

# EIR

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Asian leaders expose crimes of George Soros  
Iran confronts historic challenge  
U.S. strikers reject 'post-industrial' economy

## Global financial crisis: The cookie crumbles



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## From the Associate Editor

The picture on the cover of this issue, is a detail from William Hogarth's 1720 etching of the destruction of London by the South Sea Bubble. "See here," wrote Hogarth, "the Causes why in London, so many Men are made and undone. That Arts and honest Trading drop, to swarm about the Devil's Shop." In the scene at the center, we see Honour (E) and Honesty (D), being punished by Self-Interest (G) and Villany (F). "So much for Mony's magick power," Hogarth concludes.

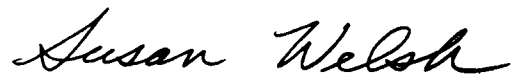
In the South Sea Bubble, an English joint-stock company initiated a scheme which soon created a speculative frenzy, as share prices went through the ceiling, and both rich and poor were drawn into manic buying. Then, in 1720, bankruptcy hit; companies went under, the government collapsed, and many people lost everything they had.

That, in 1720, was how "the cookie crumbled." Today, we face a much more serious catastrophe, unless we act now to stop it (see *Feature*).

The modern-day equivalents of the South Sea swindlers are such degenerates as George Soros—banker to Queen Elizabeth, drug legalizer, and destroyer of nations. See *Economics* for a report by Michael and Gail Billington, on how leading politicians in Southeast Asia are getting wise to Soros, and beginning to fight back.

There is not much time. As even the U.S. media are now admitting, a system-wide financial breakdown crisis is upon us. The solution lies with Lyndon LaRouche's plan for a New Bretton Woods Conference, to bury the bankrupt world financial and monetary system, and to launch a new system which will allocate credit for priority projects in physical economy: infrastructure, industry, agriculture, science, and technology. This will be the theme of the Labor Day conference of the Schiller Institute and International Caucus of Labor Committees.

*EIR's* special feature package on the British "invisible empire" deployed against the nation-state, which we described in last week's editorial, was delayed for a week, due to its size and complexity. It will appear in our next issue.



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## Asian leaders expose George Soros's crimes

by Michael O. and Gail G. Billington

Over the month of July, speculator George Soros, as well as individuals associated with the Bush political apparatus in the Republican Party, have been directly exposed, by leaders of several American allies in Southeast Asia, for both financial crimes, and for overt and covert criminal subversions of sovereign states in the region. Malaysia's Foreign Minister Abdullah Badawi, addressing the foreign ministers conference at the annual ministerial meeting of the Association of Southeast Asian Nations (ASEAN) in Malaysia on July 28, called the speculative June and July attacks on Southeast Asian currencies, led by Soros, the "height of international criminality. . . . It is time that we recognize these actions for what they really are, namely, villainous acts of sabotage."

Malaysia's Prime Minister Dr. Mahathir Mohamad issued a series of stinging attacks, first in Japan, where he identified a "certain powerful American financier . . . who is patron of a foundation," without directly naming Soros. Later, at the ASEAN meetings, he went further, linking Soros's greed to his *political* objectives. Mahathir denounced individuals who were "speculating in currencies to make money for themselves. Sometimes they have a political agenda, and the countries of ASEAN have become their targets." He identified Soros and his "Open Society" organizations as central in the effort to depress the economies of ASEAN, adding that Soros was "known as a man who has tried to use his financial clout in the United States to block Myanmar's admission into ASEAN. It is very difficult to separate the right hand and the left hand. . . . In this case, it is quite obvious there is a convergence."

On July 28, Malaysia's *The Star* newspaper quoted Mahathir referring to the likes of Michael Milken and Ivan Boesky, saying, "When three or four people manipulated the

trading of junk bonds in the United States, causing others to incur huge losses, the authorities arrested and jailed them. But when this happens to us, they define it as an open market situation." He said all countries would remain exposed to the risk of currency sabotage, as long as the international community does not regard it as a crime, adding that "this phenomenon will be repeated, and it is for this reason that we must regard it as a crime."

The Soros-led assault on the Thai currency, the baht, began in February, and culminated on July 2, when Thailand allowed the baht to float (a more than 20% de facto devaluation thus far) after having spent up to \$15 billion, according to unofficial estimates, in a futile attempt to defend its currency. Readers of *EIR* know that Soros timed the attacks in order to punish Thailand for its support for Myanmar's successful military operations against the ethnic insurgents and drug armies—which are supported by British intelligence and by Soros's billions. Soros and his British mentors are desperately trying to prevent the State Law and Order Restoration Council (SLORC), Myanmar's ruling military regime, from establishing central control over the territorial integrity of the country, especially the drug-producing areas of northern Myanmar, which have *never*, since British imperial takeover in the 19th century, been controlled by Yangon (formerly Rangoon). Rather, the British Empire consistently, directly or indirectly, allowed the *open borders* to flourish as zones of drug-production and other illicit trafficking.

