germany, DESY has drawn the High Energy Physics Institute of the former East Germany in

Zeuthen into collaboration. Among the fruits of the growing scientific relations with the former Soviet Union is collaboration on an international research project into cosmic background radiation in Siberia, among others. At the bottom of Lake Baikal, at a depth of 1,300 meters, neutrino detectors (collectively a "neutrino telescope") were installed, with whose help it is hoped to obtain the signatures of neutrinos, which are very difficult to detect in space.

### Strengthening basic research

We hope that the public will show more interest in the progress of this basic research. The more so since it is precisely in collaboration and openness of interchange of scientific discoveries (there is *obligatory* publication) with guest scientists of other nations that a model will be created of how mankind should jointly explore the decisive issues for the future that confront man and nature. This is credibly reported, at least, in the DESY annual report. That this no longer can be taken for granted, one can see in the repeated concern in the DESY annual report to justify basic research and the funding it requires (250 million marks a year).

After the enumeration of various possibilities for applications in medicine and technology, under the title "An Essential Element of the Human Quest," the report reads: "All these arguments ought not, however, to conceal from view that the essential motivation for elementary particle research lies in the desire and the curiosity to understand nature. Were one to seek to measure the value of this knowledge-oriented research only by its practical uses, and only orient oneself to that, an essential element of the human quest would be excluded, an essential element of that which ultimately constitutes man. The effort to penetrate the secrets of nature for their own sake is a tradition which, after being cautiously founded in antiquity, has powerfully and continuously advanced, from generation to generation, since the Renaissance. We are confident that even the discoveries which we are today achieving will one day belong to the self-evident wealth of thought and knowledge of mankind, even if today they appear occasionally abstract and not so easily accessible." (DESY Annual Report p. 12.)

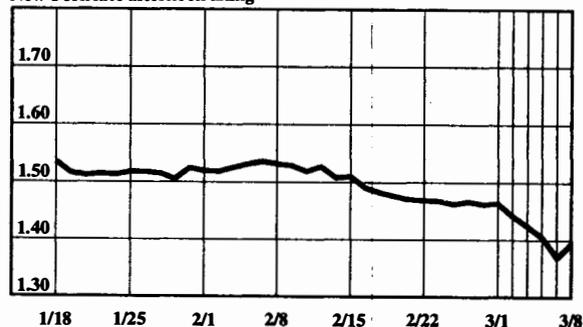
One hopes that the newly created technology adviser to the Federal Chancellor will not follow so much the fruitless pragmatist spirit of the times (the ozone hole issue, etc.) or implement downright punitive malthusian obstructionism (the ban on the HTR nuclear reactors, for example), but rather will make it possible for researchers to answer the truly fundamental questions of our future existence. For example, the "cold fusion" phenomena which have been rejected by established science give a totally different insight into the play of forces of atomic and molecular interactions, than the experiments based on the generally accepted standard models can ever show.

It is probably also no accident that the DESY scientists have founded a very successful chamber orchestra.

## Currency Rates

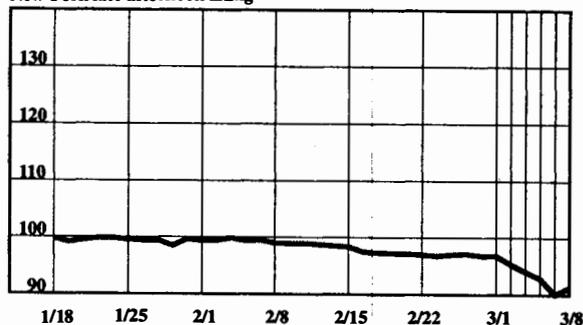
### The dollar in deutschemarks

New York late afternoon fixing



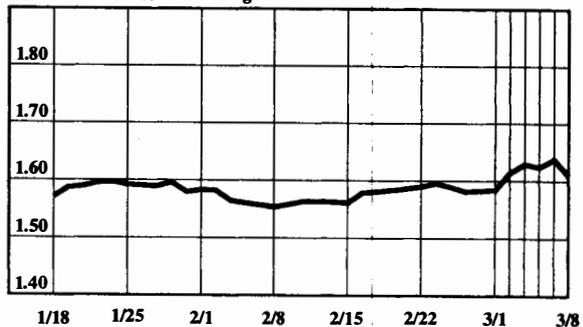
### The dollar in yen

New York late afternoon fixing



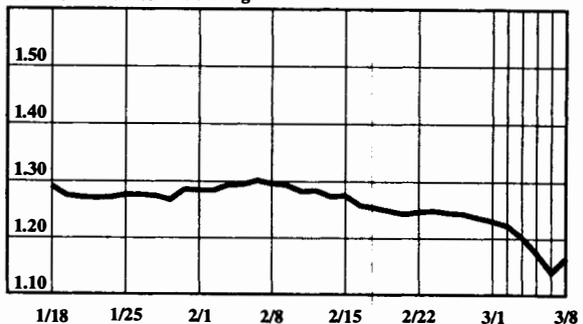
### The British pound in dollars

New York late afternoon fixing



### The dollar in Swiss francs

New York late afternoon fixing



## Brazil responds to reality

*Fear of a Mexican-style crisis has provoked a shift even on the part of some dyed-in-the-wool monetarists.*

The recent shocks delivered to the international financial system are causing those Brazilians who had allowed themselves to be seduced by "neo-liberal" free-trade economics to wake up to harsh reality. Even President Fernando Henrique Cardoso has been forced to recognize the gravity of the crisis and implement what his advisers euphemistically call "corrections" to the Real Plan, in an attempt to avoid the type of crisis which hit Mexico last December and now threatens Argentina.

On March 6, after three months of trade deficits and capital flight which caused a \$3 billion drop in foreign reserves, the government was forced to implement a "phased" devaluation of the national currency, the *real*, dangerously overvalued by an estimated 30%. By adopting a system of "fluctuation bands" controlled by the central bank, the government will try to bring the *real* and the dollar into parity by May 1 without running the risk of a sudden devaluation.

Nonetheless, the day after the new system was announced, the central bank had to spend almost \$300 million of its reserves to keep the dollar within the established limits, a fact auguring future difficulties in this crucial aspect of the economic plan.

On top of credit restrictions implemented in mid-February to combat a "consumer explosion" (which is really nothing more than a small increase in purchasing power of the poorer sectors of the population due to low inflation levels), the government has also announced new austerity measures. And, in an attempt to maintain foreign

speculators' interest, it is dangling the possibility of privatizing the Companhia Vale do Rio Doce, owner of the world's largest iron ore reserves at Serra dos Carajas in the Amazon. The overall privatization program will also be accelerated in tandem with efforts to pass constitutional amendments in the Congress to eliminate state monopolies in the energy, telecommunications, and oil sectors.

Recent developments have also provoked an intense debate on the highly speculative character of the world financial system, bringing important sectors of the local establishment into a discussion which just a few months ago was limited to isolated nationalist groupings. As some in these circles fear that a deepening crisis will lead to a general questioning of the globalist, neo-liberal model, their spokesmen have adopted a policy of "cutting their losses" by admitting to some of the system's flaws in order to salvage its most important elements.

While in Chile on March 2, President Cardoso departed from his prepared text and attacked the International Monetary Fund and World Bank, which he said were "no longer able to control the world financial markets."

The ultra-monetarist former finance minister, Antonio Delfim Netto, recently attacked financial derivatives for creating "a \$13 trillion cloud" of speculative capital which "floats around the world in search of profits which the world economy cannot offer." In an interview published in the March 5 *O Estado de São Paulo*, Del-

fim Netto defined derivatives as "a monster, something like an abstract and mutant virus," and pointed to the bankruptcies of Orange County, California and Barings Bank as the result of excessive speculation with these instruments. "People are induced to think that there is a supreme entity called the market, described 200 years ago by Adam Smith," he added, and warned that "the market needs national regulation. It needs a strong state."

However, the editorial in the February issue of *Ombro a Ombro*, the newspaper which circulates among the Armed Forces, better reflects the views of those who seek a radical, positive change in the financial system. "Mexico's financial crisis was a stark demonstration of the failure of the neo-liberal model which has been popularized among the developing nations and adopted by their credulous or subservient elites as the 'last word' in economic policy," the editorial stated. Therefore, "the results obtained show that the neo-liberal model, and by extension the lauded 'globalization' of national economies, are characterized by a distortion which is incompatible with the goals of real economic development, producing an enormous imbalance between the indices of the real economy and the growing mass of nominal resources which circulate in the financial system."

As an alternative, the editorial proposed that "the Executive should fully assume its role in guiding economic processes, directing financial resources to productive sectors of the economy such as projects for expanding and rebuilding infrastructure. This is the only way to efficiently deal with the problems caused by the lack of productive employment and the deficit in per capita consumption for the majority of the population."

### About-face in the financial crash

*German bankers are nervous after the Barings collapse, but most want to keep patching up the system.*

The collapse of Britain's Barings Bank underlines that the growth of volatile speculative derivatives has reached such a scale that the world financial system is threatened, which means that decisive action has to be taken to draw a clear line around the speculators and cut their influence over the derivatives market down to zero. This is what Otmar Issing, member of the German central bank directorate, said in an interview March 3 with the Bavarian radio station, which was then picked up nationally by many other media.

Coming from a senior banker who before March 3 had earned the dubious distinction of denying any such "systemic risk," this interview marked a dramatic shift in the public debate here about money market policies and heralded the spread of the "about-face" phenomenon in Germany.

For example, in September 1993, Mrs. Ingrid Matthäus-Maier, financial and budget spokeswoman of the opposition Social Democrats (SPD) in the German parliament, in a discussion with an *EIR* representative at the SPD's national convention, vehemently rejected having a debate in Germany like the one that then-U.S. House Banking Committee Chairman Henry Gonzalez (D-Tex.) had started over derivatives and the state of the world monetary system last year.

Now, one day after the news of the collapse of Barings Bank broke, she was among the first to call for emergency action against these "highly dangerous" financial instruments. The media broke a longtime taboo and presented their audiences with charts, de-

tailed reports, and timelines on what "these derivatives" are, where they come from, and the risks. The term "derivatives" became a household word within two or three days. The media also used the term "casino" to depict the practices of traders like Barings Bank's Nicholas Leeson. The daily *Die Welt* even wrote on Feb. 28 that "gambling at the casino is even safer than speculating in derivatives."

The *Frankfurter Rundschau*, another of Germany's leading dailies, wrote on Feb. 28 that the case of Barings proved that if a "real bank" (as opposed to "non-banks") can go under, then there are weak points in the world monetary and banking system of derivatives trading as a whole: "The financial revolution is eating its own children."

Finance Minister Theodor Waigel chose to give interviews at least once daily, saying he ruled out categorically that "anything like that could happen in Germany." But there have already been big defaults in Germany, like the spectacular DM 2 billion loss in oil derivatives which the U.S. branch of Metallgesellschaft reported in early 1994.

By the end of the first week after the Barings affair, calls for emergency regulations on the financial markets and taxation on derivatives could be heard almost everywhere. In an unprecedented two-hour live radio special on Germany's national DLR program, on March 3, even the moderator of the show posed the "question, as kind of a trial balloon, whether one shouldn't just ban derivatives altogether."

The fatal flaw of all these proposals, including Issing's, is that they keep the grand illusion that by containing or regulating one of the bigger phenomena, one can bring the whole disease under control.

Fortunately, there were some voices that were more skeptical about the options to repair the system from within. The *Die Woche* weekly wrote on March 3 that the Barings case illustrated, once again, how far the world financial system has slid, that more spectacular defaults are certain, because the world economy has been taken hostage by a "giant, \$35 billion steamroller" wreaking havoc around the globe.

There can be no remedy, *Die Woche* wrote, unless the system as a whole, not just the derivatives aspect, is brought under control. This view was also reflected in an analysis published by the Swiss *Neue Zürcher Zeitung* daily on March 6, saying that it is time to get prepared for "worst case scenarios"—which implied the collapse of not just one big bank, but of the entire world financial system.

*Handelsblatt*, Germany's national business daily, wrote on March 7 that given the profound transformation of the world financial system over the past 10 years, a single action to contain derivatives would have to fail. If one left the entire system as such untouched, the only remedy left, the daily wrote sarcastically, would be to make stickers warning investors that "the finance minister warns that trade with this bank is hazardous to your financial health."

These more realistic views pose the question of finally starting a serious debate about proposals which Lyndon LaRouche has made. Almost 20 years have passed since he called for an "International Development Bank" and a new world economic system, at a Bonn press briefing in April 1975.

# Business Briefs

## Energy

### California utility plan found to violate law

The Federal Energy Regulatory Commission (FERC) ruled on Feb. 22 that the California Public Utilities Commission (PUC) violated federal law in ruling to compel electric utilities to purchase power at rates above their "avoided cost," that is, if the power were purchased at a cheaper rate from outside or generated by the utility itself, *Mining Week* reported in late February. The decision sets back a plan which would destroy the electric grid system, by forcing utilities to buy power from uneconomical, non-utility "renewable" resource producers.

FERC stated that the PUC had not considered all potential sources of electric capacity. In their petition to intervene, Western Fuels and the National Coal Association pointed out the availability of coal-fired capacity at 3¢ per kilowatt-hour. The PUC order had artificially inflated this to as high as 6.6¢ per kilowatt-hour, by adding in superfluous "environmental costs," increasing the rate consumers would have to pay, so that more expensive "renewables" would be "competitive." The PUC had limited the bidding on new capacity to what are called "qualifying facilities," meaning non-utility companies.

## Space

### NASA plans unmanned Moon mission in 1997

The U.S. National Aeronautics and Space Administration is planning to send a Lunar Prospector to the Moon in 1997, according to NASA Associate Administrator for Space Science Wesley Huntress. The mission is designed to map the chemical composition of the surface and examine gravitational and magnetic fields.

The \$59 million mission is part of the Discovery Program series, which requires that the spacecraft cost less than \$150 million in 1992 dollars. NASA Administrator Dan Goldin

hopes to reduce average spacecraft cost from \$590 million to \$200 million and average development time from eight to four years, and to increase the number of missions per year from two to eight. How much science research can be conducted in these "faster, better, cheaper" spacecraft remains to be seen, but it is hoped that more frequent missions will balance the fact that each is less capable than the Viking, Voyager, Mars Observer, and Galileo spacecraft.

Other Discovery missions under way include the Mars Pathfinder, which will launch in November 1996 and land on Mars in July 1997, and the Near Earth Asteroid Rendezvous, which will orbit the asteroid Eros in January 1999. NASA has requested \$103.8 million for the Discovery Program in the FY 96 budget, compared to \$129 million for FY 95, but it hopes to add a second series of small planetary spacecraft in its New Millennium Spacecraft project.

## Russia

### Space agency faces severe problems

Russian Space Agency head Yuri Koptev outlined the severe problems faced by the Russian space program, and reported on a meeting with government officials to try to keep the civilian space effort alive, in a press conference in Moscow on March 2. Koptev said that the agency was given only a token amount of funds in January, and "in February we did not get a kopek."

The question of debts to fragile, newly privatized firms "has not been resolved either," Koptev said. "The Russian Space Agency still owes about 230 billion rubles for the work done last year because we received only 78% of the budget appropriations" earmarked for the agency, he said. This has created a situation where of the 42 enterprises that have been handed over to the agency, "according to the effective regulations, each of them can be classified as bankrupt. But if we take a look at the accounts payable and receivable and take account of the debts of the state to those enterprises, naturally, the economic position of each of those enterprises would look substan-

tially different."

"It is impossible [for the space program] to live on the basis of month-to-month financing," Koptev stressed, "the more so when this has to be pleaded for." He stated that "the government meeting today has shown that there is some understanding. Nobody denied the need to pursue these activities. But so far there is no sense that space activities should be a national priority, and there have been no practical steps to back it up financially and by creating favorable [economic] conditions" for industry.

On Feb. 23, Koptev testified before the Duma (parliament), and warned that the Russian space program could collapse within a matter of months unless there is a substantial increase in funding. Yuri Semenov, chief of the manned space program run by RKK Energia, stated that the current crew will be evacuated from the Mir space station because there is not enough money for supplies. Koptev and Semenov both said that the scheduled March 14 Soyuz rendezvous with Mir, in which U.S. astronaut Norm Thagard is to participate, is now in jeopardy.

## Health

### Hope rises for vaccine against tuberculosis

Researchers at the University of California at Los Angeles School of Medicine, led by Marcus A. Horowitz, say they have successfully tested a vaccine for tuberculosis on animals, and that human trials may be only two years away.

TB researchers have believed that a vaccine would not work that did not use live, weakened bacteria. But even weakened bacteria (in the BCG vaccine) are a threat to individuals, such as AIDS patients, whose immune systems are depressed. Vaccination with live bacteria also makes it impossible to survey populations for recent infections with the patch test, since these vaccinations produce false positives.

Instead of using live organisms, Horowitz isolated individual proteins from the BCG bacteria and used them as a vaccine, an approach that has been used successfully in the fight against other diseases, such as hepatitis B.

## Briefly

● **GAMBLING** at the casino is safer than speculating in derivatives, the German daily *Die Welt* wrote in an editorial on Feb. 28 on the collapse of Barings bank. The daily *Frankfurter Rundschau* editorialized, "The financial revolution is eating its own children."

● **J.P. MORGAN** and Co.'s credit rating has been downgraded by Standard and Poors from AAA to AA, because of Morgan's increasing reliance on derivatives and proprietary trading, the Feb. 28 *Wall Street Journal* reported. The triple-A rating is particularly important for derivatives dealers.

● **ZAMBIA** Consolidated Copper Mines, whose nationalization in 1974 symbolized Zambia's independence, will be sold, possibly to the South African giant Anglo-American, from whom it was originally taken, as part of an economic reform package. Some 90% of Zambia's export earnings come from the mines; unions had already agreed to a 10,000-man cut in the 55,000-man workforce.

● **THE RUSSIAN** parliament has excluded tourists from an obligation to have an AIDS test before entering the country. Only foreigners who stay longer than three months must prove that they are HIV-negative. Diplomatic personnel are not affected by the law, which is expected to take effect in August 1995.

● **BRITISH** municipalities are fleeing out of all merchant banks after the Barings collapse, according to informed reports. "This, if it escalates, could erode the capital base of the entire British merchant banking system," one source said.

● **THE AFGHAN** Red Crescent Society is fighting a tuberculosis epidemic that affects up to 80% of families in rural areas. One official said that poverty, poor diet, and a shortage of medicine are contributing to the high rate. In 1994 alone, 720,000 patients were treated, twice the total for 1993.

### Real Estate

## Crisis in France is intensifying

French banks have accumulated about FF 200 billion in real estate loans, related to real estate, and 90% of them are bad loans, the French daily *Le Figaro* reported on March 1.

Over 1986-91, the amount of credit to real estate promoters increased from FF 18 billion to FF 175 billion. Since 1991, French banks and insurance companies have suffered from real estate losses worth \$19 billion, and they are now facing another \$12-13 billion in losses. According to the French weekly *L'Événement du Jeudi*, the bad real estate loans on the books of Crédit Lyonnais are far beyond the roughly \$6.25 billion acknowledged so far. The bad loans of other banks include BNP (FF 32 billion), Paribas (FF 26 billion), Suez (FF 25 billion), Crédit Agricole (FF 24 billion), Société Générale (FF 23 billion), and Comptoir des Entrpreneurs (FF 11 billion).

On Feb. 28, the "flagship French financial services and investment group," Suez, reported losses for 1994 of FF 4.7 billion. Suez shares were suspended from trading on the Paris stock exchange.

### Economic Policy

## Crash is coming in bits and pieces, says Leuschel

"Get Ready, the Crash Is Coming in Bits and Pieces," was the headline of a front-page article in the Italian Catholic daily *Avenire* on Feb. 28, an interview with Roland Leuschel, head of Belgian Banque Bruxelles Lambert.

"The Barings bank is the financial heart of the British Empire. A battleship is sunk. Is the crash coming?" the paper asked. Leuschel responded, "It is not like in 1929, it is rather a salami crash. First was the [Germany's] Metallgesellschaft, which crashed because of derivatives speculation. Then Orange County, [California], for the same reason, then Mexico." Leuschel estimated that \$3.5 trillion has been lost in the bond market so far. Those who

lost were "all those who borrowed short-term money and bought long-term."

"It is like a depth charge: First the small fish, then the big ones come up dead to the surface," Leuschel said. "We are starting to see the dead big fish." When asked if Warburg is next, he said, "If I knew, I would be making a lot of money. Remember, all crashes come suddenly." It is a bubble like many in history, and "bubbles grow and collapse." The main cause of the bubble is the U.S. Federal Reserve's "easy money" policy of the last year, which has allowed speculators to borrow money at almost zero cost. When asked if it is like 1929, when people borrowed money to play the stock market, Leuschel said, "It is, but it is you who has said that."

### Medicine

## First artificial kidney developed

U.S. physician David Hume has developed the first artificial kidney, *SAD* news service reported on March 2. It combines the functioning of living tissue and technology. If it works in humans, it will help millions of people who are suffering with severe dysfunction of the kidneys, many of whom must have dialysis treatment several times a week, and whose only hope has been for a donor kidney.

According to the *SAD* report, Hume was able to breed cells of the so-called "proximal tubule" in his laboratory, which play a crucial role in the kidney. His artificial kidney consists of many tiny tubules, which the blood floats through, and which are covered with cells, which also cover the inner walls of human blood vessels in order to prevent clotting. This first filter is linked to a second system, which contains millions of kidney cells.

In the coming six months, Hume will test further materials for his filter tubules, and then he wants to start tests on humans, first outside the body in combination with a normal dialysis machine. If this experiment goes well, he wants his "kidney" to take over entirely the work of the dialysis machine, and if this functions, the bio-artificial organ will be implanted into a volunteer.

## Prospects for Russian economic revival

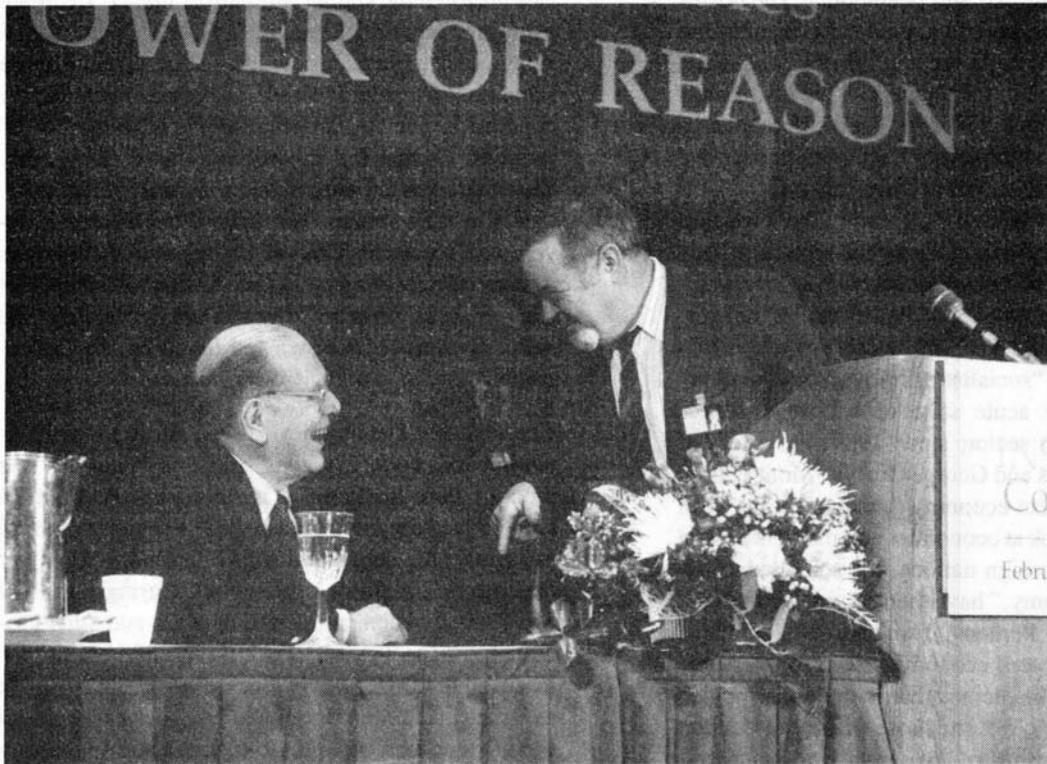
by Lyndon H. LaRouche, Jr.

*This "Memorandum to Professor Taras Muranivsky" was presented by representatives of Mr. LaRouche and the Schiller Institute to a special hearing of the lower house of the Russian Parliament, the State Duma, on Feb. 20, convened to discuss measures to prevent the disintegration of Russia's economy. Oral presentations were also made to the parliamentarians by Dr. Jonathan Tennenbaum and Schiller Institute Moscow representative Dr. Taras Muranivsky.*

In my estimate, the most crucial facts posed by the present economic situation in Russia, and in eastern Europe and the former Soviet Union generally, are in the following order of descending strategic weight:

### **1.0 Russia is trapped in the new phase of a worldwide monetary and financial collapse**

- 1.1** The present global monetary and financial order has recently entered a new phase of collapse, as marked by such prominently discussed examples as (a) the long slide downward in bond markets, (b) the waves of collapse caused by "derivatives" speculation, such as the Mexico crisis, and (c) other impending, similar crises in nations of South America, Italy, and some former Comecon-member countries in eastern Europe. (Contrary to the hysterical, and demonstrably futile attempts to deny this fact, the current, new round of bankruptcies or near-bankruptcies of both governmental and private institutions is not a mere coincidence of separate and distinct local problems, but, rather, this pattern of increasing local crises is the result of an epidemic: a systemic disorder of the worldwide financial and monetary system as a whole.)
- 1.2** The present phase of the economic crises inside Russia and nearby countries is the result of the interaction between the ongoing, new phase of collapse



*Prof. Taras Muranivsky (at podium), Schiller Institute representative in Moscow, greets Lyndon LaRouche at an international conference of the Schiller Institute in Northern Virginia in 1994. On Feb. 20, 1995, Professor Muranivsky submitted this memorandum by LaRouche to a committee hearing of the Russian State Duma, and presented testimony of his own on the science of physical economy.*

in the world monetary and financial systems, and the relative exhaustion of Russia's ability to deliver a stream of loot to western financier interests. Thus, the shrinking of the relatively depleted economy of Russia is an important feature of the current downward pressures upon London-centered world financial markets. This has a reciprocal effect: At the same time, the so-called reform-process in Russia is put on its death-bed by the inability of the western side of the financial system to supply sufficient assistance to keep the Russia reform-process alive in its present form.

