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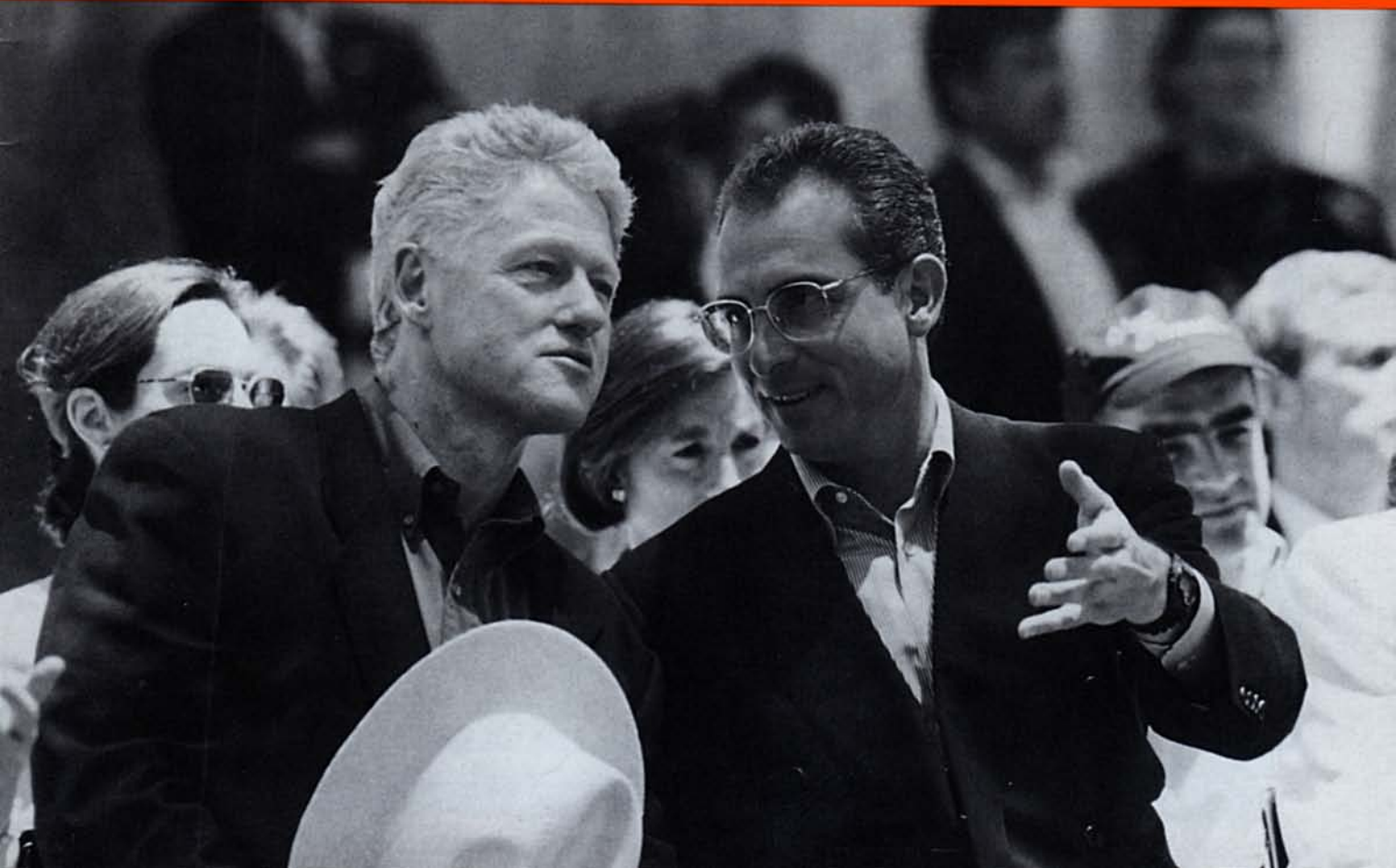
Executive Intelligence Review

May 30, 1997 • Vol. 24 No. 23

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British moneybags installed Nazi Kabila  
Mathematicians who can't tell time  
ECO summit promotes the new 'Silk Road'

**Clinton, Zedillo defend  
sovereignty of the nation**



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*EIR* (ISSN 0273-6314) is published weekly (50 issues) except for the second week of July, and the last week of December by *EIR News Service Inc.*, 317 Pennsylvania Ave., S.E., 2nd Floor, Washington, DC 20003. (202) 544-7010. For subscriptions: (703) 777-9451. World Wide Web site: <http://www.larouchepub.com> e-mail: [eirns@larouchepub.com](mailto:eirns@larouchepub.com)

**European Headquarters:** Executive Intelligence Review Nachrichtenagentur GmbH, Postfach 2308, D-65013 Wiesbaden, Otto von Guericke Ring 3, D-65205 Wiesbaden, Federal Republic of Germany Tel: (6122) 9160. Homepage: <http://www.eirma.com> E-mail: [eirma@eirma.com](mailto:eirma@eirma.com) Executive Directors: Anno Hellenbroich, Michael Liebig

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**Japan subscription sales:** O.T.O. Research Corporation, Takeuchi Bldg., 1-34-12 Takatanobaba, Shinjuku-Ku, Tokyo 160. Tel: (03) 3208-7821.

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**Postmaster:** Send all address changes to *EIR*, P.O. Box 17390, Washington, D.C. 20041-0390.

## From the Associate Editor

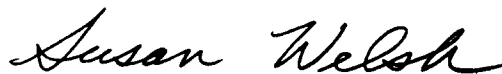
**I**n our issue of Jan. 31, 1997, *EIR* launched an international campaign, headlined, “The War Against the British Empire Can Be Won.” Citing the Jan. 12 invasion of Sudan by British proxies steered by Uganda’s Yoweri Museveni, we wrote that such actions had “drawn a river of blood” between the British oligarchy and the rest of mankind. We called for the supporters of the British war, both in Africa and among the politicians of the United States, to be held accountable under the statutes of the Nuremberg Tribunal, as perpetrators of crimes against humanity. We warned, that if the assault against Sudan were not stopped, Museveni and his British cohorts would soon move against other states of the region.

Four months later, Museveni’s puppet, mass murderer Laurent Kabila, has marched into Kinshasa, Zaire, and proclaimed his new “Democratic Republic of Congo”—which is neither democratic nor a republic. Millions have been murdered, or are near death from disease and starvation. Kenya is immediately threatened by Museveni’s co-conspirators.

*EIR* and the political movement associated with Lyndon LaRouche have vowed to escalate the war against the British Empire, to shake the complacency of the Western world, which watches indifferently, as the television broadcasts the latest episodes of horror. When Rwandan refugees are stuffed into boxcars and sent to their deaths, where are those who said, after Hitler was defeated in 1945, “Never Again!”? Today, the battle to defeat the British in Africa, is a moral test for this nation, and for other nations.

To further this campaign, the current issue of *EIR* features an exclusive dossier on the financiers and cartels—most of them from British Commonwealth countries—that put Kabila into power. We have the inside story on a secret meeting on May 9 in Lubumbashi, where the strategy was worked out (see *International*).

President Clinton must be convinced to move decisively against these jackals who are feeding on the corpse of Africa. As shown by our *Feature* on his recent trip to Mexico, the President is quite capable of kicking over the British strategic chessboard. If he does so in Africa, he will put his life on the line. He will need the support of every American patriot.



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## ECO summit promotes ‘Silk Road’ economic development

by Hussein al-Nadeem

To the southeast of Europe, in a region at a safe distance from a Europe both economically depressed and beset with the self-destructive political-economic Maastricht austerity ideology, nations have started a march toward economic reconstruction and development.

One year ago, on May 13, 1996, President of Iran Ali Akbar Hashemi Rafsanjani, President of Turkmenistan Saparmurat Niyazov, 12 additional heads of states from the region, and high-level representatives of more than 50 nations from around the world attended the inauguration of a 165-kilometer railway line linking the city of Mashhad, in north-eastern Iran, to Sarakhs and Tajan, in neighboring Turkmenistan (see **Figure 1**). This short rail line became the focus of most of the world’s media that day, because it filled a gap in a railway network extending from China’s eastern ports on the Pacific Ocean to the western European ports on the shores of the Atlantic Ocean—the “New Silk Road.”

The most important aspect of this New Silk Road, or Eurasian Land-Bridge, as American political economist Lyndon H. LaRouche and his associates in *EIR* have emphasized, is that, given the right choice of policy practice in the industrial nations in Europe and the United States, it represents “a locomotive, a motor for a process of worldwide economic recovery,” to create millions of highly productive jobs and to lift the living standard of three-quarters of the world population out of the depression and financial-banking crisis engulfing the world economy today (see the *EIR Special Report*, “The Eurasian Land-Bridge: The ‘New Silk Road’ — Locomotive for Worldwide Economic Development”).

### ECO’s main objective

The inauguration of the Mashhad-Sarakhs-Tajan rail line became the occasion for a summit meeting of the heads of states of the newly established Economic Cooperation Orga-

nization (ECO), comprising 10 Muslim nations from the Middle East, Central Asia, and the Asian subcontinent—Iran, Turkey, Pakistan, Afghanistan, Azerbaijan, Turkmenistan, Uzbekistan, Kazakhstan, Tajikistan, and Kyrgyzstan. The main objective of these nations has been economic development. The ECO members started with planning the construction of transport infrastructure projects. The primary goal has been the linking of each member-state to the others through a massive network of railroads, highways, and ship lines, and to link these countries, especially the newly independent Central Asian states, to Asia in the east and Europe in the west through similar networks. The other major aspect of the ECO cooperation has been to enable land-locked Central Asia, which has massive deposits of oil and natural gas, to reach the world markets in the Persian Gulf, Asia, and Europe, through the construction of a network of oil and gas pipelines stretching from Central Asia, especially Kazakhstan and Turkmenistan, through Iran and Turkey to Europe, through Iran or Afghanistan to Pakistan and Southeast Asia, and through Uzbekistan and Kyrgyzstan to China and East Asia.

The main issue here is not the mere transport of physical goods and passengers, or the piping of gas and oil to markets thousands of miles away. The real issue is the creation of what LaRouche and *EIR* term “development corridors,” of 100-150 kilometers in width, and including high-speed railways; roads; water canals and water management systems, including the utilization of nuclear energy for water desalination and industrial use; gas and oil pipelines; new cities; modern agro-industrial zones; and so on. These are the preconditions for the success of any regional economic cooperation forum within the borders of the Eurasian land-mass.

ECO seems to be taking its first steps toward such an approach, and has put its emphasis and potentials on regional projects related to the New Silk Road, as the heads of the

member-states have repeatedly indicated. In their recent summit meeting in Ashkhabad on the first anniversary of the inauguration of the Mashhad-Sarakhs-Tajan line, the ECO states reached a number of agreements consolidating their previous commitment to this development approach.

### The guidelines

On May 14, President Rafsanjani sketched the guidelines for ECO activities in the coming few years. Rafsanjani called on the member-states to utilize the enormous energy reserves of the region and to expand cooperation among themselves. He said, "Taking into account the special location of the region, the priorities are focussed on three sectors — trade, transport and telecommunications, and energy — for at least the next 10 years, so that special attention should be given to promote the three areas of cooperation."

Rafsanjani added, "Another prerequisite for regional cooperation is the formation of an organized transport network, and, because some member-nations are landlocked and do not have an easy access to the open sea," the matter should receive "top priority." He said that setting up the Mashhad-Sarakhs-Tajan rail link has been a fundamental step forward which has practically put an end to the transport limitations imposed on the Central Asian nations.

Most important, Rafsanjani reiterated his strong stance that "if the financial responsibility of carrying out these projects were to be given to international financial institutions, it's very unlikely that these projects would be achieved." He emphasized that the financing of these projects "should be done internally as much as possible." As *EIR* has repeatedly documented, there is not one example of a country whose economy accepted the policy dictates or "assistance" of such international financial institutions as the International Monetary Fund and the World Bank, which did not end in a complete disaster.

Turkey's President Suleyman Demirel told the ECO summit that the Iranian President's speech was "the most comprehensive report on the 10 nations' Economic Cooperation Organization." Demirel pointed out that "if the course of action for ECO's future is going to be based on the guidelines provided by President Rafsanjani, ECO will emerge successfully from some of the obstacles it is facing." He added that "ECO is fully prepared for entry into the 21st century," and that the cooperation between member-countries would help boost the living conditions of the people in the region. Praising the Mashhad-Sarakhs-Tajan rail link, he stressed that "the extraordinary summit at Ashkhabad is, without a doubt, a nascent transformation in the direction of strongly setting up the infrastructure of communications and land surface transportation on the Asian continent." He stressed the need for connecting Turkey's rail network to the Central Asian countries.

Meanwhile, the President of Tajikistan, Imomali Rakhmonov, said that "the Sarakhs-Tajan railroad is part of a huge Asian transportation project which will eventually connect

Tajikistan's, Kyrgyzstan's, and Azerbaijan's railroad networks in the future."

### Oil and natural gas agreements

In this context, during the summit, a number of very significant bilateral, trilateral, and mutual agreements were signed. Pakistan and Turkmenistan signed a protocol for a Joint Working Group, and agreed to make efforts toward ensuring that physical construction on gas and oil pipeline projects linking the two countries commence before the end of the current year. However, the two countries have not made public the third country through which these gas and oil pipelines will pass. The only two possible partners are Iran or Afghanistan. Although Afghanistan is a member of ECO, the Taliban, who control three-quarters of the country, were not represented. ECO recognizes the ousted government of Burhanuddin Rabbani as the legitimate leadership of Afghanistan. However, Western oil companies have already started negotiations with the Taliban to build a gas pipeline from Turkmenistan to Pakistan through the Afghan territories under their control.

Meanwhile, Iran, Turkey, and Turkmenistan signed an agreement calling for transfer of gas from Turkmenistan to Turkey via Iran. The document was signed by Rafsanjani, Demirel, and Niyazov. According to the agreement, Turkmenistan is to annually transfer 30 billion cubic meters of gas to Turkey and then to European markets via Turkey.

Kazakhstan's President Nursultan Nazarbayev also announced at the summit that the ECO heads of state approved a pipeline to carry oil from Kazakhstan through Iran to world markets. Nazarbayev has described Iran as the best and most economical route for transport of oil from the region to world markets. Iran is currently importing oil from Kazakhstan at its Caspian Sea terminals in the north, for use in domestic power generation and industry in northern Iran, because there are no pipelines bringing its own oil from the south of the country near the Gulf, to the north. Iran, at the same time, sells the same amount of oil it imports from Kazakhstan for the account of the Kazakh oil company at the Iranian terminals in the Gulf, according to the swap deal the two countries signed last year.

Currently, Iran and Turkmenistan are completing the final stages of a gas pipeline project to transfer Turkmen gas to Iran. According to the \$190 million project, to become operational within the next six months, Turkmen gas will be transferred to Neka, in northern Iran, through a 200-kilometer pipeline. In the first stage, transfer of 2 billion cubic meters of gas per year has been envisaged; the amount is to be increased to 8 billion cubic meters a year later. Iran might have a similar swap deal in the works with Turkmenistan, to sell Iranian gas in the Persian Gulf in return for gas imported from Turkmenistan in the north.

In total, four pipelines would be set up to carry oil from Central Asia, Iran, and the Persian Gulf, through Turkey to Europe, as well as an oil pipeline passing through Kazakhstan,

FIGURE 1

**Central Asia: existing and newly constructed railways**





Uzbekistan, Turkmenistan, Afghanistan, and Pakistan. The final declaration of the ECO summit also referred to the expert studies of setting up gas networks in Turkmenistan, Uzbekistan, and Kyrgyzstan to pipe gas from Central Asia to East Asia.

### Transport projects

As for transport, the final declaration summed up the projects to be carried out in the immediate period ahead. Terming the opening of the Mashhad-Sarakhs-Tajan rail line as very significant for building linkage between Central Asian nations and Europe, as well as the Persian Gulf and Asia, the declaration said that “the railway will be extended from Sarakhs to Tashkent [capital of Uzbekistan] and Almaty [capital of Kazakhstan] to develop trade in the region.” The declaration said that railway facilities should be developed in the region, and that ECO member-states are required to build more locomotives to meet the requirements of the new links. A new railway would be built between Kazakhstan and Turkmenistan joining the Iranian port of Turkman. According to the declaration, Turkmenistan’s President Niyazov was appointed head of the ECO “railway consortium.”

Iranian authorities are currently working to finish the railway link from the Iranian city of Kerman, to the Pakistani town of Mirjaveh, filling another major gap in the southern route of the Silk Road. Another railway is planned to extend from Mashhad to the Iranian port of Bandar Abbas on the Persian Gulf, cutting the distance from Central Asia to the Gulf by 900 kilometers. Work is also being carried out on a new rail line between Iran and Turkey, linking the whole southern network to Europe.

### Stronger ties to Asia

On May 18, Following the Ashkhabad ECO summit meeting, another important conference was held, hosted by Iran. The conference was attended by executives of such major Asian groupings as the Association of Southeast Asian Nations (ASEAN), the South Asian Association for Regional Cooperation (SAARC), the South Pacific Forum, and the Economic and Social Commission for Asia and the Pacific. The theme was the same: building the Eurasian Land-Bridge.

Opening the conference, Iranian Foreign Minister Ali Akbar Velayati said: “The Mashhad-Sarakhs-Tajan railway line and the revival of the ‘Silk Road’ has cut the distance between Asia and Europe by 4,500 kilometers, and by using Iran’s road and railway networks, countries in the Pacific and Indian Ocean [basins], especially the member countries of ASEAN, SAARC, and the South Pacific Forum, are able to have access to the markets in Central Asia and the Caucasus.” Velayati stressed the firm resolution of Iran and other ECO members to establish stronger ties with other regional organizations in Asia.

Velayati termed trade as conducive for cooperation and exchange of experiences among these organizations. He de-

scribed development of transport as essential for promotion of intra-regional trade, saying that “with regards to the large volume of commercial exchanges among member-countries of Asian sub-regional organization, the infrastructures of the region for road, railway, and air transport as well as shipping can be utilized by all member-countries.” Velayati touched on the huge gas and oil reserves in Central Asia, the Caucasus, and the ECO member-nations, saying that the need for applying appropriate technology for optimal use of Caspian Sea gas and oil reserves, as well as suitable land and sea transit routes and the growing need of South and East Asia for natural gas, make cooperation in the energy sector inevitable.

As *EIR* has elaborated in several locations, the question of building the Eurasian Land-Bridge is not merely an idea or a proposal to be adopted or not. First, the New Silk Road is already an established fact, and countries such as China, India, Iran, and those in Central Asia, and even Russia, are cooperating to accomplish these projects, and the work is going on. Second, because of the massive technological and capital input required, the industrial countries in western Europe and the United States, if they are to act in their self-interests, have *no choice* but to join China, Central Asia, Iran, and other nations in Eurasia to make this great transcontinental project function, in order to save the world economy. Otherwise, they will plunge deeper into the current economic depression leading the whole world, at an accelerating pace, into a new dark age.

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# Collapse of Dulles Greenway spells doom for ‘private’ road infrastructure

by L. Wolfe

The Dulles Greenway, the 14-mile private toll road in Loudoun County, Virginia, once touted as the nation’s premier private road infrastructure project, today sits on the edge of bankruptcy. The four-lane road, which runs from Dulles International Airport west to Leesburg, is already effectively bankrupt, having missed four consecutive \$7 million quarterly interest payments—the last one due on March 31. If no deal can be worked out with its creditors, which include insurance giants John Hancock and Cigna, and Barclays Bank, by the time the next payment is due on June 30, then a formal bankruptcy is inevitable, sources in the financial community report.

State officials say that the creditors have already been shopping the Greenway’s paper around, offering it at 20¢ on the dollar—with no takers. According to these sources, the lack of takers signals that the \$258 million long-term debt, and \$40 million revolving credit line on what was reported to be a \$326 million project, has achieved a status lower than junk bonds. “It’s one step away from the undertaker,” said a source.

State and local officials report that the Greenway’s revenues amounted to less than \$6 million last year—reportedly about the same as its operating expenses, without any debt payments. This has led the Greenway’s investor group, TRIP II, led by Middleburg millionaire and George Bush ally Magalen Ohrstrom Bryant, to ask for a moratorium on all debt payments. But the creditors, who already must approve all business decisions for the hapless project, have balked, demanding that the Greenway offer assurances that the state will go along with the plan. The Greenway wants the state to extend the point at which the road is taken over by the Commonwealth of Virginia, now some 40 years away, by several years; such an extension could cost taxpayers hundreds of millions of dollars.

## Bigger implications

Because the Greenway was billed by the networks of George Bush who designed the project, as a “prototype” for schemes intended to loot the more than \$400 billion interstate highway system, its collapse has broad implications. One state legislator who had originally been pulled into support for the program, said that “it certainly tarnishes the view that road privatization is some kind of ‘silver bullet.’”

A glitzy brochure produced for the road’s lavish grand opening ceremonies on Sept. 30, 1995 proclaimed that the Greenway was the lead project in a “new paradigm” of infra-

structure privatization. “The infrastructure needs of the nation require bold new creative thinking to break the paradigms of the past,” the brochure states. “This venture offers a clear and immediate answer to the problem, with the private and public sector joining together to provide necessary improvements for all citizens. . . . This pioneering effort will lead the United States toward accepting this new concept [privatization] as the best answer to meet this critical need. . . . While the Greenway is specifically an example of public-private cooperation in the development of new infrastructure, this cooperative approach is increasingly being advocated by leading-edge, progressive thinkers on many fronts, including education, the environment, and health care.”

Indeed. As word of the collapse spreads, it is likely to cast a dark shadow over the ability to sell similar schemes, in this country and around the world. For example, Rebuild, Inc., a spin-off of the group that built the Greenway, last year announced that it had signed a letter of understanding to build a 50-mile private toll road-development corridor in Shandong Province in China. Now, with the Greenway project collapsing, those plans have been put on hold, and the man who built the Greenway, TRIP II’s former Chief Operating Officer, Gen. Charles Williams, U.S. Army (ret.), has left the company to take a position with the District of Columbia school system.

There has been a similar effort to market private infrastructure projects in Ibero-America. Earlier in this decade, Mexico’s corrupt President, Carlos Salinas de Gortari, a close friend of George Bush, started turning over his country’s new road construction to private interests, giving them control over rights of way and toll concessions. The result has been a patchwork of high-toll roads and decaying public roads, that has led to a transportation nightmare. Despite the clear efforts of the government to force people onto the private toll roads, the private projects have collapsed, and the Mexican government is faced with the prospect of having to take them over, at a cost of billions—much more than it would have cost for the government to have built and operated the highways.

Virginia’s Conservative Revolutionary governor, George Allen, has reportedly ordered officials to do what they can to cooperate with the Greenway and its creditors. These officials have bent over backwards, refusing to allow the state’s Department of Transportation to collect debt and late-payment



*The hopes of oligarchical financiers that the Greenway toll road would be a national and international model for privatizing roads and other infrastructure, are about to pop. Here, Virginia Gov. George Allen addresses the crowd at the lavish opening of the Greenway in September 1995.*

penalties of more than \$4 million due on a 10-year-old bill owed to the state. Allen has stated that he wants to see the privatization program succeed, but he cannot promise that the General Assembly would go along with a rescue effort.

### **Why privatization can't work**

The Greenway scam is doomed to fail because it operates against the sound principles of American System economics. Unlike our free marketeers of today, the Founding Fathers understood that private ownership of public infrastructure was a bad idea. The profit derived from infrastructure development must be understood in its relationship to the economy of a nation, taken as whole. Infrastructure enhances commerce, making all operations of an economy more efficient, and thus more profitable. It is the proper function of government to develop and operate infrastructure at the lowest possible cost to a user; ideally, there should be no cost at all as a direct charge, and if there is a charge, it should be kept to a minimum.

The costs of infrastructure development thus cannot be recuperated from user fees, especially over a short time; efforts to do so, undermine the effectiveness of infrastructure projects, and reduce the overall profit of an economy.

This is a cornerstone of what is known as the American System of economics, as practiced by Alexander Hamilton, and embodied within the Commerce clause of the U.S. Constitution. In part, this clause was intended to stop the proliferation of private toll roads under the Articles of Confederation, which nearly choked off all commerce and destroyed the nation. As Hamilton, the nation's first Treasury secretary, proposed, infrastructure projects should be built without recourse

to private borrowing, financed with Treasury-generated, low-interest credits distributed through a national bank. These credits are distributed to private contractors, who build the infrastructure; however, the contractors are not to be allowed to own it or to operate it for profit.

Thus, the American System concept of a "public-private partnership" involves government financing of the private construction of infrastructure which the government owns, and whose operation it regulates, never running it to generate "profit" in the accountant's bookkeeping sense of the term.

### **A little history**

What became the Dulles Greenway had its origins in the mid-1980s, in the Reagan-Bush administration (see box). A former Reagan administration transportation official, Ralph Stanley, hooked up with Ohrstrom Bryant to impose a plan for a private toll road onto a state plan to extend the Dulles Toll Road (Route 267 from greater Washington to Dulles Airport) farther west to Leesburg. Local government officials, assets of the Hunt Country's powerful families, were recruited to the project, and a private toll road, replacing the state road extension, was authorized in 1988.

Originally, the argument was that the private investor group could build the road cheaper and more quickly than could the state. If the privateers had not intervened, a state road would have opened by not later than 1992, and possibly 1991. Despite receiving much of its right of way through rezoning development proffers from the Loudoun County and Town of Leesburg governments, the Greenway didn't even obtain financing until 1993, and didn't open until September 1995. Its announced cost was more than one-third higher than

estimates for the original state road; and, it started out with an astounding \$2 one-way, non-prorated toll.

To obtain financing, Greenway officials claimed that the road would soon be attracting 34,000 daily users, and would become profitable a few years thereafter. However, it soon became obvious to anyone with a calculator that the numbers were off by orders of magnitude. Even after the toll was scaled back, and the usage figures “massaged” (the Greenway calculates the weekend as a single day in order to inflate their daily averages), the numbers still don’t go higher than 25,000 or so. At the reduced toll rate, it would take nearly 72,000 daily trips merely to pay the road’s quarterly interest payments, with no money left over for operating expenses.

This has led people to speculate that the usage figures were deliberately inflated to let the Greenway’s investors borrow huge sums of money. If that were the case, then the collapse of the road would have had to have been *pre-discounted*. The local Loudoun paper, *EIR News for Loudoun County*, broke this story last year, charging that the Greenway was being used as a looting scheme, in much the same way that the Meyer Lansky syndicate looted various Minnesota financial and banking institutions: inflated numbers allowed investors to borrow, and then take out huge profits; when the institutions went bust, their “assets” were repackaged at a lower value, and a new round of looting began. The paper indicated that the state’s taxpayers would be the ones to take

the eventual hit, with a new “syndicate” put together that would buy the project, at a reduced value.

Local banking sources and state officials are now speculating that a new deal with the creditors might involve a “shill” for the Greenway investors, allowing them to pick up the project for a few cents on the dollar.

Meanwhile, there is also a question as to what happened to the original borrowing for the road. Leo Shefer, of the Washington Metropolitan Airports task force, said recently that he had been told by General Williams that the road cost only \$8 million per mile to build. If so, that leaves over \$150 million unaccounted for. No state official has ever looked at the Greenway’s books. “They have a policy,” said a legislative source of the Allen administration’s officials in dealing with the Greenway, “it’s ‘don’t tell us and we won’t look.’ Not very much in the way of oversight there, you know.”

“We’ve been snookered,” said a source close to Loudoun’s Board of Supervisors. “This thing should be put at ‘full stop’ until some questions are answered.” As far as the possibility of more infrastructure projects modelled on the Greenway, the source said, “You’ve got to be kidding, aren’t you? This is a big-time bust.”

Greenway officials claim that they are close to working out a deal with their creditors. But, it doesn’t matter; as one local development source said in mid-May, “This thing is face down in the water. It can float about a bit, but it’s dead.”

## The Bush connection

The Greenway project has its origins in the shadowy depths of the Reagan-Bush administration, under the Privatization Council, headed by George Bush’s Japanese gangster-linked brother Prescott. As Prescott Bush made clear in published remarks and addresses, the impetus for the drive to privatize billions of dollars’ worth of public infrastructure, came directly from the British Mont Pelerin Society economics gurus who ran Margaret Thatcher’s disastrous policies, including her privatization of services, which have reduced the British economy to a rubble heap.

One of the directors of this Privatization Council was the chief executive officer of the Toll Road Corporation of Virginia (the Greenway’s predecessor), former Reagan-Bush Assistant Secretary of Transportation Ralph Stanley, who secured most of the local and state government approval for the project. Michael Crane, Magalen Ohrstrom Bryant’s son and a Greenway executive, serves on the successor group to the Privatization Council—the National Council for Public-Private Partnerships. The group has also praised the Greenway project.

While the Greenway is a state project, the Bush crowd looks to grab federal projects as well. In 1991, President Bush signed into law the Inter-Modal Rail Efficiency Act. It permitted, for the first time since 1816, private ownership of bridge, road, and tunnel toll projects. It authorized a federal subsidy of 50% or, in some cases, 80%, for private investors building roads or tunnels, and allowed the subsidized investors to keep the tolls.

On April 30, 1992, President Bush released Executive Order 12803, on “Infrastructure Privatization.” This set down a procedure to: a) determine a “transfer price” that the Office of Management and Budget would calculate for various federal infrastructure or government service assets; or b) establish a competitive bidding procedure whereby the selling price would be set by the process of having different private financiers bid on the government assets. EO 12803 also ordered the OMB to “review those procedures affecting the management and disposition of federally financed infrastructure assets owned by state and local governments and modify those procedures to encourage appropriate privatization of such assets consistent with this order.” This last provision would overcome the impediments preventing state and local governments from selling their infrastructure.

# Economic growth depends upon investment in science, technology

by Marsha Freeman

While numerous studies have demonstrated that more than 50% of the economic growth in the United States since World War II can be attributed to investments in science and technology, there has been an accelerating decline in such investment through the Federal budget, particularly since the slowdown in the post-1960s Apollo space program, carried out under the guise of “saving money,” which supposedly will “help” the economy.

Developing nations, and those of the former Soviet Union, are faced with the choice of following Great Britain, the United States, and a western Europe increasingly under the domination of the Maastricht Treaty, down the path of economic destruction, by capitulating to demands made upon them by the International Monetary Fund (IMF), or, following the historically successful program of investments in education, infrastructure, and industry driven by scientific advancement.

A symposium sponsored by the U.S. National Academy of Sciences on May 7, titled “National Science and Technology Strategies in a Global Context,” provided a stark contrast between these two pathways into the next century.

## China: the greatest developing nation

At the symposium, Prof. Chen Zhang-Liang, Academic Vice President of Beijing University, and a member of the Academy of Science and of the People’s Congress, described the challenges facing China, and the policy China is following to meet them. Referencing the Western books, editorials, and diatribes that have recently been warning that China’s economic growth will eat the nations of the world out of house and home, Prof. Chen Zhang-Liang reported that “for the past 5-10 years we have been investing in science and technology for agriculture, and reforming state companies.”

“In China,” he said, “we have 23% of the world’s population and 7% of the cultivable land. The challenge is that in 2025 we will have 1.5 billion people, with rapidly decreasing farmland, and severe water problems. China should be self-sufficient in food, and modernize technology.” Prof. Chen Zhang-Liang, who is also the director of the National Laboratory of Protein Engineering and Plant Genetic Engineering

at Beijing University, said that “biotechnology is especially required,” to meet this challenge.

Also, he said, biotechnology is required for the development of new medicines. “We have the largest number of cases of hepatitis B, with 10% of the population being carriers, and 10% [of those] developing the disease; and other diseases are increasing. Tons of drugs are needed,” to improve the health of the people of China, he said.

Meeting these challenges is complicated by the fact that “state-owned enterprises have out-of-date technology. The challenges of the market economy are that there are large numbers of workers, shortage of investment, inefficient management, low income, and competition with multi-national companies investing in China.” To overcome these challenges, he said, “we decided that we need high technology.”

The Chinese government agency which, like the U.S. National Science Foundation, funds basic research in China, Prof. Chen Zhang-Liang explained, “is growing geometrically.” Priorities for funding are biotechnology for agriculture and pharmaceuticals, space and aviation, laser technology, automation, information technology and computers, new materials, new energy technologies, and ocean technologies.

Using a model that has been highly successful at American universities, such as MIT, the Chinese are promoting the establishment of high-technology companies by professors in the universities. For the past 10 years, Chen Zhang-Liang reported, they have been working on setting up special high-tech zones in Beijing, Shanghai, and the Pudon Jiangsu industrial park. They have set up the Legend computer company, which is listed on the Hongkong stock market and competes with foreign imports. At Beijing University, they have established 18 high-tech companies, so far. The companies are owned by the university, and now give back to the university proceeds from their business which amount to one-third of the university’s budget.

For China’s continued growth, there are many challenges. “The provinces have different levels of development, there is a low level of general education, there is bureaucracy, there is an imperfect legal system for protection of intellectual property rights, there is insufficient financial support, and no

venture capital to promote high-tech development,” Chen Zhang-Liang said.

“We lost 15 years through the Cultural Revolution, a generation of scientists,” Chen Zhang-Liang stated. But by the late 1970s, there was a recovery in the number of scientists and engineers, and “we sent students to the U.S. and Japan, and now there is a new generation.” There are now 170,000 Chinese students in the United States, he said, who “would have a very big impact if they came back to China.”

There will be an increasing number who will probably consider doing just that, as China orders its priorities to move into the 21st century.

### **The nuclear future of South Korea**

Dr. KunMo Chung, ambassador-at-large of the Atomic Energy Commission of Korea, presented a dramatic picture of how South Korea has improved its economic growth, and what it is planning for the future. He reported that 35 years ago, the average per-capita income in South Korea was \$80 per year. In 1995, it was more than \$10,000. “It was industry and R&D that created that growth,” he said.

In the field of semiconductors, Korea now ranks third in the world. “Ten years ago, we decided to invest, and people laughed. ‘How can you catch up with the U.S. and compete with Japan?’ they asked. The Ministry of Science and Technology put large sums of money into the project,” he said. The results are well known.

“We know that science and technology are key for further development in the Republic of Korea. Our only tool is science and technology. It’s my passionate commitment. We have few natural resources, and good human resources. This provides the motive power of our development,” Chung said.

Nowhere has this policy been more the case than in Korea’s work in nuclear fission technology. In the early 1980s, Chung decided that Korea should not just buy nuclear power plants, but should develop its own Standard Korea Nuclear Plant. “We started with the Combustion Engineering design and made changes. In 1983, people laughed when I proposed it, and my predecessors [at the Atomic Energy Commission] criticized me,” Chung reported. “It was a 12-year program, and now we are discussing exporting it to China and building it in North Korea, and we are designing plants. You have more distinguished [nuclear] engineers in the U.S., but they’re tired. We have young engineers.”

Responding to the criticism that Korea is easily able to replicate technological advances made elsewhere and turn them into booming new industries, but does not do the basic research, Chung replied that the Korean Institute for Advanced Study opened last year. “We had a workshop with American scientists here [recently] for designing a superconducting [fusion] tokamak, steady state machine, to run 1,000 seconds. Practical people criticized [our] putting money into fusion. Fusion is complex, multi-disciplined R&D. Maybe we will have fusion 40 years from now, but we are an optimistic

culture in Korea. We shouldn’t count our pennies in [such] a project.”

Dr. Chung reported that there was a special law recently enacted that mandates that 5% of the national budget will be invested in science and technology beginning five years from now. As another point of comparison with the so-called advanced countries, he said, “The majority of Korean CEOs are scientists and engineers, not accountants and economists.”

### **Poland in the grip of the IMF**

A striking contrast to the optimistic picture presented by the scientists from Asia came from Eva Gajewska-Blaisdell, president of Blaisdell and Co. She is a U.S. citizen who returned to her native Poland in 1991 to try to help bring American business there. She began her presentation by reporting that the week before the symposium, Poland celebrated the 100th anniversary of the last Nobel Prize in science awarded to a Pole. “We have gotten other Nobel prizes in poetry, and our President [of Poland, i.e., Lech Walesa] got the Peace Prize, but not in science. To have a national research project, you have to have a nation,” she said.

“For 120 years, Poles didn’t have a country,” she explained. Under Russian dominance, the countries of eastern Europe were divided by specialization and told what their focus would be. As a result, “Poland lost the ability to do aeronautical and other research. What was funded in Poland was research in chemistry. Now, with political freedom, we are fighting for a position in science and technology.”

Gajewska-Blaisdell described the poor state of science and technology infrastructure, left over from the communist period. “I am on a personal crusade to influence the Polish government and get U.S. companies to collaborate, especially in computers,” she said. In addition, “Poland needs a national industrial policy.”

She reported that under the Soviet system, “research used to be in large corporations, and they are fighting for their lives. There are more than 200 research units through the State Committee for Scientific Research. An outside study was done to assess our situation, and it said that eight were promising and the others have to improve or be terminated. Thirty percent of the scientists in the institutes have been sent to do other tasks. What is spent on science is 2 billion Polish zloty, or about \$700 million. Some of the institutes rent their beautiful space to try to survive.”