### Ring of chaos around China

The ultimate target is China. The British are particularly worried about the increasingly close collaboration between China and the ASEAN nations, which are being integrated

into the massive regional and continental development projects initiated by China under the umbrella of the Eurasian Continental Land-Bridge program. Such real development policies offer the alternative to the cheap-labor, colonial-style export industries of the “globalization” model—the model that has led to the financial bubble now bursting worldwide.

The ASEAN leaders are generally attempting to maintain the myth, at least for public consumption, that their economies are fundamentally sound, and would be fine, if it were not for the speculators. But as *EIR* has documented, the so-called Southeast Asian Tiger “economic miracle” is a chimera, relying on for-export process industries, at artificially depressed wages and skill levels, growth of the service sector, especially financial services and tourism, and financed by increasingly “hot” money flows, particularly fickle foreign portfolio investments, and proceeds from gambling, drugs, and prostitution.

It is, to a certain extent, useful that this myth is now going the way of the “Mexican miracle,” which evaporated after the December 1994 crash of the peso. Nonetheless, it is absolutely the case, that Soros, who represents precisely the British free-trade, libertarian outlook which *created* the “globalization” bubble, is guilty of criminal looting of the ASEAN nations (and many others around the world). The governments of Thailand, Myanmar, and Malaysia have denounced him by name for his deliberate theft of their reserves. Mahathir, however, is the first leader to identify the political motives underlying these crimes.

Soros is not only financing subversive operations in Myanmar, aimed at preserving foreign control of the “open society” of the notorious Golden Triangle, but he is simultaneously financing the equally criminal effort to “legalize” drugs in the United States and elsewhere. The Clinton White House has moved forcefully to counter the legalization campaign, and is investigating the role of Soros in financing the drug legalization referenda passed in Arizona and California in the November 1996 elections, which the administration has worked to reverse.

### **Madeleine Albright’s roadshow**

It is therefore all the more incredible that U.S. Secretary of State Madeleine Albright, State Department spokesman Nicholas Burns, and Undersecretary of State Stuart Eizenstat, rushed to *defend* Soros against the well-documented accusations of the ASEAN leaders. Burns told a press conference in Malaysia on July 27 that the United States “does not think that there is a conspiracy in the speculations over the ASEAN currencies,” and would not “speculate” if George Soros were the man behind it. “We respect him a lot,” Burns said. “Soros has a lot of weight and financial interest in the world.”

Undersecretary of State for Economic, Business and Agricultural Affairs Stuart Eizenstat, muddied the waters further, saying on July 28, “Blaming these events on speculators

is not supported by the evidence. Experience suggests that market movements are not dominated by a small number of currency speculators, let alone one person, who happens to be a U.S. citizen.”

Secretary of State Albright formally announced, during the ASEAN meetings, President Clinton’s policy to respect ASEAN’s decision to welcome Myanmar into the organization, based on Clinton’s agreement with ASEAN that “constructive engagement” and joint economic development are far superior to confrontation and civil war. However, Albright hit the roof following the July 29 speech of Myanmar’s Foreign Minister Ohn Gyaw to the ASEAN Regional Forum, in which he outlined his country’s actions at home and with its neighbors, particularly China and Thailand, to end drug production, which, he said, was a lingering problem since Britain introduced opium poppy. Albright repeatedly launched into tirades against SLORC as a “brutal dictatorship,” which “protects and profits from the drug trade,” only to turn around and openly defend the most notorious proponent of drug legalization in the United States, George Soros.

From the standpoint of the most fundamental interests of the United States, Soros truly is a “pariah,” whose “British” pedigree could not be more sterling: trained at the London School of Economics by recently deceased Sir Karl Popper, Soros keeps his Quantum Fund billions safely offshore in British and Dutch colonies, out of reach of U.S., or other, regulatory authorities, where it serves Queen Elizabeth II, personally, the partners who gave him his start, the Rothschilds, and “the families’ ” political agenda.

At an informal event, marking the close of the ASEAN meetings, Albright trivialized her wrong-headed clash over Soros’s criminality, with the help of her State Department staffers, singing a parody of the song that the rock star Madonna sang equally off-key in the film version of the Broadway hit, *Evita*, “Don’t Cry for Me, Argentina.” The lyrics, reportedly written by Albright, teased that she “called George Soros/ Talked market forces/ Hatched a conspiracy/ The rest is history.” (Appropriately enough, one of Albright’s security guards accidentally shot himself in the foot in the latter phase of the ASEAN meetings. Albright’s self-inflicted embarrassment was *not* accidental, but will have more serious and lasting consequences.)