- 1.3** For related reasons, there exists no possible solution to this crisis, either for Russia or for the world, within the bounds of the previously accepted terms of dominant international economic and financial institutions. The present world system, as derived from the post-1971 form of "floating exchange-rate" international monetary system, and present doctrines of International Monetary Fund (IMF) and related "conditionalities," is doomed to extinction during the near- to medium-term. The present system will either be brought to an end in an orderly way, through governments acting responsibly to put existing central banking and financial systems under state-controlled reorganization in bankruptcy, or through a chain-reaction form of rapid, "thermonuclear" implosion of that speculative financial bubble which the world's finan-

cial system has become.

- 1.4** All workable alternatives to general collapse require governments to assume responsibility for the establishment of new monetary and financial institutions to replace the bankrupt institutions which continue to dominate the world up to this moment.
- 1.5** The special problem of Russia, is that whereas western Europe, North America, Japan, and also the People's Republic of China still have some significant, if shrinking margin for maneuver in the short- to medium-term, Russia is among the growing roster of nations whose margin for existing under the rules of the present IMF conditionalities is virtually exhausted.

## **2.0 The strategic peculiarities of Russia's present situation**

To define the cure for the sickness, we must always address the nature of the disease. To cure the sickness of Russia's economy today, we must identify the causes of this sickness accurately.

Some have said that the sickness of Russia's economy was that it had failed to adapt to the principles of the more successful western market economies. This might remind us of the story of a man who went to a doctor seeking help to overcome a cold. The man took the medicine the doctor

prescribed, and the cold turned into pneumonia. The doctor then told him it was necessary to increase the dosage of the same medicine. The man accepted this advice, and died. However, that is not the end of the story. The dead man's family invited the doctor to the funeral, but the doctor had a conflicting appointment. The doctor had been taking the same medicine, and was attending his own funeral.

That is Russia's experience with the western "physicians' " so-called miracle cures for the economy. That is the former Comecon sector's experience with deadly medicine once advertised as the so-called "Polish Model" of Prof. Jeffrey Sachs and the IMF. By 1989, what Yevgeny Preobrazhensky once named "socialist primitive accumulation" had led to a politically acute state of economic illness throughout the Comecon sector; since 1989, the effect of Mrs. Margaret Thatcher's and George Bush's "Mont Pelerin Society" version of market-economy "medicine" has been nearly fatal. When we look at economies and markets around the world, we see that foreign nations, the so-called magicians of "free trade economy," have themselves become sick from their own medicine. Perhaps, if we knew what kinds of policy the collapsing western economies need to overcome the effects of their own medicine, that is the policy which Russia needs, too. Perhaps, we, and those wizards of London and New York are all victims of the same, worldwide epidemic of collapse of the current, 1971-95-style models of deregulated post-industrial utopias.

Therefore:

- 2.1 To define the causes and remedies for the present crisis in the Russian economy, we must begin by recognizing that no competent analysis of the past decade's collapse of former the Soviet Union and Russia's economy is possible, unless we view the collapse experienced by Russia as a special phase within an ongoing process of collapse of the world economy as a whole.
- 2.2 The crisis of Russia could not be understood, nor competent corrections defined, if we did not recognize a second, added factor: that the worst features of the accelerating, 1989-95 collapse of Russia were the result of the openly stated, hateful intentions of the government of Britain's Prime Minister Margaret Thatcher and the most important accomplice in her anti-european Russia policy, U.S. President George Bush.
- 2.21 During the final three months of 1989, two opposite policies toward the former Comecon sector appeared in western Europe. One, typified by the respective proposals of Deutsche Bank President Alfred Herrhausen and the Schiller Institute, projected east-west cooperation in large-scale infrastructure-development programs in the former Comecon sector; these poli-

cies mirrored the similar thinking of France's Foreign Minister Gabriel Hanotaux, Russia's Count Sergei Witte, and others, during the 1890s. During those same months, this first type of policy was violently opposed by the British monarchy, on "geopolitical" grounds. During the closing months of 1989, Mrs. Thatcher's government issued the most violent statements, warning against any large-scale economic development projects based on cooperation between the former Comecon states and Germany. President George Bush supported Mrs. Thatcher in this and similar policies of her own and John Major's governments.

- 2.22 The Thatcher-Bush policy toward the former Comecon sector's economy, was "slash and burn." It was a policy best described as a theorem in geopolitical algebra premised upon those same axioms of Halford Mackinder on which the 1945 "Morgenthau Plan" for occupied Germany was premised. During late 1989 and 1990, London, supported by Bush and other promonetarist forces inside the U.S.A. and U.N.O., introduced the IMF/Sachs "shock therapy" policy, first to Poland, and then throughout the former Comecon sector, forcing a large-scale collapse within existing agro-industrial production capacity.
- 2.23 "Shock therapy" has been accompanied by a program of intensive "capitalist primitive accumulation": Vast amounts and varieties of the former assets of Comecon member-states have been dumped on the world market at ridiculously low prices, providing a small margin of foreign exchange into the bank accounts of Russian and other speculators engaged in selling valuable assets of Poland, Russia, and Ukraine on world markets. The motive for this British looting policy is, not only subsidizing a sagging western economy with this margin of colonialist-style looting of the former Comecon sector, but also "geopolitics": Weaken the economy of the eurasian "heartland," and strengthen relatively the margin of future world hegemony for the London-led oligarchical interests based upon the so-called "rim."
- 2.3 Since mid-1994, Russia's economic opportunities have been improved potentially by U.S. President Clinton's July 1994 actions at the Naples G-8 conference, and in Bonn and Berlin, establishing a new "U.S. special relationship" with Germany, ending the "special relationship" with Britain. The U.S. President's actions show that the principal function of the new U.S. "special relationship" with Germany is to provide a life-line of economic cooperation with european states to the east of Berlin. Although these are beneficial changes in direction, Russia so far has

gained from these policy-changes much more in possibilities than in actual substance.

**2.31** So far, the substance of these changes is chiefly the following. President Clinton has broken the United States' ties to the 1989-92 geopolitical policies established under Mrs. Thatcher and Mr. Bush; that is the key to the savage attacks on the Clinton presidency by the British monarchy and its assets, such as George Bush, the fascistic neo-conservatives, and the leading news media inside the U.S.A. Over murderous British objections, Mr. Clinton and German Chancellor Helmut Kohl's government have taken important steps toward pushing forward some of the elements of Eurasian infrastructure cooperation proposed by the Schiller Institute's 1990 "Productive Triangle" draft and the later "Delors Plan." Although the latter are still limited initiatives, they are important and promising parts of any future recovery-program instituted within the former Comecon region.

**2.32** The new "special relationship" between the U.S.A. and Germany is a good change for Poland, Russia, Ukraine, and so forth; it gives hope that the geopolitical looting begun under Thatcher and Bush might end. The proposed railway-corridor and other development projects in which Russia will participate are part of any economic recovery in Russia and adjoining nations. However, although these developments are necessary steps in the direction of an economic recovery, they do not, by themselves, reach the threshold at which a genuine economic recovery would begin. These changes in U.S.A.-Germany policy toward eastern Europe, although beneficial directions in policymaking, do not yet address the crucial task upon which a general reversal of the collapse-process depends absolutely: the long-overdue reorganization of the present, intrinsically bankrupt, globally hegemonic monetary and financial order.

### **3.0 Plans may vary; correct principles are constant**

As one approaches the duties of shaping of economic policy under conditions of crisis, it is indispensable to distinguish between sound principles, on the one side, and, on the other side, the variety of policies which would each and all be consistent with those principles. One must understand clearly the distinction between sound principles and the alternative choices of good policies which may be based upon those principles. The most useful illustration of this distinction is found in the difference between axioms and theorems in a formal, deductive geometry.

In any schoolbook geometry, we are given, on the one

side, a set of axioms and postulates, and, on the other side, the open-ended list of numerous theorems which may be shown to be consistent with that set of axioms and postulates. In physical science generally, or in economic science in particular, we should employ the word "principles," to take the place which a set of axioms and postulates occupies in a formalist geometry. The particular policies, or "economic 'blueprints,'" which can be shown to be not-inconsistent with specified principles, take the place of the provable theorems of a specific choice of formalist geometry.

(It is relevant to note the following, rather little-known fact of scientific method. In Plato's work, the term identifying any particular, constant set of axioms and postulates of a formal system, is termed an *hypothesis*, as the term is also used, for example, by Bernhard Riemann in his June 1854 habilitation dissertation: "*Über die Hypothesen, welche der Geometrie zu Grunde liegen*," and his "*Versuch einer Lehre von den Grundbegriffen der Mathematik und der Physik als Grundlage für die Naturerklärung*," **Gesammelte Mathematische Werke**, H. Weber, ed. [Stuttgart: Verlag B.G. Teubner, 1902]. See reprint editions of this: [New York: Dover Publications, Inc., 1953], [Liechtenstein: Sändig Reprint Verlag Hans R. Wohlend], pp. 272-87 and 521-25. This is the only etymologically and historically correct usage of "hypothesis," contrary to the use of this same word by the aristoteleans, empiricists, and their followers. A new *hypothesis*, in Plato or Riemann, signifies an improved set of axioms and postulates, introduced to bring mathematics into conformity with physical reality.)

In economics, as in physical science in general, whenever we are confronted with a failed experiment, we are faced with two types of possibilities. The first possibility is that, in the design or the conduct of the experiment, some established principle of scientific method was violated; the second possibility is, that, in this case, we have encountered a circumstance in which there has occurred a failure of what have been, until now, generally accepted principles of scientific method. The present world economic crisis is a case of the second type; nature is showing us that the choice of generally accepted principles of economics, as taught currently in every leading university in the world, has been a potentially fatal error.

In this circumstance, the most foolish thing any government could do, would be to consult leading professional economists, as if to ask them, "What must our government do to correct our mistakes?" Whatever advice the doctrinaire economists—the "free traders," the "systems analysis" specialists, and so on—give would be assuredly another disaster for the government duped into accepting advice from such a source. The result would be, that tomorrow we would experience an economic disaster even worse than the crisis the world is suffering today.

In this circumstance, the correct, alternative question an intelligent government must ask, is "What is the reason for

the incompetence of all the world's generally accepted economics textbooks?" The only significant mistake the government has committed is to listen to the advice of those economists who are generally accepted as expert. That is the mistake not to be repeated.

If the principles (the axioms and postulates) of a geometry are good, any theorem consistent with those principles will be sound. The question to ask, is not "Do we have a good economic policy?" We should ask, instead, "Do we have a policy which is consistent with sound principles?"

In this circumstance, do not ask merely for "economic 'blueprints' "; seek to discover the scientific principles which must replace the generally accepted teachings of the economics textbooks and international monetary and central banking institutions. To illustrate the point: Presume you have been delivered a "blueprint" for a policy dedicated to economic recovery; by what set of principles would you judge whether that "blueprint" should be considered sound, or incompetent? Therefore, before asking for "blueprints," settle the issue of principles. Once the right new principles have been chosen, any choice of policy consistent with those principles will be a sound policy.

Once sound principles have been adopted, policies may vary on condition they are consistent with those principles; sound principles must not vary until science had discovered a better set of principles.

Fortunately, the required new choice of principles is readily discerned from a brief examination of the changes in the human condition introduced by modern european history.

#### 4.0 The proven principles of economy

Until certain fundamental changes in principles of statecraft first introduced to practice during the fifteenth century, 95%, or more, of the population of every society, of every cultural strain, was condemned to live in a condition of serfdom, slavery, or even worse. The accompanying charts and diagrams (Figure 1, Table 1 and Figure 2) illustrate the evidence which summarizes the factual basis for this argument. Those changes in the principles of the modern nation-state first introduced in fifteenth-century Europe, and later spread throughout virtually all of the planet, define the difference between modern civilization and all human existence of earlier times.

Throughout the past period of approximately 10,000 years, prior to modern society, in all human existence prior to Europe's fifteenth century, the strata of society living above the level of relatively traditional forms of rural toil did not exceed 5% of the total population. This contrasts with underdeveloped economies today, in which as high as 80% of the labor-force is committed to labor-intensive forms of rural toil. Of the more privileged 5% of persons implicitly belonging to the available labor-force, the majority were typified by clerks, priests, military professionals, and mer-

chants. This majority was usually a stratum of lackeys, whose principal function was to assist a relatively tiny ruling class in the administration of society as a whole. In known societies, the ruling class usually existed in the form of a collection of privileged families. Those families, who ruled capriciously over society with the insolence attributable to the mythical gods of Olympus, constituted an oligarchy.

This characteristic model of ancient barbarism and feudalism became famous, through the negotiations between the Persian Empire and King Philip of Macedon, as *the oligarchical model*, as typified by the traditions of ancient Babylon and the Canaanite maritime-financier power of Tyre. Lycurgan Sparta's slave-society belongs to the type of the same oligarchical model.

This oligarchical model of society persisted as the dominant form on this planet through and beyond the Roman empires, into the fifteenth century of european history. During the recent five centuries, that traditional oligarchy of barbarism and feudalism, has adapted itself, as a dominating parasite, to the institutions of the modern nation-state and economy. During the course of the recent four centuries, the center of this oligarchy has been shifted, from the Tyre-like, Mediterranean maritime-financier power of eleventh-through sixteenth-century Venice, to relocate the world's center of oligarchical power in the aggregated families of an international, royal, aristocratic and financier-nobility, all orbiting, during the twentieth century, around the British and Dutch monarchies. Through the influence over ideas, monetary institutions, and international finance, which it has gained during successive wars of the recent centuries, this oligarchy penetrates its influence powerfully into the affairs of most nations, and dominates the world's affairs today.

Nonetheless, despite that continued existence of internationally powerful oligarchical institutions, fundamental changes in the form of society were introduced during Europe's mid-fifteenth century. A study of those changes, and their results, is the key to adducing the kinds of principles which must define economic policy-shaping for us in this present crisis.

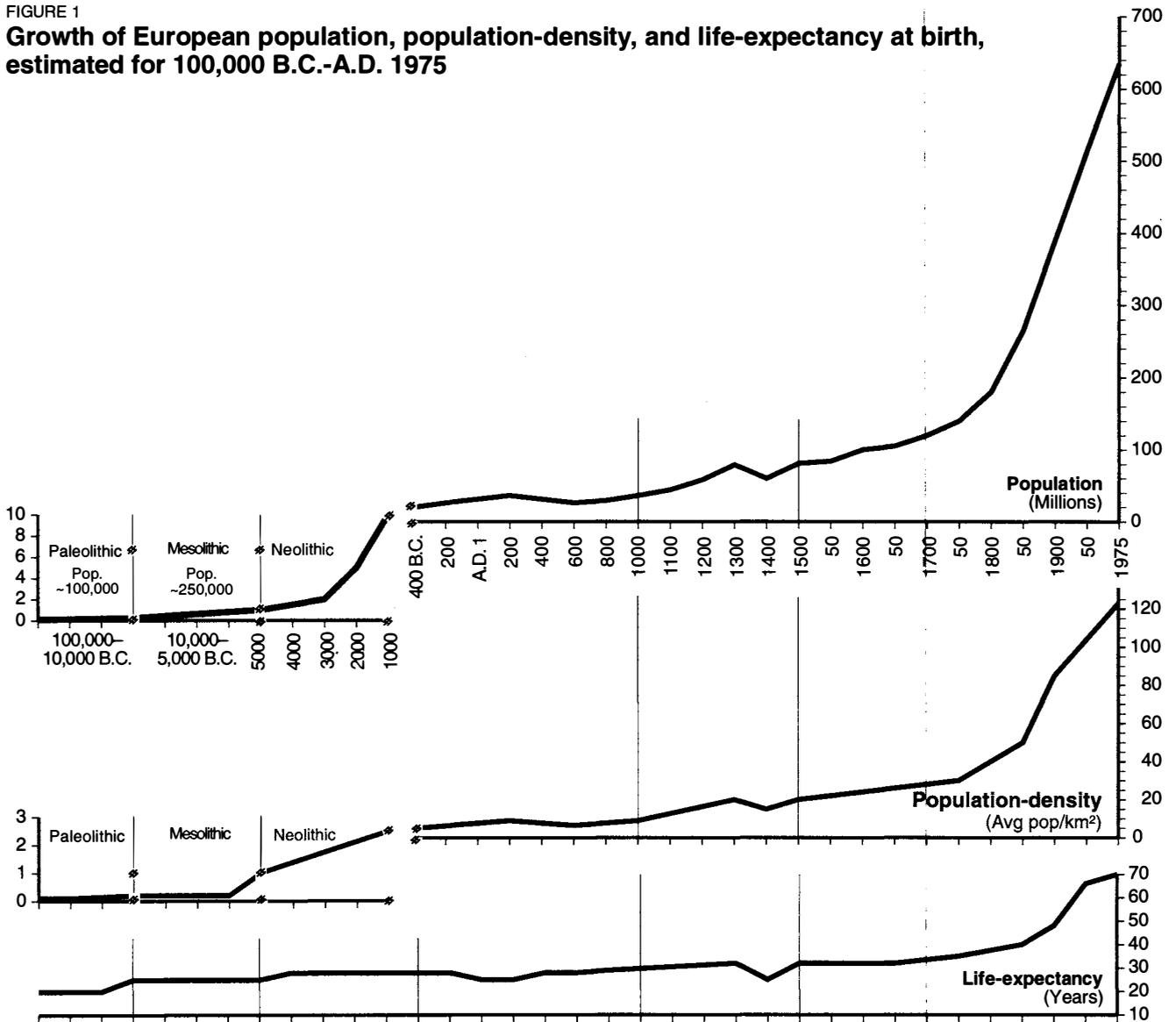
The principal such changes are the following:

#### 4.1 The potential relative population-density of mankind has been increased at hyperbolically rising rates

Were mankind a mere beast, a type of higher ape, as Britain's Royal Consort, Prince Philip, has repeatedly insisted that he himself is, then mankind would exhibit the potential relative population-density of a higher ape: never more than several millions living individuals at any time during the recent 2 millions years of the Cenozoic. We see that the human population had reached up to levels of several hundred millions indi-

FIGURE 1

**Growth of European population, population-density, and life-expectancy at birth, estimated for 100,000 B.C.-A.D. 1975**



All charts are based on standard estimates compiled by existing schools of demography. None claim any more precision than the indicative; however, the scaling flattens out what might otherwise be locally, or even temporally, significant variation, reducing all thereby to the set of changes which is significant, independent of the quality of estimates and scaling of the graphs. Sources for Figure 1: For population and population-density, Colin McEvedy and Richard Jones, *Atlas of World Population History* (1978); for life-expectancy, various studies in historical demography, including Gy. Acsádi and J. Nemeskéri, *History of Human Life Span and Mortality* (1970); Peter R. Cox, *Demography* (1976); Jacques Dupâquier, *La population rurale du Bassin parisien à l'époque de Louis XIV* (1979); Jacques Dupâquier, *Introduction à la démographie historique* (1974); D.V. Glass and D.E.C. Eversley, eds., *Population in History* (1965); T.H. Hollingsworth, *Historical Demography* (1965); Roger Mols, S.J., *Introduction à la démographie historique des villes d'Europe du XIVe au XVIIIe siècle*, (1955); Henry S. Shryock et al., *The Methods and Materials of Demography* (1976); E.A. Wrigley, *Population and History* (1967); E.A. Wrigley and R.S. Schofield, *The Population History of England, 1541-1871* (1981). Note breaks and changes in scales.

viduals during the thirteenth century. Since the middle of the fourteenth century, the human population has risen at hyperbolically rising curve of increased rates of population-densities. So, during the recent five centuries, the world's population has been increased

from about 300 millions persons, to more than 5 billions presently, with a potential for more than 25 billions living prosperously, provided the technologies developed by about the end of the 1960s had been fully realized.

TABLE 1

## Development of human population

	Life expectancy at birth (years)	Population density (per km <sup>2</sup> )	Comments	World population (millions)
<b>Primate Comparison</b>				
Gorilla		1/km <sup>2</sup>		.07
Chimpanzee		3-4/km <sup>2</sup>		1+
<b>Man</b>				
<b>Australopithecines</b> B.C. 4,000,000-1,000,000	14-15	1/ 10 km <sup>2</sup>	68% die by age 14	.07-1
<b>Homo Erectus</b> B.C. 900,000-400,000	14-15			1.7
<b>Paleolithic</b> (hunter-gatherers) B.C. 100,000-15,000	18-20+	1/ 10 km <sup>2</sup>	55% die by age 14; average age 23	
<b>Mesolithic</b> (proto-agricultural) B.C. 15,000-5,000	20-27			4
<b>Neolithic</b> , B.C. 10,000-3,000	25	1/km <sup>2</sup>	"Agricultural revolution"	10
<b>Bronze Age</b> B.C. 3,000-1,000	28	10/km <sup>2</sup>	50% die by age 14 Village dry-farming, Baluchistan, 5,000 B.C.: 9.61/km <sup>2</sup> Development of cities: Sumer, 2000 B.C.: 19.16/km <sup>2</sup> Early Bronze Age: Aegean, 3,000 B.C.: 7.5-13.8/km <sup>2</sup> Late Bronze Age: Aegean, 1,000 B.C.: 12.4-31.3/km <sup>2</sup> Shang Dynasty China, 1000 B.C.: 5/km <sup>2</sup>	50
<b>Iron Age</b> , B.C. 1,000-	28			50
<b>Mediterranean Classical Period</b> B.C. 500-A.D. 500	25-28	15+/km <sup>2</sup>	Classical Greece, Peloponnese: 35/km <sup>2</sup> Roman Empire: Greece: 11/km <sup>2</sup> Italy: 24/km <sup>2</sup> Asia: 30/km <sup>2</sup> Egypt: 179/km <sup>2</sup> * Han Dynasty China, B.C. 200-A.D. 200: 19.27 Shanxi: 28/km <sup>2</sup> Shaanxi: 24/km <sup>2</sup> Henan: 97/km <sup>2</sup> * Shandong: 118/km <sup>2</sup> * * Irrigated river-valley intensive agriculture	100-190
<b>European Medieval Period</b> A.D. 800-1300	30+	20+/km <sup>2</sup>	40% die by age 14 Italy, 1200: 24/km <sup>2</sup> Italy, 1340: 34/km <sup>2</sup> Tuscany, 1340: 85/km <sup>2</sup> Brabant, 1374: 35/km <sup>2</sup>	220-360
<b>Europe, 17th Century</b>	32-36		Italy, 1650: 37/km <sup>2</sup> France, 1650: 38/km <sup>2</sup> Belgium, 1650: 50/km <sup>2</sup>	545
<b>Europe, 18th Century</b>	34-38	30+/km <sup>2</sup>	"Industrial Revolution" Italy, 1750: 50/km <sup>2</sup> France, 1750: 44/km <sup>2</sup> Belgium, 1750: 108/km <sup>2</sup>	720
Massachusetts, 1840 United Kingdom, 1861 Guatemala, 1893 European Russia, 1896 Czechoslovakia, 1900 Japan, 1899 United States, 1900 Sweden, 1903 France, 1946 India, 1950 Sweden, 1960	24 32       41	41 43   40 44 48 53 62 73	90+/km <sup>2</sup> Life expectancies: "Industrialized," right; "Non-industrialized," left	1,200          2,500
<b>1970</b> United States West Germany Japan China India Belgium	    59 48	71 70 73  180/km <sup>2</sup> 183/km <sup>2</sup> 333/km <sup>2</sup>	<b>1975</b> 26/km <sup>2</sup> 248/km <sup>2</sup> 297/km <sup>2</sup>  180/km <sup>2</sup> 183/km <sup>2</sup> 333/km <sup>2</sup>	3,900

## 4.2 The quality of household life has improved similarly

The most critical demographic parameter of development is the number of infants and children who survive to child-bearing age and beyond (e.g., above 14 years of age). New discipline supporting improvements in sanitation and nutrition, introduced during Europe's fifteenth century and beyond, have been the greatest single factor of change permitting the improvement of the standard of family life in the industrially developed, and other regions of the world during the interval 1440-1963. (The reason for the date 1963 will be indicated below.) It is that improvement in longevity, combined with technological progress of production of infrastructure, agriculture, manufacturing, and other industry (such as construction) which has been the principal cause for the absolute superiority of rates of increase of *potential* relative population-density over all pre-1440 forms of society in every part of the world.

## 4.3 The change in social division of labor

The percentile of the labor-force required to supply production of the necessary food consumption of the whole society has declined from over 90% of the available total labor-force, toward 2-5%. This has been made possible through improvements in basic economic infrastructure and science and technology. This has required the introduction of compulsory universal secondary education, and increase of higher education enrollments, increasing thus the percentile of the population aged 5-25 enrolled in education, as distinct from the labor-force. The percentile of the labor-force required for development and maintenance of basic economic infrastructure (including education, health-delivery facilities, and science and technology) has increased, and must continue to increase. The capital-intensity of employment has increased, and must continue to do so. The power-intensity per capita of labor-force and per square kilometer, increases, and must increase. The usable water, in cubic meters per year, per capita, per household, and

per square kilometer, increases, and must increase. In combined physical product, and also in the exceptional services of education, health-care, and science and technology, the physical content of the per-capita and per-household market-basket of consumption increases, and must increase.

## 4.4 Measuring physical economic growth

4.41 The foregoing measurements are made in terms of units of demography of family units, in units of water, power, ton-mile-hours of transportation: all per capita, per household, and per square kilometer. Market-baskets of households are measured in these demographic terms.

4.42 These measurements lead to a general measurement to be made: a comparison of the variable, necessarily rising cost (as measured in lists and quantities of items of consumption) of reproducing the entire society, as compared with the society's total production of those items accounted as elements of necessary costs. This represents a social-reproductive cycle. We have thus two primary terms. First, the necessary social cost, measured in terms of standard market-baskets, of reproducing a labor-force and productive capacities of a quality needed to maintain a given level of productivity per capita, per household, and per square kilometer. Second, the output of that society, measured in those same terms. Either there must be a gain of output over input, or the society will degrade in the direction of collapse. Designate input as corresponding to "energy of the system," and the margin of gain of output over input, as relative "free energy." The resulting measurement is *rate of change of the ratio of "free energy," so defined, to "energy of the system," also so defined.*

That latter measurement, constructed in the manner we have just reviewed, above, is the "rule of thumb" measurement required for discussing principles of economy.