In the 1970s, many scientists left and came to the United States, she said. Even so, Poland is still number 17 in terms of number of scientific papers published, which is higher than any other former eastern European country. Poland, she said, is a gateway between western Europe and the former Soviet Union, and should develop sophisticated highway systems.

That there is tremendous potential for the flowering of science once again in Poland, there is no doubt. There are elections in September and she hopes it will “bring politicians in with ethics and vision.”

# Criminal investigators probe managed-care giant, Columbia/HCA

by Paul Gallagher

When the history of this decade's economic collapse is written, the name of Columbia/HCA Healthcare Corp., which suddenly, as of 1997, owns 7% of all American hospitals, is likely to be a sinister footnote: Its "streamlining" of hospital care led to layoffs of professional staff, deaths of patients, and hospital-bill fraud on a large scale.

Columbia/HCA was launched in 1988, with \$54 million financing from Citibank to Texas financial operators Richard Scott and Richard Rainwater, to buy up hospitals in El Paso. Today, Columbia/HCA owns 17% of all hospitals in Texas; 30% of all hospitals in Florida; and, in total, nearly 800 hospitals, clinics, and health-service businesses nationwide.

The firm's offices in El Paso were raided in March, by 100 agents of the FBI, Internal Revenue Service, and the Department of Health and Human Services. As of April, Federal investigations were also reported to be under way in Florida and Kentucky, into practices involving Medicare fraud, "patient cream-skimming," and "patient dumping."

The company's stock, often the most actively traded on the New York Stock Exchange, has fallen from \$55 per share to \$35 per share, since last October, despite its \$1.5 billion profits on \$20 billion revenues last year. Columbia/HCA's latest acquisition, of the HMO Value Health, for \$1.1 billion, was long delayed because of the large decline in the value of Columbia's stocks.

This newly sprung-up giant, with its feet made of avarice and fraud, may be heading for a crash, like the markets it is helping to roil. This "Wal-Mart of medical care"—Columbia/HCA is now the ninth-largest employer in the United States—may soon become the medical-care version of bankrupt Orange County, California.

## To buy, perchance to close

The Federal investigations arise from Columbia/HCA's most characteristic activities, those most damaging to the general health and welfare of local communities. The company buys up a significant fraction of hospitals in a given region—both for-profit and, if possible, not-for-profit hospitals—and then abruptly and completely shuts down a few of them, forcing up the occupancy rate at the others, to make them more

profitable. The practice reduces medical professional employment, forces patients to travel farther to reach a hospital emergency room, and *reduces* overall hospital utilization in the region affected.

Overall, hospital admissions have fallen for two straight years in the United States, as ruthless health maintenance organizations (HMOs) make hospital stays much harder to pay for. But at Columbia/HCA's 350 hospitals across the country, utilization was up 3% in 1996; at "same-store" hospitals (the term is borrowed from Wal-Mart-style retail merchandizing) owned for more than one year by Columbia/HCA, utilization rose 5% from 1995 to 1996.

So, fewer hospitals and doctors, but a higher profit and utilization rate at those owned by Columbia/HCA. A particularly nasty enforcement mechanism: When the company buys a hospital, it also acquires that hospital's local "certificate of need." When it closes the hospital, it holds on to the certificate of need, thereby blocking anyone else from operating it, or another hospital, in the same locale. Some smaller Florida cities now have no hospital as a result; two such, in California, have had to get Federal judges to order Columbia/HCA to resell hospitals or clinics it had closed, to groups that would reopen them.

This immoral approach only came to involve potentially actionable illegalities and Federal crimes, through Columbia's policy of inducing local doctors to fill up its hospitals with *privately, well-insured* patients, by offering the doctors limited partnerships in the hospitals, up to 40% ownership. An exhaustive *New York Times* study of the results, published this past March, showed that in Texas, Florida, and Tennessee, these "doctor-partners" then preferentially referred their less-complicated, better-insured cases to the Columbia hospitals—and even more so, to "follow-up" clinics, rehabilitation centers, home-care services, etc., owned by Columbia/HCA. Federal law prohibits doctors from owning any share in such businesses for precisely this reason, to prevent what is called "cream-skimming" of their "best" patients (from a financial standpoint) at the expense of the others. An exception in that law permits doctors to own shares in *hospitals* only—but since Columbia buys hospitals and long-term care facilities

## Bankers and insurance moguls run Columbia/HCA

The advertising slogan of Columbia/HCA is that health care “has never worked like this before.” No lie! Columbia/HCA is no ordinary big company that just “went bad.”

The criminal investigations reported in the accompanying article arose because the practices *characteristic* of the mode of operating of Columbia/HCA—the flagship hospital company of the managed-care era—were deliberately devised by circles in international finance, mostly connected to London-centered banking and political interests, to provide themselves with gargantuan profits, by dismantling and scavenging off the hospital and medical staff base of the United States, and other nations, that was built up over decades in the public interest.

The rhetoric you hear about the benefits of privatization, about the role of for-profit hospital chains, and about “managed care” insurance plans, in supposedly lowering your costs of health care, is just propaganda to cover up the *looting* of communities and individuals: their medical care system, their livelihood, and, in more and more cases, their lives.

Look at the members of the Columbia/HCA board of directors in that light (board members as of 1996). They are experts in the process of how to loot through privatization and globalization:

**Donald S. MacNaughton**, former chairman and chief executive officer, the Prudential Insurance Company of America; and retired chairman and CEO, Hospital Corporation of America (HCA).

**T. Michael Long**, partner, Brown Brothers Harriman & Co., private banking.

**Carl E. Reichardt**, retired chairman of the board and CEO, Wells Fargo and Company.

**Rodman W. Moorhead III**, senior managing director, E.M. Warburg; Pincus & Co., Inc., financial services; Columbia/HCA director in 1994 and 1995.

### Prudential’s role

Prudential, interconnected with Morgan bank interests, has assumed a dominant position throughout all aspects of insurance and health care provision. For example, under its own name, and under others, such as Humana, it operates health maintenance organizations. One reflection of Prudential’s policy outlook, on the question of the deleterious effects of its corporate activities on health care, is shown in its leading role in the creation of the right-to-die movement in the United States over the past 30 years. Prudential has been a leading backer of the propaganda campaigns on how local and federal governments must adjust to restricting and denying medical treatment.

For example, in 1985, Prudential Life Insurance Company’s Foundation launched a program called “Bioethics in the Community: A Program of Local Decision Making.” This campaign was overseen by the Hastings Center, which was formed in 1969, initially as the Institute of Society, Ethics, and Life Sciences, with sponsorship from foundations including the Rockefeller, Ford, and New World groups, for the purpose of conducting projects on how to get around the legal and other obstacles involved in terminating treatment, allocating scarce economic and human resources for care for the aged and dying (i.e., restricting care), and for softening up public opinion to accept suicide and euthanasia.

Prudential, and other banking and finance interests, are now on a spree—through Columbia/HCA, and other entities, to position themselves for all the “income streams” of medical care payments that they can grab, by buying up, controlling, and cutting health care provision at target locations throughout the world.

According to the latest count, reported in the company’s April 25 press release, Columbia/HCA now owns, in the United States, “342 hospitals [344, as of April 25], 148 outpatient surgery centers, more than 570 homecare locations, and extensive ancillary services in 36 states, England, Switzerland, and Spain. . . . The company is building comprehensive networks of healthcare services, including home health, rehabilitation and skilled nursing units, in local markets around the country.”

—*Marcia Merry Baker*

in the same area, its “doctor-partners” go through that loophole into illegal ownership and conflict of interest. The Texas Medical Association called Columbia’s policies unethical for doctors, as early as 1992.

When Scott and Rainwater were borrowing from Citibank in 1988-90, they pitched Citibank on their loans precisely on the locked-in and selective “patient flows” guaranteed by

doctor partnerships. Citibank’s internal memos on these loans, obtained by the *New York Times*, stressed exactly this policy, whose results the Federal investigations may find criminal. The investigators in the El Paso raids also served search warrants upon the offices of a number of doctors and group practices in the city.

The doctors’ limited partnerships that were “sold” by Co-



lumbia/HCA since its startup (often “bought” with money subsequently kicked back to the doctors by various means), based their calculation of annual profits, in the Texas cases, precisely upon the “partners’ ” rate of privately insured patient referrals to Columbia’s facilities.

These partnerships have another effect on Columbia’s role as “streamliner” of hospital facilities. As reports by nurses’ associations and by the American Federation of State, County, and Municipal Employees (AFSCME) have pointed out, the partnerships pull doctors over to the “other side of the trenches,” when Columbia closes hospitals, and lays off nurses, orderlies, and interns.

## Medicare fraud

The Federal investigations’ second focus, Medicare fraud, was also subjected by the *New York Times* to computer analysis of millions of Columbia’s, and comparative hospitals’, records. When Columbia took over Miami’s Cedars Medical Center in early 1993, the percentage of respiratory cases reported to Medicare as “most severe,” leaped from 31% (1992) to 76% (1993), to 90% in 1995. The cost to Medicare is \$2,000-3,700 more per case. At Columbia’s Spring View Medical Center in Kentucky, 95% of respiratory cases in 1995 were reported to Medicare as in the most severe category; at four nearby non-Columbia hospitals, only 30% were. Columbia owns the five highest-billing hospitals in Florida; six of the seven highest-billing hospitals in Texas. A Federal official found the company’s billings in Kentucky to be “skewed toward the highest-paying cases.”

How costly is this to Medicare? It costs nearly \$50 million per year in Texas alone, where Columbia’s billions exceed other hospitals’ by 10%. In particular, the *Times* found, Medicare pays far more for care *after hospitalization* at Columbia’s facilities in Texas, than for those of Columbia’s rivals—that is where the “doctor-partners” come in.

Columbia’s response to this showing of fraud, has been that other hospital owners and operators should do the same thing! A spokesman, Dr. Frank M. Houser, president of Columbia Physician Services, said, in reference to the *New York Times* report, “We believe that physician integration is best achieved if we—Columbia and doctors—have a common vision of our future and share in governance, risk, reward, and ownership.”

Columbia/HCA has closed, in total, 25 American hospitals of the 350 it has purchased. Occupancy rates at its hospitals have reached about 45% nationally; this is at the expense of less well-insured patients, and of cities like Destin, Florida, which since 1995 has had no hospital. The company fights state and Federal regulations, which require that hospitals treat a certain percentage of poor and indigent patients and/or contribute to “indigent care trust funds” administered by states and counties. In Tennessee, where its national headquarters is located, Columbia’s “indigent care expenses” are

2-3%, compared to the state average of 8%; and it pulled all 19 of its hospitals out of the State Hospital Association when it failed to get Tennessee’s indigent care law abolished. In Florida, its state of greatest concentration, Columbia has gotten away with simply refusing to pay the state’s indigent care tax on for-profit hospitals.

Since 1994, Columbia has been merged with Hospital Corporation of America (HCA), owned by Tennessee’s Frist family and Sen. Bill Frist (R). Senator Frist, a surgeon, has his shares of Columbia/HCA in a blind trust, in deference to Congressional conflict-of-interest regulations. However, he is very active on legislation and publicity favorable to Columbia/HCA and privatization of the nation’s hospital base.

Senator Frist is vice-chairman of the board of directors of the Alliance for Health Reform, founded in 1991, which also includes on its board, leaders of the AFL-CIO, the American Association of Retired Persons, the Children’s Defense Fund, and other groups, giving the appearance of broad community-serving concern. However, look at how one such supposedly community-minded “reform,” publicized by the “non-partisan” Alliance, works, to the private benefit of Columbia/HCA: the practice of creating local “charitable” trusts.

When Columbia/HCA buys up previously non-profit public hospitals, charitable trusts are often set up, sometimes with the proceeds from the sale. But Columbia/HCA demands that these trusts then pay the indigent-care costs formerly covered by the hospital.

The company’s stated policy is to refuse to negotiate with unions, whether AFSCME or nurses’ unions, demanding a free hand to “rationalize” employment in its hospitals. It aggressively seeks partnerships and even mergers with health maintenance organizations, which themselves are pushing the “downskilling” of hospital employees, so as to pay less for hospital stays.

The results of these policies, predictably, are the earlier deaths of people among the indigent, uninsured, and poorly insured sections of the population; the elimination of hospital beds, which are already at ratios of numbers per population, well below Federal Hill-Burton law standards; and the reduction of employment of nurses and doctors.

Eighty-five percent of U.S. hospitals are still non-profit, charitable, public, or academic (Columbia/HCA owns half of the for-profit hospitals in the nation). Columbia’s moves to buy non-profit hospitals, making them for-profit, are meeting growing resistance by state legislatures and regulators; so is its attempt to buy Ohio Blue Cross-Blue Shield. The giant company’s profit growth slowed significantly in 1996, as its stock value fell. If the Federal searches seen in El Paso are soon replicated in Miami and other locations, Columbia/HCA’s gobbling up of U.S. health-care facilities could come to an abrupt end.

# Cartels patent bio-tech advances to stifle food R&D and production

by Colin Lowry

Biotechnology and genetic engineering offer the potential for producing more and better quality food to feed a growing world population. However, under the banner of the “free market,” giant food cartels are privatizing research advances that used to be considered part of the public domain, and are thereby restricting both individual farmers and entire nations from reaping the benefits of these technologies.

Over the past 10 years, consolidation of the food production chain has increased, with the most powerful cartel companies dictating what food is grown and who will be allowed to receive it. The newest weapon used by the cartel companies to achieve control of the food chain is the industrial plant patent. By patenting genetically modified plants, along with the technology to create them, the cartels are restricting the use of new technology, and, through licensing agreements, can directly control or eliminate farmers who resist being “vertically integrated.”

Under the new system of new patents and licenses on crops, the right of farmers to save seed to replant or exchange seed with other farmers has been taken away. The cartels can even stop Federal government agencies like the Agricultural Research Service of the U.S. Department of Agriculture (USDA), from conducting research on crops in areas for which the companies hold broad patents. The latest round of huge mergers, and the buyouts of small biotechnology companies by the cartels, are largely driven by the desire to get control of the most recent patents and licenses, in order to squeeze out competitors’ access to technology, and to ensure that new discoveries will be under the cartels’ thumb.

## How could this happen?

In order to understand how any of this is possible, we need to look briefly at the major patent and legal decisions.

The first time any plants were given protection as intellectual property was under the 1930 Plant Patent Act (PPA). This act was designed to protect nurseries and breeders who produced mainly ornamental plants, such as asexually reproduced flowers, and some fruits. The Plant Patent Act did not offer the more strict protection of an industrial patent, but it did protect specific varieties that were created and claimed by the inventor, by restricting others from marketing his variety.

The 1930 act specifically prohibited the patenting of any food crop plants, recognizing that these patents could threaten the food supply.

In 1970, the first version of the Plant Variety Protection Act (PVPA) was introduced, which greatly expanded protection to all plants that were distinct and new. This was not a patent, but merely a certificate, which for the first time gave protection to specific varieties of crop seeds for the first time, for periods of up to 25 years. Under the PVPA of 1970, farmers and breeders could save and replant protected seed, resell it, and carry out research using it.

In 1980, the U.S. Supreme Court made a landmark decision in *Diamond v. Chakrabarty*, ruling that living organisms could be patented. The decision allowed the patenting of genetically engineered microbes, which opened the door to the patenting of any life form.

In 1985, the U.S. Patent Office ruled that plants could now be protected under the powerful industrial patent. The industrial patent does not have any exemptions for farmers or for research, so any use of a patented plant or seed without specific license from the patent holder would be considered violation of the patent. This patent decision is the basis for the new weapon to control agricultural production and research that the cartels have pushed to the limit.

In 1994, the PVPA was amended in accordance with the regulations under the General Agreement on Tariffs and Trade. The changes to the act made it illegal for farmers to resell or exchange any seed of protected crops. The GATT agreement also forces the developing nations to recognize the patents and protections on plants and living organisms held by other GATT member countries. This allows the cartels to deny developing countries’ farmers access to advanced biotechnology, and instead forces them to pay huge licensing fees to use any patented seeds.

## Current cartel policies: the case of Monsanto

There are two dominant aspects of current policy, practiced by the cartel companies. The first is to lock up as much new biotechnology as possible in patents and licenses. The second is to control the inputs and outputs along the entire food production chain, from the chemicals used, to the seeds,



*Cartel companies like Cargill crawl out from under their “free market” rock to force farmers—and even whole countries—to use only their patented seed, under conditions they dictate.*

to the processors and marketers. The use of broad patents on crops and the technology to create genetically engineered plants has served to further both of the identified policy aspects.

The recent interpretation of industrial plant patents has allowed the companies to violate farmers’ rights, and push the legal envelope in protecting their patents. The case of agro-chemical cartel giant Monsanto’s licensing agreements to farmers is an excellent case in point.

Monsanto has marketed a new transgenic soybean that is resistant to the herbicide Roundup, which it also produces. The new beans do offer excellent yields when used in conjunction with this herbicide, as compared to other standard lines. However, Monsanto has created a licensing agreement that the farmer must sign in order to plant this new soybean. The agreement states that the farmer cannot save seed to replant for the next year, nor can he give or sell the soybean seed to anyone. He also must use only Monsanto’s Roundup herbicide on the crop, and he must allow Monsanto inspection teams to visit his farm for three years after initial purchase. The new soybean seeds are more expensive than standard bred lines, but they also come with a licensing fee, of \$5 more per bag, just to use the technology. This outrageous license which results from Monsanto’s patent, also allows Monsanto to sue the farmer for unlimited damages for any breach of the contract, which would be considered a violation of the patent law. No other company has yet created such a licensing agree-

ment as bad as Monsanto’s.

Another case involves new pest-resistant cotton, marketed by Monsanto, which holds a patent on all types of genetically engineered cotton, no matter how it is made. This broad patent recently was overturned, but it already caused significant damage to research in this area. The new pest-resistant cotton also will produce higher yields under conditions where crop pests are a problem. The average per-acre cost of standard bred cotton seed is \$ 6-8, while the new transgenic cotton seed costs \$12 per acre. But, the licensing agreement adds another \$32 per-acre fee, just to access the technology. Once again, the same conditions that applied to soybeans also apply here, robbing the farmer of his rights, and reducing him to the status of a “bio-serf.”

The licensing agreements on specific technologies related to a single new crop variety often involve a complex web of companies, which all end up under the control of the cartel. For example, the new transgenic Bt Corn, which resists the corn borer pest by expressing a bacterial protein that stops worms from feeding, is marketed by the company Pioneer Hybrid, but the licenses on this variety and its creation involve 16 different companies, with 38 licenses. The current trend is that, as discoveries are made in the field of genetic engineering of plants by scientists working for small companies, the large cartel firms buy them out, in order to control the technology, often at very high costs, ranging in the hundreds of millions of dollars.

Monsanto and other giants, such as the new company Novartis, the result of the merger of pharmaceutical firms Ciba-Geigy and Sandoz, have been buying up seed companies at a swift clip in the last five years. Novartis is also a leader in the bio-medical realm, and has been involved in locking up new technologies in that area, such as the \$295 million buyout of Genetic Therapy, Inc., which holds patents on gene therapy techniques. The agro-chemical cartel companies are spending huge amounts to buy out small companies just to get access to patents and licenses, which is causing the cartel titans to go further into debt, in turn feeding the consolidation and merger frenzy all the more.

All of these developments, of course, spell disaster for the independent farmer. With the cartels in control of biotechnologies that could produce higher crop yields, the farmer either is forced to become integrated and completely controlled by the cartel, or is left to go bankrupt; this is especially true now that there are almost no price supports or safety net in the wake of the 1996 Farm Bill. Frito-Lay, which is a major buyer and processor of corn, has cut out one-third of its suppliers over the last three years—cutting the farmers who were not

producing corn from the exact seed variety marketed by a company in which Frito-Lay has financial interests. In the case of the major crops, the goal of the cartels is to own both ends of the production cycle, and unfortunately, they seem to be succeeding.

### Agricultural biotechnology research

Over the past 100 years, government-sponsored research in agriculture has produced the majority of important advances in developing new crop varieties, and methods to increase yield. All of the long-term research in plant germ plasm, genetic studies of specific plants, and resistance to disease and pests, has been carried out using government funding. The Agricultural Research Service of the USDA is the agency that is mainly responsible for releasing the new discoveries gained from government research to farmers and breeders. The purpose of the Agricultural Research Service, to get scientific discoveries out to the public for the benefit of the nation's agriculture, has been attacked and subverted by the cartels, especially since 1985.

Traditionally, the ARS would announce a new discov-

## The cartels control key links in your food chain

It is no exaggeration to state that the world's food chain, from seedstock, to field, to processing, to your table, is now dominated by a few commodities cartels of companies, with only the notable exceptions of the domestic markets of China, India, and very few other nations. Only about two dozen companies are involved. The food cartels parallel the cartels that control fuel, such as oil, gas, and coal; or minerals and metals, including ores, gold and silver, diamonds, and other strategic resources. Many of their proprietary names have become synonymous with the word monopoly: Royal Dutch Shell, British Petroleum, Anglo American Corp., Rio Tinto Zinc. The food and farm cartel companies are equally powerful, although, because of brand-names, some are less well known:

**Grain:** Cargill, Continental, ADM-Töpfer, Bunge & Born, Louis Dreyfus, Pillsbury-Grand Metropolitan

**Meat:** IBP, ConAgra, Cargill, National Farms

**Dairy:** Kraft-Philip Morris, Nestlé, Unilever

**Sweeteners:** Archer Daniels Midland, Tate & Lyle, Cadbury

**Beverages:** Grand Metropolitan-Guinness (in the process of merging), Seagram, CocaCola, PepsiCola

**Produce:** Chiquita International

**Seeds:** Pioneer Hybrid, Cargill, Novartis, Monsanto.

At the center of the web of these strategic commodities cartels are London-based finance and political interests, with subsidiaries in Switzerland and the Netherlands, regardless of where any company may officially have its headquarters. *EIR* has published detailed histories and profiles of these companies, under the rubric of "House of Windsor" networks (see "Food Control as a Strategic Policy," Dec. 8, 1995; and "Hungry People Need Food, Not Free Market Economics," Dec. 6, 1996).

The 1970s marked a turning point in the shift away from food policies based on national interest and anti-trust protection of public interest, and the turn toward strategic food control. The key policy point was the Dec. 10, 1974 secret document, National Security Study Memorandum 200, commissioned by U.S. Secretary of State Henry Kissinger, that called for the use of food as a foreign policy weapon, especially against named "overpopulated" nations.

More recently, in the frenzied speculation on stock markets, and in derivatives and futures trading, vast amounts of "smart money" are leaving these intensely risky arenas, and taking up positions at strategic control points in commodities. As the physical economies of nations deteriorate, these financial control networks, backed up by the World Trade Organization, the International Monetary Fund, and related agencies, are making killer profits from strategic control over necessities, and attempted control over principles of science itself.

ery—for example, they had developed a new wheat variety that could resist disease—and would distribute the new variety to farmers, breeders, and companies, which would ensure its dissemination throughout the nation’s agriculture. In this system, no one could claim exclusive rights to market any plant or seed that was released by ARS, nor could he or she patent it.

Today, we see quite a different picture.

Since 1985, higher plants can be patented. Also, the new Plant Variety Protection Act of 1994 allows the right to exclusively market crop seed varieties. Under the current conditions, ARS can no longer just freely release any new discovery. Instead, it usually has to license the new type of seed, or the plant itself. What happens then, is that cartel companies bid on the right to market the new seed, and they will pay a small part of the profits they make as a one-time fee to the ARS. The new, government-researched plant then comes under the exclusive control of the highest-bidding cartel company. At present, ARS can only release to the general public new varieties of plants that are not considered major crops, in which the cartels have very little interest.

The USDA agricultural research programs have also been seriously damaged by the issuance of broad industrial plant patents to private companies. Many of these types of patents hold rights to the scientific technologies and methods used to create a wide variety of genetically engineered plants. Under this system, the USDA and any other government research agencies are prohibited from conducting research in the domain covered by the patent. So, either the companies allow the USDA to do research in their patent area by forcing them to pay licensing fees, or they lock up the area from further research.

Take the example of Monsanto, again. Monsanto had a patent on all genetically engineered soybeans, no matter by what method they were made. The cartel firm’s holding of this patent, meant that the USDA had to drop any of its research programs in soybeans that used any genetic approach, or had to “invent around” the patent. This kind of scenario happens all the time, according to sources at the USDA, where private patents have been forcing USDA to go around them, or to drop entire areas of research. Fortunately, many of the USDA-sponsored scientists are quite adept at inventing around patents, and do come up with alternative approaches that lead to new discoveries. Nonetheless, even these new discoveries have a hard time making it to the farmers, without the cartels undermining the government effort, by means of the “free market.”

While several of the broadest patents, such the ones Monsanto had on all genetically engineered soybeans and cotton, are being restricted through legal battles, the companies are still submitting the broadest patent claims possible. The U.S. Patent Office has been overwhelmed by claims on organisms and specific genes, and will often grant these patents without examining the impact on research, because the Patent Office

budget has been cut, and the office itself lacks sufficient, experienced staff in the area of biological patents.

The USDA, too, has been hit by budget cuts for many years, and the Agricultural Research Service has a flat budget for the next five years; i.e., any new research they propose can be funded only by making cuts in existing research programs. This has left the agency scrambling to get funding for research from the private sector through cooperative agreements. The USDA has had cooperative research agreements for many years, most of them intergovernmental, with developing nations.

However, as budget cuts have deepened, most of the USDA’s cooperative research agreements are now with private companies, giving the cartels another nice way to control and pirate the fruits of government research.

All of the company cooperative agreements focus on short-term projects, usually resulting in a marketable or patentable plant or technology. None of the short-term results would be possible without the decades-long research projects that the ARS of the USDA carries out. The private companies can put up amounts ranging from a few million dollars to hundreds of millions to use the USDA scientific infrastructure to create a new plant variety, or technology, for them. In these cooperative agreements, the private company usually ends up with the patent or exclusive license to market any product resulting from the USDA’s research. The USDA gets very little in return from the companies, and, often, discoveries made by the USDA scientists are patented by the private sector, which patents then restrict the USDA from future research.

None of the cartel companies are supporting long-term germ plasm and other crop research. The USDA funding for these projects is being cut back every year, while the cartels are gaining more exclusive control over agricultural research, pushing it to a short-term, market-driven perspective, since they do not really have the infrastructure, nor the desire, to carry out the needed longer-term projects.

The concern of many in the Agriculture Department is that the genetic diversity of crops will decrease, with reliance on only a few patented transgenic varieties, which, like a monoculture, could be wiped out by an emerging disease. Moreover, any halt to long-term research projects will have devastating consequences, robbing the nation—and our nation’s trading partners—of the ability to deal with crises in agriculture, as well as hampering the continued progress which has made it possible to grow greater amounts of food using the same amount of land.

### **Threats to the developing sector nations**

The cartel’s general policy with regard to the developing sector is to stop these nations from developing, using the World Trade Organization and its predecessor, GATT, as their enforcer. Specifically, the 1994 GATT agreements make the cartel company patents on plants and seeds legally binding

in developing sector nations.

Cargill has been pressing for intellectual property rights for its seeds in India, and has created an intense backlash among farmers who see the cartel's use of the GATT agreements as efforts to enslave them in a colonial system. Cargill marketed sunflower seeds and corn with promises of high yields in India, but when these were grown by local farmers, the actual yields were disastrously low, because the seeds were developed for other climate and soil conditions. Claiming private property rights for their seed, Cargill violated Indian law, which requires that any seed marketed in India be submitted to the government's seed bank.

Cargill also gave to the Indian Council on Agricultural Research seed samples that produced good yields, but then sold some different seeds to farmers, using the claims validated by the council on the first seed varieties. Cargill also ignored recommendations by the council on which varieties were best suited to different Indian regions, promoting only one variety of sunflower and corn for use throughout the whole country. In 1992, when farmers got very low yields with these seeds, they directed their protest against Cargill, burning the files and the seed samples of the local Cargill office in 1992.

The next year, Cargill began building a seed-processing plant in India near Bellary, which the angry farmers' group demolished before its completion. Cargill decided to rebuild, but first surrounded the site with a fortress of high stone walls and guard towers, and pressured the local police to provide a large security force to protect them. The arrogant Cargill then refused to pay the local police the large bill for the extra security. Cargill's actions in India lead one to believe the cartel still thinks India is nothing but a colony under British Army occupation.

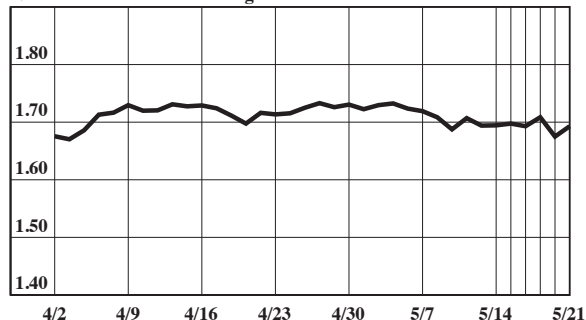
The cartel companies also deploy patents to prevent developing countries from using bio-engineered crops for export into the large American and European markets. Broad patents on all genetically engineered coffee that is made using a specific method are held by Escagenetics Corp. This patent deprived Ethiopia of using the technology on any coffee crop that would be exported to the United States. This cartelized strangulation of the "free market," is still getting worse, and more and more developing nations are being denied access to new technology.

Finally, another interesting new phenomenon is the cartels' "bio-prospecting" (which clearly gives the lie to heartfelt appeals to protect "biodiversity"). In these cases, a cartel company will go into the Third World rain forests or jungles, to find plants that are used by the local peoples for medicinal purposes. The companies then take the plants back to the United States, and submit plant patent claims, which give them exclusive rights over the use of that plant in the United States. In this way, should any particular plant offer new prospects for medical treatments, the cartel companies will have chokehold control over them.

## Currency Rates

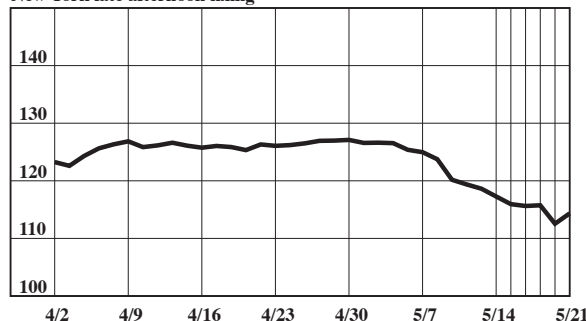
### The dollar in deutschemarks

New York late afternoon fixing



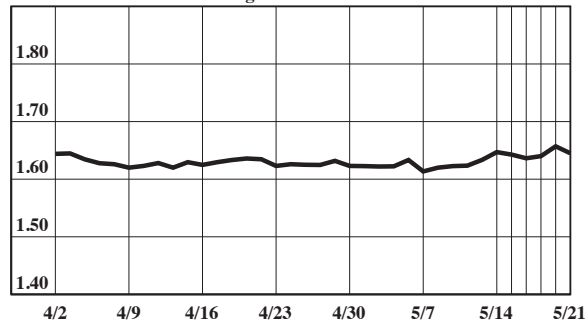
### The dollar in yen

New York late afternoon fixing



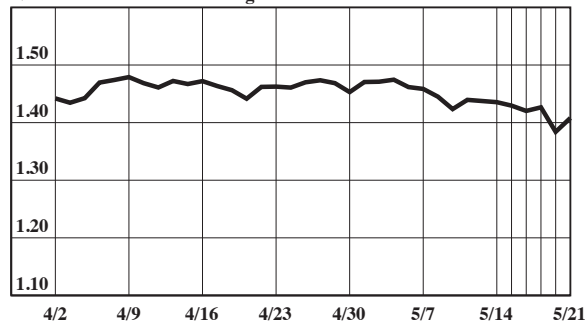
### The British pound in dollars

New York late afternoon fixing



### The dollar in Swiss francs

New York late afternoon fixing



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### Berlin — from boom to doom?

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*Real estate and banking problems are threatening Germany's capital with a financial crash.*

When the next big banking crash hits Germany, where will it hit hardest? In Frankfurt, the center of banking? Maybe. But, the worst damage could be in Berlin, the capital and, with 3.5 million inhabitants, Germany's biggest city. Berlin has made headlines in recent weeks because the municipal government imposed a total budget freeze until the end of this year, to cover a shortfall in tax revenues of more than half a billion deutsche-marks. This marks the end for new public sector projects and for many construction firms, and many more construction workers will join the 44,000 in this industry who are already officially unemployed.

This is a dramatic development for a city that, after the reunification of Germany in October 1990, hoped it would become the "boomtown" not only of Germany, but of Europe, because of the envisioned return of the government from the provisional capital of Bonn to Berlin, and the many construction and restoration projects that would accompany it. There was a time, in 1991-92, when Berlin was portrayed as the biggest market for real estate development in the world, next to Hongkong, with a potential for several tens of billions of dollars in projects. But it was already clear at the time, that a lot of those projects were not sound, because they were based on real estate speculation and shadowy designs for huge shopping malls with integrated office buildings, with an investment volume of \$1.5-2 billion each. Murky investors, such as Mark Palmers, with his over-ambitious

Checkpoint Charlie project, or the U.S.-Canadian Tishman Speyer group, came on the scene, proclaiming plans for turning Berlin into a "super-modern" city.

For the construction union, which saw more and more of its members losing their jobs and being replaced by cheap labor from other parts of Europe (east and west) on these huge new construction sites, it soon became clear that there was a foul game being played. Also, the huge discrepancy between housing projects and office-building projects caused many observers to ask where all those people who were going to work in those brand-new offices would come from, when the government in Bonn, because of austerity, had slowed down its move to Berlin, and the creation of new jobs in the service sector was not keeping up with the new office space. A disaster seemed programmed in five years ago, and now, it is here.

"The Most Risky Real Estate Market in Europe," the daily *Süddeutsche Zeitung* headlined its May 16 feature on the Berlin real estate crisis. Many investors are facing a situation, it reported, in which their office buildings are turning into "money-destruction facilities." A manager of a Berlin real estate company was quoted saying that "so far, there hasn't been a spectacular bankruptcy" among the investors or their creditors. But, "behind closed doors, there is massive activity of all sorts" to try to prevent exactly this from happening, while "many profitability calculations are not worth the paper they are printed on."

About 1.4 million square meters of unused office space already exist in Berlin, a giant castle in the sand. And, according to a recent survey by the local chamber of trade and commerce, this figure will soon increase to 2.2 million square meters. For example, in Berlin's famous Friedrichstrasse, one of the showcase streets of the city, only 20-50% of office space has been rented. And, the paper revealed, tenants privately admit that for the first year they don't have to pay any rent at all—which determined their decision to move there in the first place. How they will survive the second year, when they will have to pay rent, is a mystery.

The first week of May also brought news of another, related disaster: It was "a black week for the Berlin banking sector," *Handelsblatt*, Germany's leading business daily, reported on May 7. As a consequence of plunging real estate prices and the overall economic depression in the region, the Grundkreditbank received an emergency injection of DM 80 million from the deposit insurance of the Federal Association of Cooperative and Agricultural Banks, to escape the immediate threat of bankruptcy. The head of the bank was replaced, and it will be merged with Berliner Volksbank.

In addition, a brand-new banking crisis erupted during the first days of May, when Bankhaus Loebbecke, a bank that has 60% of its operations in the real estate sector, received an emergency loan of DM 650 million from its main stockholder, the Milan-based Cassa di Risparmio delle Province SpA (Caripto), Italy's third biggest bank—which itself will be forced to report a net loss of the same dimension in its Berlin branch. "The German capital is right now a dangerous area for the banking sector," *Handelsblatt* said. "The crisis is hitting almost every bank in the capital."

# Business Briefs

## Trade

### France, China cement 'privileged partnership'

French President Jacques Chirac signed a joint document with Chinese officials during a visit to China in May, which sets out a new policy for relations between the two nations, according to the French daily *Le Monde* on May 16. *China Daily* reported that Chirac had offered China a "privileged partnership."

The text lays out basic principles for bilateral relations, and "testifies to the will of the two states to promote their economic partnership and constitute a new stage of relations between their enterprises," *Le Monde* said. Various cooperation agreements are laid out "in the domain of the peaceful use of space and of nuclear energy, environment, and health."

Chirac's delegation included five ministers and 55 heads of French firms. In Shanghai, the French government organized the largest industrial fair ever in a foreign country, with more than 300 participating companies. Aerospace companies will be the first to benefit. A \$1.2 billion order was signed for 30 new aircraft from Airbus, and an option for 20 more aircraft. Other deals include joint development projects, including to produce an engine for a Chinese helicopter, a 100-seat aircraft (a joint venture with Singapore), and a protocol for the development of the engine of a future airplane. Chirac said that the commercial deals would translate into 4,000 jobs for French workers.

## India

### Industry sets out to develop northeast

The industrial development of the northeast of India will be pursued in a project that was announced by the Confederation of Indian Industry, *The Hindu* reported on May 15. CII President N. Kumar said that the northeastern region has vast potential which has not yet been tapped, and that infrastructure development and industrial, housing, and other

construction projects are being designed to change that situation. The creation of infrastructure is important especially in terms of transport, power, and processing of minerals, Kumar said.