Asked about the Albright performance in a radio interview with “EIR Talks” on July 29, Lyndon LaRouche commented that “an abortion occurred recently, which was conducted officially, by the Secretary of State of the United States, Madeleine Albright, who in a meeting of East Asian countries with the United States, along with Nick Burns, . . . in a sense, made fools of themselves, . . . defending the speculators, such as George Soros, who are the birds of prey, feeding on the carrion of financial and economic and monetary collapse in these parts of the world. . . . Of course, Mrs. Al-

bright . . . got her job through the Senate Foreign Relations Committee, so to speak, as one of the few candidates that Jesse Helms wouldn't veto, were the President to nominate another candidate, for example."

### **ASEAN's search for regional unity**

The ASEAN nations had originally planned to induct Myanmar, Laos, and Cambodia into the Association at these July meetings, thereby uniting the 10 archipelagic and continental nations of Southeast Asia for the first time. For the past year, the British and their allies, centered in the Washington-based National Endowment for Democracy (NED) and its diversified non-governmental organizations (NGOs), have put increasing pressure on ASEAN to block admission of Cambodia and, especially, Myanmar. These efforts failed, although Cambodia's membership has been temporarily postponed due to the government crisis that erupted in the capital Phnom Penh in early July.

Not only was Myanmar welcomed in, but only a month before the conference, on June 27, SLORC Secretary No. 1 Khin Nyunt stunned a press conference in Yangon, releasing extensive documentation of subversive, even terrorist, acts being directly supported by Americans associated with the International Republican Institute (IRI), the Republican wing of the NED, which is largely controlled by the Bush apparatus in the Republican Party, as well as the Soros-funded networks. In fact, both the IRI and Soros groups, in their literature, openly acknowledge their covert operations within Myanmar, aimed at bringing down the SLORC government in favor of British intelligence asset, Aung San Suu Kyi. Suu Kyi, together with her British husband, Oxford don Michael Aris, participated in British intelligence operations and publications targetting Tibet even before her return to Myanmar from decades-long residence in England in 1988. She has subsequently campaigned for international boycotts and sanctions against her native land.

Gen. Khin Nyunt presented evidence of intercepted telephone calls and testimony of defectors from the National League for Democracy (NLD), Suu Kyi's party, to make the case. Later in July, he met with leaders of the NLD, without Suu Kyi present, the first meeting between SLORC and the NLD since Suu Kyi pulled the party out of the constitutional convention in 1995. He presented the leaders with evidence of Suu Kyi's complicity with foreign institutions bent on undermining the country's development. This effort to isolate the British-controlled Suu Kyi faction within the NLD could well lead to an accommodation between the military and those opposition patriots, who honestly seek to improve the general welfare of the country and its people.

### **Cambodia's right to justice**

Even more dramatic developments, though of a similar type, swept Cambodia into world headlines during the month of July—despite the preponderance of disinformation re-

ported. Since 1993, Cambodia has been governed by a tense coalition of two "co-prime ministers": Prince Norodom Ranariddh, son of King Sihanouk, as first prime minister; and Hun Sen, a former Khmer Rouge leader who broke with Pol Pot over his "killing fields" policy of the late 1970s, as second prime minister. Hun Sen joined in Vietnamese military operations to oust the Khmer Rouge in 1979, becoming Cambodia's head of state between 1979 and 1993, while Prince Ranariddh formed a loose coalition with the Khmer Rouge against the Hun Sen government. The Reagan and Bush administrations, from 1980 to 1991, recognized the genocidal Khmer Rouge-tainted opposition, rather than the Vietnamese-backed Hun Sen. In 1993, Prince Ranariddh won a UN-sponsored election by a narrow margin, but agreed to the "co-prime minister" arrangement with Hun Sen, ending the civil war.

Phnom Penh, however, became a playground for international agencies and NGOs of every stripe, but especially weighted toward "human rights" and "free press." The IRI set up its Asia-wide headquarters there, and cultivated former finance minister and member of Ranariddh's royalist Funcinpec party, Sam Rainsy, as the champion of globalization, free trade, and deregulation. Upon leaving government, Rainsy quit Funcinpec and formed his own, more militantly anti-Hun Sen party, Khmer Nation Party. He became the darling of the international "pro-democracy" networks sponsored by Soros, the British, and the NED, calling Hun Sen a dictator, and demanding international sanctions and boycotts against Cambodia, perhaps dreaming of joining Aung San Suu Kyi as the next Nobel Peace Prize recipient for service to the British oligarchy.