## 4.5 'Not-entropy' in the economic process

Not the exact amount, but the range of relative potential

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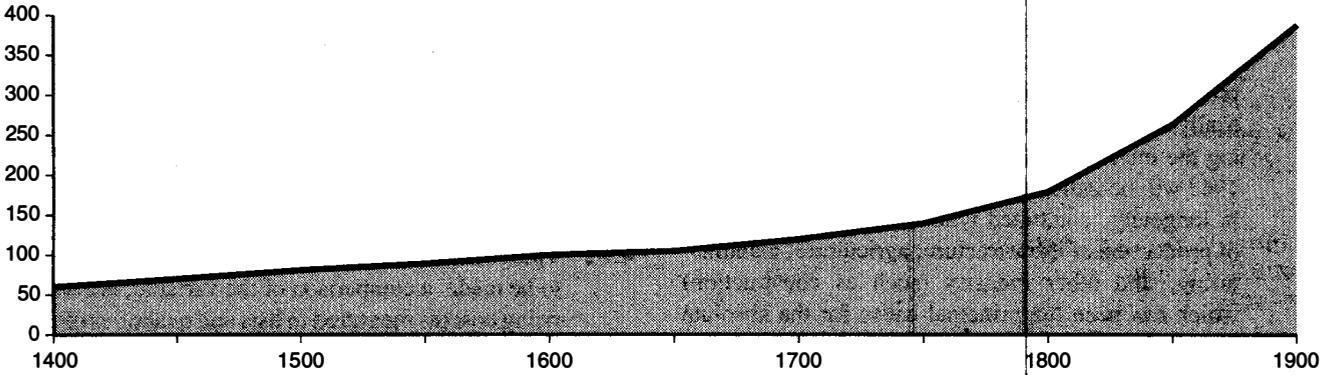
Sources for Table 1: For world population and population densities, McEvedy and Jones, *op. cit.*, and Colin Clark, *Population Growth and Land Use* (1967). For primate comparison, estimates presented by George B. Schaller, *The Year of the Gorilla* (1965). For life-expectancies: for prehistoric man through the European medieval period, Acsádi and Nemeskéri, *op. cit.*, and Kenneth M. Weiss, *Demographic Models for Anthropology* (1973); for Bronze and Iron Ages, additionally J. Lawrence Angel, "The Length of Life in Ancient Greece," *Journal of Gerontology*, Vol. 2, Nos. 1-4 (1947); for classical period, additionally J.C. Russell, "Late Ancient and Medieval Populations," *Transactions of the American Philosophical Society*, New Series, Vol. 48, No. 3 (1958); for 17th and 18th centuries, Wrigley and Schofield, *op. cit.*, and Glass and Eversley, *op. cit.*; for 19th and 20th centuries, Weiss, *op. cit.*, and T.E. Smith, "The Control of Mortality," *Annals of the American Academy of Political and Social Science*, Vol. 369 (Jan. 1967). For area studies: for Mesopotamia, Robert J. Braidwood and Charles A. Reed, "The Achievement and Early Consequences of Food-Production," in *Cold Spring Harbor Symposia on Quantitative Biology, Volume XXII* (1957); for the Aegean, Colin Renfrew, *The Emergence of Civilisation: The Cyclades and the Aegean in the Third Millennium B.C.* (1972); for the Peloponnese, Clark, *op. cit.*; for the Roman Empire, Karl A. Wittfogel, "The Hydraulic Civilizations," in *Man's Role in Changing the Face of the Earth*, ed. by William L. Thomas, Jr. (1956); for China, John D. Durand, "The Population Statistics of China, A.D. 2-1953," *Population Statistics*, Vol. 13, No. 3 (March 1960).

FIGURE 2

**Post-Renaissance population vs. predecessor civilizations:  
continued growth vs. cyclical collapse**

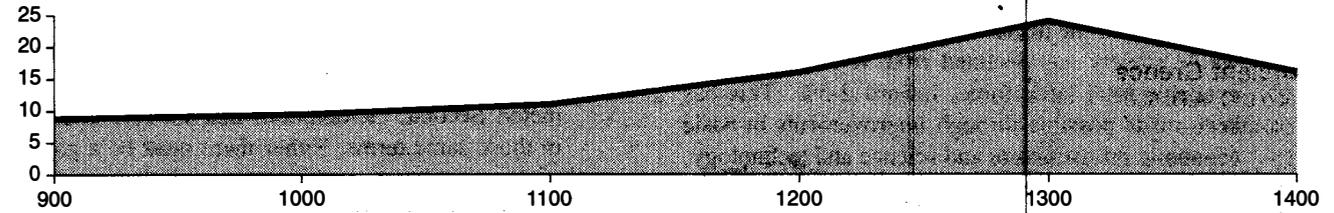
**Modern Europe**

A.D. 1400-1900  
(millions)



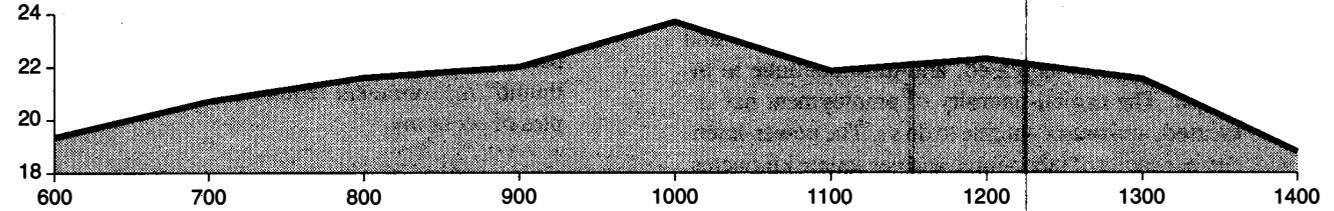
**Charlemagne's Europe**

A.D. 900-1400  
(millions)



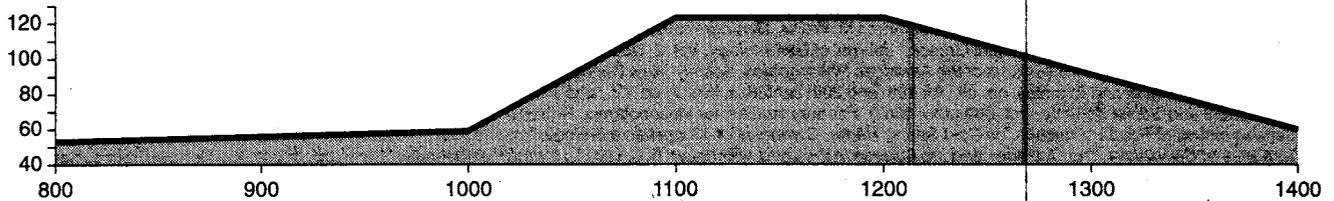
**Caliphate (excludes Spain)**

A.D. 600-1400  
(millions)

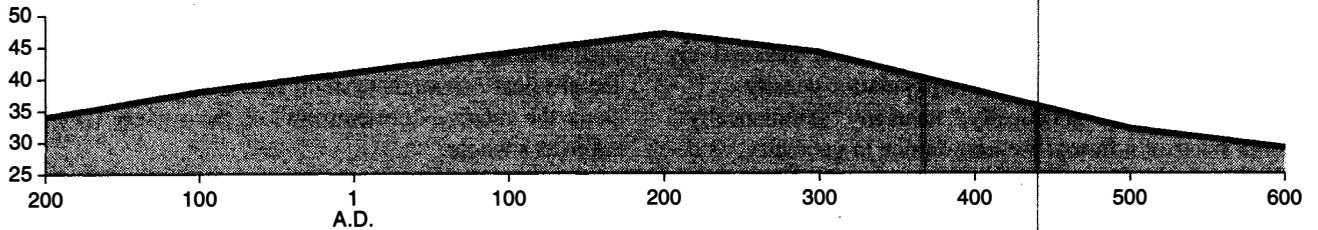


**China: T'ang-Sung-Yuän dynasties**

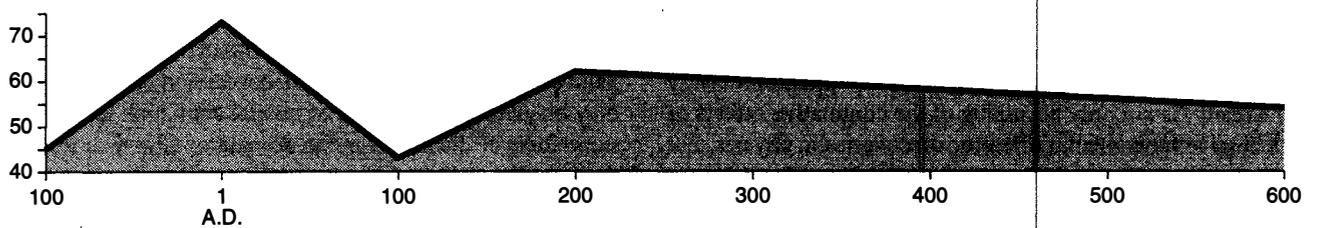
A.D. 800-1400  
(millions)



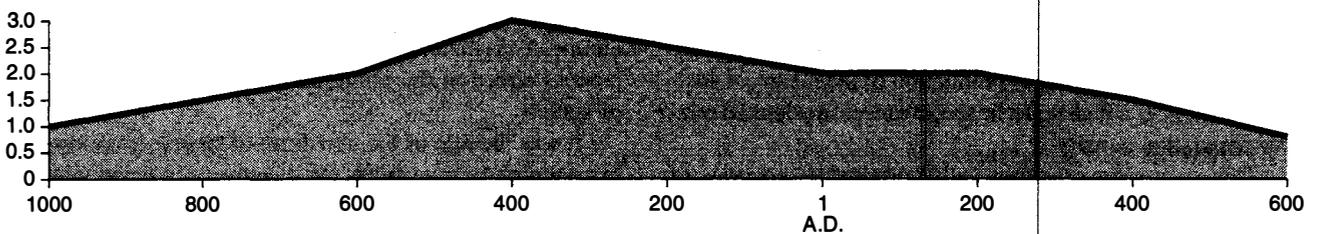
**Roman world**  
200 B.C.-A.D. 600  
(millions)



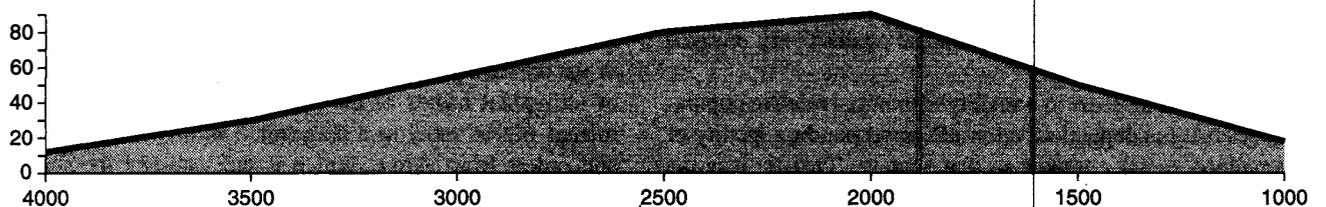
**China: Han-Sui dynasties**  
100 B.C.-A.D. 600  
(millions)



**Ancient Greece**  
1000 B.C.-A.D. 600  
(millions)



**Mesopotamia: Baghdad region**  
4000-1000 B.C.  
(thousands)



Sources: Where not otherwise noted, graphs are drawn from estimates and statistics as compiled by McEvedy and Jones *op. cit.* For Mesopotamia: Robert McC. Adams, *Land Behind Baghdad: A History of Settlement on the Diyala Plains* (1965). For China, Han-Sui dynasties: Clark, *op. cit.*, Durand, *op. cit.*, and K.W. Taylor, "Some Aspects of Population History," *Canadian Journal of Economics and Political Science*, Vol. 16, No. 3 (Aug. 1950). For Rome: Kenneth Kronberg, "How the Romans Nearly Destroyed Civilization," in *EIR Special Report: The Genocidal Roots of Bush's 'New World Order'* (May 1992). For China, T'ang-Sung-Yuan dynasties: Durand, *op. cit.*

*The cycles of population growth and decline in various civilizations show that the impulse for technological development to support greater human populations, while present in pre-modern societies, could not be sustained, as it was in Europe following the breakthroughs of the Council of Florence. Note the various scales for population and time periods.*

population-density of an animal species is fixed, as if genetically. The known features of the demographic history of mankind, as compared with the data for higher apes, indicates in rough form, but clearly enough, the point which might be proven otherwise in a more rigorous way (see Table 1). The archeologically and otherwise known demographic history of the human species simulates a succession of successively higher animal species, a series of successively higher ranges of potential relative population density.

Rather than say "genetically," let us say "axiomatically," in the sense of a formal theorem-lattice in geometry, as defined by an underlying set of axioms and postulates. It can be shown, as I have outlined this proof in several published locations, that the series of increases in range of human potential relative population-density correspond to a series of changes of hypothesis, which, from the standpoint of formal theorem-lattices, appear as a succession of changes of axioms.

This succession of combined pre-historical and historical transformations in the potential relative population-density of society, is not only an analog of the cumulative effects of successive fundamental scientific discoveries in physics, but it is a series of that same type; it is a series ordered by the same principle as original, valid, axiomatic-revolutionary changes of principle in physical science, and analogous forms of discovery in the Classical forms of fine arts.

It is the increase of mankind's increase of power over nature, as expressed in terms of per capita (of available labor-force), per household, and per square kilometer of area in use, resulting from technological revolutions, chiefly in production and organization of production of the means of society's existence, which underlie the advances in potential relative population-density.

This power for effecting valid, original discoveries of higher principle, for effecting valid axiomatic-revolutionary discoveries, is a peculiarity not of the society, but of the individual person within the society. Each discovery occurs solely within the sovereign mental processes of the individual discoverer; each such discovery, when effected by an individual, can be communicated to others only by prompting the hearer to replicate the experience of discovery enjoyed by the first discoverer.

Thus, the increase of a society's potential relative population-density is dependent upon the corresponding quality of organized social relations in that society. That is, it is the fostering of the individual's potential for generating and recreating such individual mental acts of axiomatic-revolutionary forms of valid discovery, by the society, which governs the possibility of significant improvement in the potential relative population-density of that society. This is a quality, and a social form of relations among individuals, which is manifestly not possible within any known species but mankind.

That said in summary of this point, examine the source

of a true rate of profit, as definable in physical-economic terms. Rate of profit for the society (e.g., economy) as a whole signifies the same thing, in first approximation, as per-capita *rate of free energy to energy of the system*. To address the point presently under consideration, let us limit our attention to the relationship between that variable general ratio and qualitative changes in the range of potential relative population-density. In this case, this ratio is the rate of profit of the physical-economic system. In that setting, it also represents the relative "not-entropy" of the society (economy) taken as a whole.

The source of this "not-entropy" of society is the impact of the generation, regeneration, and assimilation of an accumulated, growing mass of known axiomatic-revolutionary discoveries over hundreds and thousands of years to date. These discoveries are of the form which B. Riemann addresses categorically in his referenced habilitation dissertation. These are not limited to the equivalent of relatively valid discoveries of scientific principle; rather, the general case of valid axiomatic-revolutionary discoveries in physical science may be identified as a type of mental act which includes the same form of discovery in the domain of Classical forms of the fine arts.

Against the background of those considerations, look at the fifteenth-century revolution in statecraft introduced to France under Louis XI, the beginning of the modern nation-state (commonwealth). This event, together with other impacts of the A.D. 1439-40 ecumenical Council of Florence, marks the singularity, the point of separation of modern European civilization from feudalism, the beginning of a process aimed at the elimination of the oligarchical model of society.

It was the role of the new form of state (commonwealth) in assuming responsibility for direction and development of general public education, of basic economic infrastructure, and fostering of the participation of the whole population in the scientific, technological, and related innovations in individual and social practices, which is the distinction which marks the absolute increase in power of modern European culture, compared to all preceding existence of mankind. The directing action of the state to foster the activation of the creative potentials of the relatively maximum number of individual minds of the people, rather than leaving the mental life of most to a stagnant combination of tradition and orders from above, which is the secret of the superior power of modern European culture.

#### 4.6 Commonwealth forms of money and credit

4.6.1 Here, we have already indicated that all of the proper measurements in economy are based on non-money parameters: per-capita market baskets of both household and productive consumption and output, per capita of the labor force, per household, and per square



Representatives of the American System of political-economy, left to right: Germany's Friedrich List, Russia's Sergei Witte, and America's Henry Carey.

kilometer of area used. All the essential measurements to be made should be made *first* in these terms, without regard for prices. This was the traditional approach of the commonwealth society from the beginning. This approach came to be known, during the sixteenth into the early nineteenth century as "cameralism." The Constitution of the United States under the first President was a "cameralist" constitution, whose implicitly prescribed economic system was identified officially by that administration as "the American System of political-economy," a system represented later by such economists as statesmen as Friedrich List, Henry C. Carey, and Russia's Sergei Witte. That "American System of political-economy," so defined, is the standard of reference for contrast to the presently collapsing worldwide system, the British system of "free trade," of Adam Smith and his sundry varieties of followers.

**4.62** The monetary system prescribed by the combined authority of the U.S. Federal Constitution, and the administrations of President George Washington (1789-97) took its historical precedent in the successful policy of issuance of paper currency by the pre-1689 Massachusetts Bay Colony. This highly successful innovation by that semi-autonomous English colony in North America used fiat money, created by the government as credit solely for circulation within the economy, to foster successfully the relative maximum exchange of goods, and thus the greater fostering of the use of available productive capacity. Money should come into existence solely as a form of credit

(non-interest-bearing government fully negotiable notes) issued by the government as credit to worthy enterprises within the nation. Issued in this manner, and under governmental protection respecting their circulation in domestic and foreign commerce, such notes are issued at a pace in keeping with the amount of increased production of wealth their issuance fosters; they are inherently non-inflationary if used intelligently in this way.

**4.63** In contrast, the British system, a model oligarchical system derived from venetian (e.g., "Lombard") private banking oligopolies, presumes the implicit existence of some "original hoard of money" in private hands, and seeks to maintain a private monopoly over national and world currency and credit through oligarchical, private monopolies over central banking. In the aftermath of the 1789 establishment of the successful, and influential American System of political-economy, it became more or less conventional to refer to a difference between the "national banking" principles of Hamilton et al., and the "central banking" monopolies of the oligarchical financial interests. The U.S. Federal Reserve System, as established in 1913, is an oligarchical central banking system, existing literally in direct violation of the explicit language of the U.S. Federal Constitution, existing because the anglophile oligarchy within the U.S. had seized power with the 1901 assassination of U.S. President William McKinley.

**4.64** It is the worldwide system of central banking which

is now threatened either with government-directed reorganization in bankruptcy, or, the only alternative, near- to middle-term disintegration of the monetary and financial system through a sudden “thermonuclear” chain-reaction implosion of “reversed financial leverage.”

#### 4.7 The dual character of modern economy

The venetian oligarchy’s initial response to the anti-oligarchical Council of Florence and the launching of the commonwealth by Louis XI’s France, was to attempt, at first, simply to crush the unwanted revolution, and, from the time of the anti-Venice League of Cambrai (1508-10), to set the allies of the League against one another by such means as Venice’s creation of the Protestant Reformation, and then acting to place itself also in the camp of the Counter-Reformation. (As British Prince of Wales Albert Edward [King Edward VII] acted to set France, Germany, and Russia against one another, from 1898 onward, to remove the threat that the principal nations of the continent of Eurasia might be united in economic development, contrary to the perceived “geopolitical” interests of the neo-venetian British Empire.) From 1582, there was a radical shift in the policy of the majority faction of Venice’s ruling oligarchy: From then on, Paolo Sarpi led in establishing a new policy of creating a venetian-style maritime and financial power in the Protestant north of Europe, based upon Venice’s seizure of control over the monarchies of the Netherlands and England.

Since 1582, the entire history of european civilization has been characterized by a continued conflict between the heritage of the commonwealth tradition of Louis XI et al. and the Venice-rallied, oligarchical opponents of the commonwealth tradition. The distinctive feature which Sarpi’s faction introduced was Sarpi’s attempt to check the forces behind the new, modern form of nation-state, by seizing controlling influence over governments, Classical fine arts, and science from the inside of those institutions, rather than relying upon crudely reactionary methods to attempt to crush the new forms of government and science from without. Venetian oligarchical emphasis on corruption of its enemy from within his own institutions, became the prevailing day-to-day characteristic of the oligarchical side of this conflict.

For example, the transformation of Tudor England’s London into the capital of an eighteenth-century founding of a British Empire, began with Paolo Sarpi’s personal role in establishing the government of James I, and continued through the reign of the Venetian Party’s imported William of Orange, establishing the preconditions on which the 1714 creation of the United Kingdom was premised.

In science, Paolo Sarpi’s creatures in founding empiricism included, most notably, the anti-Kepler ideologues Francis Bacon, Robert Fludd, and Galileo Galilei. During the early eighteenth century, a Venice intelligence chieftain,

Antonio Conti, operated in Italy, France, England, and Germany (i.e., Prussia) through what became known to scholars as Conti’s salon. Conti’s salon, continuing operations after his death in 1749, coordinated such figures as Abbot Guido Grandi at Pisa, Montesquieu, Voltaire, Giovanni Casanova, the Physiocrats, and Cagliostro in France, King Frederick the Great’s lackeys Francesco Algarotti, Maupertuis, and Euler in Berlin, and the influence of Giammaria Ortes in London.

This network of Conti’s salon was built around a Europe-wide project for seeking to destroy the influence of Gottfried Leibniz. It built an anti-Leibniz “Enlightenment” around Paolo Sarpi’s empiricist methods. This used the figures of Sarpi’s personal tool, Galileo, France’s René Descartes, and the image of “the English Galileo,” Isaac Newton, as the chosen anti-Kepler, counter-Leibniz symbols of the Venice-created “Eighteenth-Century Enlightenment.” This form of the Eighteenth-Century Enlightenment, as shaped by Conti’s salon, gave the world the doctrines associated with such figures of modern radical empiricism and positivism as David Hume, François Quesnay, Adam Smith, the French encyclopedists, Jeremy Bentham, Immanuel Kant, G.W.F. Hegel, Karl Savigny, Pierre LaPlace, and the nineteenth-century French, Swiss, and Austrian positivist movements. In Britain, the influence of Giammaria Ortes, in particular, gave us the economics of Smith, the social theory of Bentham, the population theory of Malthus, and so on.

The venetian influentials from Sarpi through the death of Ortes in 1790, ensured that every leading British institution of politics, philosophy, science, art, and social theory was politicized according to their venetian design. What came to be a generally accepted empiricist or positivist view of history, of “human nature” and scientific method, was designed by these venetians, over these two centuries, as an attempt to control the unconscious behavior of entire populations of Europe.

In effect, these venetians descended upon various nations of Europe like “body-snatchers from outer space,” taking over the minds of selected key persons and salons which, in turn, became leading influences upon the educated and other strata of society around them. What they did, literally, to this effect, was to implant a set of axiomatic assumptions. These were the axioms of, first, the empiricist and, later, the radical-empiricist, or positivist world-outlook. Whoever adopted those axioms was implicitly compelled to choose, as theorems of their belief, those kinds of propositions which were consistent with the empiricist axioms.

As part of this, empiricism was injected with what might be described as an “immunizing factor” of self-protection against the future influence of socratic reason. This built-in, self-protecting assumption was the dogmatic assertion that the axioms of empiricist theorems (hypothesis) do not exist. This is illustrated by the famous slogan adopted by Isaac Newton: *Hypothesis non fingo*. Empiricism asserts that its

axioms are not willfully artficed axioms, but only the manifestly self-evident principles of sense-perception and individual human nature. Some might conclude from this, that empiricism and positivism are vicious forms of insanity, delusional states; whatever the outcome of that view, the fact remains that this we have described, is the character of the empiricism introduced to England by the venetians of Paolo Sarpi and Antonio Conti's salons.

The cleverness embodied in this venetian tactic is, that any person who blindly accepts empiricist axioms as self-evident, will tend to behave in a way which is convenient for the oligarchical strategic interest. The effect of Russia's acceptance of the radical-empiricist doctrines of free-trade economics as the basis for the policy of reform, is an example of how this venetian method of manipulation works still today.

The rise of the British monarchy to global imperial power, through chiefly the eurasian wars of the late-eighteenth and nineteenth centuries, and the successful corruption of the leading, anglophile financier families of the U.S.A. during and beyond the course of the two general eurasian wars of this century, has enabled London to bring the entire world today under the domination of the combined British empiricist traditions in political-economic dogma and the legacy of the Versailles agreements imposed at the close of the first of those general wars.

Consequently, the past 500-odd years of modern european civilization have been characterized by a conflict between two principal, opposing impulses within that civilization: the insurgent new principles of the commonwealth institutions, and the opposing form, in which the opponents of the commonwealth, centered around the venetian oligarchical tradition, have struggled to establish and maintain control over the political and other key institutions of the new form of nation-state.

It is our failure, thus far, to free modern society from the grip of this oligarchy, which has brought this otherwise most powerful and most successful modern form of society to the present brink of doom. It is this unresolved conflict which has imparted to the past 500 years of the history of european civilization a distinct, cyclical character. Thus, the impending doom of this civilization (at least, in its present form) gives to the past 550 years the appearance of a long dynastic cycle of rise to a relative zenith of power, and then a descent into ensuing collapse.

#### 4.8 The 1963-95 'cultural paradigm shift'

With brief exceptions, the central issue of the U.S. Declaration of Independence, War of Independence, and adoption of the 1787-89 Federal Constitution was a commitment to that tradition of the anti-oligarchical commonwealth associated with King Louis XI's France, Jean Bodin's *Six Books of the Commonwealth*, the "dirigism" of France's Richelieu,

Mazarin, and Colbert, and the conception of natural law offered by Gottfried Leibniz, in opposition to that proposed by the empiricist John Locke. The U.S. War of Independence was fought, in fact, against those policies set forth in East India Company apologist Adam Smith's 1776 *Wealth of Nations*. U.S. Treasury Secretary Alexander Hamilton's Reports to the Congress on the subjects of *Credit, A National Bank, and Manufactures* identify the *American System of political-economy*, as U.S. economic policy was understood by all U.S. patriots, including U.S. President Franklin Roosevelt (in opposition to Britain's Prime Minister Winston Churchill), from 1789 through 1963.

Then, during the interval 1964-70, a reversal of this U.S. cultural and economic tradition was set into motion. The London Tavistock Institute and its collaborators sometimes referred to this change as a "cultural-paradigm shift." This "cultural-paradigm shift" is the key to the presently ongoing spiral of collapse within the global monetary, financial, and economic systems.

The work of the World Wildlife Fund of Britain's Prince Philip and Netherlands' Prince Bernhard, was part of this effort to turn back the clock of history to feudalism, or even to earlier models of barbarism. This was known as the "rock-drug-sex counterculture." It was called by the Ford Foundation, in 1964, "The Triple Revolution." In 1967, one advocate, Zbigniew Brzezinski, called it "the technetronic age." Fascist ideologues such as the London *Times*' Lord William Rees-Mogg identify this New Age with Alvin Toffler and U.S. Speaker Newt Gingrich's "Third Wave." It is the "ecology movement" launched in the United States at the close of 1969. It is otherwise known as Cambridge University models of "systems analysis." It is known generally as "post-industrial" utopianism. It is the policy of the fascist Mont Pelerin Society of Prof. Milton Friedman and the late Friedrich von Hayek.