In addition to an agricultural development program, which will involve \$5 billion of investments and focus on higher yields, improved storage and refrigeration capacities, and support to the food-processing industry, the CII is also pushing for a construction boom in smaller projects of inland development such as rural township and housing projects, and construction of roads and highways, canals, dams, and so on.

Kumar located the project in the context of a future in which Indian exports go not only to its neighbors, but to all nations on the Indian-Pacific rim, including Japan and the United States, and to Europe. The *Asian Age* reported on May 16 that a delegation of 24 Indian businessmen was to arrive for meetings in Bangladesh, in the context of the India-Bangladesh Joint Business Council. Bilateral trade between the two nations increased to \$991 million in 1996.

## Economic Policy

### Nigeria, China should offer development model

Nigerian head of state Gen. Sani Abacha proposed that Nigeria and China collaborate to produce a socio-economic development model for developing nations, in remarks at the first round of bilateral talks between China and Nigeria in Abuja, the Nigerian capital, on May 11, the Nigerian newspaper *Thisday* reported. Abacha called for immediate "identification of more joint venture projects in the relevant areas of technology, transport, housing, trade, investment, military, electric power development, as well as iron and steel."

On May 12, during a visit by Chinese Prime Minister Li Peng, the two nations signed agreements including for protection of investments, cooperation in electricity and steel projects, and oil and gas development. Xinhua news agency commented that "the two sides maintain that the two countries share common interests in international

affairs and enjoy strong economic complementarity."

On May 6, Xinhua reported on the recent history of the relationship: "In 1996, the volume of annual bilateral trade reached \$320 million, up from \$212 million in 1995 and merely \$57 million in 1980. And Nigeria is now China's second largest trade partner in Africa, second only to South Africa. . . . China's . . . exports to Nigeria, which used to be dominated by light industrial products and hardwares, have in recent years turned more and more technology-intensive. And Nigeria is now one of the biggest African markets for Chinese engineering contractors. By the end of 1996, Chinese firms had signed 101 engineering contracts with Nigeria, totaling \$758 million. . . . Since 1994, China has been helping train Nigerian technicians in vegetable and rice farming, freshwater culture, hydropower, computer, metrology and many other fields. . . . By August 1996, Chinese businesses had invested \$7.29 million in Nigeria in 10 joint ventures engaged in fishing, plastics, steel, paper, timber processing, and textiles."

## Finance

### U.S. official says, Asia faces 'Mexico crisis'

An unnamed top U.S. Treasury official warned a joint conference of the Asian Development Bank and the Washington Institute of International Finance in Fukuoka, Japan on May 10-11, that Asia is heading for a "new Mexico crisis," the German economic daily *Handelsblatt* reported on May 12.

"A high-ranking official of the U.S. Treasury . . . shocked the gathering of bankers in Fukuoka with a quite alarming scenario. His main thesis: Banks and investors should not have the illusion in respect to their emerging market operations, that due to the Basel [Bank for International Settlements] supervision and the IMF [International Monetary Fund] security net, a new global financial stability is now in the making," chief editor Klaus Engelen said.

On the contrary, wrote Engelen, the U.S. official was pointing to the rapid globalization and technological change in financial



**RUSSIAN** railways will eliminate 500,000 jobs (one-fifth of the workforce), starting with 150,000 this year, Railways Minister Nikolai Ak-senenko said on May 12. In line with the "natural monopolies" reform (see *EIR*, May 16), contracts for such things as repair, construction, and social agencies will be auctioned.

**MALAYSIA'S** Prime Minister Dr. Mahathir Mohamad praised the post-industrial society, at the Fifth Gulf Economic Forum, in Bahrain. He said, "Having in the last 15 years moved from being an agricultural economy to becoming an industrial economy [!], we have now to grapple with the transition in the near future to the post-industrial society."

**TAIWAN'S** Prime Minister Lee Teng-hui, in an attempt to rein in firms that have been trying to avoid his ban on large investments on the mainland, has imposed a \$50 million ceiling on each new project. Meanwhile, analysts say that the new, legalized offshore futures trade could soak up \$1.8 billion per month.

**THE MERGER** of U.K. companies Grand Met and Guinness, in a \$15.8 billion deal announced on May 12, will create GMG, the seventh-ranked corporation (in sales) in the Anglo-Dutch-Swiss globalized food and drink cartel. Seagrams plans to contest the deal on anti-trust grounds.

**THYSSEN** Transrapid Australia Pty Ltd., formed to promote Thyssen's bid to build a high-speed maglev rail line from Sydney to Canberra, has appointed Sir Peter Abeles as its chairman. Abeles, the controller of former Prime Minister Bob Hawke, was dubbed the "White Knight" because of his widely rumored (but unproven) drug-running activities.

**POVERTY** in Germany is increasing, according to a survey presented on May 14 in Bonn by church organizations. The crisis is worst in eastern Germany, where 27% of the population (4 million people), are living at or below the official poverty level.

markets, which will result in "completely new dimensions of instabilities and susceptibilities" for bankers and investors. "He explicitly warned about overestimating the impact of the initiatives that were started since the Mexico financial crisis at G-7 summits, including the recent 25 Basel core principles, concerning the emerging markets. . . . The smallest causes, for example, bad press reports which are spreading doubts among investors, could have ever bigger consequences due to ever more gigantic capital flows."

## Agriculture

### Russian harvest headed toward another disaster

Russian agricultural parameters point to a potential grain crop in Russia this year that is 20 million tons below the 1991 level, at best. Articles by Yelena Berezhneva in *Trud* of April 29 and Aleksandr Gavriluyuk in the May 6 *Rossiiskaya Gazeta*, summarized the essentials:

- Some 53 million hectares are sown with grain, contrasted with 62 million hectares in 1991;
- Of an estimated 3.5 million tons of fertilizer required, farms have received 500,000 tons. That is 50,000 tons more than last year, but works out to about three kilograms per hectare for all the land that needs it;
- Of the required 40,000 tons of chemical plant protection agents, only 1,878 tons is available;
- The level of equipment readiness is at 70% of last year's.

Gavriluyuk reviewed the results of disinvestment in agriculture: The Black Earth soil "contained 10% humus at the end of the last century, [but] this year . . . the humus content has fallen in a number of regions to 2.5%. A recent Ministry of Agriculture and Food collegium session recorded that 'the loss of nutrients from the soil, caused by the harvest and weeds, is five times greater than nutrient replenishment by fertilizer.' . . . Weed infestation of fields has increased to 90-95%. It is now a national disaster. In the opinion of Academician Kapiton Novozhilov of the Russian Academy of Agricultural Sciences,

'in a number of cases the decline in agricultural output as a result of the activity of harmful organisms has now reached 40% for many kinds of crops, particularly grain.' . . . And how could it be otherwise when production of pesticides in our country has fallen twelvefold since 1985?"

Typical of the situation in Russian industries producing for the agriculture sector is the case of Rostselkhoz mash, a plant in Rostov that used to make 75,000 harvesters a year. *Rossiiskiy Vesti* reports that its output is down to an annual 2,000 machines. The primary task of the new management, after the old guard was forced out last year, is to lay off most of the 30,000-person workforce.

## Finance

### Czech Republic hit by currency crisis

Following the financial crisis in several Southeast Asian nations, speculators are getting nervous in other "emerging markets" as well. On May 15, the Czech krona fell more than 5% below its supposed value. The Czech central bank intervened heavily into the market to defend the currency against speculative attacks, but the krona plunged again on May 16. Therefore, the central bank increased the Lombard interest rate from 14% to 50%, and announced possible further measures to restrict bank lending.

The Swiss financial daily *Neue Zürcher Zeitung* noted on May 17 that the stability of the Czech currency in the recent period, was only made possible by huge capital inflows from abroad. Meanwhile, the nation's trade deficit hit a record level in 1996 of 8.6% of GDP, and further increased in the first quarter of 1997. Industrial production fell in the same period by 4.2%.

The Czech model of Mont Pelerin Society's Prime Minister Vaclav Klaus is now coming under pressure even from within the government. Vladimir Dlouhy, minister for Industry and Trade, said on May 16, according to the *International Herald Tribune*, that Klaus's cabinet seems to have run out of steam, and urgently should make personnel changes.

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## Mathematicians who can't tell time

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*Lyndon H. LaRouche, Jr. responds to an inquiry from a reader on a matter of science, regarding Stephen Hawking's discussion of "The Arrow of Time."*

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May 10, 1997

It was inevitable, and proper, that a relatively minor, but still significant portion of the material published by *EIR* has been composed in response to one or more prompting inquiries from among our readers. Such queries frequently announce themselves in the form of "What does *EIR* [or Contributing Editor LaRouche] have to say about . . . ?" It is my custom to accumulate such questions directed to me, by the topic to which they belong, and to include a published, blanket response to such batched inquiries in some appropriate setting.

Typical of such incoming communication, is the suggestion, in this case, from some European readers, that the present writer comment upon Chapter 9 from Stephen W. Hawking's 1988 book, *A Brief History of Time*.<sup>1</sup> That chapter is entitled, "The Arrow of Time"; the response supplied here is focussed upon that chapter.

From my experience with queries and comments from our readers, I anticipate questions along the line: "Why publish a reply on that sophisticated topic of physical science, in this location?" I respond here with a few relevant prefatory observations.

First of all, as the reader will discover, in the course of this report, the issue of time is addressed here as it occupies a crucial place in designing effective economic policies of both manufacturing or other productive enterprises, and of nations.<sup>2</sup> It is the relevance of Hawking's errors to that context,

which is the context for this response; but, this intersects a more urgent, general consideration.

The relevant setting for the appearance of this present article, is the fact, that the entire planet is now gripped by the end-phase of the worst financial and economic crisis in all of modern history. What *EIR* has featured as the "Triple Curve" description of the relevant functional relations among finance, monetary processes, and physical economy (see **Figure 1**) depicts the present situation as "asymptotically" converging upon a self-generated boundary condition of the present international financial-monetary-economic system as a whole. The depicted relations among the three curves, have entered the phase in which the steepness of the hyperbolic interrelations among them, is accelerating rapidly. This defines a discontinuity, to such effect, that we must say: "Irrespective of such relatively trivial questions, as 'When does the bust come?,' we can only say two things with absolute certainty: 1) This system can not be saved by any means; 2) The end of the system will come soon, either because we put a ruined international financial-monetary system into government-supervised bankruptcy-reorganization, or, the otherwise inevitable disintegration of the financial-monetary system plunges the economies of the planet into something much worse than a terrible world-wide depression, a prolonged 'new dark age.'"

This means, that either we act willfully to make a sudden leap from the existing international financial-monetary system, into an axiomatically new kind of global economic order among sovereign nation-states, or civilization as we have known it will disappear during the near future, perhaps not to

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1. Stephen W. Hawking, *A Brief History of Time: From the Big Bang to Black Holes*, with Introduction by Carl Sagan (New York: Bantam Books, 1988).

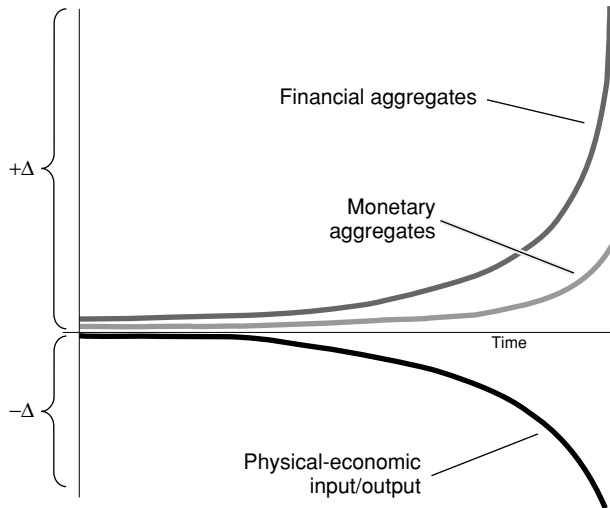
2. Compare Lyndon H. LaRouche, Jr.'s "Kenneth Arrow Runs Out of Ideas, But Not Words," *21st Century Science & Technology*, Fall 1995, with the same author's references to Arrow's remarks on today's Russian economy,

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"More Nobel Lies," *Executive Intelligence Review*, May 31, 1996; pp. 35-36. See, also, Lyndon H. LaRouche, Jr., "The Essential Role of 'Time-Reversal' in Mathematical Economics," *Executive Intelligence Review*, Oct. 11, 1996.

FIGURE 1

## A typical collapse function



The “triple curve” is a schematic summary of the current process of monetary and financial disintegration of the world economy. While financial and monetary aggregates are growing at hyperbolic rates, the income streams to sustain their growth are diverted from the physical economy, which is collapsing at a corresponding rate.

reappear for two or more awful generations to come. In the domain of physics, the analogous alternative kind of axiomatic change in system which the world is about to undergo, during the months ahead, is associated with a Riemannian shift from a geometry of “n dimensions,” to either one of “n+1,” or “n-1” dimensions. This defines the policy questions immediately before us, as of a qualitatively different type than any living economist, or statesman, excepting, apparently, the present writer, has been prepared to comprehend, until this time.

Under those very special, present historical circumstances, it is urgent that the present writer share his knowledge of all among those kinds of conceptions which are specifically relevant to successfully addressing the crisis before us all. It is no fault, that these ideas are largely unfamiliar to even most specialists; rather, the unfamiliarity lies in the historically unprecedented character of the crisis now gripping the planet. While the fact that an idea is unfamiliar, is not necessarily a virtue, under this circumstance, any idea worth considering, must tend to be more or less unfamiliar even to relevant specialists. The urgent need is, to make these conceptions familiar, to as many influential circles as possible, in the quickest possible time. The future existence of your posterity, might depend upon exactly that.

Such things are written, not to the purpose of appealing to your presently established prejudices, but to assist you in freeing yourselves from those shackles of prejudice which bind you fatally to a sinking ship, that new British *Titanic*, which is the present international financial-monetary system.

That said, turn to the referenced chapter of Hawking’s book. Is the celebrated Professor Hawking competent on the subject of the place of time within physics? No. Are his views worth reading? Does a good police detective consider gruesome evidence bearing on a homicide worth studying?

My response focusses upon the indicated, most immediately relevant portion of Hawking’s book. I address the matter in two successive phases. First, I cite and comment upon the clinical significance of each among a relevant selection of remarks found within that chapter. After that, I identify the relevant solution to the problem, which Hawking (1988) had completely missed.

## Contemporary brutish ‘science’

For this occasion, we must rise, once again, above the banality of formalism, to the higher domain of Leibniz’s *Analysis Situs*; we must reference those ordering principles which govern the way in which Hawking was induced, even if without an accompanying conscious intent, to adopt that selection of fallacious, axiomatic assumptions, the which underlies his argument. Hawking is himself a case-study for *Analysis Situs*: To understand where his thoughts swim, we must recognize the boundaries of that fishbowl of contemporary, British radical empiricism, within which they are confined.

Some years ago, Hollywood produced a feature entertainment, ostensibly suited for a pre-adolescent audience, which was entitled *The Planet of the Apes*. It came across as an attempted parody of the second most popular, after “Lilliput,” among Jonathan Swift’s *Gulliver’s Travels*, the chapter presenting the fabled land where lordly horses’ posteriors liberally overshadowed the local Yahoos. This chapter, like all of *Gulliver’s Travels*, was written as an allegorical representation of the actual mental, moral, and physical degeneracy, the which took over the population of England, during the decades immediately following the 1714 accession of King George I to the newly created throne of the British Empire. That is also the condition to which the population of England has been degraded once more, as the British Mont Pelerin Society’s pestilence of Thatcherism has corrupted the present generations of the descendants of the early Eighteenth-Century Yahoos and their masters, alike.

To locate the context of Stephen Hawking’s opinions in the most direct and efficient manner, one should narrow the focus of attention, by turning to another chapter of Swift’s book, where the mental life of the British intellectuals, now, as then, is cartooned. Swift’s chapter devoted to the fictive, floating island of Laputa, is recognizable as real-life Cambridge and Oxford. The merry old brutish intellectual tradition, so identified, points directly toward the heart of the issues posed by Hawking’s argument on the subject of “Time’s Arrow.”

Indeed, the only way in which to understand the present-day antics of Her Majesty’s household and subjects, is to begin with a mind refreshed by those insights into the forebears of these present-day unfortunates, as provided by ears of Swift and eyes of Hogarth. It were feasible to present a



*From the series "A Rake's Progress," by William Hogarth, 1763. The scene shows mad scientists and other inmates at Bethlehem Hospital, known as Bedlam. "The only way in which to understand the present-day antics of Her Majesty's household and subjects," writes LaRouche, "is to begin with a mind refreshed by those insights into the forebears of these present-day unfortunates, as provided by ears of Swift and eyes of Hogarth."*

devastating factual case against the crucial features of Hawking's argument in its own academic terms. However, that approach would overlook the essential point; by situating the facts within the axiomatic framework of his argument, we would be implicitly accepting his "geometry" as the domain in which our refutation were also situated. Thus, we would entrap our evidence within the same mental cage which confines the mind of Stephen Hawking, locked behind the grillwork of his axiomatically positivist delusions.

Now, to the chapter in question. In the second paragraph of the chapter, Hawking writes: "Up to the beginning of this century people believed in an absolute time. That is, each event could be labelled by a number called 'time' in a unique way, and all good clocks would agree on the time interval between two events. . . ." That statement of his, is false.

In this instance, as for all of his statements we reference here, Hawking's critic must allow for the very practical problem, that on matters of punctuation and other counts, the English prose style approved by Hawking's editor, is a long way down the evolutionary scale from Shakespeare. The relevant point for our purposes here, is, that, by this choice of style, he renders himself unable, or perhaps merely unwilling, to use those literate forms of the English language, as typified by Shakespeare's style, by means of which we construct those metaphors essential to communicating what the poet Shelley identified as "profound and impassioned ideas respecting man and nature." Shelley's category includes all of the discoveries of principle existing within the domain of physical science.

Thus, the critic and reader must be cautioned: even in the

case Hawking's intention is to supply a true statement, his prose style is so banal, that its representation of certain important classes of ideas is ambiguous, at best. On this account, it may be fairly said, that the cognitive sterility of Hawking's prose style qualifies him as among the "John Drydens" of contemporary British mathematics. That literary sterility, should be recognized by us as an indication of the species-characteristics his choice of prose style imposes upon his utterances as a whole.<sup>3</sup>

However, in the instance under consideration here, even on that impaired level of cognition for which his prose style is best suited, Hawking's statement is plainly untruthful propaganda. The fraud in his statement, in this instance, marks him as a follower of the clock-work hoaxster, Bertrand Russell.

3. In nothing we write here, do we deviate from compassion respecting Professor Hawking's physical afflictions, nor from our personal admiration of the manner in which he has responded to that challenge. The faults on which we focus here, are plainly rooted in the induced mental habits acquired during earlier years of his life. It is the academic disease of empiricism, not the person, on which the present denunciation is focussed. As to the matter of prose style, the immediate issue at this point, see the writer's treatment of the subject of metaphor, and of the influence of Enlightenment traditions for banning it, and the rigorous use of the subjunctive mood, from the English language, since Francis Bacon and Thomas Hobbes. The same principle of metaphor is the character of all representation of a validatable discovery of principle, in both natural science, and in Classical art-forms. To eliminate it from English prose style is to prevent any intelligible discussion of principle, and to degrade mathematics and language to a relatively sterile, mere describing of appearances.

Contrary to Hawking's indefensible assertion, he knows that the relativity of time is an ancient conception, already known to Classical Greek science.<sup>4</sup> He knows, that the most modern notion of such relativity, dates from Bernhard Riemann's 1854 habilitation dissertation, "On the Hypotheses Which Underlie Geometry."<sup>5</sup> In defiance of those facts, Hawking defers to Russell's widely circulated hoax on that subject. He writes: "Thus time became a more personal concept, relative to the observer who measured it," a close paraphrase of Russell's argument. The significance of his falsifying the dating of "relativity of time," is reflected, in an ironical way, in his next paragraph: "When one tried to unify gravity with quantum mechanics, one had to introduce the idea of 'imaginary' time. Imaginary time is indistinguishable from directions in space." His misuse of "imaginary" impels our attention to the pioneering, Nineteenth-Century work of Carl Gauss, Wilhelm Weber, and Bernhard Riemann.

It must be stressed: Hawking simply lies, when he attempts to lure the credulous into the opinion, that the relativistic idea of "time" appeared first during the Twentieth Century. By virtue of his stipulated educational background, he knows, if only as a simple matter of historical fact, that Riemann was the first, in 1854, to free the notions of "space" and "time" from their Euclidean, aprioristic basis, and to relocate them among all validated principles of experimental physics, as dimensions of an expandable physical-space-time of "n dimensions."

In the real universe, outside Hawking's virtual reality, Riemann derived his discovery from, chiefly, the preceding work of Carl Gauss, on the related matters of biquadratic residues and generalized notion of curvature. There, in that work of Gauss and Riemann, we meet the reality which the "ivory tower" sort of mathematician mistakes for the apparently "imaginary" quality of relativistic time. Hawking refuses to comprehend the significance of the fact, that Gauss and Riemann removed the notion of "Time" entirely from the domain of aprioristic axiomatic assumptions, and resituated it, as a validatable physical principle of the experimental domain of physical space-time.<sup>6</sup> Thereafter, the schoolboy no-

4. Lyndon H. LaRouche, Jr., "Toward China's 21st Century Economy," *Executive Intelligence Review*, May 16, 1997; under the sub-head, "The Horizon," pp. 27-29.

5. Bernhard Riemann, *Über die Hypothesen, welche der Geometrie zu Grunde liegen*, Bernhard Riemann's gesammelte mathematische Werke, H. Weber, ed. (New York: Dover Publications reprint, 1953).

6. The relativistic character of physical space-time was already implicit in Leonardo da Vinci's treatments of the finite propagation of sound, and related treatments of what we recognize, since Riemann's work, as retarded potential for propagation in radiation of light. This method, including the method which Leibniz identified by "*Analysis Situs*," was at the center of the founding of the first comprehensive mathematical physics, by Johannes Kepler. It came to the surface in Christiaan Huyghens' exploration of isochronicity in the gravitational field. Ole Rømer's measurement of a finite rate of propagation of light in the Solar System, and Huyghens' response to that discovery, led into the demonstration of coherence, by Leibniz and Jean Bernouilli, between isochronicity both in the gravitational field and underlying the refraction of

tions of aprioristic time-by-itself and space-by-itself, must be replaced by new roles for time and space, as interacting dimensions of an "n-dimensional," physical-space-time geometry. In this new geometry, the measurement of these qualities is represented, through the relative "curvature" of physical space-time resulting from the interaction among all such dimensions (physical principles). Of these implications, Hawking at least pretends to be unaware.<sup>7</sup>

Immediately following that faulted utterance, Hawking's argument collapses into a run-on, irrational rant: "Imaginary time is indistinguishable from directions in space [which a competent physicist would consider a barely tolerable, but all too ambiguous statement]." After that next sentence, Hawking's thoughts race wildly: "If one can go north, one can turn around and head south; equally, if one can go forward in imaginary time, one ought to be able to turn round and go backward. This means that there can be no important difference between forward and backward directions of imaginary time." *Whew! What a rush of sophistry!*

In the succeeding paragraph, Hawking runs on: "The laws of science do not distinguish between the past and the future." What "laws"? Whose "laws"? Whose "science"? To the extent there is the appearance of intelligible utterance in any of his argument along these lines, it is all untrue. Matters go from bad to worse; "Jonah" Hawking swallows the whale.

He aggravates his error: "More precisely . . . the laws of

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light. The successive work of Ampère, Gauss, Wilhelm Weber, and Riemann on electrodynamics, represented the more or less inevitable advance upon the preceding work of da Vinci, Kepler, Huyghens, Leibniz, et al. The notion that the idea of a "relativistic" notion of coherence among notions of time, space, gravitation, and retarded-potential rates of propagation of light and gravitation, were a sudden, charismatic revelation erupting at the beginning of the Twentieth Century, is strictly anti-historical, anti-scientific, "tooth fairy" stuff.

7. The high priests of British late-Nineteenth-Century and Twentieth-Century opinion about science, included Lord Kelvin's German agents, such as Rudolf Clausius, Hermann Grassmann, and Herman Helmholtz, in addition to James Clerk Maxwell, Lord Rayleigh, and Bertrand Russell. (The great Rutherford was a notable exception.) The common distinction of all of these agents of the British ideological standpoint, is their enmity against not only Gottfried Leibniz, but also against the roles of the central figures of Nineteenth-Century science, Carl F. Gauss, Wilhelm Weber, and Bernhard Riemann. Maxwell plagiarized more than generously from the founding work in electrodynamics, that of Ampère, Gauss, Weber, and Riemann; Maxwell not merely confessed, but bragged, that he had omitted from the work of those predecessors, all of that physics which corresponded to "geometries other than our own." His suppression of the reality of the Ampère-Weber "angular force" from his electrodynamics, for example, crippled scientific progress during the present century to date. [Cf. Laurence Hecht, "The Significance of the 1845 Gauss-Weber Correspondence," *21st Century Science & Technology*, Fall 1996; Dr. Remi Saumont, "The Battle Over the Laws of Electrodynamics," and Jonathan Tennenbaum, "Demonstrating Gauss and Weber's Magnetometer," *21st Century Science & Technology*, Spring 1997.] The entirety of Bertrand Russell's temporary, quarter-century career in science, until about 1927, was premised upon his stated intent to destroy the influence of Leibniz, Gauss, Weber, and Riemann. Thus, the mere fact that a British ideologue pretends to be ignorant of relevant work of Leibniz, Gauss, et al., may signify that that writer is merely pretending not to know that that undesired reality exists.

science are unchanged under the combination of operations (or symmetries) known as C, P, and T. (C meaning changing particles for antiparticles. P means taking the mirror image, so left and right are interchanged. And T means reversing the direction of motion of all particles: in effect, running the motion backward.)” *Mécanique céleste!* Hawking has invoked precepts of radical positivism, which are admittedly popular in his Laputan precincts, but nonetheless absurd. The Nazis imposed the same sophistry employed here by Hawking; the Nazis called it *Gleichschaltung*;<sup>8</sup> these days, their liberal imitators from the contemporary academic world prefer to roll the eyes upward, in unctuous repetition of the mantra: “generally accepted classroom mathematics.”

Thus far, our scan has touched upon two leading clusters of axiomatic flaws in Hawking’s account. The first cluster, respecting the notion of “imaginary time.” The second, in the discussion of ordering-principles affecting “C, P, and T,” and backwards-forwards in time, his denial of the existence of what Leibniz identified as problems of “*Analysis Situs*”: the denial that any special ordering-principles beyond the comprehension of ordinary mathematical formalism, need be considered for these cases. Later, here, we shall consider two additional principal sets of blunders by Hawking, before turning to a general refutation of his argument. These additional topics will be, first, the popularized, false notion of “entropy” as “time’s arrow,” and, second, his hysterical misrepresentation of what he terms a “psychological arrow of time.” For pedagogical reasons, it were better to get some of the problems of “imaginary time” and “time’s arrow” under control now, that we might focus with better resolution upon the latter two of the four identified topics.

### From Eratosthenes through Riemann

Focus upon Hawking’s cited use of the term “imaginary time.” Challenge the would-be defender of Hawking’s observations, to show how the issue of the continued, pathological use of the term “imaginary,” among mathematicians and misinformed laymen, bears upon B. Riemann’s ridding mathematics of those merely aprioristic notions of space and time met in the work of René Descartes, Isaac Newton, et al. Turn to the matter of the difference between the earlier, crude use of the term “imaginary numbers,” to identify roots of negative numbers, and the scientific notion of the origin of such roots, as the latter emerged from Carl Gauss’s step-wise development of the principles of higher mathematics, in his *Disquisitiones Arithmeticae*.<sup>9</sup>

8. e.g., “brought into line.” A currently popular English-language synonym, is “political correctness.” In U.S. tradition, this was a commonplace form of lying one’s head off, known as “company manners.”

9. Completed 1799. Published (Leipzig: 1801). The publication of this work won Gauss immediate recognition and honors throughout Europe. To this day, almost two centuries later, it remains unique in its competence as the basis for secondary and higher education programs intended to bring the student into the realm of higher mathematics. Although Gauss himself preferred to hide his youthful priority, as an adolescent, in discovering an actually

To this effect: Consider the physical significance of such “imaginary” magnitudes which Gauss located later within the domain of experimental physics, as in his own discoveries in astrophysics, geodesy, and electrodynamics. Trace this, thus, with respect to the practical significance of biquadratic residues and curvature, in the experimental domain of physical space-time generally. Situate Riemann’s original discovery of relativistic physical-space-time, as Riemann himself did, with respect to these contributions by Gauss.

As the known history of ideas goes, the principle involved is as old as Pythagoras’ work, and is a central feature of the mathematics work of Plato and such collaborators as Theaetetus and Eudoxus. Both the notion of incommensurables in general, as implicit in Pythagoras’ most famous theorem, and the notion of curvature which such students of Nikolaus of Cusa as Luca Pacioli, Leonardo da Vinci, and Johannes Kepler, associated with reconstructions of Theaetetus’ proof for the uniqueness of the five Platonic solids.<sup>10</sup> These are exemplary of the heritage leading through Nikolaus of Cusa,<sup>11</sup> Johannes Kepler, and Gottfried Leibniz, leading into the development of non-Euclidean relativistic geometries by Gauss and Riemann.<sup>12</sup> One of the most conveniently elementary classroom illustrations of the principle of physical space-time comes from a member of Plato’s Academy at Athens, Eratosthenes, during the Third Century B.C.

From a pedagogical standpoint, the simplest case for demonstrating the principle underlying the experimental-physical significance of “imaginary” for relativity, is Eratosthenes’ astrophysical measurement of the curvature of the Earth along the meridian (see **Figure 2**).<sup>13</sup> If one placed hemispherical sundials at appropriate intervals along a measured distance, from Syene (Aswan) in Egypt, northward, along the astrophysical line of the meridian, into Alexandria, and did so

non-Euclidean geometry, if we look backward through the entirety of Gauss’s life’s work, from the standpoint of Riemann’s 1854 habilitation dissertation, it should be transparent, that the *Disquisitiones* already reflects, indelibly, the principles of that non-Euclidean geometry.

10. The notion of a physical-space-time curvature, of a bounding of the mathematical domain, external to a formal mathematics as such, is the basis for Leibniz’s interdependent notions of *Analysis Situs*, “necessary and sufficient reason,” and “universal characteristics.”

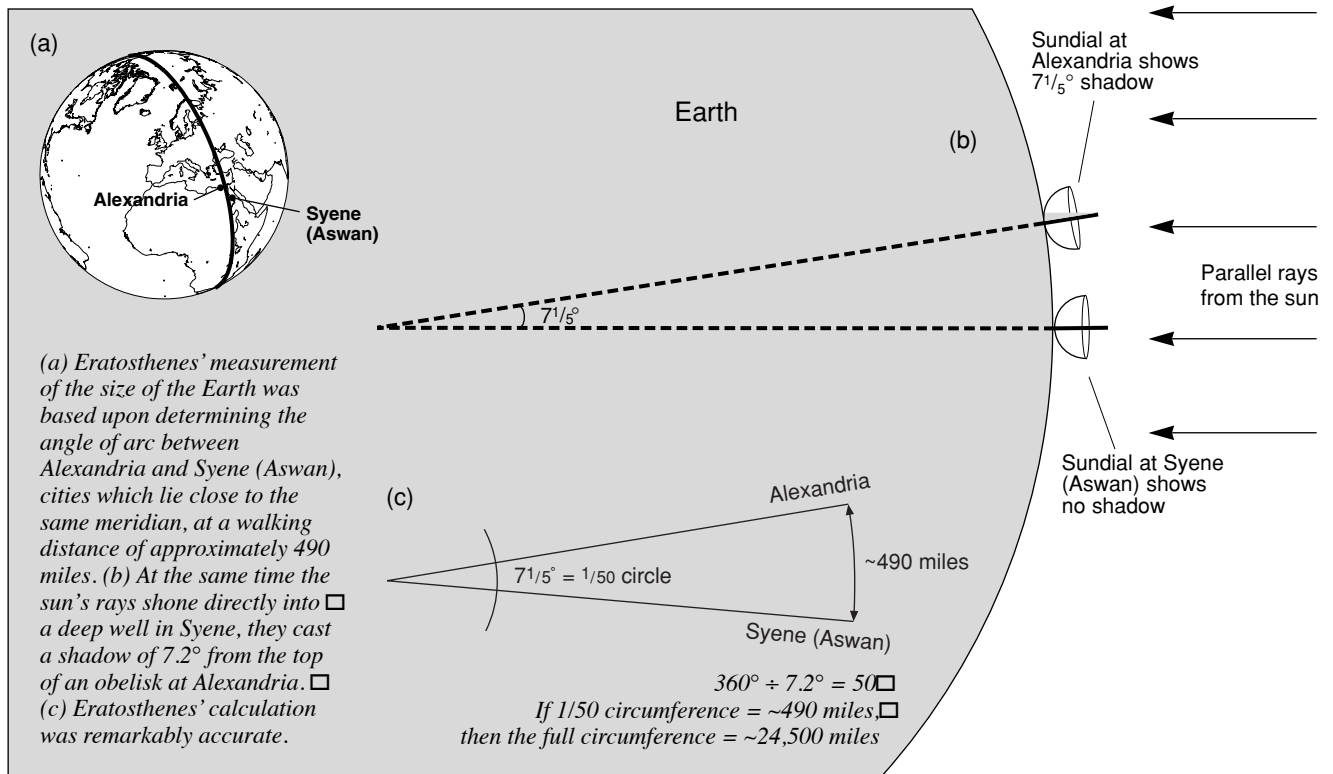
11. The history of the notion of what we recognize as transcendental functions, begins with Nikolaus of Cusa’s correction of an oversight in Archimedes’ quadrature of the circle (e.g., *De docta ignorantia*, 1440). Cusa was the first to recognize the existence of “transcendentals” as a distinct type of “incommensurables.” See Lyndon H. LaRouche, Jr., “On the Subject of Metaphor,” *Fidelio*, Fall 1992. Gauss’s exposure of the experimental-physical basis for the “complex domain,” through his treatment of biquadratic residues, eliminated the gnostic mystification commonly associated, still today, with classroom glosses on the “Argand diagram.”

12. The non-Euclidean geometries of Gauss and Riemann are better described as “non-Euclidean *physical* geometries,” to distinguish them from the interesting, better termed “neo-Euclidean” formal geometries of Lobatchevsky and Bolyai. The former are derived from the experimental method; the latter from formal considerations internal to pre-existing mathematics.

13. Figure is from Lyndon H. LaRouche, Jr., “Non-Newtonian Mathematics for Economists,” *Executive Intelligence Review*, August 11, 1995, p. 20.

FIGURE 2

**Eratosthenes' measurement of the size of the Earth**



with the intent of disproving the assumption that the Earth's surface were simply two-dimensional, the evidence produced by the sundials would disabuse one of the notion being tested. The comparison of the discrepancy among the noonday shadows cast by the sundials' pins, shows that only the consideration of a third, "imaginary" dimension to the Earth's surface, giving the planet's surface an approximately spherical character, corresponds to the experimental evidence. In the design of that experiment, that third dimension first appears as a Platonic *idea*, representing a definite magnitude, the kind of ideas which empiricists, and kindred types, prefer to relegate to the domain of the "imaginary."

Gauss's applications of the implications of biquadratic residues, to reconstructing the orbits of asteroids, to problems of geodesy, and to sundry investigations into geomagnetism and electrodynamics generally, represent a continuation of the methods of experimental discovery traced through Plato and his Academy. The "angular force," whose exploration by Gauss's and Riemann's collaborator, Wilhelm Weber, first opened up the domain of microphysics on the atomic and subatomic scale, during the middle of the Nineteenth Century,<sup>14</sup> is an example of the importance of this method, relative to the referenced point of hysterical fraud (directed against the

preceding work of Ampère, Gauss, Weber, Riemann) in the work of Maxwell, Bertrand Russell, et al.

We are considering, as the relevant issue immediately at hand: What is the demonstrable nature of the distinction between the kind of unproven, aprioristic notion of "time," which we associate with Euclidean geometry, or with the opinions of Descartes and Newton, as opposed to experimentally-based fact of what formalists misname "imaginary time"? The latter is a notion which had been forced upon science, earlier, by methods associated with the successive experimental discoveries of Huyghens, Leibniz, Bernouilli, Gauss, and Riemann. Compactly stated, the principle involved in defining an experimental-physical notion of "imaginary," as distinct from the unproven, aprioristically axiomatic conceit, follows from the notion of *hypothesis* central to Plato's Socratic method, and to the establishment of the methodological foundations of modern science by Plato, Theaetetus, Eudoxus, Archimedes, Eratosthenes, Cusa, et al. The argument goes as follows.

By means of Plato's Socratic method, one might adduce the underlying set of definitions, axioms, and postulates associated with the geometry of Euclid. These elements would have been sought out, by Socratic method, as the presumptions which must implicitly exist, as preconditions of belief in support of demonstrable propositions in a geometry based upon construction. The common set of such adduced pre-

14. Hecht, Saumont, Tennenbaum, op. cit.

sumptions is represented by the relevant definitions, axioms, and postulates. That common set is named an “hypothesis.” Any proposition which is experimentally constructable, and which is not inconsistent with any of the constituent set of elements of the relevant hypothesis, is denoted as a “theorem” of that system. All the potentially stable propositions which might satisfy those requirements, constitute, in aggregation, a deductive “theorem-lattice.”