In March 1997, terrorists threw hand grenades into one of Rainsy's campaign rallies in Phnom Penh, killing 20 and injuring dozens. Hun Sen was quickly blamed, but denied the charge and ordered a full investigation. Interestingly, however, among the injured was one of Rainsy's IRI controllers, American Ron Abney, whose injuries became the pretext for the FBI to be brought in to investigate.

### **Courting the bloody Khmer Rouge**

Over the past year, the uneasy coalition between Hun Sen and Ranariddh turned sour, as Ranariddh began openly courting the remnants of the Khmer Rouge to form a coalition with Funcinpec and Rainsy's IRI front group, while importing weapons for his personal military units. Hun Sen warned that Cambodia could not tolerate any role for the Khmer Rouge in government. Meanwhile, improved relations with China and Thailand made it increasingly possible for the Cambodian army to isolate and destroy militarily the remaining forces of Pol Pot's hated Khmer Rouge military along the border areas with Thailand.

On July 3, Prince Ranariddh went to Bangkok to meet with Khmer Rouge officials, while the leading general loyal to the prince, Gen. Nhek Bun Cheay, was meeting with Pol Pot's right-hand man throughout the years of genocide,



Khieu Samphan, in the last remaining outpost on the Thai border. The deal was struck—despite Ranariddh's pathetic denials in Washington a week later—for the “new” Khmer Rouge under Khieu Samphan, perhaps under a different name, to join in the government, while denouncing the dying Pol Pot as the sole source of evil, and turning him over for trial.

Hun Sen moved to quash this potential disaster. Cambodian troops moved against the units loyal to Ranariddh on July 5-6, driving them out of the capital, and eventually out of all but a small pocket on the Thai border, near Khmer Rouge headquarters at Anlong Veng. He arrested only a few top leaders, although two were reportedly killed in captivity. Ranariddh and Rainsy met up in France, and then sought international support, but the Asian nations were politely non-committal. While expressing concern over the violence, and postponing Cambodia's entry into ASEAN until the situation is settled, it was immediately clear that the ASEAN nations, as well as China and Japan, were all aware of the imminent danger in the threatened alliance between the prince, Rainsy, and the Khmer Rouge, as well as the foreign sources of support for this devil's stew. Hun Sen announced that he would honor the constitutional alliance between his party and the Funcinpec, but without Prince Ranariddh, and recommended respected Foreign Minister Ung Huot, himself a member of Funcinpec, to replace the prince as co-prime minister. The majority of Funcinpec ministers, who did not flee the country with Ranariddh, agreed.

Prince Ranariddh was heralded as a hero in Washington by IRI-linked Senators Jesse Helms (R-N.C.), John McCain (R-Ariz.), and others, who demanded President Clinton take strong action to reinstate the prince. President Clinton was understandably cautious—it was made clear that the United States would not tolerate any return of the Khmer Rouge to power, and would generally follow the lead of the ASEAN nations in reinstating peace in Cambodia. At the July ASEAN meetings, the participants agreed to work with Hun Sen's government to establish stability, without demanding the return of Prince Ranariddh to power.

The conclusive proof that the prince and his British and IRI backers were planning to revive the Khmer Rouge alliance, surfaced on the Monday, July 28 “Nightline” broadcast on ABC News. On the previous Friday, July 25, the Khmer Rouge had staged a vaudevillian “trial” of Pol Pot in their jungle hideout of Anlong Veng, inviting reporter Nate Thayer from the *Far Eastern Economic Review*, the Dow Jones publication based in Hongkong, which has functioned as the primary British voice in attacks on China, Myanmar, and Cambodia. Thayer and a cameraman recorded the macabre charade, although news of the trial was kept secret for four days in order to provide “Nightline” with a lucrative, exclusive scoop. The “trial” was such a farce, that even anchorman Ted Koppel disclaimed its credibility—despite the tearful (literally) protestations of Thayer that the

Khmer Rouge was “sincere” in denouncing Pol Pot. Thayer, in his written report in *Far Eastern Economic Review*, admitted that Pol Pot was only “tried” for ordering the assassination of a factional opponent, not for the genocide during his reign of terror which killed between 1 and 2 million Cambodians. Nonetheless, Thayer argued that Khieu Samphan's faction seek “democracy” and are prepared to join the government with Prince Ranariddh against the “evil” Hun Sen. *Far Eastern Economic Review's* sister publication, the *Wall Street Journal* in New York, argued editorially that the problem in Cambodia was not Pol Pot, but Hun Sen.