Once the United States and the Soviet Union had reached certain agreements in the wake of the Cuban missile crisis of 1962, it was the belief of the London-centered international oligarchy that London's establishment had the post-1945, nuclear balance-of-power game adequately under its influence. In the view of these circles in London, and their co-thinkers in the U.S.A., it was no longer necessary to maintain those rates of physical-economic growth and technological progress which would have been required were the threat of a general war still believed to be a likely prospect. It was believed that the Pugwash doctrine for a new form of British "balance of power," a geopolitical balance of mutual thermo-nuclear terror, was securely in place.

It was believed, that this had realized the strategic goals which Bertrand Russell had articulated in such public locations as his 1946 contribution to the *Bulletin of the Atomic Scientists*. It was believed in those circles, including McGeorge Bundy and Bundy-associated British agent Henry A. Kissinger, that the likelihood of an actual general war had



*Masterminds of the cultural-paradigm shift toward a new Dark Age, left to right: Alvin Toffler, McGeorge Bundy, and Bertrand Russell.*

been eliminated. It was believed, as Russell had projected this about 20 years earlier, that, over the longer term, the institution of the nation-state would be superseded by the establishment of actual world-government under the United Nations.

Therefore, during the months immediately preceding the assassination of President John F. Kennedy, it became the opinion of the New Age advocates, that emphasis upon science and technology was no longer needed, nor even desirable. Industrial development no longer desirable. The 1964 *Triple Revolution* report, published by the Ford Foundation's Fund for the Republic, echoed this post-industrial sentiment. As a corollary of that same opinion, it was believed that the quality of rationality in education and public life generally, needed for a modern industrial society's labor-force and family households, was no longer necessary, or even desirable.

The test-tube in which a mass-based form of irrationalist, counterculture movement was brewed, was the anti-war movement of 1965-68.

One-time U.S. National Security Adviser McGeorge Bundy is at the center of the exemplary events of the 1963-68 turn. Bundy virtually authored the U.S. military commitments in Vietnam. As soon as he had committed President Johnson to the war in Vietnam which he desired, Bundy left government, and headed up the Ford Foundation, from which

he did much of the orchestration of the U.S. anti-war movement of the 1965-68 interval, including the funding of the group which became the Weatherman terrorist organization.

The same forces which had orchestrated the 1965-68 anti-war movement, next launched the so-called "ecology movement." The seed-crystal for a mass-based "ecology movement" was assembled from among the year 1970's somewhat shattered fragments of the anti-war movement. The "post-industrial" battering-ram of the irrationalist "ecology movement" has supplied a battery of well-funded operations against the key institutions of modern society. Each and all of these operations, over the 1970-95 period, have been based upon outrightly anti-scientific hoaxes; each and all have been aimed to destroy industrial society, step by step. At the present stage, in conjunction with Prince Philip's World Wide Fund for Nature (the former World Wildlife Fund), these "ecology" operations are being deployed with the specific intent of destroying national sovereignty throughout this planet, through the establishment of ecological preserves under international supervision at the borders of nations, or in internal zones of crucial national mineral, forest, and hydrological reserves.

Through these and related kinds of qualitative changes in economic, monetary, and financial policy, the leading political institutions of nations have been corrupted into a



*The environmental terrorist group Earth First! conducts a demonstration against logging in Ft. Bragg, California, 1990. The ecology movement was assembled from the fragments of the anti-war movement, and is being used as a battering-ram against industrial society.*

state of virtual insanity. This can be described more precisely as a systematic decoupling of the determination of financial growth from the growth of real economy, and the related decoupling of political institutions from responsiveness to the real conditions of life of the nation and the majority of its constituent social strata.

Until 1963, the nominal value of aggregate financial holdings within the U.S.A., and most other nations, was tied to the profitability of agro-industrial enterprises and public utilities. With the compounding of the influence of "post-industrial" trends by introduction of a "floating exchange-rate" international monetary order, and by rampant measures of deregulation of financial and other markets, the value of financial paper generally became increasingly decoupled from the profitability of useful production and public-utility operations. Beginning 1970-71, and accelerating after the October-November 1979 introduction of Paul A. Volcker's Federal Reserve policies of "controlled disintegration of the economy," the correlation between growth of financial aggregates and produced goods ceased.

More recently, in the U.S.A. and western Europe, as in Russia, profitability is derived chiefly from those forms of expansion of financial aggregates which occur through contraction of the real economy.

Under these circumstances, national and local politics within the United States, as in Britain, has also been systematically decoupled from reality, as the financier interest

which virtually owns political figures and parliamentary factions has been decoupled from the profitability of the real economy.

Thus, during the interval 1964-95, european civilization in its present form has been shifted into an end-phase. The Comecon was already visibly affected by the radiation of this shift by no later than the early 1970s; now, the states which were formerly within the Comecon region, Russia notably, are gripped by the effects of symbiosis with the global system in its end-phase.

#### **4.9 The net result of this lesson**

The gradual progress under the modern, commonwealth form of constitutional nation-state republic, toward compulsory universal education, in a climate of commitment to benefits of scientific and technological progress, gave modern european civilization (until recently) the highest rates of fundamental progress in science and technology, and the greatest rates of increase of the power over nature represented by the average human being. For all the evil which the european oligarchical interests have succeeded in fostering, the fact remains, that modern european civilization has advanced the acceptable standard of life of the individual person generally far above the standard represented by any earlier culture.

When we balance the achievements of modern european civilization, against the evil accomplished by its oligarchical

component, it appears incontrovertible that the available pathway to recovery from the presently onrushing global disaster, is to revive the commonwealth aspect of this civilization, minus the oligarchical parasite.

Whatever were a better form of society for the more distant future is not presently a practical question. Whatever that distant future might be, we shall not realize it unless we survive to reach that point in time. We shall not reach that point unless we prevent that catastrophe of a prolonged, global "New Dark Age" which presently menaces us. We must proceed from the proven principles which the course of recent centuries has demonstrated beyond reasonable doubt.

We must learn from the failure of our predecessors to defeat the London-centered international oligarchy before this. The lesson of this century is that the nations which fell victim to such traps as King Edward VII's Anglo-French Entente Cordiale, committed the error of being lured into pursuit of perceived specific interests, disregarding the consequences of abandoning concern for principle in this way.

We must recognize a crucial precedent for the folly of the Triple Entente. In A.D. 1509, the League of Cambrai had defeated Venice, and was ready to deliver the crushing blow. Venice's ability to escape destruction in 1510 was its success in corrupting some of the members of the League of Cambrai against Venice's principal adversary, France. During the interval 1894-1907, Britain, led by the Prince of Wales who became Edward VII, played France, Germany, and Russia (among others) against the most vital strategic interest of each and all, by playing upon the susceptibility of each to become so obsessed with some petty policy-interest that they could be self-blinded to their most vital interest.

If there is one lesson to be learned from modern history which might be fairly described as "fundamental," it is the repeated spectacle of that unhappy fate often suffered by the nation which puts aside principles, regarding principles wrongly as "too theoretical," in the apparent practical interest of some perceived, specific, narrower policy-interest. We see, as in the case of the Triple Entente, or the dissolution of the League of Cambrai earlier, that the nation which prefers the "practical" to the "theoretical" in this way, will probably find itself, like Czar Nicholas II, *hors de combat* in the next strategic catastrophe.

The first principle to be adduced from five centuries of modern history, is that the oligarchical model as such is the enemy to be crushed; our most vital and urgent true interest now, is to revive what was good from the present wreckage of modern history.

## 5.0 A strategy for recovery

### 5.1 The general institutional basis for the recovery

From the standpoint of principle, there are two preconditions for the economic recovery of Russia. First,

it must adopt a form of national political-economy consistent with the principles underlying the U.S.A.'s "American System of political-economy." Second, it must secure a sufficiently powerful circle of friends and economic partners among nations abroad that this new choice of political-economy by Russia might benefit from a favorable global climate. Neither of these two conditions were likely to be achieved, unless the principles governing the change in political-economic institutions are stated openly, in both the national and world community, with pungency and force.

5.11 It must be stated, that the abysmal failure of the advice of Adam Smith and his present-day monetarist followers obliges Russia to adopt the principles of the only proven, non-imperialist model of economic success of the past two centuries, the dirigist models of the U.S.A.'s "American System of political-economy," as this is described by such authorities as U.S. Treasury Secretary Alexander Hamilton, Mathew Carey, Henry C. Carey, Germany's Friedrich List, and others in that tradition.

5.12 It should be qualified, that Russia, like most nations formerly members of the Comecon, is being crushed by the same, global financial maelstrom which is currently causing the collapse of an increasing number of nations, in every sector of the planet.

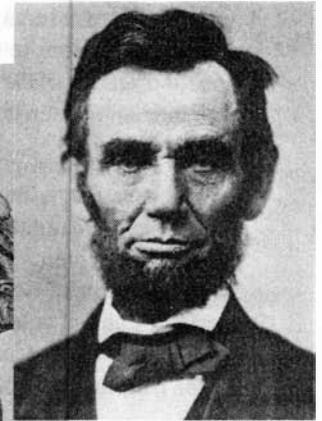
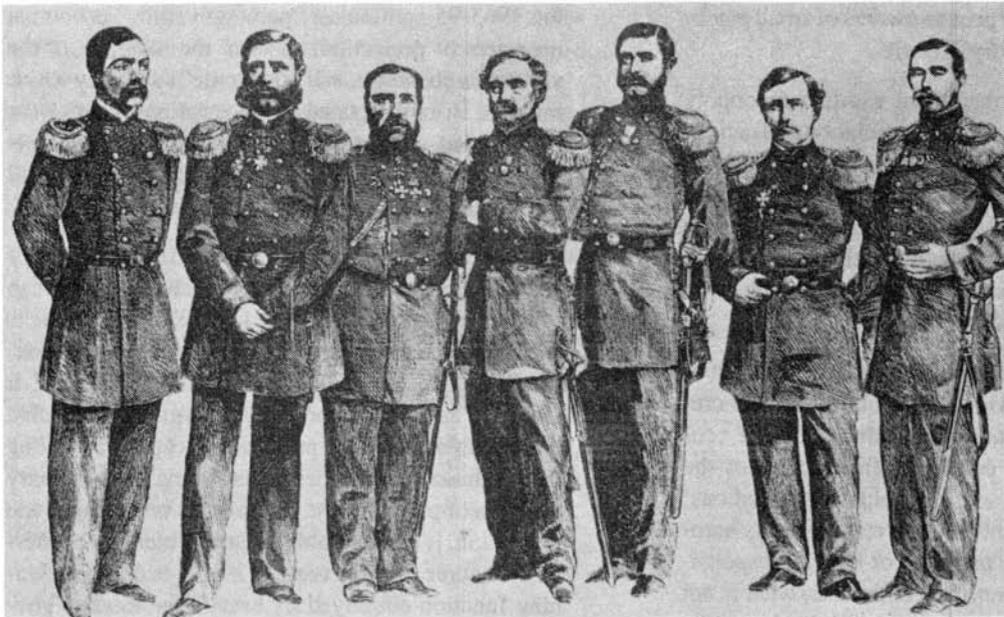
The present combination, of history's most bloated and dangerous financial bubble of speculation, and the descent into the wasteland of a "post-industrial utopia," represents an intolerable burden and life-threatening condition for virtually every family household and person in every part of Russia.

During recent years, these circumstances and trends, combined with attempts at "shock therapy," have collapsed the net physical production and consumption of Russia, and of sundry neighboring nations, apparently to not better than one-quarter the levels, per capita, per household, and per square kilometer, of 1989.

The evidence is clear: For Russia, for the former member-states of the Comecon, and also for most of the world at large, the recent, monetarist forms of economic, monetary, and financial policies of the international market-place have proven a global failure, a global social catastrophe.

### 5.2 The constitutional political structure of the economy

What is required is *not* that Russia become a carbon-copy of the United States during the best periods of the U.S.A.



*Russian naval officers in the United States in 1863. Czar Alexander II dispatched his Navy to assist President Abraham Lincoln (inset) during the U.S. Civil War.*

Rather, Russia's rational alternative to the presently ongoing economic catastrophe, is to adopt a Russian system which embodies the same proven principles of success which have been tested and proven sound in not only the experience of the United States' wiser periods, but of other nations which, for a time, also applied their own version of the same principles of national economy.

Perhaps not coincidentally, the best periods of the United States were those times when the U.S. and Russia governments were on the relatively best terms. The good relations between the U.S. and Russia governments of the 1790s reflected Russia's crucial assistance to the cause of U.S. independence: the League of Armed Neutrality. Czar Alexander II, who once again liberated the serfs of Russia, was a valuable ally of President Abraham Lincoln's U.S.A. at a time that the forces of Palmerston's Britain, Napoleon III's France, and Spain were allied in a plan of naval aggression against the United States. Why should Russia not benefit from contributions to economic science by an old friend?

The following observations should not be read as an intent to suggest a "blueprint" of reform, but rather to illustrate some relevant principles.

**5.21** Under the U.S. Constitution's provisions, the basis for the form of economy known as "the American System of political-economy" originates in the so-called "general welfare clause" of the Preamble to that Constitution. This is to be recognized, for this purpose, as an affirmation of Gottfried Leibniz's principles of natural law, in opposition to that empiricist doctrine ("life, liberty, and property") of John Locke,

which the framers of the U.S. Declaration of Independence and Federal Constitution rejected in favor of Leibniz's alternative.

**5.22** As can be seen from the vantage-point of Treasury Secretary Alexander Hamilton's relevant three reports to the U.S. Congress, the general basis for the "American System of political-economy" is outlined within provisions of Article I of the Federal Constitution.

**5.23** These reports and those constitutional provisions should be considered together with the relevant historical evidence not only from United States, but also from relevant foreign examples, including nationalist periods in the history of France, since Louis XI, Richelieu, Mazarin, and Colbert, and later periods of revival of Colbertist traditions, through President Charles de Gaulle. This evidence includes the rise of Germany under the influence of the policies of Friedrich List; it includes the case of Meiji Restoration Japan. It includes the kindred policies of the collaborators D.I. Mendeleyev and Sergei Witte in Russia, as the eurasia-infrastructure-building policies of Witte's implicit key collaborator, France's Foreign Minister Gabriel Hanotaux.

**5.24** The implicitly constitutional form of political-economy represented by the American System's successful applications in various nations, is centered around a division of the total national economy between respectively public and private sectors. The applicable physical principle is the fact, that the effective devel-

opment of the total area of a nation can not be achieved as the chaotic sum-total of the infrastructural decisions and actions of the private owners of small patches of the national territory. To wit:

(a) The Federal government exerts a monopoly over the creation, issuance, and regulation of a national currency, and regulation of both public and private banking and credit. The preferred mechanism used for distribution of newly created currency, whether specie or Federal notes, is regulated lending by a national bank which acts (inclusively) as a depository for the national issue of currency.

(b) The Federal government and governments of the state share and divide responsibility for the creation, improvement, and maintenance of basic economic, physical, and political infrastructure of the sundry Federal, state, and municipal organizations. The Federal government assumes responsibility automatically, by the U.S. principle of Federal responsibility for interstate commerce; otherwise, what is not assumed as the responsibility of the Federal government, is left to the responsibility of the governments of the states. This includes, most notably, the following economic categories: the military, police forces, justice, water management, general sanitation, general transportation, generation and distribution of required power-supplies, general communications, public education, last resort for medical services, and promotion of scientific and technological progress.

(c) In the areas of basic physical-economic infrastructure, the government has the option either of constructing and operating the element of infrastructure itself, or of delegating this function to a government-regulated, totally or partially privately owned public utility. The government must never divest itself of the powers to satisfy its accountability for the good and otherwise rational development of the whole of the territory of the nation, state, and municipality.

(d) The other areas of agriculture, mining, industry, banking, commerce, and commercialized services, constitute, in principle, the private sector of the national economy. Government is not prohibited from ownership within this sector, but should avoid this in cases in which an adequate supply of the type of production or service required by the nation is provided by private means.

### 5.3 The methods for supplying direction to economy

Once again, not to provide a "blueprint," but to illustrate relevant principles:

**5.31** National economic growth and "free trade" are implacable adversaries. During all of modern history, until the 1963-95 continuing "paradigm shift," economic measures of protectionism were the hallmark of the victorious economy, and "free trade" the policy which imperial Britain dictated to those nations which were its intended victims. If all the world's governments accept "free trade," all of the world's economy will be plunged into a general collapse as a result.

The necessity for anti-"free trade" measures of economic protection is that no branch of industry can survive, if it does not enjoy a price for its products which exceeds the necessary cost of the production. Similarly, no national economy can prosper, if it allows to be dumped upon its shores goods which that nation can not afford to purchase, except by curtailing its purchases of some essential items. The primary function of protectionist measures of tariffs and trade regulation, is not to establish a supplementary or alternative source of tax revenues: It is an economic-planning function employed by every sane modern government.

The primary beneficiary of such economic protection is the average family household of the relevant nation. The argument on this point is virtually identical to that Henry C. Carey and others made on the issue of chattel slavery in the United States.

If another nation supplies products at a lower price than our own, and accomplishes this because of cheapness of labor and lack of paid infrastructure costs in that other nation, both nations are ruined by this exchange. The other nation is kept in backwardness and a poor level of existence of the relevant sectors of its labor-force, whereas our labor-force's quality of life is lowered to a level more nearly resembling the misery of those employed in the relevant foreign cheap-labor operations. Thus, for example, "free trade" is directly in violation of the "general welfare clause" of the Preamble to the U.S. Federal Constitution.

Thus, the traditional forms of protectionist tariff and trade policy practiced formerly by the U.S. government are legitimate, indispensable, and one of the more powerful tools of government in the domain of national economic-development planning. Without such means, government can not defend the value of the national currency effectively.

**5.32** As to fostering the internal development of the national economy, there are four aspects of the national economy's public sector through which government action can have the relatively most powerful and dura-

ble stimulus to higher rates of both production and productivity within the economy as a whole: 1) large-scale improvements in basic (physical) economic infrastructure; 2) stimulation of increased rates of advanced scientific research, and 3) correlated measures of improvement in public education; and 4) government's use of its purchasing-power, investment tax-credits, and favorable terms of credit, to stimulate expansion of the development and use of the most advanced technologies of machine-tool design. These measures foster the relatively highest rates of improvement in productivity within the economy, both per capita and per square kilometer of land-area in use.

Two crucial aspects of this tactic should be identified. When credit is supplied to large-scale infrastructural projects, or to the most capital-intensive forms of production, or to scientific and technological progress as such, or to some combination of these elements, the relatively greatest beneficial impulse is imparted to the economy as a whole. In these cases, the credit supplied to its primary recipient exerts the relatively greatest multiplier effect, upstream, through purchases from vendors, and, downstream, through the impact of improved technology upon the productivity of the economy.

As a matter of contrast, the same amount of credit-stimulus issued to ordinary production of households' goods would not generate even an approximately equal benefit for the economy at large—but for the exceptional case, in which the credit relieved a critical bottleneck, as in the instance in which a significant shortage of some requirement were relieved.

- 5.33** On condition that the state outlaws the substitution of central banking for government monopoly over creation and issuance of currency, national banking puts at the disposal of the state the most powerful administrative devices for effecting a non-inflationary stimulation of real economic expansion.

The mechanism of lending of state-created currency through national-banking facilities, virtually eliminates the state's reliance upon the open market for bonds as a source of its lending-power. The state's currency-notes can be put into circulation, through lending, at rates which reflect only the consideration of combined risk and administrative costs. State credit becomes the cheapest form of credit in the market. By restricting the categories of loan of this state-credit, government can orchestrate the growth of the public sector directly, and also structure the investment opportunities afforded to the private sector of the economy. By restricting the issuance of this credit to the

methods of tranches used customarily for construction loans, and limiting its issuance chiefly to categories of physical goods and advances of science and technology, state credit tends to have not only a non-inflationary character, but even a deflationary potential: To the degree that significant increases in productivity are effected to more advanced technologies introduced, the cost of goods is reduced in that degree.

#### **5.4 Special role of large infrastructural projects**

The three most critical bottlenecks in physical economy are cubic meters of usable water per hour, kilowatts of power per hour, and ton-kilometers per hour in general transport of goods, each and all per capita, per household, and per square kilometer of relevant land-area. These bottlenecks have an obvious bearing upon the variability of potential relative population-density. That is to say, technology being otherwise equal, the effective productivity which can be developed in one area, as compared to another of comparable size and general quality, varies with the degree to which those three infrastructural bottlenecks are overcome.

- 5.41** For this reason, we must speak of "development corridors." A typical development corridor is defined by either a railway line, or a functioning inland waterway, or both, identifiable as the "spine" of that corridor. The development of industry and agriculture, and of railway lines paralleling the river, along the Rhine, is a model of reference for this. The extensive application of the principle of such a "development corridor" dates from the development of western European inland waterways launched by Charlemagne.

- 5.42** Typically, today, the width of that corridor may extend to approximately 50 kilometers on either side of that "spine." Associated with that "spinal column," or central right-of-way of the corridor are pipelines, power-transmission lines, and parallel trunk highway segments. Along the length of the spine, there are nodal foci of development; extending like ribs from the spine, are the feeder links into the flanking tissue of the corridor on either side of the spine.

- 5.43** The choice of a network of modern such "development corridors" involves two crucial factors of Russia's economic development as a whole. First, adequate development of Russia's economy across its vast stretches of relatively low population-density, would not be possible without both large-scale development of Russia's vastly underutilized hydrological potential, and the development of an efficient set of trans- Eurasian railway-spined corridors. Second, without the development of the inland waterways and rail nets from Berlin through Poland, into Russia and Ukraine, there can not be an economically efficient

commerce between western Europe and Eurasia generally; without that, the development of Russia's economy would be relatively crippled.

Exemplary is the region of Central Asia associated with the presently spoiled Caspian Sea and the ruined Aral Sea. The water levels of these seas, and the levels of water-tables in adjoining areas must be raised. The use of no more than a significant fraction of the vast amounts of flow presently dumped into the Arctic Ocean would serve to flush both of these seas, and would also feed a broader network of inland (barge) waterways and other economic and household uses.

The crucial, more general problem addressed by Eurasia "land-bridge" and other developmental corridors is that low population-density tends to increase the cost of production significantly. The factors of cost are typified by the increase of the amount of inventory which must be supplied to the transport "pipeline," relative to the level of production-output involved, and by increasing the cost per ton attributable to movement of freight.

There are several ways this problem may be addressed successfully; these solutions are all to be found in principle within the notion of the development corridor:

(a) The development corridor provides the means for establishing designed, high-density complexes of production within the most efficient modes of transport and supplies of water and power (and, also, communications). By this method, the corridor is a means by which an efficient form of high-density area is developed within a larger low population-density area.

(b) The "spine" provides means for gaining the benefits of economy of scale in respect to trunk-line transportation, communications, and production and distribution of power and water supplies.

(c) The development of high-speed magnetic levitation, and the serial/mass production of the new, Jülich type of high-temperature reactors (HTR) in the 100-200 megawatt range, transforms the vast, underdeveloped spaces of Russia into a network of development corridors of rich potential. Virtually no other nation in the world could benefit as much from the advantages of maglev speed as the area of the former Soviet Union. Given the costs of transport of fossil fuels for production of power, and the greatly superior energy-flux densities of the HTR over fossil-fuel plants, the gains in efficiency gained through the general use of power-complexes built up modularly of

clusters of HTRs has a great potential inside the kinds of development corridors required for the efficient development of the Russia economy in depth.

The function of corridors defined in these and related terms, is to transform what might appear to be the vast disadvantages of Russia's space, into an advantage.

## 5.5 The essential economic function of the space program

The common fault in the thinking of self-styled "practical men" is indicated by the fact that nearly all species of beasts, excepting perhaps a relative handful of species, such as the foolish pandas, are far more "practical," and much more consistently so than even the most "practical" among human beings. The most practical man on Earth is the serf-like peasant working in traditional agriculture, sometimes almost in beast-like ways; if he has his way, his condition of life will never be improved significantly, even over thousands of years to come. A beast, unlike the Eratosthenes from the ancient Academy at Athens, would never depart from being "practical," to suspect that the Earth was a sphere-like object, to say nothing of measuring the Earth's diameter to within about 50 miles error at the poles. Similarly, people who have yet to learn the ABCs of the science of physical economy, think that an extensive government-sponsored space program is either simply a military, or political-prestige program, but otherwise a waste of money.

On the condition that a competent economic-recovery program is set into motion in Russia, the continuation and expansion of Russia's space program is one of the most useful contributions to the successful growth of Russia's net output per capita, per household, and per square kilometer. It is relevant to examine here summarily the proposition, that Karl Marx, like the Physiocrats, Adam Smith, and David Ricardo before him, never understood the source of physical-economic profit generated in a modern economy. The benefits of a properly directed space program are of this nature; we find a comparable case in certain vast economic benefits which the United States has gained repeatedly from large-scale investments in the production of the form of waste known as high-technology military expenditures.

### 5.51 The economic phenomenon

It used to be a marginal advantage of the United States, that we emerged from the costliest of our major wars, including the Civil War, far more prosperous than we had entered it. The U.S. trade unionist and others, used to be bemused by the curious fact, that large-scale, crash-program war-expenditures made the United States more prosperous, whereas periods

of peaceful disarmament were usually associated with recession or even depressions!

The solution for this apparent paradox ought to be considered elementary: The only source of actual physical-economic profit is that marginal increase in the productive powers of labor which is attributable entirely to the generation and assimilation of scientific and technological progress. This is what the pro-feudalist Physiocrats, of the Fronde tradition, refused to accept, as did all of the British empiricists such as Smith and Ricardo, and as Marx, in his *Capital*, explicitly pushed aside this implication of technological progress.

The same kind of benefit was realized by the United States economy from President Kennedy's "crash-program" commitment to a manned Moon landing. Over ten cents was returned to the U.S. economy as a result of the "spin-off" benefits generated by each penny of expenditure for that 1960s aerospace program.