With that, the fun begins.

From the point in the process, that such an hypothesis is established for belief, each relevant type of event is examined implicitly in a two-fold way. First, according to presumptions of belief which govern the way in which we identify an apparent occurrence as “believably existent,” or not. Second, we compare the proposition, that the occurrence is “believably existent,” with the relevant hypothesis, such as the hypothesis underlying a deductive formal geometry. In the case, that both the hypothesis and the occurrence are equally believable, but that no proposition associated with the occurrence could qualify as a theorem of the reigning hypothesis, our minds are confronted with a devastating sort of paradox, an ontological paradox of the same type associated with Plato’s *Parmenides*. This is the type of paradox which is otherwise known in Classical art-forms as a metaphor.

This notion is at the center of the method of physical science,<sup>15</sup> and is also the characteristic of the method of composition known as “Classical” in the domains of poetry, music, tragedy, and plastic art-forms. The method involved, is at the center of those notions of a non-Euclidean physical-space-time recalled by Hawking’s errors for our reconsideration here. Therefore, a brief restatement, for emphasis and clarity, is now interpolated.

We are situating the generation of scientific ideas in those cases in which a true paradox of the indicated form appears. In Classical art-forms, the same cognitive type of paradox assumes the guise of *metaphor*. In the latter instances, the use of metaphor is imposed upon the author, or composer, by the fact, that a reality exists for which existing language (e.g., such as a mathematics) has made no explicit provision. This difficulty may be circumvented, by juxtaposing two respectively established, but mutually irreconcilable kinds of representations, thus presenting a metaphor. The required resolution of the paradox, so explicitly described, forces the cognitive powers of the mind to resolve that riddle. The successful solution is supplied by the cognitive powers of the mind, adding a previously non-existent idea to the array of explicit references available to users of that language. The metaphor thereafter becomes a recognizable name for that new idea added to the language’s repertoire.

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15. The standpoint in physical science represented in this present writing, is the present author’s work in the science of physical economy. As the reader will soon encounter this here, the science of physical economy has a unique authority respecting the issues under review here.

In both experimental physical science, and in Classical art, the underlying mental processes involved are identical. The principles for Classical education established by Friedrich Schiller, are thus to be seen as representing something essential to the fostering of physical-scientific competence. Without a mastery of the Classical art-forms, to such effect that the student is forced to recognize the character of the underlying processes common to Classical art and scientific discovery, the future scientist will suffer a crippling kind of cognitive illiteracy respecting the existence of a principle of scientific discovery. Riemann’s 1854 dissertation typifies such a pervasive principle underlying all scientific progress. A student’s mastery of Classical art develops those aspects of mental processes indispensable for conceptualizing scientific matters which lie outside, and above, the domain of any existing formalized mathematical physics. Thus, the lack of a dominant position for Classical art-forms in the curricula of primary, secondary, and higher education, must result in a corresponding degree of relative science-illiteracy among the graduates. This is to be seen most clearly in such cases as that of Professor Hawking.

Consider the case, that experimental tests show that the challenged occurrence is indeed real, and that its validation involves an axiom-like principle of nature, or of cognition, or both, which was lacking in the construction of the relevant hypothesis. Not only must we add the validated, axiom-like principle to our repertoire; we correct, and otherwise revise the pre-existing, relevant hypothesis, to accommodate this newly validated principle. This accommodation presents the surviving axioms of the relevant old hypothesis as if they were “n” dimensions of physical-space-time geometry. Now, we are adding dimension “n+1.” As Riemann stresses in 1854, we are not permitted merely to dump the new principle into the proverbial mathematical pot; we must take into account the new kinds of interactions to be considered by shifting from the hypothesis of “n dimensions,” to the relevant new hypothesis of “n+1 dimensions.” The new quality of interactions is expressed for measurement, in terms of physical-space-time “curvature.” All of the leading work of Gauss, W. Weber, and Riemann (among others) expresses this mathematical comprehension of the process of experimental-physical progress.

This change in the way we must think geometrically, eliminates all further toleration for such aprioristic conceits, such as the notions that space and time are infinitely extensible, in perfectly linear continuity, backwards, forward, and up-and-down. How far any dimension (extensible application of distinct, validated experimental principle) is extendable, and with what restrictions, must be determined experimentally. Of this, we should have been forewarned no later than the Eighteenth Century, by the proof of isochronicity in gravitational field, and in refraction of light propagated at some rate of retarded potential.

Time itself, free of its aprioristic shackles, like space, is



removed from the domain of Cartesian and algebraic intuition; its nature becomes a subject of experimental physics. The measurement of those deviations from a presumed value, which shows us the presence of a new principle to be considered in respect to lapses of time, provides us, by the methods of Gauss and Riemann, with what appears to the naive mathematician as “imaginary time,” or, to the less simple-minded, the demonstration of the presence of an additional principle (a potential new dimension). Wilhelm Weber’s anticipation of the fallacy of popular use of “Coulomb forces,” by his seemingly prophetic discovery of a “reversal” of the apparent relative role of “strong” and “weak” forces within a range of a certain microphysical smallness, is among the most elegant examples of the qualitatively new meanings which must be added to the notions of “space” and “time” within the range of the extremely small.

Hawking’s most obvious difficulty in telling time, is his implicitly obsessive attachment to the fraudulent presumption employed by professed Newtonians such as Leonhard Euler and his followers (Joseph Lagrange, Marquis LaPlace, Augustin Cauchy, Lord Kelvin, Rudolf Clausius, Hermann Grassmann, Maxwell, Lord Rayleigh, Bertrand Russell, et al.), in employing the arbitrary, “ivory tower” presumption of perfect continuity (e.g., “linearity in the most extremely small”) to construct those bald tautologies, falsely adopted as purported “proof” of that perfect continuity.<sup>16</sup> Contrary to the Cartesians, Newtonians, et al., the issue of continuity in the very small, is not a question of mathematics, but of experimental physics. In such matters, mathematics must, like Philip Duke of Edinburgh to Queen Elizabeth II, play the subordinate role, of consort, not monarch, in science.

The predicament of those who must acknowledge revolutionary changes erupting within experimental physics, but who, typified by Hawking or Maxwell, fanatically resist all “geometries but our own,” is that the paradoxes which their “ivory tower” fantasies have created, leer back at them, like

16. The most famous, and relatively most influential of the hoaxes perpetrated in defense of the aprioristic notion of perfectly continuous extension in space and time, is that of Leonhard Euler’s 1748 *Introduction to Infinitesimal Analysis*, as stated, in a somewhat simplified way, in his 1671 *Letters to a German Princess* [cf. Lyndon H. LaRouche, Jr., *The Science of Christian Economy* (Washington, D.C.: Schiller Institute, 1991); Appendix XI, “Euler’s Fallacies on the Subjects of Infinite Divisibility and Leibniz’s Monads,” pp. 407-425]. Essentially, Euler employs an axiomatic assumption, that extension in space is perfectly continuous, to construct a supposed proof of the theorem, that any ostensibly linear extension is infinitely divisible. Although Isaac Newton and Rev. Clark argued, in their attacks upon Leibniz, for this same effort to degrade the calculus, whose development had been specified by Kepler, to a basis in so-called “infinite series,” it was Euler’s influence to this effect which dominated the Nineteenth and Twentieth Centuries’ Newtonian factions of Lagrange, et al., in an anti-Leibniz, anti-Gauss, anti-Riemann, rabid devotion to the practice of axiomatically assumed “linearization in the very small.” Euler’s tautological fraud, is to have derived a theorem respecting a claim which was already embedded “hereditarily” (axiomatically) in the method selected for constructing the alleged proof.

Frankenstein’s monster, from both the extremely small and extremely large. That ghostly spectacle has disposed many such modern positivists to suspect, that the name of the universe’s most powerful deity, is Chaos, after all. Hence, a corresponding strain of brutishly pagan religiosity in the arguments of Maxwell’s, Hawking’s, and like minds.

## Analysis Situs

The instant one grasps the implications of Riemann’s referenced, 1854 dissertation, it is clear that the essential quality of our universe as a process, appears to science only in the primitive form of a succession of hypotheses. All of the principal problems of science, thus belong to a form typified by the ontological paradox central to Plato’s *Parmenides* dialogue. What is the *One* which efficiently subsumes those *Many* hypotheses? Thus, we are obliged to shift our sense of what is primary, away from the fixed object, to the principle of *change*, the latter as the primary reality underlying the conditional existence of fixed objects.

As the cases of Cusa, and such professed students of Cusa’s discoveries, as Luca Pacioli, Leonardo da Vinci, and Johannes Kepler, attest to this historical fact, modern science, based upon an experimental-physical principle of measurement (Cusa),<sup>17</sup> is based upon a line of development, running from Plato and his Academy of Athens, through Cusa, Leibniz, Gauss, Riemann, et al. In other words, upon those who developed and comprehended the primacy of a Platonic notion of change, this in the same sense that Riemann’s referenced dissertation expresses such a primacy.

This notion of change, is the basis for the actuality which a confused Hawking mistakenly apprehends as “imaginary time.” Since the hypothesis underlying the terms (e.g., theorems) of a sequence, as applied to any member of a sequence, is simultaneously efficient in governing all earlier and future members of that sequence, the notion of “isochronicity” is to be seen, from a Platonic standpoint, as adumbrated by a general notion of “simultaneity of ‘infinity’.”<sup>18</sup> The latter is a well-documented, traditional notion of western European philosophy, theology, and science, since Plato.<sup>19</sup> The same notion underlies Leibniz’s conception of *Analysis Situs*, the notion which sent Hawking over the brink in his ruminations on “C, P, and T.”<sup>20</sup>

17. e.g., *De docta ignorantia*.

18. “Infinity” is used here in the sense of universality: the volume of Riemannian physical space-time represented by regarding time as a “spatial” dimension.

19. See reference given in Note 4.

20. Thus, Hawking’s blunders are to be seen as predominantly ideological in character. Those principles of science which Leibniz placed under the caption of *Analysis Situs*, must be recognized, in the first instance, as referencing principles central to the successful practice of predecessors such as Pacioli, da Vinci, William Gilbert, and Kepler, principles which had been suppressed by means of the hegemonic political influence of the followers of Ockhamite Paolo Sarpi in Sixteenth-Century Europe. Just as Sarpi’s agents

One must see the problem of defining an underlying ordering-principle, for a succession of hypothesis, as a corollary of Plato's *Parmenides* paradox. For example, does the *entropy*, or, the *anti-entropy* of the universe increase as we increase the mathematical cardinality of physical-space-time geometry, from a geometry of "n dimensions," to one of "n+1 dimensions"? No mathematics defined as the empiricists and positivists demand, could formulate such a question.

For example, when these forms are encountered as characteristics of real processes, "right-handedness" and "left-handedness" are not simply interchangeable. Nor is the transformation from one state to the other a matter of statistical indifference. Nor does a human being rise to the age of approximately twenty-five years, to begin the descent to a biological state of infancy. In the real world, outside ivory tower speculations, "backward" and "forward," are never the simple reversal of one another. The same differences, which Hawking's "ivory tower" viewpoint implicitly outlaws, are precisely the ironies, the paradoxes, from which discoveries of principle are derived.

The most important of such problems in *Analysis Situs*, today, are those associated with disputes respecting the relative primacies of *entropy* and *anti-entropy*. That brings us to the third of the four clusters of issues posed by Hawking's chapter. We contrast the views of Hawking with the writer's own.

### **But, who winds the clock?**

Hawking presents four types of time, four senses of direction of time. The first, which we have already referenced here, is the notion of simple, linear, similarity of backward and forward. The second, which he labels as the first of three, he identifies as "the thermodynamic arrow of time, the direction of time in which disorder or entropy increases." The third, "the psychological arrow of time. This is the direction in which we feel time passes, the direction in which we remember the past, but not the future." Finally, he lists "the cosmological arrow of time. This is the direction of time in which the universe is expanding rather than contracting." Silly and arbitrary as those notions of time may be, they are Hawking's expressed sentiment. Overall, Hawking's mind portrays itself, as borrowing from stray contemporary fads of opinion in his academic's environment, as the caddis-fly larva gathers odd bits of rubbish, rather indiscriminately, in preparation of its pupation.

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Francis Bacon and Thomas Hobbes sought to outlaw, fraudulently, arbitrarily, metaphor, hypothesis, and the subjunctive, the Rosicrucian mystics (such as Fludd) and other Sarpian, conducted a bloody inquisition against the principles central to the most durably successful achievements of, most emphatically, Kepler. Thus, on this account, "Enlightenment science," positivism most notably, presents us with a spectacle like that of a man who has amputated his own legs, to prove the impossibility of walking. Hawking's rant on the subjects of "C, P, and T," argues for indifference to that existent reality whose possibility he refuses to acknowledge.

Back during the middle decades of the Nineteenth Century, Britain's Lord Kelvin mustered one of his German lackeys, Rudolf Clausius, into the task of inserting a curious bit of pagan religious belief into the empiricist science-catechism, the so-called "Second Law of Thermodynamics." Clausius' ally, Hermann Grassmann, contributed significantly to constructing the mathematical fine points of the dogma.<sup>21</sup> This was done in defiance of the evidence of the universe's tendency toward evolution into higher states of organization, to say nothing of the anti-entropic characteristic of the human species itself. The mathematical argument employed relied, in a crucial way, upon Grassmann's specific approach to codifying Euler's tautological fallacy of "linearization of physical space-time in the extremely small." The reckless extrapolation of the notion of a "Coulomb force" to the extremely small, is a paralogism of the same type.

This poses a problem which obliges us to return to the standpoint of a generalized *Analysis Situs*, to the examination of the historically determined characteristics of Hawking's defective method. On this account, the immediate origin of this arbitrary construction of the so-called "Second Law of Thermodynamics," by Kelvin, et al., is what we have already identified as that Euler-Lagrange hoax known as "linearization in the extremely small," the which is the common distinction of the collection of Nineteenth-Century Newtonians such as Laplace, Cauchy, Grassmann, Kelvin, Clausius, Helmholtz, Maxwell, Rayleigh, Mach, Russell, et al.

However, to understand that phenomenon, one must locate Euler, Lagrange, et al., within the Europe-wide, Eighteenth-Century cult of Isaac Newton, as created and organized by the Paris-based spy-master of Venice, Abbot Antonio Conti, the creator, together with fellow-agents Guido Grandi, Francesco Algarotti, and Giammaria Ortes, of Newton's controller, Dr. Samuel Clarke, and of Physiocrat Dr. François Quesnay, Voltaire, the Paris-centered "Enlightenment," and Frederick II's harem of Leibniz-hating, Newtonian fanatics within the Berlin Academy of science: Euler, Maupertuis, Lambert, Lagrange, et al. Spy-master Conti and his network of salons are nested within the framework of the founding of the Seventeenth-Century French and Anglo-Dutch "Enlight-

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21. These reports are not intended to suggest that the work of Clausius and Grassmann did not include actual accomplishments. The problem here, is to be understood as expressing the impact of a pervasive system of political corruption, which taints the work, and morals, among even otherwise accomplished scientific workers. The corruption usually begins in childhood and adolescence, in such seemingly innocent forms as submission to demands for conformity with the doctrines imposed by some relevant authority. In later years, all too often, the survival of a scientist's career may be made conditional upon his playing the role of an intellectual thug. The case of the thuggery directed against Max Planck, from the admirers of Ernst Mach in Vienna, Berlin, and elsewhere, is but typical of this moral problem pervading much of the "generally accepted classroom" authorities down to the present day. Clausius was an able scientific worker, who sullied himself as the price paid for the patronage of Lord Kelvin et al. The politically motivated corruption within science today, is far worse than it was in Kelvin's time.

enment” by the leader of Venice’s dominant, *Case Nuove*, faction, Paolo Sarpi. Thus, Conti’s Eighteenth-Century “Newtonian” salons premise their beliefs upon the axiomatic assumptions introduced to England by Sarpi’s personal lackey, Galileo Galilei, and Sarpi’s agents Francis Bacon and Thomas Hobbes.<sup>22</sup>

When “Newtonianism” and its offshoots are situated within the context defined by Sarpi, as they must be, it should become clear to us, that there is virtually no subject-area taught in any university undergraduate, or secondary-school textbook today, which is not derived, axiomatically, from the same doctrine underlying the entirety of Thomas Hobbes’ *Leviathan*. This includes, most emphatically, all social studies, including virtually all branches of psychology, extends to the teaching of philology, linguistics, drama, poetry, and modern prose-style, all today’s generally accepted classroom teaching of political-economy, and includes the pseudo-science, “political science,” co-founded by Saint-Simon and the Madame de Staël. Less suspected, is the fact that the mechanistic doctrines of physics and generally accepted classroom mathematics, are also premised axiomatically upon exactly the same, perverse axiomatic assumptions underlying the entirety of Hobbes’ *Leviathan*.

There is a deeper, earlier, ancient Greek, aspect to these axiomatics. The root of the modern Enlightenment is traced, formally, from the Paduan “mortalist” Pietro Pomponazzi, the founder of that modern teaching of Plato’s adversary Aristotle and Aristoteleanism, which Venice employed in its efforts to crush out of existence the mid-Fifteenth-Century, Platonic “Golden Renaissance,” which had gained temporary victory in the 1439-1440, Florence sessions of the great, ecumenical Council of Florence. Although Sarpi broke with that version of Aristotle practiced by his defeated factional opponents of the Roberto Bellarmino’s *Case Vecchie*, Sarpi’s self-avowedly “Protestant” Enlightenment must be viewed as a “slightly heretical” branch of the same Aristoteleanism which Pomponazzi had taught to later Cardinal Gasparo Contarini. Sarpi led a revival of the faction of medieval positivist William of Ockham.<sup>23</sup> Like Ockham, and modern logical positivism’s professed neo-Ockhamites, the followers of Sarpi and

22. On the Venetian roots of modern empiricism, see Lyndon H. LaRouche, Jr. in the following locations: “How Bertrand Russell Became an Evil Man,” *Fidelio*, Fall 1994; “How Hobbes’ Mathematics Misshaped Modern History,” *Fidelio*, Spring 1996.

23. The common feature of Venice’s Sixteenth-Century *Case Vecchie* and *Case Nuove* factions, is that both were equally impassioned in their desire to eradicate the influence of the Council of Florence, and the related (A.D. 1460-1483) founding, in Louis XI’s France, of the modern form of sovereign nation-state. The essential difference, is that the *Case Vecchie* were committed to preserving the imperial form of a feudalism dominated by hereditary landed aristocracy; the *Case Nuove* were committed to playing northern and Habsburg-dominated Europe against each other, in a divide-and-conquer strategy which would bring the kind of financier-oligarchical maritime power, which Venice had represented, to imperial domination through Venice’s Anglo-Dutch clone-states.

Conti adhered to a stripped-down version of Aristoteleanism.<sup>24</sup> These empiricists and positivists, as typified by Russell and Hawking, adhere, with a fanatical quality of intellectual violence, to Aristotle’s standpoint of the “observer.”

This is crucial for understanding Hawking’s insistence upon taking Russell’s standpoint, of clocks seen by observers. This is the fishbowl in which Hawking’s thoughts swim. This is crucial for understanding all empiricist argument, including each and all of those four notions of time we have adduced from the relevant Chapter.

The present writer premises science, not upon the standpoint of the so-called “detached observer,” but, rather, the “actor.” This principle is central to the difference separating the economic science of Leibniz and this present author, from all the sundry neo-Aristotelean, or worse concoctions of today’s university economics classroom. Hawking’s borrowing from the “it seems to me” rhetoric of barroom sophistry, for his four stated notions respecting time, is to be viewed in this light.

As this is elaborated, repeatedly, in previously published locations, the foundation for certainty respecting the principles of scientific knowledge, is the proof that man’s practiced use of successive discoveries of principle, respecting both nature and human cognition itself, has resulted in the coordinated increase of mankind’s potential population, and also improvements of demographic characteristics of households. In short, man’s successive increases in his species’ power over nature, achieved through revolutionizing of society’s behavior in this way. This process of increased per-capita power within the universe, corresponds to a Riemann sequence of change, from a practiced physical-space-time geometry of “n dimensions,” to a superior one of “n+1 dimensions.”

The latter sequence is driven, emotionally (i.e., *agapically*) by those processes of individual cognition which develop validatable new principles (“dimensions”) as resolutions of those kinds of ontological paradoxes which we have associated with Classical forms of metaphor.

The conclusion to be derived from examining this evidence, is that when mankind employs its individuals’ cognitive powers in that manner, the universe responds obediently to the exertion of increased dominion by the human species.<sup>25</sup> Thus, that aspect of cognition expresses a congruence with the fundamental lawful ordering of the universe. For reasons given above, this most “robust” of all correlations in human experience, obliges us to reexamine more closely those creative processes, within the sovereign precincts of the individ-

24. Look at Cartesianism in the retrospective view provided by Riemann’s habilitation dissertation. Cartesian geometry, and the mathematics derived from it, is to Euclid as Ockhamite Sarpi is to Pomponazzi’s Paduan Aristotle. Indeed, had the Biblical Jonah been a Sarpi, a Descartes, an Ernst Mach, a Bertrand Russell, or a Hawking, he would have swallowed the whale.

25. *Genesis* 1:26-28

ual mind, from which the gaining of such increased dominion flows.

Firstly, the Riemannian series corresponding to this principled increase of dominion represents the ontological paradox, the *Many*, for which these individual powers of creative cognition typify the solution, the desired *One*. In turn, the individual paradox which prompts each of the corresponding, successive discoveries of experimentally validated principle, is well known, in the manner we have indicated here. The correspondence of such paradoxes, as scientific propositions, to the role of metaphor in Classical art-forms, is also demonstrated. A close examination of the Riemann sequence, from this vantage-point, settles a crucial question.

The Riemann series,  $n$  to  $n+1$ , itself defines a meta-mathematical notion with two notable expressions. Firstly, the series defines an ordered increase of mathematical cardinality. Secondly, since each added dimensionality corresponds to a Gauss-Riemann discontinuity in the relevant, preceding function of reference, this mathematical cardinality is also expressed as the notion of an implicitly enumerable density of discontinuities for any arbitrarily selected interval of action. These notions of cardinality have a general relationship to the Gauss-Riemann notion of curvature in physical-space-time geometries.

These mathematical notions are coordinate with the increase of mankind's dominion in the universe, and, for reason given, with the ordering principle of lawfulness made known to us through man's progress in dominion. It is appropriate to identify these empirical relations by the term *anti-entropy*. The contrast of such a notion of "anti-entropy," to the notion of "entropy" supplied by Clausius, et al., is clear. The universe is characteristically "anti-entropic," rather than the "entropic" universe arbitrarily presumed by the "ivory tower" viewer such as Kelvin or Hawking.

So much for our Hawking's deluded occupation with his notions of "time's arrow," his conjectured distinctions among so-called "thermodynamic," "psychological," and "cosmological" time.

### **Economics: the science of action**

Put to one side commonplace, erotic fantasies respecting money, prices, and possession. Focus upon the real economy, which is principally those physical changes in nature, by means of which the potential relative population-density (including correlated demographic improvements) is maintained and increased. Take into account, the essential part of the subjective aspect of physical economy, such as education, health-care, and science services, and the role of the institution of the modern, sovereign nation-state, itself, which are, taken as one, the preconditions for fostering scientific and technological progress. Note that, in this sense, those subjective aspects are functionally determining within physical economy. Help Professor Hawking locate a valid science of "time" within the bounds of such inquiry.

To this end, focus upon the transfer of the impulse of technological change, treated as a Gaussian characteristic, as a measure of the relative curvature of the economic process taken as a whole.

To define the relevant relations, examine a national economy as an indivisible entirety. Conduct this examination in solely physical-economic terms, without reference to money or prices. Compare the physical-economic output of that economy as a whole, and in terms of per-capita of its entire labor-force, and in terms of its entire functional area. Compare the required inputs, measured in market-basket terms, with the total produced output, in the same terms. What, then, is the meaning of the terms, "national profit" and "national Value Added"?

Express this problem in the following way. Equate the variable magnitude corresponding to the maintenance of the productivity of the economy as a whole (per capita of total labor-force), to "energy of the system." Equate that portion of output which exceeds the required "energy of the system" for the "next cycle," as "free energy." Stipulate, that the restriction, that the ratio of "free energy" to "energy of the system" must not decrease during successive cycles, correlates with "anti-entropy" of the economic process considered as a whole.

This "anti-entropy," if it is achieved, correlates with increasing cardinality of a Riemannian series of successive technological states. The role of the "strategic machine-tool-design" principle in modern industrial economy, illustrates the functional connections, between technological progress and increase of physical-economic productivity-rates, to be investigated in study of an actual economy.<sup>26</sup> It is solely that functional connection, between realized technological progress and increases of physical-economic productivity-rates, which allows the sustainable maintenance of "free energy" ratios of entire economies over medium- to long-term intervals.

For the rather obviously related reasons, the most significant thing to measure in an economy, is not the flow of product as such; rather, it is the rate of transfer of technological progress which is characteristic.

Thus, rather than measuring the clock-time for the movement of physical goods and related service along the network-pathways of the economy as a whole, we must measure these movements in terms of the associated rates of technology transfer accomplished by aid of the movements of physical goods and related services. This technology-transfer assumes the form of a necessary, characteristic rate of change associated with the movements of physical goods and related services. This added "dimension" of the economic process, corresponds to a Gauss-Riemann curvature of the relevant physical-economic space-time.

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26. Lyndon H. LaRouche, Jr., "Return to the Machine-Tool Principle," *Executive Intelligence Review*, Feb. 7, 1997.

This notion of relative curvature (or, “characteristic”) may be applied in three respectively distinct ways: a) locally, b) in terms of the demographic-labor process of the economy as whole, and c) in respect to the area represented by the relevant economy. In all cases, it is not the lapsed time of the action which is determining, but, rather, the product of the rate of technology-transfer and product moved, which is decisive.

This returns our attention to a crucial bit of silliness in Hawking’s argument. He writes: “Then, there is the psychological area of time. This is the direction in which we feel time passes, the direction in which we remember the past but not the future.” On the contrary, the most distinguishing feature of human memory, is that we do remember the future, and that in a manner which, although not a simple reversal of looking toward the past, is just as efficient in determining human behavior as memory of the past. This was the central topic addressed in several among the present writer’s treatments of the ruling principle of “time reversal” in the composing, performance, and hearing of Classical musical, motivic thorough-composition, and in economic processes.<sup>27</sup>

In competent industrial management, for example, the span of comprehension of the ongoing process, which is required of the relevant executives and their staffs, encompasses some number of years into the past’s making of the productive process of the present moment, and also the shaping of the actions taken in the present moment, on the basis of memory of the resulting state of the economic process some number of years along the distant economic horizon. Indeed, all competent decisions of an important variety which are made in a society, including, for example, Mozart’s, Beethoven’s, and Brahms’ method of composing music, and Wilhelm Furtwängler’s method of conducting it, are based upon a principle of composition, according to which the present is chosen to bring about a predetermined future condition, a future condition which acts upon the process of decision by means of the faculty of memory.

This knowledge is older than the celebrated Ramon Llull; it is at least as old as Plato’s lifetime. Contrary to Hawking, it not only exists; it is the most important faculty of memory.

One concluding observation on this point.

In competent education, as Friedrich Schiller and Wilhelm von Humboldt understood this, the essential requirement is that the pupils relive the experience of reenacting discoveries of principle, rather than merely learning them in a textbook fashion. That is accomplished by, first, reconstructing the relevant paradox, in the form of metaphor. This challenge to the individual pupil’s sovereign powers of cognition, results, in successful instances, of course, in prompting the student’s mind, not only to recognize the validation of a dis-

27. See note 2. In indicated issues of *Executive Intelligence Review*, see also, Lyndon H. LaRouche, Jr., “That Which Underlies Motivic Thorough-Composition,” Sept. 1, 1995, and “Norbert Brainin on Motivführung,” Sept. 22, 1995.

covered solution, as a principle; the student is obliged to re-synthesize his, or her general hypothesis bearing upon that entire area of knowledge.

This discovery of new hypothesis, is the direct means by which the future is known to us in an efficient way, as distinct from the fallacious methods of merely wishful, or charismatic conjecture. This is the essence of Plato’s Socratic method, which, in turn, is a refined, conscious apprehension of the potential powers lodged within the developable, sovereign cognitive processes of the individual person. Since hypothesis applies simultaneously to past, present, and future states of the sequence hypothesis underlies, to know that hypothesis, is to know that future, and, thus, to be able to recall it from memory. To the degree the hypothesis is valid, the apprehension of the future is usually at least as accurate as our memory of the past.

Hawking, aided by Carl Sagan, wrote a book for popular readers. That road leading in search of popularity, was smoothly paved with prosaic banality. The unfortunate part of that popular appeal, is that this required virtually no bowdlerization of the author’s professional views on the same topics. Even worse, some popular readers deceive themselves to imagine that they are receiving important truths by literary pathways paved with the mediocrity of popularizing ideologies. Serious matters deserve serious thought.

## For further reading

The following books, which deal with the issues discussed in Mr. LaRouche’s article, can be ordered from Ben Franklin Booksellers, 107 South King St., Leesburg, Va. 20175. Call 1-800-453-4108 (toll-free) or 703-777-3661.

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## Clinton, Zedillo defend sovereignty vs. one world order

by Valerie Rush and Dennis Small

“It is imperative for us to respect our friends and neighbors especially,” President William Clinton told the press during his May 5-7 state visit to Mexico. Setting the tone of defense of national sovereignty which dominated the entire historic trip, Clinton elaborated that he was referring to “respect for the patriotism and the integrity” of the Mexican people and their heroes.

With these simple words, months, if not years, of British conniving to provoke an uncontrolled conflict between the United States and Mexico, were sharply deflated. And they showed, more broadly, that there is a simple pathway available to sovereign nations, to lead the world safely back from the brink of global economic and political catastrophe, to which British policies have driven it.

During the early months of 1997, Britain and its co-thinkers in Washington—spearheaded by the notorious bankers’ lobby, the Inter-American Dialogue—had fanned the flames of conflict between Mexico and the United States, making use of the delicate issues of the war on drugs, immigration policy, and so forth, to bring the two neighbors to a 50-year nadir in bilateral relations. So tense were things, that in early 1997, calls were issued on the floor of the U.S. Senate for the overthrow of Mexico’s ruling Institutional Revolutionary Party (PRI) and even for toppling the Zedillo government; while in Mexico, the British-sponsored left opposition was demanding that Clinton be banned from Mexico as *persona non grata*. The British were confident that they could force Clinton to cancel his trip altogether, or if not, to be met in Mexico by tens or hundreds of thousands of anti-American street demonstrators, and by violent incidents created by agents provocateur.

Britain’s immediate historical referent was Vice President Richard Nixon’s infamous late-1950s tour of Ibero-America, where he was met by violent protests and was literally spat upon by hateful crowds, enraged at U.S. policy toward the region.

Had such a scenario taken hold, the next step on the British agenda was to use the July 1997 mid-term elections in Mexico to drive the PRI out of office and to



*"I'm going there as a gesture of respect—not only respect for their lives, but respect for the patriotism and the integrity of the people who have served this country. . . . It is imperative for us to respect our friends and neighbors," President William Clinton (left) said during his visit, with President Ernesto Zedillo, to the "Child Heroes" monument in Mexico City.*

catapult the pro-Zapatista opposition into power—much as they have done in Zaire with the butcher Laurent Kabila. From there, the disintegration of Mexico as a nation-state would be just around the corner.

But this scenario did not play out, and credit is due to both Presidents Clinton and Ernesto Zedillo for that achievement. In contrast to Nixon's tour, President Clinton's trip evoked among Mexicans memories of John F. Kennedy's triumphal visit in the early 1960s, where he was warmly received as a respectful friend and ally of Mexico. Clinton and Zedillo accomplished this simply enough, by establishing a dialogue centered explicitly around mutual respect for each other's national sovereignty, and by rejecting most of the globalist agenda that the Inter-American Dialogue had tried to force upon them.

Predictably, the British policy advocates at the Dialogue and elsewhere are now gnashing their teeth in frustration over the Mexico results. Particularly pathetic was the May 11 editorial of the Rev. Sun Myung Moon's *Washington Times*, which berated Clinton for being "publicly obsequious" and "spineless" with Zedillo, by giving credence to the concept of "national sovereignty," which the *Times* described as a "Mexican code word for 'Yankee butt out of our affairs, unless you're carrying bags of cash.'"

### **'Dialogue' agenda in trouble**

Although not eliminated, the overall influence of the Inter-American Dialogue on Clinton's Ibero-American pol-

icy, was seriously weakened by the Mexico trip. This setback came on top of the dramatic defeat they suffered, just weeks earlier, when Peruvian President Alberto Fujimori rejected British/Dialogue pressure to capitulate to the MRTA narco-terrorists, and instead courageously retook the Japanese ambassador's residence by force.

Indicative of the shifting winds in Washington, is the recent announcement at the U.S. State Department that senior policy adviser and longtime "Latin America hand," Luigi Einaudi, is resigning. Einaudi, who brags that "I came into the State Department with Kissinger" 23 years ago, has virtually run U.S. policy toward Ibero-America on behalf of the British one-worldists for more than two decades. Under George Bush, in particular, the Dialogue defined every aspect of policy toward Ibero-America, and Einaudi was handed the strategic post of U.S. ambassador to the Organization of American States. Now, Einaudi is finally leaving State and, according to press accounts, is moving over to the Inter-American Dialogue instead.

Einaudi's erstwhile mentor, Sir Henry Kissinger, also emerged from Clinton's Mexico trip with egg on his face. Just days prior to Clinton's departure, Sir Henry had gone out on a limb in a nationally syndicated column, urging Clinton to *not* forge any meaningful ties with Mexico's Zedillo, but to instead pursue a geopolitical alliance with the "remarkable" President of Brazil, Fernando Henrique Cardoso, whom Clinton is scheduled to visit in October. Cardoso is a founding member of the Inter-American Dialogue; but Clinton was



*Tlaxcala is the first city on mainland America from which the conquest, evangelization, and colonization of the New World was begun. Left to right: Mrs. Zedillo, President Zedillo, President Clinton, and Mrs. Clinton are greeted by Mexican children during their visit to Tlaxcala.*

apparently unimpressed with Kissinger's advice.

The Inter-American Dialogue was founded in 1982 by McGeorge Bundy, David Rockefeller, and Robert McNamara, among other "establishment" luminaries. Today it claims among the ranks of its 100 "prominent" members former National Security Adviser Sir Brent Scowcroft (a former president of Kissinger Associates and national security adviser to George Bush), and Alan Batkin, the current vice chairman of Kissinger Associates. It promotes itself as "the premier U.S. center" for policy and communication within the Western Hemisphere, boasts of having members "on loan" to various governments in the Americas (e.g., the Presidents of Brazil and Bolivia), and coordinates the activities of the more than 100 Washington-based non-governmental organizations which deal with Ibero-America.

It also deploys key media figures in its ranks to help shape its aura of power. Among its members are the president of the *Chicago Tribune*, the publisher of the *Miami Herald*, Cable News Network's prime anchor and senior correspondent, the national news assistant managing editor of the *Washington Post*, the associate editor of *La Opinión* (the largest U.S. Spanish-language daily), and the chairman of Abril, S.A., Brazil's largest publishing company.

The Dialogue was the architect of every major feature of George Bush's policy toward Ibero-America, and, although it has lost significant ground under Clinton, it retains influence both in Washington, and across the continent. Until early 1996, for example, Clinton's Latin America director at the National Security Council was Richard Feinberg, a former Dialogue president.

### **Replace the nation-state with 'governance'**

Foremost among the Dialogue's goals is to replace the concept of *national sovereignty* with "multilateral" or "collective" governance. Former Dialogue President Feinberg was explicit about his hostility to the sovereign nation-state, when he told a June 1996 forum in Mexico: "In Latin America today, in the name of sovereignty, governments repress dissent, restrict civil society, violate labor rights, protect drug traffickers, and devastate the environment."

In its latest report on the Americas, entitled "Making Cooperation Work," the Dialogue demands that Ibero-America submit to "a convergence of interests and values" under the guidance of a multilateral institution, such as a revamped Organization of American States (OAS). The primary intent of the report, as stressed by the Dialogue, is to "redirect U.S. policy" toward the concept of regional government and away from so-called "unilateralism." In other words, the Dialogue is intent on eliminating the national sovereignty of the nations of Ibero-America — *and* of the United States.

Clinton's agenda with Mexican President Zedillo had a very different focus, though, with repeated emphasis on a "partnership" that takes into account both the unilateral and bilateral interests of their two nations, with full respect for national sovereignty. For example, on the issue of the *drug trade*, at the signing ceremony for the new Declaration of the Mexican/U.S. Alliance Against Drugs, President Zedillo emphasized that "the first principle which we mutually recognize is — and I will read it — 'is the absolute respect for the sovereignty and territorial jurisdiction of both Mexico and the United States of America.'"



