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From the Managing Editor

Our *Feature* this week was assembled on an urgent basis, to avert an otherwise imminent, serious assassination threat against President Clinton. You will find documentation of British authorship of the assassination of four previous U.S. Presidents, and an exposé of the case of Larry Nichols (pictured on the cover), a principal in the attacks on Clinton.

Before he became a mortal threat to the President, Nichols was a cast-off from the Arkansas branch of Oliver North's Contra drug-running apparatus. That was before Nichols's fairy godmother appeared on the scene, the Hollinger Corp.'s Ambrose Evans-Pritchard, who followed a British intelligence script for ousting Clinton from the White House—one way or another.

Highlights of this dossier will soon be released as a mass-circulation pamphlet by the weekly *New Federalist*.

Elsewhere in this issue, you will find exclusive new material on the themes that *EIR* inaugurated with our Oct. 28 special issue on "The Coming Fall of the House of Windsor." The World Wide Fund for Nature's role in paring away Mexican territory, and its links to the racist oligarchy of Sweden, are exposed in *International*.

In *National*, see our latest salvo against the Conservative Revolution: Newt Gingrich's ties to "New Age" ideologue Alvin Toffler.

The Conservative Revolution's sweep of the mid-term election signals the disintegration of the U.S. political system as we have known it. As Lyndon LaRouche wrote in a statement issued on Nov. 23 by his exploratory presidential campaign committee, it is absurd to see the situation as a playoff between two baseball leagues, the Republicans and the Democrats. A realignment is taking place across the political spectrum. "The mid-term election campaigns and their results typify the end of [the] two-party system," LaRouche wrote. "One may choose either to master that process of transition, or become irrelevant, like Aristotelian fools seeking to adapt to a traditional interpretation of a past which is being swept away." *EIR's* role in the coming period will be to provide readers with the conceptions needed to make the new political system one which will save the nation, not destroy it.

Susan Welsh

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Greenspan's rate hikes will only make things worse

by Chris White

On Nov. 15, Alan Greenspan and his buddies on the Federal Reserve's Open Market Committee did it again. They raised interest rates on both the Federal funds rate and the discount rate, by three-quarters of a percentage point. It was the sixth interest rate increase since Feb. 4, and the largest single increase in the Fed funds rate, the rate the Federal Reserve charges banks for overnight balances, since the heyday of Fed Chairman Paul Volcker back in 1981.

There is a school of thought in the money-world, which we elaborate in the following article, that Greenspan's interest rate increases have, over the last months, performed some benefits to the financial community, by, among other things, reining in the notoriously speculative hedge funds, like George Soros's Quantum Fund, thereby letting some hot air out of a bloated speculative bubble, to restore a bit of order, so to speak, in that world.

There is another school of thought, which insists such thinking is insane; that its insanity is reflected in what it refuses to take into account, or even to accept as relevant.

We show, in a third piece (p. 9), what the lacunae are in this line of crazy so-called thinking from the money-world. As the post-election post-mortems among fallen Democrats and others are revealing, these lacunae are not simply a matter for the denizens of the precincts of the money-gods. Some among the worshippers of sacred money-power might delude themselves that they have bought stability, that they can talk about a continuing, third wave, economic recovery. They are full of it.

They can only buy apparent stability by means which ensure the ultimate, and inevitable, demise of that which they are trying to stabilize. This is the utter folly which the proponents of the "lean, mean, competitive" American

corporation and economy have not grasped. They gut "cost structures" as efficiently as a Tyson's chicken-processing plant handles its feathered intake; they claim, insanely, that the results "drop straight through" to the bottom line, as increases in so-called profit. And thus what accountants call "earnings" increase, even while the whole economy is bankrupt. Finding new ways to scrape scraps of rotten flesh off the carcass of a Tyson's chicken might be an achievement for some. No one in his right mind would call the result dinner.

LaRouche was right

This was the subject of Lyndon LaRouche's "Ninth Economic Forecast," published in *EIR* on June 24, 1994 under the headline "Early Disintegration of World Financial Markets." LaRouche, whose forecasting record is unmatched by anyone else in the period since the 1950s, warned therein that the disintegration of financial markets might be delayed, out of this year into next year, and might be pushed out of 1995 into 1996, but that it probably could not be delayed much beyond 1996.

Speak of "financial disintegration," and the reaction all too often is, "Oh, you are predicting a stock market collapse," a 1987- or 1929-style market meltdown. So now, perhaps, the crazies—who insist that what Greenspan is doing is all somehow for the best, don't you see?—will probably also insist that events are proving LaRouche wrong. They miss the point. The subject is not the financial markets. The subject is the wealth-producing capability of the economy. The financial markets are a cancer feeding metastatically on the healthy tissue of the population and economy. Their survival and growth cannot endure past the decease of that on which

they feed. Thus, the better Greenspan appears to be maintaining stability, the more surely is he ensuring the doom of that which his allies proclaim him to be stabilizing.

So unemployment increases, and does not decline, the quality of jobs available deteriorates, health and retirement benefits disappear. All, swallowed down the maw of the money-bomb Greenspan and company created and tend. For the first time, a generation of Americans is doing worse than those who preceded them. And, by such means, they claim to stabilize a financial system which, bearing about \$15 trillion of debt, and booking, every night, some \$30 trillion worth of contracts, worldwide, in derivatives, staggers from one such financial stabilization effort to the next, more deadly one, as the assets available to support such looting shrink, through the cost-cutting which allegedly increases the accountants' "bottom line."

The lessons of the mid-term election

The proponents of this, the third "recovery" since the Reagan "recovery" of 1982-83, could learn a lesson from the 18- to 30-year-olds who voted on the basis of the reality that there is no economic recovery, or from the older cohorts in the electorate whose concerns with employment, Social Security, health, also reflect the same reality. This "recovery" doesn't exist any more than Bush's recovery did, or Reagan's before Bush's.

As one of the country's pundits put it: "People do not understand that 'good times' are no longer what they used to be." This pundit, speaking before the elections, was addressing the question why it was that President Clinton, and the ranking members of his administration, had so much difficulty getting the so-called message of the administration's "economic successes" across.

The message was simply not believed.

Some object. "No," they will say, "it's because the media didn't put the President's record out properly." Or, more simply, that people do not understand what the issues are.

An opinion poll conducted by Merrill Lynch, also prior to the elections, might put that latter view in context. Only 11% of Merrill's respondents knew what the magnitude of the federal government's deficit is, to within plus or minus \$300 billion. Less than 30% of respondents knew the name of the chairman of the Federal Reserve Board, what the Federal funds rate was, or what the official unemployment rate was.

Yet the runaway budget deficit is supposed to be one of the top "issues" in the popular mind. Equally, after the election, Democratic Party pollsters found out that only about 5% of the electorate actually supports the President's free-trade agenda, or knows about it. And the majority of the 5% happen to be Republican by party affiliation.

Perhaps on this one, the "professionals," the "experts," ought to listen to those who are telling them that all their professional expertise doesn't matter a jot when it comes to the things that really count. On this one, it is the experts who

are the ignorant ones. To do something effective about the economy, get rid of the experts, with their Philips curves and their J-curves and their yield curves, and their supply and effective demand. Don't put professors of economics anywhere near positions of responsibility.

Who, in his right mind, would care about the monthly report of the unemployment rate, really? To all, except for those attached to the computer terminals in Alan Greenspan's beloved bond market, it is a hoax. It is known to be a hoax. A virtual industry has grown up in the country dedicated to proving it is a hoax. Who has time for government figures on personal disposable income, on consumer price inflation, on the Gross National Product? No one really needs to know that they are all calculated on the basis of the fictions employed to make up the employment/unemployment numbers, in order to know that they are all garbage.

Thus, anyone who comes down from his or her professional heights to report on the experts who say that we are on track to creating 5 million jobs by 1996, and claim credit for doing that, is going to have a really tough time, except when talking to fellow experts.

In the red

Our third article compares selected parameters of financial performance with certain economic yardsticks.

It is easily shown that the only growth there has been since the late 1970s—when Paul Volcker pushed the economy below breakeven levels of functioning with his early policy of interest rates increases—is growth of indebtedness and speculation, as represented, in this case, by derivatives transactions.

Financially, the U.S. economy is operating at a loss, a loss which will increase for as long as the claims of debt and speculation are accorded priority over economic activity as such. But not forever, for the sources of loot available to meet the appetite of such debt and speculation are relatively finite. Economically, ratios of productive employment, energy use, and movement of freight, epitomize the downward careening of productive capacity, reflected in the collapse of family life, and the degradation of the mental and physical capacities of the population.

As LaRouche proved in his "Ninth Forecast," there are two ways to go, and only two. Either governments take the lead, and declare that the present money system, and all that hangs on it, is bankrupt, to then create a new one, which will, in the case of the United States, provide public credit, at low interest rates, to finance necessary works of improvement in infrastructure and technology, through fostering productive employment—or the whole shebang will disintegrate.

To right-thinking people, though there be two such alternatives, they don't necessarily merit an equivalent weight in judgment, pending the outcome. Better act now to ensure that the experts are put where they really belong, and that the lunatics get the proper treatment.

Greenspan's dangerous hidden agenda

by William Engdahl

Since Feb. 4 of this year, Federal Reserve Board Chairman Alan Greenspan and the Federal Reserve Open Market Committee have acted to raise short-term "Fed funds" interest rates no fewer than six times, the latest on Nov. 15 when Fed funds rates rose a notable three-quarters of a percentage point to 5.5%. There has been an enormous misunderstanding of what Greenspan and the Fed have been doing and why. That misunderstanding has been deliberately cultivated by Fed officials themselves, for reasons which shall soon be identified.

When the Fed announced the Feb. 4 rate rise, then only a tiny, cautious quarter-point increase to 3.25%, they stated that this was part of a "preemptive move to kill incipient inflation in a growing U.S. economy." Yet to date, despite repeated scares on financial markets over the ensuing 10 months over each bit of official data suggesting consumer price rises, commodity price pressure, or higher employment wage pressure, there is no sign of significant inflation in the real economy. Why the alarm?

Bailing out the banking system

First, we must ask why the U.S. central bank would risk deliberately detonating the most severe collapse in the U.S. government bond market since 1927. To answer this, we must go back to the darkest days of late 1989 and early 1990 when the largest American banks—Wells Fargo, Chemical, Chase, and the largest, Citicorp—were technically insolvent owing to staggering losses from misguided real estate speculation, junk bond leveraged-buyout lending, and other foolish acts of the speculative binge of the 1980s.

Beginning in 1990, the Federal Reserve, following emergency closed-door consultations with senior Treasury officials, bank regulators, and the administration, embarked on what became the most aggressive credit easing in the 75-year history of the central bank. Fed funds rates, the rate charged Federal Reserve member banks for "overnight" loans, were lowered in rapid successive steps over the coming months from over 9% down to an historic low of 3% by September 1992, where they remained until Feb. 4, 1994. Simultaneously, the Fed eased bank reserve requirements and took unpublicized, extraordinary measures in cooperation with the U.S. Treasury to improve the financial liquidity of Citicorp and other major banks.

The operation was undertaken to prevent a chain-reaction

U.S. banking system collapse which would have detonated a global financial collapse of untold magnitude, as banks across the globe with credit lines to U.S. banks were hit by the U.S. collapse.

But what the banks did with the five years' time and the very low interest rates the Fed extended, is what haunts us today. The mislabeled debate over the so-called "credit crunch" can only be understood when it is known what actually took place.

Banks in 1990-94 were unwilling to extend further loans to businesses, home-buyers, car-buyers, and others because the banks were, in effect, "under water" already with insolvent loans to those parts of the economy. Further, by 1992, under new international central bank rules, the Basel Bank Capital Adequacy rules, for each new loan to business or private persons, the bank must find 8% in reserves to back it up. That is, for a \$100 loan, it must set aside \$8 in cash or equity reserve against the danger of a future default on that loan.

Ironically, these Basel rules were promulgated partly to dampen the international speculative frenzy of the 1980s. But those same Basel capital set-aside rules decreed that a bank's holdings of government bonds held "zero risk," and thus required no capital set-aside by the bank. This point is essential to what ensued after 1990.

Under the Fed commitment to bring ever-lower U.S. interest rates to the banks, the banks ceased making traditional business loans during the depressed economic conditions after 1989, and began instead to buy U.S. Treasury bonds. And they did this for the most part by borrowing from the Fed funds market at, say, 3%, in order to buy Treasury bills, usually of three- or five-year duration, which yielded the bank 6-7%, risk free with no reserves required. While rates stayed down at least, it was risk free.

Enter the hedge funds

But this was only the beginning. From 1991, the holdings of U.S. banks, on their own account, of U.S. Treasury paper, exploded to record levels, topping \$600 billion. The banks were going from bank lending to becoming, in effect, bond brokers. To all of this, Greenspan and the Fed turned a benevolent eye, while the banks chalked up risk-free record profits to recover from their huge loan losses of the previous decade. So long as the Fed funds rate remained at the very low 3% level, all was fine for the banks.

But something else was also taking place. This, too, related to the Basel Bank Capital rules. When the major central banks of the Bank for International Settlements first hammered out new capital rules in 1988, one issue they left unresolved for future discussion was how to treat certain bank "off-balance-sheet" transactions, among them derivatives. In 1988, derivatives were largely the domain only of American banks, poorly understood by other central bankers, and the size of the business was small, such that no consensus on



Financial traders in Düsseldorf, Germany. The speculative fever that originated in the United States spread to markets around the world, hitting the bond markets the hardest.

treating derivatives was reached at the time the Basel rules were put forward. This, too, came back to haunt central bankers.

So, under the Basel rules, a bank could engage in off-balance-sheet loans to a hedge fund, which in effect amounted to a high-risk gamble that, say, a George Soros or Michael Steinhardt could win big, by betting against the pound sterling or some other financial asset value.

The name hedge fund is misleading. Though they have been in existence since the 1960s in the United States, they have little to do with "hedging." Rather, they are a vehicle for legally avoiding U.S. securities regulation. Most are incorporated offshore, such as Soros's Quantum Fund, which resides in the Netherlands Antilles tax haven, far away from the Internal Revenue Service and other U.S. officials. Because they limit their partners to very wealthy investors and have fewer than 100, they are legally exempt from U.S. securities oversight. These hedge funds have exploded to prominence over the the past four years, notably since Soros publicized his winning of \$1 billion within weeks after the September 1992 collapse of the pound sterling. Hedge funds are then unregulated, offshore investment pools which tend to take high-risk gambles leveraged 40-50 times their own capital via derivatives.

The ability of banks to make off-balance-sheet loans to these hedge funds has been called the "Basel loophole," and the hole became huge by 1993. Large U.S. banks like Citicorp or Chase began extending billions in loans to Soros and

other hedge fund speculators in 1992, all off-balance-sheet. They reasoned that their risk was zero because they took part of Soros's government bond portfolio as collateral in the event Soros should guess wrong.

What this incestuous alliance between the banks and hedge funds did, was to magnify and inflate a speculative bubble in U.S. and European government bond markets beyond anything in past history. By one estimate, in the three years from 1990 to the end of 1993, under the Fed's low interest rates, such speculation created a mind-boggling \$1.7 trillion increase in paper asset valuation, mostly in government bond speculation.

This inflation of financial assets, created in the wake of the Fed's effort to bail out a bankrupt banking system, was the real inflation about which the Fed governors became alarmed as early as the spring of 1993. At that time, several Fed governors warned publicly of the risk of a "Japanese-style asset bubble" being created in the United States and warned that rates must likely rise. The immense size of the derivatives-led leveraging by these offshore hedge funds, outside of any regulatory oversight of American banking officials, in a real sense had made the central bank and the sovereign monetary institutions of the United States itself subject to the most ominous financial blackmail in U.S. history, were the speculative bubble to continue to expand.

Despite the Fed's verbal warnings, however, the speculative fever continued to the point that it spread from the United States, like a cancer, to the bond markets of Germany,

France, the U.K., and even emerging markets like Mexico and Malaysia by year-end 1993.

This Basel "loophole," which counted banks' bond assets as "zero risk," is also why the 1990-93 speculation centered on bonds, not stocks, and why, when the bubble began to be deliberately deflated on Feb. 4 by the Fed, the collapse has been in those same bond markets, and not at that point in stocks.

Trying to slowly deflate a bubble

While European central banks were forced to intervene to the tune of tens of billions of dollars in a fruitless effort to maintain a narrow European Rate Mechanism currency parity in the European Union countries in the summer of 1993, the hedge funds and the big New York and London banks which had extended their gambling lines to topple the ERM, were reaping untold profits, all leveraged many-fold, via the marvel of derivatives, which often require only a 5 or 10% "downpayment" or "margin." So, for a \$50 million real margin, Soros and others could speculate to the sum of \$1 billion. If he won, he won big. Such wins were the story of 1992-93 in financial markets.

The big U.S. banks scrambled like lemmings in a mad rush to extend off-balance-sheet credit lines to the biggest hedge funds when they saw the wins. The banks' hope was not a simple loan return, but that their own derivatives traders gain access to the innermost trading strategies of the "infallible" hedge funds, in order that the bank could make huge derivatives profits, also off-balance-sheet, to regain profitability.

Had the incestuous process continued much longer, as the Federal Reserve officials realized, a future speculation collapse orders of magnitude more serious than anything in the 1980s, threatened not only to undo Greenspan's bank bailout of 1990-93, but also to ignite a far more devastating global financial collapse.

In an effort to defuse this time bomb, Greenspan and the members of the Federal Open Market Committee on Feb. 4 made an unusual public announcement. They decided for the first time in five years to raise Fed funds, albeit by a minuscule quarter-point to 3.25%, "to dampen incipient inflation in the economy."

By the end of 1993, the Fed was assured that its bank bailout strategy, in narrow accounting terms, had "succeeded" in allowing banks to restructure and face the future. The prime agenda then became how to deal with the Frankenstein's monster which the Fed's bank bailout policy of low interest rates had allowed to grow, namely, the incestuous alliance between banks and hedge funds in creating a \$1.7 trillion explosion in financial assets.

The response in financial markets to the cautious Feb. 4 rate rise was titanic. Bond markets across Europe underwent massive selling, despite the prospect of further lowerings of European interest rates to combat the worst economic

recession since the Second World War. U.S. bond markets went into free-fall by late February and early March. Selling in the Frankfurt German bond market alone became so intense, with \$10 billion worth of German government bond futures or derivatives being sold by one distressed seller in several days in early March, that rumors circulated in New York that Bankers Trust, the U.S. bank most heavily involved in derivatives, was having liquidity problems owing to loans to a hedge fund. All this forced the governor of the New York Federal Reserve to issue an extraordinary denial, to calm jittery markets.

Most of the market drama in these past months has been due to the highly leveraged hedge funds, which were faced with devastating losses on the same derivatives that a few months earlier had given them an average of 90% or more profits. The phenomenon in financial markets is termed "reverse leveraging."

Hedge funds like the multibillion-dollar Steinhardt Partners began selling their German, Britain, and other bond derivatives and even bonds, but most often there were no buyers. Step by step, between Feb. 4 and the end of September, the Fed further raised interest rates, and step by desperate step, the hedge funds tried to unwind their exposure to bond markets, from Europe to the United States.

"Derivatives and the globalization of financial markets have created an unprecedented situation," a Frankfurt banker recently told this author. "What derivatives and these hedge funds have done, is to compress and amplify the predictable effects of central bank interest rate changes. Moves in interest rates which in the pre-derivative past would have taken 3-4 years to work through, today have been done, thanks to computer trading and gearing of derivatives markets, into perhaps 3-4 months."

This is why a tiny quarter-point rate hike on Feb. 4 almost sank the global bond markets. At several stages until approximately the end of the second quarter this past June, the unwinding of hedge fund derivatives positions, including in the dollar, threatened a systemic crisis. The Fed was forced to tread a tightrope between convincing broader financial markets it was serious about "controlling inflation," or risking a far greater panic selloff of bonds. At the same time, it could not let up the pressure on deflating the most explosive speculative element in the game, the highly leveraged hedge funds.

As well, were the Fed to move too aggressively, it risked turning what it saw as a "controlled deflation" of the asset bubble, into an uncontrollable financial meltdown. Financial market sources say there were more than a few confidential talks in the period, among Fed officials and the major banks, pension fund managers, institutional investment managers, and Wall Street brokerages, to convince them not to dump their portfolios of Treasury bonds, despite paper losses. As one participant characterized it, "American regulators have developed their version of Japanese-style financial market 'administrative guidance.'"

Drying out the hedge funds

The point was conveyed to the major institutional investors, whose combined assets far exceeded those of the hedge funds, that the “victim” of this dramatic interest rate tightening was to be the unregulated hedge funds. “The hedge funds will be the ones to pay the price,” reported a senior European banker who had just returned from extensive client talks with a broad grouping of U.S. bankers, pension fund managers, and Wall Street firms. “There is a clear consensus among U.S. financial and central bank circles, that the huge, unregulated power of the hedge funds will not be allowed to continue. It had simply become a systemic danger to all. They have closed ranks to defend their existence,” he said.

Indeed, there is evidence that the “Chinese water torture” of rising Fed interest rates has begun to take a huge toll on hedge funds. “Since August, hedge funds have been almost absent from the major markets,” noted one Luxembourg banker who tracks these developments for his bank. Two weeks ago, reports circulated that Soros, the largest hedge fund operator who reportedly counts the Queen of England among his investors, had incurred added trading losses of \$400-600 million on guessing the dollar trend wrongly. On Nov. 21, Soros announced he was liquidating a major real estate venture he had entered two years ago in Britain.

The informed expectation among central bankers and major financial market participants with whom this writer has spoken in recent days, is that the latest rise by the Fed has all but finished the threat from hedge funds to the financial system for the present. With the exception of Soros’s Quantum Fund, most hedge funds allow investors to take funds out only at the end of the calendar year, Dec. 31. Unless the hedge funds are able to recoup their huge losses for the first 11 months of this year, the expectation is that some of the larger hedge funds will find themselves in bankruptcy courts early in 1995.

To this extent, Fed Chairman Greenspan’s “correction,” which he set in motion last February with the first rate rise in five years, has apparently lessened the threat from highly leveraged hedge funds as well as, perhaps for the moment, derivatives.

The problem, however, is one inherent in the very mandate of the Federal Reserve, embedded in the original congressional act of 1913 which made the Fed a private body, whose mandate was to maintain the solvency and stability of the U.S. private banking system. It is purely secondary to the Fed whether this also enhances the general health and welfare of the population, or the growth of the real economy.

This is the inherent flaw of the mandated monetarism of the Federal Reserve. The impact of the interest rate increases has indeed smashed the most speculative elements such as the hedge funds. But at a price which has so raised interest rates in the United States and Europe and elsewhere that economic investment in real infrastructure and technology is even more remote.

Debt has swamped the real physical economy

by Anthony K. Wikrent

In a memo to his associates on Nov. 17, 1994, U.S. physical economist Lyndon LaRouche warned, “It would be a potentially dangerous omission in the analysis of the [financial] bubble, to leave out of account the relationship among three principal features of the structural interrelationship between the real *physical* economy, and the leveraged monetary-financial superstructure. Only when we take into account the physical parameters of consumption and production in physical terms per capita, per household, and per square kilometer, does the explosiveness of the global monetary and financial systems come into view.

“Greenspan et al. are operating essentially in the monetary-financial domain, with virtually no competent regard for the relationship of leveraged income-streams from the real economy, to the magnitude, and rates of change of magnitude, of financial and monetary aggregates,” LaRouche continued. “Thus, the very mechanisms by means of which Greenspan may be seeking to deflate most of the hedge funds, as an ameliorative measure, can trigger the very explosion which he deludes himself he is working to bring under control.

“The problem here is properly reduced to its axiomatic terms,” LaRouche explained. “The use of the axiomatic assumptions of monetary theory—any variety of monetary theory—to shape economic, monetary, and financial policies now, will tend to accelerate the crash of the system as a whole. That is the tragedy of the system—in Schiller’s definition of tragedy.”

It was precisely the failure to identify these axiomatic assumptions of policy outlook among the U.S. Federal Reserve and other government institutions, that led U.S. President Bill Clinton and the Democratic Party into the electoral disaster on Nov. 8. “Silly talk about the ‘recovery’ . . . was Clinton’s great folly,” LaRouche observed on Nov. 8. “There obviously *is no recovery*, there never was one.” What we shall attempt to do here, is to provide for the reader some of the evidence that there is no economic recovery.

In **Figure 1**, we use data series from the U.S. Department of Commerce’s Bureau of Economic Analysis and Bureau of the Census, to provide an approximation of the rate of profit of the U.S. economy as a whole. By “rate of profit,” we do not mean the rate at which a financial investment generates a



The mechanisms which Federal Reserve Chairman Alan Greenspan (left) may be seeking to deflate the hedge funds, can trigger the very explosion which he deludes himself he is working to bring under control. To Greenspan's right: Richard Breeden, chairman of the Securities and Exchange Commission, and Sen. Paul Sarbanes (D-Md.), at a hearing of the Senate Committee on Banking, Housing, and Urban Affairs in 1992.

paper profit; we mean the rate at which the economy is producing *surplus economic activity* over and above that level of economic activity required to meet the needs of a living and reproducing human population—the food it eats; the housing it uses; the clothes it wears; the infrastructure that provides it drinkable water, electricity, and transportation capabilities; the medical care and education services it requires.

For an approximation of profit we take manufacturers' shipments and subtract the costs of producing the goods shipped. We approximate the costs of producing the goods shipped by adding together cost of materials; wages of manufacturing workers; investment/depreciation of the machinery and equipment used up in the production process (machinery wears out, just like the family car, and must be replaced); and the cost of money, i.e., an effective, not nominal interest rate, which we approximate as total interest payments divided by total debt.

These calculations give us an approximation for the profit of the economy; we next need to approximate the rate of profit. To do this, we subtract debt service from profit, and divide the resulting figure by the costs of producing the goods shipped. The equation thus is:

FIGURE 1
Rate of profit of U.S. economy
(1967=\$1.00)



$$\frac{\text{shipments} - (\text{cost of production} + \text{debt service})}{(\text{cost of production} + \text{interest})}$$

where

the cost of production =

the cost of materials + wages + depreciation.

In a healthy economy, the cost of production is reduced by introducing technological advances into the economy, increasing the productive power of labor. This increase in productivity can be measured by the amount of land area per operative, which should decline over time as labor power increases, providing that the production of goods and services to support human population is not only the same, but is increasing in both quantity and quality. Another measure is energy use per capita, as technological progress involves greater mastery by mankind over the forces of nature, most specifically over the spectrum of different “types” of energy. A healthy economy, therefore, will always show a secular increase of per capita energy use over a number of years.

What we find for the U.S. economy is exactly the opposite.

Figure 1 shows that the rate of profit of the U.S. economy peaked during the Kennedy administration, and has fallen since. If a ratio of 1.00 represents economic breakeven—meaning the (nonexistent state of equilibrium) point at which the economy is producing just enough goods and services to support its human population—then it is clear that the U.S. Federal Reserve’s 1979 switch from controlling interest rates, to controlling the money supply while allowing interest rates to “float,” drove the U.S. economy below breakeven, into depression. Calculated using 1967 as the base year, \$2.50 is now lost for every dollar that is invested in the U.S. economy. Yet, \$3 in debt service is demanded for each dollar of profit!

Debt service per dollar of profit

The growth of per capita indebtedness reflects the spreading cancer of usury and speculation. In the United States, indebtedness per capita and per unit of land area has increased tenfold since the 1960s. The total volume of all credit market debt outstanding, owed by the three principal sectors of the economy—business, including farms; household; and government, including federal, state, and local—is exploding. In the past few years, it has grown at the rate of half a trillion dollars or more each year. By 1993, the total debt outstanding in the United States stood above \$15 trillion.

As this debt mountain builds up, the interest charges also escalate. The debt level considered here actually understates the size of the debt, because figures for certain categories of debt were not available. The debt used in our calculations is: a) credit market debt; and b) debt of one year or more in maturity. But there is additional debt of the business, household, and government sectors of the economy which is not traded in a market, i.e., it is not “credit market debt” (for

example, roughly one-third of the federal government’s debt is held by federal trust funds such as the Social Security fund, and is not tabulated in the Federal Reserve’s survey of credit market debt); and there is much debt, such as corporations’ commercial paper (90- to 270-day IOUs) which is less than one year in maturity. Therefore, none of that is counted in the debt or the interest-owed figures reported here.

EIR’s economic research staff determined the interest payment level on the mountain of debt. This interest payment, no matter how earned, must come out of the wealth of the physical economy. That is, anyone who earns interest has a dollar claim—and that claim can be satisfied ultimately as a claim against physical goods. These claims have multiplied far beyond the physical capacity of the U.S. economy to meet them.

In 1951, the interest on the debt was \$17 billion, the “value-added” by the manufacturing sector was \$102 billion, and the ratio of interest on the debt to value-added of manufacturing was 16¢. So, for every \$1 of manufacturing value added in 1951, interest on the debt made a claim of 16¢.

In 1967, the interest on the debt was \$91 billion, the value-added by manufacturing was \$262 billion. For every \$1 of manufacturing value added, interest on the debt made a claim of 34¢.

By 1991, the interest on the debt was \$1.725 trillion, the value-added was \$1.331 trillion, and the ratio of interest debt service to value-added level was \$1.29. For every \$1 of manufacturing value-added in 1991, interest on the debt made a claim of \$1.29. The financial claims on production, are now greater than production. It is a situation that cannot be sustained.

To measure this relative to 1967, *EIR* took the ratio of interest debt service to value-added in 1967—which was 34¢—and set it equal to an index number of 1. By 1991, the index is five times higher than its 1967 level (see **Figure 2**).

Debt is engine of destruction

The engine of destruction here is the rapid increase in debt, which the Federal Reserve, professional economists, bankers, and Wall Street traders, in their astonishing stupidity, count as part of the increasing “monetary aggregates” which they claim “proves” that the U.S. economy is in “recovery.” **Figure 3** shows how the debt per unit of land area has increased over one order of magnitude over the past three decades.

This increase in debt per unit of land area is especially significant in light of the requirement of a real, healthy economy, that the amount of land area required to produce what the society needs, must *decline* over time. **Figure 4** shows that this requirement was met until 1969. The sharp peaks since that period result not only from the technological stagnation imposed on the economy by environmentalism, consumerism, the “service economy,” and other hoaxes, but also from the vicious cycles of workforce reductions implemented

FIGURE 2
Debt service per dollar profit in U.S. economy
 (1967=\$1.00)

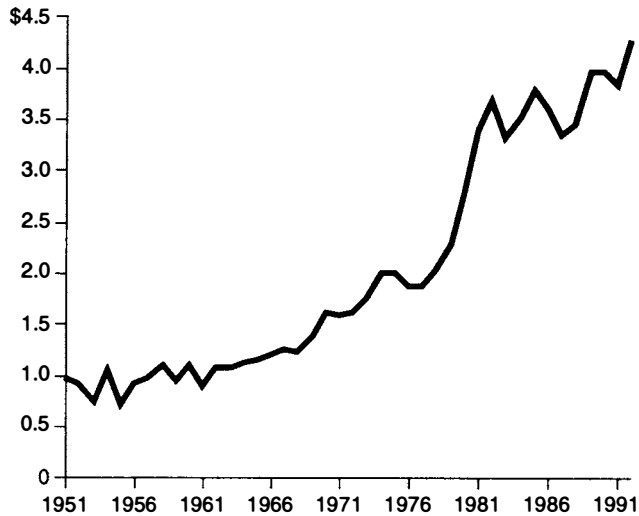


FIGURE 4
U.S. land area divided by manufacturing production workers

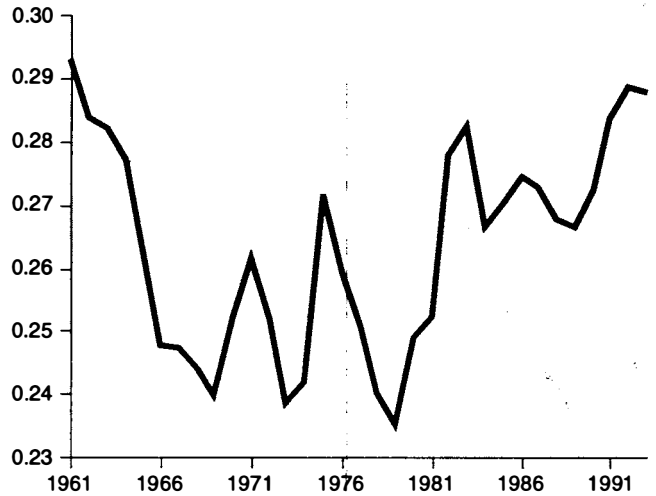


FIGURE 3
Total debt per square mile of U.S. land area
 (Thousands of dollars)

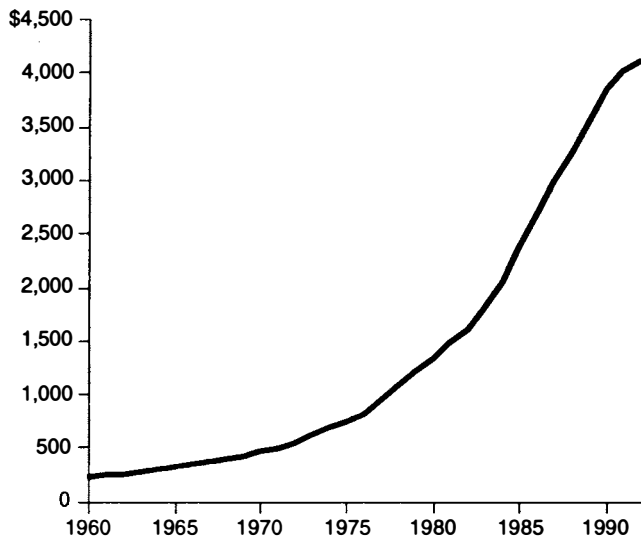
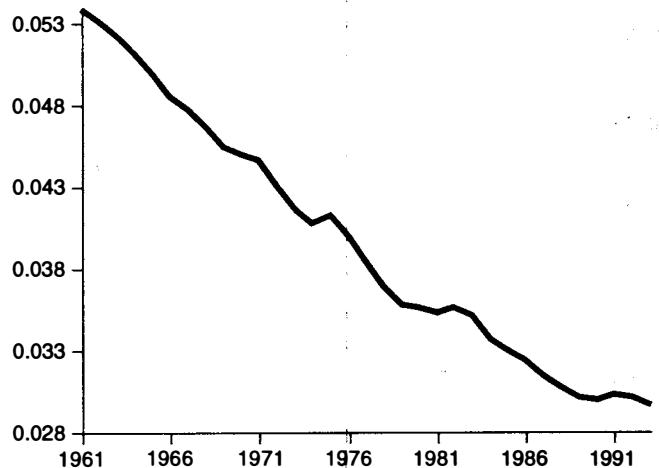


FIGURE 5
U.S. land area divided by total employed



by U.S. business managers who learned monetarism, not economics, in college.