### 5.52 How the benefit is transmitted

The transmission of scientific discovery to become increased productivity per capita and per square kilometer, is mediated typically through a section of industry broadly identified as the "machine-tool sector." Typically, a perfected laboratory apparatus, constructed for a proof-of-principle demonstration, serves as the model for a new machine-tool principle. That machine-principle, incorporated, in turn, in machine-tool designs, becomes the medium for effecting increases in the productive powers of labor. Military investments in advantages of technological attrition have thus the same type of indirect but substantial benefits to the economy as space programs. Military and space production delivers this ("spin-off") benefit through the quality of stimulation such production provides to the machine-tool sector. It is the new machine-tool designs so stimulated, which are the general source of the increase of productivity.

### 5.53 How space programs must be defined

From this vantage-point of the economist, space programs have a twofold peculiarity. From the standpoints of both science and engineering, space programs are anomalous in all respects. The putting of objects and persons into space exploration, is already anomalous; this requires a virtually endless series of successive confrontations with circumstances which man has never addressed before. The chief purpose of space exploration, is the exploration of physical anomalies in our universe, touching areas of physics

which can not presently be addressed in any other mode.

The relevant policy considerations are shown most readily from the vantage-point provided implicitly by B. Riemann's treatment of the fallacies usually associated with formal mathematics, in his 1854 habilitation dissertation. The qualitative aspect of the progress of mathematical physics is located in certain experiments which have a unique significance among experiments in general. Modern english-speaking usage among physical scientists seems to prefer the term "crucial" over "unique."

To put the relevant crucial point as succinctly as seems feasible, let us briefly restate Riemann's thesis in my own preferred terms. This leads directly to identifying the unique importance of space programs for stimulating growth within modern economies.

It were perhaps more or less inevitable, that in its baby-steps, science would blunder into the error of attempting to reduce physical science to the terms of a naive sort of formal geometry, one axiomatically of zero-curvature. This is the geometry, not of vision, but of the naive variety of visual imagination, in which space and time are extended indefinitely in perfect continuity: forward, backward, side-to-side, up-and-down. The physical objects and events we attribute to our senses, or also to our imagination, are simply located within a zero-curvature space-time so defined. We then perpetrate the naive blunder of assuming that processes occurring in nature can be described adequately in terms of the mathematical mapping of objects within the zero-curvature space-time of the visual imagination. Thus, naive error wrongly attributes to the schemas of Galileo, Fludd, Newton, et al., the quality of *physical space-time*.

If we examine this matter from the formalist standpoint of analysis, the following picture emerges from study of unique experiments. We discover, that in each of these instances, physics presents us with propositions which can not be reconciled with the set of axioms and postulates of a naive (e.g., Cartesian) mathematics of space-time. In formalist terms, we can acknowledge the anomalous evidence with which nature has confronted us, only by a new *hypothesis*, in Plato's or Riemann's sense of the term "hypothesis": a new set of axioms and postulates, replacing that of naive mathematical physics.

Then, we no longer have a simple, zero-curvature space-time. The combination of all of the changes in axioms and postulates imposed by a reconciled succession of unique experiments, results in attribut-

ing to our thus modified notions of physical-space-time some definite, non-zero value of curvature. In that transformation, the naive, neo-aristotelean, mechanistic form of mathematical notions of causality, such as those introduced by Sarpi-Galileo, must be replaced by a notion of the function of universal Reason, in the sense this notion was adopted by Kepler.

Thus, is fundamental progress in science ordered. So, consequently, is technological progress supplied a sense of ordering-principle.

For reasons recognized by Riemann, the kinds of experiments and kindred observations which address this matter of curvature more directly, are located at those extremes which lie beyond the direct power of our sensory apparatus, in the remotenesses of astrophysics and microphysics. This should not astonish us, since the first steps toward a mathematical physics, as Plato's Academy illustrates the point, were accomplished through inferential studies of astronomy. The study of the characteristic distinctions of living from non-living processes, in these terms of reference, completely maps the frontiers of research in which the richest production of original, valid, fundamental discoveries will occur.

How life presents itself to us in the remotest smallness of microphysics, and man acting upon the astrophysical vastness, are the expression of that exploration of scientific frontiers.

Now, then, briefly: The frontiers of scientific progress are expressed by man, including his most intimate microphysical aspects, acting upon the most anomalous phenomena to be found in the vastness of astrophysics. Cosmic rays, the spectroscopy of the perimetry of so-called "black holes," the shedding of rotation by fast-rotating binary stars, the full range of spectroscopy of interstellar space, and so on and so on. Here man will uncover the unique anomalies which lead to an increase of the power of mankind to exist on Earth. Here, the clues to the greatest benefits to the economy of Earth will be uncovered. These clues will be explored successfully, only by aid of successful, increasing large-scale space programs.

## 5.6 The analog of war mobilization

The paradoxical advantage and risk of any competent effort to reorganize an economy as shattered as the Russia economy today, is that this can be accomplished in but one way, by methods adapted from the world's rather rich modern experience with war-economy.

The point is that the initial phase of a process of economic

recovery can occur in no way but through government initiatives of the form of mobilizing semi-idle and idle productive and related resources, to bring together by command the essential elements of materials, machinery, labor, and so forth, to resume production on a scale approximating some earlier point in time, prior to that collapse now being reversed.

After that initial phase, the mobilized state is maintained through shifting toward reliance upon a system of purchase orders and credit for weekly payroll, materials purchases, and so on. A reasonably good approach to the mobilization during the initial phase of economic recovery would resemble in a significant degree the initial, 1940-42 phases of pre-war and wartime mobilization of the U.S. economy for combined military and civilian logistics of wartime conditions.

### 5.61 Some useful models for comparison

During recent decades, I have recommended study of the mobilization of the economy of France, first by Lazare Carnot in his role as "Author of Victory," and also through the combined influence of Carnot and the Monge-Legendre Ecole Polytechnique during the interval 1794-1814. These methods were assimilated, through the assistance of associates of Carnot and Monge, by the post-1814 U.S. Military Academy at West Point under Commandant Sylvanus Thayer. Over time, the lessons of the Germany and the joint Prussia-Russia mobilization of 1812-13, under the direction of Friedrich Schiller's friends, for the Liberation War against Napoleon Bonaparte's oppression, were assimilated to kindred effect. The Carnot/Ecole model is the classical case, since it was the first instance of a military mobilization based upon a science-technology-driver pivot.

Other models of relevance include the U.S. mobilizations for war, 1914-18 and 1940-44, and military and quasi-military scientific mobilizations such as the Manhattan Project and the Apollo program of the 1960s. Also of relevance are the pre-Hitler Germany recovery program developed for the pre-Hitler Schleicher government, the one which the Anglo-Americans toppled, in order to bring Adolf Hitler to power, and both the "heavy franc" reform, and the dirigist program of industrial and *force de frappe* development which President Charles de Gaulle launched for the Fifth Republic.

### 5.62 Does mobilization augur dictatorship?

The social characteristics of these exemplary past mobilizations, are of special significance because of the understandable fears which will arise, that an economic mobilization of this sort augurs the possible, even probable emergence of a new dictatorship. This

report concludes with an appended comment upon the relevant historical view of this issue.

## 6.0 The 'national party' in modern european history

The distinctive, collaborative roles of D.I. Mendeleev and Sergei Witte in the development of railways and industry in pre-1905 Russia typify a phenomenon characteristic of the appearance of the modern form of nation-state during the recent period of slightly more than six centuries, since the collapse of the great Lombard debt-bubble during the middle of the fourteenth century. This phenomenon I term the "national party," both as it sometimes appeared on the surface of history, as a formal political movement, or operated as an organic phenomenon with society, as the collaboration between Mendeleev and Witte illustrates the latter variant.

It was customary, in pre-1812 Europe, to speak of Germany as a nation of poets and thinkers. Yet, from the beginning, it was always the poets and thinkers of every nation who actually fostered the modern commonwealth form of nation-state. But for a rare few exceptions, such as France's Louis XI, it was not the kings and oligarchs who maintained the continuity of literate forms of language and other features of national european cultures, but always the poets and thinkers.

Dante Alighieri is one such pre-shaper of the modern commonwealth, and Petrarca after him. The Golden Renaissance and Louis XI's commonwealth of France were made possible by the classical humanist teaching-order, the Brotherhood of the Common Life. The Council of Florence was organized by leaders such as Nicolaus of Cusa and the later Pius II (Piccolomini). The spread of the new commonwealth institutions was fostered by such associates of the Oratorian order as Erasmus of Rotterdam and Raffaello Sanzio. The resistance against the venetian oligarchical takeover of England was led by figures such as the playwright Christopher Marlowe and the composer John Bull.

In France, the erasmian associate of the Oratorians, Francois Rabelais, churchmen such as Richelieu and Mazarin, plebeians such as Jean-Baptiste Colbert, and anti-empiricist scientists such as Desargues, Fermat, and Pascal typify the resistance to oligarchism.

In modern Germany, it is the cases of Gottfried Leibniz, J.S. Bach, Lessing, Moses Mendelssohn, and the circles of Schiller, his sometime collaborators (such as Goethe), his friends, such as Wilhelm von Humboldt and von Wolzogen, and his followers, such as Beethoven and Schubert, who exemplify this. Later, there is the great Gauss, Lejeune Dirichlet, Wilhelm Weber, and Riemann, and later, the last leading bastion of resistance against the dog-packs of the oligarchical philosophy of positivism, Max Planck.

The history of the nation is not the kings, princes, and aristocrats, for whom the nation is but a feudal estate, or the financier nobility, who loot it with usury. The renewal of the

continuity of the national culture is the peculiar function of that portion of the intelligentsia which is committed to the principle that knowledge can be rendered intelligible through the agency of the creative faculty of the individual human intellect. It is that portion of the intelligentsia which sees man not as a beast, a wretch, but a creative intellect made in the image of God the Creator. The portion of the intelligentsia constitutes what I designate as the social basis for "the national party" of a nation.

That portion of the intelligentsia in each language is the bearer of the continuity of the nation. As this portion of the intelligentsia responds to that impulse within itself, it constitutes the organic leadership of a "national party." It is such an intelligentsia which writes such documents as the Preamble to the U.S. Federal Constitution; it is the slaveholders, the dictators, and actual or would-be feudal aristocrats, who would write the opposing Preamble to the empiricist Constitution of the Confederate States of America.

The relationship of the circles of Mendeleev, Witte, and later V.I. Vernadsky to the actual national party in post-Napoleon III France of 1871-98, as the Pasteur circles exemplify this tradition of the Carnot-Monge-Legendre Ecole Polytechnique of 1794-1814, is an exemplary subject for study. We who in fact are organically representatives of the "national party" factions in our respective nations should come to understand more clearly and profoundly, this historic basis for our natural inclination to collaborate in the mutual defense of our nations against the depredations of the adversary, oligarchical party.

The question whether an attempted economic recovery initiated through an emergency mobilization will lead to true liberty, or to dictatorship is a question of the social composition of the agency which directs that mobilization. If the directing agency thinks like a part, or a lackey of the oligarchical party, that agency will tend to use the assembly of its forces into a commanding position to establish a dictatorship, or something akin to it. The national party in command, will respond differently. The key to the distinction between the two qualities of leadership, is the distinction between those who see ordinary men and women as cattle to obey orders, and those who see the creative intellect of individual men and women as the great moral force for good which must be awakened, and set into motion.

Thus, for that reason, and in that sense, I do not trust men and women in power who are too much the busy-busy-busy practical politicians. One must prefer men and women who have learned the importance of proceeding from principle to action, rather than viewing "principle" as rhetoric produced to justify what one has done out of purely practical considerations. I place some value on political parties, but I do not like them too much. I prefer political movements, which are self-governed by passion for the practical realization of the commonwealth principle of the modern, scientifically progressive form of nation-state.

## Collapse of Russia's economy reaches point of no return

by Jonathan Tennenbaum

The awesome pace of Russia's economic disintegration has defined this year, 1995, as the *punctum saliens* for the country's future. Either the process of disintegration will be halted by an abrupt change in policy, in the direction of a state-directed mobilization to revive industrial production, or the potential for any future recovery will be irreversibly destroyed. This is the essential conclusion of documents, submitted this month to the Russian State Duma (the national parliament) by expert working groups under the direction of Duma Economic Committee head Sergei Glazyev. The recently released documents fully confirm the evaluations of *EIR*, while providing some valuable additional information which we summarize in this article.

The latest data demonstrate not only a sharp acceleration in the rate of decline of physical output over the last year, but also a qualitative disintegration of the economy, which is rapidly devolving from a technology-based industrial economy into a "Third World"-style supplier of raw materials and "services." But, rather than converging upon some lower, hypothetically stable level, the Russian economy is devolving in an accelerating series of downward "shocks," each one steeper than the preceding one—exactly the type of non-linear collapse process which Lyndon LaRouche described long ago, in his fundamental works on physical economy.

### Full extent of collapse is masked

According to Economic Committee estimates, industrial production collapsed overall by 21% in 1994 alone, to less than half the level of 1991. But the full extent of the collapse is masked by the relatively slower disintegration of primary, raw materials-related production compared to the downstream sectors of production. A large part of the raw materials formerly consumed by domestic industry, is now being ex-

ported to earn foreign currency, often at ridiculously low prices.

Thus, for example, light industry collapsed by 47% from 1993 to 1994, dropping to a mere 26% of its 1990 output. In the one year 1994, the output of machine-building and metalworking fell by 40%, chemical and petrochemical production by 30%, construction and materials by 31%, wood and paper by 31%; food processing fell by 21%. By comparison, production of fuels and nonferrous metals collapsed by "only" 11% and 15%, respectively, from 1993 to 1994.

While the relatively smallest decline occurs in raw materials and other export-oriented production, the worst collapse has occurred in the sectors employing the most highly qualified manpower—high technology, science-based industries. Here the decline exceeds 70% in many categories, including machine tool production and construction of machinery for light industry, construction, transport, and agriculture; and communications technology, electronics, and electro-technical equipment.

The dramatic "quantum-jump" contraction of industrial output within a single year, coming on top of the already disastrous collapse of the preceding three years, stands in stark contrast to Russian President Boris Yeltsin's promise of "stabilizing of the economy." And it can in no way be attributed simply to the closing down of military-related production, as some would like to claim. On the contrary, essential categories of durable consumer-goods production are also collapsing: While the production of refrigerators in 1993 was 92% of the 1990 output, it collapsed to 70% by the end of 1994. The manufacture of washing machines had fallen by 1993 to 72% of the 1990 output, but by the end of 1994 it was only 39%. Similarly for other consumer goods, taking 1990 as reference-point:

	1993	1994
Electric vacuum cleaners	83%	35%
Electric irons	86%	31%
Sewing machines	82%	23%
Synthetic detergents	45%	33%
Bath soap	43%	30%
Tape recorders	64%	21%
Radio receivers	49%	18%

The Duma documents characterize the situation in the agricultural sector as a "national emergency." Deliveries of tractors to the agricultural sector have fallen to 17% of the 1990 level, deliveries of combines are down to only 8%, the supply of mineral fertilizers is now 13% of its level in 1990. At the same time, the total land area cultivated has dropped by 12%. The fall of agricultural output itself has been slower, "only" 8% in 1994, compared with a fall of 4% in the preceding year; however, the depletion of machine parts and materials stocks, inadequate fertilizer use, and other factors, add up to a catastrophic collapse in food production further down the line.

Total capital investments in the Russian economy fell by "only" 26% from 1993 to 1994, the largest drop since 1992, when investment dropped by half. The percentage of investment into the productive sector of the economy declined from 60% to 56%. The portion of private investment going to the productive sector is continuously falling, and is now less than a third. Private money is pouring instead into various forms of speculation, foreign currency-denominated nonproductive investments, and outright capital flight. At the same time, an increasing portion of the already-declining state investment into the economy, is being diverted away from the productive sector.

### **Dramatic fall in scientific investment**

The decline in state investment has been particularly dramatic in the domain of scientific research, where the former Soviet Union once rivaled, and in some fields surpassed, the United States. For example, the budget of scientific laboratories of the Russian Academy of Sciences was reduced in the course of 1994 to a mere 5% of what it had been even in 1993! In the context of a recent controversy concerning the activities of speculator George Soros's "International Science Foundation," leading Russian academics declared to the press that, without massive financing from abroad, "science in Russia is finished."

While internal production collapses, foreign goods have been flooding into the Russian market. The share of domestically produced goods as a percentage of total goods purchases on the domestic market, has declined from 79% in 1990 to 51% in 1994, and is projected to decline again rapidly in 1995. The influx of legal and illegal imports, however, by no means fills the gap left by collapsing internal production. On the contrary, per capita consumption has plunged in virtu-

ally every market-basket category, with relative luxury items such as personal computers constituting rare exceptions. Only a tiny percentage of the population has enjoyed a significant increase in personal consumption, while the vast majority is much worse off, materially, than they were in the 1980s under the Soviet system. The income gap between the upper and the lower 10% of the population grew by 11-15 times in the course of 1994 alone. Incomes continue to slide further and further behind the inflation rate, which is officially estimated at about 11% per month, or nearly 350% per year.

The wholesale collapse of living standards in Russia has reached the point that the country is being literally depopulated. In 1994, deaths exceeded births by nearly a million persons! But, the full effects of the 1994 "shock" collapse of living standards and rise in mortality rates will appear after a certain time delay—many of them are already beginning to show up this year. The nutritional level of the population has already fallen below the critical minimum, and health care standards have collapsed. In 1994 alone, the mortality from infectious and parasitical diseases grew by 15%, while the production of essential categories of antibiotics and other medicines fell by more than 70%.

### **A personal observation**

In the context of the above summary, based on documents recently released by the Duma, this author would add the following observation:

According to estimates of some Russian economists, only 40% of an average family income today comes from "official" salaries. The rest is "extra" income derived from buying and selling, odd jobs, and black market activities of the most varied sorts—the sorts of activity known in the black ghettos of the United States as "hustling." Over the last few years, the wholesale looting of the country, and speculation associated with that looting process, has provided a significant source of income trickling down through chains of "service sector" companies and informal channels which have multiplied overnight in the context of the "reform."

For a significant section of the young urban population, as well as others, this income flow has provided a "buffer" against the grim realities of the economic collapse, feeding magical fantasies of an affluent, "yuppie-like" existence as featured in the western movies and soap operas, which form a large part of the Russian television programming. What happens when the stocks of material assets in Russia become depleted, whose liquidation for sale abroad has propped up the flow of "extra" income for an entire section of the population?

One thing is for sure: The response of the Russian elite and the Russian population generally, to the series of violent shocks delivered by the economic collapse process, will be shaped by deeper cultural impulses than a few years of exposure to Hollywood movies and soap operas.

# 'We must shift from a criminal to a civilized economy,' Russians say

*Deputies of the State Duma of Russia, the lower house of parliament, Adrian Puzanovsky and Nikolai Chukanov, together with Gennadi Sklyar of the Obshchestvennaya Palata, a government advisory body, visited Washington the week of Feb. 27 on invitation from the Schiller Institute. Mr. Puzanovsky is the vice-chairman and Mr. Chukanov a member of the Duma's Economic Policy Committee. All are signers of a call for the exoneration of Lyndon LaRouche. On March 4, the Russian visitors had a roundtable discussion with the EIR staff, which we excerpt here.*

## **Adrian Puzanovsky**

My country is in a very difficult situation today. We are not looking for scapegoats; we understand that we ourselves are at fault for our tribulations and hardships today. We are guilty of having been too trusting and having delegated too many rights and too much responsibility to those we believed capable of taking the right decisions. This refers not only to [former Soviet President Mikhail] Gorbachov, but also to those who are at the center of power today, representatives of the elite which said it knows which way to go.

The first conclusion everybody is drawing in Russia today is like the Russian proverb: Trust, but verify. [Former President Ronald] Reagan, an American, knew that proverb and made better use of it than we did. We have decided in the future to do more checking on those in whom trust is placed. The electoral process makes this possible.

Today, people in Russia very much look forward to the elections to the State Duma next December, and hope that those elections will take place. We drew attention to this when we were visiting congressmen and senators this week. We hope that these elections bring forward political forces who better know the life of the people and will be prepared to adopt laws and decisions in the people's interest. They will also be pro-reform and pro-democracy, but in favor of reforms which do not reserve the fruits of reform for a select few—the new Russian oligarchy.

In Russia today, 7-8% of the population controls around 54% of the national wealth. This is an incredible percentage.

Meanwhile, over 28% of the population is below the poverty level. People counted as middle-income receive incomes barely covering a subsistence minimum. These are not the kind of reforms we were looking for.

We do not forget, however, that we are surrounded by the big world, which has its problems. It is one of those problems that brought us to Washington—the problem around [American economist] Mr. [Lyndon] LaRouche.

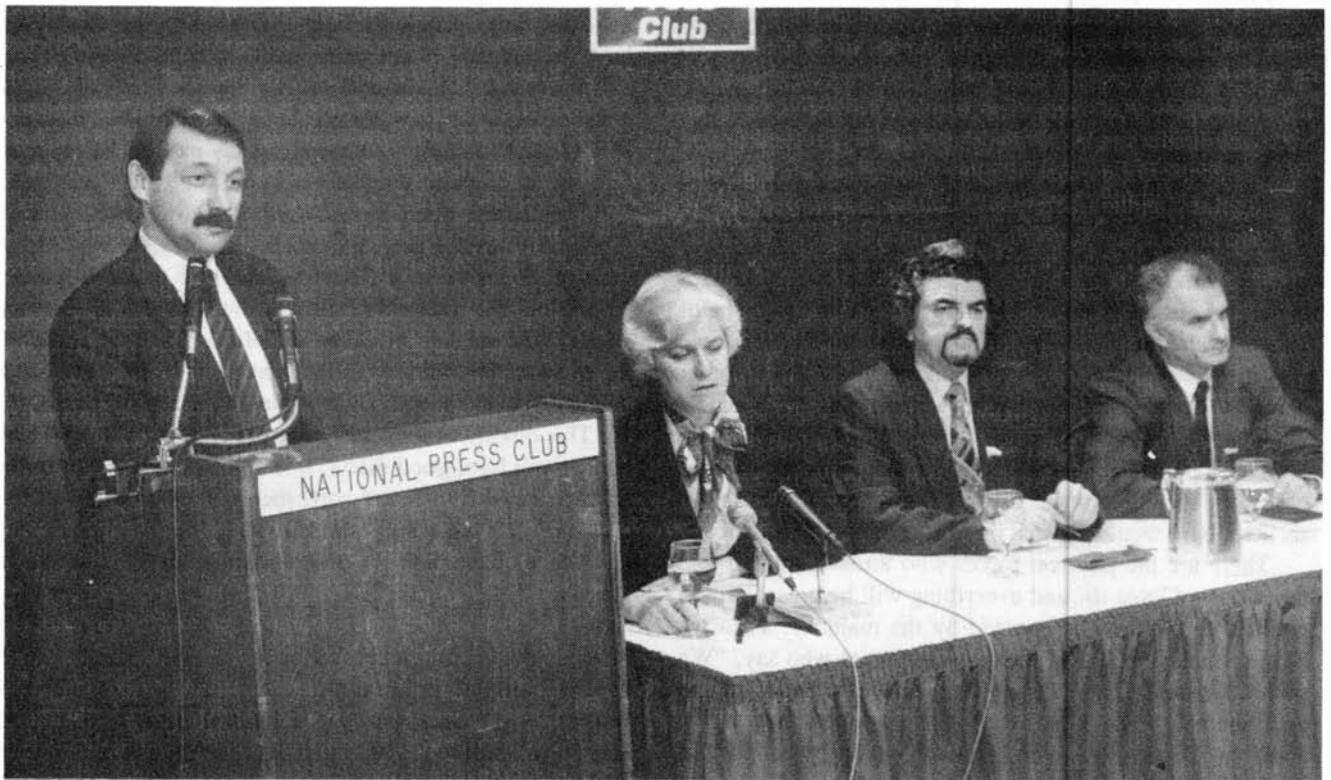
We view him as a prominent American scientist, a humanist, and a democrat, whose ideas are of great significance, including for my country. We are here to say that the LaRouche case should be reopened; that in a country calling itself the basis of world democracy—and that is how America is viewed in my country—the LaRouche case is not tolerable. I cannot tell you what actions will follow, but we discussed this frankly in Washington, in the belief that people like LaRouche would do honor to the citizenship of any country.

## **Nikolai Chukanov**

I would like to touch on an important question, which also concerns you. I am convinced that there is a conflict of two ideologies in the world today. One holds that people should live in the kind of competition, where one person is the rival and enemy of another. But there is a different ideology, where people are a big family, and should help each other. If there be competition—for without competition it is impossible to adopt effective decisions in any area—it should be based on a principle that is expressed well in the Olympic Charter: From the victory of each, all should win.

Therefore, as an economist, I would like to say that the ideology chosen as the basis of our reforms was the former of these two. It was largely borrowed from the Chicago monetarist school; that was the dominant influence on all the reforms in Russia. At our press conference and in meetings with congressmen, I tried to bring to their attention the negative consequences of the Chicago monetarist school.

Let me give you a brief account of what happened in our country during these reforms. In little more than three years, the standard of living of most of the population has fallen



*"The LaRouche case is not tolerable," three Russian officials told the National Press Club in Washington, D.C. on March 2. Left to right: Gennadi Sklyar of the Obshchestvennaya Palata, a government advisory body; Rachel Douglas of the Schiller Institute, who served as interpreter; Adrian Puzanovsky and Nikolai Chukanov, both deputies of the State Duma of Russia.*

threefold. Our economic capacity has been over half-destroyed, a destruction which exceeds that during the war against fascism.

I fear that this type of economic approach will lead to the destruction of economic and intellectual potential all over the world.

Our scientists now have nothing to live on. Young teachers receive \$70 per month. They cannot make ends meet.

Now we face the obvious task of changing the course of the reforms. It has become clear to everybody in Russia that the team which relied on monetarist theory has proven to be incompetent. I want to tell you why our economy is still breathing, just barely: only because enterprises are willing to ship goods without payment and workers come to work without receiving wages. If enterprises were to stop shipping goods without payment and workers ceased working without pay, there would be total economic paralysis.

Essentially we broke up the old planned economy system, but we built no market economy. This is not an economic crisis, but economic chaos.

Why do I say that we have a shared task, in this sense? Because the influence of the Chicago monetarist school today will lead to the destruction of the world economy, as well, and is also capable of rapidly destroying the U.S. economy.

I believe that the LaRouche case is an instance of at-

tempted forcible elimination of one's opponent. Therefore I believe that we should join efforts in this respect and expose the flaws of that school of economics, so that the citizens of both Russia and America may see where this ideology leads. Without an understanding of its flaws, it will be impossible to avert the same catastrophe that has struck Russia.

### **Gennadi Sklyar**

We came here to tell the truth about the situation in our country, because only the truth will be able to help you in your deliberations. And the truth is bitter, indeed.