The U.S. certification procedure, which the Dialogue has repeatedly demanded be abandoned in favor of “collective” criteria, and which the Dialogue-influenced media tried to ignite into a full-blown confrontation between the United States and Mexico, in fact scarcely figured in the discussions between the two heads of state.

On the issue of the *armed forces*, too, the anti-military lobbyists at the Dialogue were iced out. Despite a furious campaign by the British press and their media cohorts in the United States to smear the Mexican Armed Forces as corrupt and as human-rights abusers, the Clinton administration not only expressed an appreciation of Mexico’s defense forces as a bulwark against the drug cartels, but President Clinton personally praised that institution. During a visit to Mexico’s Niños Héroes monument, the first by a U.S. President in 50 years, Clinton paid homage to “the patriotism and the integrity of the people who have served this country.”

On the question of Mexican *political reform*, the watchword for dismantling the ruling PRI party as an institution vital to Mexican stability, the Dialogue went unsatisfied as well. Although President Clinton praised the Zedillo government’s commitment to “democratizing” Mexico’s political environment, and met briefly with representatives of the National Action Party (PAN) and Democratic Revolutionary Party (PRD) opposition, the net effect of the visit was to strengthen, rather than weaken, Mexico’s governing institutions.

Jorge Castañeda, an outspoken opposition figure linked to disgraced former Mexican President Carlos Salinas, and who travels in Dialogue circles and has most vocally publicized the demand that Clinton help sink the Mexican political system, complained after the visit that Clinton’s policy toward Mexico “is absolutely clear, decisive, unequivocal: to try at all cost to keep the system in power. . . . The timing of his visit was planned with clear electoral purposes. It’s obvious that they could have waited another three months. . . . Zedillo and the PRI will be the obvious winners.”

On *human rights*, the Dialogue was also left high and dry. Mexican Dialogue member Mariclaire Acosta, who is also president of Mexico’s Commission for the Defense and Promotion of Human Rights, met with U.S. Secretary of State Madeleine Albright, and presented her with a document demanding that the United States and all Ibero-American countries submit to the jurisdiction of the Inter-American Commission on Human Rights of the Organization of American States in matters pertaining to human rights. This call for placing supranational agencies above the laws of sovereign nations has been a long-standing demand of the British one-worldists, and of the Inter-American Dialogue. Acosta complained that Clinton is not moving on this agenda item either.

President Clinton has not freed himself, however, from the Dialogue’s grip on the crucial issue of economic policy, although he is not implementing their directives at the speed the British would like. In remarks to Mexican businessmen on May 7, Clinton praised the Bush-initiated North American

Free Trade Agreement (NAFTA) as a success story, and stated that he was hoping to incorporate “more nations in our partnership” by seeking fast-track negotiating authority from the U.S. Congress.

The *Financial Times* of London complained on May 14, that Clinton’s “credibility” in Ibero-America “depends on Congress granting ‘fast-track’ authority . . . an issue on which there has been little progress to date.”

## Clinton’s encounter with Mexican history

by Carlos Cota Meza

President Bill Clinton’s state visit to Mexico May 5-7, and his meetings with President Ernesto Zedillo, held out a promise of the type of relations which could exist between sovereign nations, within the framework of a new and just international economic order.

To properly locate the Clinton-Zedillo meetings, recall the serious tensions which existed between the two countries in February and March of this year, as a result of highly provocative behavior by the U.S. Congress in opposing the administration’s certification of Mexico as a drug-fighting ally. At that time, President Clinton proceeded to certify Mexico in the face of opposition from practically every Congressional Republican, along with some Democrats. After the President’s decision, it was this same opposition group which demanded the imposition of an arbitrary time frame on Mexico, within which it would have to implement certain anti-drug policies, or otherwise be labeled an unreliable ally.

In reviewing the key elements of this conflict, Lyndon LaRouche stated that those in the United States who attacked Mexico’s certification, know virtually nothing about the Mexican political system or the history it embodies, including the history of U.S.-Mexican relations. Current relations between the two nations, LaRouche said, are similar to those of the 1861-65 period (see *EIR*, March 28, 1997, “The Certification of Mexico”).

It was precisely this positive environment which characterized the personal meetings between the two heads of state, and was a theme expressed in their speeches and in major events. It should also be said that this same 1861-65 period, highlights historical mistakes which the two Presidents must overcome between now and the year 2000, when both their terms in office end.

### Monument to the ‘Child Heroes’

President Clinton’s first official act in Mexico on May 6, has been characterized as “of historic proportions.” He paid



*President Ernesto Zedillo (left) chose the itinerary of President Clinton's visit. Here, sightseeing at the "Sun Pyramid," in Teotihuacán.*

homage to the famous "Niños Héroes" monument in Mexico City, the first American President to do so since May 3, 1947, when Truman joined an honor guard in front of what was known as the Altar of the Fatherland.

The "Niños Héroes" monument commemorates six teenage military cadets who were killed while resisting the Sept. 13, 1847 capture of Mexico City by the U.S. Army, commanded by Gen. Winfield Scott, in the war against Mexico declared by President James K. Polk. The conflict was resolved by the Guadalupe-Hidalgo Treaties, in which Mexico accepted the Río Bravo (known by Americans as the Rio Grande) as its northern border, thus losing an extensive territory which today forms part of Texas, New Mexico, Arizona, and California.

Part history, part legend, the fact remains that this is something that Americans don't like to remember, and that Mexicans don't want to forget, even though it would be absurd for Mexico to claim these territories today. It is a polemical matter for both neighboring countries, since that event defined not only the current territorial boundaries of Mexico, but many of its current government institutions as well. In effect, the war of 1846-48 is considered today as the event that forced the creation of a national army to professionally defend territorial integrity and national sovereignty. The "Niños Héroes" are the seed of today's Mexican Army.

Responding to this polemic, President Clinton stated: "I'm going there as a gesture of respect — not only respect for their lives, but respect for the patriotism and the integrity of the people who have served this country. . . . I do not believe

the President of the United States should decline to go, because of what happened between our two countries a long time ago. . . . It is imperative for us to respect our friends and neighbors especially, in countries around the world, and honor their symbols of national honor."

President Zedillo returned to the theme of Mexico's long and important history at another official event later that day. During a state dinner with the Clintons at the National Palace, in the historic center of Mexico City, the Mexican head of state offered an unusual toast, reminding his guests: "Just down the street, we have the first printing press, the first mint, the first university, and the first Academy of Art in the Americas." Although the University of Santo Domingo, in the Caribbean nation of the Dominican Republic, was founded in 1538, the University of Mexico was the first one founded on the mainland of the American continent, in 1551.

"Also from here," Zedillo continued, "a great Mexican President, Benito Juárez, established a relationship of mutual respect and appreciation with a great United States President, Abraham Lincoln. We Mexicans hold Lincoln in high regard, because, in his relations with Mexico, he always knew how to reconcile defending the legitimate interests of his country with respect for the sovereignty of our nation and the dignity of Mexicans. . . . These are the sentiments President Clinton has demonstrated during this visit."

Thus, in a single day, both heads of state referred to the most turbulent and most significant periods of the nineteenth-century history of Mexico and the United States. As is recognized by universal history, Lincoln's republican victory against the slave-holding Confederates of the South was the second U.S. war of independence from the British Empire, a singular event that changed the course of history for all of humanity.

### **Journey to Tlaxcala**

President Zedillo has acknowledged that it was he who chose the itinerary of Clinton's visit, which was approved by Clinton himself, and thus what transpired during the course of the trip was their joint responsibility.

Because they bore no great significance in defining a new strategic relationship between the two nations, we do not detail Clinton's May 5 visit to the Anthropology Museum, nor the naive concepts Clinton expressed about pre-Hispanic culture, nor the visit to the Teotihuacán pyramids, with which he concluded his trip.

What was striking was Clinton's surprise May 7 visit to the historic city of Tlaxcala, and the celebration held there. The joyous acclaim with which the city's residents greeted the Clintons brought smiles of delight to the visitors' faces. In this simple way, it was demonstrated that it is possible to have friendships between different peoples.

But even more important is the epic history of Tlaxcala revealed during the visit, which demonstrated to a surprised Bill Clinton that it is possible to create a civilization from the bottom up. Tlaxcala is the first city on mainland America

from which the conquest, evangelization, and colonization of the New World was begun.

The festivities were held outside the San Francisco convent, the first constructed on the American mainland; a construction decided upon in 1519, the same year that Hernán Cortés arrived on these shores. The Presidents, their wives, and entourage toured the hall through which Cortés and his men had also passed.

President and Mrs. Clinton, along with a reduced entourage, accepted the invitation of the three parish priests of the Tlaxcala Cathedral to sign the book of distinguished visitors, and tour the cathedral. Clinton inquired about the details of the sacred art he was viewing, including the most minute description of each of the paintings that adorned the church walls. The cathedral was constructed in 1537, and its roof was designed to resemble a ship's hull, in commemoration of Cortés's order to burn his ships upon arriving in the Americas. Even the baptismal font where Cortés acted as godfather to hundreds of newly baptized Indians was preserved, as well as the very first pulpit of the American mainland.

The history presented by the paintings concluded with an oil painting re-creating the baptism of the four Tlaxcalteca chiefs, who chose the names Lorenzo, Vicente, Gonzalo, and Bartolomé. These are the same Indian leaders who sealed a military alliance with Cortés, to defeat the cannibalistic tyranny of the Aztecs.

We don't know what the priests told the visitors in private, but there is no other way to explain Tlaxcala's history except as a key element in the creation of the New World. The priests offered to bless the Clintons, and their blessing was accepted.

## 'Dialogue' says, smash the nation-state now!

by Cynthia Rush and Gretchen Small

*EIR* has repeatedly warned that the main policy agenda of the Inter-American Dialogue (IAD), the Wall Street-linked think-tank, was to smash the sovereign nation-states of Ibero-America, and replace them with supranational entities capable of enforcing the dictates of a British-led international financial oligarchy. In the Dialogue's many reports, this agenda has always been dressed in the insane language of globaloney: "redefining sovereignty," "multilateralism," "strengthening democracy," and "regional governance."

In two new reports issued in April, *The Americas in 1997: Making Cooperation Work*, and *The Inter-American Agenda and Multilateral Governance: the Organization of American States*, the Dialogue has thrown caution to the wind, and issued a blueprint for the transformation of the OAS into a regional government, empowered to impose economic, mili-

tary, and political policies upon the region—and it demands immediate implementation of this agenda. Both reports in fact express great frustration over the lack of progress made since 1991 in forcing Ibero-America to accept their nation-wrecking plans.

There are two matters which explain the Dialogue's exasperation. One, is that its influence in Washington, particularly inside the Clinton administration, has diminished, evidence of which was seen in President Clinton's very successful state visit to Mexico on May 5-7, and the close, personal working relationship he established with Mexican President Ernesto Zedillo. This type of government-to-government cooperation flies in the face of the United Nations-enforced supranationalism that the Dialogue says must govern all hemispheric relations.

This explains why the IAD is so intent on destroying the Mexican political system and the ruling PRI party, a goal not stated explicitly in its reports, but one which is central to its overall policy agenda. The IAD openly demands that U.S. policy be "redirected" away from any unilateral initiatives, such as those Clinton has taken in the anti-drug war, and which the Dialogue sees as obstacles to its drive for regional government and multilateralism. "The opportunity to build strong and productive hemispheric partnerships must be grasped soon," *The Americas in 1997* report warns, "or it will fade."

The IAD's other problem is the resistance to its agenda within Ibero-America itself. The April 22 commando raid ordered by Peruvian President Alberto Fujimori, which rescued 72 hostages held by the MRTA at the Japanese ambassador's residence in Lima, was the Dialogue's worst nightmare: Not only did an Ibero-American President act unflinchingly in defense of the nation-state, but his actions reverberated throughout the continent, provoking an outpouring of optimism and pride in Peru's victory over the narco-terrorist enemy—the MRTA, which the Dialogue supports. In an April 23 press conference in Washington to present *The Americas in 1997* report, IAD staff member Carlos Iván Degregori, a Peruvian, solemnly voiced the Dialogue's fear: "Yesterday, when I saw President Fujimori addressing the military and singing the anthem—I'm deeply concerned that this military victory, the methodology, can be translated to the political arena." Degregori speaks of sovereignty as if it were some dread disease which must be stamped out before it spreads.

Hence, the report's renewed emphasis on crushing the continent's armed forces, in the guise of eliminating "impunity" for human rights abuses, doing away with "special economic and political prerogatives," and creating new multilateral security bodies whose decisions would override any national security concerns of individual nations. Peru's military, not surprisingly, is singled out as a special target for destruction.

### A new Maastricht?

Underlying every agenda item discussed in the two reports, and in the April 23 press conference, is the demand that national sovereignty, and the nation-state, be replaced by

“collective,” multilateral consensus in all areas of policymaking. The body chosen to enforce what the IAD calls “regional governance,” that is, regional government, is the Organization of American States (OAS).

The *Multilateral Governance* report argues that the OAS is the “logical and principal mechanism which governments can use to engage each other . . . in the management of hemispheric affairs, and that it should be the central ‘hub’ of the region’s multilateral networks. . . . Rather than a project-execution agency, the basic organizing concept of the OAS should be that of an overall, pro-active forum . . . inducing agreements and commitments from governments.” To carry out this role, the IAD baldly states, the OAS must function “under the global network of the United Nations system.” That is, become a regional sub-division of the United Nations, to which the region’s governments agree to hand over sovereign powers on economic and military matters, and domestic and foreign policy.

The scope of the IAD’s proposals are unprecedented, matched perhaps only by the Maastricht Treaty, whose final implementation is intended to subject all of Europe to supranational government. The regional governance project was the product of an IAD study group of 14 “scholars and practitioners”—practitioners of *what*, we might ask—created in May 1995, and whose conclusions were released in April of this year. In effect, it is the continuation of the IAD’s earlier “redefining sovereignty” project, public discussion of which had to be dropped because the topic was too sensitive politically, at least under that name. As IAD member Rodrigo Botero put it in December 1992, “It would be difficult for any government to endorse a statement that national sovereignty has disappeared.”

So the IAD came up with “regional governance,” which is only a slightly dressed-up version of the old plan. Nor is there any subtlety in its demands. Multilateralism is necessary, it argues, because “by acting collectively, the nations of the Americas grant legitimacy . . . to initiatives that no country could justifiably undertake by itself.” That is, it’s all right to violate sovereignty, as long as it’s done collectively! In any case, the *Governance* report opines, “rising nationalism and appeals to sovereignty are . . . a reaction to the driving forces of interdependence, globalization, and technological change. Nationalism and sovereignty have become comforting established symbols [!]—something to cling to against the disturbing forces of change.”

Besides, the report states, all of the problems in today’s world—“institution-building, fighting poverty, and redressing inequities—have multinational dimensions . . . and cannot be adequately managed in isolation.” This does not mean, however, as the Dialogue is careful to point out, that the harsh monetarist economic reforms imposed on most countries by the International Monetary Fund should be abandoned. Nor does it mean any physical economic development ought to occur to raise living standards. Attaching conditions to for-

eign loans requiring that governments take steps to improve the lot of the poor, would be a good idea, *The Americas in 1997* report contends, but it quickly adds that “it would take decades” for there to be any visible improvement in living conditions.

### Act now

The Dialogue sets March 1998, when the Presidents of the Americas will meet in Santiago, Chile, as the deadline by which governments must commit themselves to transforming the OAS into the imperial entity the IAD envisions. But, there are difficulties with this timetable, as *The Americas in 1997* admits. “Confidence in the future of hemispheric cooperation has been diminished. . . . Despite the election in 1994 of a highly regarded new secretary general, the OAS has not gained significantly in stature or credibility. Most nations remain opposed to expanding its financing or mandate, or making necessary changes in its structures and operation.”

Nonetheless, the IAD argues that immediate restructuring and strengthening of OAS powers can be undertaken, before agreement is reached on a total overhaul of the OAS. And both reports underscore, where there is still resistance to the drive toward globalism, that resistance must be smashed. As Dialogue President Peter Hakim stated in the April 23 press conference, “It really is time for the countries of the hemisphere, the governments of the hemisphere, to stop tolerating the mediocrity of the OAS, and turn that organization into something that we can all be really proud of.”

To achieve this, the IAD reports identify four areas in which there must be sweeping reform: defending democracy, human rights, security, and economics. Also, if the OAS is to function, the IAD insists that it be run by an “elite professional corps,” preferably drawn from other international organizations such as the UN or the Inter-American Development Bank. This “relatively small, but highly expert, elite cadre of civil servants,” would run a revamped General Secretariat, in which various departments would be “headed by a distinguished, respected regional figure as ‘Assistant Secretary’ or ‘Undersecretary.’”

*The Americas in 1997* complains that “Latin American governments . . . have resisted efforts to make the OAS’s Democracy Unit a more forceful instrument for democratic change.” Asserting that the Unit for the Promotion of Democracy is inadequate for the depth of intervention required, the *Governance* report proposes the creation of a “Political Department” which would serve as the Executive Secretariat for the OAS Permanent Council. This would operate several sub-units, to handle such matters as observing/monitoring elections, institution-building, and creating “a culture of democracy.” Again, the report stresses the importance of the OAS maintaining “close consultation with the UN” in cases pertaining to a collective defense of democracy, adding that “the possibility of some coordinated division of labor between the two institutions . . . should be explored.”

Reform in the areas of human rights and security are vital to the success of the governance project. In discussion of “a new national security framework,” the IAD is adamant that the definition of security be limited, so as not to include social or economic matters which might justify military involvement in civilian affairs. A major complaint, however, is that it hasn’t yet been possible to reach a consensus on the principles and concepts of hemispheric security, because of “the reflexive and latent fear among many Latin American officers that multilateral norms and agreements could be manipulated to destroy the Armed Forces as an institution. This fear . . . also gives rise to concern that multilateralism could mean the intrusion by foreign actors into profoundly domestic political issues, such as the formulation of defense policy and strategic doctrine.”

The point of departure for the IAD’s proposals are the institutional changes initiated in the early 1990s, when George Bush was U.S. President, Kissingerian Luigi Einaudi was U.S. ambassador to the OAS, and disgraced former Venezuelan President Carlos Andrés Pérez was one of their major allies in ramming through the “collective defense of democracy” embodied in the so-called Santiago Resolution of 1991. At the 1991 General Assembly, a Standing Committee on Hemispheric Security of the Permanent Council was created and mandated to “rethink regional security arrangements and norms in the light of the changed international context.”

To build on these initial changes, the IAD demands the revamping of the Inter-American Defense Board, to put it under the control of the OAS’s political organs, rather than function independently of them, as is now the case. Also proposed is the creation of a Defense Secretariat, empowered to collect, coordinate, and make available relevant security information. These steps would transform the IADB into a virtual multinational military force, prepared to deploy into countries of the region that stray off the path of British globalism.

As an adjunct to this, the *Governance* report calls for tightening coordination among human rights non-governmental organizations, the Inter-American Commission on Human Rights, and the Inter-American Court. The operational principle of this “Inter-American Human Rights System” would be that foreign or supranational law takes precedence over national laws in cases pertaining to human rights abuses. The system would be empowered to intervene to change domestic legislation, shape the political environment, assure an end to “impunity,” and generate cases against opponents. Efforts in the early 1990s to prosecute military officers at the Inter-American Court in Costa Rica, for human rights abuses allegedly committed in anti-terrorist campaigns, *after* they had been amnestied through national legislation, is an example of how this system is intended to work.

It is noteworthy that the IAD feels restrained from formally proposing the creation of an inter-American military or peacekeeping force, noting that “opposition to the use of force and obligatory sanctions [in conflicts] remain a limiting fac-

tor.” However, they then try to sneak the creation of such a force in through the back door, calling for a “tighter, integrated, pro-active regional approach” to the problems of drugs and terrorism, despite continuing opposition to the creation of an OAS-led multilateral drug-enforcement capability.

## U.S. sovereignty also a target

*The Americas in 1997* makes one point with an urgency not seen in earlier reports. It demands that U.S. policy, that is, Clinton administration policy, be “redirected” to ensure that the regional governance project moves forward. The report begins with a pointed reminder that the North American Free Trade Agreement, and the proposed Western Hemisphere Free Trade Agreement, emerged from the “new framework for U.S.-Latin American economic relations” launched by George Bush as his Enterprise for the Americas Initiative of 1990.

“We call on the United States to play a more vigorous role in building cooperation,” the introduction to the report states. Later, the report says that “U.S. policy has not been fully conducive to building long-term cooperation in the hemisphere,” and attacks the Clinton administration for failing to obtain fast-track authority from Congress which would allow it to negotiate broader trade agreements. The Dialogue views the fast track as the *sine qua non* for the advancement of its regional government agenda. “It would be a disaster,” Hakim said in the April 23 press conference, if the United States doesn’t have fast track by the March 1998 Santiago summit.

The Dialogue demands that the United States also change its policy toward Cuba, and in the war on drugs. Why? Because “they raised concerns in Latin America and the Caribbean about Washington’s commitment to cooperation in hemispheric relations.” Rather than the unilateral policy of certifying nations as drug-fighting allies, the Dialogue wants the United States to join “with other nations of the Americas to develop a common, multilateral strategy to confront the trade in illicit narcotics. . . . This approach would require, first of all, that the United States stop judging the anti-narcotics efforts of other countries and ‘decertifying’ and penalizing those that are not performing satisfactorily according to Washington’s standards.”

Thus, the IAD, which backs drug legalization, would have the Cali Cartel’s wholly-owned narco-President, Ernesto Samper of Colombia, help devise the continent’s, and the United States’, anti-drug policies! Keep in mind, too, that it was OAS Secretary General César Gaviria who, as President of Colombia, rammed through the 1991 constitution which was bought and paid for with Cali Cartel money, and which made it possible for Samper’s narco-government to come into being. Like his erstwhile Venezuelan ally Carlos Andrés Pérez, Gaviria is tied to the Cali drug cartel. This is the man whose proposals and documents provided the chief inspiration for the IAD study group which produced the regional governance project.

# Kissinger to Clinton: Back Brazil's Cardoso

by Silvia Palacios

Days before President Bill Clinton began his state visit to Mexico, the British Empire made its preferences known through its confessed agent, Sir Henry Kissinger. In his April 29 syndicated column, Kissinger urged President Clinton to establish a "special relationship" with Brazilian President Fernando Henrique Cardoso, to whom he referred as a "philosopher," and therefore as an "ideal partner in lifting our sights to the fulfillment of the historic promise of the Americas."

Although he didn't mention Mexico, Kissinger was clearly warning Clinton to steer clear of Mexico's President Ernesto Zedillo, and to instead build his Ibero-American policy around the "remarkable" Cardoso. With this, Kissinger recognized that the best ally of the moment for Anglo-American interests in Ibero-America is the Brazilian President, who, during his official visit to England in December, will reportedly be knighted as "Sir" Fernando Henrique Cardoso.

A founding member of the Inter-American Dialogue, Cardoso has systematically carried out each and every one of its destructive political directives, including an alliance with the São Paulo Forum, the continent-wide narco-terrorist organization created in 1990 on the initiative of the Cuban Communist Party. Cardoso has also played his part on economic policy, handing over strategic sectors of the national economy to Anglo-American interests, either directly or through privatizations.

Kissinger and his London bosses can't heap enough praise on Cardoso for the privatization in April of the Companhia Vale do Rio Doce (CVRD), the world's third-largest mining company. Apart from its economic importance, CVRD's delivery to international financial sharks like George Soros, implies a loss of Brazilian sovereignty over the coveted Amazonas region; until now, the CVRD has been, apart from the Armed Forces, the only presence of the Brazilian state in the region.

Similarly, the Hongkong and Shanghai Banking Corp., symbol of British colonialism, has installed itself in Brazil. Lyndon H. LaRouche warned in a recent interview that Brazilian patriots had better quickly learn the lesson of Zaire, which, like Brazil, plays a strategic role as a minerals source. Zaire was destroyed, first, through the annihilation of central power and its Armed Forces. Later, it was easily divided, its wealth auctioned off to foreign companies, but especially to the mining firms in the orbit of the British Commonwealth.

## Soros and CVRD

President Cardoso has fulfilled his commitments to British financial interests, and handed over the CVRD to a consortium of nominally national as well as foreign corporations, which took control of the mining complex for \$3.3 billion. Prominent among these are the financial interests of speculator George Soros, who handles a large portion of Queen Elizabeth II's investment portfolio.

As the Brazilian newspaper *Gazeta Mercantil* aptly characterized it, those who bought CVRD, the so-called Brazil Consortium, "despite calling themselves Brazilian, have a financial structure anchored in such major foreign investors as Citibank, George Soros, and NationsBank of the United States"—the last an important participant in previous Brazilian privatizations.

Because of the role he plays in the power structure of British Crown finances, Soros's activities in Ibero-America represent a strategic advantage for the plans of the British Empire. With the coup dealt by the privatization of CVRD, Soros—who does not yet have total control—finds himself in a position to dominate critical sectors of the three largest nations in Ibero-America. In Argentina, he is the largest landholder in the country, having acquired the most productive lands; and in Mexico, he has managed, through speculative maneuvers, to take possession of large real estate holdings.

To consolidate the financial power of the Brazil Consortium, headed by Companhia Siderurgica Nacional, two ad hoc companies were created in the fiscal paradise of the Grand Cayman Islands: Sweet River, in which Soros's Quantum Fund participates, and CSN Steel International. With the company already privatized, the South African mining group Gencor signed a letter of intent to participate in CVRD.

As *EIR* documented in a *Special Report*, "The True Story of Soros the Golem" (April 1997), the origin of the vast funds which Soros's Quantum Fund deploys globally, can be found in the enormous fortunes stemming from illicit activities such as trafficking in drugs and precious metals, flight capital, and so forth.

In the case of Brazil, Soros's activities have triggered an alarm. Sen. Roberto Requião, president of a Parliamentary Commission of Inquiry of the Brazilian Senate charged with investigating the fraud against state and municipal bonds, declared on May 8: "It is necessary to investigate the origins of the bulk of the money used by the Brazil Consortium," especially, he added, those companies originating in the Cayman Islands.

With government permission, Soros and his buddies are taking over parts of the Brazilian economy. For example, last year, the Swiss bank Union Bancaire Privée (UBP), owned by Quantum Fund board member Edgar de Picciotto and linked to drug-money laundering, bought up the lion's share of Brazil's Banco Econômico.

## Cardoso promises more 'reforms'

Cardoso's international credibility, and his prospects for reelection, rest on the success of his "Real Plan" (named for the national currency, the *real*). That, however, depends on attracting international speculative capital, to cover for Brazil's gigantic trade deficit. The President and his economic team have decided that, to resolve their Treasury problems, it is necessary to auction off the national patrimony.

When the auction of CVRD was concluded, Planning Minister Antonio Kandir announced: "The sale of Vale was the great proof of the government's political willingness to carry out state reform. This year, with the increase in the current accounts deficit of the balance of payments, it was necessary to win approval of administrative and pension reforms, and to have a privatization process that would help to show, both here and abroad, the degree of government commitment to administrative reform."

So, the government has redefined its priorities: Its primary objective is to serve foreign interests. The argument that the government employed to defend itself from the flood of legal challenges to the CVRD privatization, is revealing. "The paralysis of the privatization program for an indeterminate period," the government argued, "would cause incalculable financial damage, such that the success of the operations depends on the security and stability that the privatization of each state enterprise can foster, while assuring the interests of the investors in their acquisition."

Such a legal argument is merely a transposition of the President's thinking, already applied on other occasions to favor the interests of the Anglo-American financial oligarchy. Such was the case, for example, in the case of Banco Econômico, acquired by UBP, and the sale of Banco Bamerindus to Hongkong and Shanghai Banking Corp. In public statements to the daily *O Estado de São Paulo* of April 19, Cardoso asserted that in the past, he had been opposed to CVRD's privatization, but was convinced, after analyzing the profits to be obtained from its sale. "If the government obtains \$5 billion and applies an interest rate of 20%, that will yield \$1 billion a year; right now, the Treasury is collecting \$29 million. As manager of the public Treasury, is it better for me to get \$1 billion or \$29 million?"

The privatization of CVRD was postponed until one week after the initial sale date, due to a flood of court challenges by citizens, legal specialists, and political leaders. Among those opposing the privatization were the Armed Forces, the Catholic Church, political personalities, and especially the judiciary. The Military Club, which represents active and retired military personnel, polled its members and came up with 67% opposed to the privatization. The National Conference of Brazilian Bishops (CNBB), during its annual assembly held in April, issued an official appeal to the President to cancel the CVRD auction, warning of the dangers that its control by foreign companies would bring to the country.

The opposition became so heated, that 27 assistant prose-



*Brazilian President Fernando Henrique Cardoso*

cutors, more than half of those serving the Attorney General of the Republic, issued a manifesto threatening to charge President Cardoso with "crimes of responsibility," if he persisted in applying the "economic policy of economic organizations that have transformed the citizen-Constitution into a by-product of the economy," handing control of "mineral exploitation and aerospace to private or foreign greed."

## Landless Movement on the warpath

London's satisfaction with Cardoso, as expressed by Henry Kissinger, extends to his political agenda as well. The British are particularly satisfied with his tacit support for the terrorist Landless Movement (MST), a member of the São Paulo Forum, whose objective is to tear down Brazil's national institutions, as Kabila has done in Zaire.

In its more than 12 years in existence, the MST has never achieved such crucial victories as during Cardoso's government. For example, in the midst of its most aggressive land occupations, in the area of Pontal del Paranapanema, the MST held its Maoist "March for Agrarian Reform." Backed by the one-worldist apparatus of non-governmental organizations (NGOs) abroad, the march ended in the nation's capital, Brasília, on April 17, and its leaders were received in an official audience by Cardoso.

Less than a month after that meeting, the MST assassinated a property guard in Paraná. Gilmar Mauro, of the MST's national board, stated that the killing was meant as "a message" for the landowners. Even with this kind of action, Cardoso's agriculture minister, Raul Jungman, announced the granting of a multimillion government credit to the MST, supposedly to finance the purchase of a mill and other equipment, in Pontal del Paranapanema.

## Who will be next on London's target list?

by Linda de Hoyos

With the arrival of Zairean mercenary Laurent Kabila in Kinshasa, Zaire, now the Democratic Republic of the Congo, on the night of May 20, the forces of the Privy Council to the British monarchy completed phase one of their seizure of central Africa for the British Commonwealth. That first phase began with the October 1990 invasion of Rwanda from Uganda, under the direction of Ugandan President Yoweri Museveni. Preparations for the direct assault on Zaire were completed with the May 1994 total seizure of Rwanda, and the July 1996 coup in Burundi which brought the Tutsi military in that country back to power, *sans* democratic or foreign constraints.

However, commentaries coming from well-known British outlets such as the *Times* of London and the U.S. Committee on Refugees indicate that the strife in Africa, which has already caused the most intense levels of mass murder of this century, is far from over.

### 'Democracy,' Kabila-style

As could be expected, given his lifelong record, Kabila's orchestrated "soft landing" in Kinshasa, has not extended to the formation of a new coalition government or specifics on when elections might be held. Kabila, acting under the advisement of Museveni, has relied upon his military power as his ultimate bargaining chip. Declaring himself President and announcing part of his cabinet, Kabila refused to meet with Etienne Tshisekedi, the long-standing opposition leader against ousted President Mobutu Sese Seko, and indicated that Tshisekedi would have no place in his government. The secretary general of Kabila's Alliance of Democratic Forces for the Liberation of the Congo, Deogratias Bugera, declared on May 19 that elections would not be held until the Alliance had reorganized the population. "We must reawaken the population politically," said Bugera. "It is our first duty." He declared that

this meant reorganizing the peasantry into a "collectivity."

Such rhetoric and Kabila's flouting of the diplomatic requests of the United States government have fueled a line coming from such entities as the *Times* of London on May 20, that "if Washington and London believe their African stars are rising, they may be mistaken. For the first time in a century, African leaders are starting to take charge of the destiny of the continent. . . . By dint of his victory in Kinshasa, Laurent Kabila has joined a growing firmament of African leaders disinclined to take orders from outside powers."

Such statements are designed to create an environment for "plausible deniability" by London of the past atrocities of the Museveni-Kagame-Kabila-Buyoya combine, and those yet to come.

They also fly in the face of reality. From Museveni to Kabila, the "stars" of this leftist-clacking "African clique," as the *Times* calls it, are being boosted because these warlords have demonstrated their willingness to turn their countries over lock, stock, and barrel to the largely British Commonwealth mining, financial, and agricultural companies looking to Africa as the key looting ground going into the next century. In 1994, *EIR* documented that Uganda had economically reverted to the status of a British colony, with British "expatriates" running the ministries and investment authorities, while from all accounts, the Ugandan population had been left to die of rampant disease, in total destitution. As one Ugandan opposition leader put it: "I have met with three successive British ambassadors. They do not support Museveni; they run him; they tell him what to do every step of the way."

Through Museveni, who in turn runs Rwandan Defense Minister Paul Kagame and Kabila, the combine also includes Isaias Afwerki of Eritrea and Meles Zenawi of Ethiopia, who have taken the point against Sudan, and also opened their economies up to unprecedented looting.



Kabila makes no attempt to hide his willingness to perform the same mercenary function. The last leg of his march on Kinshasa was funded with a hefty cash injection from the firm America Mineral Fields, which organized a conference of financiers to meet with Kabila in Lubumbashi on May 9. Contrary to its name and the location of its headquarters in Hope, Arkansas, America Minerals is a Canadian firm—although the United States, and France, also can be expected to get a “cut” of the mineral wealth to be extracted from Zaire (see following article).

## Geopolitical games continue

As heralded on May 20 by the *Times* of London, which often dictates foreign policy to the British Foreign Office, the combine of Museveni et al. is now poised to take the “whole lot.” Writes the *Times*: “The fall of Zaire to the Alliance of Democratic Forces for the Liberation of Congo-Zaire completes a network of friends and allies stretching from Angola to Eritrea who are expected to reshape the continent in an image of their own, and scrub out the colonial map of Africa drawn up at Bismarck’s Berlin conference of European powers in 1884.” That is, this time, London takes it all.

This line was foreshadowed on May 15 by U.S. Committee on Refugees operative Bob Arnot, who declared on PBS-TV: “There was, in essence, some people would say, a plot between Kabila, Kagame, and Museveni in the 1970s, that they wanted to create a united states of Africa. They looked to Museveni, because he now has one of the fastest growing economies in the world in Uganda. . . . So, you’re seeing a bloc that could come out of this that could go from the south of Egypt all the way down through Angola. There could be new stability, new democracy, and tremendous new hope for the African people.” Arnot added: “. . . it is incumbent on us in the United States to make certain that it happens.”

The domino effect of catastrophe will continue. Immediate targets are:

1. **Zaire-Congo:** The reorganization of the peasantry into a “collectivity” declared by Bugera portends continued upheaval for this country, in which 500,000 Zaireans are already among the displaced. Arnot, who travelled with Kabila for a month, reported: “What we found in village after village was that the Alliance forces had come in, shot indiscriminately into the village—indiscriminately in that they didn’t care whether it was a local Hutu or Chi or whether it was a Rwandan refugee. They burned many of these villages to the ground and then went on their march.” In the village of Rushoga, “When soldiers entered the village, 30 homes . . . were burned to the ground. Seven individuals were shot and killed. The rest of the villagers fled into the surrounding hills. Of those, 50 died of starvation or cold. Now in the village there are only 15 families left. Thirty are still missing.” Arnot predicted, “The civil war in Zaire has just begun.”

2. **Angola:** The Angolan government of President Jose Dos Santos has announced that its Armed Forces would now

proceed to go into areas formerly under the control of Jonas Savimbi’s Unita, given that Mobutu, Unita’s chief supporter, is out of the picture. Angolan troops are already known to have been one of the forces militarily supporting Kabila’s march to Kinshasa over the last month. As the *Times* of London predicts, “Now with Mr. Mobutu gone and Mr. Kabila the new President of the Democratic Republic of Congo . . . the stage is set for another showdown with what Mr. Museveni and his clique see as a destabilizing rebel group in Africa: Jonas Savimbi’s Unita.”

3. **Sudan:** Roger Winter, executive director of the U.S. Committee of Refugees and conduit for British policy into Washington, told Congressional hearings on May 15 that the United States “must see a new, more moderate government in Sudan”—that is, overthrow the Khartoum government. “This is an achievable goal the United States should actively and unambiguously pursue.” Ed Marek of Zaire Watch, emanating from Reston, Virginia, reported on May 21 that “Ugandan President Museveni may now turn his full attention to Sudan and search for ways to help destabilize and ultimately topple the Government of Sudan. . . . Colonel John Garang [of the SPLA] most likely will find support from Mr. Kabila as well in the future.”

4. **Kenya:** “How comfortable is Mr. [Daniel arap] Moi in Kenya” these days? the *Times* of London asks. Threats against Kenya are already being issued by the Ugandan security forces, who leaked to *The Monitor* newspaper the disinformation that 17,000 combined troops of Zairean Armed Forces, Hutu armed rebels, and guerrillas of the “Ninth of October Movement” were collecting at the Kenyan border with Uganda, poised to invade. Kenyan diplomatic sources have categorically denied the story, noting that in fact the planted leak represents a threat against Kenya.