Such desperate tactics do not seem likely to have much effect on the growing resolve of the ASEAN nations to reject the British “divide and conquer” tactics. The danger is far from over, however. Both the Philippines and Thailand—the hardest hit by the July speculative assault on their currencies—have turned to the International Monetary Fund for emergency funds to “save” them, at the cost of IMF controls and conditions on their economies. In addition, the IMF is now increasingly demanding controls over both economic and *political* policies for their “clients”—what they euphemistically call “good governance” conditionalities. Thailand's Anglophile newspaper *The Nation* editorialized on July 28 that the Thai leadership had failed in governing, and must thus “pass this task on to the IMF. This means *all government agencies*—perhaps except the Foreign Ministry—would be subject to a strict IMF program.”

The fight that erupted in the ASEAN meetings is by no means over. Malaysia's *The Star* reported on July 28, following the post-ministerial conference, that Prime Minister Mahathir had met with participating ministers in his office, where the discussion of currency speculation had continued. Foreign Minister Badawi told *The Star* that Mahathir had agreed to raise the subject at the November meeting of the Asia-Pacific Economic Cooperation (APEC) summit in Vancouver, Canada. According to Badawi, “Several foreign ministers felt that APEC will be the right forum to discuss the matter, and the prime minister said he would do so.” Since then, Mahathir has said he will consider a debate with Soros in a public forum.

This fight will continue, most of all, because the explosion of the national financial bubbles of the Southeast Asian “tigers” is but a symptom of the unfolding collapse of the world banking structure. Capitulation to IMF controls at this stage of the global crisis will be just as destructive as capitulation to the speculation and political subversion of Soros and his associates. It is the equivalent of appealing to Hitler for help against the Gestapo. These nations must join in the call for a “New Bretton Woods” conference, to build a new world financial system, to replace the IMF, while pursuing the “great projects” policies with China and other nations. Otherwise, the 450 million people of Southeast Asia will be dragged down by the emerging crisis into conditions like those now ravaging central Africa.

# Danish infrastructure projects complement Eurasian Land-Bridge

by Poul Rasmussen

In the months following the fall of the Berlin Wall, on Nov. 9, 1989, the smaller countries of Europe had two options in adjusting to the completely new strategic and economic situation that appeared with the emergence of a unified Germany, and the open access to the countries of eastern Europe. Either they embraced the perspective put forward in the proposal for physically integrating all the European nations through a series of massive infrastructure projects, the “Productive Triangle: Paris-Berlin-Vienna” program presented by American economist and statesman Lyndon LaRouche, only weeks after the Wall tumbled, or, they joined Margaret Thatcher and the British government, in defining a reunified Germany as an outright adversary, a “Fourth Reich,” as British Minister of Trade Nicholas Ridley so viciously labelled the country, in the summer of 1990.

In Denmark, the debate about which of the two options to follow, was rather short-lived. Despite a flourish of anti-German articles in the liberal press in the winter and spring of 1990, the conservative coalition government led by Poul Schlüter chose to approach the reunification of Germany as a unique and positive economic and strategic opportunity. The Schlüter government actively intervened into the debate about the attitude toward unified Germany, with a clear emphasis on the positive historical roots of Denmark’s close political and cultural relations with its neighbor to the south. Of course, the historical nadirs of the relationship, were the two German-Danish wars of 1848 and 1864, and the Nazi occupation of 1940-45, but, in the view of the Schlüter government, they represented exceptions to an overall peaceful and positive relationship.

The reunification of Germany became the source of a surge of cultural optimism in Denmark. It was generally expected that the new Germany would become the economic engine in a comprehensive rebuilding of the former Warsaw Pact countries, and that this process in turn would lead to a massive economic upswing in all of Europe. In this perspective, the primary question for Denmark then became, “How do we hook up to this Central European economic process?” The answer was a series of impressive infrastructure projects.

## Bridges and tunnels

For most of this century, three major infrastructure projects have been high on the economic wish-list of Denmark.