What's the difference between Figure 4 and Figure 5? **Figure 5** shows the total number of employed people per unit of land area; **Figure 4** shows the number of manufacturing production workers—the people who actually produce some-

thing by transforming raw and intermediate materials into finished goods. The startling difference between the two figures highlights how so much of the U.S. labor force has been wastefully employed in the "service economy."

Figure 6 shows what has happened to U.S. total energy consumption per capita. The collapse of this key indicator of technological progress and economic growth is clear. Incredibly, a new axiomatic tenet has emerged among professional economists in the past few years, that the United States has "decoupled" energy use from economic growth.

FIGURE 6
Per capita energy consumption
 (Millions of BTUs)

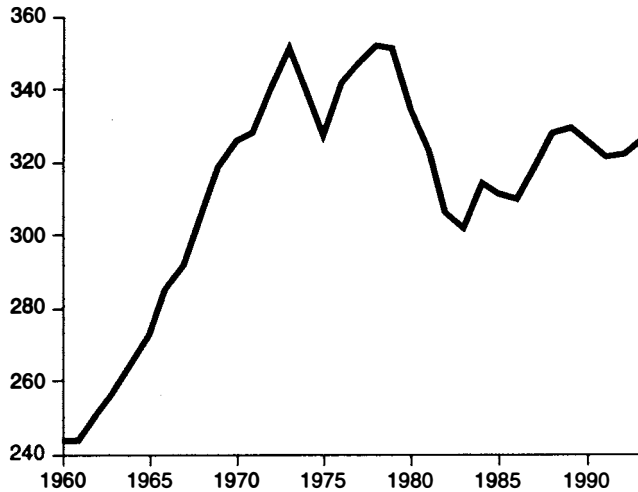


FIGURE 8
Derivatives compared to U.S. gross domestic product
 (Trillions of dollars)

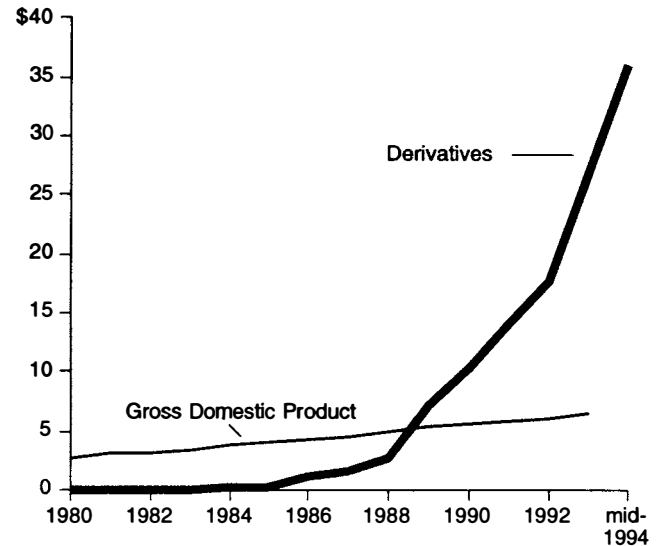
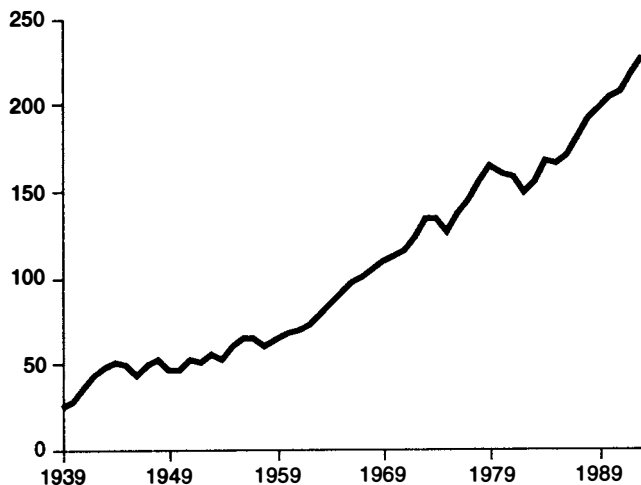


FIGURE 7
Ton miles/land area/population



The appearance of healthy growth in the ton-miles moved per unit of land area/population evident in **Figure 7** is deceiving, because there has been an approximate 20-25% increase in the length of haul over the past three decades. This increased length of haul resulted from the "rationalization" of production, which shut down 20-50% of productive capacity, depending on which industry you're looking at. For example, when General Motors closed its assembly plant in Van Nuys, California a few years ago, the length of haul for a GM car

sold in the Los Angeles area increased from a maximum of 50 miles, to 500-1,000 miles or more.

A particularly large factor in the increase of the length of haul is the switch to "clean" coal mandated by various environmental laws. Massive coal deposits in Illinois, Kentucky, and other midwestern states are no longer being worked because the coal from these deposits has a high sulfur content that is "more polluting" when burned in a power plant. In many cases east of the Mississippi River, power plants were located immediately next to, or very close to, these now-abandoned coal deposits.

"Clean" coal is found mostly in the West, particularly the Powder River basin of Wyoming. Most coal is moved by railroad. Railroads account for over one-third of the total ton-miles hauled in the United States; coal accounts for over one-quarter of all carloads hauled by railroads, and probably a much higher percentage of tons, and ton-miles, hauled by railroads. According to the Association of American Railroads, the average length of haul of U.S. railroads increased from 461.3 miles in 1960, to 615.8 miles in 1980, and further increased to 762.5 miles in 1992.

Finally, just to rub their noses in it, we use the figures for Gross Domestic Product accepted by the professional economists and government officials who have led the United States into this disaster. These GDP figures, with all their fluff, when juxtaposed to the explosive growth of derivatives paper outstanding, clearly show how the financial system has become completely separated from economic reality (see **Figure 8**).

Business Briefs

Debt

Pope urges relief for poorer nations

Pope John Paul II proposed that the international debt burden on poorer nations be greatly reduced or canceled in the year 2000, on the anniversary of Christ's birth, in an apostolic letter entitled "Tertio Millennio Adveniente" ("As the Third Millennium Draws Near"). The letter was released by the Vatican on Nov. 14, the Nov. 17 *Arlington Catholic Herald* of Virginia reported.

The paper noted that a jubilee or holy year should be a period of spiritual development, but that jubilees in the Old Testament also had a social justice aspect, through land redistribution decrees and offering new possibilities to the poor. "Perhaps it was awareness of this tradition that prompted a remarkable papal suggestion in the final pages of his letter: that in the year 2000, the international debt that burdens poorer countries be greatly reduced or canceled outright."

The pope also referred twice in recent months to the right of poor nations to have access to nuclear power.

Finance

Dark cloud hanging over Goldman Sachs

Rumors that the investment firm Goldman Sachs is in financial trouble and is seeking a loan surfaced in financial markets on Nov. 17, and "while the firm is not seen in immediate financial danger," it does need outside capital, Reuters reported on Nov. 18. The firm recently laid off 40 investment bankers, has lost some of its more prominent partners, and as many as 30 partners are expected to retire in the near-term. As these partners retire and cash out their shares in the firm, as much as \$400 million could be pulled out over the next five years.

Goldman Sachs suffered "staggering losses" on aggressive trading due to the increase in interest rates. The firm's pre-tax profits this year are expected to plunge about 80% to \$400-600 million, sources say.

"There is just a black cloud over the firm," one 10-year veteran said a few days before he was laid off in November. "It's extremely unusual. There was always the hope and expectation of things getting better very shortly."

Italy

Infrastructure could have limited flood damage

Adequate infrastructure could have limited the flood damage in northern Italy in the first week in November, the worst ever this century, say experts at the Italian Agriculture Ministry. More than 60 persons were killed and the economic damage so far is estimated at \$12.5 billion. Thousands of people are homeless and 400,000 hectares of agricultural land have been destroyed.

The cause of the flooding, which hit Piedmont, Liguria, and the Po region down to Ravenna especially hard, is the combination of heavy precipitation and hot winds which kept it from falling as snow in the Alps. In two days, these areas received double their average annual rainfall.

The river system does not have adequate infrastructure. The Po, for example, the big-gest river in Italy, can accommodate water levels up to 6-7 meters above normal. But once every 50 years, that level is surpassed. This time, the main damage was done by the Po's tributaries, which, because of environmentalist obstruction and budget cuts, underwent no maintenance in the last 20 years.

Agricultural infrastructure such as irrigation channels, aqueducts, and farm roads has been mostly wiped out in the affected areas. The corn crop was destroyed, and a large part of seeds and forage stocks are now underwater and will rot. Cattle stocks have been devastated; those which survived are going to be hit by sicknesses. Vineyards were spared, because they are on hills, but many wine cellars have been flooded, causing incalculable damage. Big producers will survive, but small ones have been knocked out. Roads, railways, industrial equipment, and homes have been damaged by mudslides and the flooding.

The Berlusconi government has declared a state of emergency in Piedmont and Liguria,

and announced an initial \$1.9 billion for reconstruction. Priority has been given to infrastructure, housing, and private property. But Berlusconi is caught in a dilemma, because his fiscal austerity policy prevents him from budgeting major funds.

Infrastructure

Baltic dam would supply fresh water

A private group has formed to push for construction of a dam across Bottenviken, the northern bay of the Baltic Sea, just north of the cities Umea, Sweden and Vasa, Finland, which would create the biggest freshwater reserve in Europe.

The group is now starting a two-year feasibility study, but it estimates that the dam could be built at cost of \$2 billion by 10,000 people over 20 years using the slag from nearby mines.

The dam would raise the water level a few tens of meters; it would then take five years to flush out the salt water. The freshwater supply per year would be 100 billion cubic meters from 61 rivers which flow into the area. The water could be exported by tankers or pipeline. The dam could also be used for road and railway links, and for a gas pipeline.

Medicine

American scientists advance AIDS research

U.S. scientists at the University of Pennsylvania in Philadelphia have made a significant step in advancing research against AIDS, according to their German colleagues, German newspapers reported in mid-November. The researchers' findings were published in the Nov. 11 issue of *Science* magazine.

The researchers found that a special albumen, which is produced by the human immunodeficiency virus, plays a major role in the outbreak of AIDS. This "virus-associated protein" seems to waken "sleeping" viruses,

Briefly

which leads from the infectious state of the patient to the full-blown outbreak of the disease.

The discovery is a new possible starting point in the development of new drugs, said AIDS specialist Professor Kurth, from the Paul Ehrlich Institute in Langen, Germany.

The magnitude of the AIDS threat was underscored by Myo Thant of the Asian Development Bank in Manila, who said recently that economic growth in Asia will come to an end in a few years as a result of the spread of AIDS. According to World Health Organization estimates, in South and Southeast Asia 2.5 million people have been infected so far. If this trend continues, by the year 2000, ten million people would carry the virus. Other estimates are that 30 million people will be infected by the year 2000.

Health

Gap between eastern and western Europe growing

The discrepancy in health care between eastern and western Europe is growing, according to "Health in Europe," a study of the World Health Organization (WHO) which will be presented in December at the European Health Ministers Conference in Copenhagen.

The average life expectancy is 75.6 years in western Europe, but only 69.6 years in eastern Europe. While someone in Ireland can expect to live to 80, a person from Russia can only hope to reach 58 years of age. Part of the reason for this difference is the higher death rate of patients with heart diseases and cancer in eastern countries. Bad nutrition and insufficient medical supplies also play a major role.

Additionally, infant mortality rates, deaths of mothers while giving birth and postpartum, accidents, war, murder, and suicides contribute to the differences. While infant mortality in western and northern Europe is 5-8 deaths per 1,000 births, the rate in Turkmenistan is 45 and in Tajikistan 40. The deaths of mothers in or after giving birth in Greece, for example, is 3 per 100,000, while more than 60 die in Kyrgyzstan.

In parts of eastern Europe the health system has already collapsed, according to Bulgarian epidemiologist Anatoli Nossikov of the

WHO Center for Europe in Copenhagen. There is a lack of money, medicine, and medical equipment which has led to severe problems in the prevention and treatment of diseases, he said. There has been a big increase in infectious diseases, and sicknesses which were thought to have been conquered, such as diphtheria, are now back. "The future of the health system in eastern Europe depends on the recovery of the economic system," Nossikov said.

According to the report, the situation is most problematic in the Central Asian Republics of the former Soviet Union. Health standards there have regressed to those of the 1950s. More than 100 million people still have no access to clean drinking water, and even more are suffering from poor or inadequate treatment of sewage.

Germany

Unesco plans jeopardize Elbe waterway projects

Plans by Unesco for a "bio-reservation" area encompassing stretches of the Elbe River in Germany between the cities of Wittenberg and Schönebeck in the state of Saxony-Anhalt, are putting various waterway projects in jeopardy. Germany's inland shipping association, the transportation workers union, and transportation experts are lobbying the Ministry of Public Transportation for the go-ahead for projects which would deepen the river and make it navigable for Euro-barges (2,450 tons) for 95% of the year.

The project would enable the Elbe, which is Germany's second largest river, to handle industrial and commercial traffic from the German North Sea port of Hamburg, to Prague, the Czech Republic, via the Moldau River.

The Unesco plan is also threatening the area around Bitterfeld, where chemical industries were dismantled after reunification in 1990, which would benefit from the reconstruction through development of new industries.

The Halle-based Institute of Ecological Economics and the Natural Protection Association of Germany are two ecological institutions working to stop the projects.

● **FINLAND** will build a 580-kilometer four-lane highway from Abo, Finland to St. Petersburg, Russia. The European Bank for Reconstruction and Development has given a loan of \$94 million, and the European Union will contribute to the project, which will cost \$600 million and be completed in 2010.

● **PAKISTAN** is discussing building a railroad through western Afghanistan to open Central Asian trade to the Indian Ocean, the *International Herald Tribune* reported on Nov. 19. It is also expected to spend \$300 million to upgrade the highway through the region.

● **INDONESIA'S** state-run oil company signed a deal on Nov. 16 with Esso Indonesia, a unit of Exxon Corp., for an offshore natural gas project in which U.S. investment could total \$40 billion. U.S. Commerce Secretary Ron Brown called it "the largest project of its type in history." The Natuna Sea Project in the South China Sea is expected to produce 15 million metric tons of liquefied natural gas annually.

● **ONE MILLION** people demonstrated in Rome on Nov. 12 to protest against about \$6 billion in government cuts in pensions. Opposition leaders announced that they will oppose the cuts in the parliament.

● **THE QUEEN** of England backed the construction of a high-speed rail link from the Channel tunnel to London, one of 13 new initiatives outlined in her address to the British Parliament on Nov. 16. Both her royal consort, Prince Philip, and her son, Prince Charles, are opponents of the project.

● **ROCKEFELLER** Center Group, which is controlled by Mitsubishi, has experienced "significant cash shortfalls" which "raise substantial doubt about the borrower's ability to continue as a going concern," Rockefeller Center Properties, Inc. said in a filing with the Securities and Exchange Commission on Nov. 16.

Pragmatism won't reverse drop in U.S. machine tools

Adapting our machine-tool industry to "market demands" rather than adopting Hamiltonian economic policies is madness. Anthony K. Wikrent reports on a RAND study.

The Decline of the U.S. Machine-Tool Industry and Prospects for Its Sustainable Recovery

by David Finegold, Keith W. Brendley, Robert Lempert, Donald Henry, Peter Cannon, Brent Boultinghouse, Max Nelson

Prepared for the Office of Science and Technology Policy by the Critical Technologies Institute of the RAND Corp., 1994, \$15 (Appendices separate)

U.S. machine-tool makers booked new orders of \$513.8 million this past September, the highest monthly level ever. It is the first "boom" the industry has enjoyed since the late 1970s, when it was written off as a "sunset" industry by the free marketeers and post-industrial ideologues alike. Within a few years, during the early 1980s, about half the U.S. capacity for making machine tools had been eliminated, compelling even the "free market" Reagan administration to initiate government measures to protect an industry deemed vital to national defense preparedness. Now, at the same time the U.S. industry is watching orders flood in, German and Japanese machine-tool makers face deep recessions in their home markets. But a recently completed study by the RAND Critical Technologies Institute (CTI) warns that U.S. tool makers must move quickly and decisively to "turn U.S. research leadership in the latest technologies into a market success that lasts beyond the present recovery." Otherwise, the study warns, the U.S. industry may relive the disaster of the late 1970s to early 1980s: "a recession followed by a rapid surge in demand that U.S. machine-tool builders do not have the capacity to meet, thereby allowing imports to win a larger

share of the U.S. market."

CTI was established under the Defense Authorization Act of 1991, to provide analytical support on technology issues to the President and other policymakers, and to improve understanding of how efforts to promote technological development help achieve national policy objectives. In the Defense Appropriations Act of 1992, Congress explicitly mandated a study of the U.S. machine-tool industry. It is the first study completed by CTI.

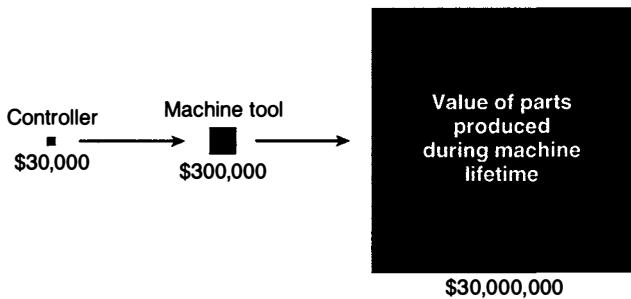
The machine tool industry has been one of the most extensively studied industries in the world, though it is actually quite minuscule compared to other industries. The entire U.S. industry, if taken together, would not even make the list of the 100 largest U.S. companies.

The importance of the machine tool industry lies in the fact that it builds the machines that produce other machines. Every facet of our everyday lives originates in some way with the machine-tool industry. The cup from which you drank coffee this morning was made in a mold that, in turn, was made by a machine tool. The engine block in your car was machined in a machine tool; the body panels were stamped in dies that were produced on machine tools.

In his 1947 memoirs, Fred H. Colvin, who spent 60 years at the cutting edge of machine tool technology, and served for many years as editor of *American Machinist*, wrote: "Textile machinery, automobiles, locomotives, printing presses, electric generators, airplanes, diesel engines, jet-propelled craft, motion picture cameras, linotype machines—all of them wonderfully interesting and useful machines in themselves, and all playing a significant part in the daily affairs of this exciting planet—exist only by virtue of the lathe, the planer, the slotter, the boring machine, and the other members of the great machine tool family. But more than this,

FIGURE 1

Importance of technology in machine tools



Source: RAND/Critical Technologies Institute.

machine tools are distinguished by a remarkable feature that places them almost in the category of living things and permits one to speak literally and not figuratively of their organic evolution. For machine tools are *the only class of machines that can reproduce themselves*.

“The parts of a lathe are made on a preexisting lathe, and the lathe thus made is used to turn out parts for a third-generation lathe, and the third-generation lathe begets the fourth, and so on through succeeding generations *ad infinitum*. One can almost think of these machines as propagating their species in accordance with the Biblical injunction given to old Adam and his children” (emphasis in original).

The impact that machine tools have on industrial productivity is thus enormous. For example, adding a \$30,000 computer controller to a machine tool may increase its productivity by 10%. That might translate into \$3 million more in parts produced on that machine tool. The CTI study explains at the beginning, “there is a risk that, without healthy domestic machine-tool makers, U.S. manufacturers will not have access to the latest technology” (see **Figure 1**).

CTI also noted that, because the U.S. machine-tool industry is comprised mostly of small firms with 50 or fewer employees, studying the industry provides useful insights into the problems of small and medium-sized establishments (SMEs), such as their access to financial capital and the fact that they are often burdened with a poorly educated workforce.

Historical development

The most crucial importance of machine tools is that since they are the machines that make all other machines, the first step in diffusing new scientific breakthroughs throughout the economy, is to apply them to machine tools.

A look at the history of machine tools shows this—which is a glaring omission in the CTI report. The modern machine-tool industry originated in the United States in the early 1800s, and American machine-tool makers dominated the world up until the disastrous 1970s and 1980s. As usual,

the British have attempted to claim that the development of modern machine tools took place in England; and, as usual, their claim is one part truth and nine parts falsehood. Long before the American republic was founded, Leonardo da Vinci made numerous drawings of many types of machine tools, working out principles of focusing circular action on a workpiece that are still applicable today. By the early 1700s, much of his knowledge had become concentrated in France. A French scientific encyclopedia of 1717, for example, portrays a slide rest used for positioning a workpiece.

Concerning the British claim, Joseph Wickham Roe, in his 1916 *English and American Tool Builders*, includes the following, revealing paragraph: “Sir Samuel Bentham, who was an inspector general of the British Navy, began the design for a set of machines for manufacturing pulley blocks at the Portsmouth navy yard. He soon met Marc Isambard Brunel, a brilliant young Royalist officer, who had been driven out of France during the Revolution, and had started work on block machinery through a conversation held at Alexander Hamilton’s dinner table while in America a few years before. Bentham saw the superiority of Brunel’s plans, substituted them for his own, and commissioned him to go ahead.” The Brunel machines were built by Henry Maudsly, whom the perfidious British hold up as the father of machine tools.

The reference to Hamilton is key: Any reader of U.S. Secretary of the Treasury Hamilton’s 1791 *Report to Congress On the Subject of Manufactures* would know that Hamilton strongly believed in government support and direction of industrial development.

The strongest surge of development of modern machine tools, and the industrial concept of “tolerances,” began when the U.S. War Department laid down a requirement for standardized firearms with interchangeable parts with which to equip the American military in the early 1800s. The key to satisfying this quest was the development of “machine” tools that could repeatedly perform the same task of drilling or grinding or filing with great precision. (This capability to perform the same function over and over again while maintaining the same accuracy is known as repeatability.) The first recorded U.S. War Department contract specifying firearms with interchangeable parts was given to Simeon North in 1813—during the Second War for Independence—for 20,000 pistols. Manufacturing that many pistols with interchangeable parts was simply impossible using hand tools, the standard means of fabricating firearms up to that time. By 1818, North had developed and installed the first milling machine in his plant in Middletown, Connecticut.

Under the guidance of John H. Hall, a woodworker from Portland, Maine who invented a rifle that loaded at the breech rather than the muzzle, the U.S. government’s Harper’s Ferry Arsenal in Virginia from 1819 to 1840 became a manufacturing development laboratory, with as much money and effort devoted to the design and fabrication of new machine tools, as to the production of Hall’s breech loading rifles.

Among the many machines Hall designed and fabricated, were three types of what became known as milling machines: plain milling, rise-and-fall milling, and hand milling machines. The head of the Ordnance Department during this time was Col. Decius Wadsworth, whose motto was, "Uniformity, Simplicity, and Solidarity." In June 1815, Wadsworth, with the help of his long-time friend Eli Whitney, set new standards for the manufacture of military firearms.

The first commercial applications of these new military technologies were focused on the development of standardized textile machines for the mills in the river towns of New England.

By the 1850s, the United States had created a machine-tool industry that would lead the world for the next 120 years. In 1854, an alarmed British Parliament dispatched engineer Joseph Whitworth to report on the developments in America. Whitworth wrote that "The laboring classes [of America] are comparatively few in number, but this is counter-balanced by, and indeed may be regarded as one of the chief causes of, the eagerness with which they call in the aid of machinery in almost every department of industry. Wherever it can be introduced as a substitute for manual labor, it is universally and willingly resorted to. . . . It is this condition of the labor market, and this eager resort to machinery wherever it is applied, to which, under the guidance of superior education and intelligence, the remarkable prosperity of the United States is mainly due."

The next great impetus for the development of machine tools came in the 1890s, with the mass production of bicycles. This was followed in just a few years by the mass production of automobiles. By the 1920s, the modern machine tool was well established. Only incremental refinements would be made over the next decades.

Then, in the 1950s, the U.S. Air Force initiated the development of numerically controlled (NC) machine tools; that is, machine tools that could be guided in repetitive jobs by coded tapes or punch cards, rather than a human operator. This soon led to the development of computer numerically controlled (CNC) machine tools in the 1960s and 1970s.

The fateful post-industrial shift

During the massive merger and acquisition "boom" of the 1960s, many U.S. machine-tool companies were bought by conglomerates. Machine-tool companies at the time were enjoying record profits, as U.S. automakers retooled to produce the more streamlined cars of the late 1960s, and U.S. aerospace firms raced to keep NASA flying to the Moon, and the Air Force and Navy flying in Vietnam. But rather than reinvesting a greater percentage of these record profits into the development of CNC machine tools, these companies were forced to hand the money over to their owners, the conglomerates. When the "post-industrial" policy led into the recession, then stagflation, of the late 1960s and early 1970s, the conglomerates dumped their holdings, which left

a number of machine-tool companies nominally independent, but financially crippled. The CTI study notes that "the financial managers of these diversified corporations [conglomerates] were unfamiliar with the particular requirements and highly cyclical nature of the machine-tool industry. When profits plummeted, the conglomerates sold off their machine-tool acquisitions rather than put in the investments required to develop a new CNC product line and upgrade production equipment. This stands in stark contrast to Japan, where the dominant machine-tool makers have grown through internal expansion rather than acquisitions."

Thus, CNC technology was created in the United States, but commercial success was won by Japan.

The first really large leveraged buyout in the United States was of Houdaille Industries, a conglomerate which had absorbed a number of machine-tool companies, including Burgmaster Corp. in 1965. Burgmaster had become the largest U.S. machine-tool maker west of the Mississippi, after developing a turret drill press in the late 1940s. The Houdaille LBO was performed by Kohlberg Kravis Roberts, for \$355 million in 1978-79, and it was ten times the size of any of the handful of LBOs that had been heretofore undertaken.

"Wall Street recognized immediately that the rules were no longer the same. . . . There were virtually no limits on how large a buyout could be," Max Holland wrote in his 1989 book, *When the Machine Stopped*. The financiers made a killing, but Houdaille was devastated. Recounting an interview with Allan Folger, then president of Burgmaster, Holland wrote, " 'After the buyout, Houdaille per se changed,' Folger later recalled. 'It seemed to lose its equilibrium.' Financial expertise became the single most valued resource, and understandably so. 'Accounting hires grew faster than manufacturing hires' because managing for cash flow 'to service the debt became the whole end,' said Folger. Corporate headquarters now demanded so many extensive financial reports that even Folger, with his capacity for numbers, came to believe that it interfered with attempts to improve Burgmaster's product and defend its market."

The "free market" ideology that allowed this type of situation, also prevented any implementation of a national policy on machine tools, thereby hindering standardization of CNCs, and preventing the healthy growth of the market needed to sell them. The lack of national standards, the CTI study explains, "slowed the diffusion of NC throughout U.S. industry by increasing the risk of obsolescence for early adopters, and increasing the complexity and cost of the controller units, as no one U.S. manufacturer attained sufficient economies of scale."

By contrast, in Japan, the government laid out a common standard; tax credits were given for the purchase of new machine-tool technologies; and grants were given to small Japanese firms to help them buy new CNC machines. Moreover, the Japanese government passed a law requiring half

of all machine tools produced by 1977 to be CNC. Though this ratio was not achieved, the result of these various government interventions was that one Japanese firm, FANUC—which had developed the first numerical controllers that were both reliable and cheap—emerged as the undisputed world leader in CNC tools, commanding an estimated 70% of the market today.

Patrick McGibbon, of the Association for Manufacturing Technology (formerly the National Machine-Tool Builders Association), argues that controllers for machine tools were not standardized in Japan, either. Other companies, such as Mitsubishi or Hitachi, had much better controllers than FANUC, but they were also more expensive. McGibbon explains that U.S. machine-tool makers in the late 1970s had created a crisis for themselves by accumulating a three- to four-year backlog of orders. Consequently, U.S. makers had to begin turning back customers. Naturally, U.S. makers chose to sacrifice the small job shops that bought mostly standardized machine tools on which there were low profit margins, and concentrated instead on building for large manufacturing companies, such as the automakers, or Caterpillar or Deere, which required specialized machine tools. These were “high-end” machine tools that required a lot of engineering work, and which therefore had much more “value added,” i.e., more money for the machine-tool builder.

But, the small job shops also needed to equip themselves with new CNC machine tools if they were to remain competitive, as we discuss more below. FANUC chose to target these small job shops, and developed less expensive controllers that these customers could afford. Still, according to McGibbon, FANUC had to sell a huge amount of its controllers in order to break even.

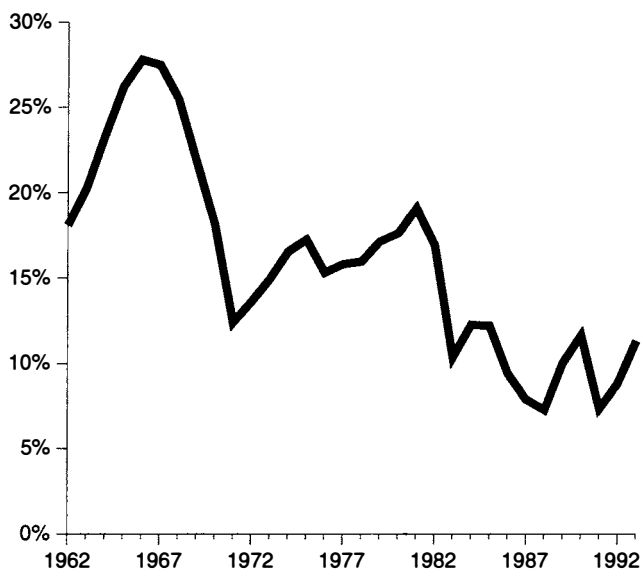
Once a shop had bought a FANUC controller, it was very difficult to switch to a different supplier because of the lack of standardization in controllers—both Japanese and American. McGibbon notes that FANUC is now in trouble, because it attempted to lock in its customers by refusing to make FANUC controllers compatible with machine-tool components of other manufacturers, creating a great deal of resentment, and wholesale defections of its customers to other suppliers. It appears to be an error of corporate strategy similar to Wang Corp.’s refusal to make its equipment and software compatible with IBM’s in the early 1980s.

Still, the Japanese lead in CNC machine tools is clear. In 1991, the percentage of U.S. production of machine tools that were CNC (as measured by value of tools sold) was 7%. Japan had reached 9% as early as 1979, and by 1991, Japan’s percentage of CNC tools was 30%.

The CTI study thus identifies two reasons for the decline of the U.S. machine tool industry: the collapse of the U.S. domestic market for machine tools, and the emergence of strong competing industries overseas, especially in Germany and Japan. Unfortunately, CTI looks at the symptoms without identifying the causes: the initiation of the Council on

FIGURE 2

U.S. share of world machine tool production



Source: Association for Manufacturing Technology (formerly National Machine Tool Builders Association).