5. **Francophone central Africa:** Rwandan Defense Minister Kagame has already warned the Central African Republic that it must not take in Rwandan Hutu refugees, lest it want to chance destabilization. In an interview in the May 15-21 *Le Nouvel Observateur*, Jean François Bayart, of the Paris Center for International Studies and Research, warned that Congo, Gabon, the Central African Republic, and Cameroon are “in danger of finding themselves in the eye of the hurricane very shortly. . . . The pieces that it [France] regarded as its own dominoes are toppling down one after the other. It all began with the fall of Rwanda in 1994, and it could now spread to the other side of the Congo, for the crisis has shifted from the Great Lakes to the Great River. The stake now being played for is the vast Congo basin, the flow of its amazing informal economy, and the emergence of a political axis extending from Angola to Eritrea on the Red Sea.”

This multi-pronged scenario cannot be realized without massive bloodletting, on a scale not seen since World War II. That puts the question to the United States: Will it challenge the might of the British Commonwealth, or it will turn a blind eye to the murderous recolonization of Africa?

# Financiers, seeking loot, prop up Kabila's Nazi rule

by Richard Freeman

On May 9, in Lubumbashi in western Zaire, Laurent Kabila met with top members of the British Commonwealth's oligarchical financiers. The meeting was organized by Kabila and the Canadian mining company, America Mineral Fields (AMF); representatives from approximately a dozen financial institutions attended. In the tradition of German Reichsbank head Hjalmar Schacht's backing of Adolf Hitler, this meeting planned out ways to strengthen Kabila's Nazi rule over Zaire.

Kabila, who is part of a British Privy Council-steered alliance that includes Uganda's Yoweri Museveni and Rwanda's strongman, Defense Minister Paul Kagame—Museveni and Kagame supplied half or more of Kabila's troops and military equipment—has already committed one of the greatest mass-murder campaigns of the 20th century. Over the course of eight months, beginning in October 1996, his forces accomplished a greater intensity of genocide than Hitler, killing 1 million Zaireans as well as Hutu Rwandans seeking refuge in Zaire. Starvation and the machete were favored weapons.

As we shall see below, the financiers and raw materials cartel of the House of Windsor-centered British Commonwealth see Kabila as their instrument to depopulate Zaire, as well as open it up to plunder. The May 9 meeting was a jumping-off point for the next phase of operations.

Some members of the London-controlled press attempted to portray the May 9 meeting as an instance of the U.S. administration of President Bill Clinton endorsing Laurent Kabila. That is a lie: *EIR* spoke with a participant at the meeting, as well as an official of America Mineral Fields, to learn what went on there. At the gathering, Kabila spoke for one hour, urging the representatives of the 12 financial institutions to bring funds into Zaire now, which would have the effect of propping up his government; in return, goodies and loot are being apportioned.

Zaire, the third-largest country in Africa, with a land area of 893,000 square miles (2,312,999 square kilometers), and 40 million people, possesses half the world's proven cobalt reserves, as well as abundant deposits of copper, zinc, tin, and diamonds, and significant deposits of gold, and other commodities such as barite, boron, and magnesium. The raw materials firms have begun staking out these deposits, and signing contracts over the last three years. Former President Mobutu Sese Seko, though making some concessions, re-

sisted privatizing Gecamines, the state holding company which controls most of Zaire's raw material patrimony. Kabila has pledged to privatize and sell off to foreigners Gecamines' holdings. The financiers will finance the projects, as well as get some funds directly into Kabila's "economy."

The May 9 Lubumbashi meeting intersects larger issues. The Toronto-based Barrick Gold of former U.S. President and secret-government drugs coordinator George Bush, began lining up gold properties in Zaire's central-eastern Kivu province in 1996. Bush's Barrick moved alongside several Canadian-based mining firms, including AMF, which "invaded" Zaire, in search of wealth. They are doing so, because, as the bankrupt world financial system moves toward final disintegration, the old wealthy families of the British Commonwealth, and its organizing committee, the Club of the Isles, are moving out of paper property titles, and stampeding into hard commodities, such as precious metals (e.g., gold), base metals (e.g., copper and zinc), strategic metals such as cobalt and vanadium, energy supplies, and increasingly scarce food supplies.

Africa has huge untapped reserves; the raw materials cartel, which already controls a majority of the world's raw materials, wants to consolidate whatever raw materials in Africa it does not already control.

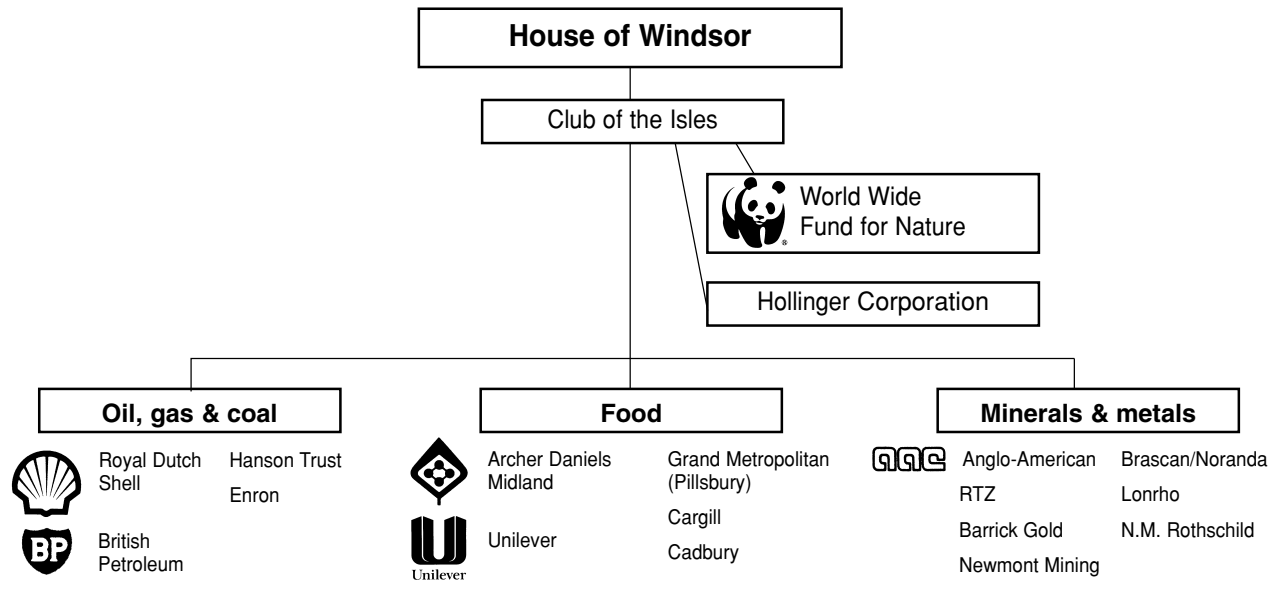
Second, these same forces believe the nation-state to be obsolete, and see most of Africa's population of 640 million as useless and expendable. Thus, they want to rapidly depopulate Africa, through genocide, including famine. They believe that some population is needed to run the mines, to provide limited services to the occupying companies, but not much more than that.

At the top of the strategy stands the largest raw materials firm in the world, South Africa-based Anglo American, which is one entity, through cross-ownership shares, with DeBeers Diamonds and the Luxembourg-based Minorco minerals, all owned and controlled by the Oppenheimer family. London-based Rio Tinto Zinc, the world's second largest raw materials producer, in which England's Queen Elizabeth II reportedly has a personal investment, is another major force. Barrick Gold of Toronto, Canada, guided by the drug-running, secret government intelligence networks of George Bush, is a third.

Although it is alleged that American companies are a major force, and that the American government plays a signifi-

FIGURE 1

House of Windsor control of raw materials



cant role in African strategic raw materials affairs, this is a well-constructed myth. According to a table constructed with the aid of experts at the U.S. Geological Survey — which, ever since the U.S. government shut down the U.S. Bureau of the Mines in 1995, has taken over supervision of U.S. mining information—there are 27 major mining companies, led by Anglo American Corp., that conduct significant mining operations in all of Africa. These companies control between 80% and 90% of all African metals and mineral mining activity output (leaving aside energy). Only two of those companies are American. Most are either British, or are based somewhere in the British Commonwealth, especially those predominantly English-speaking countries which, for the past 150 years, have operated as the forward beachheads for London interests: South Africa, Canada, and Australia.

The Commonwealth’s slogan is, therefore, “British gain, American blame.”

The British Commonwealth is the most formidable economic force on this planet. It encompasses 23% of the world’s land mass and 29% of its population. Grouped around the Anglo-Dutch monarchies, it operates from the top down as a single cartel, which is divided into subordinated divisions: a raw materials cartel, an energy cartel, a food cartel, and a financial cartel. **Figure 1** depicts all of the above, except the financial cartel. These firms, through cross-share ownership and tightly interlocked boards of directors, are a single operation. Operating through the British and allied Privy Councils in Commonwealth countries, and through the British Overseas Development Office (formerly the Colonial Office), they shape imperial affairs.

This is the starting point for Britain’s Hitler-like genocide in Africa; to stop it, this cartel’s power must be dismantled.

We look first at the May 9 meeting, then at the broader powers of the cartel, and finally, at the mining firms operating in Zaire.

**How the groundwork was laid for genocide**

The May 9 meeting in Lubumbashi marked a turning point in the eight-month war in Zaire. Not only did it pull together the kind of support that Kabila needed to conduct the final week of fighting required to vanquish Zaire’s capital city of Kinshasa on May 16, but it brought out into the open, a relationship that antedated the meeting. In October 1996, Uganda’s Yoweri Museveni launched his attack into eastern Zaire, against Rwandan Hutu refugee camps, on behalf of the project of a British-controlled greater Tutsi empire. From among Museveni’s forces, the Kabila option was put together, and Kabila started military operations. This was the military invasion.

But for three years before then, the raw materials cartel had been laying the groundwork for that attack, with an economic invasion of its own. Operating through a series of what are called junior companies—small mining firms, usually with hidden backing and control from such as Anglo American Corp., or else oligarchical financier forces—it began to map out, and, through preliminary contracts, lay claim to various deposits in rich mines of cobalt, tin, diamonds, zinc, copper, etc. in Zaire. This first invasion started in 1994-95, and gained substantial force during 1996, when preliminary contracts were signed with the Mobutu government. But the Mo-

butu contracts had too many restrictions limiting the “free-enterprise right” of the mining cartel to plunder. For all his Marxist rhetoric, a retooled Kabila, under Museveni’s wing, would open up Zaire to plunder by outside forces, in a way that Mobutu would not permit. This centered around the privatization of Gecamines (La Générale des Carrières et des Mines du Zaïre), which is the state holding company for a large share of Zaire’s raw materials wealth patrimony. Mobutu resisted International Monetary Fund (IMF), World Bank, and financier calls for complete privatization of Gecamines.

George Bush’s Barrick Gold led the mining invasion of Zaire in 1996, when it laid claim to gold mines at Kilomoto and Doko, in Haut-Zaïre province. Joining Bush in this looting expedition were the Canadian junior companies, which, amazingly, often had office staffs of only 10 people, and little capitalization of their own. But, like America Mineral Fields—which, despite its name, is a Canadian company—they laid claims to huge mining properties. AMF had signed a deal to mine the mammoth Kipushi copper mines in Shaba province. Others of these Canadian juniors included Consoli-

dated Eurocan of Canada (now renamed Tenke Company), Banro International of Vancouver, and Panomara International of Vancouver and the Cayman Islands.

AMF’s role in organizing the meeting at Kabila’s request gave rise to a disinformation operation, with which it is useful to deal at the outset. Right after the fall of Kinshasa, columnists Ambrose Evans-Pritchard and Chris Ruddy wrote articles about the May 9 meeting in the *Pittsburgh Tribune-Review*, on May 17 and May 18, respectively. The *Pittsburgh Tribune-Review* is owned by right-wing financier Richard Mellon Scaife. Ruddy regularly writes for the *Tribune-Review*, and Evans-Pritchard, who regularly writes for the Hollinger Corp.’s London *Sunday Telegraph*, also writes columns, usually unsigned, for the *Tribune-Review*. Mellon Scaife and the Hollinger Corporation are enemies of the United States, and have led vicious attacks against President Clinton (see p. 62).

### The truth about America Mineral Fields

Ruddy and Evans-Pritchard concocted the tale that it is principally American firms that are gobbling up resources in

## EIR nails Kagame for his role in genocide

If Rwandan strongman Paul Kagame hoped to top off his highly controversial stay in Mainz, Germany with a triumphant press conference, he was extremely disappointed. At his press conference on May 21, *EIR* hammered Kagame with questions on his role in the massacre of Hutu refugees in Zaire, and his failure to hold elections in Rwanda. Under the headline “No Date for Elections, Kagame Denies Taking Part in Massacre; Tense Atmosphere During Visit,” the *Mainzer Allgemeine Zeitung*, the local daily, reported on the unfriendly reception for Kagame.

This author first challenged Kagame to admit his collusion with Zairean rebel leader Laurent Kabila, prior to Kabila’s invasion of Zaire. Holding up the May 4 issue of the daily *Frankfurter Allgemeine Zeitung*, in which reporter Robert von Lucius described the Kagame-Kabila cooperation, I demanded of Kagame, “Will you admit, as it says here, that your troops participated in the massacre of Hutu refugees?”

Kagame’s response was to accuse me of being “one of those distorting” what he says. He denied telling von Lucius that he had had any discussions with Kabila, claiming that he “knew the man,” and no more.

When *EIR* demanded clarification of Rwanda’s role in

the refugee massacres, Kagame spit back: “You go and find out.”

By this time, other members of the press corps had caught on. The next reporter also demanded an explanation of reports that Rwandan soldiers have been involved in the massacre of refugees in Zaire. “I do not know of any massacres in Zaire,” Kagame claimed. “I have no troops in Zaire and have nothing to do with what is happening there.” This became Kagame’s stock answer, as other reporters demanded he answer the same question.

*EIR* then pointed to the widespread reports of the ongoing genocide in Zaire—documented by the United Nations, international relief and refugee organizations, and prominent individuals, including the European Parliament’s Humanitarian Relief Commissioner Mrs. Emma Bonino. *EIR* also detailed Kagame’s central role, along with President Yoweri Museveni of Uganda, and Kabila, in the conquest of Zaire, and this genocidal operation’s backing from the British government and allied mining companies. Kagame’s answer: “You have a problem sir, you have a problem. . . .”

Finally, Kagame was challenged by another journalist on why he has scheduled no elections in Rwanda. Kagame’s answer, that he had no obligation to hold elections for five years, only provoked more aggressive follow-up questions. At this point, the press conference was closed down on the pretext that a helicopter was waiting to take Kagame to meet the German President.

—Dean Andromidas

Zaire and Africa, and they insinuate that Clinton is supporting Kabila's efforts to land American companies fat contracts in Zaire. As evidence, they cite the case of America Mineral Fields, which sponsored the May 9 meeting. Evans-Pritchard points out that America Mineral Fields is headquartered in Hope, Arkansas, Bill Clinton's birthplace.

It is useful to refute this lie in some detail, since it is a smear against the President, and thus has potential great strategic significance. It is therefore also useful in helping us understand the nature of the Commonwealth firms invading Zaire, and what went on at the May 9 meeting with Kabila.

America Mineral Fields is a Canadian Company, founded in 1995 for exploration purposes. Its stock was first floated on the Vancouver Stock Exchange, and it is now traded on the Toronto Stock Exchange. It is run and owned by Jean-Raymond Boule, who was born in the former French colony of Mauritius, and by his British-educated brother Max. Jean-Raymond Boule's business partner in this deal, and president of AMF, is Mike McMurrough, who happens to live in Hope, Arkansas (a town that Clinton left when he was seven years old). They made Hope the temporary headquarters of AMF. McMurrough has no business dealings whatsoever with Clinton. As an AMF official told *EIR* on April 18, "AMF's operation in Hope, Arkansas is just a shell company."

An honest examination of Boule's pedigree shows that for his entire life, he has worked for the British Commonwealth raw materials cartel. During the 1960s, Boule ran the Zaire operations of the Oppenheimer family's DeBeers' Diamonds. During the 1970s, he and his brothers set up shop in Dallas, Texas to sell diamonds and jewelry. In the 1990s, Boule developed a nickel property in Canada, called the Voyseys Bay project, in partnership with Robert Friedland, a Vancouver-based wheeler-dealer. Through selling his share in the property to the Bronfman family's Inco Company, Boule now sits on the board of Inco, which is based in Canada. In 1996, Boule lined up business deals in Zaire with Anglo American Corp. Through business deals, Boule is linked to Tony Buckingham, who oversees Executive Outcomes, the mercenary police force in Africa.

## The Lubumbashi roster

Now we turn to what really took place at the May 9-10 Lubumbashi meeting. An AMF official, and a European source, provided a list of the participating financial firms (the firm's branch representative is also listed, where possible). Most of the firms are British- or Canadian-centered.

- Value Investing, London representative.
- Bunting Warburg (Bunting Warburg is a division of Swiss Bank Corporation Warburg), Toronto representative.
- Goldman Sachs, Switzerland representative.
- Deutsche Morgan Grenfell, South African representative.
- C.M. Oliver (a Toronto firm), Toronto representative.

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**THE NEW FEDERALIST**

Volume 11, No. 30 National Newspaper of the American System May 26, 1997 FIFTY CENTS

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### Kabila's Takeover Is a Victory for Bloody British Looting

By Linda M. Howe

Mar 21 (EIR)—As his forces captured the Zairean province of Katanga in May 17, Laurent Kabila announced that he had formed the Democratic Republic of Congo (DRC) and had expelled the British Commonwealth and Parliament and the United States and the United Nations. He also announced that he had expelled the British Commonwealth and Parliament and the United States and the United Nations. He also announced that he had expelled the British Commonwealth and Parliament and the United States and the United Nations.

**FREE THE POLITICAL PRISONERS**

Michael BELLINGTON	6 years 290 days
Acta GALLAGHER	3 years 184 days
Phil GALLAGHER	3 years 184 days
Laurence HECHT	3 years 184 days
Donald PHAU	3 years 184 days

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May 26, 1997

# Never Again!



**EDITORIAL**

Twenty years after the Nazis herded their victims into boxcars to be sent for extermination, the so-called civilized world is herding poor and black people in Central Africa. Since the invasion of Zaire by Laurent Kabila in May 1997, it is estimated that more than half a million Rwandan, Burundian, and Congolese refugees have died, either by death marches or from starvation and disease. It is estimated that the UNF has received 100,000 refugees in Zaire. This is a rate of genocide even slower than that under Hitler's Nazis.

Thirty six years after the surviving refugees being herded into boxcars outside Kigali, Zaire to await their desperate to get away from Kabila's advancing murderous troops. Hundreds of...

...of your neighbor, a supporter of Hitler's boot camp? If you don't take action now to stop the slaughter, you are guilty of sending genocide as horrible as Hitler's.

Under the words of British Commonwealth puppet Yasser Arafat, the Director of Uganda, who has appeared the Total takeover and brutality in Rwanda, the Rwanda and the Zaire.

"My mission is to see that Rwanda, Ethiopia, Sudan, Uganda, Kenya, Tanzania, Malawi, Mozambique, and Zaire become a borderless state under one nation."

"An Hitler did the Berlin together decrease, we refuse. Who will take up the challenge today?" Ayn

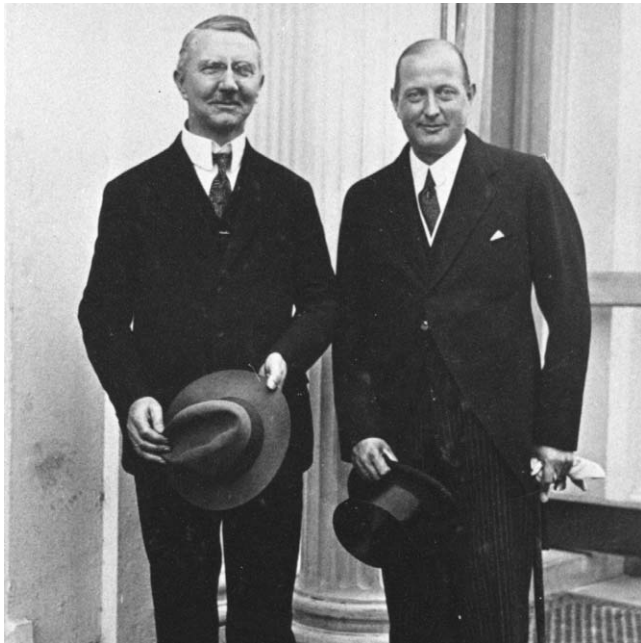
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*The newspaper of the LaRouche movement, New Federalist, mobilizes to defeat British genocide in Africa. The photograph shows Rwandan refugees being herded into boxcars in early May, to face certain death, as the Nazis once shipped Jews to the killing centers.*

- Canadian Imperial Bank of Canada-Wood Gundy (CIBC is one of the Big Five commercial banks of Canada), London representative.
- Northern Mining (an Ontario firm).
- Nile International (a North Carolina firm).
- Breco International (a British firm).
- National Securities (a London investment firm).
- Marathon Securities (a Canadian investment bank), Vancouver representative.
- Yorkton Securities, London representative.

These financial institutions represent a top layer of the financier oligarchy. For example, on the board of CIBC-Wood Gundy is a cross-section of the Canadian branch of the British Commonwealth's power establishment: Conrad Black, chairman of the Hollinger Corp.; Alfred Powis, chairman of the Bronfman family's Noranda mining company; Raymond V. Smith, chairman of MacMillan Bloedel; etc. One of CIBC's directors emeriti is Harry Oppenheimer, the owner of Anglo American, the most important cog in the raw materials cartel.

Two of the firms present, Warburg and Morgan banks, during the 1930s, sponsored Hitler's rise to power, and helped keep him in power; until 1937, Max Warburg of the Warburg firm, owned a chunk of IG Farben, the company that supplied gas for the Nazi gas ovens. Now, Morgan and Warburg are performing the same function for Britain's genocide in Central Africa.



*Reichsbank chief Hjalmar Schacht (left), who when organizing funds for Hitler, would tell businessmen, "Gentlemen, the cash box is over there." The same thing is being done for Laurent Kabila today—by a British-run cartel.*

Kabila had asked AMF to call the meeting. The AMF spokesman said that "President Kabila wanted to discuss business with investors and get investor money into Zaire for his projects." The AMF official added that he was "impressed by Kabila." After Kabila spoke, presentations were made to the group by Kabila's shadow finance minister and mining minister. The AMF official said, "They did a good job. Zaire is like a bankruptcy. It has good assets, and you want to get your arms around them."

### **'Gentlemen, the cashbox is over there'**

In the 1930s, when Hjalmar Schacht was organizing funds for Hitler's rise to power, he told a group of businessmen including the Thyssen representative, "Gentlemen, the cashbox is over there," with the understanding that they would drop their contributions in.

The May 9 meeting in Lubumbashi delivered a parallel message: Bring your funds into Zaire now, thus supporting Kabila, and there will be goodies and loot.

On May 20, an executive vice president of a Canadian investment bank, who attended the Lubumbashi meeting, confirmed and added to what the AMF official reported occurred at the meeting. "Zaire has potential for food growth, timber reserves, and great mineral wealth: diamonds, copper, cobalt, and zinc," he said. Asked why invest now, rather than five years ago, he explained that "You can make a spectacular return if you jump in with both feet." He reported, "This is the first time I met Kabila, and only for an hour, but I was impressed, if he delivers on what he said he would do."

He said that Kabila promised privatization of Zaire's mineral holdings. During the 1980s, when Zaire produced at its peak, it was one of the five biggest raw materials producing entities in the world. In 1993, the IMF and World Bank organized a credit cutoff to force Zaire to privatize its raw materials holdings. As a result, between 1987 and 1993, cobalt production fell 82%, and copper output fell 91%. Though some concessions were made to privatization, basically, it still resisted. The Kabila forces have now levelled that resistance. The Canadian banker continued, "Kabila and his people made statements which were very conducive for businessmen to invest." While he said that deregulating mining regulations were not discussed specifically, nonetheless, "Kabila said the things businessmen want to hear."

On May 17, Kabila's finance minister Mawapanga Nanga Mwana asserted to Cable News Network, "We have to show that we have the guts to be able to manage monetary institutions and to grind inflation down to zero by having a very tight monetary policy."

### **Kabila gets down-payments**

A few weeks ago, as part of the payment to help Kabila get into power, the Vancouver-based firm, Eurocan Ventures International of Alfred Lundin, which has renamed itself Tenke Company, and which has a large cobalt investment in Zaire, gave Kabila a \$50 million payment, as a "down-payment" on its mining project. In April, AMF's Jean Raymond Boule provided Kabila with a personal plane to fly him around Zaire. Already in April, AMF started to refer to Kabila's government as the actual government.

As an example of what they want to accomplish, AMF has two main projects in Zaire: the Kipushi copper mines in Shaba province, and the Kolwezi cobalt-mining project, in which it plans to invest \$600 million and \$305 million, respectively. The two mines have deposits worth together more than \$20 billion, which AMF plans to extract. Many of the firms that attended the May 9 meeting are considering supporting Boule's investments in Zaire. These firms will provide as much as 60% to 80% of the investment.

Much of Africa's mineral wealth is located in a crystalline belt that runs alongside the Great Rift, a geological fault that runs from the Jordan River Valley in the Middle East, southward through the Gulf of Aqaba, through Central Africa (where Zaire is located), and down to southern Africa.

### **Who owns Africa?**

By controlling raw materials, the cartel controls many of the features of life in Africa. **Table 1**, which was assembled with the assistance of the U.S. Geological Survey, shows the British Commonwealth raw materials cartel's monopolization of African mining and the continent's ground wealth: Twenty-seven firms dominate between 80% and 90% of all African metal and mineral output and refining. This excludes energy generation.

Notice three features of this list. Only two of the 27 com-

TABLE 1

## British Commonwealth raw materials cartel dominates Africa

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AMAX, U.S.A.
America Mineral Fields*, Canada
Anglo American, South Africa
Anglovaal, South Africa
Ashanti Mines, Ghana
Banro International*, Canada
Barrick Gold, Canada
Broken Hill Proprietary, Australia
BRPM and OCP, state companies, Morocco
Consolidated Goldfields, South Africa
Debswana and BCL, state companies, Botswana
Delta Gold*, Australia
Gecamines, state company, Zaire
Gencor, South Africa
Inco, Canada
International Panorama*, Canada and British Cayman Islands
Iskor, South Africa
JCI, South Africa
Lonrho, England
Phelps Dodge, U.S.A.
Rio Tinto Zinc, England
Rembrandt Group, South Africa
Royal Dutch Shell (minerals), England and Netherlands
SOMINKI, Kivu province company, Zaire
Tenke Company* (formerly Consolidated Eurocan), Canada
Union Minière, Belgium
ZCCM/Zimco, state company, Zambia

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\* denotes a "junior" company

panies with significant mining projects in Africa, are American: AMAX (formerly American Metals Climax), and Phelps Dodge. Phelps Dodge's engagement arises from a single investment, in the Black Mountain Mineral Development in South Africa, which produces copper, lead, zinc, and silver. Contrary to the story that American firms are gobbling up Africa, the American presence is very small.

Second, five of the entities on the list represent state mining companies. Four represent the federal mining companies of the nations of Botswana, Morocco (a big producer of phosphate), Zaire, and Zambia. A fifth entity, is the mining enterprise of Kivu province, Zaire, called Sominki. Laurent Kabila is facilitating the privatization of most of the rich holdings of Zaire's Gecamines, and Sominki. As the May 9 meeting and other events make clear, the raw materials cartel companies are snapping up these properties. Likewise, in Zambia, privatization is beginning. Among the bidders for Zambia's copper properties are Anglo American Corp. and Rio Tinto Zinc. Thus, soon, only two state enterprises, those of Botswana and Morocco, may exist in their current form.

Third, of the remaining 20 entities on the list, 19 are headquartered in either Britain, Canada, South Africa, or Australia

(Union Minière of Belgium, the 20th company, is part of this network, as is also the nominally American company, AMAX). The British Commonwealth companies dominate and produce the lion's share of Africa's resources: The 27 companies produce between 80% and 85% of all of Africa's metal and minerals output, and the Commonwealth raw materials cartel component produces at least four-fifths of that total. Since Africa has little manufacturing or infrastructure, this places the life-or-death existence of most African nations, including the export earnings of several nations, in the cartel's hands.

The cartel is moving to dispense with the nation-state, and to gather up those parcels of land where the raw materials lie. The policy of depopulation of much of the continent's population, whom the cartel views as superfluous, and even as interfering with its project, goes forward. This policy was spelled out in U.S. National Security Study Memorandum 200, in 1974, by then-U.S. Secretary of State Henry Kissinger.

### Anglo American Corp., RTZ, and Barrick

Many of the firms which own Africa's mineral wealth, also own most of the world's mineral wealth. Let us see how the British Commonwealth raw materials cartel controls human existence — by owning, and being in a position to squeeze off or alternatively release, the flow of production of the materials that go into most of our planet's non-carbon-based finished products.

This ownership of raw materials was not acquired, as such; it was stolen. Three companies reflect how the raw materials cartel works, and its immense power and global reach.

The South Africa-based Anglo American Corp. is the world's largest raw materials producer. Through cross-ownership of shares, Anglo American, DeBeers Consolidated and DeBeers Centenary (the two diamond companies which control the Central Selling Organization, which in turn controls 80% of the world's diamond market), and the Luxembourg-based metal company Minorco, constitute a single entity. This enterprise is owned and run by Cambridge University-educated Harry Oppenheimer. Oppenheimer's son Nicholas is active in the company day-to-day, but Harry still makes many of the important decisions.

Anglo American was formed in 1917 with money from the Rothschild bank and J.P. Morgan (today, the Rothschilds still own a chunk of Anglo American). In 1929, the Oppenheimers finally succeeded in taking over DeBeers Diamonds. DeBeers was one of the strongholds of Cecil Rhodes, who had a vision of a white race ruling the world, with unrestricted pillaging rights. This tradition was inherited and preserved by the Oppenheimer family. Not only is Anglo American-DeBeers the world's largest producer of gold, platinum, diamonds, palladium, antimony, tungsten, and vanadium, and among the top five producers in many other minerals, but Anglo American owns and operates over 1,300 companies in South Africa alone, and owns significant shares in 70 top

banks and corporations around the world, including several raw materials “rivals,” such as Rio Tinto Zinc. Although the Oppenheims publicly profess to be critics of South African apartheid, and have funded and controlled many leftist opponents, they have fundamentally supported, and benefitted mightily from apartheid, which allowed them to run their mines as a slave plantation.

The Anglo American-DeBeers-Minorco hydra, which already operates in seven African countries — making it by far the largest raw materials company in Africa, with more than one-fourth of Africa’s output—is now grabbing for even more. It owns a chunk of Banro International, which is purchasing Sominki, the major province-run holding company for Kivu province in Zaire. Kivu is Zaire’s second-most mineral rich province. After Kabila’s conquest of Kinshasa on May 16, DeBeers Diamonds was awarded a major concession to market some of Zaire’s diamonds (Zaire has the second-largest diamond reserves in Africa). In mid-April, Anglo American representatives met with Kabila. The parties mutually assured each other that they could work together, thereby anointing the genocidalist Kabila as Zaire’s new ruler. It is likely, but not yet established for certain, that Anglo American secretly fulfilled Kabila’s demand that he be given “earnest money” in order to show they were eager to work with him — money that would have sealed Kabila’s victory.

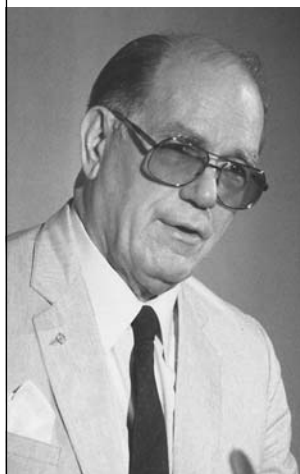
The Oppenheimer family members are part of the oligar-

chy’s elite 1001 Club, which operates under the aegis of the World Wide Fund for Nature of Britain’s Prince Philip, on behalf of environmentalist anti-industrial strategies globally.

But to fully appreciate what Anglo American controls, it must be seen in context with the London-based Rio Tinto Zinc (RTZ), the world’s-second largest raw materials producing company. RTZ was formed in 1870s by China opium trader Hugh Matheson, who was a principal in the Hongkong-based firm, Jardine Matheson. According to published reports, Her Majesty Queen Elizabeth II owns a significant share of RTZ stock. (The Rothschilds, who are significant investors in Anglo American, also have an important stake in RTZ). The immense power of Anglo American and of RTZ together is shown in **Table 2**, which shows their combined share of western world’s raw materials production. There are 16 commodities, in which Anglo American and RTZ combined have 10% or more of the western world’s output, and of these, nine commodities, of which they control 20% or more of western world output. Considering the fact that most producers and sovereign nations normally only produce amounts of less than 2% of these commodities, control of 10-20% or more represents enormous concentration and power.

A third force, which is as much a political as economic power, is the Toronto, Canada-based Barrick Gold. Sir George Bush directs this company, from his position, created in 1995, as honorary senior member of Barrick’s international

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TABLE 2

## Anglo American and Rio Tinto Zinc combined share of Western world mining production

(percent of total)

Commodity	Share	Commodity	Share
Antimony	20%	Nickel	8%
Bauxite	10	Niobium	8
Chromite	15	Palladium	39
Cobalt	10	Platinum	45
Copper	12	Rhodium	41
Diamond	48	Silver	6
Gold	25	Titanium	31
Iron Ore	10	Tungsten	18
Lead	7	Uranium	8
Lithium	5	Vanadium	36
Manganese	6	Zinc	6
Molybdenum	11	Zirconium	23

advisory board. During the period that he was vice president of the United States (1981-89), Bush worked inside the U.S. government to manage London-directed illegal weapons and drug-running operations. Adnan Khashoggi, who underwrote Bush's Contra operations, formed the Barrick Petroleum Corp. in 1981. After its ventures flopped, the company's name was changed, so that it eventually became Barrick Gold. Peter Munk, who was a protégé of the British Royal Household, eventually became chairman of Barrick. Through guidance by the oligarchy and Harriman-Bush networks, Barrick leapt from out of nowhere to become the third-largest gold producer in the world. In 1996, Barrick muscled in to obtain a concession to mine gold at the Kilomoto and Doko mines in Haut-Zaïre, Zaire's northeast province. This was first reported in the Nov. 27, 1996 issue of the French daily *Le Monde*.

The Anglo American-RTZ-Barrick nexus is just one component, albeit a very important one, of the House of Windsor-led raw materials cartel. As *EIR*'s Sept. 15, 1995 cover story on this subject documented, the House of Windsor-Commonwealth cartel in toto, inclusive of the companies above, controls 59.5% of world gold production, 78% of world platinum production, 25% of copper production, 55% of alumina bauxite production, 64% of cobalt production, 42% of manganese production, and 39% of chromium production.

Any person who doubts that the British Commonwealth is the most powerful economic force on Earth, is either sleeping, or a fool.

### The Zaire looting

According to the *Minerals Yearbook*, published by the Bureau of the Mines of the U.S. Department of Interior (Vol. III) in 1988, among the world's raw material mining countries, Zaire held the following rank in the production of the

following commodities:

- Cobalt: world's largest producer and exporter;
- Diamonds: world's second-largest;
- Copper: world's fifth-largest;
- Tin: world's 12th-largest;
- Zinc: world's 20th-largest.

It also produced gold, magnesium, barite, boron, and several other commodities. Thus, as an enterprise unto itself, it was one of the five largest in the world, right up there after Anglo American and RTZ.

But the question was: how to get hands on that wealth. As long as Zaire functioned as a sovereign nation-state, even in limited form, that would be difficult. In 1967, Zaire's President Mobutu Sese Seko declared that all the minerals in Zaire's subsoil belonged to Zaire, and nationalized the foreign mining holdings, which meant principally Belgian companies. The mineral properties were placed, as national patrimony, under the state-owned holding company, Gecamines.

Whatever the degree of corruption, real or imagined, of Mobutu, he would make deals on minerals concessions with foreigners, but he would never turn them entirely over to the foreigners. As reported, from 1990 onward, the oligarchical financiers and raw materials ran economic-financial warfare against Zaire. In the early 1990s, the financiers forced the devaluation of Zaire's currency, the zaïre, to 1/3,250th of its previous value. This made Zaire's exports almost worthless. About 1993, the IMF and World Bank organized an international credit cut-off of Zaire. Zaire could not obtain enough money to import necessary mining machinery or spare parts. As a result of all these actions, Zaire's economy collapsed. Constantly the demand was made that Zaire "privatize" for alleged reasons of "efficiency," i.e., that it sell off its raw materials.

The pincers movement of the Kabila forces, backed and directed by Museveni, caught a weakened nation. The economic invasion by mining companies, determined to get major raw material concessions, had already begun in 1994-95, and intensified in 1996.