A majority of the people in my country made a personal decision to try another way of life. Some abandoned their previous selves and way of life. And when we say that the younger generation has betrayed its fathers, this is the truth. But, unfortunately, the older people, as well, those who voted for [Russian President Boris] Yeltsin, also thought that one little betrayal in their lives would make it possible for them to live better. They thought that everything would be like it is in the United States or Sweden, and now they are bitterly disappointed. They are suffering most of all.

Nikolai Chukanov talked about people not receiving their wages. We can say a lot about what people are not receiving: They have stopped listening to music, they stopped going to the movies, they stopped reading, they ceased normal

recreation. This depression is the most horrible thing that has seized society. There is, of course, some hope, because the potential of the nation is very great and we think that new people and new ideas are still capable of taking society in a rational direction.

I remember five years ago, when we were arguing about the further development of Russia. There were various arguments. But only now have I come to understand that we were lacking something very important. We saw the West as a homogeneous, gray mass, where there was just one type of idea or evaluation. We were in no position to tell our people that there were other types of thinking in the West, other people. The acquaintance we have made with LaRouche's work has been a big help to us.

There are political forces in Russia today who are capable of leading society forward. I won't give a big political analysis here, but I would say that there are four basic tendencies.

There are the political forces who three years ago told the people, "Trust us, and everything will be great." These political forces will be rejected by the majority. Then we have a small segment of the political forces who say, "We should return to how things were ten years ago, and the good life will come back." But this viewpoint is not widely accepted. You cannot swim in the same river twice, nor can you return to your youth, even if it was really fine.

So the question arises of which ideas will prevail. We do have political forces who call themselves "patriotic," and there is a big nationalist element there. It is possible for them to receive the support of the insulted and the injured. This is a serious danger. That is why we are building support for the political forces of the center and left of center, who talk about national priorities, social guarantees, culture, education, and the development of the country and society. We do have such possibilities. We hope that these forces will prevail.

But I think that there may be some very harsh methods of action. You should be prepared for this. This is because our country, to a large extent, has become a country run by criminals and corrupt officials. You cannot defeat that kind of force by friendly persuasion and signing decrees. It will also be necessary to apply force.

This is very hard, but without such a cleansing we shall not be able to advance, because our people will never understand, if we tell them: Your neighbor stole a lot and became extremely wealthy. He stole from you, too. Let's forgive him and go on living. It would be very hard for people to agree with that and unlikely that they will. Any cleansing is a difficult thing, but it is necessary if we want to develop according to rational concepts and laws.

**EIR:** If people are working without pay, how do they eat?

**Chukanov:** It is amazing, how people can adapt to various conditions. Some people live on their parents' pensions. Some people have potatoes stored up from their garden patches. Some people find work here and there.

Sometimes people just can't take it any more, and we have the outbreak of strikes, as with the mines right now.

**Puzanovsky:** I would add another aspect. It is not only a question of human psychology, but also a national characteristic of the Russians, who are extremely patient. Sometimes they prefer to place themselves in an intolerable situation, than to resort to open opposition to those in power. This is inherited from our past, this special respect for the central authorities. I would not call it fear, although that also occurs. You know the work of Chekhov, the remarkable Russian writer, who was not involved in politics. He once said that the most terrible thing is to feel slavery within oneself, and he wanted to squeeze that slavishness out, drop by drop.

This quality of long-suffering patience is both good and bad. If you have good rulers, it is a good quality. But if the leaders are of a different sort, then it is just the opposite. Worst of all is when the authorities abuse their power, taking advantage of the patience of the population. This occurs in Russia.

**EIR:** Would you comment on the murder of Vladislav Listyev, the journalist, in Moscow?

**Sklyar:** I just discussed how organized crime has attained enormous influence in Russia. The redistribution of property which has taken place, and continues, in the country, and largely takes the form of thievery, has led to the flare-up of a type of struggle which is necessarily criminal.

Listyev was not the victim of a political contest, but of an internecine conflict among groups which were divvying up the proceeds of the virtually unregulated revenues from television advertising. Now his death is simply being exploited in the political struggle.

Furthermore, it is important for officials to cover up the fact that his murder had this criminal background to it, because otherwise they would have to admit the criminalization going on. And the authorities are not yet prepared to take on the mafia, because state officials at all levels have developed close links with organized crime.

We expect there will be other such deaths. This one happened to receive a lot of publicity. But when we open up any Moscow newspaper, every day we read about one, two, or three murders of entrepreneurs, directors of companies. This is how they settle conflicts among them.

**Chukanov:** I would add that this is a very serious question, because it has to do with the entire model of reform that was implemented. The model we adopted was that the government stops planning production or setting prices, and stops giving money to the enterprises. We have termed this a primitivist reform: Do nothing and give out no money. As a result of this reform, all the enterprises and banks in the country became ownerless and unsupervised. The management of these enterprises and banks enjoyed the position of favorites; without being proprietors, they were also not subordinate to anybody.

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These were ideal conditions for organized crime. The entire reform became the criminal redistribution of this ownerless state property. Both the murder of Listyev and the events in Chechnya are cut of the same cloth.

The events in Chechnya were not a conflict of the Chechen people with the Russian state, but a conflict between the biggest center of the criminal accumulation of capital and state power. This criminal center accumulated so much money, that they could maintain their own professional army, where soldiers of fortune were paid as much as \$1,000 a day.

These cases demonstrate that we have ended up in a criminal state with a criminal economy. Now we have the task of developing a program not for the transition from a planned to a market economy, but from a criminal economy to a civilized one. This needs to be solved by a special approach, not through conflicts as in Chechnya.

**Sklyar:** Let me give you two examples. The main opponents of [Gen. Dzhokhar] Dudayev are in Moscow. It is the central authorities versus organized crime in [the Chechen capital of] Grozny. But Dudayev's main friends are also in Moscow. Through Dudayev, arms were being sold, diamonds, drugs—all this was flowing out of the country as if through a hole in our pocket. People, including in high offices in Moscow, were raking it in from this.

Another example, which may seem wild to you: Every high-ranking official who has access to funds from the [state] budget finds some means of transferring these funds to private financial institutions for purposes of speculation. From there he puts them in an envelope or a suitcase.

This kind of truth makes us think seriously about how to accomplish what Nikolai Chukanov just talked about, how to make a normal society out of a criminal one. It is a very serious problem.

**EIR:** You are talking about a criminal economy. Milton Friedman, of the Chicago School, is an open proponent of the criminalization of the world economy. To what extent do policymakers in Russia appreciate that the British wanted this criminalization to occur and that Britain is the center of those forces in the West wanting to see this?

**Chukanov:** People have cooled toward these theories in Russia today, but they attribute the horrible results to the entire West, especially the United States, and Israel. For

some reason, they don't talk about London as much.

**Sklyar:** When the Gaidar reforms were being developed, our mass media often said, "Yes, there will be looting and criminal capital. But there is no other way! Because this has always happened in other countries." This philosophy was of great significance in suppressing the internal resistance that our people felt. People nurtured illusions in this respect. They did not envision this total criminalization.

As for the fact that this was being run from London, or how it works in general—nobody told them about that. Nobody talked about why there would be people who had such a philosophy as their fundamental value. But I promise you that during the coming electoral campaign, we will be talking about this.

**EIR:** What is the attitude of the average Russian citizen, of your constituents, to the United States as compared with three years ago?

**Puzanovsky:** This is a very good question—the attitude of Russians toward Americans. It is no exaggeration to say that we are very similar in our character and outlooks. Perhaps we began life in equally difficult circumstances: You developed a new continent, we Siberia. This continues to this day, although you have had more successes than we with respect to the standard of living, and so forth.

Long before Gorbachov, most of our population did not view America as an enemy. We remember the Second World War very well, and we remember that we met on the Elbe; that meeting on the Elbe plays a great role in the life of the Russian people. Believe it or not, I have in my closet at home underclothes sent from America during the war. My relatives received them and I inherited them. We have many films about these events.

But I must say that in the most recent period, especially during 1994, questions are entering into people's thinking: Why are things so bad for us? Where did these proposals come from, on how to carry out these reforms?

Why—let me speak frankly here—did we, having pulled out of eastern Europe, broken up the Soviet Union, and abandoned the Baltic states, not meet with understanding on questions of developing our economy? We dismantled the planned economy and centralized management of the economy. We carried out a colossal privatization. Even the Assyri-

ian kings did nothing like this when they conquered countries. Nothing like this has been done in China, but we are not given credits and China receives credits.

So the question arises: Who is to blame for this? Suspicions arise that there is an outside hand at work here, including that of the United States. Because Russians can see that there is just one superpower in the world today, the United States. This country bears a super-responsibility for the state of affairs in the world. Whatever might happen in the world today, does not happen without some American role. This idea of things occurs in the popular consciousness.

As a Deputy, I sometimes spend a lot of time explaining that we must first seek the causes at home and only then look to our surroundings. But you, as Americans, also know that we would like to have genuine partnership and friendship. It is a question of what must be done to achieve this.

**EIR:** You mentioned the grip of ideology. You arrived in Washington and have seen the grip of ideology on the U.S. government. Could you share your impressions or reactions to what you had to say, by people in the government, given how much of it is contrary to what they hear from the media and the experts?

**Sklyar:** There are several myths in the heads of congressmen, senators, and members of the administration. Many of them really do not know what is happening in Russia.

The problem is that during recent years, the same people from Russia have visited the United States again and again. People here got the notion that reform meant Gaidar, Chubais, and nobody else. But we tried to show them that there are other forces, and to treat them with some truth. We tried to show what needs to be done in Russia and what role America might play—both the administration, and the Congress.

**EIR:** There have been many warnings in recent months about a coming social explosion in Russia. Is it inevitable?

**Chukanov:** Nothing in the world is predetermined. The destiny of Russia and the entire world depends on the concrete actions of concrete people. If certain things are done, things will go well. But if not, yes, there will be a social explosion in Russia.

The people will reach a certain point at which their patience runs out and there will be a Russian rebellion. Therefore we have an enormous responsibility, to apply every effort to divert events from that path, including with the help of U.S. congressmen and the public. And so we are here.

**EIR:** Mr. LaRouche's proposals were recently presented before a committee of the State Duma in Russia. Could you say what possibilities there are for promoting the railroad development policies of the "Productive Triangle"?

**Puzanovsky:** The report was received with great interest, after it was summarized in Russian. The English text was

snapped up immediately and people were asking where they could get more copies.

On the prospects for the practical development of this program, in the first phase these ideas will be reflected in the reconstruction of railroads in the CIS [Community of Independent States] countries—Russia and her neighbors. In particular, the famous railroad stretching from Moscow to Vladivostok.

We are also trying to set up a commission with representatives from Russia, Ukraine, Moldova, Romania, and Bulgaria to study a plan for a railroad into the Balkans. This is an ancient Slavic route. We would like to have better infrastructure along this axis, as well.

Together with colleagues from Armenia, we are studying the possible construction of a highway from Rostov-on-Don through Georgia and Armenia into the Middle East. These projects are at the stage of coordinated design and discussion.

So, the impulse that was given will be developed, but don't think that this can be done rapidly under current conditions.

**EIR:** You mentioned the possibility of harsh actions being required to remove the criminal element. Where does the military itself stand on this fight against mafia control?

**Sklyar:** There are several levels of criminality: street crime, organized crime, and corruption which has struck the institutions of the state. The methods of struggle against these different species of crime are different. But for a start, the most important thing is to remove the conditions which breed more crime every day. If we continue to carve up property in the fashion Nikolai Chukanov described, this process will give rise to more crime.

This must be stopped, which means the adoption of appropriate laws. After that, it will be possible to begin to clean out the Executive branch institutions. We still have no law requiring officials to declare their sources of income. Nobody is held responsible for illegal income.

This all has to be introduced at once, as a package. We have to suppress the criminal groups. The relevant agencies know who they are. But they are heavily armed. It is my personal view, that this cannot be done without the participation of well-trained Army units.

Speaking as the son of an officer and twin brother of a colonel in the Russian Army, I can say that the Army hates what is being done to the country and hates the fact that in a poor, destroyed country, the Army is being humiliated. It will support these efforts and will take part. But it will pose the demand that this be done by properly trained units, and it will take part in these actions if it is visibly a national commitment.

**EIR:** Is not the recovery of Russia impossible without the Academy of Sciences, the scientific intelligentsia? The scientific institutions and the military industries that work with

them have been the best-functioning thing in Russia since the 18th century, but now it's being destroyed. The scientists are emigrating, or working as chauffeurs. These institutions would seem to be almost destroyed already, yet Russia has no future without them.

**Chukanov:** First, I would note that it is impossible to wipe out intellectual capacity overnight. Yes, people may go work as chauffeurs, but it is a more prolonged process involving the generational turnover. It is a more prolonged process than the destruction of an economy.

The situation can be changed with a relatively small team, which knows what conditions to establish upon coming to power, so that things start functioning. As soon as we might put into effect a package of legislation that would make useful activity profitable and criminal activity not, we could have a recovery very rapidly. Then we will need the labor of people who now have been forced to abandon the science-intensive sectors of industry.

This requires a special state program, which totally contradicts what the Chicago School stands for. Basic science, culture, education—these are requirements of society which only the state can provide. They are not valued on the market.

What is the market price of Mendeleev's periodic table of elements? In reality, its value is significantly higher than any given project. Those social requirements which the individual citizen or firm is not capable of valuing must be the responsibility of the state. This is why the state exists.

That is why I attribute great importance to the creation of powerful scientific centers to counter the Chicago School. The new, opposing school needs to train its own disciples, who will be capable of taking the reins of government in any country. I am sure that, being rather more attractive to the population, it will prevail.

**Sklyar:** We should be aware that there are various spheres of science. Economics is somewhat more dynamic in Russia at present.

I live in a city which was built up as a major science center. I see what is happening in the scientific collectives involved in physics, chemistry, metallurgy, medicine, and other disciplines. What's the problem here? Right now, scientists are selling what they created in previous years. They are looking for buyers. Those who have something to sell can still survive today.

But nobody is working on new ideas. Young people are not going into science. The equipment of the experimental scientific units is wearing out. Therefore your concern is well placed, and we share it, that the technical sciences, basic science today is on the verge of losing its potential to develop.

Anybody who has worked in a scientific laboratory knows that you cannot re-create a scientific team. All the scientists who used to work in military-linked laboratories are extremely pessimistic today. They cry to us, and it is my view that they must be saved immediately.

I may have a more acute evaluation than others do on this question. The problems of science are not readily apparent to someone looking from the sidelines, because this is intellectual labor.

**Puzanovsky:** I would emphasize one other aspect. During one of our discussions in Congress, an aide suddenly made an unexpected observation when we were discussing science and military capabilities in connection with Chechnya. He asserted that the Russian Army has proven to be weak and incapable of carrying out military missions.

As a Deputy of Russia, I am obliged to emphasize to U.S. citizens that this person in government is misguided in a way that could have far-reaching consequences. If somebody suddenly wants to test whether or not this is really the case, I dare to assure you that this is a highly incorrect conclusion for which one shouldn't go seeking some kind of experimental evidence.

The Chechnya fighting was an internal problem where special units were deployed, but it did not involve the strategic level, the strategic reserve, nor many other of our capabilities. It would be a good idea to enlighten congressmen on this fact.

**EIR:** At your press conference on March 2, I was impressed by your emphasis on the importance of the constitutional election process for the State Duma in December and the presidential elections next year.

Could you briefly give a sense of the new emerging political institutions you see as playing a prominent role if those elections go forward and what their alternative policy would be?

**Sklyar:** The shift of public opinion to the left will be a big factor in the elections, meaning a strengthening of the forces of the center and left-of-center. Secondly, I would note the growing role of the regions and the regional elites.

The defeat of the radical liberal forces, whose symbols are Gaidar and Chubais, has led them to try to change their stripes. There is no limit to their cynicism. They are afraid of being held responsible.

As for new names, I think that it is worth paying attention to Ivan Rybkin, the Speaker of the Duma, and Yuri Skokov, who expresses the interests of goods producers, of domestic production. Sergei Glazyev, who heads the Duma's Committee on Economic Policy, is very interesting; he is a young, well-educated technocrat. Ramazan Abdulatipov, the vice-speaker of the Federation Council, the upper house of parliament, enjoys great authority among our national republics. We also have strong regional leaders in Sverdlovsk Province, Orlov Province, Novosibirsk. Their influence will be increasing.

We hope that in the domain of the major new policy we are discussing, where all of us are in general agreement, we will be able to form a capable team. That is our hope for a rational development of events.

## José López Portillo takes the gloves off

by Carlos Wesley

Former Mexican President Carlos Salinas de Gortari was told to shut his mouth and allow incumbent President Ernesto Zedillo to get on with the job of dealing with the massive crises now facing Mexico. The broadside against Salinas was leveled in an interview by his predecessor's predecessor José López Portillo (President, 1976-82).

"The job of an ex-President is to be prudent, serve Mexico by being silent, and not create more problems for the current President who has the responsibility and deserves the same opportunity to serve the country that he had," said López Portillo in the interview, published on March 3 by the daily *Excelsior*. López Portillo, whose administration was the last one to make any significant investment in Mexico's industrial plant and physical infrastructure, blamed the current crisis on forces outside Mexico, not on any mistake committed by President Zedillo. In 1982, after meeting with American statesman Lyndon LaRouche, López Portillo nationalized Mexico's banks and took other nationalist measures to deal with a financial crisis not unlike the current one. But other Ibero-American leaders failed to back him, and his two successors—particularly the Harvard-trained Salinas de Gortari, one of the fair-haired boys of the Bush administration—handed the economy over to foreign speculators and free-trade privateers.

"Speculative finance is vicious, and did us no good," said López Portillo, who described Salinas as "a good student of the International Monetary Fund and the U.S. Treasury." Salinas has been insisting that the devaluation of the peso that started when the Mexican debt bomb exploded this past December, was not due to his policies, but to those of President Zedillo, who took office just days before the crisis hit.

### The Salinas drug connection

Salinas went to the extreme of declaring a hunger strike in order to force Zedillo to take the blame for the economic crisis and to force the authorities to exonerate Salinas from criminal charges. The strike lasted but a few hours. On Feb. 28, his brother Raul Salinas de Gortari was arrested for ordering last September's assassination of José Francisco Ruiz Massieu, secretary general of the ruling Revolutionary Institutional Party (PRI).

Also indicted on charges of covering up Raul Salinas's role in the assassination was Mario Ruiz Massieu, who was deputy attorney general in Carlos Salinas's administration and brother of the murdered PRI official. Mario Ruiz Massieu was arrested by U.S. Customs agents in Newark, New Jersey, as he attempted to board a plane without declaring that he was carrying thousands of dollars in currency. It has since been made known that Ruiz Massieu has millions of dollars deposited in accounts in the United States, which authorities suspect are pay-offs to him for allowing cocaine shipments from Colombia to enter Mexico.

President Zedillo warned that "no one is above the law" in the investigations of the three murders which have convulsed Mexico since May 1993: those of José Francisco Ruiz Massieu, PRI presidential candidate Luís Donaldo Colosio, and Roman Catholic Cardinal Juan Jesús Posadas Ocampo. The investigations have hit directly at the British intelligence-backed political apparatus which has tried to dismember the Mexican nation-state through a two-pronged offensive: the imposition of "free market" lunacy, and the activation of the narco-terrorist Zapatista insurgency in Chiapas in January 1994.

Authorities are also moving on other cronies and relatives of the Salinas brothers. Jaime de la Mora Gómez, a Salinas brother-in-law who co-founded the leftist Torreón Group with Raul Salinas, and served as assistant secretary of agriculture in Carlos Salinas's administration, was recently arrested on charges of misappropriation of funds. Another Torreón Group co-founder, Hugo Andrés Araujo, had to resign as head of the National Peasant Confederation, an arm of the PRI.

Although former President Salinas has not yet been officially implicated in his brother's alleged crimes, the issue of the weekly *Siempre* which hit the newsstands on March 1 editorialized that "if Carlos Salinas wasn't the intellectual author of [Colosio's] murder, he did cover it up."

While the popularity of President Zedillo rose in the wake of the arrest of Salinas and his cohorts, the disastrous economic situation is promoting instability. The peso has dropped to about one-third of its value of last December, interest rates on inter-bank loans have zoomed to 75%, and the government announced another devastating austerity package on March 9, in exchange for a \$50 billion financial package from the United States and the International Monetary Fund.

President Zedillo said on March 7 that there is the danger of a global crisis because of the "systemic" problems of the international monetary system, and called on France to join Mexico to work on reforming the volatile world financial system.

### The LaRouche factor

In Monterrey, Mexico's second-largest industrial center, businessmen declared themselves "fed up" with the policies



Then-President José López Portillo during a Sept. 3, 1982 rally in Mexico City's huge central square to celebrate his nationalization of the banks three days earlier.

imposed by the IMF, and staged a protest on March 8. Hours before, Lyndon LaRouche was interviewed on Monterrey's Radio Metrópolis. He said that the Mexican government must take "protectionist measures to protect the essential industries of Mexico from being disintegrated because of the temporary financial situation."

## Documentation

*In interviews with the daily El Sol de México on Feb. 20, and with the daily Excélsior on March 3, former Mexican President José López Portillo broke a 12-year silence he had kept since he left office at the end of 1982. He described his country's current economic crisis as the result of Mexico's fatal turn to neo-liberalism, and at a moment of extreme danger, the former President called for Mexicans to rally around their President and national institutions.*

### On the economy

By allowing itself "to go from its national revolution to a neo-liberal regime recommended by the international organizations and by the Great Power, and receiving good conduct awards for opening up the economy to free trade, to privatization and to turning over development to private initiative," Mexico "fatally collapsed in the face of the worst vices of capitalism: speculative and sterile capital. . . . If there is anything great about capitalism, it is its productive capacity. If it has anything hateful, it is its sterile and abusive speculative capacity."

Mexicans should "stop blaming ourselves [and] losing national pride . . . so that we can join with other countries in our condition in search of a better world order." (*El Sol de México*, Feb. 20)

While Mexico had opened its economy to globalization "prematurely"—former President Carlos Salinas "was a good student of the International Monetary Fund and the U.S. Treasury"—Mexico's repeated economic crises over the past 20 years are not the result of any specific measures applied internally. Rather, it is a country in the process of development which "cannot complete it, because the international monetary order is not made for that, it serves capital, it disdains and forgets labor and the developing countries."

"Mexico is a developing country which is being incorporated belatedly into the modern world. . . . The parity with gold was broken, the tremendous inflation of the 1960s and early 1970s came on; an inflation which blew up the Bretton Woods system and spread over the world like a plague that caught up with us." With the oil crisis of the 1970s, "I saw a crack in the world of the capitalist wall, and I tried to get in there to find a system of financing for our development. . . . We achieved an interesting period of development of Mexico; we doubled our industrial plant, we created more than 4 million jobs—and I maintain, in Mexico, to govern is to create jobs."

"Speculative finance is vicious, and did us no good. Let us not tear ourselves apart! Let us not sacrifice generations and generations of Mexicans condemning them as the culprits. We cannot take the step forward, while the world is not organized for it. Therefore, our obligation is: We must have solidarity with those who are in our condition. We should understand this, and pose it as a conscious problem, as we

tried to do in a North-South meeting: Establish an order which serves all countries, and does not make the rich richer, because while we are using speculative capital, and getting wretched countries to compete one with another, which we have to accept to cover our deficits, it leaves whenever it pleases. Let us not blame ourselves. It is an order with which we have to live, and improve."

"Speculation is a mirror image; it is capital which does not create wealth, it just multiplies its image. It goes around the world ruining countries, as it just ruined ours." (*Excélsior*, March 3)

### On deploying the Army to defend Chiapas

Chiapas is "a territory which contains one of the greatest energy potentials in the country, both in terms of petroleum and hydraulic power, which are basic for Mexico's development and which cannot be put at risk."

"Sovereignty is not only de jure, but de facto and this implies supporting it by force. . . . And when the public force is used, it is not out of sport, but of the necessity to give security to the law. If it is used, it must be to win. There is no other way."

The Zapatista movement in Mexico is an artificially created excrescence of the left which since 1968 has had "a passion for impotence."

"They gave their youthful passion to essentially circumstantial causes which were unwinnable. . . . It is a very interesting case of renouncing life and loving death."

In Chiapas, "enough time has passed without decisively concluding the dispute over sovereignty. It was high time to decide. A year of hesitation is more than enough. I always recommend putting out matches before they set off a bonfire." (*El Sol de México*, Feb. 20)

"There must be trust in the institutions. I believe this is the time in which all Mexicans should be supporting our institutions which, at this time, President Zedillo embodies. The country will find the continuity of its destiny, on the basis of its institutions and the leader who is at its head."

López Portillo refrained from giving advice to Zedillo, because "the job of an ex-President is to be prudent, serve Mexico by being silent, and not create more problems for the current President who has the responsibility and deserves the same opportunity to serve the country that he had." I was attacked "brutally, without mercy," when I left office, he added, but "I shut my mouth, endured the beating," because that is one of the implicit rules of the presidential system; "this is the way which an ex-President has of serving his country."

So what about the accusations against the last President's family? "The law is being enforced. . . . The law is the law, although it is harsh."

No matter that there exists a strong base of "irrationality" which supports the Chiapas uprising, "this is a problem of sovereignty. . . . When a group of Mexicans attempt, through war, to separate a part of its territory, they are vio-

lating its sovereignty, and the government has the obligation to maintain sovereignty in all national territory. . . . It is not only a right, but an obligation. This is the lamentable case in Chiapas."