Foreign Relations’ policy of “controlled disintegration” of the world economy, spearheaded by the 1973 and 1979 oil crises, and the imposition of double digit interest rates by Federal Reserve Chairman Paul Volcker in 1979. This deliberate shift to a post-industrial policy brought the U.S. machine-tool industry to its knees. In 1980, the U.S. industry accounted for one-fifth of the world’s total production of machine tools (see **Figure 2**). But, in just one year, 1982 to 1983, U.S. production of metal-cutting machines fell 53%, while that of metal-forming machines fell 37%. U.S. consumption has collapsed by around one-third since the late 1970s. At the same time, real consumption of machine tools leaped 104% in the Pacific Rim countries, and jumped 55% in western Europe. Today, the United States accounts for less than half the world’s production of machine tools.

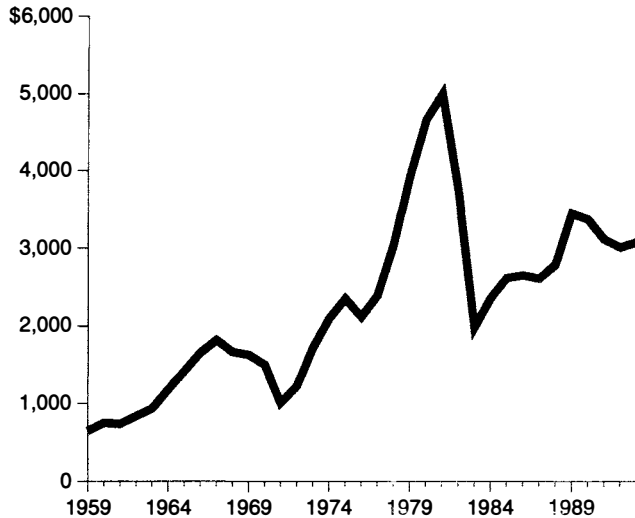
Chronicle of the collapse

U.S. machine-tool production collapsed accordingly: In 1991, U.S. production was 42% of the level it was in 1980 (**Figure 3**). Total employment in the U.S. industry peaked in 1967 at 116,400 employees, and has fallen from 108,000 in 1980, to 51,900 in 1993. (These figures are only for machine-tool makers; they do not include production of machine-tool accessories.) Employment as of August 1994 was up slightly to 53,700 (see **Figure 4**).

The 1967 Census of Manufactures counted 1,253 firms in the industry. The 1992 census found only 977 firms (including makers of machine-tool accessories, as well as firms

FIGURE 3

U.S. shipments of industrial machine tools
(millions \$)



Source: Association for Manufacturing Technology (formerly National Machine Tool Builders Association).

producing machine tools). In an April 1994 report, the U.S. International Trade Commission noted that the number of firms had remained relatively constant from 1987 to 1992 only because “foreign producers have increased capital investments in U.S. firms, or have established new production facilities in the United States.” This was largely in response to the threat of more protectionist measures than the Voluntary Restraint Agreements (VRAs) which the Reagan administration had negotiated with Japan and Taiwan.

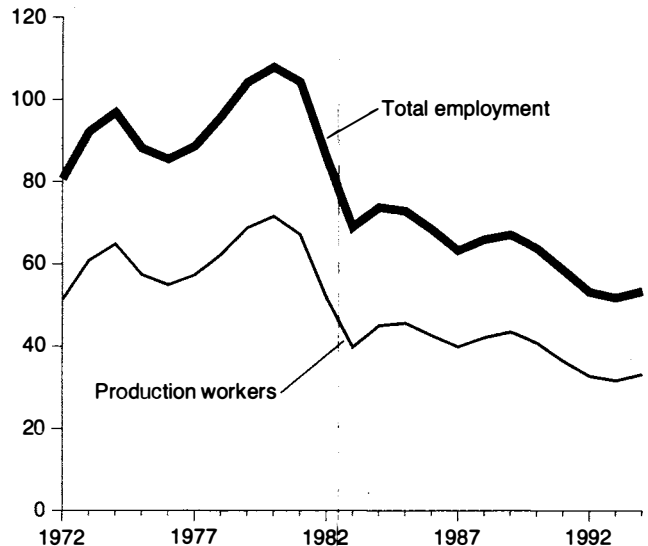
The collapse of U.S. production is apparent in statistics for both units and dollar volume. Advances in technology, however, particularly in the past five years, may render year to year comparisons meaningless. Patrick McGibbon notes that productivity on one machine tool, as measured by the amount of time required to cut a standardized part, has improved by a factor of ten *twice* in the past 13 years—fairly typical for the industry.

In an attempt to gauge the true extent of the collapse of the U.S. market for machine tools, CTI took statistics for metal use by industry sector in 1977, and scaled them up to a projected 1987 level, adjusted for inflation, then compared the resulting numbers to actual 1987 metal use. The resulting figures show the dramatic drop in metal use by U.S. industry (see **Table 1**). Total 1977 metal use was \$173.871 billion, and the scaled up figure for 1987 was \$223.619 billion. Actual 1987 metal use was \$132.918 billion—40.56% less than the projected, scaled up use.

The collapse in metal use is even more pronounced among the industry sectors that are the largest users of ma-

FIGURE 4

U.S. machine tool manufacturing employment
(thousands of people)



Sources: Bureau of Labor Statistics, *Employment, Hours Earnings, 1909-1990*, and September 1994 monthly edition.

chine tools. The automobile industry, which accounts for 30-40% of machine-tool consumption each year, registered a collapse in metal use of 47.96%. The aerospace industry is traditionally the second largest consumer of machine tools, accounting for 10-20%. The CTI study did not break out the aerospace industry, but metal use by “other transportation equipment,” collapsed 68.56%. The third largest machine-tool consuming sector, manufacturing of household appliances, which usually accounts for around 10% of U.S. machine-tool consumption, showed one of the smallest collapses, 39.78%. Two other large machine-tool-using industries, farm and garden equipment, and construction equipment, which each account for slightly less tool consumption than home appliance manufacturing, showed declines of 69.65% and 69.19%, respectively.

Unfortunately, the U.S. Census of Manufacturing uses dollar value, not actual weights of metal used, as the metric for their census which is conducted every five years. However, note that the CTI figures for “metalworking machinery and equipment” registered a collapse in metal use of 40.34%, very close to the 42% collapse in the dollar value of machine-tool production from 1980 to 1991, reported above.

To further check the validity of CTI’s analysis of metal use by industry sector, *EIR* calculated the decline in overall use of iron and steel, as measured in net tons by the American Iron and Steel Institute (AISI). Note that the CTI figures are for all metals used, not just iron and steel. However, the

TABLE 1

Reduction in use of metal by U.S. industry

(millions \$)

Industry	Actual 1977	Scaled up 1977	Actual 1987
Motor vehicles and equipment	18,186	23,389	12,171
Screw machine products and stampings	9,656	12,418	8,154
Construction and mining machinery	4,714	6,063	1,865
Other transportation equipment	3,882	4,993	1,570
Farm and garden machinery	2,414	3,104	942
Chemicals and selected products	2,121	2,728	624
Electrical industrial equipment and apparatus	3,704	4,764	2,836
General industrial machinery and equipment	4,041	5,197	3,372
Engines and turbines	2,853	3,670	2,209
Metalworking machinery and equipment	2,334	3,002	1,791
Household appliances	2,156	2,773	1,670
Materials handling machinery and equipment	1,145	1,472	576

Source: RAND/Critical Technologies Institute.

collapse in iron and steel use validates the finding of the CTI. The auto industry used 21.490 million tons of iron and steel in 1977, but only 11.343 million tons in 1987. That's a collapse of 47.22%, very close to the 47.96% collapse found in the CTI study. Use of steel in agricultural machinery collapsed from 1.017 million tons, to just 394,000 tons, or 61.26%; again, close to the 69.65% collapse in the CTI figures. Finally, the only other comparable industry breakout in the AISI statistics was for "appliances, utensils, and cutlery," which fell 23.30% from 2.129 million tons to 1.633 million tons. That is not nearly as bad as the 39.78% collapse in the CTI figures, but still, it indicates how terribly U.S. industrial demand for machine tools shrank during the 1980s.

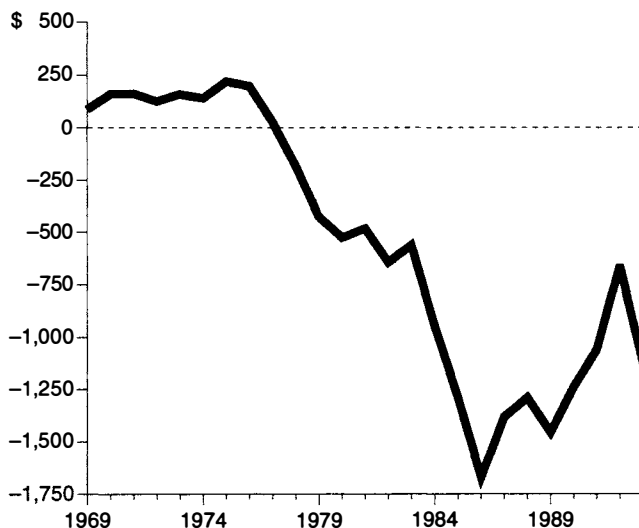
At the same time as the U.S. market collapsed, imports racked up huge gains in market share (see **Figure 5** and **Table 2**), for two reasons: First, U.S. machine-tool makers had traditionally buffered themselves from swings in the economic cycle by building up large back orders during boom times, which were worked off during bust times. The CTI report points out that this strategy "was sustainable so long as two conditions held: 1) Few alternative sources of supply were available; and 2) the technology was relatively stable. These conditions ceased to apply in the early 1980s." McGibbon's discussion of why FANUC came to dominate CNC machine tools, above, is illustrative.

Second, while the U.S. market was collapsing, the German and Japanese markets continued to expand. Japanese

FIGURE 5

U.S. machine tool trade balance

(millions \$ for new complete tools)



Source: Association for Manufacturing Technology (formerly National Machine Tool Builders Association).

TABLE 2

U.S. industry share of domestic machine-tool markets, 1982-91

(percent)

	1982	1985	1988	1991
All machine tools	73.6	58.6	52.6	54.9
Metal-cutting machine tools	72.6	56.7	48.5	53.8
Metal-forming machine tools	77.5	64.2	61.4	57.0
All numerically controlled	64.6	45.5	48.0	46.6
Boring & drilling machines	73.1	55.5	55.4	49.8
Gear-cutting machines	71.9	60.5	25.6	51.1
Grinding machines	77.4	70.2	52.9	60.6
Horizontal NC lathes*	51.8	42.9	34.9	39.8
Vertical NC lathes*	72.3	48.0	59.5	66.0
Non-NC lathes*	48.9	39.2	13.6	42.4
Milling machines*	73.4	54.6	60.1	71.6
Machining centers*	63.1	37.0	48.2	50.6
Station type	98.9	95.1	75.8	64.8
Other metal-cutting machines	65.0	45.1	36.1	25.7
Punching & shearing machines	65.4	60.0	68.0	69.2
Bending & framing machines	79.3	64.8	54.3	58.1
Presses	87.6	71.5	58.8	59.6
Forging machines	74.8	66.9	51.2	24.3
Other metal-forming machines	64.6	57.7	68.3	53.4

* Categories covered by Voluntary Restraint Trading Agreements (VRAs). Source: RAND/Critical Technologies Institute.

consumption of machine tools grew from less than \$2 billion in 1975, to \$8.3 billion in 1991, while German consumption grew from \$792 million in 1975, to \$6 billion in 1991. By 1990, both the German and Japanese markets for machine tools were twice the size of the shrunken, weakened U.S. market: U.S. consumption had not even doubled, moving from \$2.2 billion to \$4.2 billion in the same years.

Their growth meant that the German and Japanese machine-tool makers could continue research and development programs rather than scaling back production, while U.S. machine-tool makers, haunted by the financial legacies of the 1960s, had already slowed technological innovation. Thus, reports CTI, "When demand for machine tools began to pick up, spurred by the defense buildup and the retooling of U.S. automakers, the Japanese were able to make dramatic gains in market share by delivering new, reliable CNC tools within weeks. To make matters worse, they could sell these tools at a price U.S. machine-tool makers could not match, thanks to large cost advantages, and generous export finance."

One of the key developments behind the Japanese price advantage, according to the CTI, was their shift to modular assembly of machine tools. In the United States, most machine tools built were specifically designed and built for an individual customer—the high value-added machine tools that McGibbon says U.S. makers chose as their focus in the late 1970s. In effect, U.S. machine-tool makers were specialists in their respective small niches of the market. "By designing their tools for ease of production and commonality of parts across machines," the CTI study notes, "Japanese machine-tool makers were able to achieve greater economies of scale, while still producing an array of tools that covered most of the specialized functions which customers desired. In the leading Japanese firms, modularization cut the number of separate parts and tools by up to 90%. This, in turn, made CNC tools affordable to even the smallest job shop, creating a new market." This was particularly devastating for U.S. makers, where, unlike the rest of the world, price has been the most important factor for purchases of machine tools.

But at the same time that they were able to undercut prices of U.S. makers, the Japanese were also able to greatly increase the reliability of their machine tools. The standardization of the machine tools and their components made it easier to improve reliability. With reliability and technological sophistication being the most important considerations, in most other major machine-tool markets, the United States lost world market share, as well as domestic market share (see Table 3).

The shape of the world industry changed dramatically. In 1980, the ten largest machine-tool makers were U.S. firms, accounting for over 15% of world output. By 1990, however, only one U.S. firm could be counted among the world's top ten. In 1991, according to *American Machinist*, 29 of the world's 60 largest machine-tool firms were Japanese, and 20 were German. Only 5 U.S. firms could be counted among

TABLE 3

Japanese firms are the dominant CNC machine-tool suppliers

	Percentage of world production	
	1975	1990
United States	17	7
Germany	18	19
Japan	8	24

Source: RAND/Critical Technologies Institute.

the 60 largest firms in the world. Table 4 shows that even the largest U.S. machine-tool makers are now much smaller than their German and Japanese counterparts. The largest Swiss machine-tool company, George Fischer, had sales of \$333 million in 1992; the largest Italian company, Comau SpA, had sales of \$280 million.

Financial bias against manufacturing

The U.S. machine-tool industry is comprised mostly of very small firms that are private companies, which are not publicly traded on stock exchanges. In 1992, there were only 12 U.S. machine-tool companies that were publicly held, a number which includes firms that are part of larger, publicly traded parent companies. Only nine firms had sales of over \$100 million a year. The small size of the industry and its component firms makes for a disturbing dilemma: While the production of machine tools is a very capital-intensive undertaking, many banks and financial firms simply refuse to take the time to learn about the industry, or to deal with small firms. One banker told CTI that it could cost as much as \$20,000 to process an industrial loan for \$80,000—approximately the cost of a new, mid-line machine tool. Consequently, most U.S. machine tool firms are compelled to rely on retained earnings or family savings (if family-owned) in order to fund expansion or capital expenditures. McGibbon states flatly that "small companies are being murdered" by the financial and banking systems.

The situation is made even worse by U.S. customers, which traditionally proffer payment only after their order has been installed and tested in their facility. By contrast, in other countries, the customers help finance the development and construction of new machine tools by means of progress payments. In Japan, this is facilitated by the *keiretsu*, the families of companies that maintain long-term alliances with one another. Interlocking directorships and extensive cross-ownership of stock cement these alliances. The banks in a particular *keiretsu*, therefore, are very familiar with the operations and financing requirements of the industrial firms to which they are allied.

Similarly in Germany, most banks maintain ownership

TABLE 4

Eleven largest machine-tool makers in Japan, Germany, and the U.S.

(millions \$ in 1992 sales)

Country	Sales	Country	Sales	Country	Sales
Japan		Germany		United States	
Amada Co. Ltd	\$1,090.1	Thyssen Maschinenbau GmbH	\$600.0	Giddings & Lewis Inc.	\$571.7
Yamazaki Mazak Corp.	734.5	Schuler Group	529.6	Ingersoll Milling Machine Co.	410.0
Okuma Machinery Works	603.0	Trumpf Group	410.4	Cincinnati Milacron Inc.	380.0
Komatsu Ltd.	513.3	Mueller-Wiengarten AG	324.1	Litton Industries Inc. ³	306.0
Toyoda Machine Works	473.1	Gildemeister Group ¹	304.8	Gleason Works	147.3
Mori Seiki Co. Ltd.	458.7	Grob-Werke GmbH & Co. KG	268.9	Hurco Companies, Inc.	87.8
Toshiba Machine Co. Ltd.	435.2	MAHO Group ²	267.9	Fadal Engineering Co. Inc.	87.3
Fuji Machine Manufacturing Co. Ltd.	432.7	Pittler Consolidated Group	262.5	Hardinge Brothers Inc.	84.8
Nippei Toyama Corp.	378.3	Boehringer	245.9	Monarch Machine Tool Co.	77.9
Sodick Co. Ltd.	311.7	Alfinger Kessler Sondermaschinen	243.3	Allied Products Corp.	73.0
Hitachi Seiki Co. Ltd.	281.7	Traub Group ¹	214.5	Newcor Inc.	62.6

Source: U.S. International Trade Commission, *Metalworking Machine Tools and Accessories*, April 1994.¹ Gildemeister Group and Traub merged in 1993.² MAHA and Deckel AG (1992 sales were \$197 million) merged in 1993.³ Litton Industries is the parent company of Lamb Technicon and other machine tool companies; the sales figure is for the machine tool companies only.

stakes in the companies they lend to. The CTI study also notes that "much of the financing for the machine-tool firms in Germany comes from a system of local cooperative banks with specialized knowledge about the region's industries." It should be clear that if the United States wishes to nurture small industrial firms, it is moving in the wrong direction by permitting the large money-center banks to extend their activities across the country. Machine-tool makers and distributors which participated in the CTI study complained that bankers retain a strong bias against manufacturing, especially if it is cyclical, as the machine-tool industry is.

Present U.S. tax laws are not helpful, for either machine-tool makers, or their customers. Historically, an investment tax credit has been a very strong stimulus to sales of machine tools. When such credits are repealed, the tax benefits of purchasing a new piece of equipment are not realized until long after the equipment has been purchased. Sales of machine tools in the United States have always fallen steeply after an investment tax credit has been repealed (see **Figure 6**). All types of organizations that participated in the CTI study—machine-tool makers, distributors, users, and government—ranked an investment tax credit as one of the most beneficial policies that could be enacted on the federal level to assist the industry.

One very troubling result of the capital starvation of the U.S. machine-tool industry is that its own machine tools are very old. CTI recounted that its investigators, when visiting a machine-tool production facility, would frequently be shown tools that were decades old. In one instance, the maker proudly pointed out that he was using a machine tool that was

nearly 100 years old! (See **Table 5**.)

A dumbed-down workforce

Another major concern for the U.S. machine tool industry is the extremely low level of skills inculcated into the emerging labor pool by the U.S. education system. Many firms reported that they cannot afford to train workers in advanced technology, because they have to concentrate on providing remedial education in basic reading, writing, and arithmetic. The CTI appendices state: "Concerns over general education focused on three points: the lack of new employees' basic skills; the changing skill requirements for machine tool producers; and the negative perception of manufacturing in the education system of the United States. Participants felt that many workers in the industry operate at only 5th- or 6th-grade level, with little or no English ability. This lack of basic skill is becoming an increasing problem as computer numerical control technology shifts skill requirements away from machining to general problem-solving and communications skills."

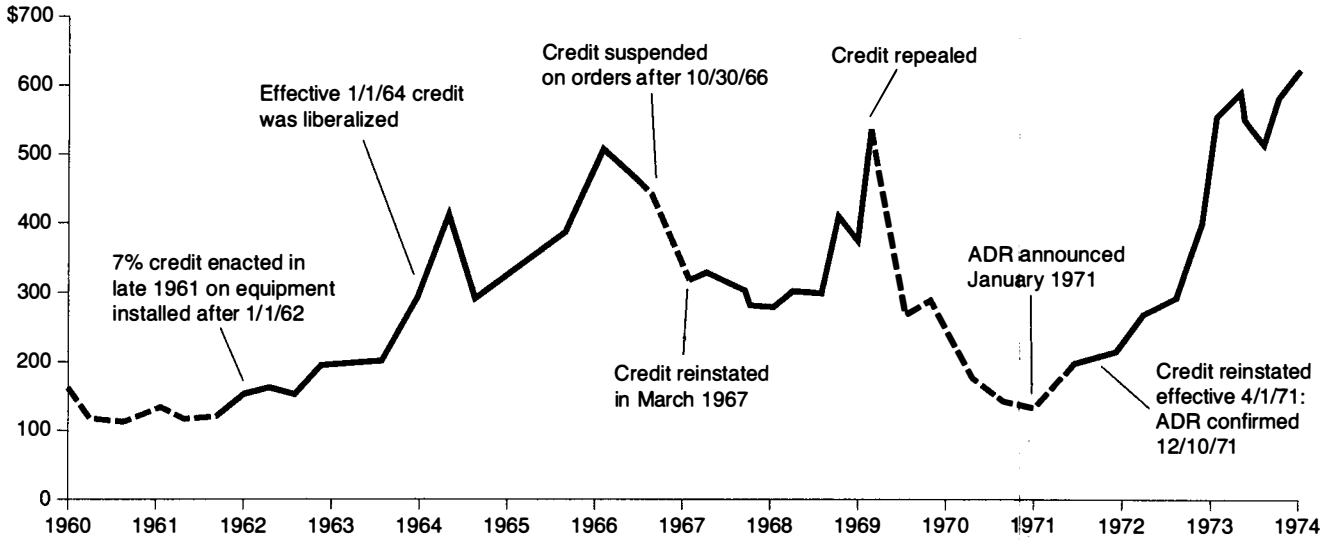
"This contrasts with Japan and Germany," the study states, "where manufacturing continues to be held in high prestige, and where machine-tool makers and users can recruit from a pool of young people who have, in many cases, mastered two languages and advanced math and science."

The difference in educational levels of the machine-tool workforces of the three nations is especially striking. About 4.5% of the workforce of the U.S. machine-tool industry are engineers. Somewhat over half of these are college-trained. In all U.S. manufacturing industries, 5.75% of the workforce

FIGURE 6

Effect of the Investment Tax Credit on the U.S. machine-tool industry

(millions \$ of orders)



Source: RAND/Critical Technologies Institute.

TABLE 5

Japanese firms employ more advanced manufacturing technology

(Japan/U.S. ratio)

New manufacturing technique	Small and medium-size establishments (SMEs)	Large establishments
NC/CNC machine tools	1.4	1.1
Flexible manufacturing cells	4.3	1.9
CAD	1.1	0.9
Automatic inspection	2.9	1.5
Handling robots	4.1	1.4
Automatic warehouse equipment	5.8	1.8
Assembly robots	2.1	1.2

Source: RAND/Critical Technologies Institute.

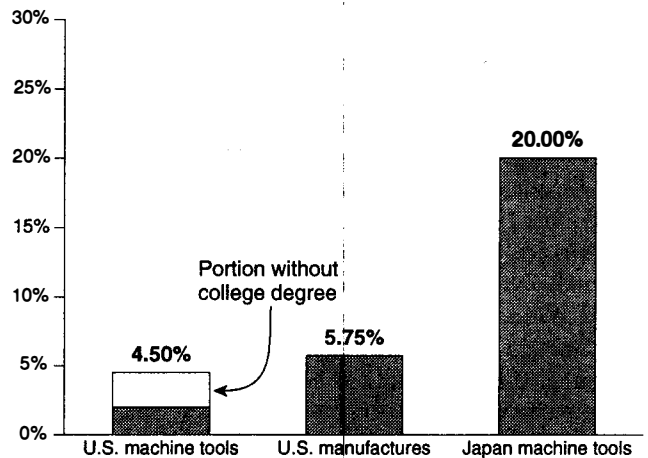
are engineers. In Japan, the CTI estimated that 20% of the machine tool workforce are engineers (see Figure 7).

Comparing these figures to Germany is difficult, because the Germans break down their workforce into specific categories. But, according to the figures kept by the German machine-tool producers association, at least 7.0% of the German machine-tool workforce are engineers. Assuming that one-quarter of administrators are engineers, the figure may be as high as 9.1%.

In addition, the German machine-tool industry benefits

FIGURE 7

Percentage of U.S. workforce employed as engineers



Source: RAND/Critical Technologies Institute.

greatly from an excellent national system of apprenticeships, which trained 9.8% of the workers in that country's machine-tool industry.

The combined effect of using older machine tools and a less skilled workforce is likely to devastate the U.S. industry in the future. The CTI report notes that "chief U.S. rivals use

their own factories as test beds for the latest tools, relying on workers to come up with new incremental improvements in products or the process of making them. This includes not only engineers, but production workers as well. . . . Without a broadly skilled workforce to replace the old generation of machinists, it will be difficult to generate the continuous product and process innovations that are critical to success in machine tools.”

As one major distributor of both U.S. and Japanese machine tools told the CTI investigators, “The Japanese will purchase the latest million-dollar flexible manufacturing cell and put an engineer on it for the first few weeks to ensure that it is operating properly and to search for any ways of improving its performance. A typical U.S. firm will stick an operator on it whose only skill is knowing the difference between the red and green buttons [to turn the machine on and off]. Then they wonder why they don’t get the expected return on their capital investment.”

Rapidly changing technology

Machine-tool technology remained relatively unchanged from the late 1800s until the 1960s, when CNC machines began to dramatically reduce the time required to set up and perform machining operations. The major consideration in buying new production equipment is increased productivity. For machine tools, this means reduced cycle time—the amount of time required to load the tools and workpiece into a machine, set up or program its operations, perform the operations, and unload the finished workpiece to make room for the next workpiece. A new machine tool should be able to cut the amount of time to perform all these functions, while also performing its operations with greater accuracy and better repeatability.

McGibbon said the rule in the industry is to “keep the spindle turning” (referring to the rotating shaft to which is attached the cutting tool that is applied to the workpiece. On some machine tools, such as lathes, the workpiece is attached to the spindle, and the cutting tool is brought into contact with the workpiece as the spindle and attached workpiece rotate).

James J. Bushong, vice president of Hitachi Seiki U.S.A. Inc., wrote in the June 1994 issue of *Production*: “At least one industry source estimates as little as 11% of the available production time is used for cutting metal. As a turning machine producer over many years, our experience indicates approximately 25% of available production time is used for cutting. About 60% is used for setup, and the remaining 15% is taken up in non-cutting operations such as machine loading and extraneous slide motions.”

Numerical control reduced typical setup times from days to hours. Computer numerical control (CNC) did not reduce initial setup times by much, but follow-on setups were reduced to mere minutes—provided that much of the setup work previously done by human machinists, such as bolting a workpiece in place, could be performed by machines. Thus,

TABLE 6

Trends in machine-tool components and systems

Component/system	1988	1993/94	Near future
Speed			
Spindle rpms	6,000	8,000	30,000-40,000
Number of spindles on machining center or lathe	1	1-2	2 or more
Cutting tools	Titanium nitride coatings	Cubic boron nitride (CBN) diamond coatings	Perishable tooling
Automatic tool change time	45 sec.	15 sec.	10-12 sec.
Quality			
Precision and repeatability:			
General machining	0.005 in.	0.0005 in.	0.0001 in.
Grinding	0.005 in.	0.0001 in.	0.00002 in.
Flexibility			
Metal-forming die change times	4 hours	5-15 minutes	

Source: U.S. International Trade Commission, *Metalworking Machine Tools and Accessories*, April 1994.

robotics came to be very important in machine-tool design. The CTI study notes: “The Japanese have coined a new word that roughly translates to ‘mechatronics,’ which sums up the major change that has taken place in machine-tool technology; new innovations in machine tools now combine the mechanics of cutting and forming metal with the software and hardware (electronics, sensors) that control this process.”

For metal-cutting machine tools, spindle speed is one of the major measures of performance. The faster the spindle speed, as measured by revolutions per minute (rpm), the greater the energy-flux density of the machine tool, since more work is being performed on the workpiece per quantum of time. Since the application of electric motors to machine tools early in this century, spindle speeds were 1,000 to 1,600 rpm. In the late 1980s, the machine-tool industry was set on its ear by spindle speeds of 6,000 rpm. In the past few years, machine tools with spindle speeds of 8,000 to 15,000 rpm have been introduced. At the 16th Japan International Machine Tool Trade Fair in late 1991, Niigata Engineering displayed a milling machine with a main spindle top speed of 100,000 rpm. Within the next few years, it is expected that top spindle speeds of 30,000 to 40,000 rpm will be routine (see **Table 6**). Some very specialized machines with spindle speeds of 200,000 rpm have been reported in the past few months.

The benefits of high-speed machining include reduced heat effects, which are responsible for up to 60% of machining inaccuracy. Heat distorts both the workpiece, and the machine tool itself. In tests of high-speed machining of cast

iron in 1992, LeBlond Makino Machine Tool Co. found that most of the heat generated by the cutting process is concentrated in the tiny zone immediately ahead of the cutting tool. High-speed machining allowed the cutting and removal of the heated cast iron before the higher temperature could be dissipated into the rest of the workpiece, eliminating a major source of distortion.

Another benefit of high-speed machining is higher quality finishes. This means that fewer machining operations need to be performed on a workpiece. The finish of a workpiece coming off a high-speed milling machine can be so fine, that the workpiece need not be sent on to a grinding machine, as has been the norm for the past century. As an indication of what this means for productivity, *Production* magazine reported in January 1993 that a joint study by Cummins Engine Co., and LeBlond Makino showed that two machine tools equipped with high-speed spindles had the same output as a transfer line (a specialized production line equipped with custom-built machine tools) equipped with 26 machine tools operating at slower spindle speeds.

Many new problems are presenting themselves to machine-tool makers, as materials such as titanium, magnesium, or aluminum replace steel in many applications that need to be machined. In an automotive door panel, for example, the safety engineers may want one end to crumple in a collision, while the center of the door panel remains rigid. To achieve this, two different pieces of steel with different characteristics and thicknesses would have to be bolted or welded together. But in making aluminum, you can change the characteristics of the same piece of metal by varying certain aspects of the production process, such as drawing the aluminum out from the casting rollers faster. Thus, the same sheet of aluminum can have different characteristics in different places—unlike steel, in which the characteristics remain uniform throughout the entire sheet. By replacing the steel door panel with aluminum, engineers eliminate a step in the production process (bolting or welding the two pieces of steel together), reducing costs and improving reliability. But it is now more difficult to machine that door panel, because, for example, if the aluminum is being cut, the tool or the cutting speed may have to be changed to deal with the different characteristics now found in the same sheet of metal.

High-speed machining is only one of 23 new technologies that CTI identified as being most important to the future development of material-shaping processes. Other new technologies that are rapidly changing the use and shaping of metal include processes that form desired shapes by depositing metal or metal-composite powders layer upon layer. The end product is so close to the final shape required, that the need for much machining is eliminated (see **Table 7**).

CTI's survey of these areas revealed a disturbing trend: The United States is a world leader in the research and development of almost all these technologies, but is a market leader in only about half. The older the technology was, the

TABLE 7

Summary of technology areas relevant to the machine-tool industry

(U.S., Japan, Germany)

Key technology area	Critical?	Age (years)	Research leaders	Market leaders
Electro-discharge machining	Y	20	U.S.,J	J
High-speed machining	Y	15	U.S.,J	U.S.,J
New machine configurations	N	10	U.S.	U.S.,J
Precision machining	N	10	U.S.,J	U.S.,J
Waterjet machining	N	10	U.S.	U.S.
Improved formability	N	10	U.S.	U.S.
Layered manufacturing	Y	5	U.S.	U.S.
Net shape manufacturing	N	5	U.S.	U.S.
Flexible machining systems	Y	10	U.S.,J	J
Flexible transfer lines	Y	10	G,J	G,J
Laserwelding	N	20	G,J,U.S.	G,J
Laser cutting	N	20	G,J,U.S.	G,J
Automated transfer	N	20	G,J	G,J
Cutting fluids	N	10	J	J
Flexible fixturing	N	5	U.S.,G,J	G,J,U.S.
Coordinate measuring machines	Y	15	G,U.S.	G,U.S.
Cutting tools	N	10	U.S.,J	J
Artificial intelligence	Y	10	U.S.,J	J
Computer integrated manufacturing	Y	15	G,U.S.	G
Computer numerical control	Y	30	U.S.,J	J
Electronic data interchange	N	10	U.S.,J,G	U.S.,J,G
Micromachines	N	5	U.S.,J	U.S.,J
Display technology	N	10	U.S.,J	J

Source: RAND/Critical Technologies Institute.

more likely it was that the United States had ceded R&D leadership as well as market leadership. There are 15 technologies that are at most 10 years old, for example; the United States is the R&D leader in 13 of them, and the market leader in 8. But in the eight technologies that were 15-30 years old, the U.S. leads R&D in only three areas, and is a market leader in just one area.

Failure to question policy axiomatics

The CTI study concludes by reviewing the four policy options available to government:

- maintain the policies of 1987 to 1993, in which the government focused on supporting basic research, and negotiated Voluntary Restraint Agreements to limit imports of certain machine tools from Japan and Taiwan;

- adopt a total free-market approach and leave the industry alone;

- protect and improve the industry, which would involve extending the VRAs with Japan and Taiwan and making greater efforts to ensure commercialization of R&D breakthroughs.