The British Commonwealth raw materials cartel operated behind and through the so-called Canadian juniors, which shoved their way into the country. Consider the large size of what they are grabbing:

- The Canadian mining company, America Mineral Fields of Jean-Raymond Boule, lined up to purchase for approximately \$1 billion, the Kolwezi project and the Kipushi copper and zinc mine in Shaba province from Gecamines. The Kipushi mine's known and probable reserves stand at 22.6 million tons, grading 2.1% copper and 13.8% zinc. AMF will realize more than \$20 billion in revenues, achieving a very high rate of return.

- Tiny Consolidated Eurocan of Vancouver, which renamed itself in February to Tenke Company, is purchasing from the state mining company Gecamines, a 55% interest in the Tenke-Fungurume copper-cobalt deposits in Shaba province. Eurocan/Tenke will pay \$250 million over 72 months

for its stake, but the stake is worth potentially tens of billions of dollars in revenues. The Tenke-Fungurume mines have geological reserves of 222 million tons of copper and cobalt, with potential reserves of 1 billion tons, the world's largest operating cobalt reserves. Cobalt is a strategic metal, crucial in forming alloys with steel and other metals, giving them great strength and heat resistance. Some 40% of cobalt's use is in aircraft gas turbine engines, and 10% is in magnetic alloys. Consolidated Eurocan/Tenke is owned and run by Swedish wheeler-dealer Adolf Lundin, who operates from Vancouver.

- Banro Corp. of Ontario, bought 72% of Sominki, a company formed in 1976 as an amalgamation of nine companies that had been operating in Kivu province since the early 1900s. It operates 47 mining concessions, encompassing an area of 10,271 square kilometers. Sominki also owns most of the infrastructure in the province. According to a Banro press release, "Sominki owns an extensive infrastructure which includes repair shops, machine shops, electrical shops, and a large fleet of Land Rover vehicles. In addition, it operates six hydroelectric sites, a number of airstrips, and 1,000 kilometers of roads. Sominki is virtually self-sufficient. The company has about 5,000 employees." The release added, "In fact, Sominki is *the de facto government providing all the essential services for the Kivu Province*" (emphasis added). Banro is

renaming Sominki to be Sakima S.A.R.L. Through intermediary companies, Anglo American had obtained a significant ownership stake in Banro, thus it is the *eminence grise* behind this project.

- Vancouver- and Cayman Islands-based Panorama International has obtained significant cobalt holdings in Shaba province.

### The death toll

The looting of Zaire is moving ahead full-swing. Kabila, the "former" Marxist, with a penchant for genocide, and the raw materials cartel, have formed a perfect match. There are two consequences of this development. First, inevitably, as the systemic looting by the cartel intensifies, it will lower the bare subsistence level of existence of Zaire's population even lower. This downturn will increase the death rate. This is identical in effect to setting up gas ovens in Zaire, and herding victims into them. Second, this will be accompanied by the further wiping away of the Zairean nation-state. According to the feudal concept of the cartel companies, they have no need for most population, nor for national sovereignty. They simply want what's in the ground.

Unless this is stopped, by dismantling the British Commonwealth raw materials cartel, the fate of Africa and all nations is being written in Zaire.

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## Kennett gives sleaze a bad name

*Victoria's premier is a shameless lackey for the Mont Pelerin Society's program of privatization, drugs, and genocide.*

On May 15, officials of the Business Council of Australia (BCA), whose members represent one-quarter of Australia's GDP, held a press conference to laud Victorian state Premier Jeff Kennett as the nation's only leader with "vision." Intoned BCA President Stan Wallis, who had just finished chairing a nationwide commission which recommended the further deregulation of the financial sector, "Vision is not an easy subject for politicians to deal with," making clear that Kennett had it, while federal Prime Minister John Howard did not.

Within days, the BCA's praise for Kennett goaded Howard to announce new austerity measures, including tax hikes and anti-union moves. Howard's government has hardly been shy about pushing privatization, union-busting, health care cuts, etc.; however, no one can top Kennett as a bootlicker for the Mont Pelerin Society, the chief economic warfare unit of the British Crown. Kennett's "Victorian model" is now held up as the path Australia must follow.

The man publicly acknowledged as Kennett's mentor is John Gough, the former chairman of the ANZ Bank, the most British of all Australian financial institutions, and a prominent council member of the Institute of Public Affairs (IPA), the Mont Pelerin Society think-tank that led the Thatcherite revolution in Kennett's Liberal Party, which brought him to power in 1992. Kennett's closest associates are all drawn from two sources: board members of the IPA, and Victoria's huge gambling and casino interests,

grouped around Melbourne's Crown Casino—the largest in the world.

While gambling has flourished, poverty has soared, as Kennett has carried out these "reforms":

- He has sacked 44,000 state workers, and offered Victoria's chief public servant a bounty of \$5 per head for every additional worker she sacked (which Kennett hoped to be a further 50,000, until word of the deal got out).

- He has privatized \$15 billion in state assets, mostly electricity. The bulk of the assets went overseas, while the bulk of the \$15 billion went to the banks, in debt service. The ensuing shutdowns and retrenchments turned whole areas of Victoria into ghost towns.

- He has slashed health care to the point that people are dying because they cannot get hospital care. He plans to close another six hospitals.

- He has reduced local government councils from 204 to 97, so the average citizen has less possibility to fight the reforms.

- He has licensed thousands of gaming machines, and fostered the establishment of Crown Casino, which dominates downtown Melbourne; the press has reported rumors that Crown's huge cash flow includes laundered drug money. Gambling revenues now constitute 14% of Victoria's state budget.

Kennett's gambling affairs are typical of the sleaze which dominates his government. Crown Casino got its start in September 1993, when Hudson Conway, a construction company owned by Liberal Party treasurer and

Kennett mate Ron Walker, the former chairman of a Rio Tinto Zinc subsidiary, Sir Roderick Carnegie, and Australia's richest man, Kerry Packer, won a controversial bid to establish Melbourne's first legal casino. Kennett had extended the deadline for bids by a week, after Sheraton Hotels, which ultimately lost, had submitted its final offer; Crown was inexplicably allowed to increase its bid by \$30 million, to win. Kerry Packer had been named by the Costigan Royal Commission in 1983 as allegedly involved in a number of crimes, crimes never proven after the commission was suddenly shut down, and which included pornography, drug running, and murder. Packer's Nine Network TV paid Kennett a rumored \$400,000 in an out-of-court settlement of a defamation suit. "Defamation suits" are an Australian way of paying off politicians—not that Kennett would be complicit in such activity, of course.

The Crown's casino license has effectively been a license to print money. Crown's chairman Lloyd Williams, Walker, and Packer are all members of Australia's Rich 200 list, which for Williams and Walker is attributable to the government-guaranteed success of Crown. Williams said at the recent opening of their official premises, "I would not have attempted it [the casino] because you need encouragement from the government . . . you need leadership, and what Jeff Kennett has done for this state has shown great leadership."

Whatever the source of Packer's \$4 billion wealth, banks and gaming interests are notorious for washing drug money. It was little surprise, then, when Kennett, against intense public opposition, tried to ram through measures legalizing dope in May 1996, an action defeated by a campaign spearheaded by Lyndon LaRouche's associates in the Citizens Electoral Council.

# International Intelligence

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## *Venetian separatists raise 'Serenissima' flag*

Armed separatists seized the bell tower in Venice's St. Mark's Square on May 8, hoisting the banner of the longtime world center of oligarchism: the Most Serene Republic of Venice. The commando hijacked a boat and used it to land a minibus and war-surplus armored car in the square in front of St. Mark's Cathedral. The flag they raised, of the Serenissima Repubblica Veneta, bears the historical name of the Venetian Republic, which dissolved 200 years ago, in 1797. The official commemoration of the bicentennial took place on May 12.

The commando was arrested by the police. The same group has twice recently broadcast interruptions of national TV programming to proclaim Venice's "independence from the centralist state," mimicking tactics used in 1972, in the beginning of the Red Brigades terrorist assault. Northern League separatist boss Umberto Bossi has distanced himself from the actions of his Venetian confreres, characterizing the St. Mark's action as a provocation against the League.

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## *Papua New Guinea cracks down on NGOs*

Papua New Guinea (P.N.G.) police forces carried out pre-dawn raids on May 5, on the offices of the non-governmental organizations (NGOs) that participated in the March rallies protesting the government's hiring of a mercenary outfit tied to Executive Outcomes to quell separatist unrest on the island of Bougainville. The protests culminated in the resignation of Prime Minister Sir Julius Chan, who had staunchly opposed the World Bank austerity conditionalities.

What was described as "a potentially explosive situation" was averted when the police were able to quash rumors among soldiers, that sacked Army Commander Brigadier General Singirok was going to be arrested. Singirok had taken a leading role in the March protests, and may face charges of treason.

The NGOs raided were Melanesian Solidarity (Melsol), Individual and Community Rights Advocacy Forum (ICRAF), P.N.G. Trust, and P.N.G. Watch. The secretary of Melsol, Jonathon O'ata, was arrested and charged with three counts of unlawful assembly, for allegedly organizing and leading the March protests. The NGOs have protested the police action bitterly.

This action comes at the same time as an official inquiry is being held into the decision by the P.N.G. government to hire Sandlines, a subsidiary of Executive Outcomes, to achieve a military solution on the civil-war-torn island province of Bougainville. The inquiry has revealed that General Singirok was in fact party to the original decision to hire Sandlines. The Sandlines affair began a period of intense destabilization for P.N.G., following repeated resistance by Prime Minister Chan to the International Monetary Fund.

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## *Sinn Fein's Adams agrees to meet with PM Blair*

Gerry Adams, the leader of Ireland's Sinn Fein party, said on May 17 that he would accept the offer made by new British Prime Minister Tony Blair to meet, without demanding as a precondition a renewed ceasefire by the Irish Republican Army. Under the Major government, such a condition had been the *sine qua non* for allowing Sinn Fein to participate in the peace talks.

Blair was, however, clear that he was not proposing British withdrawal. "I believe in the United Kingdom, I value the Union," he said at the Royal Ulster Agricultural show. He also said, "those that wish to see a united Ireland without coercion can argue for it, not least in the talks. If they succeeded, we would respect that. But none of us in this hall, not even the youngest, is likely to see Northern Ireland as anything but a part of the United Kingdom," adding, "a political settlement is not a slippery slope to a united Ireland."

An editorial in the London *Guardian* on May 18, hastened to point out that Blair has actually proclaimed "continuity, that what had been bravely begun under John Major

in 1993 would continue under his Labour successor." The *Times* reported that Blair had, in fact, cleared his offer with Major before issuing it, which "should provide a nervous Unionist majority with the reassurance it seeks."

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## *Rafsanjani will remain active after elections*

Iran's President Ali Akbar Hashemi Rafsanjani "will remain the second man in Iran" after the Presidential elections select his replacement on May 23, according to remarks by his adviser to the Arabic daily *Al Hayat* on May 17. Gholam Hussein Kurbashi, the President's adviser, explained that Rafsanjani is the executive director of the newly formed Assembly for Determining the Expediency of the System (ADES), "and nobody else can carry out the functions in the executive authority. But, from the standpoint of popular support, Rafsanjani will remain the second man, even if he had not become the chairman" of ADES. In April, Rafsanjani was chosen by Iranian religious leader Ali Khamenei to head the ADES, which will act as the main policymaking institution in Iran.

Of the Presidential candidates, Ali Akbar Nateq Nouri was leading in the polls, followed by Mohammed Khatemi, who is running on the slate of Cadres for Reconstruction, Rafsanjani's traditional faction. Kurbashi told *Al Hayat* that he believes "100% that Khatemi will win," and said that Rafsanjani's followers "endorsed Khatemi because they believe that he is the best candidate to continue the reconstruction of the country and the economic development plans."

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## *UN embargo killed 800,000 Iraqi children*

"More than 800,000 Iraqi children have died since Desert Storm," as a result of the UN embargo, the chairman of Iraqi Child Care Agency, Sultan Al-Shawi, told a press conference in Baghdad on May 16. Al-Shawi explained that these children died because

**LEO KREUZ**, the spokesman for Germany's Development Ministry, ranted that Germany cannot be expected to help relieve the famine crushing North Korea, because "our resources are used up," in a May 13 radio interview. He complained that the famine was the fault of "these stone-age communists."

**IRISH PRIME MINISTER** John Bruton told Parliament on May 15, that he intends to go to Irish President Mary Robinson to request permission to dissolve the Parliament, and to hold elections on June 6. Parliament would reconvene on June 26.

**UNICEF** Executive Director Carol Bellamy called for the UN to establish an international criminal court with a permanent prosecutor's office on May 9. She cited, as reasons for her call, recent examples of human rights violations against children in Algeria, Zaire, Burundi, and Rwanda. "Whole societies lose their bearings when children are sacrificed on the altar of adult hatred," she said.

**CHINA'S** President Jiang Zemin told CNN on May 9: "Concerning music . . . I often listen to Mozart, to Beethoven, and to Schubert. I also regard it as very good rest." He also recommended reading Shakespeare, Goethe, and Balzac. "I am always thinking," he said, "how to enable part of the people, part of the regions, to get rich first. And then to finally achieve the objective of common prosperity. This is always the most important task for us."

**BRITAIN'S** new Foreign Secretary, Robin Cook, has signaled the Labour government's intent to back the destabilization of Indonesia, by pushing "human rights" in East Timor. Cook, in his first news conference, said Britain would work with Portugal to find a "satisfactory, peaceful and democratic outcome to the situation in East Timor." He refused to comment on Indonesia. Portugal abandoned its East Timor colony in 1974, leaving Indonesia to step in to stop a civil war bloodletting.

the seven-year-long embargo denied medicines and equipment to Iraq. "The embargo has caused the death of 839,400 Iraqi children between August 1990 and April 1997," he said.

According to the Iraqi Health Ministry, the death rate among children has risen to 140,000 annually since the imposition of the sanctions, from 30,000 before. Some 300,000 of these were children under the age of five. Medicine and medical equipment shipments imported in exchange for Iraqi oil exports, according to the "oil for food" resolution, only began arriving in Iraq in mid-May, the first since the sanctions were imposed in August 1990.

According to UN Resolution 986, Iraq is allowed to sell \$1.3 billion worth of oil every six months. Only \$210 million of that can be allocated for medical purchases, and the rest goes to wealthy Kuwaiti sheikhs as war reparations, and into the coffers of the United Nations.

## *Germans blast 'clash of civilizations' lie*

Former German Foreign Minister Hans-Dietrich Genscher strongly rebutted Samuel Huntington's "Clash of Civilizations" lie that the West and, variously China or Islam, are on collision courses, in a commentary for *Tagespiegel* on May 9. Germany and Europe, he said, should spurn Huntington's confrontationism, and cooperate with China, for the sake of peace and stability in the next century.

Genscher wrote: "More and more, China is taking its position in world political and economic affairs. Nobody can prevent that from happening, and nobody should try to prevent that. Whoever would deny China an equal status in a cooperative world order today, will pay a high price for that tomorrow." Genscher also called cooperation with China the missing link in a future peaceful world order, from Vancouver to Vladivostok.

Similarly, speakers at a symposium held by Germany's Society for Foreign Policy Research, held on May 14 at Bonn's America House, all denounced the "clash

of civilizations." A Professor Kindemann zeroed in the British role, saying that, far from the West's facing a "yellow peril," the Chinese had rebelled against a "white peril," i.e., British-imported opium. He pointed to the Christian education and strong American connection of Sun Yat-sen as the paradigm for modern China. Another speaker, Udo Steinbach, pointed to the fact that thousands of Shi'ite and Sunni Muslims stood side by side in Beirut to welcome the Pope, as proof that the "clash of civilizations" is a lie, and gave strong backing to Germany's "critical dialogue with Iran."

## *Israeli film exposes Nazi euthanasia machine*

Israeli film director Nitzan Aviram has made a film directly tying Hitler's program for "physician-assisted suicide" to the mass murders in the concentration camps. The film, "Healing by Killing," was made in collaboration with Israeli Cable TV and the Israel Film Board. Aviram told the *Jerusalem Post* that, while the story of the Holocaust is "well-known," the history of the euthanasia program (implemented in October 1939 under Hitler's direct authorization, in an order he backdated in his own hand to Sept. 1, the first day of World War II) is "a story not as often told."

Aviram documents that 100-200,000 people are estimated to have been killed in the various euthanasia programs. Aviram begins his narrative describing the sterilization of "slow learners," which was followed by Hitler's 1939 order to kill patients diagnosed as "incurable," leading "lives not worthy to be lived." Those killed included the physically handicapped, the "mentally deficient," and those who had been diagnosed as terminally ill, to provide them a "merciful death." The film follows the career of Dr. Irmfried Eberl, a mediocre medical student who received a position at the euthanasia center at No. 4 Tiergartenstrasse in Berlin. Eberl easily crossed the line from healer to killer, earning a promotion after 1941 to be commander of the death camp Treblinka.

## Clinton says, fair labor standards cover workfare

by Marianna Wertz

The Clinton administration made a major break from the welfare policy of the Conservative Revolution in Congress on May 16, when White House domestic policy adviser Bruce Reed announced, in an interview with the *New York Times*, that the administration's "reading of the Fair Labor Standards Act is that it covers workfare recipients." He explained that this meant, at the very least, that workfare laborers should receive minimum wage. The White House later confirmed to *EIR* that the President does indeed support the Labor Department's finding, that all the protections of the Fair Labor Standards Act should be applied to workfare laborers, not just the minimum wage.

The issue is a crucial one, as nearly 2 million people are in the process of moving from welfare to work under the Temporary Assistance to Needy Families (TANF) program, which was established last year by the welfare reform legislation that Clinton signed into law in August. Many of these recipients are working in public sector jobs and are receiving only their welfare checks as pay; they have none of the standard protections other workers enjoy. The average cash welfare benefit is about \$370 a month, which for a 35-hour week averages to about \$2.50 per hour. Minimum wage, by contrast, is now \$4.75 per hour.

The welfare reform legislation, part of the Gingrichite "Contract on America," was hurried through Congress last year to provide a platform for the Gingrichites to run on in the November elections. Clinton signed it into law despite a loud outcry within his own party, including from then-Labor Secretary Robert Reich, but the President promised he would "fix it" if he were reelected. This decision is clearly part of "fixing" it.

Unlike prior welfare laws, the 1996 welfare reform legislation was silent on the question of whether the Fair Labor Standards Act applies to welfare recipients who work. That

determination was left to the Labor Department.

Labor Department spokesman Scott Sutherland told this news service on May 20, "We were asked to provide a legal analysis [of the applicability of the Fair Labor Standards Act] to the White House and we've done that." He explained that "all the issues in the Fair Labor Standards Act will apply to people on workfare," including the right to be paid for overtime work, to receive workmen's compensation and unemployment insurance, and to organize into labor unions. "Everything a normal worker would be provided" applies to workfare laborers under this ruling, he said.

### The Bush crowd responds

Welfare reform was a key aspect of the "Contract on America," with the holier-than-thou name, Personal Responsibility Act. Indeed, it was one of the few parts of the contract which actually passed into law. So it is no surprise that the Conservative Revolutionaries reacted with venom upon hearing Clinton's ruling.

The *New York Times*, which has editorialized in favor of paying workfare laborers below minimum wage, quoted Heritage Foundation spokesman Robert Rector, who called the decision a "gangland execution of welfare reform," because, in his twisted reasoning, it would make remaining on welfare as attractive as holding a low-wage job. Rep. E. Clay Shaw, Jr. (R-Fla.), the main author of the welfare bill, said the decision "could drastically cut back the hours that welfare recipients are required to work"—i.e., they can only be required to work for the value of their check.

Texas Gov. George W. Bush, whose scheme to privatize the screening process for welfare eligibility was rejected by the Clinton administration earlier this month, responded to the ruling at a May 16 press conference. "I strongly disagree with the welfare decisions coming out of this current White

House. . . . This is a White House that has said repeatedly it would let states run themselves. Yet, here is another example of the Clinton administration not letting Texans run Texas, interfering with our abilities to move people from welfare to work."

Bush blamed "big labor" for Clinton's ruling. "The AFL-CIO continues to make welfare policy for the United States," he raved, adding, in the illiterate style he probably inherited from his father, "By the White House cratering [sic] to it, it has made it more difficult for Texas to realize our objective of helping people become less dependent on the welfare system and encouraging people to work."

### **Labor claims 'victory'**

It certainly is true that organized labor has been fighting for this determination since before the welfare legislation was passed. Not only is the finding crucial, from the standpoint of organizing welfare recipients into unions, but millions of new workers flooding into the job market, forced to work at below minimum wage, are already beginning to lower the wage level across the board, particularly in such large cities as New York and Baltimore, where welfare recipients are taking over jobs formerly held by municipal employees.

In Texas, AFL-CIO lobbyist Rick Levy responded to Governor Bush with very blunt words: The ruling "doesn't have anything to do with 'cratering' into labor unions," Levy said, "but has everything to do with recognizing the dignity and respect of the working poor. You can make people slaves for what in Texas amounts to slave wages for about \$180 a month. I call that welfare for corporations who have access to near-slave labor."

In interviews with *EIR* on May 17, two labor leaders, who are outspoken opponents of using workfare workers as slave labor, immediately praised Clinton's decision. Stanley Hill, executive director of District Council 37 of the American Federation of State, County and Municipal Employees (AFSCME), the umbrella union representing 250,000 non-uniformed municipal workers in New York City, called it a "very good decision" and very much needed. "We shouldn't resort to exploitation of workers who are on welfare. . . . We have to give them dignity," Hill said.

Henry Nicholas, an international vice president of AFSCME, president of the National Union of Hospital and Health Care Employees (a division of AFSCME), and head of the hospital workers in Philadelphia, said that the Clinton announcement is a "victory" for the labor unions, which have been fighting for this since Clinton signed the welfare bill. He urged that Clinton publicly go beyond the minimum wage issue, and support the entire gamut of rights spelled out in the Fair Labor Standards Act.

Both labor leaders warned of a storm of reaction against the decision. "It'll be a heavy summer," Hill said, predicting a "lot of fighting in Congress and from some governors."

In 1996, before the welfare law was passed, AFSCME

issued a fact sheet on "Welfare Reform and Fair Treatment," which stipulated that any reform must ensure that the Fair Labor Standards Act is applied to recipients forced to work:

"The issue of fair treatment for all workers is a serious concern for AFSCME. As welfare recipients move into 'workfare,' a two-tier set of labor standards looms on the horizon. Under AFDC [Aid to Families with Dependent Children], workfare recipients were guaranteed at least minimum wage initially and a prevailing wage after nine months. The new program, Temporary Assistance to Needy Families (TANF), is silent on these issues. Yet, by the year 2002, TANF will move approximately 2 million people from welfare into workfare. . . .

"As welfare reform takes shape at the state level, AFSCME will work to ensure that workfare participants are considered 'employees,' making them eligible for basic worker protections, including: minimum wage/overtime requirements; worker's compensation; coverage under the Family and Medical Leave Act and anti-discrimination laws; OSHA [Occupational Safety and Health Act] protections; the right to be organized and represented by a union; and unemployment compensation. Without these protections, the nation will face a downward pressure on the wages, benefits, and working conditions of all workers as the labor market is flooded with low-wage workers."

### **Prevailing wage in New York**

In addition to the Clinton administration's ruling, a decision handed down by Manhattan Supreme Court Justice Jane Solomon on May 12, would force New York City to pay its 38,000 workfare recipients at least minimum wage, if not higher, for the work they now do for their welfare checks. The ruling, which has been appealed by Mayor Rudolph Giuliani, stipulates that the city must obey state law and pay workfare laborers whichever is higher—the minimum wage or the "prevailing" wage—i.e., the wage normally paid laborers in that trade.

The net effect of the ruling would be to drastically shorten the hours worked by welfare recipients, who now work an average of 26 hours per week in jobs once done by city workers. Under Solomon's ruling, they would work only as many hours as it takes to pay off their welfare checks at the higher pay rate. Marc Cohan, attorney for the Welfare Law Center, called it a victory for welfare recipients, who would better use the time in job-training classes or at job interviews than doing workfare tasks.

This ruling, along with Clinton's, is now subject to political counterattack, if Congress and state legislators decide to write legislation denying minimum wage and other protections to workfare recipients. Whether they can get away with it is entirely up to the American people, who must decide if this nation will continue to tolerate falling wage levels and outright slave labor, or will support the right of all Americans who work to receive the full protection of the law.

# Mellon Scaife in new fraud against Clinton

by Edward Spannaus

Richard Mellon Scaife, who since the early 1970s has served as a self-financing media flack for the Anglo-American banking elite, has just been caught promoting another monstrous lie against Clinton. Scaife is now trying to blame President Clinton for the crimes of mass-murderer Laurent Kabila in Zaire.

How does he do this? Scaife's *Pittsburgh Tribune-Review* has attempted to link Clinton to Kabila through the America Mineral Fields company (AMF)—a Canadian outfit which has a small office in Clinton's hometown of Hope, Arkansas. In April, the British-backed AMF signed a billion-dollar deal with Kabila for mining rights, which leads Scaife to label Kabila's regime "Arkansas' new African colony."

Such falsifications are nothing new or out of character for Richard Mellon Scaife. As *EIR*'s series "Who Is Richard Mellon Scaife?" (March 21, April 4 and 11, 1997) showed, Dickie Scaife has been deployed by the British-U.S. bankers' intelligence network for the past quarter-century to run news media propaganda operations against this network's enemies. Among his most prominent targets have been *EIR* Founding Editor Lyndon LaRouche, and now President Clinton.

Well before he played a central role in helping to finance and organized the public-private "Get LaRouche" task force, as an adjunct of the George Bush "secret government" apparatus in the early 1980s, Scaife had already become adept at coordinating news media attacks with Department of Justice frame-ups against his targets. In 1983-84, Scaife was a direct participant in the "Train Salon" meetings of Wall Street's John Train, which organized news media attacks on LaRouche, as a project of the "Public Diplomacy" operation run out of the National Security Council. One participant in the Train Salon meetings, who had met Scaife there, described him as "dumb as a stinkpot."

Out of the Train-Scaife secret planning sessions were deployed every slanderer of LaRouche—from writers for the *Wall Street Journal*, *Readers' Digest*, and NBC-TV, to bottom-feeder scribblers such as Dennis King and Chip Berlet.

Since 1993, Scaife has financed a large chunk of the "media food chain," which is churning up and regurgitating attacks on President Clinton. Scaife employs the only writer for a U.S. metropolitan daily who is deployed full-time on attempting to prove that White House aide Vincent Foster did not commit suicide, but was murdered—Christopher Ruddy. Now, Ruddy is broadening out.

## The America Mineral Fields hoax

On May 17, Scaife's *Tribune-Review* ran a front-page article by Ruddy entitled "Firm from Clinton's Home Town Has Deal with Zaire Rebel Chief." It began: "America Mineral Fields, a small Arkansas mining company headquartered in Bill Clinton's hometown of Hope, is the first major beneficiary of the fall of the the Zaire government headed by Mobutu Sese Seko." Ruddy describes the contracts recently made by AMF with Kabila, and then sarcastically comments: "Not bad for an Arkansas company still not listed in the local phone directory. . . ."

Ruddy complains that reporting on the AMF agreement has been relegated to the financial pages in the general news media, "and little has been made about the Hope, Ark., connection." Ruddy has to admit that Clinton left Hope at age 7, but, never mind that, "his ties there have remained strong and some of his closest associates hailed from Hope, including former White House chief of staff Mack McLarty, former White House administration chief David Watkins, and the late White House deputy counsel Vincent Foster."

In truth, the reason why the story has been ignored by most other media is because the Clinton-AMF connection simply isn't there. AMF is a Canadian company, registered and listed on Canadian—not U.S.—stock exchanges. It has an office in Hope because one of its founders, Mike McMorough, lives there.

When *EIR* inquired about this in April, an AMF spokesman told us: "America Mineral Fields' headquarters in Hope, is just a shell company. We won't even be here in a year or two."

To compound the fraud, Scaife's *Tribune-Review* followed it up with a second lying piece on May 18—the "Date-line D.C." column—reportedly written by the London *Sunday Telegraph*'s Ambrose Evans-Pritchard—entitled: "There's Hope for Arkansas' New African Colony."

"Who founded America's newest colony in Africa? The answer can be found in President Bill Clinton's birthplace of Hope, Ark." For these purposes, Pritchard is happy to report that Kabila is a Marxist, who trained under Che Guevara, and who may be responsible for the massacres of more than 100,000 Rwandan refugees. "Laurent Kabila is now a successful revolutionary like Gerry Adams and Yasser Arafat, since like them he has the favor of President Bill Clinton and the U.S. State Department."

Pritchard—who has bragged about orchestrating much of the Whitewater assault on President Clinton—then asks: "Could this administration's love for the old Congolese Communist [Kabila] have anything to do with the fact that AMF has its headquarters in Hope, Ark., Bill Clinton's hometown?" Kabila's British backing is nowhere mentioned.

"Perhaps," Pritchard concludes, "Sen. Jesse Helms and Rep. Benjamin Gilman, the chairs respectively of the Senate and House foreign affairs committees, will hold hearings on the development of Arkansas's new African colony!"



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## Book Reviews

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# Who is out to 'Hammer' Vice President Al Gore?

by Jeffrey Steinberg

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### Dossier: The Secret History of Armand Hammer

by Edward Jay Epstein

Random House, New York, 1996

418 pages, hardbound, \$30

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It is now an open secret that *Washington Post* publisher Katharine Graham has, at least temporarily, abandoned her long-standing political backing of Vice President Al Gore. Recent front-page stories, published under the by-line of Nixon-slayer Bob Woodward of Watergate fame, have pilloried the vice president as the secret superstar behind the Clinton-Gore campaign fundraising juggernaut. In recent months, the *Post* has done more damage to the vice president's reputation than the *Washington Times*, *Wall Street Journal*, and "media food chain" piggybank Richard Mellon Scaife, combined.

Add another element to the political equation. Former President George Bush has made it known, at every opportunity, that his son, Texas Gov. George W. Bush, ought to be the Republican Party Presidential nominee in the year 2000. The former President has committed a string of political gaffes, in his zeal to peddle his son as the next GOP standard-bearer. First, he shocked a crowd of Bohemian Grove members and guests last July, at their annual semi-secret conclave, by having his son deliver part of his scheduled speech, in what one attendee described as an "incredible" breach of Bohemian protocol. More recently, the former President has toured Asia and Ibero-America, boosting Rev. Sun Myung Moon, in return for millions of dollars.

Whether there is any link between former President Bush's dreams of heading a two-generation Presidential dynasty, and Graham's public blasts at her longtime political friend, Gore, is yet to be seen.

### Early signs of Kate's defection

The first serious signs of a break between would-be king-maker Graham and the vice president, came several months before the Woodward articles appeared. Last December, the

*Washington Post* joined with Rupert Murdoch's *New York Post* in lavish praise of a just-published biography of the late "Red Capitalist," Armand Hammer. The book, by the well-known chronicler of the Cold War spy wars, Edward Jay Epstein, portrays Hammer as one of the sleaziest characters to walk across the 20th-century stage. In Epstein's richly documented account, everything that Armand Hammer touched in his 90 years, turned to trash. He was, at once, an underground abortionist, who murdered a woman and then saw his father go to Sing Sing in his stead; a hard-core Soviet agent, who specialized in laundering cash into the communist undergrounds of Europe and North America; a front man for organized crime, with close links to Meyer Lansky and the National Crime Syndicate; a philanderer who maintained a stable of mistresses, and married a string of wealthy widows whom he looted blind. In death, as in life, Hammer robbed those closest to him. When his estate was probated, his son, his mistresses, and his illegitimate daughter found that they had all been written out of their promised inheritances. And a string of charities, from the Ronald Reagan Presidential Library, to the Danielle Mitterrand Foundation, to the Los Angeles County Museum of Art, ended up in court, trying to collect on millions of dollars worth of unfulfilled pledges and binding contracts.

### The Hammer-Gore partnership

To dodge the law, and serve as Moscow's number-one international diplomat and underground business agent-without-portfolio, Hammer also made a lifetime hobby of buying the services of prominent Washington politicians. Foremost on Hammer's list of friends in high places, according to Epstein's account, was Tennessee's Albert Gore, Sr. From 1950 to 1968, while serving as a congressman and, later, as U.S. senator, Gore, Sr. did Hammer's bidding. When Hammer needed an introduction to a prominent Democratic politician, including a string of U.S. Presidents, Gore, Sr. was there. When Hammer needed to have his FBI files expunged of decades of Bureau surveillance reports, identifying him as a suspected high-ranking Soviet agent, Gore, Sr. was there. In return, Gore, Sr. profitted handsomely from the Hammer links, first as a silent partner with Hammer in a lucrative coal-mining deal. In 1968, Gore, Sr. left the Senate to take up a full-time position as vice president of Hammer's Occidental Petroleum, in charge of its coal-mining division, at a generous salary of \$500,000 per year.

Epstein made only one reference to Albert Gore, Jr. in the entire book. On Jan. 20, 1989, then-Sen. Al Gore, Jr. brought an aging Armand Hammer as his honored guest to the Presidential inauguration of George Bush. They sat in a special section reserved for members of the U.S. Senate.

But the message was not lost for lack of repetition. Already, several conservative pundits have made reference to the vice president's embarrassing "family ties" to the Red Capitalist. According to well-placed GOP sources, when the



*The late Armand Hammer: He was not the “lone ranger” that biographer Epstein portrays him to be.*

appropriate moment arrives, certain Republicans are ready to “drop the hammer” on Al Gore, Jr.’s future political ambitions.

### **Hatchet-job, not history**

*Dossier* is a well-researched, take-no-prisoners hatchet job on Armand Hammer. But, it is not real history. The author, who earned himself a reputation as the de facto publicist for many years for the late CIA counterintelligence chief James Jesus Angleton, was able to access a great deal of previously classified U.S., British, and *Russian* archives. He was also able to tap into a long line of bitter Hammer associates, who had been used, abused, and robbed by the late Red Capitalist.

But Epstein ignored some of the most tantalizing, often paradoxical leads. Epstein portrayed Hammer as an evil lone ranger, whose institutional ties traced only to Moscow. There was never a mention of the heavy London and Wall Street backing for the Bolsheviks, or the role of such prominent figures as Averell Harriman, S.G. Warburg, and the National City Bank and DuPont Chemical complex at 120 Broadway, in New York City — which propped up Lenin through an operation known as “The Trust.”

Especially egregious, was Epstein’s failure to draw out

the intimate ties between Julius Hammer and two other prominent turn-of-the-century American communists, Jay Lovestone and Bertram Wolfe, whose ties to Anglo-American intelligence circles — before, during, and after their tangos with Lenin and Stalin — demand serious consideration.

### **Lenin’s bagman**

Armand Hammer was born on May 21, 1899 in New York City, the first son of Julius and Rosa Lipshitz Hammer (Rosa had a son, Harry, by a previous marriage). He was named after the “arm and hammer” symbol of the Socialist Labor Party, which Julius Hammer had helped found, along with Daniel DeLeon. Two years later, Armand Hammer’s younger brother, Victor, was born.

Julius Hammer had obtained a degree from a two-year medical program at the Columbia College of Physicians and Surgeons, and had opened a string of drug stores. Julius, according to Epstein’s account, poured all the business profits into the Socialist Labor Party, through his mentor, Boris Reinstein, who owned a string of drug stores in Buffalo, New York. As the result, Hammer’s pharmacy business went bankrupt.

In 1907, Reinstein brought Julius Hammer to the Seventh Congress of the Socialist International, which was held in Stuttgart, Germany. There, Julius was introduced to Lenin, and was recruited to the core group that would organize Lenin’s networks in the United States. After Stuttgart, Hammer created the Allied Drug and Chemical Co., to serve as a business front and money source for the Lenin underground in America. Bertram Wolfe described Julius Hammer as “the most discreet and able of Lenin’s men of confidence.”

In November 1917, when the Bolsheviks seized power in Russia, Lenin dispatched Ludwig Christian Alexander Karlovich Martens from London to New York. Martens headed the Russian Soviet Government Bureau (the United States did not recognize the Soviet government for more than a decade) out of offices at 110 West 40th Street in Manhattan; Julius Hammer was named “commercial attaché.” In reality, Hammer was the fence for stolen diamonds and other loot smuggled into America to help bankroll the nascent Soviet intelligence operations.

### **Julius takes the fall**

The summer of 1919 was a busy period for Julius Hammer. He, along with Ben Gitlow, had been assigned to create a Bolshevik party in the United States. Indeed, the two men were expelled from the Socialist Party for agitating for Lenin; they formed the Communist Labor Party and, shortly afterwards, the Communist Party U.S.A.

Then, on Aug. 12, 1919, the roof caved in on Julius Hammer. To fulfill his fundraising chores for Moscow, he had been running an underground abortion clinic. Marie Oganessoff, the wife of a Russian diplomat, died, as the result of a botched abortion performed at Hammer’s clinic. The abortion, accord-

ing to Epstein, was performed by Armand Hammer, who at the time was studying medicine but had not yet obtained a license. Julius Hammer was convicted of performing the fatal, illegal abortion. On June 20, 1920, he was sentenced to three-and-a-half to 12 years in Sing Sing Penitentiary.