"Jobs! Jobs! is the only way we have to be just and to guarantee freedom. To create jobs in Chiapas and in order to create them there we have to do it all over Mexico." (*Excélsior*, March 3)

## Books Received

**Gentleman Spy: The Life of Allen Dulles**, by Peter Grose, Houghton Mifflin, New York, 1994, 641 pages, hardbound, \$30

**How Pasteur Changed History: The Story of Louis Pasteur and the Pasteur Institute**, by Moira Davison Reynolds, McGuinn and McGuise, Sarasota, Fla., 1994, 151 pages, paperbound, \$14.95

**Sly and Able: A Political Biography of James F. Byrnes**, by David Robertson, W.W. Norton, New York, 1994, 639 pages, hardbound, \$29.95

**Stalin and the Bomb: The Soviet Union and Atomic Energy, 1939-1956**, by David Holloway, Yale University Press, New Haven, Conn., 1994, 464 pages, hardbound, \$30

**The Bell Curve: Intelligence and Class Structure in American Life**, by Richard J. Herrnstein and Charles Murray, The Free Press, New York, 1994, 845 pages, hardbound, \$30

**Race, Evolution, and Behavior, A Life History Perspective**, by J. Philippe Rushton, Transaction Publishers, New Brunswick, N.J., 1994, 334 pages, hardbound

**Making Schools Work: Improving Performance and Controlling Costs**, by Eric A. Hanushek, Brookings Institution, Washington, D.C., 1994, 195 pages, hardbound, \$34.95

**Creating a New Civilization: The Politics of the Third Wave**, by Alvin and Heidi Toffler, Progress and Freedom Foundation, Washington, D.C., 1994, 98 pages, paperbound

**Foreign Affairs Agenda, 1995: Critical Issues in Foreign Policy**, Council on Foreign Relations Press, New York, 1995, 256 pages, paperbound, \$9.95

**Democracy and Violence in India and Sri Lanka**, by Dennis Austin, Royal Institute for International Affairs/Council on Foreign Relations Press, New York, 1995, 101 pages, paperbound, \$14.95

## Sweden's new militant neutrality

*British and Russian strategists are cheering the shift in Stockholm, but the Baltic states are worried.*

**T**he Swedish Foreign Ministry has dramatically shifted its policy in recent months, from an orientation toward the western powers, back to the rigid "neutrality at any cost" that characterized the Cold War period. This change is fraught with dangers, during a period when numerous scenarios for East-West confrontation remain live, ranging from British geopolitical designs to spark renewed war in former Yugoslavia, to Russian threats against the Baltic states of Latvia, Lithuania, and Estonia.

A very explosive situation exists around the ethnic Russian minorities in the Baltic states, as well as around the negotiations concerning Russian traffic through Lithuania to the Russian enclave Kaliningrad, a major military base.

Sweden's shift away from supporting the Baltic states in military emergencies is therefore a matter for particular concern. Foreign Minister Lena Hjelm-Wallen stated in her Foreign Policy Declaration to the Parliament on Feb. 22 that the old formula is still in effect, according to which Sweden is nonaligned in peace, in order to be neutral in war. "To contribute to security stability, it is required that our actions be predictable," she said. She also put an end to the Swedish opening to increased military and security cooperation with the West, which came with Sweden's recent entry into the European Union. "Sweden is not aspiring to membership in neither NATO or the Western European Union," the foreign minister said.

This new line was named the "indifference doctrine" by opposition leader Carl Bildt. As prime minister

until September 1994, he had taken a very active role in supporting the Baltic states in the negotiations about Russian troop withdrawal during 1991-94. Sweden had taken on this role in a division of labor with both the German government and the Clinton administration.

In 1992, Sweden had left the Cold War formula of strict neutrality for a more flexible position, with the stated purpose of being able to give support to the Baltic states. There was no talk of military support for the Baltic states, but the comparison was drawn to the Swedish "voluntary" military support for Finland during the "Winter War" of 1939-40.

That new flexible foreign policy was maintained all through the negotiation process and referendum to join the European Union in November 1994. In fact, Social Democratic Prime Minister Ingvar Carlsson stated as late as Dec. 14, 1994 that Sweden was "pursuing a maximal liberty of action in defense policy." Two months later, that policy has changed.

The general understanding in Sweden is that underlying this shift is part of a domestic quarrel. The Social Democrats tried to tar Carl Bildt, a Conservative, for having accused Russian President Boris Yeltsin of continuing submarine incursions in Swedish waters. On Feb. 10, Commander-in-Chief Owe Wiktorin published his yearly report about incidents involving foreign military powers on Swedish territory, in which he revealed that, of six incidents in 1992 and 1993 that had been evaluated as confirmed submarine activity, five were later reevaluated as being

caused by minke whales. The same day, the government attacked Bildt for his letter to Russian President Yeltsin based on the earlier evaluation. This letter was leaked to the press, and the whole affair developed into a brawl, which culminated with the new Foreign Policy Declaration of Feb. 22.

In truth, such dramatic shifts in the foreign policy of the Scandinavian countries are usually reflections of changes in policy of the larger powers. Such considerations have been very much present in Stockholm in the recent period, as British Foreign Minister Douglas Hurd showed up on Feb. 14 to meet with Russian Foreign Minister Andrei Kozyrev. Hurd's discussion with his Swedish hosts was also about security questions in the framework of the Maastricht Treaty of European Union. On Swedish TV, Hurd came out praising Swedish neutrality.

Swedish neutrality is also in line with the Russian policy to stop the expansion of NATO. Then the Clinton administration dropped the ineffective Partnership for Peace arrangement. The expansion of NATO was high on the agenda when German Chancellor Helmut Kohl met with President Bill Clinton in Washington on Feb. 8. The Russian side has been consolidating relations with both Ukraine and Belarus, and has even gone so far as to bring up the old neutrality clause with Austria.

A Russian strategist, Sergei Karaganov, argued in a symposium in Berlin, according to *Svenska Dagbladet*, for a 1,500-km-wide neutral zone across Europe. This is the old Soviet nuclear-free-zone scheme, revived now to stop the expansion of NATO to the East. The new Swedish neutrality position clearly supports these efforts, undermining the stability of eastern Europe, and especially that of the Baltic states.

# International Intelligence

## ***RPF arrests agricultural scientist in Kigali***

Dr. Martin Bicamumpaka, regional coordinator for the Prapace regional network, part of the International Potato Center headquartered in Lima, Peru, was "disappeared" on Feb. 4 in Kigali, Rwanda, and there is no word on his whereabouts, the U.S. weekly newspaper *New Federalist* reported on Feb. 27.

He was arrested by the Rwandan Patriotic Front (RPF) while attending a meeting on the "Seeds of Hope Project" for Rwanda. The project is an International Agricultural Research Centers Initiative to assist Rwanda in reconstituting genetic diversity of food crop varieties, since the Rwandan civil war of last year, and to multiply minimum quantities of seed to relaunch food crops production. Dr. Bicamumpaka participated in the conference to present his program on the use of the Irish potato and sweet potato.

Dr. Bicamumpaka had returned to Rwanda as the Prapace regional director in 1990 after receiving his doctorate at Cornell University. But that fall, he was forced to move Prapace headquarters in northern Rwanda to Kigali, when the Ugandan-backed RPF invaded Rwanda. In mid-May 1994, Dr. Bicamumpaka, a Hutu, and his wife fled to Uganda.

Dr. Bicamumpaka arrived in Kigali Jan. 31, and was arrested on Feb. 2, although there had been previous government assurances of his safety. He was held at the Nyamirambo Police Brigade until Feb. 4, when he was moved to Kigali Central Prison. He has not been heard of or seen since. Inquiries have been made to the International Red Cross, the U.N. High Commission on Refugees, and the U.N. Human Rights Office in Kigali, to no avail.

Rwandan Prime Minister Agathe Uwilingiyamina, leader of the Democratic Movement, was murdered in Kigali in April 1994. The social-democratic wing of the movement released a declaration denouncing the "assassinations, the massive slaughters, the disappearances, and arbitrary imprisonments of which the RPF continues to be guilty."

## ***Communists return to power in Poland***

The Polish parliament approved, by a vote of 272 to 99 with 13 abstentions, a new left-wing cabinet led by new Prime Minister Jozef Oleksy on March 4. Oleksy is a member of the Senior Democratic Left Alliance (SLD), composed mostly of ex-communists, and is a former senior Communist Party official. Nonetheless, Oleksy vowed on March 3 to pursue a market economy and integration with NATO and the European Union.

Twelve of the new cabinet's 19 members are holdovers from the previous cabinet. The most prominent newcomer is the foreign minister, Wladislaw Bartoszewski, who is Poland's ambassador to Austria. He is an Auschwitz survivor who spent seven years in Communist prisons after World War II.

## ***French paper sees U.K. middle-class in revolt***

British Prime Minister John Major is facing a generalized revolt from the same middle-class base, living in residential suburbs, that backed his fellow Conservative and forerunner in office, Margaret Thatcher, and allowed her to defeat the Labour Party in 1979, London correspondent for *Le Monde* Patrice de Beer reported on March 7.

The mood among this middle class is rage at the direction of the country under Major, according to the article in the French daily. There is growing talk in the British press of the "ugly face of capitalism" in the United Kingdom. Thatcher and Major pioneered the "Conservative Revolution" policies now being promoted by GOP insurgents in the U.S. Congress.

The opinion-makers are clearly backing the shift, because a London *Times* poll has been put out, showing that traditionally Conservative voters are deserting the party en masse, a move benefitting Labour Party leader Tony Blair. Major's own support ratings in polls have dropped to 10%.

Among the issues fueling the revolt, is that parents are protesting budget cuts in education. Ecological and animal rights issues, for which large numbers of traditional middle-class people are turning out, are more expressive of a general mood of discontent than of support for the issues as such, wrote the French journalist. Up to now, *Le Monde* concluded, violence has been limited to supporters of rival football teams and similar manifestations.

## ***British play all sides in French election***

After months of seeming to favor the presidential campaign of French Prime Minister Edouard Balladur, the British establishment has started to spread out its options in the hope of assuring an "Entente Cordiale" between the two countries. In a March 6 commentary, Lord William Rees-Mogg, a senior spokesman for British intelligence, pushed the candidacy of Paris Mayor (and former Prime Minister) Jacques Chirac in the London *Times*.

The election for the French head of state to a seven-year term will come up in May 1995. If Balladur wins, his crony, Interior Minister Charles Pasqua, could be the new premier, but the duo has been hurt badly by political scandals.

Rees-Mogg wrote that "important news from France" is that the latest polls show Chirac ahead of Prime Minister Balladur by a 59 to 41 margin. In his view, both Balladur and Chirac are "Anglophiles." Balladur could pass for a British politician, with his London-made suits and behavior; while Chirac played a "friendly part" when then-French President Georges Pompidou arranged to get Britain into the European Economic Community. Neither of the two has "the prejudices against Britain which are quite widespread in France." Chirac as a "conservative populist" is better than the "bureaucratic centralist" Balladur, wrote Rees-Mogg.

"New openings for Britain" will develop on the European continent in the coming months, he opined, if Chirac wins in France,

and if a coalition government comes to power in Italy joining the Forza Italia of Silvio Berlusconi with the National Alliance of Gianfranco Fini (whose February trip to Britain was sponsored by Rees-Mogg).

### ***Peru, Bolivia, Colombia seek anti-drug summit***

Three Andean nations which are the world's largest producers of coca and cocaine issued a joint statement on March 4 rejecting assertions in a recent U.S. government report that they are not doing enough to fight drug trafficking, and demanded a hemispheric summit on drug smuggling. The joint statement declared that "some of the criticism formulated [in the U.S. report] is inexact and unjust and shows us that it is necessary to overcome unknowing and uncomprehending attitudes regarding the fight in which we are involved." The statement was signed by the Presidents of Peru, Colombia, and Bolivia, and also by Paraguay.

This came in response to the U.S. State Department's decision, announced on March 1, to grant Peru, Bolivia, and Colombia a "national interest waiver" as part of the narcotics certification procedure conducted yearly by the U.S. administration. The waiver stops just short of de-certification.

A Senate Foreign Relations Committee report on Feb. 28 dubbed Colombia a "narco-democracy." Denial of certification would mean cutting off all but anti-drug aid to the country. Colombia's Samper Pizano government has been lobbying mightily in Washington in recent weeks to forestall an aid cutoff.

### ***Vegetarianism called a 'form of child abuse'***

Vegetarianism for children is a "strong form of child abuse," said the president of the German Organization for Nutritional Medicine (DGEM) at its annual meeting in Darmstadt. Rickets, a sickness that is caused by undernourishment and was very common after the war, is coming back massively as a

result of "rigorous misconceptions of nourishment," Hansjosef Boehles stated.

Rickets used to be the sickness of the very poor. Today it is mainly children of wealthy intellectuals, called "vegans," who refuse to feed their children any kind of food coming from animals, including cheese, milk, or eggs. Such children suffer severe health damage and are generally far behind in their development, Boehles charged.

Meanwhile, a team of British anthropologists claims that the move away from an all-vegetarian diet triggered the growth of the human intellect. Because meat is easier to digest, meat-eating required smaller stomachs and intestines, which led to a metabolic energy surplus that was used to feed the human brain.

Anthropologists Leslie Aiello of University College, London and Peter Wheeler of John Moores University, Liverpool date the first wave of increase in brain size back 1.8 million years ago to *Homo erectus*. The second wave of human brain increase would have begun about 400-500,000 years ago, when man's predecessors began to use fire and cooked food. Their study was the subject of a syndicated article from the London Observer Service by Robin McKie, which appeared in various newspapers on March 3.

### ***Greenpeace pol tangled up in funds scandal***

Monika Griefahn, the ex-chairwoman of German Greenpeace, and now environment minister in the state of Lower Saxony, was forced to resign on March 7 from the chair of the organizing committee for the Expo 2000 world fair over conflict-of-interest charges relating to her husband, Michael Braungart.

Braungart, director of the Hamburg-based ecology studies institute EPEA, had received a contract to take over the overall management of the exposition. Since many of the "future projects" displayed there are designed by the EPEA, this would yield a net profit of DM 620 million to his institute. Griefahn and her spouse were exposed on page 15 of *EIR's* Sept. 23, 1994 issue.

## ***Briefly***

● **POPE JOHN PAUL II** has rescheduled his trip to the United States, which was cancelled in fall 1994 for health reasons, to October 1995. He will address the U.N. General Assembly at that time.

● **THE UNITED NATIONS** summit meeting this month in Copenhagen on social development is offering little to the developing world, charged the aid organization Oxfam. Britain will be represented by Baroness Lynda Chalker, protector of the butchers of Rwanda.

● **AFTER THE KARACHI**, Pakistan shooting deaths of two United States consular employees on March 8, the U.S. is offering up to \$2 million in reward for information leading to the killers' arrest.

● **ALGERIA'S** military government said on March 4 that 6,388 civilians were killed in 1994 by terrorists, and another 2,289 wounded, including 11 foreigners.

● **U.N. SANCTIONS** against Iraq come up for a vote this month, and U.S. Ambassador Madeleine Albright was touring Security Council member states in early March to line up support for their continuation. Iraqi Deputy Premier Tariq Aziz accused the United States of pursuing the goal of "turning Iraq into a refugee camp," but said he is hopeful that the Security Council will seriously study the embargo on April 10.

● **THE JOINT FRAMEWORK** Document for a peace settlement in Northern Ireland was unveiled after a long delay on Feb. 22 by British Prime Minister John Major and his Republic of Ireland colleague, John Bruton. The document took more than two years to be produced by both governments.

● **SOUTH AFRICA** and Mozambique signed a treaty on March 1 to combat cross-border drug trafficking, gun smuggling, and car theft.

## As GOP 'Contract' falters, Kissinger jumps on board

by Edward Spannaus

There was a time when Henry Kissinger was detested by the more conservative elements of the Republican Party. When he was belatedly brought into the Reagan administration in 1982, many considered it the death knell of the "Reagan revolution." Now, again today, we see the apparently paradoxical situation of Henry Kissinger—the supposed nemesis of the GOP's right wing—being welcomed with open arms by the "Conservative Revolution" crowd led by House Speaker Newt Gingrich (R-Ga.) and Sen. Phil Gramm (R-Tex.). Strange? Not really.

While Kissinger is embracing the "Conservative Revolution," more and more Americans, and even representatives in Congress, are moving away from it. Gingrich's "Contract with America" is running into more difficulties on Capitol Hill, and Gingrich's own popularity is plummeting. As Reuters put it on March 8: "The more Americans see of Newt Gingrich . . . the less they like him." A poll taken by NBC and the Wall Street Journal Poll showed that Gingrich's disapproval rating shot up 11 points, to 43%, since a similar poll in January.

The defeat of the Balanced Budget Amendment in the Senate on March 2 appears to have marked a turning point, with the Gramm-Gingrich gang now backing off of many of their campaign promises from last fall. Most notable is the embroglio over term limits in the House, where politicians who were elected on promises of strict term limits find the idea less appealing once they get settled in on Capitol Hill.

But these same pseudo-populists have no problem in handing Wall Street a bonanza in the form of "litigation reform," which is designed to virtually bar the courthouse door for aggrieved citizens who want to avail themselves of their traditional right to sue for damages in cases of personal injury, product defects, or fraud and misrepresentation by securities dealers (see p. 59). As Rep. Edward Markey (D-

Mass.) said on March 8, "This is Congress operating at its worst. This is overturning 200 years of American jurisprudence."

But the phony populism of the Conservative Revolution crowd is nowhere more apparent than in their obscene embrace of the detested Kissinger, which became obvious about the same time that the Balanced Budget Amendment was going down to defeat. The crucial event was a conference on post-Cold War foreign policy sponsored by the Richard Nixon Center for Peace and Freedom, and held in Washington on May 1 and 2. Gingrich gave the afternoon keynote on the opening day; he was introduced "in glowing terms" by conference chairman Henry Kissinger—according to a description of the event in the London *Financial Times*.

### 'I would have gone anywhere'

Gingrich recounted his reaction when he learned that he would have the opportunity to be introduced by Kissinger, and to be thanked by former Nixon and Carter administration official James Schlesinger: "As a mere assistant professor at a state college, the idea of being flanked by two eminences of that caliber, I would have gone virtually anywhere for the opportunity."

While the overawed Gingrich addressed the audience in the manner of a college lecturer, babbling on about the "Third Wave" information age theories of Heidi and Alvin Toffler, the Aztecs and Incas, Adam Smith, Pitt the Younger, and so on, Kissinger and Brent Scowcroft were "sitting in the front rows like dutiful students," remarked the *Financial Times*.

Newt's alter ego on the Senate side, Phil Gramm, is also a big fan of Kissinger and Scowcroft, according to a March 1 column in the *Washington Post* by Lally Weymouth, in which she said that Gramm had solicited advice from Kissinger and Scowcroft, and revealed that "Gramm says Scow-

croft would be part of his team" if elected. Scowcroft was Kissinger's deputy in the mid-1970s, and later ran the Washington office of Kissinger Associates. "I learned everything I know from Henry," Scowcroft told the conference.

There should be no surprise in any of this. In *EIR*'s Feb. 17 *Feature*, "Phil Gramm's Conservative Revolution in America," Lyndon LaRouche traced the Venetian model of feudalist reaction—the prototype of today's Conservative Revolution—from the opposition to the Council of Florence, through the collaboration of Prince Metternich and Lord Castlereagh, up through today's Gramm-Gingrich gang. In the course of this, LaRouche noted that the views of the "fascist forerunners Metternich and Castlereagh" have been devoutly admired for more than 40 years by Henry Kissinger.

### Henry rides the 'Third Wave'

Chairman Kissinger tapped himself to give the luncheon keynote the next day. He couldn't help but remark a number of times as to how "eloquently" Gingrich had presented certain ideas the day before. Kissinger's speech was an incoherent synthesis of the Gingrich's Third Wave-Information Age drivel, combined with Samuel Huntington's "clash of civilizations" thesis. Huntington's contention, that the fundamental conflict in the post-Cold War era is between cultures, especially between Christianity and Islam, fits right into Kissinger's portrayal of a world of conflicting geopolitical blocs, which must be played off one against another.

Then, so as to inflict his ravings on a wider audience, Kissinger used his March 5 internationally syndicated column to endorse Gingrich's "Contract with America" and its so-called National Security Revitalization Act. What Kissinger especially professes to admire about the bill, which passed the House on Feb. 16, are the provisions which restrict U.S. involvement in United Nations peacekeeping, its call for the immediate expansion of NATO, and its creation of a bipartisan commission to define an overall national strategy.

Kissinger's sly advice to the Clinton administration, is that rather than rejecting these provisions, and regarding them as an intrusion, it should use them "to try to achieve a new bipartisan consensus on the nature of post-Cold War foreign policy."

What Kissinger is probably referring to is that, while the National Security Revitalization Act was being debated in the House, two top administration officials—Defense Secretary William Perry and Secretary of State Warren Christopher—held a joint press conference to denounce the proposed bill as an unconstitutional infringement on the power of the President over the Armed Forces of the nation. Perry had earlier threatened to resign over the proposed creation of a blue-ribbon commission to oversee defense policy—something not very different from the bipartisan commission created by the Revitalization Act as passed by the House.

Kissinger's repeated praise of the national bipartisan commission just might lead one to suspect that he is wran-

gling for appointment as its chairman. Remember the great job Henry did last time, with the National Bipartisan Commission on Central America (the "Kissinger Commission")—which gave us drugs, terrorism, the "black economy," and Oliver North?

### The Anglo-American alliance

Much of Kissinger's March 5 column is devoted to an attack on the alleged passivity and "multilateralism" of the Clinton administration, which is the cover under which Kissinger bemoans the decline of the "Atlantic Alliance"—by which he means the British-U.S. "special relationship." Kissinger accuses the administration of putting too much emphasis on "placating Russia"—this from someone who used to profess that the dynamics of history were with the Soviet Union, and that the United States should make the best deal with the Soviets while there was still time!

Henry's attacks on Clinton administration foreign policy as undermining U.S. national interests, are pure hypocrisy. It was Kissinger who, on May 10, 1982, gave an address at the Royal Institute of International Affairs in London, in which he admitted that throughout his career, he had been serving the interests of British intelligence. While he was national security adviser, Kissinger told his British controllers, "I kept the British Foreign Office better informed and more closely engaged than I did the American State Department."

Kissinger has been fulminating for months against President Clinton for breaking the "special relationship" with Britain. In his columns following Clinton's establishment of a new partnership with Germany last summer, Kissinger blasted Clinton for abandoning the "special relationship" and assigning a special role to Germany in dealing with eastern Europe and Russia.

Kissinger's ideal world is one in which Britain leads the United States around on a leash through the geopolitical sandbox. Clinton has broken the rules of the game, and Kissinger is counting on the Conservative Revolutionaries of the Gramm-Gingrich stripe to get the United States back in line.

Clinton's latest affront to the "special relationship" was his March 9 decision to grant a visa to Northern Ireland's Gerry Adams and to invite Adams to the White House. The British press on March 10 was full of reports of "fury" and "dismay" on the part of British officialdom, and a Conservative Party parliamentarian was quoted in the London *Guardian* as calling Clinton's move "a stab in the back from our closest ally."

A senior Conservative parliamentarian told *EIR* that what Clinton has done "undermines the British government" and lets down Prime Minister John Major, and that Major's government could fall in the near future. His only hope, he said, is that Gingrich and crowd would "keep Clinton on the rocks," and neutralize the President's actions against the U.K. "Gingrich and friends are doing a great job," he blurted out.

# Gingrich gang attacks food stamp program

by H. Graham Lowry

The Gramm-Gingrich gang is still storming about the halls of the U. S. Capitol, waging a merciless war against the poor. Despite the Senate's defeat of the Balanced Budget Amendment, the glassy-eyed shocktroops led by House Speaker Newt Gingrich (R-Ga.) and Sen. Phil Gramm (R-Tex.) continue to push their fascist program, best known as the "Contract on America." Among their latest atrocities is a scheme to deprive the destitute of heating assistance, if they expect even a minimal amount to eat.

The American people are being asked to accept such measures in the name of "deficit reduction" and "freeing" the poor from "dependency." President Clinton hit the snake on the head on March 7, when he described the onslaught against federal poverty programs as "budget-cutting . . . wrapped in the cloak of welfare reform."

That evening, the House Agriculture Committee voted to reduce eligibility for food stamps and to roll back benefit levels to "save" \$16.5 billion over the next five years. Committee chairman Pat Roberts (R-Kan.) defended the reductions, claiming they were "all policy decisions tied to welfare reform," not to budget-cutting. The Department of Agriculture promptly declared that the proposal "would eliminate the national nutritional safety net."

About 27 million people currently receive food stamps to help them buy groceries, at a cost to the government of \$27 billion a year. One out of every four American children under the age of six was already living in poverty in 1992, according to a recent study—which certainly leaves no room for further cutbacks in food assistance.

## A program for enforced poverty

In their assault on the food stamp program, the Conservative Revolutionists fell short of a key objective, however. Their goal was to enforce their "Contract with America" promise to convert the program's funding into block grants to be administered by the states. The existing federal program increases food stamp allotments if a family's income goes down, whereas the Gramm-Gingrich gang wants to *reduce* the total income of families already living in poverty.

A number of Republican governors, led by welfare termi-

nators William Weld (Mass.) and John Engler (Mich.), had lobbied hard to include food stamps in the block grant "reforms." They do not wish their plans for further reduction and outright elimination of welfare assistance undermined, by the escape valve of increased federal food stamp allotments. Even though the House Agriculture Committee refused to turn the food stamp program over to block-grant control by the states, the plan now being considered includes some provisions to enforce greater poverty nonetheless.

The Gramm-Gingrich gang of thieves proposes to count energy assistance payments as income—and include them as "personal assets" in determining food stamp eligibility! In some northern states, such payments account for as much as 26% of cash welfare benefits, simply to enable the poor to heat their dwellings and avoid freezing to death. To receive food stamps, recipients currently cannot have assets worth more than \$2,000—or \$3,000 if they are elderly. Any further tightening of requirements would essentially deny benefits to anyone who has any assets at all, or—under the scheme to count energy assistance as "assets"—offer them the choice of freezing or starving.

The chiselers on the House Agriculture Committee would also cap the personal vehicle allowance at \$4,550, and chalk up any value beyond that as "assets" as well. The current exemption for vehicles used to transport water or fuel would be repealed. One member, Rep. Nick Smith (R-Mich.), offered an amendment to prevent food stamp recipients from buying candy, candy-coated ice cream, coffee, tea, cocoa, and most non-dairy beverages. Ridiculed as "the Gruel Stamp Amendment" by Rep. Earl Pomeroy (D-N.D.), the proposal was fortunately defeated.

Legal immigrants who have not yet realized the "American Dream" may soon find Newt in their nightmares. The food stamp "reforms" would also deny them assistance until they have fulfilled residency requirements and applied for citizenship, effectively disqualifying them for at least five years.

And if, by a near-miracle, a potential recipient clears all these hurdles to become eligible for assistance (and is still alive to tell about it), food stamp benefits would flow forth at their current level: a whopping 103% of what the Department of Agriculture so generously calls its "thrifty meal plan." That should permit some additional household savings, since only small plates would be required. But House Republicans also plan to restore an annual cap on authorized spending, which could lead to further reductions in benefits if the cap were exceeded.

The beadles of the Gramm-Gingrich poorhouse did, however, offer to increase funding for programs to deliver food to soup kitchens, by \$500 million—leaving their net gouge into the food stamp program at \$16 billion. If decency and sanity do not prevail in the House, perhaps the Senate will find more of the resolve it mustered in defeating the Balanced Budget Amendment.