- make the United States a global player by attempting to aid U.S. machine-tool makers not only in the domestic market, but also in foreign markets, such as by devising new means of financing exports.

None of these options will work.

The CTI study is fatally flawed by its failure to address the underlying cause of the many problems it identifies. The decline of the U.S. machine-tool industry is not a process that can be isolated from the rest of the U.S. or world economy, which have, in fact, declined as quickly and as deeply as the U.S. machine tool industry has. Those who assert or believe that there was an economic “boom” during the Reagan-Bush years are looking not at the real, physical economy, but at the monetary aggregates that have grown cancerously by depriving the physical economy, such as the machine-tool industry, of the human and financial resources it needs to survive. CTI’s discussion of the financial problems of the U.S. machine-tool industry leads in the right direction, but the authors are apparently fearful of following through to the proper conclusions.

In order to truly understand the causes of the decline of the U.S. machine-tool industry, the fundamental axioms of U.S. policies must be examined. Let us take some of the problems indicated by the CTI study, and examine their root causes.

As intimated before, the collapse of domestic demand for machine tools was the result of the shift to a policy of post-industrialism in the 1960s and 1970s. This shift was pushed forward under a number of disguises: free markets, deregulation, environmentalist regulation. It allowed a sustained assault on, and complete dismantling of, the policies and institutions of national banking that had been established by the first U.S. secretary of the treasury, Alexander Hamilton—at whose dinner table was launched one of the major impetuses for the development of our modern machine-tool industry.

The end of national banking meant that the federal government relinquished its constitutional mandate to “coin money and regulate the value thereof.” The principal means of regulating the value of money is to ensure that credit is channeled only into those productive areas that will create new economic strength—roads and canals, or new machine tools, for example. Instead, the general welfare clause of the Constitution’s Preamble has been ignored, and “money”

has been allowed to seek the highest return. You may develop a revolutionary new machine tool, but if you can’t promise investors a 15%, 20% or more return on their money, you’re not going to get financing. So today we have speculation, financial derivatives, and legalized gambling—and a machine-tool industry half the size it was 15 years ago, which has lost the technological leadership it held for nearly two centuries.

The CTI report’s discussion of the financial difficulties of the machine-tool industry is a case study of what happens when central banking and speculation have triumphed over national banking and wealth creation. “Is private credit the friend and patron of industry?” Hamilton asked in the 15th *Federalist Paper*. Reading the CTI paper, the clear answer is: “No.”

In discussing the problem of a poorly skilled and schooled workforce, the plain fact must be faced that there has been a deliberate—and largely successful—attempt to transform the U.S. education system into a tool for the social engineering of a “New Age” of irrationalism and mysticism. This policy must be reversed.

The CTI study also discusses the collapse of U.S. machine-tool makers’ export markets. Besides the problem of a post-industrial shift, there is also the problem of outrightly racist “depopulation” policies, as expressed by such documents as National Security Study Memorandum 200 written and promulgated by British agent Henry Kissinger when he was U.S. secretary of state and national security adviser in 1974. Kissinger’s and London’s policy *is to kill off the populations of the developing countries*. This policy was reaffirmed in 1979 under the Carter administration Secretary of State Cyrus Vance’s *Global 2000 Report*, which calls for reducing the world’s population to 2 billion. The International Monetary Fund “conditionalities” imposed on developing countries, which have devastated export markets for all types of capital equipment, can only be understood in terms of these policies of depopulation.

Until these population reduction policies are repudiated, anyone talking about improving U.S. export markets, or expanding world trade through GATT, is simply not dealing with reality.

The real problem is thus pragmatism. Rather than seeking to eliminate the source of these problems by attacking the faulty, *genocidal* axioms underlying U.S. policy, CTI ends up merely providing a list of the symptoms that are killing the patient. You want an economic boom? You want to expand global trade and create new markets for U.S. machine tools? Build high-speed rail lines along the old Silk Road from Europe to China, across Africa, and across South America. Build 500 nuclear power plants along the coasts of Africa and the Middle East to provide electricity and desalinated water. Get on with the task of putting a man, then colonies of men, on Mars. Then you’ll see a true shortage of skilled labor!

British monarchy takes aim at another President

by Jeffrey Steinberg

It's no secret that relations between President Bill Clinton and the British Crown are about as strained as they've been between an American President and his British "cousins" in decades. It's also no secret that the level of threats to the President is the highest since John Fitzgerald Kennedy. But no security specialists or White House national security analysts appear to be seriously raising the questions: Are these two issues linked? Is the British Crown gunning for President Clinton?

A review of American history demonstrates that this question is a deadly serious one. Over the past 129 years, four U.S. Presidents—Abraham Lincoln, James Garfield, William McKinley, and John Kennedy—have been assassinated. Publicly available evidence shows that in each case, the assassinations were ordered from London and carried out by professional assassins under the control of His Majesty's Secret Intelligence Services. In each instance, the targeted President had been in a policy war with the British Crown at the time of his murder.

Just days after the mid-term elections in November, President Clinton announced that as of Nov. 12 the United States would no longer enforce the NATO military embargo against the Bosnian government. The announcement sent shockwaves through the political establishments in London and Paris. It was the latest in a series of foreign policy moves by President Clinton signaling an axiomatic break with British geopolitics. In Berlin, at the beginning of July, Clinton formally broke the twentieth-century Anglo-American special relationship, embraced German Chancellor Helmut Kohl as his "special partner," and threw American support behind the European Union's plan for the integration of eastern and western Europe through construction of a network of modern high-speed railroads.

Once before, in the closing years of the nineteenth century, American policymakers had sought to forge a Eurasian alliance by backing German, French, Russian, and Japanese efforts to build transcontinental rail links. This policy, elaborated by the American-trained German political-economist Friedrich List, was part of a global revival of Hamiltonian "American System" economics that



The “smoking gun” photo, establishing that Clay Shaw (second from right, in blond wig) knew David Ferrie (left). If this had been shown to the jury, New Orleans District Attorney Jim Garrison would have certainly gotten a conviction of Shaw, leading to exposing the role of Maj. Louis Mortimer Bloomfield and J. Edgar Hoover in the Kennedy assassination.

Credit: Courtesy of Gus Russo

held out the promise of economic development and integration of Eurasia through the completion of railroads stretching from Brest in France to Vladivostok, from Berlin to Baghdad, and across China to the Pacific.

Britain’s response was to assassinate McKinley (thereby installing rabid Anglophile Teddy Roosevelt in the presidency), to destabilize Russia, and to trigger a Balkan crisis to break up European unity. For Britain, the bloodbath of World War I was vastly preferable to an American-Eurasian alliance for global development. Now, as then, the British Crown, the *primus inter pares* (first among equals) of the European oligarchic Club of the Isles, prefers chaos and assassination to economic development and integration.

While at least 17 individuals—all apparently deranged—have been arrested in the past two years for threatening the President’s life (another man died when the stolen plane he was flying crashed into the West Wing of the White House), one of the more dangerous stalkers continues to walk the streets. Larry Nichols, an Arkansas man with a longstanding grudge against the First Family, has been touring the country—under British intelligence patronage—brandishing a gun and inciting people to “take out” the President.

The Nichols case is pivotal because his name surfaced early this year as one of Clinton’s accusers in the so-called “Whitewater” affair. The propaganda assault against the Clinton presidency, directed from London for more than a year, is a grim replay of the way the media pilloried the Kennedy presidency 31 years ago.

Back in October 1993, when President Clinton responded to the bloody attack on the Russian Parliament in Moscow by suggesting that the International Monetary Fund’s draconian “conditionalities” might be driving a Russia armed with nuclear weapons to the brink of chaos, *EIR* Founding Editor Lyndon LaRouche warned that London would not be pleased with the President’s sane response. In the ensuing months, the British press, led by the *Sunday Telegraph*, churned out a steady stream of venom against the President. LaRouche’s warnings that the attacks on Clinton were reminiscent of the buildup to the JFK assassination, were prescient.

It has been confirmed that the same networks that were directly responsible for the assassination of President Kennedy—the Permindex organization directed by British intelligence’s Maj. Louis Mortimer Bloomfield—are still active today. Bloomfield was the director of the Montreal-based Permindex, a founding official of the Canadian branch of the World Wildlife Fund, and, later, a charter member of the 1001 Club, an elite group of handpicked associates of Prince Philip, Duke of Edinburgh, and Prince Bernhard of the Netherlands.

Among the other charter 1001 Club members was Hollinger Corp. (Telegraph PLC) publisher Conrad Black. In April 1994, the LaRouche’s Exploratory Committee issued a report, “Assault on the Presidency!” which named the Hollinger Corp. and Black as the architects of the British Crown’s drive to destroy the Clinton presidency. That report linked the Hollinger effort to terrorist networks that carried out violence in the Middle East in an effort to overturn the peace process.

Great Britain's known role in assassinating U.S. Presidents

Not only are there ample British motives and benefit behind all four assassinations of U.S. incumbent Presidents, but a trained historian can trace the network which deployed the allegedly lone assassins up to its British-linked head. In an ongoing series in the *New Federalist* newspaper, historian Anton Chaitkin sketches the policy conflicts which led the British monarchy to target these Presidents, and identifies the clear British pedigrees of the hit-men.¹

The fundamental policy issue in all the cases was the insistence of the U.S. head of state upon a respect for the principle of national sovereignty within both economic and foreign policy. The British imperialists, themselves a spawn of the Venetian oligarchical tradition, have consistently opposed the republican commitment of the U.S. Constitution to economic progress, and sought to prevent the United States from furthering and spreading that effort. The British consistently demanded free trade policies, which these U.S. Presidents rejected; anti-central government policies, which these U.S. Presidents rejected; and an end to alliances between the United States and kindred sovereign republics, which could have threatened their dominance of the international financial and geopolitical arena.

The American Presidents who have been assassinated were advancing U.S. interests in fierce conflict with British geopolitical aims. In each case, the killing, and accession to office of the vice president, hindered or reversed the policy direction of the murdered President. Once the policy issues are understood, the identification of the British sponsors of the assassinations leaps out at you.

The Lincoln assassination

The most transparent of all the cases, and the one with which Chaitkin began his series on Nov. 14, 1994, is that of the first American President to be assassinated, Abraham Lincoln.

Lincoln was killed on April 14, 1865, five days after the Confederate Army had surrendered in the Civil War. Lincoln's policy for the postwar period had already been laid out in his second inaugural address and other legislative actions: He intended to continue a policy of national banking which would build up the industrial power of the United States, a policy of protective tariffs to further U.S. industry, and a policy of industrialization of the South. The British Crown, which had fomented the separatist splitoff of the

Confederacy to begin with, had been forced to accede to the victory of the Union. But they did not want to see Lincoln free to carry out his nation-building program.

The man who pulled the trigger to kill the Great Emancipator was a southern American, John Wilkes Booth, who was part of a band of Confederate spies and sympathizers. But the band was deployed by the British, through British Canada, through British-born Confederate Secretary of State Judah P. Benjamin, and then through Benjamin's agent and a direct co-conspirator with Booth, John Surratt.

Lincoln was succeeded by Andrew Johnson, who threw out the policies of industrialization and protection which Lincoln had forced through during the war, and thus created the basis for the British to continue playing their sectionalist games up to the present day.

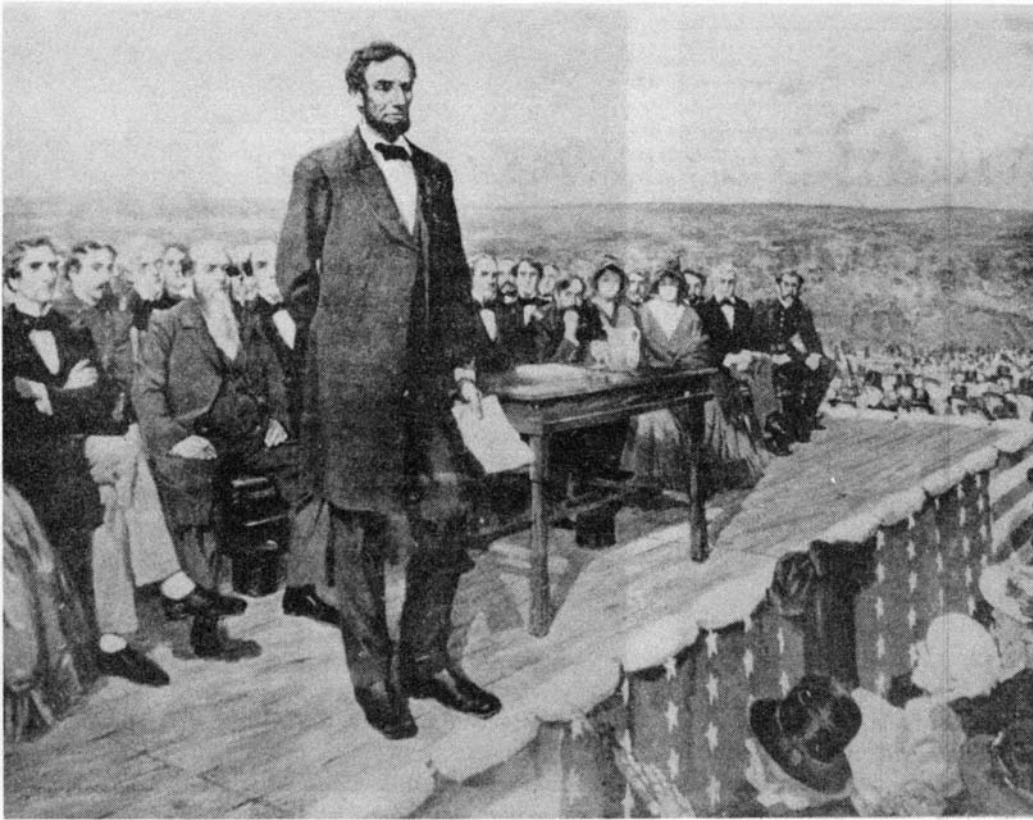
The Garfield assassination

The next President to be killed was James Garfield, who was inaugurated in March 1881, shot in July, and died four months later. Garfield was described at the time as a moderate protectionist, and therefore was a potential threat to British policy. His most egregious fault, however, appears to have been his choice of Maine Whig James Blaine as his secretary of state. Blaine went toe-to-toe with the British Foreign Office in Ibero-America, and Garfield paid for that with his life.

When Garfield was elected, the British were in the midst of fomenting the War of the Pacific, which deployed Chile (fully equipped with British armaments) against the nation of Peru. Blaine, however, decided that the United States would challenge British policy, and recognize the sovereignty of the defeated Peru, and its resistance leader. In fact, Blaine continued with this policy even after President Garfield had died. But incoming President Chester Arthur fired Blaine, on the excuse that his policies of recognizing Ibero-American independence, and sponsoring a hemispheric summit, would invite "European jealousy and ill will."

If anyone wonders where the British stood on all this, we need only quote Rothschild banker August Belmont, who said, with relief, that "the country might have been plunged into a war with Peru if poor Garfield had not been assassinated. Blaine is about the most unscrupulous politician we ever had."

Not so coincidentally, Garfield's assassin, Charles Guiteau, had threatened President Garfield that he would "come



President Abraham Lincoln at Gettysburg. His defeat of the Confederacy wrecked the British plan to split up the United States. Assassinated in 1865.

to grief” if he did not get rid of Blaine. Guiteau was a brainwashed victim of the Oneida, New York commune which was established by Tory John Humphrey Noyes.

The McKinley assassination

U.S. President William McKinley was shot and killed in 1901, less than six months after his inauguration. McKinley had a long history of opposition to British free trade policies, and was the author of the “McKinley Act” of 1890, which protected U.S. industries. In his first term as President, beginning in 1896, he followed through by enacting laws heavily taxing British imports.

During the course of his fight for U.S. industry, McKinley had developed a clear understanding that the British and their agents were the enemy. Speaking in Boston in 1892, when he was governor of Ohio, McKinley said: “We have had all of the Confederate [i.e., southern Confederate States in the Civil War] currency we want. . . . And we are not only opposed to Confederate currency, but we are opposed to British political economy. . . . Free trade shaves down [the workingman’s] labor first, and then scales down his pay by rewarding him in a worthless and depreciated state currency.

“ . . . [It is said] that protection is unconstitutional. . . . I know of but one constitution which it violates and that is the constitution of the Confederate States. It is in direct

violation of that instrument. But we are not operating under it. That instrument went down under the resistless armies of Grant and Sherman and Sheridan, and the constitution of Washington and Lincoln was sustained.”

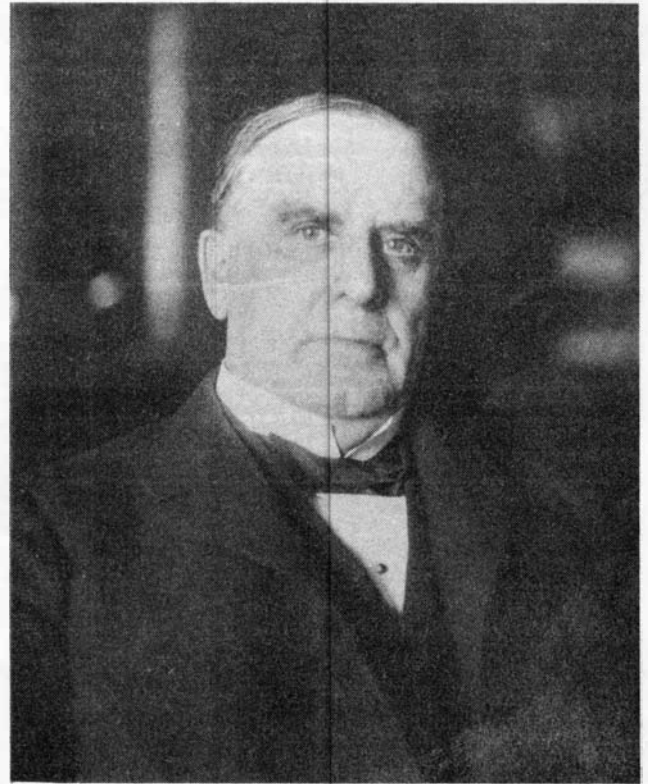
Back in 1882, when he was a congressman, McKinley also identified the British sponsorship of free trade: “Who has demanded a tariff for revenue only. . . ? What portion of our citizens? What part of our population? Not the agriculturalist; not the laborer; not the mechanic; not the manufacturer; not a petition before us, to my knowledge, asking for an adjustment of tariff rates to a revenue basis.

“England wants it, demands it—not for our good, but for hers; for she is more anxious to maintain her old position of supremacy than she is to promote the interests and welfare of the people of this republic, and a great party in this country voices her interest. . . . She would manufacture for us, and permit us to raise wheat and corn for her. We are satisfied to do the latter, but unwilling to concede to her the monopoly of the former.

“ . . . Free trade may be suitable to Great Britain and its peculiar social and political structure, but it has no place in this republic, where classes are unknown, and where caste has long since been banished; where equality is a rule; where labor is dignified and honorable; where education and improvement are the individual striving of every citizen, no



President James Garfield appointed Whig James Blaine as secretary of state. Assassinated in 1881.



President William McKinley, an opponent of British free trade policies. Assassinated in 1901.

matter what may be the accident of his birth, or the poverty of his early surroundings. Here the mechanic of today is the manufacturer of a few years hence. Under such conditions, free trade can have no abiding place here.”

McKinley’s assassination brought into power the President who would inaugurate the concept of “Anglo-Americanism” and imperialism against Ibero-America as well as turn the tide against internal improvements—Teddy Roosevelt.

The assassin of McKinley was anarchist Leon Czolgosz, a member of a stable of British-protected anarchists who were being safehoused at the Henry Street Settlement House in New York City. Czolgosz was a self-proclaimed disciple of anarchist Emma Goldman, and the Henry Street Settlement House was historically financed by big money, including Sir Ernst Cassell, personal banker to the British royal family. Goldman was arrested on suspicion of complicity with Czolgosz, but ultimately released. After she was deported from the United States some time later, she took refuge in England, which she praised in her autobiography for providing a “haven” for anarchist activities.

The Kennedy assassination

Next to the Lincoln assassination, there is no bigger turning point in U.S. history than the murder of President John F. Kennedy, and the coverup of who murdered him. The

United States went through a phase-change of dramatic proportions after Kennedy’s death, which can best be summarized as the shift from a culturally and technologically optimistic industrial society, to one of degenerate post-industrialism.

Kennedy’s foreign and domestic policies for the United States were offensive to British geopolitics, as well as to post-industrial ideologues. He was moving toward a shift out of the British-controlled U.S.-Soviet balance-of-power game into a policy of “overwhelming technological superiority.” He was moving out of the Vietnam trap, and he was feared to be leaning in the direction of an alliance with nationalists Charles de Gaulle of France and Konrad Adenauer of Germany. Domestically, he had chosen to reassert the power of the central government to spur the economy through investment in the space program, and to challenge the Federal Reserve System. He was also providing encouragement, if not outright aid, to Third World nations seeking economic development.

It was a case of a young man who had been trained in Britain and was thought to be an Anglophile threatening to go out of control, and the British government, and their representatives in the U.S. Eastern Establishment, especially McGeorge Bundy of the National Security Council and the Ford Foundation, didn’t like it at all.

So Kennedy was shot to death on Nov. 22, 1963, alleged-

ly by a man who was immediately shot to death himself. The history of Lee Harvey Oswald and the fantasies of how he allegedly shot the President are plainly coverups. The coverups were certified by the Warren Commission, and, while under constant debate, are not believable by anyone knowledgeable in the subject.

The key to the conspiracy to kill Kennedy lies in the interface of three institutions—the Federal Bureau of Investigation, the Permanent Industrial Exposition (Permindex), and the British royal intelligence services. In these networks one finds close associates of Oswald's in New Orleans, namely David Ferrie, Guy Bannister, and Clay Shaw. Shaw was prosecuted by New Orleans District Attorney Jim Garrison for a role in the assassination, and was only acquitted because he *lied* about his association with Ferrie. (See photo p. 29. The full story appears in *New Federalist*, Nov. 28, 1994.) Ferrie and Bannister had worked for the FBI; Shaw had worked with British intelligence.

Shaw was also the director of a Trade Mart which was a subsidiary of Permindex. Permindex had been expelled in 1962 from both Italy and Switzerland, and had also been identified as responsible for trying to organize the assassination of French President de Gaulle. Permindex had been founded by Louis Mortimer Bloomfield, a Canadian who served as an

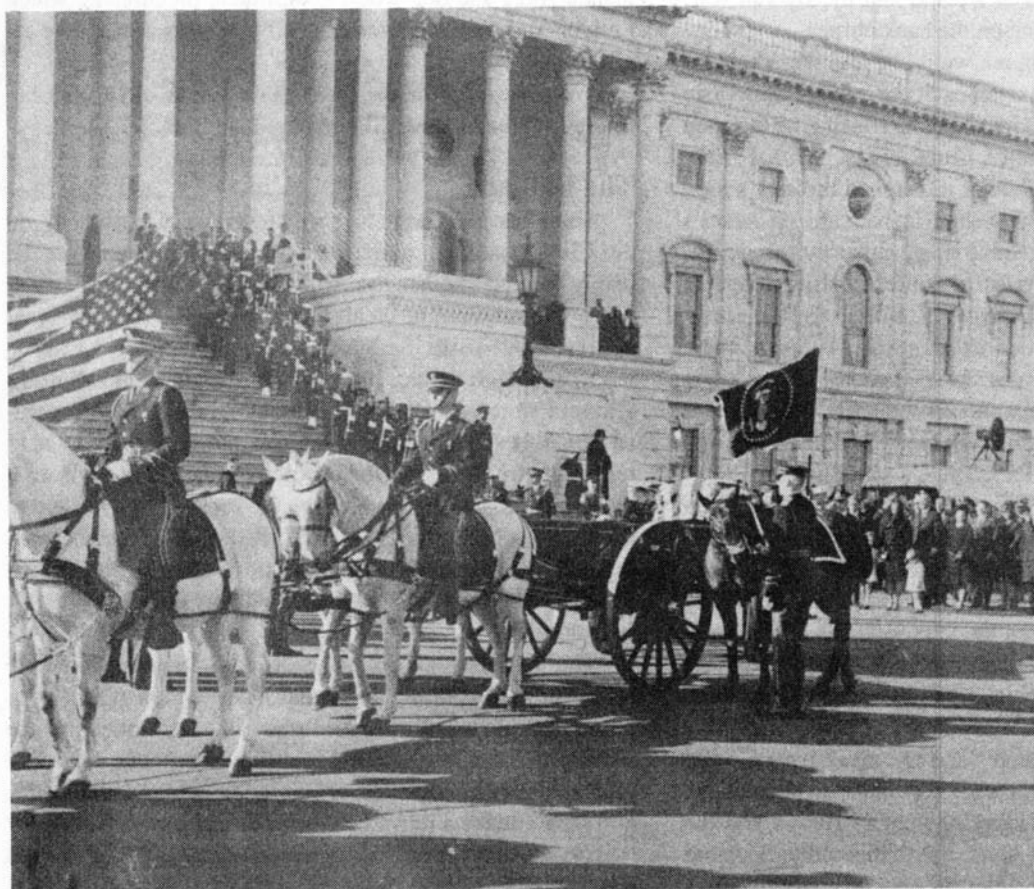
agent of the British Special Operations Executive.

But the explosive new information Chaitkin presents is that Bloomfield was also closely associated with the British Crown. He was a founding member of Prince Philip's "1001 Club" and the vice president of the Canadian branch of Philip's World Wildlife Fund. FBI Director J. Edgar Hoover, who had hired Bloomfield as a "personnel adviser" for decades, was up to his eyeballs in the assassination plot as well. Hoover failed to act on a telegram sent him personally by Oswald, who said the FBI was covering up an assassination threat to the President in Dallas.

It is no secret that Lyndon Johnson, taking over after Kennedy's assassination, feared that the same thing might happen to him, and moved rapidly to enforce the policies Britain approved. But the British still do not rest easy. Until their assassination capability is exposed and dismantled, there is the danger that it could still be activated against a nationalist President again.

Notes

1. For further reading see *Treason in America*, by Anton Chaitkin (New Benjamin Franklin: New York, 1985); and *The Civil War and the American System; America's Battle with Britain, 1860-1876*, by W. Allen Salisbury (Executive Intelligence Review: Washington, 1992).



The funeral cortege for President John F. Kennedy, the young President who went out of British control. Assassinated in 1963.

London's bitter quarrels with President Clinton

by Nancy Spannaus

"Relations between Washington and London have hit a rough patch. Not since the Suez crisis in 1956 have the two countries been at such odds for an extended period of time, diplomats on both sides of the ocean say."

That was the evaluation of John Darnton, a journalist writing in the Oct. 27 *New York Times*. The theme he struck was one which *EIR* and its founding editor Lyndon LaRouche have been discussing since December 1993, when the British-directed Hollinger Corp. began the barrage of Whitewater scandals against President William Clinton. Throughout all of 1994, the conflict between the U.S. and British governments has been a recurring theme, sometimes taking dramatic proportions as in the cases of Ireland and the Balkan war, and at other times simmering on the back burner.

The U.S.-British falling out would be less remarkable if it were not for the official existence of the "Anglo-American special relationship," which reestablished itself after the open break at the time of the Suez Canal crisis. At that time, President Dwight D. Eisenhower threatened military action if the British and French persisted in backing up Israel's attack on the Suez Canal. Since then, aided by the prominence in foreign policy circles of confessed British agents like Henry Kissinger and his protégés, British and American interests have been presented as identical. Although there was certainly intelligence warfare going on *sub rosa*, the official convergence of views and activities grew to the point of obscenity in the relationship between British Prime Minister Margaret Thatcher and President George Bush.

On June 11, 1994 in Berlin, Germany, President Clinton came within a hair of officially abrogating that special relationship. Speaking at a press conference with German Chancellor Helmut Kohl, the President paid tribute to the "truly unique" relationship between the United States and Germany. When challenged by British reporters as to whether he was relegating the U.S. special relationship with Great Britain to the background, the President said that "there is a way in which the United States and Germany have a more immediate and tangible concern," especially in face of the questions of the economic development of Russia and the East. Reading between the lines, the British press declared that the U.S. President had ended the special relationship.

But the substance of the break between the Clinton administration and London does not lie in statements of formal allegiance, or other diplomatic niceties. What has been going on over the course of the Clinton presidency has been a growing tendency of the United States to break from the dominant British geopolitics of the post-World War II period, which has resulted in increasingly open clashes on foreign policy. Although there has appeared no coherent Clinton foreign policy doctrine, the President's tendency toward respect for national sovereignty, and a perspective of using economic cooperation to resolve intractable conflicts, has set him on a course which challenges the combination of crisis management and one-world government dictatorship which London and the British-dominated United Nations have asserted.

We review below the most salient areas of conflict between London and the Clinton administration.

The Balkans

There has been no more consistent area of clash between the Clinton administration and Great Britain than over the war in former Yugoslavia. Although he backed off his campaign commitment to break from George Bush's policy of appeasement of the Serbian aggressors, President Clinton has frequently reiterated his own view that the United Nations arms embargo against the government of Bosnia-Herzegovina should be lifted, and that that government be permitted to regain control of its territory which has been seized from it by force. Yet at every point when the President threatened to act upon this commitment at the United Nations or unilaterally, he encountered the withering opposition of the British Foreign Office or British spokesmen acting under the umbrella of the U.N.

The triggers for the clashes are too many to enumerate here. They range from the Serbian strangulation of Sarajevo, to the destruction of protected areas like Srebrenica, to the recent atrocities by the Serbs in the area of the so-called protected city of Bihac. Every time the Clinton administration would make a move toward more aggressive NATO air strikes, the British or their generals in the U.N. Protection Forces would object. Every discussion of lifting the arms

embargo would be sidetracked by British threats to pull out of the area altogether, or by other unspecified threats to the Bosnian government.

President Clinton has taken the correct position that the Serbian aggression is not a civil war, and that the Bosnians have the sovereign right to defend themselves. The British, who have organized the French and the Russians (who have their own historical, longstanding ties with the Serbs) to their position, have objected that this is a centuries-old conflict that will have to exhaust itself. Even after the Bosnian government agreed to postpone its request for a lifting of the arms embargo for six months, putting it off until next spring, the British government declared that it was unwilling to permit a vote in the U.N. Security Council.

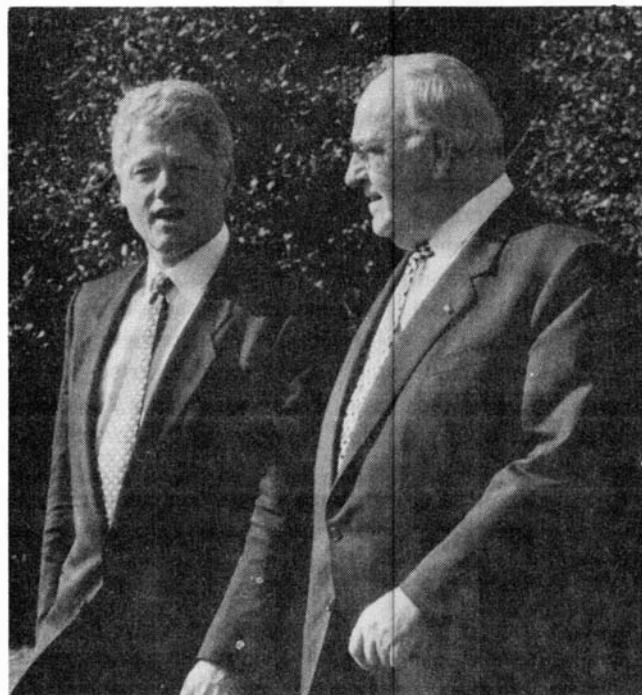
Thus, President Clinton has attempted to work around them, by forging the military alliance between the Croats and the Bosnians, and now by formally ceasing the naval enforcement of the arms embargo against the Bosnians. It remains an uneasy truce, however, as the Serbian aggressors continue their genocidal war.

Ireland

Perhaps nothing has irritated Her Majesty's government more, however, than President Clinton's personal intervention to bring about peace negotiations between the warring parties in Britain's backyard, Ireland. As in the case of Bosnia, the Clinton team had been involved in the Irish situation before he was elected President, promising, in this case, to appoint a special envoy on the Northern Ireland problem. But the fireworks didn't begin until after his election. The first affront was Clinton's appointment of Sen. Ted Kennedy's sister Jean as ambassador to Dublin; the second, was the appointment of a former foreign policy aide to Kennedy as a member of the National Security Council (NSC).