A few months later, Martens was expelled from the United States back to Russia. He retained responsibility for Lenin's operations in the United States under the cover of the Commissariat of Foreign Trade. In March 1921, Martens offered Allied Drug and Chemical Co. one of the first concessions to do business in Soviet Russia. With his father in jail, Armand Hammer made arrangements to travel to Moscow to work out the details. He set sail for England on July 5, 1921.

Arriving there at Southampton on July 13, he was detained by Scotland Yard—at the request of J. Edgar Hoover. After several days of interrogation, Armand Hammer was released, and he continued on to Berlin. On July 31, Hammer disappeared. He surfaced in Riga, Latvia, several weeks later, and was smuggled across the border by Boris Mishell, one of his father's longtime contacts in Lenin's inner circle.

On Oct. 22, 1921, Hammer had a personal audience with Lenin. Hammer was given the first Soviet foreign concession—the exclusive rights to mine asbestos near Sverdlovsk, in return for shipping American wheat to Russia. The concessions program was run by Feliks Dzherzhinsky, the infamous head of the first Soviet secret police agency, the Cheka. Lev Mironov, Dzherzhinsky's top counterintelligence officer, was in charge of the concessions.

Among the early “business” deals Hammer extracted from Moscow, was the exclusive concession to sell money orders in the United States that would be redeemable by relatives back in Russia. The operation was run in New York City through the National Bank of the Soviet Union, according to Soviet archives obtained by Epstein. Hammer was given \$75,000 in cash by the Cheka, to pass on to the Communist International (Comintern) underground in America, and a personal letter from Lenin. On Dec. 4, 1921, Armand Hammer arrived back in New York City.

He soon changed Allied Drug and Chemical Co. to Allied America Corp., of 165 Broadway. His main bank accounts were maintained at Midland Bank in London. Soon, Allied American had offices in London, Berlin, Riga, Kiev, Petrograd, and Moscow. The Moscow office, a gift from the Soviet government, was a four-story building that had once housed the famous Fabergé works, which produced precious art for the tsars and Russia's *nomenklatura*. Hammer's account at Midland Bank in London served as a conduit for Comintern funds, which included kickbacks to Moscow on all of Hammer's concession deals.

By July 1, 1922, Hammer was back in Europe, en route to Moscow. In October, workers at the Hammer asbestos mining concession went out on strike. Hammer's Cheka sponsors responded by dispatching troops to quell the workers' revolt; when the train carrying the troops was delayed, Hammer went

into a rage, and the rail official responsible was summarily executed. The strike was eventually crushed, but the asbestos mine continued to be a losing venture. Allied American posted \$20,000 a month in losses, a considerable sum of money in 1922. In December, with pressure building on him to keep up the failing business operations, and to maintain the money-laundering program, Armand Hammer had a nervous breakdown. When word got back to Julius Hammer, he pressed for early release from prison. By April 5, 1923, Julius Hammer was free—he even obtained permission to travel to the Soviet Union to take charge of the family business, a rather strange turn of events, given that this was the period of the Palmer Raids and a general crackdown against “Bolshevik agents” operating in the United States.

According to Epstein, shortly after Julius Hammer's arrival in Moscow, he was visited by Jay Lovestone, his long-time ally, now a top figure in the Communist Party U.S.A. Hammer reportedly explained to Lovestone that he was working on special projects for the OGPU, the successor to the Cheka, and, therefore, had to “create a firewall between himself and the CP.” Indeed, the Hammer businesses were, by 1923, an integral part of the international money-laundering structures of the Communist International. Money conduited through the Hammer accounts at Lloyds Bank in London bankrolled the CPUSA newspaper, the *Daily Worker*. The overall effort was run by Genrikh Yagoda, the chief of the economic directorate of the OGPU.

When Lenin died in January 1924, and Stalin consolidated power six months later, the OGPU recommended that the Hammers continue as conduits of Comintern cash, but under tighter Moscow direction.

At this point, some heavy decision-making was required of Moscow. Hammer's venture in asbestos mining had been a failure. In fact, almost every one of the concessions that had been granted by the Soviet government wound up as money-losing ventures. For Moscow, Hammer's business failures had to remain a state secret, covered over by a flourish of propaganda, hailing the Hammers as capitalist entrepreneurs who had gambled, and profitted, on the Soviet “workers' paradise.”

To buy time to cover the losses and keep up the propaganda front, the Soviet government decided to grant the Hammer family a concession to manufacture pencils. All of the necessary machine tools, and access to lead, wood, and so on, were provided by the Soviet regime; and, the Hammers, indeed, became the largest supplier of pencils in the Soviet Union. However, by 1929, three years after the pencil concession was up and running, no dent had been made in the overseas debts of Allied American. Ultimately, the Soviet government issued \$500,000 in state bonds to allow Hammer to retire his foreign debt.

It was a prelude to the next phase of Hammer's tango with the Soviet *nomenklatura*.

As part of his operations inside the United States, Hammer

had set up L'Ermitage Galleries in New York City, in 1925. Now, under direction from Stalin, Anastas Mikoyan was assigned to generate badly needed foreign hard currency by selling off precious works of Russian art that had been confiscated by the Bolsheviks from the Romanovs and other wealthy Russian families who had ended up on the losing side in November 1917.

Armand Hammer arrived back in New York City, with a contract from Mikoyan to sell Russian art, in return for shipping beerbarrel staves to Russia. To explain away how he came upon his collection of precious Russian art and jewelry, Hammer wrote an autobiography, which was published in 1932 under the title *The Quest for the Romanov Treasures*, with an introduction by *New York Times* Moscow correspondent Walter Duranty. The book was a total fabrication. Hammer claimed that he had sold his highly profitable Allied American Corp. for \$1 million, and had devoted the money to purchasing 15 of the Fabergé eggs and other Romanov art works. In fact, Allied American was bankrupt; and most of the Fabergé eggs that Hammer brought to America were high-grade Soviet forgeries. Hammer had one of the original stamps from the Fabergé works, which he used for decades to “authenticate” the Soviet forgeries, so there is no doubt — according to Epstein’s account — that Hammer was a witting player in the Soviet art forgery program. To avoid the careful scrutiny of people in the New York art world, Hammer came up with an innovation. He took his Russian art collection, and toured the United States, selling the art at department stores. Hammer used the few genuine Fabergé eggs that he had brought from Russia, courtesy of Mikoyan, to generate cash and cultivate his initial connections with the New York City upper crust. Among his clients for the genuine articles were Malcolm Forbes, Dorothy Pratt, and Marjorie Merriweather Post.

Years later, Hammer would expand his “art” business, by creating the Armand Hammer Foundation, with money he illegally siphoned from Occidental Petroleum, to amass a collection of genuine old masters and other great works of art. But for Hammer, great art would always be a prop, a means to an end. One prominent art world figure would comment, “Armand Hammer knew and cared as much about art as Al Capone.”

## Hammer and Lansky

J. Edgar Hoover had opened a file on Armand Hammer in 1921, on the eve of Hammer’s first voyage to the Soviet Union. In 1933, however, the United States normalized relations with the Soviet Union, and interest in Hammer’s Comintern dealings temporarily abated. However, during this period, Hoover began receiving reports that Hammer was tied to the mob, through an outfit called King Breweries. Hammer, according to the reports reaching the FBI, was paying inflated prices to mob front companies for the beer barrel staves that he was shipping to Moscow, ostensibly in return for the precious works of art he was selling in America. During the Hitler-

Stalin Pact, the FBI suspected that the beer barrels were being used to smuggle Mexican oil to the Nazis to aid in the military build-up.

In 1943, Hammer went into the whiskey business, obtaining one of the few permits granted at the time to produce alcohol for non-military purposes. His United Distillers turned a handsome profit, in a business dominated by the National Crime Syndicate dating from the time of Prohibition. In February 1953, Hammer sold United Distillers to Shenleys Liquor, owned by a longtime Lansky and Roy Cohn compatriot, Lewis Rosensteil. Elsewhere in the book, Epstein reported that, in April 1953, right after the United sale, Hammer had gone on a tryst to Havana with a mistress, Bettye Murphy, and that they had spent time at the Tropicana Hotel and Casino, where “Hammer knew the owner, Meyer Lansky.”

At the time of the Havana jaunt, Hammer had already been divorced from his first wife, Olga, whom he had met in the Soviet Union, and was married to a wealthy New Jersey socialite, Angela Carey Zevely, who was on social terms with President Franklin Roosevelt. Hammer had married Zevely just days after his divorce from Olga, in December 1943. On Jan. 19, 1956, he divorced Angela, but he did not marry Bettye Murphy, who was carrying his child. Instead, on Jan. 25, 1956, he married Frances Barrett Tolman, a wealthy widow who had inherited over \$8 million. With her money, he arranged a sham marriage for Bettye Murphy, in Mexico, and paid off all of his back debts. He then purchased a controlling block of stock in Occidental Petroleum. It was enough control to allow Hammer to have himself named chairman and president. Hammer obtained undated, signed letters of resignation from all the corporate officers, a violation of Securities and Exchange Commission law, and proceeded to turn Occidental into his personal business-political vehicle and piggy bank.

## Libya and P-2

In 1964, Hammer entered the play for oil drilling concessions from the Libyan government of King Idris. Idris announced that Libya would be taking bids on 85 oil concessions. Hammer targetted two sites, believed to be the largest untapped sources of Libyan oil. At first, Hammer turned to the Lansky organization for help. According to Epstein’s account, Hammer arranged for Herbert Allen, of Charles Allen and Company (Meyer Lansky’s Wall Street brokerage house), to arrange a personal introduction to Omar Shelhi, the adopted son of King Idris and the man in charge of the oil concessions. Allen’s intermediaries failed to deliver, and Hammer turned to other channels.

He was introduced to Hans-Albert Kunz, a Swiss “businessman” who would later surface as a member of the Propaganda-2 Freemasonic Lodge in Italy. P-2 was run top-down by the Duke of Kent, a member of the British royal family and a top official in British Masonry. The P-2 lodge was, for decades, in the middle of an arms-for-drugs apparatus that involved leading figures in the “Black International.” The

head of P-2, Licio Gelli, had been a wartime operative for Mussolini and the Italian Fascists, who was also widely believed to have been closely tied to Soviet intelligence services. Muammar Qaddafi was allied with P-2.

Kunz was, according to *EIR* investigations, an important figure in the P-2 orbit. In 1982, he ordered Roberto Calvi, the head of Banco Ambrosiano and a leading P-2 operative, to report to London, following the collapse of the bank and the public exposé of the lodge's role in international money laundering and "Black" terrorism. Calvi was found dead, hanging from Black Friar's Bridge in London, in what was widely characterized at the time as a ritualistic murder.

Epstein does not so much as mention the Kunz/P-2 connection, but provides a detailed profile of the intimate ties that developed between Hammer and Kunz.

In 1964, Kunz, along with a Swiss-based Azerbaijani businessman named Kemal Zeinal Zade, who was close to one of the KGB's top Islamic operatives, Haider Aliyev, entered into an arrangement with Hammer that would continue until Hammer's death. The duo promised to "deliver" Omar Shelhi, and assure Occidental's winning of the two prize oil concessions.

And, they delivered. On Feb. 27, 1967, after several years of delays, Occidental Petroleum was granted the two contracts. Shelhi's take: \$2.8 million in cash, and 3% of the gross price of the oil pumped and delivered to market.

When Qaddafi staged a military coup against King Idris several years later, Hammer would cut off Shelhi; still, he made good on his obligations to Kunz and Zade, and used their IMEG Management account at Union Bank of Switzerland as his personal slush fund. Through IMEG, Hammer was robbing blind his own company. Courtesy of the Kunz/P-2 apparatus, Hammer was able to survive the overthrow of King Idris. On Sept. 1, 1970, Hammer's contracts for the two concessions were continued—under only slightly less lucrative terms.

## **Richard Nixon**

When Richard Nixon was inaugurated President on Jan. 20, 1969, Armand Hammer was in the VIP section at the ceremony. According to Epstein, to prepare for the new flurry of East-West diplomacy, Hammer purchased Tower International from Pugwash Conference founder and leading one-world federalist Cyrus Eaton. In addition to his "discreet" and long-term "business ties" to the Soviet Union, Hammer soon created his own version of Pugwash, the annual Armand Hammer Conferences on Peace and Human Rights based in Oslo, Norway.

General Secretary Leonid Brezhnev had placed his KGB chief, Yuri Andropov, in charge of détente, and Andropov, in turn, assigned Mikhail Bruk, a high-level Soviet intelligence officer who had been assigned as a translator to all of the Pugwash conferences, as Hammer's personal "facilitator" in Moscow. Hammer moved immediately to revive all of his

ambitious business projects in the Soviet Union, once détente was in full swing; and, Bruk opened all of the appropriate doors.

Back in Washington, Hammer was able to negotiate a \$180 million Export-Import Bank loan guarantee, with Ex-Im President William Casey. It was the first such loan to a Soviet project, and Nixon had to personally approve a national security waiver.

Hammer had endeared himself to Nixon through a \$100,000 cash donation to the Committee to Re-Elect the President (CREEP). The bulk of the money was delivered after the new election law had gone into effect, barring such large contributions to a federal campaign. Hammer would eventually be prosecuted for the payoff, and would negotiate a plea agreement. Years later, on Aug. 14, 1989, shortly before his death, and as Hammer was obsessively lobbying to be given the Nobel Peace Prize, President George Bush pardoned Hammer. On Jan. 20, 1989, Hammer had turned over a check for \$110,000 to the Republican National Committee.

Hammer's campaign for the Nobel Peace Prize had also provided the occasion for him to cultivate close ties to Prince Charles. Hammer, after failing to win former President Jimmy Carter's endorsement for the prize, wooed Margaret Thatcher. Hammer decided that he stood the best chance of winning Thatcher's backing by developing a close relationship with the Prince of Wales. Hammer began pouring Occidental's corporate money into some of the Prince's favorite "charities," including the World Wildlife Fund and United World Colleges, a project launched by Prince Charles in 1962 to create a string of schools based on the methods of Kurt Hahn, the founder of Outward Bound. In 1982, Hammer bankrolled the founding of the Armand Hammer United World College of the American West, at a renovated castle in Montezuma, New Mexico.

The Thatcher sponsorship never materialized. Ironically, the man who ultimately placed Hammer's name in nomination with the Nobel Committee, was Israeli Prime Minister Menachem Begin. During his entire life, especially after he got the oil concessions with Libya, Hammer had done everything he could to conceal the fact that he was Jewish.

Hammer died on Dec. 10, 1990. His estate turned out to be worth under \$40 million, most of which he had stolen from his brother's estate (leaving Victor's heirs penniless), and from his late wife Frances. As Hammer's personal staff rushed to remove boxes of financial records from Hammer's mansion, attorneys for his late wife showed up with court orders to block their removal. They were in court, suing Hammer for theft of Frances Barrett Tolman's fortune, including the house.

It may be that Vice President Gore's personal involvement with the late Armand Hammer was of little consequence. But, the drumbeat is on; and the sins of Gore's father will surface, sooner or later, as a matter of public scrutiny—thanks, in part, to Katharine Graham.

## Federal court review comes under attack

On May 14 and 15, the House Judiciary Committee Subcommittee on Courts and Intellectual Property held hearings on a proposal that would severely restrict the Constitutional function of Federal review. The bill is a pet project of Judiciary Committee Chairman Henry Hyde (R-Ill.).

Hyde's bill, co-written by Charles Canaday (R-Fla.) and Sonny Bono (R-Calif.), would prohibit a Federal judge from overturning a state referendum on Constitutional grounds (and requires that such cases be heard by a three-judge panel), requires that complaints against a Federal judge be heard in a circuit outside the one where the complaint is lodged, and would prohibit any Federal judge from issuing an order that would have the effect of forcing a state or local government to raise taxes. Hyde and others who back this bill claim that these measures are needed to prevent judges from legislating from the bench, which the Conservative Revolutionaries label "judicial activism."

On the opposing side, Barney Frank (D-Mass.) denounced those ideologues who "find some aspects of the American Constitution, as they have been interpreted, annoying. They interfere with things that they would like to do." And, to show that he believes in the sanctity of state referendums, Frank announced that he would be offering a bill to support the referendum in California in favor of the so-called medical use of marijuana.

The arguments of John Conyers (D-Mich.) and Mel Watt (D-N.C.) were more useful, in that they pointed out the importance of the Federal courts in helping dismantle the system of segregation in the 1950s. Conyers

said that what is out of control is not the Federal Judiciary, but rather the Congressional judiciary committees, which have debated "every Constitutional amendment that is totally useless."

## Kerry says nations lag behind organized crime

In an op-ed on May 11, based on his just-released book *The New War: The Web of Crime that Threatens America's Security*, Sen. John Kerry (D-Mass.) wrote that the United States and most other nations are lagging behind the new, global organized crime menace. Kerry, who chaired the mid-1980s Foreign Relations subcommittee that probed the Oliver North Contra cocaine connection, described a new coalition of "five principal powers," the Italian Mafia, the Russian mobs, the Japanese yakuza, the Chinese triads, and the Colombian cartels, that have forged working arrangements that outstrip existing law enforcement countermeasures.

Kerry cited specific examples of international crime conventions, like the series of meetings in the summer of 1992 in Prague, Warsaw, and Zurich, involving leaders of the Russian and Italian mobs. He placed particular emphasis on the money-laundering aspects of the new international crime syndicates, and called for improved bilateral and multilateral cooperation. "We could refuse to allow pirate financiers to move currency through the U.S., or impose customs limitations on their trade and search all their cargoes, or forbid Americans to do business there. . . . We must insist that the electronic movement of capital be regu-

lated far more strictly. The technology is available to monitor all electronic money transfers. But bankers, although they pretend otherwise, aren't doing all they can to identify the sources of money crossing their threshold."

## Wellstone speaks on America's 'quiet crisis'

On May 14, Sen. Paul Wellstone (D-Minn.), in a luncheon address to the National Press Club, warned of what he termed a "quiet crisis," though not a "broad economic calamity," in America, a "crisis of money, power, and injustice, a crisis of a nation in danger of abandoning the principles of equality and justice that are so fundamental to our resilience, that are indeed the very meaning and purpose of America."

Wellstone warned that American society is becoming more stratified as a result of the changes in economic policy of the last 25 years. There are two kinds of America, he said, "one with mounting access to things that make life richer, and the other caught in a constant struggle to make ends meet. . . . This second America is not just inhabited by a poor neglected minority. It is, in fact, the residents of the American majority, the homeland of most of our workers, most of our families, most of our children, and it is precisely this America that the budget agreement failed to serve fully and fairly."

Wellstone attacked the tax cuts included in the budget agreement, and gave a warning to the Democratic Party. "Reducing taxes on capital gains and on inheritance is a high price to pay for the modest help now promised to the rest of America," he said.

"If this balanced budget agreement is to be the great accomplishment of eight years of a Democratic Presidency, then history will judge us sharply. . . . This agreement is really a triumph of the past rather than a bridge to the century to come."

He continued, "Since Lincoln, every national leader of historic stature has seen the improvement in the living conditions of all Americans as among the principal tasks of government." He quoted Franklin Roosevelt, asking, "And what do we mean when we talk about the reduction of poverty? We mean the reduction of the causes of poverty. But today, we have lost our way, stripping the most helpless among us of desperately needed assistance, without taking the realistic steps that are necessary to offer gainful employment to those who can make their own way."

Wellstone singled out for attack the Mandevillean notion that private vices make for public virtues. He said, "The framers [of the U.S. Constitutional system] warned that the boundaries between economic and political power must be strictly guarded against the ascendancy of what Madison called faction, or what we know as special economic interest. . . . This is a warning that public power must restrain the natural tendencies of private power to aggrandize itself."

Wellstone concluded by announcing that he would be touring the country, beginning with the Mississippi River Delta, as Robert Kennedy did 30 years ago, "to observe the face of poverty, not from behind a Senate desk, but in the streets, villages, and neighborhoods of those in distress. I hope to dramatize their plight and to reveal for our fellow citizens the face of poverty as it exists today."

## **D**isaster aid bill faces veto threat

On May 15, the House passed the emergency appropriations bill (passed one week earlier by the Senate) that includes \$5.5 billion for natural disaster recovery and \$2 billion for peace-keeping costs in Bosnia and elsewhere. This funding is to be paid for by rescinding equivalent amounts of funding from other parts of the fiscal year 1997 budget.

However, the bill may face a veto threat, because it also contains what Joe Moakley (Mass.), the ranking Democrat on the Rules Committee, called a "poison pill," the permanent continuing resolution that the Republicans have been insisting on, that would keep the government funded in the event the Congress does not finish all the appropriations bills before the end of the fiscal year on Sept. 30. That provision was added by an amendment sponsored by George Gekas (R-Pa.) and was approved by a straight party-line vote of 227-197.

One of the other big issues was funding for the Women, Infants, and Children (WIC) nutrition program. The House bill originally provided only \$38 million for WIC, but this was increased to \$76 million with an amendment, approved by an overwhelming vote of 338-89, sponsored by a group that included Republicans Marge Roukema (N.J.), Frank Riggs (Calif.), and Jack Quinn (N.Y.). (In fact, the procedural vote required before the bill could go to debate was delayed because of a dispute over who should get credit for that particular amendment.) The day after the bill was approved, the House passed a motion to instruct the House members of the conference committee to insist on the House provision, because the

Senate version only provides \$58 million for WIC.

## **C**linton, Republicans work out budget details

Consensus was reached on the details of the budget agreement between the Clinton administration and the House and Senate Republican leadership on May 15. The agreement put on paper the details of the fiscal year 1998 budget plan that the two sides agreed to two weeks earlier.

According to documents released by the House and Senate Budget committees, the agreement will lead to a balanced budget by the year 2002 and extend the solvency of Medicare by ten more years, and incorporates a package of tax cuts that includes a \$500 per child tax credit, cuts in capital gains and estate taxes, and a college tuition tax credit insisted upon by President Clinton, all of which will add up to about \$250 billion. It reduces total Federal spending growth by \$961 billion over ten years, and reduces growth in non-defense discretionary spending to about 0.5% per year.

In a press conference announcing the agreement on May 16, Senate Budget Committee Chairman Pete Domenici (R-N.M.) said that all the items that both sides agreed were priority spending items "will be implemented as priority items." The remainder of the spending is to be handled by the Appropriations subcommittees "as they see fit."

Both the House and Senate moved quickly after the agreement was announced. The Senate Budget Committee approved a resolution on May 19, and the House voted up a budget resolution on May 20.

# National News

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## Washington State says, food urgent for N. Korea

Washington State's Secretary of State Ralph Munro, following a week-long trip to North Korea, has issued a call for the international community to act quickly to help keep millions of Koreans from dying of starvation this summer. "The country is out of food, there is hunger everywhere," he said. Munro said he was "shocked" to learn that a group of schoolchildren who sang for him were not 3 to 5 years old, but were actually between the ages of 6 and 9, and showing signs of stunting due to malnutrition.

The May 9 *Seattle Post-Intelligencer* printed more than two pages on the North Korean famine, and the potential for serious destabilization or war. The coverage also emphasized how the lives of every Washington State resident would be affected. In addition to tens of thousands of military personnel who would be the first to ship out in a crisis, more than 700,000 of the state's 2.8 million jobs are directly or indirectly dependent upon international trade. South Korea is the second largest trading partner in the world for Washington, after Japan.

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## Sen. Hollings objects to FBI's global police role

Sen. Ernest Hollings (D-S.C.) raised strong objections to the posting of increasing numbers of FBI agents overseas, during a Senate Appropriations Committee hearing on counter-terrorism on May 13. Much of the hearing was devoted to explanations by the heads of the FBI, Justice Department, and CIA about how well they are all coordinating their counter-terrorism efforts.

During his round of questions, Hollings said that there is a "misplaced coordination" regarding overseas operations. Citing his own experience with the CIA in the 1950s, and then with the FBI, he said that the problem of coordination is not "the coordination between the love-in that the director of the CIA and the director of the FBI are having,

but it's the coordination with the host country."

Citing the case of Mexico, Hollings continued, "I wouldn't countenance five minutes of a Mexican agent coming up here to enforce the law on drugs. And why should Mexico, in turn, countenance any DEA [Drug Enforcement Administration] agents or otherwise running around Mexico enforcing laws? It makes them look like a second-rate country. It's the arrogance of the United States. I happen to agree with Mexico on that point." Hollings added that the primary role of intelligence-gathering overseas should remain with the CIA, "not with FBI agents running around."

Attorney General Janet Reno responded that the CIA is not trained to develop evidence that is admissible in U.S. courts. "When a man can sit in his kitchen in St. Petersburg, Russia," she said, "and steal by his computer from a bank in New York City, we have got to have a law enforcement capacity that can make sure that those people are held."

Hollings interrupted her to ask if "we should have an FBI officer there, ready at St. Petersburg . . . to arrest him?" Hollings said that the State Department has the primary responsibility for terrorism overseas. "And I'm trying to get that coordination because that goes right to the heart of the foreign policy of the United States. We're trying to make friends. We're trying to hold some alliances together. But we're not going to do it if we have that FBI agent roaming around in St. Petersburg looking for crime."

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## Motion submitted to free Susan McDougal from jail

An attorney for Whitewater victim Susan McDougal filed papers in Federal court in Little Rock, Arkansas on May 19, arguing that she should be released from jail, where she is being held for contempt of court—aside from her conviction in the Whitewater witch-hunt—because she has refused to testify or cooperate with Whitewater special prosecutor Kenneth Starr. Attorney Michael Kennedy argued that McDougal has endured conditions as harsh as any inmate in America, yet she stands firm in her refusal

to testify.

Ironically evoking the medieval doctrine, that persons accused of witchcraft must submit to torture until they confess, Kennedy declared, "The question for the court is how much more public torture will we cause to be inflicted on Susan McDougal before we say: 'Enough! The witch will not confess?'"

Her brother, Jim Henley, replying to messages of support sent to McDougal during her 300 days in prison, has written that, for her "crime of silence," she remains "in an isolation cell in a jail for violent criminals, the Sybil Brand Institute in Los Angeles. Susan is steadfast in her belief that the investigation by Kenneth Starr is not interested in the truth. . . ."

"Susan has served the longest sentence of anyone charged by the State of Arkansas for civil contempt. She remains locked-down in an area of the jail reserved for murderers and child abusers—and they have more privileges to move around, see visitors, or go outside than she does. Susan has been subjected to strip searches, shackled, handcuffed to a filthy toilet, and even denied the right to participate in religious services or have a Bible."

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## Legalized gambling now a \$500 billion operation

The rapid spread of U.S. state lotteries, licensed casinos, and related forms of legalized gambling, has led to an explosion in the amount of money wagered—from \$17 billion in 1974, to \$330 billion in 1992, to over \$500 billion in 1995, according to various estimates. Thirty-eight states now have lotteries; and casino gambling is legal in 23 states, putting 75% of the U.S. population within 300 miles of a casino.

The Council on Compulsive Gambling of New Jersey, which maintains a nationwide help hotline, reports that in 1995, calls to the hotline increased 86%; that the average gambling debt of the callers was \$28,315, compared with an average annual income of \$33,410; and that 11% of the callers were unemployed—the second-highest "occupational" category after sales. State lotteries, widely promoted as a quick fix for



budget deficits, pay an average of only 34¢ in revenue for every dollar wagered. Some of the states have also been caught timing their lottery advertising blitzes to coincide with the mailing of Social Security and welfare checks.

State lotteries, moreover, are run by private corporations, whose directors are typically drawn from the ranks of Anglo-Dutch and Wall Street financiers. According to the May 19 issue of the *New Republic*, the board of GTECH Holdings Corp., of West Greenwich, Rhode Island, which operates 29 of the 38 state lotteries, includes Britain's Lord Moore of Lower Marsh, a member of the Queen's Privy Council and a former cabinet minister (1987-89), who chairs several Cr dit Suisse investment subsidiaries as well. The GTECH roster also features Anthony Ruys, a member of the executive board of Heineken; a chairman of a subsidiary of the Donaldson, Lufkin & Jenrette investment bank; and a former official of R.H. Macy & Co.

## Advisory panel says U.S. must fund maglev systems

The Clinton administration's Maglev Advisory Committee, appointed to help design a U.S. program for magnetic levitation rail systems, has recommended that Federal funds be provided to finance pilot projects for the revolutionary transportation technology. The committee's formal report will be submitted in June, but Transportation Secretary Rodney Slater had asked for an earlier indication of their recommendations, because debate has begun on reauthorization of the six-year Surface Transportation Act. None of its current versions provides funding for maglev demonstration.

A May 1 letter to Secretary Slater from the Maglev Advisory Committee, made available to *EIR*, reminds the secretary that the Federal government has played a "catalytic" and decisive role in introducing new modes of transportation technology in the United States, for waterways, rail systems, Federal highways, and airports. It points out that airport flight delays and congested highways "remind us continually that we are straining the capacity of our present trans-

portation system."

"Maglev is *not* the next generation of high-speed rail," the letter declares. It is an entirely new mode of transportation, due to its top speed of 350 miles per hour; rapid acceleration and deceleration, which allows for more frequent stops; climbing, tilting, and turning capabilities which enable it to adapt to existing rights-of-way; and separately powered vehicles, which will maximize point-to-point service. The advisory group recommends that two or three pilot projects be built, which could later be extended to form networks of maglev systems — at least one each for the Atlantic and Pacific coasts.

The advisory committee's letter states that the projects should give "the new mode the national visibility necessary to provide the foundation for a major new Federal program." Some members of the committee have been fighting for this visibility for nearly 20 years.

## Shutdown of Ex-Im Bank could cost 600,000 jobs

Efforts by the Conservative Revolutionaries in Congress to shut down the U.S. Export-Import Bank by not renewing its charter, could deal a major blow to the U.S. economy, according to a report by the Economic Strategy Institute released on May 13. The report projects the United States would lose \$40 billion in trade, \$119 billion in Gross Domestic Product, \$23.9 billion in tax revenue, and 600,000 jobs in the next ten years, without the Ex-Im Bank's credits and loans to assist U.S. international trade.

In response to a reporter's question about the motives of the bank's opponents, Lawrence Chimerine, one of the authors of the new study, slammed their penny-wise, pound-foolish mentality: "What motivates the argument by the critics, I think, in some cases—in most cases, it's pure ideology. As I said earlier, a lot of the people we spoke to, who criticize the bank, in many cases, they don't even know what the bank does! How they operate. Why they exist. How long have they been here? So, again, as I said, it is a combination of budget and ideology."

**THE ALABAMA STATE** legislature voted on May 19 to create a joint interim committee to study a \$300 million "Black Belt Infrastructure Development Project," with funding from a securities transfer tax. The plan would build and repair roads, sewers, and water systems in Alabama's 10 poorest counties, rural areas with a predominantly African-American population, where the average unemployment rate is 12%.

**PRESIDENT CLINTON** declared that a vaccine against AIDS should be science's "first great triumph of the 21st century," during his May 18 commencement address at Morgan State University in Maryland. Clinton announced that a new AIDS vaccine research center will be created within the National Institutes of Health, to develop such a vaccine within ten years.

**EXECUTIONS IN TEXAS** are at a record pace under Gov. George W. Bush. Daily executions scheduled for May 19-22 pushed this year's total to 23, already topping the record of 19, set during all of 1995. The judicial bloodbath follows a recent ruling by the Texas Court of Criminal Appeals, upholding a state law designed to limit the appeals process.

**AMERICAN JEWISH** groups are reducing their financial support to Israel. The San Francisco Jewish Federation will cut its annual contribution this year from \$6 million to \$5 million—reportedly in response to an Israeli bill to make Orthodoxy the only recognized form of Judaism. Jewish federations in Boston, Newark, Cleveland, and several Florida cities are also cutting donations to the United Jewish Appeal.

**U.S. DRUG POLICY** Director Gen. Barry McCaffrey told the U.S. Conference of Mayors on May 20, "We're not going to arrest our way" out of the drug problem. He decried the growth in the nation's prison population, which now exceeds the size of the U.S. military forces.

# *The media are protecting George Bush*

The national news media have recently been full of gloating coverage of a recent editorial in the *San Jose Mercury News*, by the newspaper's editor, acknowledging that there were some flaws in an August 1996 series of articles by reporter Gary Webb. But before the folks at the *New York Times*, *Washington Post*, and *Los Angeles Times* break out the champagne, let's review the facts.

Last August, Webb authored a three-part series of articles, titled "Dark Alliance," which documented the role of several California-based Nicaraguan Contra officials in spreading crack cocaine on the streets of South Central Los Angeles during the early 1980s, in league with a prominent local drug dealer, "Freeway" Ricky Ross. The Webb series traced the ties of the two Contra officials, Danilo Blandón and Norwin Meneses, to Nicaraguan Democratic Forces (FDN) military commander Col. Enrique Bermudez.

As *EIR* reported at the time, Webb's series contributed an important, added element, to the already-voluminous body of evidence assembled by Sen. John Kerry (D-Mass.), Iran-Contra Independent Counsel Lawrence Walsh, and prosecutors of Lt. Col. Oliver North and others, proving that the Contras were heavily financed through cocaine trafficking. The series provoked a firestorm of news coverage, Congressional hearings, and public protests. Then-CIA Director John Deutch held a town meeting in Los Angeles, to answer the charges. Both the CIA's and the Department of Justice's inspectors general opened investigations. Their findings are due to be released this summer.

But, Webb's articles contained one serious flaw, which *EIR* immediately corrected with the release of a September 1996 *Special Report*, "Would a President Bob Dole Prosecute Drug Super-Kingpin George Bush?" Webb linked the Meneses-Blandón-Ross crack cocaine operations to the CIA. The *EIR Special Report* proved, in fact, that the Contra guns-for-drugs operation was directed out of the White House by then-Vice President George Bush. Under Executive Order 12333 and National Security Decision Directive 3, President Reagan authorized the use of privatized assets to con-

duct U.S. covert operations, and he placed Vice President Bush in charge of the entire covert operations agenda of his administration. Bush ran the Central America program, including the Contra cocaine connection, using his chief national security adviser Donald Gregg, ex-CIA officer Felix Rodríguez, North, and others. Reliable eyewitness accounts, such as those of El Salvador-based Drug Enforcement Administration agent Celerino Castillo, fully corroborated the Bush chain of command over the Contra cocaine pipeline, including the relevant Meneses-Blandón-Ross Los Angeles distribution ring.

The *EIR Special Report* warned that the idea that "the CIA" was behind the Contra-crack cocaine connection was dead wrong, and anyone peddling that line was covering up for George Bush. Unfortunately, even Rep. Maxine Waters (D-Calif.) continued to focus her attention on the CIA.

The editorial by the editor of the *San Jose Mercury News* acknowledging that there were some flaws in the Webb series, was not a repudiation of Webb's work—any more than the *EIR* report was a repudiation of the solid investigative work done by Webb. The *Mercury News* had come under intensive attack, led by the *New York Times*, *Washington Post*, and *Los Angeles Times*, for daring to publish the Contra cocaine story. Each of those papers published thousands of words of copy, attempting to trash the Webb series, using the most shallow of journalistic tricks. They are guilty of staging an all-out cover-up of the role of George Bush in the biggest drug scandal of the 1980s! Compared to that perfidy, Webb's errors of omission are of minor consequence.

At the end of *EIR's Special Report*, the authors published an 18-page drug-kingpin indictment against Bush and others, based solely on government documents and court records. That indictment was blacked out by all of the major daily newspapers, despite its wide circulation in Washington and around the world. However, there is no statute of limitations on those charges. George Bush remains a free man, despite the evidence that he helped usher in the "crack decade." That is the real issue here.

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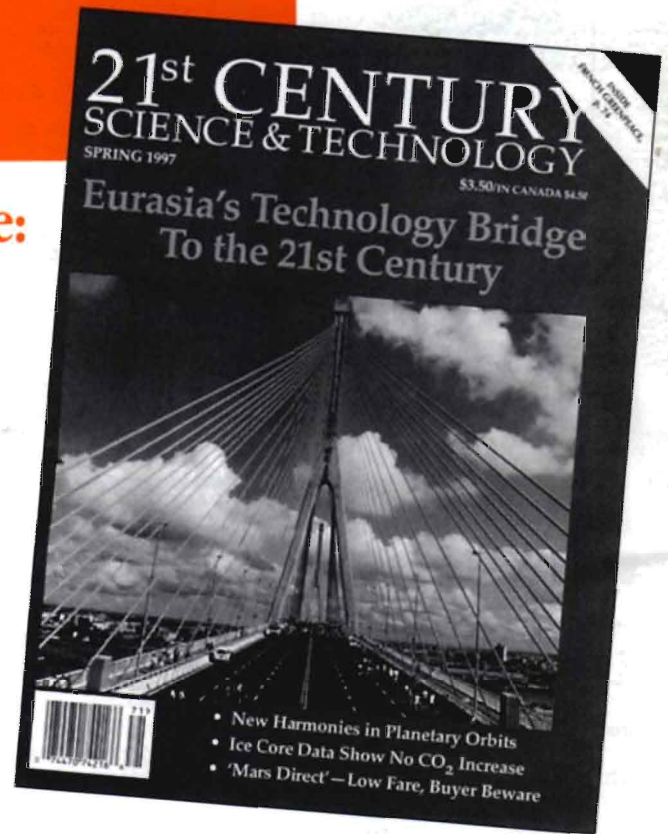
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