# House populists protect Wall Street speculators

by Leo F. Scanlon

An increasingly maniacal Republican majority in the U.S. House of Representatives enacted a package of legal reforms in early March which overturn the American tradition of free access to the courts, and insulate securities speculators from the consequences of their investment decisions. The Clinton administration has charged that the bills (HR 988, HR 1075, and HR 1058) contain elements which are "alien to the American legal system" and which "represent a disturbing and unprecedented federal encroachment on 200 years of well-established state authority and responsibility."

The rhetoric supporting the legal package of the "Contract on America," which portrays a legal system crumbling under the weight of increasingly irrational civil litigation, originates with cartel-financed think-tanks such as the American Legislative Exchange Council (ALEC), but sheds no light on the actual problems facing the U.S. legal system.

## English rule versus U.S. legal tradition

The centerpiece of the legal reform scheme is the "Attorney Accountability Act" (HR 988), which imposes the so-called "English rule"—where the loser of a civil lawsuit pays the legal fees of the opposing party. The measure allegedly would reduce the incidence of "frivolous" lawsuits in the civil courts. Tort law (cases involving civil disputes with monetary damages) has historically been in the bailiwick of state courts in America. The Republican reforms would federalize those cases involving a multiplicity of jurisdictions (under the provisions of the interstate commerce clause, thus covering most product liability and related disputes), and would put such cases under a new set of rules. These rules require the plaintiff to settle for whatever amount the defendant offers, or risk paying full legal and court costs if he loses.

This proposal gives the lie to all the "states' rights" rhetoric of the Conservative Revolutionaries, and imposes a heavy burden on anyone who would challenge an opponent who has the means to mount a high-powered legal defense. It is the insurance industry which is lobbying most heavily for the reform, in the hopes that the provision will enable it to beat back the demands of claimants in personal injury and product liability cases.

This reform will overturn the historic U.S. approach, which allows any claimant, no matter how poor, a "day in court," no matter how powerful or wealthy the defendant. For better or worse, this mechanism is the means by which

product liability and personal injury claims are settled. All parties admit that this system is in need of repair, but the fee-shifting provisions of the "Contract" proposal would put a gun to the head of any litigant who cannot afford to lose a suit. The *Wall Street Journal* has pointed out that the beneficiaries of this scheme would be the large investment houses and financial cartels, which would be able to run roughshod over competitors by engaging in predatory business practices, and responding to complaints with "an offer that can't be refused."

A companion bill, HR 1075, would put caps on product liability claims (which are usually paid out by insurers, not manufacturers) and this bill is similarly flawed. Liability lawsuits are in fact the nightmare of all businesses, large and small. Doctors live in fear of bogus malpractice claims, technical innovators are threatened with ruin by any technophobe who can hire a lawyer, and useful medicines are withheld from the market through fear of arbitrary jury decisions in injury claims.

None of these problems is addressed by capping punitive damage awards. Punitive damages—awarded to "teach a lesson" to an offending individual or corporation found negligent in an injury suit—are inherently arbitrary, and are a relatively new feature of U.S. civil law. But behind most of the horror stories about "runaway juries" making outrageous damage awards, there are two basic problems. First, it is often true that the health insurance system, and corporate managers, will abandon someone who is permanently handicapped or injured by an industrial accident or through faulty products, and juries attempt to compensate for that. Second, juries are often whipped into irrational action by the prevailing "hate propaganda" and "victim mentality" which permeates media news coverage in general. The point is that neither of these elements belongs in a courtroom in the first place.

The danger with product liability suits is the growing tendency of the courts to rely on the fraudulent and manipulated pseudo-scientific theories of environmentalists and sociologists to justify radical and arbitrary rulings which negatively affect regional economies, whole school systems, or entire industries. The "Contract" bills would respond to this by enacting a recent Supreme Court ruling which said that only "peer-reviewed" science is admissible as evidence. Of course, the worst environmentalist theories are thoroughly "peer reviewed."

The most absurd of the reform bills is one which would provide immunity to brokers and accountants charged with fraud in securities lawsuits. It was the Thornburgh Justice Department which demanded far-reaching conspiracy laws in order to target accountants and lawyers as the guilty parties in S&L failures, in order to protect the Federal Reserve and the bankrupt, deregulated banking system. The Republicans now find themselves answering Thomas More's rhetorical question, "When the last law is down and the devil turns on you, where will you go?"

## Repeal of Glass-Steagall banking act proposed

Treasury Secretary Robert Rubin on Feb. 28 submitted the Clinton administration's proposal to repeal the Glass-Steagall Act, which would eliminate the legal barriers that have separated U.S. commercial banks, securities firms, and insurance companies since the 1930s.

The administration proposal would allow banks to "affiliate" with securities firms, insurance companies, and other financial firms. Banks could also sell securities, insurance, and other financial services. The larger outfits among the banking, securities, and insurance firms praised the administration's plan, while smaller banks and insurance agents strongly criticized the plan as a threat to their operations and bad public policy.

Rep. Charles Schumer (D-N.Y.), citing what had just happened to Baring PLC because of its risks in derivatives, said, "You could end up with a crisis that makes the savings and loan crisis look tame."

Paul Equale, of the Independent Insurance Agents of America, said big banks would begin demanding their customers buy insurance from affiliates as a condition for granting loans. "It's absolutely incredible to me that we have a Democratic administration that does not see the dangers . . . to have cross ownerships at the expense of Main Street. They're sacrificing economic interests in the name of international competition," he said.

Other bills to repeal Glass-Steagall are already in Congress, including two different Republican bills that are working their way through committees. A bill sponsored by Rep. Jim Leach (R-Iowa), considered the most moderate, would allow for mergings of commercial and investment banks,

but under a holding company.

Senate Banking Committee Chairman Al D'Amato (R-N.Y.) and Rep. Richard Baker (R-La.) have introduced identical bills allowing non-financial companies to merge with commercial banks, as well as securities firms and insurance companies. D'Amato praised Rubin's plan for the similarities to his plan: "His support for key provisions of my bill is the first indication from this administration that it will join in a bipartisan effort to create a more innovative and competitive financial services industry."

## Brown scores 50% decline in R&D under 'Contract'

Ranking minority member of the House Science Committee George Brown (D-Calif.) stated on March 2 that federal funding for research and development would decline by 50% over the next five years, from \$72 billion to about \$35 billion, under the Contract with America.

"Republicans in Congress are leading the nation down a path that will do serious damage to the R&D infrastructure of the United States," Brown stated. "The pillaging of federal R&D programs comes at a time when foreign competition is severely impeding the ability of the private sector to make the R&D investments necessary to remain competitive in domestic and global markets. The consequences will be devastating."

Brown added, "I do not believe Americans voted in the last election to throw away our future. . . . The dismantling of the nation's scientific and technological infrastructure has already begun. Last week, the Republican-controlled House passed a defense supplemental appropriations

and rescission package for fiscal year 1995 that cut total federal R&D funding by \$13.3 billion, or 2%. This is just the first installment."

Using Congressional Budget Office and Treasury Department estimates, Brown produced a table showing that existing budget caps, the Balanced Budget Amendment, and the loss of funds due to Contract with America-inspired tax cuts, will mean that \$1.7 trillion in budget cuts will have to be made by the year 2002, if entitlements are to be protected. Non-defense across-the-board cuts in discretionary spending would lead to the R&D cuts, Brown stated.

## Endangered Species Act may be weakened

Bracing for a Republican attack on the controversial Endangered Species Act, the Clinton administration on March 6 said it was prepared to weaken the law to give more consideration to business activity. The new proposals would exempt small landowners, who are often unable to pay the costs of the law's mandates, from the law; require stricter evidence to declare species in danger; and give state and local officials a bigger role in implementing the law.

This act, more than any other single issue, fed the anti-government hysteria which helped propel Republicans to their current congressional majority. Weakening the legislation could deprive Republicans of an important electoral issue.

Under the administration plan, most activities on single-household tracts of land, or those affecting five acres or less, would be permitted to continue free of restrictions under the act if the land in question harbors threatened species. Even Interior Sec-

retary Bruce Babbitt, the darling of the environmentalists, said, "Most species won't survive on small tracts of land . . . and it's not fair to tie up small landowners."

## **Dole urges hearings on affirmative action**

Senate Majority Leader Robert Dole (R-Kan.) called on Labor and Human Resources Committee Chairman Nancy Kassebaum (R-Kan.) and Small Business Committee Chairman Christopher Bond (R-Mo.) to hold wide-ranging hearings to evaluate programs within each committee's purview that grant preferences to individuals on the basis of race, gender, or other factors. "The bottom line is that no federal program should be immune from congressional scrutiny," Dole said. He had earlier ordered such a review of all federal programs, rules, and orders.

In letters to the two chairmen, Dole asked them to investigate whether there are "other, more equitable ways to expand opportunity for all Americans, without resorting to strategies that rely on providing preferences for individuals simply because they belong to certain groups."

Civil rights groups have decried the Republican attack on affirmative action programs as an attempt to turn back the clock to the pre-Kennedy era, the time when affirmative action was first instituted.

## **Administration downplays Russia-Iran nuclear deal**

In testimony before the Near Eastern and South Asian subcommittee of the Senate Foreign Relations Committee on March 2, Assistant Secretary of

State for Near Eastern Affairs Robert Pelletreau rejected any impulsive moves against Russia for alleged violations in their sale of nuclear technologies to Iran.

The position contrasted sharply with that of House Speaker Newt Gingrich (R-Ga.) who, after discussions with Israeli Likud leader Benjamin Netanyahu in February, began threatening sanctions against Russia for allegedly aiding Iran in its nuclear program. On a February visit to the United States, Netanyahu, the heir to the radical expansionist ideology of Ariel Sharon, had warned that Iran was developing a nuclear weapons capability, and called it the greatest threat facing the world. Gingrich and Senate GOP leaders have called for a cutoff of aid to Russia.

"With respect to nuclear weapons and other weapons of mass destruction, the Iran-Russia act defers completely to other statutes," said Pelletreau, "Based on the information available at this time, we have concluded that sanctions against Russia are not currently mandated under any of these statutes." Russia has said that its deals with Iran only involve the development of Iran's civilian nuclear energy program.

## **Israel warns Congress on Mideast aid cuts**

Israeli leaders have reportedly given firm warnings of the serious dangers to the Mideast peace process if the Republican-controlled Congress cuts aid to Middle East countries, particularly those involved in the peace process. A GOP-controlled House subcommittee has voted to cut promised debt relief to Jordan from the agreed-upon \$225 million, to \$50 million.

The debt relief had been promised

by the Clinton administration as an inducement for Jordan to sign a peace treaty with Israel. President Clinton had warned Congress against making the cuts, and Israeli Prime Minister Yitzhak Rabin telephoned President Clinton to express his concern.

Israeli Deputy Foreign Minister Yossi Beilin warned in a televised interview, "There is a sort of lack of understanding regarding the terrible price—also in money—that the United States could pay if, God forbid, there is another war in the region or in other regions." Beilin said that the relatively small sums are essential in "creating a better atmosphere," and described the congressional climate created by the Republicans as "a danger not only for us in the Middle East."

## **Markey would regulate derivatives dealers**

Ed Markey (D-Mass.), the ranking member of the Telecommunications and Finance subcommittee of the House Commerce Committee, announced on Feb. 27 that he was introducing new legislation to regulate derivatives dealers.

Markey said that the collapse of Barings Bank "underscores the risks inherent in failing to assure that regulators have adequate tools on hand to minimize the potential for OTC [over the counter] derivatives to contribute to a major disruption in the financial markets, either through excessive speculation and overleveraging, or due to inadequate internal controls and risk management on the part of major derivatives dealers or end users." He said that his legislation is "aimed at providing a framework for improved supervision and regulation of previously unregulated dealers and assuring appropriate protections for their customers."

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# National News

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## Florida hospitals serving irradiated poultry

Several Florida hospitals have started to serve irradiated poultry to patients because, as one hospital dietician told the *Food Service Director* newspaper on Feb. 15, "We must take every safety step available to us to avoid foodborne illnesses." Low-level irradiation at standards set by the USDA and the Food and Drug Administration kills 99.5% or more of harmful bacteria, and does not affect the taste or texture of the poultry. For the seriously ill, such as cancer patients, the guarantee of bacteria-free food is a life-or-death issue.

Food poisoning now kills about 10,000 Americans each year, and an estimated 20 million persons suffer from foodborne illnesses yearly. In terms of the economy, the United States now loses \$13 billion a year because of foodborne illness, as measured in health care costs and lost productivity. Much of this illness would be eliminated if irradiated poultry, meats, and seafood were widely available. One estimate is that if only 10% of U.S. poultry were irradiated, that would save \$50 million a year in illness-related costs.

In the United States, irradiation is now approved for pork, poultry, fruits, vegetables, spices, and grains, and approvals are being considered for meat, seafood, and eggs.

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## Population Institute: Use Army to stop immigrants

The Population Institute held a news conference on March 3 to warn about the imminent dangers of migration, terming it one of the "powderkeg issues" of the industrialized world. The news conference was given by institute President Werner Fornos, who introduced a report, "Moving On: The Global Migration Phenomenon," which warned that one in five people in the world are migrants.

President Clinton, he continued, has ordered 62 border patrol agents to Arizona to

prevent illegal border crossings and 100 new patrol agents are being trained for that state. But, Fornos said, "assigning 162 new agents is tantamount to treating cancer with band-aids. Maybe we'd do better to recall a U.S. Army division from overseas for border patrol duty." Naturally one would expect a malthusian group such as the Population Institute to promote the line that "the most effective contribution toward reducing immigration in the long term would be a meaningful reduction of population growth."

While giving lip service to development, saying it can be "marginally helpful in reducing migration pressures," and "only if it can be adapted to various settings," the Population Institute promotes insane ideas such as "eco-tourism" for creating jobs and conserving the environment in the Caribbean and promoting argicultural projects aimed at reducing emigration from southern Asia.

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## 'Citizen Newt' compared to French Jacobins

"Newt Gingrich was absolutely right in comparing what he's doing to what happened in the French Revolution," a top ideologue at the Adam Smith Institute in London told *EIR* on March 6. "Gingrich, like the Jacobins, is going through everything. Remember what they did then: They changed the calendar, they changed the metric—they changed everything!" When he was reminded that they also changed a lot of peoples' anatomy, by cutting off their heads, he shot back, "Oh, but that came later."

He also put a positive "spin" on the ideas of Alvin Toffler: "It's understandable that Gingrich would like him. Toffler stresses the need to be flexible, for there to be free markets and adaptability. Nothing is fixed. It's an understandable way of thinking for a time like this."

Americans will respond to the economic crisis in one of two ways, he said: "The first is that in times of instability, people turn to a safer pair of hands, more or less the paradigm of Franklin Roosevelt and the New Deal. But there is a second school, that people turn to a radical solution. This depends on the national psychology. In this

second option, Phil Gramm would be the *revolutionary*." Gramm's chances for the presidency as "good, better than those of Dole. Gramm will be strange for Europeans to understand, but in an American context, he's plausible." He said the Adam Smith Institute maintained regular contact with Gramm's circle of advisers.

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## N.Y. cardinal: Contract with America is immoral

In his weekly column in *Catholic New York*, New York's Cardinal John O'Connor condemned the Contract with America as "immoral in its virtually inevitable consequences," according to a front-page article in the *New York Times* on March 5. O'Connor singled out the targeting of teenage welfare mothers, saying that the terms of the Contract would lead to a major increase in abortions.

The blast made neo-conservative educator and former Bush education secretary William Bennett uneasy when asked about it by NBC "Meet the Press" host Tim Russert on March 5. Bennett, who appeared opposite former governor and fellow Catholic Mario Cuomo (D), responded: "I disagree with the cardinal. . . . I don't argue that if we took this policy approaching welfare that we might not see some more abortions in the short run. I think in the long run, we would see fewer abortions."

On Feb. 28, New York's bishops had met with Gov. George Pataki (R) for three hours to tell him that his proposed deep budget cuts would be devastating to the state's poor. Bishop Howard Hubbard of Albany told the press before the meeting that Pataki's is "a much meaner budget than we've seen probably ever in the history of the state."

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## Supreme Court stay of execution cuts two ways

The U.S. Supreme Court on March 3 stayed the execution of a Texas man, whose motion was supported in a brief filed by two British

lawyers on behalf of the Bar of England and the Wales Human Rights Committee. Clarence Lackey claimed that his 18-year stay on death row constitutes cruel and unusual punishment in violation of the Eighth Amendment.

In his motion, Lackey's attorney Brent Newton, cited a ruling in a Jamaican case by the Privy Council, Britain's highest court, that keeping someone on death row for an inordinate amount of time was cruel and unusual punishment. "We are not taking the position that just because you've been on death row a long time that it's cruel and unusual punishment to execute you," Newton said. "We are arguing that when a guy is on death row for a long time as a result of delays solely attributable to the state, that is when the Eighth Amendment kicks in and it becomes cruel."

The irony of the case is that it will undoubtedly be used as an argument for limiting appeals and for swift executions.

## Cisneros defends HUD contracts with Muslims

Housing and Urban Development (HUD) Secretary Henry Cisneros told a congressional hearing on March 2 that he found no evidence that Nation of Islam security guards recruit for their faith while patrolling housing projects. With one exception, he said, the firms with federally funded security contracts were entirely separate entities from the Nation of Islam. He acknowledged that HUD's six-week review of the contracts was somewhat limited, but said, "Going any further than this" would "persecute an organization" that has been effective in stamping out crime in low-income housing.

The demand for congressional investigation of the contracts was organized as part of a hate campaign by the Anti-Defamation League of B'nai B'rith directed at Louis Farrakhan. Cisneros rejected the ADL's tactics, saying, "I abhor the tendency toward division in our society. When I hear some of the expressions by Minister Farrakhan, they obviously grate. But we've followed the law."

Rep. Peter King (R-N.Y.), who has introduced legislation prohibiting federal contracts with "extremist groups," had complained that the HUD review skirted the employment discrimination issue. "These reports seem to be going into the quality of the work. They never looked into the employment discrimination." But Cisneros responded that HUD had not received any discrimination complaints from tenants against the contractors. Moreover, he noted, the Nation of Islam is not on the FBI's list of hate groups.

## Red-faced liberals push EIR's Bush biography

A new left-liberal publication whose advisory board includes some very old leftists, grudgingly concedes that *EIR's George Bush: The Unauthorized Biography*, is "must" reading. The publication, *Prevailing Winds Research*, (PWR) markets books and pamphlets exposing establishment skullduggery; its advisory board includes Carl Oglesby, Peter Dale Scott, Oliver Stone, and Dr. Cyril Wecht.

The promotional reads:

"Using exhaustive official documentation, [co-authors] Webster Tarpley and Anton Chaitkin have broken through the astonishing wall of silence around George Bush. Here are the details on: How the Bush family promoted the Nazi war machine; Jupiter Island; Skull and Bones; the 'war hero' story; Zapata oil; the Watergate burglars; Iran-Contra; Third World genocide; and Bush's Leveraged Buyout Mob. Very strong research. Since the authors are connected to (egads!) the LaRouche group, you have to read between the lines now and then, and recognize the ideology for what it is. But the plentiful footnotes *do* check out, and that's what counts. . . ."

"(Okay, let's get one thing straight: PWR is *not* involved with LaRouche—honest Chip [Berlet], we really aren't. If someone on the politically correct left would write a book on this subject, we'd love to distribute it. But the left dropped the ball, and you can't blame Tarpley and Chaitkin for picking it up, now can you?)"

## Briefly

● **A CALIFORNIA MAN** was sentenced to 25 years in prison under the new "three strikes" law, for stealing a slice of pizza from some teenagers. Jerry Williams, 27, who has two prior felony convictions, is planning to appeal the sentence. French TV compared the case to Victor Hugo's novel *Les Misérables*.

● **FEDERAL SCHOOL** lunch money is already going to friends of Newt Gingrich. Marvin Schwan, of Schwan Sales Enterprises, built up his \$1 billion frozen food business in 1984 by offering to run public school lunch programs at a discount in exchange for government cheese allocations, which he used for his pizza company. Schwan Sales has given \$297,000 to Gingrich organizations, including his soft-money outfit GOPAC.

● **QUBILAH SHABAZZ**, the daughter of the late Malcolm X, is seeking dismissal of the federal charges against her that she hired one Michael Fitzpatrick, a longtime FBI "informant," to assassinate Nation of Islam Minister Louis Farrakhan. She is charging "outrageous governmental misconduct."

● **PRIVATIZATION** of the Pinckney, Michigan school system by Education Alternatives, Inc. was defeated in late January, *EIR* has just learned. Associates of Lyndon LaRouche made the Pinckney case a *cause célèbre*, long before EAI's record of covering up lower test scores and heavy involvement with derivatives trading brokerages became widely known.

● **NEWT** Gingrich was an early proponent of legalizing marijuana for "medical" reasons, according to the *Nation* magazine. Liberal attorney William Kunstler told the magazine that, "on Sept. 16, 1981" Gingrich introduced "a bill 'to provide for the therapeutic use of marijuana involving life-threatening or sense-threatening illnesses and to provide adequate supplies of marijuana for such users.'"

## Editorial

### *More sanity needed*

The defeat of the Balanced Budget Amendment—even by only one vote—constitutes an important victory for national mental health. But the war, so to speak, is by no means over. Not only has the fetish of a balanced budget not been exorcised, but the amendment itself can be put on the table again, at any time Senator Dole decides.

The amendment would deprive the United States of one of the crucial instruments of sovereignty—its ability to call upon national credit—and for this reason it is without doubt unconstitutional. But a Congress which rejected the Fourth Amendment of the Constitution (which protects against illegal search and seizure) when it was offered as an amendment to discredit the excesses of the new crime bill, cannot be expected to be any more careful of the Constitution in this instance. Should it pass the Senate at some future date, and be signed by the President, it will go down in history as the Unbalanced Mind Amendment.

Which brings us to the question of Phil Gramm's presidential campaign, which is being orchestrated around his drive to impose the lunatic fiscal irresponsibility otherwise packaged in the so-called Contract with America. Gramm has yet to learn poor Ollie North's lesson, that the American population has not yet gone so far down the road to perdition that it will stomach an overt attack on Social Security benefits; nor are voters stupid enough to accept the verbal assurances, which the Republicans refuse to put into writing, that they have no intention of raiding the fund.

Gramm exudes malice. But there is also a carnival sideshow quality to his presidential candidacy. Lyndon LaRouche has described his posturing on the platform as "a goose in heat." Others have remarked on how much he resembles Lady Thatcher. One wag was heard to say, "Oliver North was a drug runner, but Phil Gramm is a dope!"

Because he is such an unappealing character, it would be an easy trap for a more serious candidate to feel that Gramm would make an ideal opponent in the next election. This is, however, a great mistake, akin to that made by Germans who believed that Hitler

would so discredit himself that he was not a serious threat, no matter what the crudely vicious insanities he peddled before he came to power.

The Conservative Revolution is as fascist in its ideology as the agendas pushed by Hitler and Mussolini. There is precisely the same stench of populist rage against the poor, the weak, and perhaps not Jews, but certainly Mexicans and African-Americans, as we saw among Hitler's radical supporters. How else can we understand the willingness of Gramm and his followers to starve hapless children whose parents might be too poor, or even incompetent, to adequately provide for them!

Gramm has actually played an evil role in American politics. In 1981, he co-authored the unworkable Gramm-Rudman Act. The final result of this artificial cap on government spending was that the federal debt doubled, and state finances were bankrupted by hundreds of billions of dollars in unfunded mandates.

In 1982, then Vice President George Bush wrote a preface to a book of philosophical garbage written by Gramm. Today, not so surprisingly, Texas Gov. George W. Bush is out there vigorously campaigning for his father's protégé. While Henry Kissinger has come out endorsing William Weld for President, Weld's statement that he will not be running in 1996 has led some to speculate on that hair-raising horror, a Gramm-Weld ticket with the backing of the Bushes and Henry Kissinger.

Already more and more Americans are waking up to the monstrosity of the "new conservatives" whom they elected. They are beginning to recognize that the Balanced Budget Amendment is no quick fix for their economic problems and their fears over the future, and that it is no more acceptable a solution than Auschwitz. As the enormity of the financial crisis becomes too large to pass off as a series of random episodes, more and more Americans will be forced to look for serious solutions to socio-economic calamity. Then it will certainly be "Goodbye Phil," as it was "Goodbye Ollie." But perhaps by then it will be too late to right the situation except at a terrible cost.

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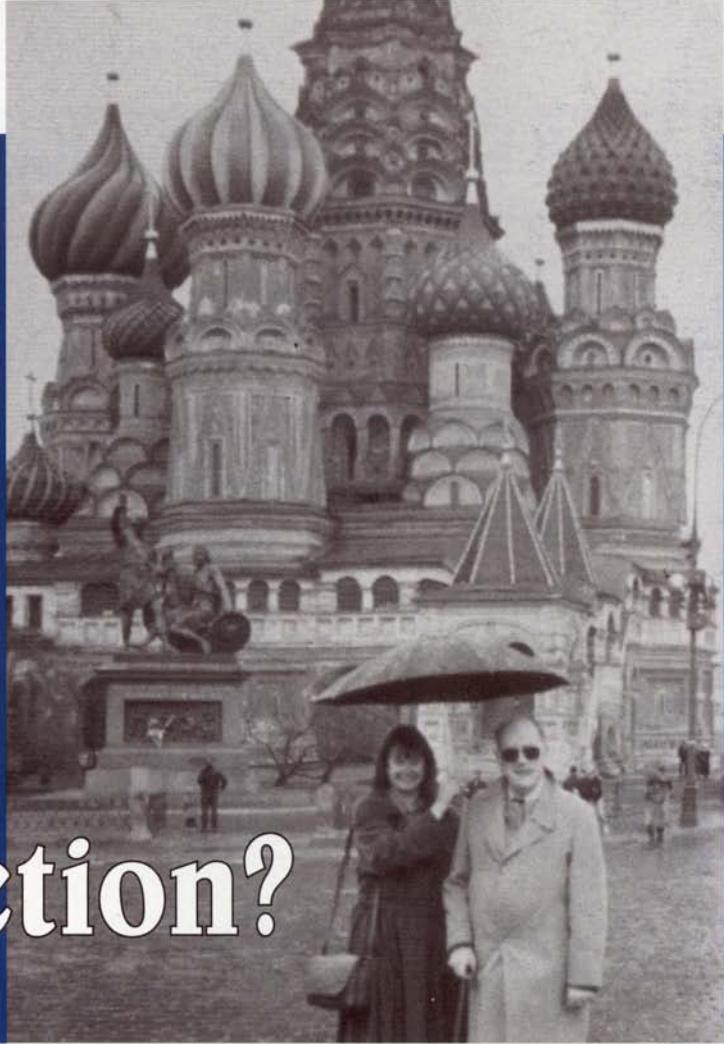
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