Throughout Clinton's first year in office, there was also discussion of bringing Gerry Adams, head of the Sinn Fein, the civilian arm of the Irish Republican Army (IRA), to the United States for discussions. Requests were turned down, but the situation changed in January-February 1994. Despite personal lobbying by British Foreign Secretary Douglas Hurd against granting a visa for Adams, President Clinton ensured that it happened. The press described the visit as the occasion for a "major rift in U.S.-British relations."

But President Clinton didn't stop. The first 48-hour visit of Adams was followed by the granting of a visa to a Northern Ireland Unionist leader and another Irish Republican leader, Joe Cahill, who was previously barred. The first major result was the declaration by the IRA of its unilateral cease-fire on Aug. 31. The British government remained in a rage, and made public the internal divisions in the Clinton administration between the NSC, which has supported Clinton's Irish policy, and the State Department, which has sided more closely with the British. Adams was granted another visa in October, over British objections.



President Clinton's announcement of a "unique" partnership with Germany during his visit there in July 1994, sent the British press sputtering that the "special relationship" with Britain was ended.

Middle East peace

While you won't catch the British government making statements against the Israeli-Palestinian peace accord, there is no question but that London has committed itself to sabotaging that September 1993 breakthrough. All you have to do is to look at London's hands and feet, and the strings through which London controls various players on the ground, to see that this is the case.

The editorial in the Oct. 31 London *Financial Times* came the closest to expressing London's cynical opposition. Writing on the Casablanca conference on economic development and the perspective of statesmen like Israeli Foreign Minister Shimon Peres, who has stressed the need for massive economic development to ensure that the peace succeed, the *Financial Times* editorial said: "Participants would do well to remember that the region is far from being able to beat swords into ploughshares, as the more visionary Israeli leaders suggest," and, "in fact, it is still in urgent search of the political solutions that are an essential precondition for development."

To the contrary, the very premise of the Israeli-Palestinian accord, as signed under the sponsorship of President Clinton in September 1993, was that economic development was a precondition for lasting peace. The protocols of the agreement, and statements by Palestine Liberation Organization Chairman Yasser Arafat and Peres in particular, have underscored this point. The main problem has come with the

behavior of the World Bank, which has held up promised funding for the new Palestinian entity until certain conditionalities were met.

President Clinton has indicated support for a new Mideast Development Bank outside the World Bank. London has put its backing behind the World Bank-International Monetary Fund (IMF) approach.

London's attempt to destabilize the peace has also taken the form of deployment of its terrorist assets, both on the Israeli and Arab sides. The Hebron massacre of Feb. 25, 1994 was carried out by Jewish Defense League-linked extremists whose intelligence control traces back to the Quatuor Coronati freemasonic lodge in London. On the Arab side, the terrorist wing of Hamas is known to be the spawn of British intelligence circles.

The Clinton administration's efforts to cool out conflicts within Algeria, Sudan, and Yemen have also met with British opposition.

Asia

The crises in both Korea and China have provided the occasion for conflict between the Clinton administration and London in Asia. In both cases, the Clinton administration has taken the approach of defending the right to national sovereignty, and of encouraging economic development as a way toward stability. This has been most surprising in the Korea crisis, where the traditionally anti-nuclear Democratic administration came to an agreement on Aug. 12 which would preserve North Korea's sovereign right to rely on nuclear energy, by providing new light-water nuclear reactors in return for shutting down Soviet-type nuclear plants.

London and its one-worldist cothinkers at the International Atomic Energy Agency (IAEA) did their best to create the crisis between the world community, especially the United States, and North Korea in the spring of this year, with the issuance of numerous reports on the alleged nuclear threat by the North. Clinton administration spokesmen, who had been in negotiations on North Korea's nuclear program for more than a year, were forced to constantly disavow the IAEA's "intelligence." London think-tanks such as the International Institute for Strategic Studies (IISS) and Jane's *Defense Weekly* pumped out "analyses" which called for a U.S. military confrontation with North Korea over its refusal to abide by the Nuclear Non-Proliferation Treaty.

President Clinton derailed the British-U.N. scenario by sending former President Jimmy Carter to negotiate directly with North Korean President Kim Il-sung in Pyongyang on June 16-18. The negotiations which were set up at that time, although delayed by the intervening death of the North Korean head of state, eventually resulted in the signing of a treaty on the nuclear redevelopment of North Korea on Oct. 21.

Less of a "hotspot," but equally significant in terms of conflict between U.S. and British policy has been China. In the on-the-ground situation, the British have a lot to play

with in China, since they still hold Hongkong, and have historically deep connections with Chinese finance and the Communist Party itself. Their perspective on handling the situation was revealed in part in a March 1994 study published by the IISS. The 64-page study, written by IISS Asia expert Gerald Segal, forecast the likely outcome of a crisis which would lead to the breakup of China. Sources in China itself have also reported their observation that the British are committed to a policy of dividing China into at least three parts.

In contrast, the Clinton administration has sought to shift the policy of economic looting which is leading to devolution in China, and replace it with a new relationship in which "economic security" would be ensured. The major move in this direction which Clinton took was sending Secretary of Commerce Ron Brown to China at the end of August. Brown announced at a press conference on Aug. 30 that President Clinton "has sent substantive signals that we regard China as a commercial ally and a partner—that China's long history is deserving of respect; and China has responded." Brown took two dozen corporate leaders to China to discuss major infrastructure projects, and declared that Clinton "has junked a 12-year tradition of laissez-faire government" in order to win contracts for the United States to help build these projects.

An alternative strategy

No review of the quarrels between London and the Clinton administration would be complete without mentioning East-West relations. Despite statements by Vice President Al Gore and State Department official Strobe Talbott in the winter of 1993-94 about the disastrous effect of IMF policy on the Russian economy, the Clinton administration has not abandoned IMF policy toward Russia. But the President's predilection for making bilateral deals based on joint economic interests (as in the Middle East and Korea), instead of depending upon global institutions, has London and its minions in constant fear that he may dump their policy to loot Russia.

Clinton's endorsement of the East-West infrastructure program put forward by European Commission President Jacques Delors, back in July, also represents a threat to the British approach to Europe's future. The Delors plan is not dead, although spokesmen for London and free-market economics are attempting to kill it by ruling out the use of state credit for the needed infrastructure projects.

Whether President Clinton ultimately decides to dump the IMF, the most aggressive of U.N. "one-world government" agencies, may well determine whether his war with London will be successful. It will determine whether he can rally support at home, and abroad, for the principle of national sovereignty based on growth and economic development—the very essence of the American System ideas which London's rulers are determined to crush.

Hollinger Corp. 'patsy' threatened to kill President Clinton

by Jeffrey Steinberg

By all reasonable estimates, Larry Nichols should today be behind bars, under round-the-clock psychiatric evaluation in a federal penitentiary. On May 11, 1994, speaking before a gathering of radical populists, gun advocates, and outright secessionists in Boulder, Colorado, Nichols made a series of unambiguous threats against President Clinton. At one point near the start of his remarks, while he was vowing to "meet" President Clinton at "high noon," Nichols pulled out a silver-plated, large-caliber handgun from his waist and laid it on the podium. He repeatedly referred back to the gun throughout his 20-minute "Get Clinton" diatribe.

Nichols is not simply another psycho stalking the President (17 such people have been arrested since President Clinton's inauguration in January 1993, making him the most threatened President since John F. Kennedy). A former Arkansas state official, Nichols was an important local player in the George Bush and Oliver North-led "secret war" involving the Nicaraguan rebel Contras in Central America. His activities in Little Rock were directly tied to gun- and drug-running operations run out of Mena, in western Arkansas; he was in almost constant contact with Nicaraguan Contra leaders, including Mario and Adolfo Calero in New Orleans; Gen. John K. Singlaub; and Gen. Richard Secord.

The Mena-New Orleans-Honduras arms-smuggling route served as a reverse pipeline for cocaine shipments into the United States, according to citations in North's handwritten notebooks and congressional investigations. (On Aug. 9, 1985, North wrote: "Honduran DC-6 which is being used for runs out of New Orleans is probably being used for drug runs into U.S.")

Even more to the point, for at least the past eight months, Nichols has been operating under the personal sponsorship and guidance of Ambrose Evans-Pritchard, the Washington, D.C.-based correspondent for the Hollinger Corp.'s flagship *Sunday Telegraph* newspaper in Britain. The Hollinger Corp. is a part of the British secret intelligence apparatus directed by the British Crown. It is an outgrowth of the World War II British-American-Canadian intelligence interface, launched at the end of the war as the Argus Corp. with over a billion dollars in British government seed funding.

For the past year, Evans-Pritchard has been the point man for the British Crown's propaganda offensive against the Clinton presidency. With Evans-Pritchard's recruiting of

Larry Nichols, that war of words turned into a potentially murderous direction.

Personal venom

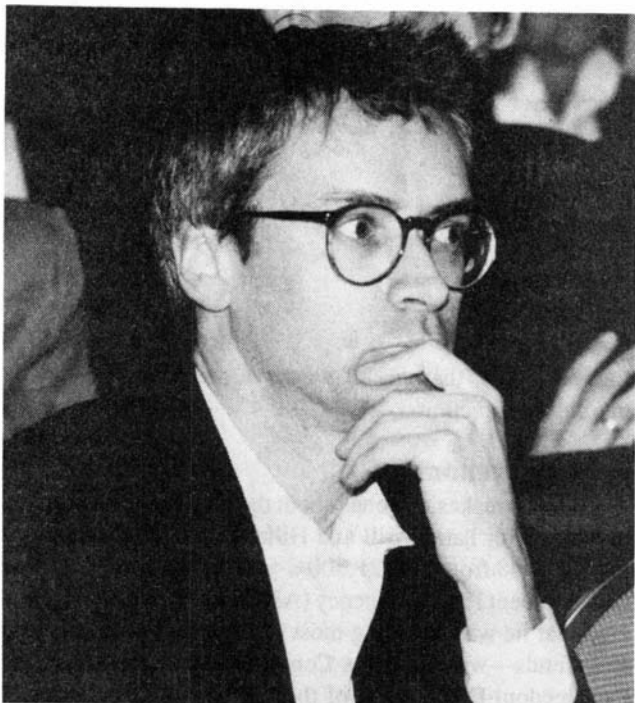
Nichols makes no bones about the fact that he has personal reasons for hating Bill and Hillary Clinton. Nichols was fired in 1988 from his \$21,500-a-year job with the Arkansas Development Finance Agency (ADFA) after auditors discovered that he was spending most of his time—and Arkansas state funds—working for a Contra support operation called the Freedom Feet Project of the Caribbean Commission, a New Orleans-based outfit run by Mario Calero. Calero's Caribbean Commission ran the DC-6 supply flights out of Louisiana that North cited as the Contra cocaine connection.

Additionally, Hillary Clinton reportedly represented Nichols's ex-wife (successfully) in a heated divorce case.

Two years after he was dumped from the ADFA post, Nichols filed suit against Bill Clinton, then governor of Arkansas, in the middle of Clinton's reelection campaign. The \$3 million suit, which Nichols filed *pro se*, contained unrelated allegations of sexual misconduct by Governor Clinton. When two local newspapers interviewed the women named by Nichols, they got a string of denials and the story died, as did the lawsuit.

However, in January 1992, with Clinton emerging as a strong candidate for the Democratic presidential nomination, the *Star*, a national porn-tabloid weekly, gave the Nichols tales banner headlines.

Nichols was anything but pleased with his new-found celebrity status. In a press release issued shortly after the *Star* hit the newsstands, Nichols said: "It is time to call the fight I have with Bill Clinton over. I want to tell everybody what I did to try to destroy Governor Clinton." After citing his job loss and family troubles, Nichols stated: "The media has made a circus out of this thing and now it's gone way too far. When that *Star* article first came out, several women called asking if I was willing to pay them to say they had an affair with Bill Clinton. This is crazy. One London newspaper is offering a half-million dollars for a story." Referencing the allegations of sexual misconduct, Nichols added: "There were rumors when I started this suit and I guess there will be rumors now that it is over. But it is over. I am dropping the suit."



British agent Ambrose Evans-Pritchard at a press conference by the LaRouche presidential exploratory committee on April 6, 1994. The committee released its "Assault on the Presidency" report, exposing the British Crown's effort to drive President Clinton from office.

Nichols disappeared from public view, and stayed in Conway, Arkansas until February of this year, when Ambrose Evans-Pritchard paid him a visit. On March 13, Evans-Pritchard ran an "exclusive" story, datelined Conway, reviving the exact same allegations against President Clinton that Nichols had recanted in 1992. Evans-Pritchard added one additional spin: Nichols now supposedly feared for his life.

Falwell joins the circus

Within weeks of the Evans-Pritchard story, the former ADFA bond salesman was being touted by Rush Limbaugh, Pat Robertson, and, especially, Jerry Falwell. Nichols was the star of a Falwell-made videotape called "The Clinton Chronicles," a compendium of smears against the First Family that Falwell mass-marketed through one of his front groups, Citizens for Honest Government.

While the Falwell legions were raking in the cash from marketing the Nichols video, Nichols was making the rounds of the gun shows and western states populist rallies delivering threats against the life of the President. *EIR* does not know how many times Nichols has brandished a weapon while fulminating at "that commie" Bill Clinton. It is worth noting that the attempts against the life of the President escalated after Nichols hit the rubber-chicken circuit with his silver-plated gun in tow.

Nichols personally is a low-level player in a deadly seri-

ous war being waged by the British Crown against an American President who has dared to violate the Anglo-American special relationship. What makes the Nichols case unique is the fact that he was unleashed by the Hollinger Corp., through Ambrose Evans-Pritchard, who is himself the son of a leading figure in British Intelligence's Arab Bureau.

Hollinger's chairman, Canadian-born Conrad Black, is not only a second generation retainer of the British Crown. Like his fellow Canadian Maj. Louis Mortimer Bloomfield (now deceased), Black is a charter member of Prince Philip's 1001 Club. He is a product of the same Montreal-based intelligence circle that produced Bloomfield's Permindex, the organization prosecuted by New Orleans District Attorney Jim Garrison for the 1963 assassination of President John F. Kennedy.

It is this apparatus that has unleashed Nichols. It must be taken deadly seriously.

Documentation

Nichols: 'I'm gonna get Bill Clinton'

On May 11, 1994, Larry Nichols appeared at a rally in Boulder, Colorado sponsored by a populist group called the Boulder Patriots. The event was videotaped by one of the attendees, and a copy of the videotape was turned over to the U.S. Secret Service just days after the event. The following is a transcript of Nichols's remarks from that videotape.

I want to tell everybody in Colorado: In Arkansas, I'm hated. My family is embarrassed, my wife on a given day hates me. But I made a deal with Bill Clinton. In 1994, we're gonna meet at high noon and one of us is getting out of town. [At this point, Nichols draws a silver-plated, semi-automatic handgun from his hip and waves it in the air before placing it on the podium. Several voices from the audience are heard cheering "Shoot the bastard!"] Sorry about that. My britches were about to fall down.

I thought all day long. . . . I didn't know what to say because I owe you so much. The best thing I can tell you is where I'm going. I'm gonna walk, crawl on my fingers if I have to, and the day Bill Clinton resigns I'm gonna plant an American flag on the Capitol steps and the POW flag.

Bill Clinton is a liar. . . . Since Oct. 3, 1991, every word that man has said has been a lie. Every campaign

promise he made—lest it's been to the queers—has been a lie. His staff is a lie. Hell! He lied on the videotape about himself that he played at the Democratic Convention. . . .

In Nicaragua, they called me and I went. And those little people would sing songs. I've seen what happens when bad guys win. I've seen the faces of the children. We had one rule in Nicaragua, [in] Angola: Don't look at the children, don't look in their eyes, because if you look into their eyes, you see hopelessness.

I owe you an explanation—the reason I went to Adolfo Calero and said I can't play anymore. There was a lady and her daughter about the age of my daughter, about nine or ten. Her mother had been shot into just about a pile of goo. Nothing left of her at all—a 60-caliber machine gun had just cut her to pieces. I went and got her daughter, picked her up, carried her over behind the stump and looked down. I said, "Honey, it'll be all right." There wasn't anything left. Her whole bottom half was gone. She died looking at me. I couldn't take it. I went to Adolfo and I said, "It's history. No more. I can't believe what God has done to me."

I guess it's because I ran, but God's got me right in the eye of the tiger, and the very people I'm having to fight today is my country. And I promise you this—from General Singlaub, from Adolfo Calero, from Mario Calero, from Enrique Bermudez, he's dead, but if he was alive he'd tell you: I'm gonna get Bill Clinton . . . and we're gonna be free, and we're gonna make a difference this time.

There's good news in that, but when Bill Clinton falls—and he will—my war's over. It's up to you to get the rest of them. Are you ready? Can you do it? In Special Forces, there wasn't many of us in a team. But I knew where you would be. I knew where my team members would be. Do you promise me that when Clinton falls, you'll get the rest of them?

We're gonna take this country back. They work for us. Do you know how hard it was to get [House Speaker] Tom Foley [D-Wash.] to back off? How hard it was to get John Breaux [D-La.] to back out of running for the [Senate] majority leader? One phone call from me and I said: "I'm gonna get you." Now imagine if you called him and said: "We're gonna get you." Politicians see which way you're going and they run to get in front of the parade.

I'm no leader. I didn't come here to lead you. I came here to tell you where I'm going and to tell you what I'm gonna do. You don't need a leader. We're Americans, by God.

I want to close my little talk with one thing. I haven't seen "Schindler's List." But I can only imagine that they fed those Jews the same lies that we're being fed. I ain't getting on that truck. I ain't getting on that train. You're not gonna bullshit me. We're in this for the long haul and we're Americans. Don't get on the truck, don't get on the train.

We wake up in the morning pleading for the rights they took away from us yesterday.

I carry a gun [pointing to the handgun sitting on the podium]. Who in Hell am I going to go to? Am I going to go to the police? Am I going to go to the FBI? Is the FBI gonna ride down and say, "Nichols, we're gonna take care of you"? And then they're gonna bitch because I've got ten shots in that pistol. We're gonna rescind all those laws they put on top of us. . . .

I've been in a lot of countries and fought a lot of people. The drug gangs, they understand one thing: force. And if you lost the ability to seek peace through strength . . . remember it's always been peace through strength. And when they come to my house and they try to take my daughter or they try to rob me, what in the Hell do you think they're gonna find? [Several guns are drawn from the audience, rounds are loaded into the chambers.] Yeah!

They're not going to mess with me. Just like Foley. What did Foley do? He said, "Oh, Hell, Mr. Nichols, don't do nothing." "You're the queer." That's what I told Foley's wife. . . . They don't call him Lips Foley for nothing. . . . She already knew. And then John Breaux. "Tell John he's next." He's been doing more drug laundering than Bill Clinton ever thought about. Next day, John Breaux steps down from running for Mitchell's seat. Don't you see how easy they are to beat? They're afraid of you. They're afraid of me and I'm crazy. But they're afraid of you. . . .

They say we don't care about Whitewater. The polls say the American people are tired of it. I talk to probably 2-3 million people a day. And I haven't found anybody tired of it.

There's pure evil in the White House, folks. Pure evil! I wish I was perfect. I've got sins. I'll admit it to you right here. I've sinned. I've probably sinned worse than any of you. I worry about the Ten Commandments because I've probably broken all ten. I worry about whether I'm doing the right thing. I don't know any other way than fight; and I wonder about the footprints behind me.

There's only one set and I think they're God's footprints. I think God's the one that's got me in this mess. I think God has a sense of humor. And I know God ain't listening when I say pick somebody else. And I believe in Jesus Christ. Jesus Christ died for my sins.

You're gonna hear things about me in the up and coming weeks. You're not gonna believe what you hear about me. But I will tell you this. Everything I did, I did for God and country. And when you're playing with commies, it ain't easy. In the old days before Clinton took over, communists were bad guys and I was trained, I was taught to get in the other man's world and beat him at his game. I'm in Bill Clinton's world now, and there's not ever gonna be the day when the draft-dodging, lying, woman-chasing, dope-smoking, cocaine-using womanizer that exposes himself will be the President of this country!

Press slanders pave the way for threats on Clinton's life

by Scott Thompson

A barrage of British-inspired press slanders has helped prepare the groundwork for the threat of assassination against President William Clinton. The "Whitewatergate" plot against the President was announced by Ambrose Evans-Pritchard in the London *Sunday Telegraph* on Jan. 23, 1994, when he "predicted" that escalating scandals would drive Clinton from office by the end of the year. As early as Nov. 7, 1993, Evans-Pritchard was predicting that a host of scandals would erupt around Clinton.

The *Sunday Telegraph*, which has taken the point for the attacks against Clinton, is a subsidiary of the Telegraph PLC, the crown jewel of the Hollinger Corp., a media conglomerate at the center of the British imperial faction. Hollinger founder, chairman, and chief executive officer Conrad Black, is a protégé of E.P. Taylor, a collaborator of Lord Beaverbrook who headed the economic warfare section of the British Special Operations Executive during World War II.

The man believed to be the moneybags for Hollinger's acquisition of the *Sunday Telegraph*, *Daily Telegraph*, *Jerusalem Post*, and *Chicago Sun Times*, is Li Kai-shing, whose family owns a seat on the board of the Hongkong and Shanghai Bank, identified by *EIR*'s bestseller *Dope, Inc.* as running the opium-growing, heroin-processing, and money-laundering trade in the "Golden Triangle."

Hollinger's board of directors includes some of the leading representatives of organized crime family fortunes like Peter Bronfman; it also has an international advisory board which includes: Baroness Margaret Thatcher of Kesteven, an honorary senior adviser who profited heavily from the Hollinger takeover of Telegraph PLC in 1985; Lord Peter Rupert Carrington, a founding board member of Kissinger Associates, Inc. and a controller of Henry Kissinger for the British imperial faction; and Kissinger, who confessed in a May 10, 1982 speech at Chatham House (Royal Institute of International Affairs) that he was a British agent while serving as a high-ranking U.S. official.

One vehicle for the attacks on the President has been the *American Spectator*, which claims to have doubled its circulation to 258,000 by peddling the attacks. The *Spectator*'s editor-in-chief is R. Emmett Tyrrell, who, in the Feb.

10, 1994 *Washington Times*, praised the call by Evans-Pritchard to topple the Clinton administration. The *American Spectator* is linked to the *Sunday Telegraph* through Peregrine Worsthorne, a writer for the *Telegraph* who is a member of the editorial board of the *Spectator*.

At one point in the "Whitewatergate" plot, Worsthorne hosted R. Emmett Tyrrell in London. In the Feb. 1, 1994 *Sunday Telegraph*, Worsthorne wrote: "Bob Tyrrell . . . is masterminding the campaign which is beginning to look as if it might do for Clinton what the *Washington Post* did for Nixon."

Tyrrell has assembled an editorial staff that comes from the ranks of Thatcherite neo-conservatives who claim responsibility for the electoral victory in the U.S. House of Representatives of a fascist stripe of Republicans. These include: Tom Bethell, a distant relative of Britain's Lord Nicholas Bethell who writes for *National Review*; John Podhoretz, son of *Commentary Magazine*'s Norman Podhoretz; Norman Podhoretz's wife, Midge Decter, whose son-in-law is Iran-Contra scofflaw Elliott Abrams; Jeane Kirkpatrick, now at the American Enterprise Institute; and, Michael Ledeen, who helped Secretary of State Alexander Haig and Kissinger cover up their role in the Italian Propaganda-2 scandal, and who, like Abrams, worked in Oliver North's "public diplomacy" efforts.

Numerous British assets, like Paul Johnson, Nicholas Bethell, and Worsthorne, help set policy at the *American Spectator*, as well as publications like William F. Buckley's *National Review*, which are part of Whitewatergate.

Evans-Pritchard, a second-generation asset of British intelligence, has admitted that he swapped information with a British intelligence agent during the four and a half years he worked in Central America. He boasted that while in Central America, he was the only journalist to get along with both the Contra rebels of Oliver North and the guerrillas of El Salvador and Guatemala. He spent over a week at the cocaine laboratory of the Shining Path narco-terrorists in a trip up the Amazon from Ayacucho, Peru in 1986. His father, Sir Edward Evan Evans-Pritchard, did a multitude of tasks for the British governor general among tribes in Anglo-Egypt-Sudan, but was seconded to British SIS during World War II

and eventually established Libya by promoting the heads of the Bedouin Sanusiya. Ambrose Evans-Pritchard has indicated that he has a policy of remaining in contact with British SIS; the *Sunday Telegraph* seems to have little regard for espionage laws in pursuing Whitewatergate.

Chronology of slanders

July 25, 1993: Evans-Pritchard writes “Death in Clinton Clique: In Italy and America, Scandal and Peer Pressure Surround Suicides at the Top,” in the *Sunday Times*. This is his first article intimating that President Clinton had an aide, Vincent Foster, killed—a groundless charge picked up by Jerry Falwell.

Nov. 7, 1993: In the *Sunday Telegraph*, Evans-Pritchard “predicts” that an array of scandals will erupt around President Clinton.

Nov. 7, 1993: Evans-Pritchard writes “Clinton’s Korea Missile Crisis Risks All-Out War,” in *Sunday Telegraph*.

Dec. 19, 1993: Ted Turner’s Cable News Network begins 30-hours of coverage of sensational charges in the *American Spectator*.

Dec. 19, 1993: Evans-Pritchard pens “Special Report on Ireland: Clinton Brushed Aside Pentagon’s Warning,” in the *Sunday Telegraph*.

Jan. 2, 1994: “Evans-Pritchard reports from Washington on the implications of the sex and money scandals that have undermined the recent rise in the President’s popularity,” the *Sunday Telegraph* reports. Other articles include: “Focus: Clinton’s First Year: Between Little Rock and a Hard Place—It Is Too Early To Tell Whether He Faces Political Ruin as the Shabby Details Come to Light.”

Jan. 23, 1994: In the *Sunday Telegraph*, Evans-Pritchard “predicts” that scandals will “drive Bill Clinton from office” by the end of the year. In the same issue he introduces the “Arkansas beauty queen” scandal of Paula Corbin Jones, who says she might sue the President for sexual harassment. Later, it emerges that Evans-Pritchard had pressured Corbin Jones to sue.

Feb. 10, 1994: R. Emmett Tyrrell, in a syndicated column in the *Washington Times*, boosts Evans-Pritchard and British media for coverage of Whitewatergate.

Feb. 13, 1994: The *Sunday Telegraph* highlights the role of Tyrrell and the *American Spectator*, saying there was “always a strong British connection to the *American Spectator*.”

March 6, 1994: The *Sunday Telegraph* carries a front-page banner-headline story by Evans-Pritchard titled “Panic Hits Scandal-Ridden White House.”

March 13, 1994: Evans-Pritchard, in a *Sunday Telegraph* article titled “Little Rock’s Mean Machine,” touts the case of Larry Nichols. Claiming that Nichols is under surveillance by the Arkansas state police, Evans-Pritchard quotes Nichols saying, “It’s getting real dangerous right now, and I don’t want to end up as another one of those mysterious suicides.” Nichols worked with the Contras in the 1980s, and

Evans-Pritchard writes that later he worked as “a sort of secret personal assistant to Governor Clinton, alleging that he transferred state funds into special accounts for entertaining mistresses.” Nichols tells Evans-Pritchard that he was appointed to the Arkansas Development Finance Authority as a reward. Nichols claims that the ADFA became the basis for a kickback scheme bigger than Whitewater. Nichols says that he was fired because by 1988 he had become disenchanted and decided to blow the whistle, but the real reason was that he “misused the resources of his office” while in touch with former Contra controllers like Gen. Richard Secord and the Calero brothers. Nichols said that Clinton destroyed his livelihood and reputation, and that he turned to the underground resistance network in Arkansas, which, Evans-Pritchard says, “operates like the urban resistance movements of Guatemala City, San Salvador, and northern Nicaragua during the 1980s,” i.e., terrorists.

May 1, 1994: Evans-Pritchard writes in the *Sunday Telegraph*, “President Clinton To Be Sued for Sexual Harassment,” in hoped-for fulfillment of the author’s original scheme with Paula Corbin Jones.

July 12, 1994: Following Clinton’s July 11 announcement of a “German-American partnership” aimed at rebuilding the East, David Gow writes in the *London Observer*, “U.S. Cuts British Special Link.”

July 13, 1994: Murray Ritchie of the *Glasgow Herald* states in a piece titled “Clinton Ends the Affair with Britain”: “As President Clinton wooed Germany yesterday in Berlin, the wounding message for those still clinging to the notion of Britain’s special relationship with America was obvious.”

July 17, 1994: The *Sunday Telegraph* has several attacks on Germany and Clinton, including: “Germany’s War Machine Is Back,” by Andrew Grimson; “The Bundeswehr Is Off the Leash. Last Week It Rolled Through Paris. Where Next?” by Hugh Davies and Robert Tilley; “Clinton Took Cocaine while in Office,” by Evans-Pritchard; and, “Cocaine and Toga Parties: Clinton Stands Accused,” by Evans-Pritchard.

Nov. 7, 1994: Henry Kissinger is reported in the *Sunday Telegraph* to be prepared to campaign for a Republican victory in 1996. Asked why he is no longer remaining neutral, Kissinger reports that he is “rather appalled” by the policies of Clinton.

Nov. 13, 1994: Kissinger, in an interview in the German *Welt am Sonntag* by *Die Welt*’s New York correspondent, calls President Clinton’s German-U.S. partnership “unwise.” This will drive everyone to the barricades, because two world wars were fought to prevent Germany taking a dominant role in Europe, he writes. Germany and the United States should be close friends, “but it does no favor to Germany, to define it as a leading power. . . . Clinton is, practically, describing reality in his statements, but, for example, for Great Britain, which describes its relations to the U.S. as special, such rhetoric is very painful.”

Gaza violence points to British-U.S. conflict

by Muriel Mirak-Weissbach

The bloody shootout between Palestinian police and Palestinian demonstrators in Gaza on Nov. 18, which left 15 dead and 200 wounded, could be an ominous signal of worse to come. The confrontation, which pitted the Palestinian National Authority (PNA) forces of Yasser Arafat against those of the Hamas and Islamic Jihad organizations for the first time, threatens to be the first shot in a civil war. Or it could be the alarm bell which finally wakes up political forces outside the region to the nature of the crisis, and propels them to appropriate action before it is too late.

The only way to understand the explosion of violence in Gaza is to locate the policy fight regarding the Mideast in the context of the fundamental strategic confrontation determining events also in the Balkans, Ireland, Russia, and so forth. It is the fact of the British Crown's conflict with the American presidency—a conflict deep-rooted in history—that is shaping developments worldwide. Since January 1994, and increasingly since President Clinton's trip to Europe in June of this year, the British Crown, establishment, government, and press, have led an incessant campaign to slander Clinton and to set him up for assassination. Integral to their campaign has been the undermining of every major foreign policy initiative associated with the White House, emphatically including Middle East peace.

The stakes in the process which began with the Gaza-Jericho accord are very high: Either the political agreements will allow for massive economic development to unfold, based on advanced technology-vectored infrastructure projects, or the "free-market" ideology historically championed by the British will prevail. Since the Gaza-Jericho accord was the first such agreement positing economic development as the basis for peace, its success or failure would have direct implications for situations in South Africa, Ireland, and Russia.

The World Bank's hand on the faucet

From the outset, the British have attempted to sabotage real economic development in Gaza and Jericho. This has functioned primarily through policy control over the World Bank, which has succeeded in monopolizing allocation of funds pledged by international donors for Palestinian development and overall financial management.

The World Bank "experts" helped prepare the PNA budget, which is in the range of \$240-260 million, with a deficit of \$100-120 million. The World Bank has told the PNA it should "borrow" to finance the deficit, but has not itself been forthcoming with such loans. The current budget for Gaza runs from September to Dec. 31, and for the West Bank (Jericho) from October to Dec. 31, to cover salaries and current expenses. None of the money budgeted is for capital investment projects.

A special fund called the Holst Fund (after the late Norwegian foreign minister who hosted the Israel-PLO negotiations) is to finance the deficit in salaries and current expenses until the end of 1994. The PNA has received only \$15 million so far, and expected \$20 million more when accounts were presented. The Israelis have reportedly transferred \$28 million from taxation and the PNA has collected \$32 million in taxes, toward covering expenses of teachers, schools, and hospitals. The Holst Fund was formerly administered by the donors, but recently, it was taken over by the World Bank, reportedly on demand of the donors.

Thus, as far as its day-to-day administrative function is concerned, the PNA has found itself scratching up funds with which to pay civil servants. No major outlays have been made for economic projects. Regarding the projects, the function of the World Bank has been that of colonial governor. It officially "represents" the donors. It sends auditors to

audit PNA accounts, and constantly has a delegation in Gaza and/or Jericho to oversee everything. Recently, a new bureaucratic post was invented, that of the Management Consultant (MC). This office, which is to examine bids on projects, from day one to finalization, went to the powerful Bechtel group based in Canada.