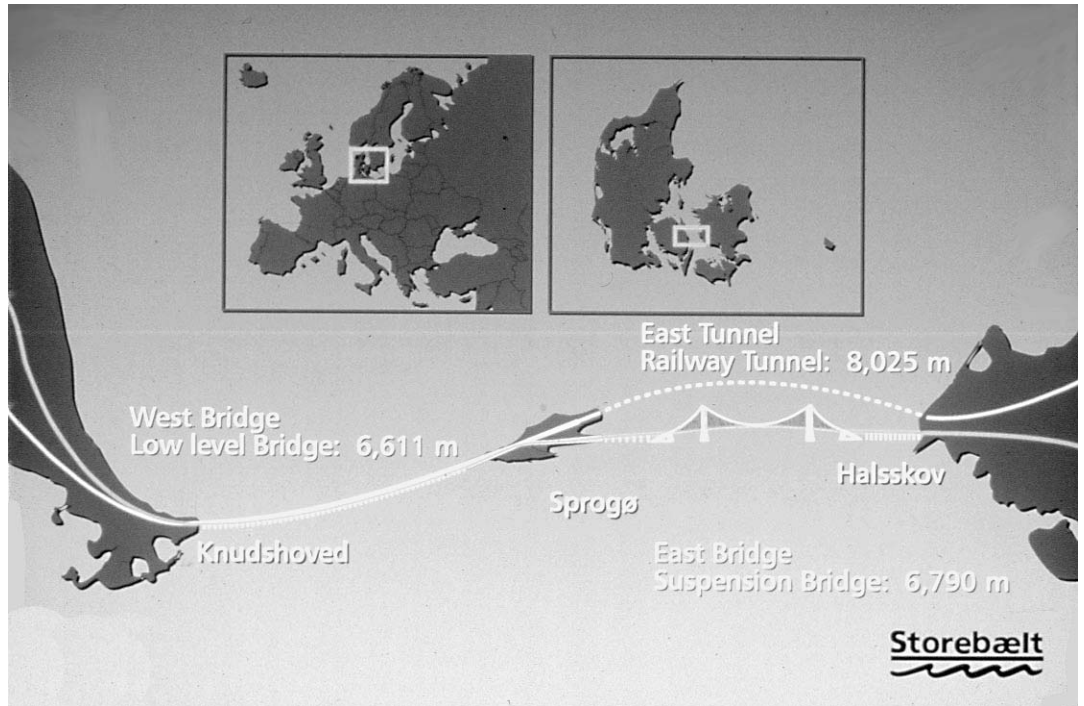
First of all, linking the eastern and western parts of the country, by means of bridges and tunnels. The peculiar geography of Denmark, a nation of just one major peninsula, and several hundred islands of varying size, makes water more dominant than land. This was an obvious advantage in the days when sea and water transport were quicker and more efficient than transport by land, but in today’s modern industrial society, it is a disadvantage. Second, the creation of a connection to the rest of Scandinavia, through a bridge or tunnel to Sweden; and third, the creation of a direct link across the Baltic Sea from the eastern parts of the country, to Germany and the European continent. The reunification of Germany, and the prospect of a Central European economic boom, transformed these three projects from wishful thinking, into an economic necessity.

The initial preparations for building a bridge across the Great Belt, the “missing link” in the connection between the islands in the east and the western part of the country, were already made in the 1970s, but the two oil crises of 1974 and 1979 sent Denmark to the brink of national bankruptcy, and the Liberal and Social Democratic coalition government was forced to postpone the entire project. Then, in 1987, the Danish parliament approved a new Great Belt project, and on June 23, 1988, construction of the Fixed Link began. But, there was still a lot of political foot-dragging, and, despite the ongoing physical construction, political circles around Radikale Venstre, the small liberal party, still hoped to stall the entire project once again. The prospects for the second and third projects, the bridge to Sweden and the tunnel to Germany, were not looking good at all. Then came the fall of the Berlin Wall, and the political tide changed dramatically, in favor of the infrastructure program.

On March 6, 1991, the Danish parliament approved the Sound Project, the building of a fixed link across the Øresund to Sweden, and at the same time, the initial political declaration of intent for the construction of a tunnel across the Fehmarn Belt of the Baltic Sea was issued. Thus, two of the three major infrastructure projects were well on their way, and the third in the preparatory stage.

The physical excavations for the land projects of the sound link were commenced immediately around Copenhagen International Airport, and the ongoing construction of the Great Belt Link was accelerated. Nobody said so, but this was done deliberately in order to quickly reach a point of no return—

FIGURE 1  
**The Great Belt Fixed Link project**



*The West Bridge and the East Tunnel are now completed, and the entire project will be finished in June 1998. Travel times have been reduced from an hour or more, to seven minutes.*

just in case the political tide turned against the projects once again.

### The Great Belt Fixed Link

The first part of the Great Belt project has recently been completed. On June 1, the East Tunnel, the rail tunnel from the main island of Zealand, to the tiny island Sprogø, in the middle of the Great Belt, was officially opened by Queen Margrethe II (Figure 1). The West Bridge, the 6.6 kilometer rail and road bridge between Sprogø and the island of Fünen, has been ready for two years, but so far only used for transport of materials for the construction of the East Tunnel and the East Bridge. Since a rail and road bridge across the Small Belt, between the Jutland peninsula and Fünen, was already built in 1935, the opening of the rail tunnel across the Great Belt meant that Jutland, and the two largest Danish islands, Zealand and Fünen, were physically connected—for the first time since the Ice Age, 12,000 years ago.