Procedure demands that proposed projects be studied first by the board of directors of the PNA and by the MC. If approved, the PNA declares these to be the projects, and asks if there is any government ready to implement them. These are projects which would be financed by the World Bank, and correspond to the low-technology infrastructure projects outlined in the 1993 World Bank report, for roads, sewerage, etc. There are about 200 projects ready to go, but procedural snags and the lack of financing have held them up.

In addition to the World Bank projects, there are "bilateral cooperation projects" with the donor countries, all to be carried out through the private sector. These have been blocked by lack of financing. For example, the Gaza port, which was to be built by a consortium of Dutch Ballast Nedau NV, the French Spie Batignolle, and the Italian Sistemi Ingegneria SpA. (The German construction group Hochtief AG owns 48% of shares in the Dutch Ballast.) The project for \$60 million was approved, 40% was to be financed by the Dutch government and the rest by the French and Italians, but the money has not yet been raised, and work cannot begin. This port, to be built south of Gaza City, could handle ships of 5,000 tons initially, later ships up to 15,000 tons. Since the project is blocked, the Palestinians have started work on a cheap emergency port for \$5 million, which can receive only small ships. It is financed by shipping agents and is being built by local labor.

Another project, which the French proposed, should construct 12,000 housing units, but progress has been blocked by infighting among French groups for the contract. A project involving a \$10 million grant by the Japanese for housing would provide 320 housing units for the PNA police (who number over 9,000). For some reason, however, when the deal was signed, it was said that the U.N. Development Program (UNDP) should "administer the funds" for the project.

Character assassination

As a result of this sabotage, the PNA has been unable to provide concrete proof of the advantages of peace, in the form of visible improvement in the standard of living of the average Gaza resident. Who is blamed for this? Arafat.

The most vicious aspect of the British-led sabotage is the smear campaign against the Palestine Liberation Organization chief. Shortly after the first donors meeting, which pledged over \$2.4 billion for Palestinian development, British press organs profiled Arafat as an autocratic leader with a mania for dictatorial control, an irrational, impulsive individual whose word could not be trusted. The World Bank put out the line that none of the pledged funds would be released unless

and until the PNA established "credible" and "transparent" institutions which could be held "accountable." Thereupon the PNA established the Palestinian Economic Council for Development and Reconstruction (Pecdar). When Arafat resisted attempts to staff Pecdar with World Bank agents, and named persons of his trust to the posts, the World Bank and press responded with a second volley of accusations, blackballing Arafat as a megalomaniac and a crook to boot. The demands for "accountability" and "transparency" carried the insinuation that monies for projects would be pocketed by Arafat and his coterie. In a report on the Gaza killings, BBC, for example, carried a commentary alleging that Arafat, who had been promised European Union funds for police salaries, had suddenly declared the number of policemen to be 12,000 rather than 9,000. BBC remarked that "we do not want our tax money to go into Arafat's slush fund."

The hypocrisy of this smear campaign is glaring. Whereas personal integrity, accountability, and transparency are never mentioned as considerations in reports of World Bank or other loans to governments in other countries, suddenly the issue has become a new International Monetary Fund-style conditionality in the case of the PNA. Furthermore, whereas the "international community" is unanimous in acknowledging Arafat as the political leader of the PNA, unique interlocutor in the Gaza-Jericho peace treaty—which was considered worth a Nobel Peace Prize—yet he is degraded to the level of an untrustworthy party in anything concerning money. Finally, Arafat is placed under inordinate pressure to wield the immense authority he is nonetheless considered to possess, to crack down on "fundamentalists" of the Hamas and Islamic Jihad, opposed to the peace process. To the extent such repression is ostensibly successful, as militants are arrested and demonstrations banned, to that extent he is condemned to failure on the internal political plane: Hamas et al. accuse Arafat of "doing Israel's dirty work," as a commentary in Germany's *Frankfurter Allgemeine Zeitung* put it, and playing the "role of the traitor." When such repression leads to violent confrontation and killings, as in the case of the Gaza shoot-out, Arafat becomes not only a "traitor" and "collaborator," but a "Nazi," according to one account from Gaza by the correspondent of the Paris daily *Libération*.

Setup for assassination?

As a result of the World Bank sabotage of economic development in Gaza, a dynamic has been set into motion placing Arafat in an utterly untenable position. Denied the financial, economic, and technological means with which to alleviate a socially explosive situation, his political authority is undermined. Repression of opposition forces fuels the dynamic rather than breaking it. As the *Frankfurter Allgemeine Zeitung* pointed out, "Contrary to their neighbors in the surrounding Arab countries, the Palestinians developed during the Israeli occupation a political culture of their own, which cannot be destroyed by repression alone." The more the PNA

appears to lose control of the situation, the more the World Bank forces and the political opposition, be it in Iran or the Occupied Territories, gloat. And the worse the security situation becomes.

Terje Larsen, one of the insiders in the Oslo negotiations who is the U.N. undersecretary general for Palestinian territories, was quoted in the London *Financial Times* on Nov. 20 saying, "If there is no change immediately, there will be more killing, more blood. . . . My assessment is that both the peace process and the legitimacy of the Palestinian Authority are losing ground day by day, and the reason is that nearly nothing has been delivered on the ground."

If the degenerative dynamic was triggered by British-World Bank policy, on another level, British complicity in direct actions of sabotage and provocation cannot be ruled out. Nor can a plot be ruled out to assassinate Arafat.

Arafat himself spoke of a conspiracy following the Gaza bloodshed, and pointed to a "third force" controlled "from abroad" (generally understood to refer to Saudi Arabia and Iran, financial backers of Hamas and Islamic Jihad) as responsible for unleashing the confrontation. Although investigations have not been completed, certain disturbing facts have been made public. First, doctors at the Shifa Hospital showed journalists X-rays of Palestinians killed in the violence, in which dum-dum bullets and rubber bullets were used. Neither is used by the Palestinian police force. Secondly, the PNA senior police officers received their training in London, as Foreign Secretary Douglas Hurd recently boasted. At a European Union meeting last spring, when responsibilities were divided up for various areas of cooperation with the Palestinian authority, Britain chose police and banking as the areas in which it would offer its special expertise.

It has been reported that in the week prior to the Gaza shooting, advisers of Arafat were in London. Among them was Razi Jabali, chief of PNA intelligence. The question should be posed: What advice were they given by their British trainers, on how to deal with demands, coming from Israeli government spokesmen, to crack down on the "fundamentalists"?

One final fact on the British angle: The London *Sunday Times* reported on Nov. 6 on a scandal involving alleged diversion of funds provided by the British for the PNA police. According to the report, the U.N. official responsible for delivering salaries to the Palestinian police, did so without passing through other U.N. channels. "Despite specific British requests that the money not be used for Arafat's plainclothes preventive security forces, more than £300,000 was handed out to them in September," the article reads. Following "tense negotiations with Arafat," during which Britain insisted that "its money should go only to the members of the official police force," the money was reimbursed. The question is: Why should the British, committed to training and financing PNA police, be so adamant that Arafat's personal security, associated with the police function, be deprived of funding?

Yeltsin plays up to the Armed Forces

by Konstantin George

On Nov. 14, Russian Federation President Boris Yeltsin addressed the entire Russian military leadership, to open a three-day session devoted to the problems plaguing the military, under the conditions of an escalating breakdown of the Russian economy—problems which Yeltsin brought on himself by inviting the International Monetary Fund in to dictate the country's economic policy.

The speech, in which the President took the part of the military-industrial complex, shows that Yeltsin is scrambling to adopt a "national-patriotic" profile and spewing out anti-western rhetoric, as a means of prolonging his own survival.

Present from the military side were the minister of defense, Gen. Pavel Grachov, the commanders of the service branches, the leadership of the General Staff and Defense Ministry directorates, and all military district and fleet commanders. The conference was also attended by the head of the security service successor to the KGB, Sergei Stepashin, Interior Minister Viktor Yerin, and Prime Minister Viktor Chernomyrdin. Everything—except for Yeltsin's address—occurred behind closed doors.

Shock therapy blamed on 'the West'

Both in the military and in the Russian population at large, three years of brutal shock therapy, associated in the popular mind with "the West," have effected a growing anti-western mood. The cabinet reshuffle engineered by Yeltsin has done nothing to alleviate things. On the contrary, the government's commitment to pursue monetarist policies will only make people angrier.

Yeltsin took great pains to present himself as the champion of the needs of the military. He echoed the military in pinning the main blame for their problems on the government. Command and reorganization reforms were going too slowly, he admitted. He attacked the housing shortage for officers and their families, and called on Prime Minister Chernomyrdin, who was in the room, to ensure that the Armed Forces receive enough funding for readiness, procurement, and living conditions.

This was an undisguised attack on Chernomyrdin's 1995 austerity budget, which provides for a 20-30% cut (in real terms) in the military budget compared to the already bare bones 1994 allocation. Toward the end of November, Mikhail Malei, a top representative of the military-industrial

complex on the Russian Security Council, was scheduled to present his report on the devastating breakdown in military procurement to Russian Security Council Chairman, Oleg Lobov, and President Yeltsin.

Chernomyrdin is attempting to postpone the revolt by offering the military-industrial complex "quick fix" access to cash through lucrative arms sales to Arab Gulf states (historically British clients), and to Saudi Arabia. This arms sales push went into high gear with a tour of Saudi Arabia and Gulf states by a top-level Russian delegation led by Chernomyrdin and Russian military-industrial complex leaders.

The foreign policy side of Yeltsin's Nov. 14 speech also gave out anti-western signals. Yeltsin, noting the string of conflicts under way either along or near the southern periphery of Russia and the former U.S.S.R., stressed the danger of these spreading. The situation "is fraught with a potential expansion of existing military conflicts and the emergence of new ones in which Russia will be involved because of its geopolitical and geo-strategic interests." Yeltsin also publicly hinted for the first time at what could develop as a new adversary relationship with the United States: "After the victory of the conservatives in the U.S. midterm elections, we can expect a certain toughening of the U.S. stand in foreign policy and military questions."

This three-day conference is one of several military-linked meetings for Yeltsin in November-December. On Nov. 10, Yeltsin held a private meeting with Defense Minister Grachov, Interior Minister Yerin, and security service boss Stepashin. Notably in his Nov. 14 speech, Yeltsin had called for closer cooperation between the Army and troops of the Interior Ministry. He will be meeting separately with the commanders of the branch services of the Russian Armed Forces.

On Nov. 16, Yeltsin held highly publicized meetings with Russian Orthodox Patriarch Aleksii II, and with writer Aleksandr Solzhenitsyn, the leading publicist for the idea of a renewed "Pan-Slavic" Russian Empire, consisting of the four Slavic or heavily Slavic republics of the former U.S.S.R.: Russia, Ukraine, Belarus, and Kazakhstan.

A furious officer corps

The seething discontent in the officer corps is the subject of a study by the Friedrich Ebert Foundation of Germany, titled: "Military Elites in Russia 1994, A Questionnaire to 615 Officers of the Armed Forces of the Russian Army in the Military Regions, Moscow, St. Petersburg, Volga-Ural, North-Caucasus, North Sea Fleet, Siberia, Kaliningrad." The study is broadly accurate, despite the devastating methodological flaws inherent in opinion polls. Defense Minister Grachov, who is widely blamed in the military ranks for their woes, felt compelled to issue a public denunciation, calling it a "filthy invention."

The first question put to the officers was how they view the present situation. Forty-three percent of the officers inter-

viewed consider it bad and 20% say it's very bad. Only 1% said they were satisfied. Thirty-two percent thought it would be worse in a year, and 42% saw no improvement ahead. Forty-nine percent called the economic situation in Russia bad, and 31% said very bad. Thirty-eight percent thought it would worsen over the next year, and 43% expected no improvement.

Concerning Yeltsin, 59% were dissatisfied on how he has functioned as President, only 17% thought he was doing a good job, and 24% refused to answer. Politicians in general received a very high negative rating, in many cases worse than Yeltsin. The communist ex-President Gorbachov led the pack with a 79% negative rating, and the Russian chauvinist politician Vladimir Zhirinovskiy, who made major gains in the December 1993 parliamentary elections, followed with negative 69%. Only 23% were in favor of Russia pursuing the so-called "reform" policies of the past three years.

Defense Minister Grachov had a 52% negative rating. The most popular figure was General Lebed, with a popularity-trustworthiness rating of 57%, followed by Deputy Defense Minister Boris Gromov with 54%.

In all probability, during the next phase of the government crisis, the military will be active in the background, leaving the up-front moves to leaders of the military-industrial complex and leading figures of the State Duma who work together with them. This group includes Yuri Skokov, the head of the Russian industrialists' association and former chairman of the Russian Security Council, and Mikhail Malei, responsible for "Scientific-Technical Questions for the Defense Industry" in the Russian Security Council. Working closely with them are State Duma Chairman Ivan Rybkin and the chairman of the State Duma Economics Committee, Sergei Glazyev, whose exclusive interview with *EIR* appeared in our Nov. 18 issue.

The first significant intervention into the current Russian political crisis by the military-industrial complex and military-related institutions was the report released by the Russian Security Council Commission appointed by Yeltsin to investigate the causes of the ruble crisis. The commission's report was an indictment of the government and its symbiotic relationship with the leading Russian state and private banks. One of the banks singled out for attack was Mosbank, which fronts for the financial interests of the "mafia-nomenklatura" complex headed by Moscow Mayor Yuri Luzhkov, known as the "King of the Thieves," and hitherto a political untouchable.

The real fireworks will come soon, when the Malei report on the mortal crisis of the military-industrial complex is submitted to Yeltsin. Two irreconcilable forces will be head-to-head: the military and military-industrial complex on the one side, and on the other, the present government of lame-duck monetarist technocrats, driving Russia toward total ruin. Yeltsin's crew will fall. What emerges from that is the big open question now in Russia.

British targeting Pakistan's Bhutto to further destabilize Eurasia

by Ramtanu Maitra and Susan Maitra

Although Pakistani security forces succeeded in quelling a violent uprising in the poppy-growing Malakand and Bajaur tribal areas of the North West Frontier Province (NWFP), bordering Kunar province of Afghanistan, the level of violence and the firepower of the militants suggest that Islamabad is now a target of concerted forces from within and without.

The militance of the Pushtoo-speaking tribesmen, who still practice the feudal laws of the British colonial era and have shown little respect or enthusiasm for Pakistan as a nation, took a violent turn in early November when a group of tribesmen, under an Islamic front called Tanzeem Nifaz-e-Shariat-i-Mohammedi (TNSM), seized dozens of government functionaries, captured the airport of Saidu Sharif (and held it for more than a week), and killed a member of the provincial legislative assembly belonging to the ruling Pakistan People's Party. The demand of the militants was to allow the tribesmen to practice *Shariah* or Islamic law in their district. As the violence spread far and wide, it became evident that Islamic law is now being demanded in a large section of the province. Prime Minister Benazir Bhutto agreed to meet the demand, but the tribesmen, expressing no faith in the government in Islamabad, continued the violence, forcing the security personnel to use armored personnel carriers and assault rifles, and to engage in regular warfare. During this period, the tribesmen also ignored their own leader's agreement to make peace with Islamabad and blocked several roads, including the strategically vital Karakoram highway, connecting China and Pakistan. This act, in essence a provocation of China, sent a sharp message to Beijing.

Sophisticated arms

The arms seized from the tribesmen suggest that the uprising was not unplanned. There was evidence that the tribesmen were using such weapons as rocket-launchers and anti-aircraft guns, which were given to the Afghan Mujahideen during the days when the Afghans were fighting the Soviet invaders. More detailed information indicates that the TNSM is provided arms and financed through locally produced heroin, by the Afghan leader Maulvi Nabi Mohammad, who is now aligned with the ruling clique in Kabul, under the leadership of President Burhanuddin Rabbani and his defense minister, Ahmed Shah Massoud.

The issue of the imposition of Islamic law in the Malakand and Bajaur agencies is as complicated as the imposition of Islamic law anywhere in Pakistan. Pakistan is a Sunni-dominated Islamic nation. However, the Sunnis are divided along many lines, the more prominent of which in Pakistan are the factions of the Deobandi Maslak and Barelvi Maslak, both products of Islamic schools of thought based in the subcontinent. In the form that it exists in Pakistan, Islamic law or *Shariah* does not satisfy all. It is even more difficult to figure out what form of the Islamic law the TNSM wants imposed in the territory under its influence. Since most of the tribesmen in this area are Barelvis, while the majority of Pakistanis belong to the Deobandi Maslak, the imposition of Islamic law is a time bomb which Islamabad can do without. Besides, the Shias in the NWFP and in the Pakistani-held part of Kashmir have little or no allegiance to the *Shariah* as it exists in Pakistan, and make no bones about it. In retaliation, in Punjab, a group of assassins, under the name of Sipah-e-Sahiba, have remained active over the years, ostensibly defending the interests of the Deobandi Maslak. Under the complex situation created by the foolhardy politicians and empty-headed army dictators of yesteryear, the NWFP situation surely contains the potential for causing the disintegration of Pakistan. There is little doubt that many in Afghanistan or India would welcome such a development, little knowing what the implications would be for the region.

However, the more interesting question is why the NWFP situation has been given the rudge at this point in time. Pakistan Prime Minister Bhutto, whose allegiance to Washington is no secret (Bhutto is even urging the Muslim nations to recognize Israel if the Israeli peace talks with Syria bear fruit), is facing increasing resistance from within. Former Prime Minister Mian Nawaz Sharif, the Punjabi strongman, is ready to seize every opportunity to embarrass the Bhutto government and help it to come crashing down. The role of the opposition in the National Assembly, not unprecedented by any means, is an indication that Sharif will not stop at anything that comes in the way of pulling down Bhutto.

One news article in the *Times of India* of Bombay, penned by veteran Pakistani journalist M.B. Naqvi, suggests that the increasing violence and disturbances, which not only engulf the NWFP but also continue to fester in Sindh, indicate that a military takeover is not unlikely. Another news story re-

ports that former Chief of the Armed Services and former President Zia ul-Haq protégé, Gen. Aslam Beg, who had joined a political party supporting Bhutto's government, has now disassociated himself from that political grouping and expressed dismay over the ham-handed use of the military by Bhutto's government in the tribal agencies. General Beg, well linked to the Islamic movement, is perhaps responding to the sentiments of the Islamic world on the issue, but it is not unlikely that Beg, who is usually in the know on things, is positioning himself for near-term developments.

Geopoliticians on the prowl

However, what is seldom mentioned is the fact that Bhutto's alliance with Washington in the post-Cold War days has not been liked in London. There is growing evidence that London has become the most important haven for radical Islamists. Political renegades, wearing Islamic garb, from Iran, Saudi Arabia, Kashmir, and other Islamic and non-Islamic countries, are serving the interests of Britain, and using the capabilities of British intelligence by virtue of being based in London.

Two news items that appeared recently might give some clue as to why British geopoliticians are concerned about the Bhutto-Washington alliance.

There is no question that the uprising in the Malakand and Bajaur agencies by the independent and fierce Pushtoon tribesmen has little to do with Islam, despite the flowery rhetoric on behalf of Islam by various renegade leaders belonging to innumerable Afghan sub-tribes. It has to do with power and money. The area is the cornucopia of narcotic drugs. Poppy is growing aplenty, and Afghan opium is getting refined in sophisticated labs located all over the region. There is also no question that a large section of the Pakistani elite has got their hands into this dirty till, and that story is too well known by now.

But what is surprising is what Reuters reported recently and the *Sunday Times* of London reproduced faithfully. "British diplomats are buying millions of pounds worth of heroin from illegal factories in Pakistan in a bid to trap top drug dealers," the report states. What is evident from the report is that a British Foreign Office spokesman confirmed that heroin had been stored at the British High Commission in Islamabad. He said, "It is necessary to protect the chain of evidence."

What exactly the British are protecting is not too difficult to guess, besides bringing home some bacon during these lean days in Britain. There is ample reason to believe that, like the Pakistani military Inter-Service Intelligence and the notorious Iran-Contra crowd under Oliver North in the United States, the British are most likely taking up the funding of tribesmen and rebels using the drug money. China has done this for years and it is possibly now the new project of London.

The reason why Britain is busy pushing tribesmen, and even the Mohajir leader Altaf Hussain, who is now based in London, to defy Islamabad and demand control over areas

where government officials will be seized if they ever set foot, can be found in the broader picture that is developing with the emergence of China from behind the Bamboo Curtain and the possibility of linking up the developed land mass of Europe with the yet-to-be-developed land mass of Asia through the legendary Silk Route. The freeing of the Central Asian republics from the yoke of the Soviet Union has created a new potential in which Britain has little role to play. Connecting Europe and China, and flanked by India and the growing economies of Southeast Asia, the Silk Route can be developed into a massive growth area through the Eurasian railroads and other infrastructural developments.

The *International Herald Tribune* recently reported that Pakistan is moving exactly in that direction to help make the Eurasian railroad a success. The paper said that Pakistan is discussing building a railroad through western Afghanistan to open Central Asian trade to the Indian Ocean. This will supplant the Ashkabad-Meshed railroad, which is already under construction, linking Iran with Turkmenistan. The report said that Pakistan is also contemplating upgrading the existing highway through western Afghanistan.

The Pakistani moves, however, can be thwarted in a number of ways, and from the look of things, British intelligence is working overtime to make that happen. The first, of course, is the removal of Bhutto through a military takeover or through the intervention of the British Commonwealth to intercede between the two bitter foes, Bhutto and Mian Nawaz Sharif. The same method has been tried in Bangladesh where Prime Minister Khaleda Zia and Sheikh Hasina Wazed, the two top political leaders, are at loggerheads over the way the next general elections are going to be held. It is not unlikely that the Commonwealth Office will soon make an offer to mediate between Bhutto and Nawaz Sharif to resolve the unresolvable, or something of that order. The process, of course, will create a circus in which people will be taken in and polarized one way or the other.

Unleashing 'Islam'

Secondly, the British plan is to drive the fear of Islamism into the hearts of the vulnerable. For instance, the *Tribune* report said that Uzbek President Islam Karimov is reluctant to open direct links with Pakistan and other Islamic nations. Already, Tajiks have expressed their concern over Islamism in no uncertain terms. The uprising in Malakand and Bajaur would serve the purpose of driving the fear deeper.

At the same time, Britain is well aware of the Chinese uneasiness over the growth of Islamism at its western doorstep. Xinjiang is inhabited by the Uyghur Muslims, who have a tenuous relationship with the Han Chinese. Beijing is afraid that this delicate relationship will be exploited by the Islamists, and China has made this evident to Pakistan and others. The seizure of the Karakoram highway, which links China with Pakistan, may be a tactical ploy, but it would only further China's worries.

Indigenists and ecologists of Mexico's Southeast are the new filibusters

by Carlos Cota Meza

Filibuster: (West Indian English: *Flibutor*.) One who freely loots; a pirate of the Antilles Sea (British, Dutch, and French) who battled the Spanish sea trade; British, Dutch, French, and American adventurers of the second half of the 19th century who invaded various Latin American countries to seize them as geopolitical possessions. The most famous, William Walker (British), became President of Nicaragua in 1956.

At first surreptitiously, but now openly, Mexican territory is being pared away. This is occurring under the auspices of the federal government's ecological policy through, first, the Department of Urban Development and Ecology, and now through the National Ecology Institute, which is but an enclave of the World Wide Fund for Nature (WWF, formerly the World Wildlife Fund). The WWF, as we have extensively documented in *EIR*, is an activist branch of the British royal family and of the oligarchical caste it heads.

The pretext for re-designing the territorial division of Mexico's states, economic regions, and international borders has been the ecologist policy, with its "Natural Protected Areas," which are in turn divided into "Biosphere Reserves" and "Special Biosphere Reserves," both with their "buffer zones," national parks, and areas of protection for forest and water flora and fauna. This was the original policy of the Department of Urban Development and Ecology, essentially created by the WWF during the Miguel de la Madrid administration (1982-88), of the General Law of Ecological Balance and Environmental Protection (1989), and now of the National Ecology Institute (1993).

The WWF is the sole and exclusive creator, designer, implementer, and financier of this policy which, through the Zapatista uprising in Chiapas, will attempt to plunge Mexico during the next six years of the incoming Ernesto Zedillo government into *separatist* and *autonomist* wars under the pretext of "preserving nature" and thousands of years of Mexico's "cultural heritage." They will try to create an independent republic out of Mexico's Southeast. Should they succeed, this will mean the political and economic death of Mexico as a nation-state, because, in part, 96% of the nation's oil production today is centered in this region.

The objective of this ecologist policy, and of the puppet-

masters of the House of Windsor, is that of preventing sovereign nations from using their natural resources, within their own territory, to achieve the economic development of their people. Without this development, these nations are certain to be visited by starvation, war, disease, and death, which is how the ecologist-malthusians intend to guarantee their population-reduction aims.

Some even admit their filibustering intentions. In a recent interview, a board member of the British Council in Mexico acknowledged that there are currently in Mexico several ecologist companies which operate with a "filibustering approach. Above all, [there is] David Winder's Sinergos, which receives aid from AID," the U.S. Agency for International Development. The man explained that the British Council, Great Britain's principal entity for cultural relations through its embassies, is a direct dependency of the Overseas Development Council, which is virtually one and the same with the WWF regarding the promotion of ecologism—the two institutions sponsor and finance many of the same projects.

The WWF in Mexico

Few in Mexico are aware that the WWF has operated in the country since 1968, and currently has two main offices in Mexico. The one in the Federal District supervises operations on a national scale, and the one in Oaxaca coordinates and administers projects in the country's Southeast.

According to its book *Mexico Program 1993-1996*, in the chapter entitled "Threats to Mexico's Natural Diversity," the WWF lists the principal threats as "agriculture and cattle-raising. . . . Each of the ecological regions is affected by agriculture and cattle ranching." Says the WWF program, "The unsustainable use of resources is rapidly extinguishing not only Mexico's natural habitat but also its cultural heritage." Any policy designed "to preserve Mexico's biological diversity must also include conservation of its rich cultural heritage. A large percentage of the population in some areas is indigenous. . . . [These are] groups which still exhibit close ties to their traditional culture."

Fully aware of what their policy entails, the WWF's *Mexico Program 1993-1996* counterposes its defense of "traditional culture" to the economic problems which the nation must resolve in the immediate future. "To maintain the 110 million Mexicans anticipated by the beginning of the 21st

century, high-level agriculture will need to be developed," says the WWF. The concentration of the population in "great urban centers" causes "environmental problems [like] pollution of the air, solid waste, drainage, water supply and invasion of green areas." It then aims its guns against one of its main enemies: oil production, which, says the WWF, "generates oil, plastics, fertilizers, pesticides, and contaminates the water, the air and the soil."

The conclusion is very simple. Mexico's natural resources, according to the ecologist dogma, cannot be exploited as long as their *unsustainable development* threatens the Indians' "cultural heritage," or even affects the habitat of invertebrate organisms. It doesn't matter to the WWF that, by not exploiting these resources and without developing agriculture and cattle farming, it is guaranteed that the "110 million Mexicans anticipated by the beginning of the 21st century" will die of hunger or will annihilate each other in internecine and separatist wars.

Territorial areas under WWF 'protection'

Not accidentally, the WWF's greatest interest in Mexico is in its Southeast. Oaxaca could be, without exaggeration, the "capital" of a new "southeast ecologist republic" whose border with Mexico would be the trans-isthmus highway. There already exist 2,144,178 hectares of protected areas in this region. The advances of the WWF in this area can be seen in **Map 1**.

On Sept. 8 of this year, the Department of Social Development, together with other government, private, and multilateral agencies, announced that the old border conflict between Oaxaca and Chiapas had been solved by incorporating 40,945 hectares belonging to the Zoque Indian tribe into a vast biosphere reserve on the Oaxaca side dubbed Los Chimalapas. With this accord, the "largest ecological reserve in the country and the fourth largest in the world in size and in importance" was created. The Zoque Indians will now serve as "custodians" for 600,000 hectares of forest and "areas of enormous biological importance," such as the habitat of the jaguar, the tapir, the quetzal, the harpy eagle, the spider money, and various other species of mammals, reptiles, and fish.

According to the WWF's *Mexico Program*, a large section of Chimalapas has been "preserved from human impact," i.e., Indians. However, it still "finds itself threatened" by the construction of roads, of a dam on the El Corte River, by colonization, and by the "poorly planned development" of agriculture and cattle ranches. North of Los Chimalapas, the "protected areas" run along the Uxpanapa River (see 13 on Map 1) in the state of Veracruz, and toward the east along the El Ocote forest (3) in Chiapas.

The "management and conservation of natural resources" in Chiapas is a top priority for the WWF, such that it maintains various centers of "education, training, research, conservation and sustainable use in the Lacandona Jungle," located in Marques de Comillas (bordering Guatemala) and

Projects financed by the WWF in Mexico

In 1987, the World Wildlife Fund (WWF) financed the meeting of the National Institute for the Investigation of Biological Resources, where 79 areas of national territory were identified for "the conservation of biological diversity." In 1989, the WWF created, in collaboration with the U.S. National Park Service and Department of Urban Development and Ecology, a training course for administrators, researchers, and workers in Protected Natural Areas, based at the Antonio Narro University in Saltillo, Coahuila.

The WWF financed the creation of the General Directorate of Legal Affairs of the Department of Urban Development and Ecology, as well as the First National Congress on Ecological Law (Guadalajara, Jalisco, May 28-31, 1990), which "updated" all the ecological initiatives of this century. It financed the elaboration of environmental laws in the states of Queretaro, Tlaxcala, Oaxaca, San Luis Potosí, Puebla, and Morelos.

In November 1988, the government closed down the National Institute for the Investigation of Biological Resources and transferred its activities to Ecosfera, A.C., which, together with Cultura Ecologica, A.C., is considered among WWF's premier programs in Ibero-America.

WWF financing for private organizations (all of them non-governmental organizations, or NGOs) is widespread and varied, and includes all of the so-called "base organizations" of ecological activists. Among these are Pronatura and Fundamat (both with offices in several Mexican states), as well as Monarca, A.C. (Michoacán), Friends of Sian Ka'an in Quintana Roo and Yucatán, and Ullin, A.C. in Chiapas. The latter has been financed since 1984 by the WWF and by the University of Florida's Program for Studies in Tropical Conservation. In Oaxaca, the WWF has financed Maderas del Pueblo, A.C.; the National Committee for the Defense of Los Chimalapas; Ecologist Pact; Anadebes; Biocenosis, A.C., and the Society for the Study of Biotic Resources of Oaxaca.

Described by the WWF as one of its "strategic initiatives," the Mexican Fund for the Conservation of Nature is currently in the process of being established as a substitute for the offices of the WWF in Mexico.

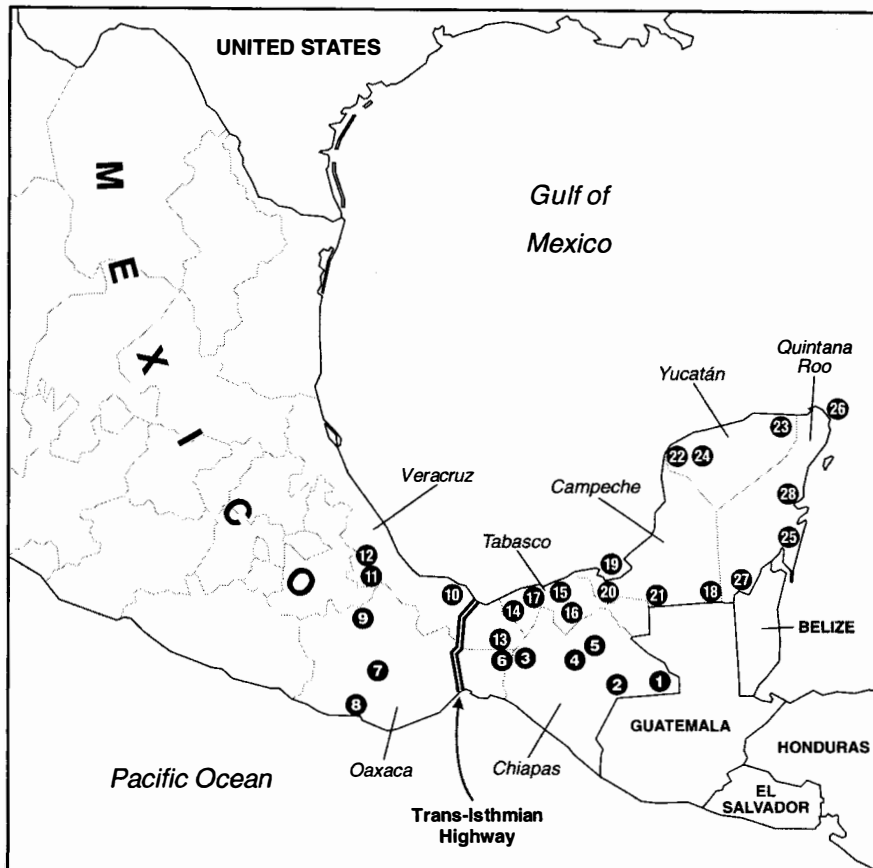


FIGURE 1
Southeast Mexico: protected areas where WWF-funded organizations operate

STATE	Protected Area	Total hectares
CHIAPAS	1. Montes Azules	331,200
	2. Lagunas de Montebello	6,022
	3. El Ocote	48,140
	4. Cascadas de Agua Azul*	2,580
	5. Palenque*	1,771
OAXACA	6. Los Chimalapas	600,000
	7. Sierra Benito Juárez*	2,737
	8. Lagunas de Chacahua	14,187
	9. Valle Cuicatlan-Tehuacan	†
VERACRUZ	10. Sierra de Santa Martha/ Volcán San Martín	21,500
	11. Cañón Río Blanco	55,690
	12. Pico de Orizaba	19,750
	13. Río Uxpanapa (Sierra 3 Picos)	†
TABASCO	14. Las Choapas	†
	15. Río Grijalva and Río Usumacinta	†
	16. Río González	†
	17. Laguna de Mecoaoca	†
CAMPECHE	18. Reserva Calakmul	723,185
	19. Laguna de Términos	†
	20. Palizada	†
	21. Los Petenes	†
YUCATAN	22. Río Celestun	59,130
	23. Río Lagartos	47,840
	24. Dzilbilchaltuam*	539
	25. Reserva Sian ka'an	528,147
QUINTANA ROO	26. Isla Contoy	176
	27. Río Azul and Río Hondo	†
	28. Tulum	†

* national park
 † not delimited

managed by Ullin, A.C. and the University of Florida through its Tropical Conservation Studies program. This area, says the WWF, faces the "threat" of "unplanned colonization, illegal hunting, road construction, exploration and exploitation of petroleum, and construction of dams."