Anyone who has visited Denmark, has experienced how travel times are disproportionately long for such a small country. No matter where you would go in an east or west direction, traveling by car or train, it would take at least one ferry, or sometimes two. Many tourists marvelled at the Danish train-ferry system, where entire trains were put on a ferry. But it still took extra time. First, the train was divided up into sections, and then taken onboard the ferry. Crossing the Great Belt took one hour, if the weather was good. Under bad weather conditions, it could easily take an hour and a half, or more. Today, with the East Tunnel and the West Bridge, crossing the Great Belt takes a mere seven minutes. In June

1998, the Great Belt Fixed Link will be completed, when the East Bridge opens for road traffic. It will be the world's longest offshore suspension bridge, with a span of 1,624 meters, 220 meters more than the Humber Bridge in England. The total length of the bridge will be 6.8 km, and the bridge towers, the pylons, will reach 254 meters into the sky, becoming the highest points in the entire Kingdom of Denmark—and they are man-made.

### Challenges and innovations

An often-overlooked aspect of large-scale infrastructure projects, is the development of new technologies. Most often, the concept of new technologies is associated with computer science, space programs, or other exotic adventures, while the building of rail links across the Eurasian continent only involves old-fashioned features, such as bridges, tunnels, and rail lines. These are things we already know everything about, right? Wrong!

The Great Belt Fixed Link is by no means a small project. The West Bridge is the longest combined road and rail bridge in Europe; the East Tunnel is the second-longest underwater tunnel in Europe; and the East Bridge is the longest offshore suspension bridge in the world. But, a giant infrastructure project like LaRouche's proposal for a Eurasian Land-Bridge will involve many projects of the size of the Great Belt Fixed Link, and this will tax our innovative skills to their limits. The Central Asian geography is no small challenge, even for the best engineers in the world.

When compared with the remote and desolate mountain areas of Central Asia, the geography and geology of the Great



*Men working on the suspension bridge section of the Great Belt Fixed Link project. Three projects, linking the Danish islands of Fünen and Zealand, Denmark to Sweden, and Denmark to Germany across the Fehmarn Belt, are a necessity for Denmark to fully participate in the Eurasian Land-Bridge.*

Belt area in Denmark ought to be as well known as anybody's backyard. People have lived and worked here for thousands of years, and for most of a century, a virtual army of engineers has done all kinds of studies, measurements, and preparations for the prospect of building either a tunnel or a bridge here. And for the final project, detailed computer simulations were carried out. Nevertheless, when the construction finally commenced, there were some nasty surprises waiting out there in the real world.

The complex ground structure underneath the Great Belt, where moraine clay mixes with Paleocene marl, made the boring of the East Tunnel a much more delicate task than the construction of the Channel Tunnel, where the boring was done almost entirely in compact and uniform limestone. Nevertheless, as much experience as possible from the French-English Channel project, was transferred to the Great Belt, and a few of the best work-teams were even employed for special tasks on the East Tunnel. Thus, the 31 cross-passages between the two tunnel pipes were dug out by hand by a Scottish work-team from the Channel Tunnel project.

### **The Moses Project**

A very thorough geological survey was made of the Great Belt, in order to construct a precise picture of the soil composition. Because of this, the tunnel curves to the north, to gain maximum benefit from the local geological conditions, making the East Tunnel 8.1 km long, while the East Bridge, spanning the same water, is only 6.8 km long.

The two pipes of the tunnel were cut out by four huge Tunnel Boring Machines (TBMs), two of which started from Sprogø, and the other two from Halsskov on Zealand. After

four years of work, the four machines met in pairs, 40 meters below the seabed, where they were laid to rest in a concrete sarcophagus. Despite all the tests and computer calculations, the real world turned out to be considerably different than expected. Physical ground tests had been performed for every single meter in the path of the tunnel. Nevertheless, on Oct. 14, 1991, one of the TBMs ran into an unexpected fissure in the moraine clay, with direct access to the sea above. All the workers had to be evacuated, and within a few hours, seawater flooded both tunnel pipes on the Sprogø side. This delayed the tunnel construction by several months.

The bottom of the entrance pits on both Zealand and Sprogø, are 26 meters below sea level, and way down in the groundwater layer of the soil. Therefore, a number of pump wells have been established to keep the groundwater table below the excavations. On the Zealand side, these pumps remove 1,100 cubic meters of water every hour; on Sprogø, 220 cubic meters per hour. This will have to continue as long as the East Tunnel exists. If the pumps were to stop, the tunnel would be flooded within 24 hours—by sweet groundwater, not seawater. One of the major problems in boring the tunnel, was the unexpectedly high water pressure in both the Paleocene marl and the moraine clay. This water pressure was not due to seawater, but to the great amount of groundwater. But, when the tunnel entrance pit was constructed on Sprogø, the engineers noticed that the lowering of the groundwater table for the excavations had an effect far out into the Great Belt. Later, this phenomenon became the basis for an ingenious operation.