In creating the Lagunas de Montebello Biosphere Reserve (2), the WWF has worked with the Natural History Institute of Chiapas since 1985. The Department of Urban Development and Ecology's data on Natural Protected Areas of Mexico (November 1987) also includes the national park Cascadas de Agua Azul (4), and Palenque, an archeological zone (5).

In the state of Veracruz toward the Gulf of Mexico, there are various "demographic studies" being conducted on the spider monkey, the howler monkey, and on the "feeding habits" of the stork; and conservation programs exist in the Sierra de Santa Marta (10), in the Pico de Orizaba (12), and the Cañón de Río Blanco (11). This is a region that extends from the Catemaco Lakes to La Choapas Lake (14) on the border with Tabasco.

In Tabasco, the WWF has "investigations" ongoing in Las Choapas Lake and is studying "threatened birds" in the immense delta of the Grijalva and Usumacinta rivers (15). It also has its "priority areas" for conservation of biological diversity in the Serrania del Madrigal and Mecoaoca Lake (17), and Río González (16). This entire zone is traditionally

known as the Escarcega Swamps, a 300-square-kilometer area of swamp and marshland,

In Campeche, the WWF has a program considered to be its pearl. This is the Calakmul Biosphere Reserve (18). Located at the extreme southern tip of the state, this reserve borders both Guatemala and Belize where the respective governments are also developing environmental protection programs. Thus, says the WWF, "a broad protective area of international significance" is being created. "This could establish an important precedent of collaboration in the region." Other priority areas for the WWF in Campeche are Los Petenes (21), Laguna de Terminos (19), and Palizada (20). All of the WWF's "research" is run through Pronatura-Yucatán.

Related to the Calakmul program is the Sian Ka'an Biosphere Reserve (25) along the Caribbean coast in Quintana Roo, which also includes a 110-kilometer natural sea barrier, considered the second largest reef in the world. Sian Ka'an is described by WWF as a "new focus" for protected natural areas, in that it is designed to "reduce the environmental impact of the cattle ranches. . . . This is critical since the ranches have been identified as the greatest threat to the natural environment of the region." Other "priority areas" for the WWF in this state are the Azul and Hondo rivers (27), which form a natural border with Belize, and Contoy Island (26).

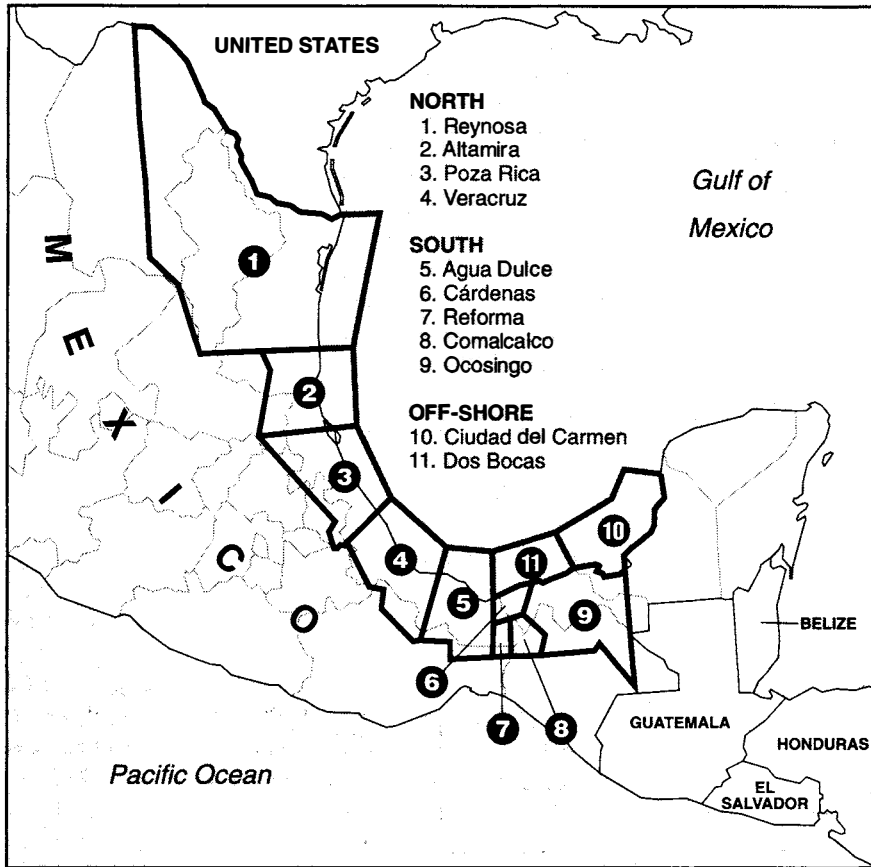


FIGURE 2
**Mexico's oil: Pemex
 administrative districts**

In Yucatán, "priority areas" for the WWF's biological diversity programs include the Celestum River (22) and its immense inlet, which embraces part of the state of Campeche, and Lagartos River (23) and its inlet.

Oil under ecological siege

Now let us take a look at the relation between these protected areas and oil production in Mexico. In **Map 2**, we see the Administrative Division of Pemex-Exploration and Production. Here we find that Mexico's oil fields are surrounded by "protected areas." The same holds true for the production centers for petrochemical products, which are located in the same region.

From District 4 (Veracruz) to the south along the Gulf of Mexico, one finds 96.3% of national oil production. The Sonda de Campeche region produced in 1992 a daily average of 1,914,279 barrels per day (71.8%), and the Southern Region (Reforma, Chiapas and Comalcalco, Tabasco) produced 654,323 bpd (24.5%). The northern area contributed a mere 99,122 bpd (3.7%)

From District 9 (Ocosingo, Chiapas) up to Sonda de Campeche, there are proven crude oil reserves of some 65.050 billion barrels. In Chiapas state, with its 89,733 hectares of "natural protected areas," the state oil company Pemex has determined the existence of 7,000 square kilome-

ters with subterranean oil mantles. A large part of the country's potential oil reserves (some 160 billion barrels) is located in this state. Further, Chiapas produces 85% of the country's hydroelectric energy. Also, mineral deposits of iron, uranium, bauxite, titanium, gold, lead, silver, zinc, and other non-metallic minerals exist there.

The latest important oil beds discovered by Pemex are across from Isla Mujeres, a municipality which includes Isla Contoy, another biosphere reserve.

Los Chimalapas in Oaxaca (616,924 hectares of protected area) has been considered since the last century as an area of strategic importance, since it is practically the geographical control point for the Isthmus of Tehuantepec, approximately 200 kilometers from both Salina Cruz (Oaxaca) and Coatzacoalcos (Veracruz). Considered a region rich in lumber, Los Chimalapas was granted in 1842 as a concession to Juan de Garay by then-President Antonio López de Santa Ana. De Garay sold the concession in London to John Jay Williams, owner of the Louisiana Tehuantepec Railway Co.

During the Benito Juárez government, thought was given to constructing a navigable canal through the isthmus. Under Porfirio Díaz, lumber companies like J. Henry and Sons Co., Mexican International Land Co., New York Lumber Co., St. Paul Development, and Hearst State established themselves in the area instead.

Sweden, Wallenberg, and the WWF fascists

by Torbjoern Jerlerup

This summer, the spokesman for the Swedish oligarchy, Peter Wallenberg, made his racist credentials clear to the world, when he stated on Swedish television that he did not think that the African people, or, as he called them, the "blackies," were capable of governing themselves and that Africa should be left to its own fate. This stirred up quite a bit of turmoil in Sweden, but there was no discussion of what it meant politically. The mass media avoided this debate, because it could have endangered the work of the Swedish elite inside the U.N., who are aiding the British royal circles in establishing a fascist, "green" world government in the coming years.

Wallenbergs: 'green' banking family

Back in 1980, the Swedish newspaper affiliated with the international LaRouche movement, *Ny Solidaritet* revealed that the environmental movement was in no way a "spontaneous creation." The newspaper showed that the entire Swedish anti-nuclear movement was run by a few influential families, with the Wallenbergs (who control companies like the multinational Asea Brown Boveri, Ericsson, Electrolux, and the Skandinaviska Enskilda Banken) as the main figurehead.

It documented that the head of the family, Marcus Wallenberg, Jr., Peter's father, together with Robert O. Anderson, Prince Bernhard of the Netherlands, and the Rockefellers, in 1972 created the International Federation of Institutes for Advanced Studies (IFIAS), to spread the gospel of zero growth as a U.N. non-governmental organization (NGO). IFIAS was headquartered in Sweden for over ten years, in a castle given to it by the Swedish king. That organization, which includes the Aspen Institute as a member, came to play an important role in creating the greenhouse-effect hoax. Marcus Wallenberg, Jr. in 1972 initiated the environmental work of the International Chambers of Commerce, together with Maurice Strong from the U.N.

The circulation in Sweden of *EIR's* recent *Special Report* on Prince Philip's World Wide Fund for Nature ("The Coming Fall of the House of Windsor," Oct. 28) has brought to light more information on this family's doings.

The Wallenberg family was one of the founding families of "The 1001 Club: A Nature's Trust," the secret club for the financiers of the WWF. Peter Wallenberg, the current head of the family, is a member of the Swedish advisory board of the WWF. This Wallenberg policy of secretly giving money

to environmental organizations like the WWF is not surprising for those who know their history.

In World War I and in the early 1920s, the grandfather of Peter Wallenberg, Marcus Wallenberg, Sr., acted, in secret, as one of the main bankers of the Soviet Union. In World War II, the family worked secretly in camouflage operations to save assets of Nazi companies, like IG Farben, in the United States and in Ibero-America. The brother of Marcus Wallenberg, Jr., Jacob, was decorated by Adolf Hitler in 1941 for this "valuable help." Marcus, on the other hand, was an asset of the British and worked close to the Hambro banking family during the war.

'Ecological economy'

The Wallenberg family foundation, Knut och Alice Wallenbergs stiftelse, is very involved in the environmental work of the Royal Swedish Academy of Sciences, which works with two environmental projects financed by this foundation. The first concerns the environmental magazine *Ambio*, sponsored by the Swedish state and the Wallenberg family foundation.

The second is the work on "ecological economics," at the Beijer Institute, which has received major funding from the Wallenberg family foundation. The Beijer Institute was founded by Kjell and Maerta Beijer, friends of the Wallenberg family, in the 1980s. The Beijers cooperated with influential persons in the WWF network like financier Sir James Goldsmith, and his brother, the founder of *The Ecologist* magazine, Edward Goldsmith.

The Goldsmith brothers, as well as their Swedish friends behind the Beijer Institute, are working to replace today's trade system, like the General Agreement on Tariffs and Trade (GATT) and derivatives speculation, with an international system of "environmental protectionism" and supranational governance, the so-called "ecological economy." In 1992, the Beijer Institute and the Wallenberg family foundation sponsored a conference in Stockholm, the second meeting of the International Society for Ecological Economics (ISEE). Several speakers at this conference, like the World Bank's top environmental expert, Herman Daly, called for an ecological "alternative," free of the purported evils of modern technology. These networks, including the current head of the International Atomic Energy Commission, the Swede Hans Blix, are targeting the developing countries as well as the Asian bloc, specifically Japan and Korea, on the plutonium issue. They say that the U.N. should "save the planet" by stopping the spread of nuclear technology.

Given the agenda of the Wallenbergs and their Swedish stooges, it is not surprising that the current head of the U.N. Commission on Global Governance, which is investigating how to take the first step to institute a world government in 1995, Swedish Prime Minister Ingvar Carlsson, has repeatedly stated that the U.N. should be given dictatorial powers, in order to save the environment from human beings.

In memory of a Brazilian patriot

With the death of Congressman Osvaldo Lima Filho, Brazil has lost a very unique and precious jewel.

I am not by any means the best person in Brazil to eulogize the memory of a man with the moral stature and personal generosity of Osvaldo Lima Filho, who died suddenly on Nov. 10 in his native city of Recife, capital of the northeastern state of Pernambuco. Nonetheless, I undertake to do so, out of gratitude to a man who, with his long and prestigious career as a moral leader in the Brazilian Congress and as a minister of state, offered me his friendship, based on the sole concern that dominated his life: the defense of the principles of Brazilian sovereignty and independence.

I met Osvaldo Lima Filho for the first time in late 1987, during a trip to Brasilia and under rather strange circumstances. The foreign debt moratorium decreed in February of that year had been lifted once Finance Minister Dilson Funaro was ousted, due to the combined intense pressure—both domestic and foreign—of the financial oligarchies against the weak President José Sarney. Funaro's fall encouraged the efforts of the "Project Democracy" gang, in their zeal to dismantle the Brazilian state.

Specifically, the National Congress was involved in debates around the National Constituent Assembly, which culminated in the promulgation of the 1988 Constitution. It was in that context that the fate of the major state companies, and the legislation that would define a Brazilian state enterprise, was facing a heated polemic. Along with a demonstrative group of congressmen, Osvaldo—who had favored a debt moratorium—headed up the nationalist resistance to the free-

market policies of the International Monetary Fund.

Documents published in *EIR* on the international plot behind Project Democracy and its offensive in the Brazilian Congress, caught Osvaldo's interest and prompted him to circulate those documents within the Chamber of Deputies.

From that moment onward, a friendship was sealed, whose occasional quarrels stemming from differing political judgments were overcome by the conviction that our objective was the common cause of justice. It was in this spirit that, when in early 1989 he learned of the fraudulent imprisonment of Lyndon H. LaRouche, Osvaldo did not hesitate to propose a statement signed by Brazilian congressmen and addressed to the U.S. authorities protesting that unjust and cruel act. His name headed a memorable list of 71 Brazilian congressman, who for the most part had little direct knowledge of the LaRouche case, but who readily agreed to consider it upon learning that it was Osvaldo's initiative.

The reaction of the Brazilian press—encouraged by the U.S. embassy in Brasilia—when that statement was published in the *Washington Post* and *New York Times*—was violent against the congressional signators. I shall always remember Osvaldo in his office in Brasilia, reviewing the matter after receiving protests from his colleagues: "I believe in you," he confided to me, "because I share your admiration for St. Augustine and St. Thomas."

Some months after that storm, Osvaldo, in his capacity as president

of the Nationalist Congressional Front, invited LaRouche's wife, Helga Zepp-LaRouche, to address the Brazilian Congress on the political and judicial persecution of her husband. Although he was not reelected to the Chamber of Deputies in 1989, Osvaldo continued to work for LaRouche's freedom, and his contribution was undoubtedly crucial toward ultimately achieving that end.

Osvaldo was never driven by personal interest or material things, such that he grew poor during his long political career. There is one period in his life to which he referred several times, in his calm and measured way of speaking, which speaks volumes about him.

He had been deposed as agriculture minister of the João Goulart government by the military coup of March 31, 1964, which brought Gen. Castelo Branco into power. Osvaldo had previously esteemed and respected the general. Once in the presidency, Gen. Castelo Branco attempted through common friends to call him several times, out of a desire to discuss the crisis facing the nation. Osvaldo refused the various presidential invitations, not out of any personal aversion nor because of the general's participation in the coup that had overthrown Goulart, but rather, as he honorably conveyed to President Castelo Branco, because of the nominations of Roberto Campos and Otavio Bulhoes—the worst exponents of monetarist liberalism—to the ministries of planning and finance, respectively, nominations which Osvaldo was sure would guarantee Brazil's backwardness for the next two decades.

The loss of our beloved friend is something we feel most deeply, but we draw comfort from the knowledge that his great generosity and Christian charity will keep him always close to God, source of all justice.

International Intelligence

Prince Philip's Nazi ties exposed

The Nazi ties of Britain's Prince Philip make a farce of his bemoaning the Holocaust while recently in Israel, charged an article in the British magazine *Private Eye* the week of Nov. 14.

"How poignant to hear Prince Philip, who recently accepted a rare Israeli honor on behalf of his late mother, talk of his shock on learning about Nazism at school," the magazine commented. "Philip, as usual, was being modest! He need only have asked sister Sophie, who also attended the ceremony: Her first husband, Prince Christophe of Hesse, was one of Goering's top officials as head of Forschungsamt, the Nazis' GCHQ-equivalent. Christophe's brother, Prince Philip of Hesse, also an intimate of Goering's, was also a high-ranking SS man. And Prince Philip himself attended the funeral of another brother-in-law, the Grand Duke of Hesse. The *Times* of 24 November, 1937, recorded: 'There were present detachments of the Armed Forces and the National-Socialist Party . . . among the mourners Prince Andrew and Princess Andrew of Greece and their son Prince Philip.'"

Franco-British defense ties at 'all-time high'

Britain's relations with France have never been so good, declared British Prime Minister John Major in an interview with the French daily *Le Figaro* published on Nov. 18. Asked whether Britain and France are on the road to reestablishing an Entente Cordiale, Major responded: "Yes, I believe so. As I had already stated during the London summit, in July 1993, I don't remember, at any time throughout my existence, that the British-French relationship was so good. The range and the vigor of the cooperation between our two countries is remarkable. Take the case of Bosnia: Our military and political cooperation there is exemplary."

Le Figaro commented that military collaboration between the two countries is at

an all-time high. The two navies have joint daily operations. Green Berets and French paratroopers have joint military training programs. Some 30 officers and 20 French engineers are currently at military academies in England, while a similar number of Britons are undergoing similar training in France. In the area of weapons production, as many as 22 joint programs are under way.

The main issue of the current Franco-British summit in Chartres, is upgrading Franco-British collaboration on matters of defense, according to a report in the daily *Le Monde* on Nov. 18. Patrice de Beer wrote that the British, who have always opposed the idea of a European defense, are all of a sudden acquiescing, because of President Clinton's decision to break the U.S. special relationship with Britain. "The American attitude in Bosnia is, in the eyes of France, one more reason to justify the need of a European defense initiative," wrote De Beer. "Great Britain had for a long time kept away from this concept, but its reservations seem to be slowly dwindling away. The Bosnian crisis has merely accentuated a certain evolution of the relations between London and Washington." "The United States is loosening its ties to the British, and this is such a cultural shock that they refuse to admit it," said a French observer.

Mandela credited for progress in Angola

Angola's government and UNITA rebel forces signed a truce halting nearly two decades of civil war on Nov. 15, and said it took effect 24 hours after the signing. The efforts of South African President Nelson Mandela are widely credited with helping to achieve the breakthrough. Mandela was quoted from Pretoria, after returning to South Africa from a mini-summit on Angola in the Zambian capital of Lusaka: "We were informed by Angolan President José Eduardo dos Santos that he is ready to declare a cease-fire."

Meanwhile, Radio South Africa reported on Nov. 8 that there have been several assassination threats against Mandela in recent weeks. The broadcast noted that police

are taking every possible step to prevent an unknown man from carrying out his threat to kill Mandela. The most recent threat was delivered following the assassination of former Dutch Reformed Church moderator Prof. Johan Heyns. No one has yet claimed responsibility for that murder. Calls have been received saying that Mandela is next in line to be assassinated. Security for the President has been increased.

European backers of Zapatistas attack MSIA

The leftist Mexican daily *La Jornada*, a mouthpiece for the Zapatista National Liberation Front, published an ad on Nov. 16, signed by tens of European human rights organizations, which denounces "ominous attacks, slanders, and aggression by certain sectors of Mexican society" against Samuel Ruiz, the bishop of San Cristóbal de las Casas, Chiapas. Named as the perpetrators of this alleged aggression are the San Cristóbal Civic Front (area producers and businessmen) and the Ibero-American Solidarity Movement (MSIA, co-thinkers of Lyndon LaRouche).

Ruiz, a schismatic advocate of the Theology of Liberation, is a founder and protector of the Zapatista guerrillas, who launched a separatist uprising in Mexico on Jan. 1, 1994.

Among the signers of the ad are the Oscar Romero Solidarity Committees of several European nations, named for the pro-terrorist bishop of San Salvador who was slain several years ago. Also included is Pax Christi of Düsseldorf, Latin American Christians Abroad (Belgium), Ecumenical Assistance Service (France), El Salvador Awareness-Casa Romero (Ireland), and Caritas of Switzerland. Several religious organizations also signed, representing Franciscan and Dominican fathers. The largest delegation of groups is from Spain, and includes entities linked to the Communist Party.

The ad states that the signator groups wish to express their support for Samuel Ruiz who "as an authentic pastor has for 35 years defended the life, culture, rights and

Briefly

just aspirations of the Indians." Praising Ruiz's work as mediator with the Zapatistas, the ad demands that federal authorities launch "a serious investigation" to put an end to the attacks so that negotiations can go on to achieve "peace with justice and dignity."

New appointments made to European Commission

The European Union has approved a new slate of commissioners, who will take office when Jacques Delors's presidency of the EU expires this winter, according to the French government's newsletter *News from France*.

Former French Prime Minister Edith Cresson will be responsible for all questions regarding research, training, and competition. She called for integrating research and training more closely with the real needs of European industry. She will be working in association with Germany's Martin Bangemann, who will assume the industrial, electronics, and telecommunications portfolios of the European Union.

Frenchman Yves-Thibault de Silguy has been named to head all economic and monetary negotiations for the EU. He is currently a special adviser for European Affairs in the cabinet of Prime Minister Edouard Balladur.

Netherlands trains 'suicide assistants'

A new profession has been created in the Netherlands: "suicide assistant." Not only are doctors now allowed to kill their patients, or give them deadly drugs to kill themselves: In the future, suicide assistants, will be trained to assist any person—sick or healthy—in terminating his or her own life. The city of Alkmaar will be the first to offer "education" for this "profession."

The initiative comes from the Humanist Association, which convinced the town's professional school to include the course in their curriculum.

The head of the Humanist Association,

the mis-named Mr. Hilarius, declared that everybody has the right to decide whether he wants to live or die. "Until today, people who wanted to end their lives have not been taken seriously. Everybody tells them they should stay alive. The wish to die is being denied. We want to respect this wish." According to Hilarius, it is irrelevant that people's wishes to commit suicide are often linked to depression and other psychological problems. Psychologically unstable people should have the right to commit suicide just like anybody else.

Hilarius doesn't fear that suicide assistants will run into trouble with the law. "People must commit suicide by themselves. The assistants can be there, but are not allowed to intervene. They can only provide the suicide candidate with the necessary information about how to kill himself in the best way."

Brazil's Franco rejects interference in Amazon

Brazilian President Itamar Franco warned on Nov. 16 that there are "interests foreign to the Amazon community" which "have always tried, continue to try, and will probably keep trying to transform the wealth of that region into a type of reserve for their exclusive future use." The President was speaking at a meeting with the National Council for the Amazon, according to the daily *Jornal do Comercio*.

Speaking while U.S. Defense Secretary William Perry was in the country, Franco added that "nation-states have the right to repel any interference in their affairs." Collaboration among sovereign nations is desirable, he said, "but should always be based on this principle. . . . We cannot allow sovereign and political decisions to be subordinate to foreign dictates."

The President reported that Brazil has much to offer in terms of the resources of the Amazon, and it would be "selfish to think that these natural resources should be exclusively ours. We wish to offer them to all of humanity, but it should be understood that this does not imply a transfer of sovereignty or a violation of our dignity."

● **CHINESE PRESIDENT** Jiang Zemin said on Nov. 18 that China is willing to hold high-level talks with Taiwan on reunification, but that these must take place only on a bilateral basis. "We believe that high-level meetings are conducive to the peaceful reunification of China," Jiang's spokesman said.

● **THE DUTCH PARLIAMENT** voted by a substantial majority to legalize so-called "soft" drugs, and one out of four parliamentarians confesses to taking them, according to the daily *Algemeen Dagblad* on Nov. 18. Most of the parliamentarians who said they had never taken drugs themselves, said they had nothing against others doing so.

● **QUEEN ELIZABETH** announced that she and Prince Philip would pay South Africa a state visit next March, her first to the country in nearly 50 years. The announcement came in the monarch's traditional speech at the State Opening of Parliament. Buckingham Palace later announced that Princess Anne would make an official visit to South Africa in November, and would meet with President Nelson Mandela.

● **THE ANTI-AMERICAN** mood among British policymakers is probably on a level unprecedented since the Second World War, a senior Russian strategist just returned from London reported to *EIR*. He characterized U.S.-British relations as "very bad," and said that British Foreign Office operatives were "extremely angry" at President Clinton, to an extent that shocked him when he heard their outbursts.

● **AN AUSTRALIAN SPY** sold secrets to the KGB, according to a new book reviewed in the Australian daily *Herald Sun*. In an exclusive interview, former KGB Gen. Oleg Kalugin said that "the spy passed documents for money and did not appear to be motivated by ideology."

Drug legalizers hope for anti-Clinton 'revolution'

by Our Special Correspondent

In 1992, the Drug Policy Foundation held a conference in Washington and looked to the incoming Clinton administration with hope that "benign neglect" would characterize national anti-drug policies, and even anticipated that veteran Carter administration decriminalizers from among their ranks would be appointed to policy positions.

Two years later, that picture has not materialized. Despite the fact that Surgeon General Joycelyn Elders has shamelessly endorsed the drug legalization perspective of William Buckley, Milton Friedman, and other libertarian Republican Party activists, the President has repeatedly stated his objection to legalization, and emphasized that enforcement of drug-prohibition laws is essential to bringing drug addicts into treatment programs. Director of the Office of National Drug Control Policy Dr. Lee Brown has articulated this policy in no uncertain terms (see *EIR*, Nov. 18, p. 75). The reality for participants at the Nov. 16-19, 1994 conference of the Drug Policy Foundation is that widespread popular rejection of drug legalization is well understood on Capitol Hill, and there is no support materializing from the Clinton administration for any policy which smacks of decriminalization.

Prospects for this cause worldwide are not much better than they were eight years ago when the foundation was organized. The only thing keeping the effort alive and credible is a \$3 million grant from George Soros, the king of the derivatives market. Soros is the best-known of a group of speculators who finance the spread of the "free market" economic and political theories which support drug legalization as a "rational" policy. But even though the Republican Congress is leavened with ideologues who endorse the views of Friedman, Ludwig von Mises, Friedrich von Hayek, and the like, none have been cited as potential champions of legalization.

The theme of the conference, "The Crucial Next Stage:

Health Care and Human Rights," reflected this political reality. As with environmentalism, animal rights, and other quack movements, the unelected bureaucrats of the international foundations are the only safe haven for policies too extremist for legitimate national governments. Even in this arena, plenary speakers concluded that it is ancillary health and legal issues, and not drug legalization, which will receive attention at a policy level (see accompanying article).

Population just says no

David C. Condliffe, executive director of the Drug Policy Foundation, chaired a panel which reviewed the Clinton administration record on drug policy. He began by reminding the audience that President Clinton's view of drug prohibition is strongly conditioned by his family experience, and is not likely to change. (The President's brother was addicted to cocaine, and recovered through treatment administered after he was arrested and prosecuted.) Condliffe exhorted the participants to recruit "five new members each" and otherwise redouble efforts to create the appearance that there is a constituency for this idea.

The problem that decriminalization advocates face is that most Americans have a view of drugs quite similar to the President's—they have lived through a virtual "decriminalization" (in the sense that any 12-year-old can buy drugs at school), and experience has shown them that drugs are dangerous.

Massachusetts Democrat Barney Frank—an openly homosexual politician who is a leading spokesman for the legalization movement—stressed that "very large numbers of the public do not subscribe to our views." He pointed out that high-profile endorsements from the likes of Milton Friedman, and money from Soros only goes so far in influencing

a congressman who has to be reelected in two years by voters who oppose decriminalization.

No international consensus

Underlying resistance to drug legalization is an international reality, a series of pro-legalization speakers admitted:

- Germany: Lorenz Bollinger, professor of criminal law from Bremen, described the uproar over a recent ruling of the German Supreme Court, which mandated that prosecutors in each German state follow a uniform policy with regard to prosecutions for marijuana possession. The ruling was widely perceived as a step toward decriminalization, Bollinger said, but the legal reality is that it only contributed to a “modest” shift in public sentiment toward usage, without an actual change in the law itself. Bollinger will be hosting a seminar on the subject at Bremen University in May.

- The Netherlands: Freek Polak of the Amsterdam Municipal Mental Health Service, Drugs Division, emphasized that despite the notoriety of the Dutch “coffee shops” which serve legal hashish and marijuana, there has been no change in the law since the original decriminalization in 1976. He stated that the population fears any further reduction in prohibition, and therefore the government has not even initiated a study of the Swiss program of legal heroin distribution, which, he complained, imposes many restrictions on the addict and prescribes increased police powers to control trafficking—therefore it is not a step toward legalization as the DPF defines it.

- Colombia: Carlos Cavalier, a graduate of the Kennedy Center for Government at Harvard and a former aide to Colombia’s justice minister, presented a surprisingly glum perception of legalization there, despite the advanced stage of the project to use Colombia as the precedent-setting case to reestablish global legal trade. The new law which allows possession for “personal use” sanctions a practice to which the population is “superstitiously hostile,” he claimed.

- Australia: Michael Moore and Ron Owens of the Australian Drug Law Reform Foundation presented the only significant report of widespread government review of current drug laws. But the various state and national bodies involved are moving quickly toward the plateau (or ceiling) described in other countries: The de facto legal possession of small amounts of marijuana is to be conditionally accepted, under law-enforcement supervision. It is far from the policy desired by the utopian “lotus eaters” and academics in the legalization movement.

Conservative Revolution, last hope for dope

The drug legalizers’ one glimmer of hope is the insurgency being led by a number of high-profile followers of Ludwig von Mises and the “Austrian School” of economists among Republican members of the new Congress.

Prominently featured in the conference bookstore was a 1991 treatise on *The Economics of Prohibition* by Mark

Thornton. Thornton thanks the Ludwig von Mises Institute for sponsoring his “von Hayekian analysis of the costs of prohibition.” His conclusion is that the price of prohibiting drugs is far greater than the benefits society derives from the productive powers of a sober population.

The full implications of Thornton’s thinking require longer elaboration, but his premise is summed up by his assertion that drugs, gambling, and prostitution are as old as history, “and men and women are risk-taking, fun-loving creatures. *Most human beings live for leisure, not for labor. Labor is merely a means to an end.*”

More than a yuppie credo, this is a hedonistic assault on the Judeo-Christian ethics of modern civilization. While no legislators will openly support legalization *today*, that may not be true if the population will accept this hedonistic approach to other areas of social policy which are in need of reform (welfare is the hot topic these days).

For example, Pete Wilson, who rode the eugenics-inspired Proposition 187 to reelection in California, is also a big supporter of the “three kids and you’re out” welfare policy in force in New Jersey and other states. If you believe that man lives for pleasure and not for labor, you will agree with Wilson, and his co-thinkers, that each child born to a woman receiving Aid to Families with Dependent Children (AFDC) payments is merely the by-product of licentiousness, and should be punished, along with the alleged malefactor. In New Jersey, which funds Medicaid abortions, this punishment can be a death sentence for the fetus. Oh! You never intended that to happen did you? Well, unless you view each and every individual the way Abraham Lincoln did—as a productive laborer, a miner in God’s great mine—then you will have to accept responsibility for *all the consequences* of the policies being advocated by Wilson, Gingrich, and the rest.

Milton Friedman, speaking on C-SPAN Nov. 19, reviewed von Hayek’s treatise *The Road to Serfdom* and explained how this book underlies his support for drug legalization—all drugs. William Buckley and his acolyte Richard Cowan invoke the same philosophy in their ongoing reorganization of National Organization for the Reform of Marijuana Laws, the leading pot legalization organization, now funded by Chicago speculator Richard Dennis, who previously bankrolled the DPF.

When incoming House Majority Leader Dick Armey (R-Tex.) calls for a “true Hayekian agenda” by 1996, is he simply too cowardly to also support drug decriminalization like Friedman and Buckley? When Sen. Phil Gramm (R-Tex.) praises von Hayek (as he did in the summer 1994 issue of the Heritage Foundation’s *Policy Review*), does he also secretly endorse drug legalization? Or is he merely an empty demagogue, just shopping for bargains in the philosophical “black market”? This is where real political lines are drawn. If you don’t understand where a policy idea comes from, you won’t know where it will take you—and now is a dangerous time to be as ignorant as your congressman.

Anti-drug paradigm is no accident

A realization is slowly dawning on many advocates of drug legalization: The only thing that ever made it look reasonable was the corruption that George Bush and his gang brought to the Reagan administration's war on drugs. You might say that "without George Bush to kick around," legalization has to stand on its own merits, and it isn't passing muster.

Panel after panel at the Nov. 16-19 Drug Policy Foundation meeting (p. 56) called attention to the political limits which confront the movement.

- *Justice channels.* Yale law professor Steven Duke, a former teacher of the Clintons, presented a letter urging the President to decriminalize, but offered no prospect that it would get a hearing. One of his students, Ron Weich, who is counsel to Ted Kennedy's Senate Labor Committee, explained that drug decriminalization arguments are never seriously presented at hearings which address criminal law matters, and attributed this to the general popular climate. Duke, and others at the convention, seem to believe that Attorney General Janet Reno is possibly a sympathizer to their idea.

- *Media treatment.* A panel devoted to analyzing media treatment of the issue was similarly pessimistic, noting that except for the newspaper commentaries generated by the Drug Policy Foundation, no editor will push the issue. It was noted that *Rolling Stone* magazine, which targets the most pro-drug segment of the population, took a financial bath when it devoted an entire issue to legalization. Every regular advertiser panned the issue except two—a CD manufacturer and a condom manufacturer. The next issue featured a *Playboy*-style cover story on "The Girls of Baywatch" in order to regain circulation and advertising.

Jacob Sullum, staff writer at William Buckley's *National Review*, summed it up: "Opponents need an over-arching story to compete with the myths of the war on drugs, and so far we don't have one."

- *Human rights.* One hope of overcoming this barrier was the idea of making drug use a *cause célèbre* in the human rights circuit. Here as well, panelists were divided over the proposition. Kevin Zeese and several other stalwarts of the organization have begun an initiative to elevate drug legalization, medical use of marijuana, and various proposals for legalizing cocaine to the status of human rights issues. The feature panelist on this question was Kenneth Roth, director of Human Rights Watch, who argued that there is not much likelihood that these issues would get a hearing in this forum.

The basic problem is that big human rights stories get

attention when they expose abuses in states which have rudimentary legal systems and repressive governments. In the context of drugs, these issues are not so clear, and with respect to "relating drug use to human rights issues . . . we're not there yet."

- *Medical aspects.* Dr. Jonathan Mann, the World Health Organization official who developed and enforced the idea that the AIDS virus had a "civil right" to be free from traditional public health measures, told the conference that this "AIDS revolution" could be applied to drug use.

The list of public health officials participating in the conference would indicate that there is a wide range of practitioners who are gravitating toward the "harm reduction" philosophy of the decriminalization movement. Brown University co-sponsored the medical seminars and arranged academic credit for attendees, for example. While many of these people are advocates of legalization, as a group they are dealing with the fact that the Bush administration cynically targeted low-level drug users in order to expand its prosecutorial powers, and threw the last vestige of rehabilitation out the window. The decrepit state of health care delivery overall contributes to the confused sentiments among these professionals.

Legal reform on the agenda

On the areas where the Drug Policy Foundation has allied itself to broader civil liberties issues, there is a very active collaboration with Democrats and Republicans who are committed to reversing the excesses of the Thornburgh/Bush era. One panel discussed the need to reform the current draconian sentencing system, and the mandatory minimum sentencing schemes which are allowing prosecutors to play at solving the drug problem by filling the prisons with the lowest-level street pushers. A lead speaker was a representative of the U.S. Sentencing Commission. The chair, Julie Stewart, spoke highly of the commitment of people such as Henry Hyde and former Attorney General Edwin Meese to these much needed reforms.

Ronald Reagan came to office with an overwhelming popular mandate to reverse the decriminalization trend initiated under Jimmy Carter. That mandate was organized, almost single-handedly, by Lyndon LaRouche, who commissioned the classic study *Dope, Inc.* and initiated the organization of the Anti-Drug Coalition, a grassroots movement of parents and educators who revolted against decriminalization. Almost 100,000 of them subscribed to a magazine called *War on Drugs*. The movement and its magazine inspired the Reagan administration's adoption of the term "war on drugs," although the actual program never lived up to that.

But it was George Bush who was entrusted to implement it, and he betrayed that trust by making drug policy an element of geopolitical gamesmanship, and recruited the traffickers themselves as allies in his maneuvers.

Gingrich 'New Age' schemes: a threat to our republic

by Edward Spannaus

When Rep. Newt Gingrich (R-Ga.) describes himself as a "conservative futurist," this should be enough to trigger calls for the men in the white coats to come and take him away to a more appropriate setting. It takes very little effort to trace out what Gingrich means by this—and to realize that the ideas he propounds are a threat to our republic and our industrial civilization. In fact, in the view espoused by the new Speaker of the House of Representatives, industrial capitalism is the enemy, and the institutions of our society—from the nuclear family to constitutional government—are outmoded and need to be replaced.

This is why Gingrich the "futurist" manages to find himself in such close programmatic agreement with the followers of one of the most reactionary schools of economics ever to ooze out of the decaying oligarchy of Europe, the so-called "Austrian School" of Friedrich von Hayek and Ludwig von Mises. The Hayekians are the architects of the "Contract with America" and the plans to demolish and slash social programs, privatize government agencies, and even further deregulate the economy. (See "Conservative Revolution Will Crush U.S. Economy," *EIR*, Nov. 25, 1994.)

The Hayekians are a feudal bunch, who hate the principles of the American Revolution and the accomplishments of industrial capitalism. In the 19th century, the "American System" of economics—which every literate American knew was counterposed to the "British System"—was their prime target, along with the growing industrial might of Germany made possible by the *Zollverein* (Customs Union) designed by American System economist Friedrich List.

These Metternichian reactionaries are joined by the "futurists," such as Gingrich's idol Alvin Toffler, in their mutual hostility to industrial capitalism and republican institutions; they just arrive at it by a different avenue. This is why Gingrich, whom we will show to be a New Age kook, finds himself in league with the likes of Phil Gramm, Dick Armeiy, and William Archer.

You think we exaggerate about Gingrich? You haven't bothered to look it up for yourself.

The 'Third Wave'

In recent, post-election speeches, Gingrich has laid out clearly the ideology from which he is operating, if not all the implications thereof. (See *EIR*, Nov. 25, 1994, p. 56.) The

first major change for the United States that Gingrich talks about is "the transition from a bureaucratic, mechanical, second-wave society to an information-age, Third-Wave society," which is explicitly based on the model and writings of Alvin Toffler. Gingrich's speeches and writings are replete with references to the "information age," to Toffler's notion of the "Third Wave," and so on.

What does Toffler mean by all this?

In Toffler's first book, *Future Shock*, which propelled him to instant "pop sociology" fame in 1970, he talks about three stages of society: agricultural, industrial, and "super-industrial." In the 1980 sequel, *The Third Wave*—which is Gingrich's favorite—Toffler now talks about Second-Wave and Third-Wave civilizations, and says that our societies today are characterized by the clash between the two. He attacks the sort of conventional "straight-line thinking" that adds up to "a vision of the future world that is essentially 'more of the same'—Second Wave industrialism writ even

On to the information age

From Newt Gingrich's speech to the Heritage Foundation, Washington, D.C., Nov. 15, 1994:

We're going to replace the welfare state, we're going to reassert American civilization, we're going to develop the opportunity society and we're going to move into the information age, and we're going to compete in the world market, and we're going to reassert civic responsibility, then anybody who's willing to work within that framework, we want to have a total dialogue with and we want to accept good ideas from everybody who agrees on the general direction. . . .

I believe that the new edition of Alvin Toffler's *Creating a New Civilization, The Politics of the Third Wave*, which was produced by the Progress and Freedom Foundation, gives you a sense of the direction we have to move in in terms of the information age.

Toffler versus the U.S. Constitution

Alvin Toffler on "The Coming Super-Struggle" from The Third Wave:

The need for new political institutions exactly parallels our need for new family, educational and corporate institutions as well. . . .

Put differently, the most important political development of our time is the emergence in our midst of two basic camps, one committed to Second Wave civilization, the other to Third. One is tenaciously dedicated to preserving the core institutions of industrial mass society—the nuclear family, the mass education system, the giant corporation, the mass trade union, the centralized nation-state, and the politics of pseudo-representative government. The other recognizes that today's most urgent problems, from energy, war and poverty to ecological degradation and the breakdown of familial relationships, can no longer be resolved within the framework of an industrial civilization. . . .

The defenders of the Second Wave typically fight against minority power; they scoff at direct democracy as "populism"; they oppose efforts to de-massify the schools; they fight to preserve a backwards energy system; they deify the nuclear family, pooh-poo ecological concerns, preach traditional industrial era nationalism, and oppose the move toward a fairer world economic order.

By contrast, the forces of the Third Wave favor a democracy of shared minority power; they are prepared to experiment with more direct democracy. . . . They

demand a renewable and less centralized energy system. They want legitimate options to the nuclear family. . . .

Some [of the advocates of the Third Wave] are drawn from the Second Wave "right"; others from the Second Wave "left". . . .

From Toffler's letter "To the Founding Parents" in The Third Wave:

You are the revolutionists dead. . . . You include the 55 who came together in 1787 to hammer out . . . that astonishing document called the Constitution of the United States. . . .

That piece of paper, with the Bill of Rights added, is clearly one of the stunning achievements of human history. . . .

[W]hat I now must write can all too easily be misunderstood by my contemporaries. Some will no doubt regard it as seditious. . . . [T]he system of government you fashioned, including the very principles on which you based it, is increasingly obsolete, and hence increasingly, if inadvertently, oppressive and dangerous to our welfare. It must be radically changed and a new system of government invented—a democracy for the 21st century.

You knew, better than we today, that no government, no political system, no constitution, no charter or state is permanent. . . . Nor can a government designed for one civilization cope adequately with the next.

You would have understooped, therefore, why even the Constitution of the United States needs to be reconsidered, and altered. . . .

[A]bove all, I thank Mr. Jefferson, who helped create the system that served us well for so long, and that now must, in its turn, die and be replaced.

larger and spread all over the globe."

The problems with existing political parties and institutions, in the gospel according to Toffler, is that they are all basically committed to preserving "the dying industrial order." This includes a misguided and ill-fated commitment "to preserving the core institutions of industrial mass society," in which Toffler includes the nuclear family, mass public education, big corporations, big trade unions, and the nation-state.

Toffler's 1980 *The Third Wave* and his 1990 *Powershift* are both long-winded, "popularized" elaborations of this theme—how our ways of thinking about work, home, the family, government, and so on, are all ridiculously outmoded.

In Toffler's view, the differences between Second-Wave and Third-Wave civilizations and their proponents, are much greater than the differences among conflicting groups within

the Second Wave. Thus, he says, Marxists and anti-Marxists, Americans, and Russians marched forth into the non-industrial areas of the world "blindly bearing the same set of fundamental premises" in which "both preached the superiority of industrialism to all other civilizations." (Horrors!)

The three main ideas—now passé—that bound Second Wave nations together were, according to Toffler: 1) the idea that humans should hold dominion over nature, 2) that industrialism was a higher stage of evolution than non-industrial cultures, and 3) the "progress principle—the idea that history flows irreversibly toward a better life for humanity."

First in Toffler's list of such outmoded optimists is the great German philosopher and founder of the modern science of political economy, Gottfried Wilhelm Leibniz.

Does Toffler really want to overthrow all the institutions that have made the United States what it is today? There is not one which is left unscathed in his pursuit of futuristic nov-

elty and innovation. Not the least of the institutions which must be thrown into the dustbin of history is the United States Constitution.

Toffler begins his concluding chapter of *The Third Wave* with an imaginary letter addressed "To the Founding Parents." (He was already political correct, in 1980, before the term even became fashionable.) The Constitution was "an astonishing document," and taken together with the Bill of Rights, Toffler acknowledges, it was "one of the stunning achievements of human history," "so majestic," etc., etc. *But*, he sadly informs the Founding Fathers (and Mothers), their system of government is now increasingly obsolete, and therefore "oppressive and dangerous to our welfare." Now, it "must be radically changed and a new system of government invented—a democracy for the 21st century." The Constitution itself needs to be reconsidered and altered in order "to create a whole new structure of government."

Toffler concludes his not-so-imaginary letter by praising Thomas Jefferson, who knew that constitutions weren't too sacred to be touched, and he closes by thanking for helping to create "the system that served us well for so long, and that now must, in its turn, die and be replaced."

The Aquarian Conspiracy

Surely, you say, Newt Gingrich doesn't go along with all this nonsense? You will have to search long and hard for any evidence that he doesn't. Only a few months ago, Gingrich wrote a foreword to the newest book by Alvin and Heidi Toffler, *Creating a New Civilization: The Politics of the Third Wave*. This is a compilation of various chapters from earlier books such as *The Third Wave*, plus two new chapters. The book was just published by the Progress and Freedom Foundation of Atlanta, Georgia, which also sponsors Gingrich's college course and his television show.

In Gingrich's introduction, he is unequivocal and unqualified in his praise of Toffler's writings. He boasts that he has been working closely with the Tofflers for two decades to develop "a future-conscious politics and popular understanding" to help Americans make the transition from a dying Second-Wave, industrial civilization. There is not a hint of any reservation or hesitation on Gingrich's part with regard to *any* of Toffler's ideas—not to Toffler's hostility toward industrial capitalism, nor to his demands to overthrow our social and political institutions.

Almost 30 years ago, the London-based Tavistock Institute produced a treatise known as the "Rappaport Report," which bemoaned the excessive technological optimism of the American population—utterly dangerous in the eyes of the British oligarchy—and called for a reversal of the positive cultural impact of the Kennedy-era U.S. space program.

In 1968, the Stanford Research Institute followed up with a published policy report called "Changing Images of Man," which called the "image of industrial and technological man" obsolete and something to be discarded. The director of the study, Dr. Willis Harman, collaborated with author Marilyn

Ferguson to produce a popularized version of the study, a book called *The Aquarian Conspiracy*—which laid out the need for a counter-"paradigm shift" away from a scientific-industrial outlook into the drug-rock-sex counterculture.

Toffler was a direct participant in many of the activities around Harman and the Stanford Institute, and his first book, *Future Shock*, is concerned with overcoming "irrational resistance to change." His themes are virtually identical.

Now, by his own admission, we must place Newt Gingrich into the ranks of the co-conspirators of the Aquarian Conspiracy. The New Age has arrived on Capitol Hill.

'Anticipatory democracy'

Excerpts from Newt Gingrich's foreword to Creating a New Civilization: The Politics of the Third Wave, by Alvin and Heidi Toffler:

Alvin and Heidi Toffler have given us the key to viewing the current disarray within the positive framework of a dynamic, exciting future. . . .

If *Future Shock* had been their only work, the Tofflers would have been important commentators on the human condition. However, their next major work, *The Third Wave* was an even more important contribution to understanding our times.

In *The Third Wave* . . . they placed the information revolution in historic perspective, comparing it with only two other great transformations, the agricultural revolution and the industrial revolution. We are, they say, feeling the impact of the third great wave of change in history, and we are, as a result, in the process of creating a new civilization.

Despite the evidence that something radically new is happening in politics, in economics, in society and in welfare, there is still remarkably little appreciation of how crucial the Tofflers' insight is. Most American politicians, reporters and editorial writers have ignored the implications of *The Third Wave*. There is even less systematic effort to integrate their concept of a Third Wave of human change into policy proposals, political campaigns and the operations of government. . . .

I began working with the Tofflers in the early 1970s on a concept called anticipatory democracy. . . .

For 20 years we have worked together to try to develop a future-conscious politics and popular understanding which would make it easier for Americans to make the transition between the Second Wave civilization which is clearly dying and the emerging but still in many ways undefined and not yet understood Third Wave civilization towards which we must move. . . .

National News

Environmentalists attack LaRouche movement

The Environmental Working Group (EWG) issued a report recently blaming the failure of the Biodiversity Treaty to pass the Senate on opposition from presidential pre-candidate Lyndon LaRouche and the Wise Use movement. The report, "How the Biodiversity Treaty Went Down: The Intersecting Worlds of Wise Use and Lyndon LaRouche," by EWG's Kenneth Cooke, has a timeline of the developing opposition to the treaty, and attributes the blocking of the treaty in the Senate to the single-handed work of LaRouche associate Rogelio Maduro. It contains quotes from *EIR*, and *21st Century Science & Technology*, among others.

The report also quotes environmentalist David Helvarg's new book, *The War Against the Greens*, claiming that the LaRouche movement "claims that Queen Elizabeth controls the world's drug cartels, that Prince Philip and Prince Bernhard of the Netherlands pull the strings on the environmental movement and that drugs and environmentalism are key tools in a plan to bring on a New Dark Age."

EWG is noted for its calls for a re-vamping of pesticide laws to effectively ban most agricultural pesticides. Cooke is an advocate for the hoax of sustainable agriculture and works closely with the strategic think-tank the Aspen Institute.

Howard students blast 'Bell Curve' book

Students at Washington, D.C.'s leading black university, Howard University, held a press conference and day-long seminars on Nov. 21 to attack the new eugenicist book *The Bell Curve*, by Charles Murray and the late Richard Herrnstein. The book revives the old saw that intelligence tests show that blacks have genetically lower intelligence than Asians or whites.

The students' statement called the book "abhorrent to African-American scholars

and others." They must protect African-American children from "hearing negative stereotypes about their capabilities and predictions in this book that herald a grim future in which they are given little encouragement to succeed within their own society." The authors of the book, which lists races according to intelligence, similar to the practices of the Nazis' race science, "threaten the very foundations of the lives of these children by recommending a curtailment of programs, such as Head Start and the government-sponsored hot lunch program, when the authors know that most disadvantaged children use these programs for their very survival."

The statement says the authors have "forgotten . . . it is 'perfecting' of the individual in all of his or her aspects . . . that is the goal" of a sane society.

Bishops reject 'assisted suicide,' euthanasia

Euthanasia and so-called assisted suicide must never be allowed in Catholic hospitals, asserted the National Conference of Catholic Bishops at their annual meeting in Washington on Nov. 17. The statement comes one week after voters in Oregon passed the Death with Dignity Act which makes it legal for doctors to prescribe lethal drugs, which patients can use to commit suicide. Catholic facilities in Oregon say no suicides will occur in their hospitals or hospices, but the new law is unclear as to whether religious facilities can stop doctors from "aiding" a patient's suicide or fire them for doing so without a legal challenge.

In their updated document, "Ethical and Religious Directives for Catholic Health Services," the bishops state that "suicide and euthanasia are never morally acceptable options."

Meantime, research doctors from the Johns Hopkins Medical Institutions urged at a recent American Heart Association conference in Dallas, Texas, that hospitals save money by not performing cardiopulmonary resuscitation (CPR) on individuals whose cardiac arrests were not witnessed, who were already in a stupor or coma, or who have cancer or AIDS. Their study found that

CPR restores heart functioning in 47% of all cases, but "only" 10% of the total survived to be discharged from the hospital, and 5% survived more than two years following discharge.

School superintendent defends privatization

Baltimore School Superintendent Walter Amprey held a "pep rally" on Nov. 16 for Education Alternatives Inc., the private company he has hired to run 12 Baltimore schools. Individuals arrived at the meeting sporting sweatshirts which EAI had given them, reading "Schools That Work."

Amprey said he was launching a counteroffensive against critics of his "revolution." He said parents and teachers would be expected to show their public support for the work of the company. "We are going to speak out when people come forward, including politicians, who say they will kill this program in the schools." He said the criticism was political.

Critics of Amprey also attended his meeting. They charged he had abandoned his oversight role when he accepted money to lobby for EAI. Recent revelations about the company have included the fact that test scores at the EAI-run schools in Baltimore fell, while scores rose in public schools city-wide, and that EAI-run schools did not show the level of improved attendance that other schools did. A group of parents has called for an end to EAI's reign.

New trial ordered for Texas death row inmate

U.S. District Court Judge Kenneth Hoyt on Nov. 15 ordered a new trial for Ricardo Aldape Guerra, a Mexican national on death row in Texas since 1982. Aldape Guerra was convicted of killing a Houston police officer through what Judge Hoyt called "outrageous" actions by police and prosecutors in Harris County (Houston). Hoyt's decision was in response to an evidentiary hearing held in November 1993. Hoyt harshly

criticized the effort of police and prosecutors to "rush to judgment" in his decision:

"The police officers' and prosecutors' action were intentional, were done in bad faith, and are outrageous. . . .

"Their misconduct was designed and calculated to obtain a conviction and another 'notch in their guns' despite the overwhelming evidence that Carrasco [Aldape Guerra's companion, who was killed at the crime scene] was the killer and the lack of evidence pointing to Guerra."

Harris County sends more people to death row than any other county in the country; if Harris County were a state, it would have the third largest number of people on death row.

Rally protests Fed interest rate hikes

A rally sponsored by the AFL-CIO was held outside the offices of the Federal Reserve in Washington on Nov. 15, to protest the Fed's threat to raise interest rates. The rally was addressed by unemployed workers, a representative of farm organizations, and Democratic Sen. Byron Dorgan (N.D.).

Dorgan said it was wrong that the Federal Reserve's Federal Open Market Committee made all its decisions, including recommendations to raise interest rates, behind closed doors. In private, he said, the FOMC makes decisions that tax Americans 20 times more than Congress does. The goal of the United States is to achieve stable prices and full employment. He continued that those who suggest that there are too few Americans out of work are wrongheaded and their ideas are injurious to the economy.

Hillary Clinton expresses anti-abortion beliefs

David Walsh, who chairs the Department of Politics at the Catholic University of America, raised the fact that the media have ignored an interview that Hillary Clinton gave to *Newsweek* in which she explained her opposition to abortion and distribution

of condoms in the schools. Walsh made his observations in a commentary in the Nov. 15 *Washington Post*. Walsh noted that the First Lady's interview in the Oct. 31 issue of *Newsweek* went beyond what was expedient to merely reassure voters of the "traditional values" bona fides of the First Family, since she expressed her opposition to abortion in the context of her religious belief that the practice is morally wrong.

Walsh argued that her admission, from an advocate of "choice" on abortion, cannot be addressed from a narrow partisan framework, and reflects a real ambivalence many individuals have; not understanding that has prevented a simple resolution of the abortion-policy conflict. He compared this to Lincoln's observation that the moral dilemma of slavery could not be resolved until it were resolved rightly, by openly considering the full moral dimension of the problem.

Washington, D.C. ward weighs secession

Some residents of Washington, D.C.'s wealthier Ward 3 neighborhood have been debating whether to secede from the District and join neighboring Montgomery County, Maryland, according to the *Washington Times* on Nov. 20. Several dozen residents met with organizers John Nelson and Paul Egan to begin a coordinated secession effort.

Nelson began the effort a few months ago, and had enough volunteers to man 14 of Ward 3's 18 polling places on election day. The volunteers passed out "Free Ward 3" fliers that appealed to concerns about rising property taxes, the breakdown of the public schools, corruption and unresponsiveness of the District government, stagnating property values, and violent crime.

Ward 3 is separated from the rest of D.C. by Rock Creek Park, a ravine running generally north and south through the western third of the District, and the ward has a much higher income and social status than the rest of the city. Both Rep. Constance Morella (R-Md.), who represents Montgomery County, and Ward 3 Council member-elect Kathy Paterson have denounced the idea of secession.

Briefly

● **ABE FOXMAN**, the national director of the Anti-Defamation League, recently met with Southwest regional Jewish media to defend himself after a local Jewish newspaper ran a cartoon poking fun at his problems with the Israeli government, sources have told *EIR*. Foxman had been publicly raked over the coals by Deputy Foreign Minister Yossi Beilin on two occasions earlier this year for his criticism of Israeli policies promoting the peace process.

● **ALASKA'S** northern coast may be reserved solely as a polar bear habitat in perpetuity, according to a draft Polar Bear Habitat Conservation Strategy that will be issued in December by the U.S. Fish and Wildlife Service. FWS has been working with radical environmentalist groups on the project, which would close most of the coast to oil exploration and production.

● **KENNETH STARR**, the independent counsel investigating the so-called Whitewater scandal, is now working with investigators and the Resolution Trust Corp. to look into allegations that Madison Guaranty owner James B. McDougal manipulated loans through the S&L and diverted other money into Bill Clinton's 1984 gubernatorial campaign, according to the Nov. 19 *Washington Times*.

● **VIRGINIA** Gov. George Allen, speaking in New York at the 43rd annual Report to Top Management on Nov. 17, proclaimed that his program for parole abolition and tougher penalties for violent criminals are "important to provide opportunities for citizens and businesses to prosper and grow." Allen also chairs the Republican Governors Association.

● **PENTAGON** spokesman Lt. Col. Michael Wood categorically denied a report, published in the *European* on Nov. 17, that teams of CIA personnel are in Bosnia training the government army in tactical operations, providing satellite intelligence, and controlling air traffic.

Editorial

Jesse who?

On Nov. 21, Sen. Jesse Helms (R-N.C.) underscored remarks made the week before to the effect that he did not consider President Clinton to be a fit Commander-in-Chief. This time, he told a reporter that the President of the United States had better not come to the military bases in the State of North Carolina without an armed bodyguard.

That Helms felt free to run off at the mouth in this way, is symptomatic of the manic elation gripping the Gingrich/Gramm faction of the Republican Party. There is no doubt that the sweep by these Republican anti-constitutional insurgents represents a rebellion among an electorate facing the collapse of the U.S. economy as a reality biting into their everyday lives, and the lives and hopes of their children. The same anger, which was properly directed against President Bush in 1990, is now focused upon the Democrats, because despite President Clinton's rhetoric to the contrary, things are indeed getting worse.

The irony is that while the Gingrich Republicans believe that, with their election victory, they are now moving in for the kill, in reality their whole political edifice is on the verge of fracturing. Their fascist agenda cannot be made to stick. In California, scapegoating illegal immigrants may be popular in the short term, but the fascist agenda of the Conservative Revolution means a jackboot on the neck of most Americans, and Californians will learn that soon enough. All that is needed is for President Clinton to rally Americans to a vigorous campaign against this fascist agenda as the political movement of Lyndon LaRouche demonstrated in defeating Oliver North's Senate bid in Virginia. The comparison between Gingrich's plans to create prison slave labor gangs and workhouses for poor children, and Hitler's slave-labor concentration camps is all too obvious.

If the President comes out swinging, then the American people will wake up to reality and force a realignment of the present party structure in line with reality. The danger is that before Clinton is ready to act on the lesson of Virginia, he may become the victim of an assassin. This is why a publicity-hungry clown like Senator Helms, whose outburst can provide cover for such an assassin, disguised as the act of one or more

deranged loonies, must be taken seriously. Jesse Helms, a former radio personality, was obviously a model for creatures like perennial ex-husband "Bush" Limbaugh. He panders to "populist" rage.

As the recent elections show, particularly voter support for Proposition 187 in California, Helms's demagoguery is tapping a dangerous vulnerability in the American voters right now.

While most Americans no longer believe the Warren Commission single-assassin theory, very few understand that President Kennedy was assassinated, and French President de Gaulle was almost killed, because the British Crown (as the leadership of a European oligarchic grouping) was not willing to tolerate the reemergence of the United States and France as powerful republican opponents of their imperial aspirations. Jesse Helms, acting as that "phenomenon from North Carolina" and not as a U.S. senator, is providing the British with cover to mount a similar operation now against President Clinton.

The crucial evidence which establishes that the conspiracy to murder Kennedy was deployed by the British Crown, is found in the role of one Maj. Louis Bloomfield, head of the Canadian World Wildlife Fund and a member of the Prince Philip's 1001 Club. Bloomfield was a British intelligence operative during and after World War II. He also headed Permindex, an international trading company which ran a number of terrorist operations. Many details of the conspiracy to kill Kennedy were uncovered by New Orleans Attorney General Jim Garrison, who identified the role of Permindex and courageously brought to trial one of the conspirators, Clay Shaw, a member of the board of Bloomfield's Permindex.

If President Clinton drops his ill-considered support for the myth of an economic recovery, and takes on the Bush Republicans, who not only got us into this mess, but are also intent on rapidly destroying what is left of the U.S. economy, he has a chance to win popular support as no President has since FDR. The British do not wish to see another President such as John F. Kennedy at the helm of the United States. Fools such as Jesse Helms play right into their hands.

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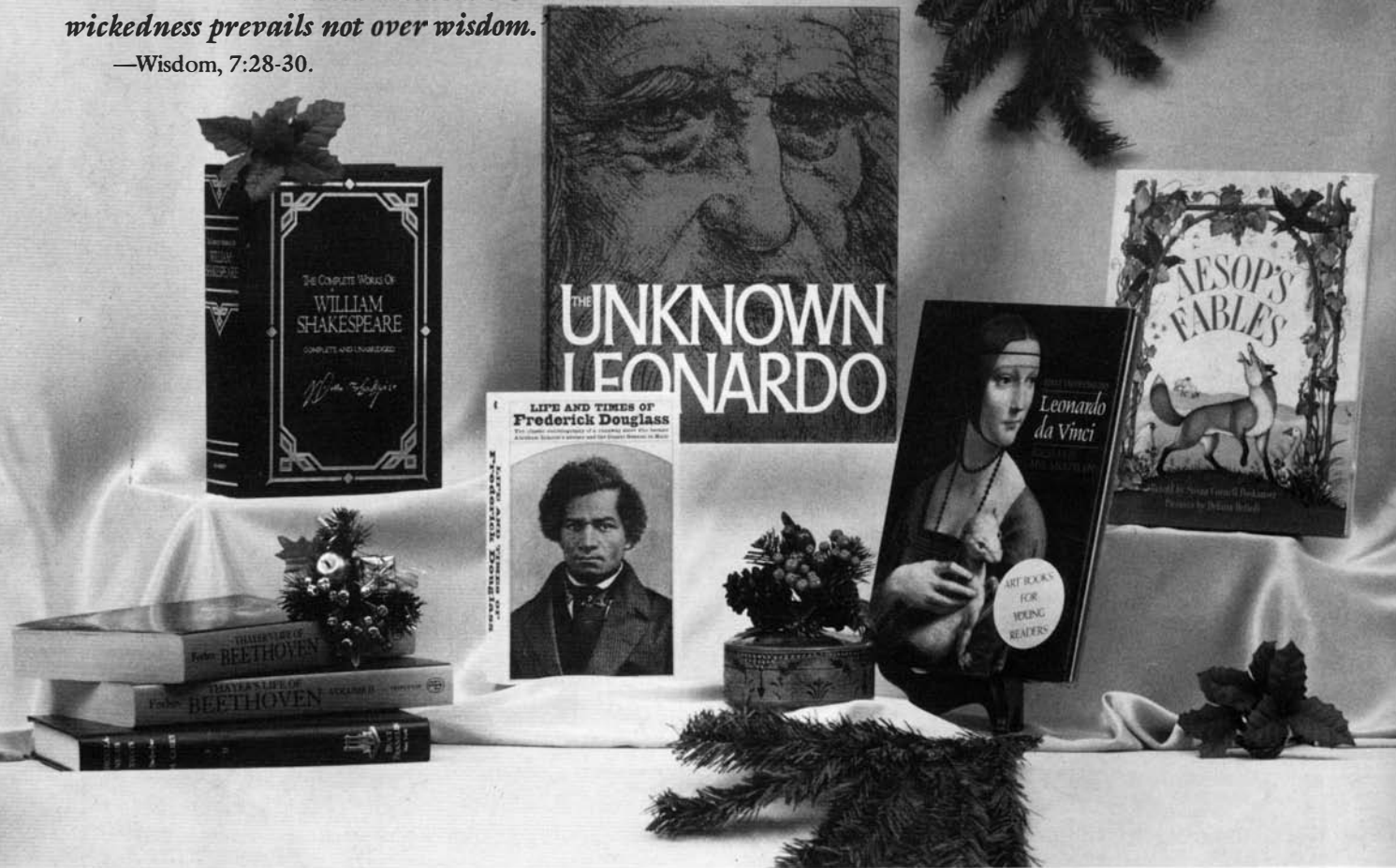
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