The high water pressure was a problem for the TBM machines. They were constructed to operate in much drier soils,

and the water-logged mud constantly destroyed the hydraulic systems, causing major delays. Also, the cutter head itself had difficulty operating in the water-logged soil. The solution was to lower the groundwater table in the seabed underneath the sea. Nothing like that had ever been done before. Forty-five pumping wells were established across the Great Belt, and for the remainder of the construction period, they removed up to 1.5 million cubic meters of groundwater every month. This operation was appropriately named "The Moses Project."

Another ingenious invention solved another serious problem. The appearance of unexpected fissures, like the one that flooded the tunnel in October 1991, made it necessary to proceed with caution. Therefore, whenever unstable moraine layers were approached, either in the main tunnel pipes, or in the cross-passages, the soil would be frozen by liquid nitrogen, thereby transforming the water to solid ice, making it much easier for the cutter head to cut through the soil, and at the same time preventing any flooding.

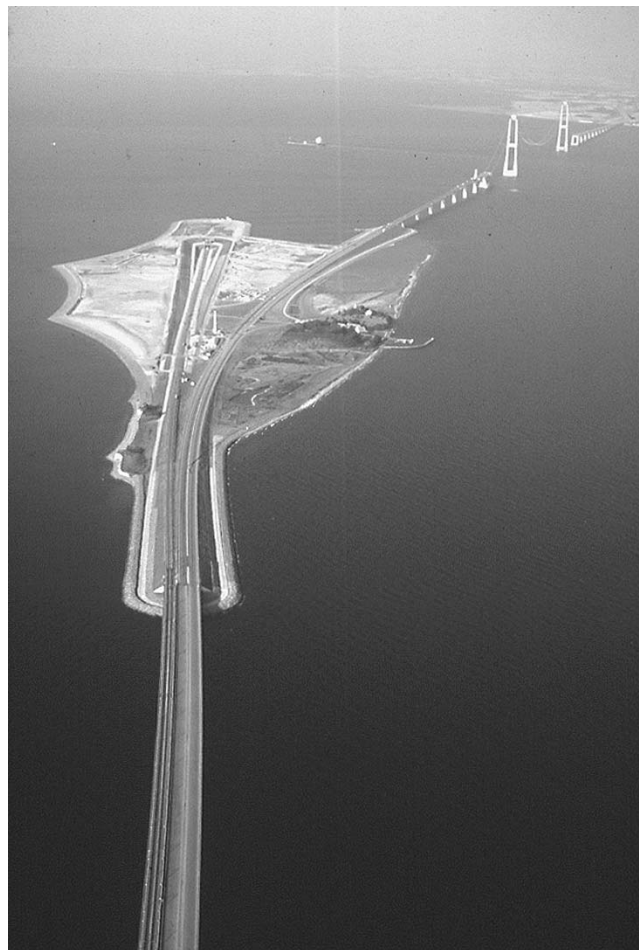
### The East Bridge

The construction of the Great Belt Fixed Link is a truly international enterprise. The West Bridge was constructed by the European Storebaelt Group, a consortium of Danish, Dutch, British, and Swiss companies. The East Tunnel was constructed by MT Group, a consortium of Danish, German, and French companies, and the East Bridge is being constructed by a German-Dutch-Danish consortium, Great Belt Contractors, that is building the concrete substructure, while the steel superstructure is handled by the Italian company Coinfra S.p.A., in cooperation with Steinman, Boynton, Gronquist, and Birdsall from the United States. In addition, specialists from Japan are attached to the project. The substructure of the East Bridge consists of the 19 bridge piers of the approach spans, the two giant towers, and the anchor blocks for the cables in the main span. All of this adds up to 259,000 cubic meters of concrete, and 44,000 tons of reinforced steel.

The superstructure is mainly steel. Each of the two cables for the main span consists of 18,700 steel strands, 5 millimeters thick. They form a cable 85 centimeters in diameter and 3 km in length. If all the steel strands of the two cables were placed end to end, they would reach 2.7 times around the Earth at the Equator.

The prefabrication of the bridge girders constitutes an impressive international assembly line, thousands of kilometers in length. The basic girder elements, the reinforced panels, were welded, in Livorno, Italy. Then the panels were shipped to Sines in Portugal, where they were assembled into sections. Then, these sections were shipped 2,500 km to Ålborg in northern Jutland, where they were welded into complete bridge spans. The spans were then stored in Ålborg until shipment for assembly in the bridge alignment.

The approach sections of the East Bridge are ready, and the two cables are in place on the towers. The attachment of the bridge girders in the main span has begun, and the work



*An aerial view of Sprogø Island, in the Great Belt Fixed Link project. In the foreground is the West Bridge, and in the upper right, the towers of the East Bridge are visible.*

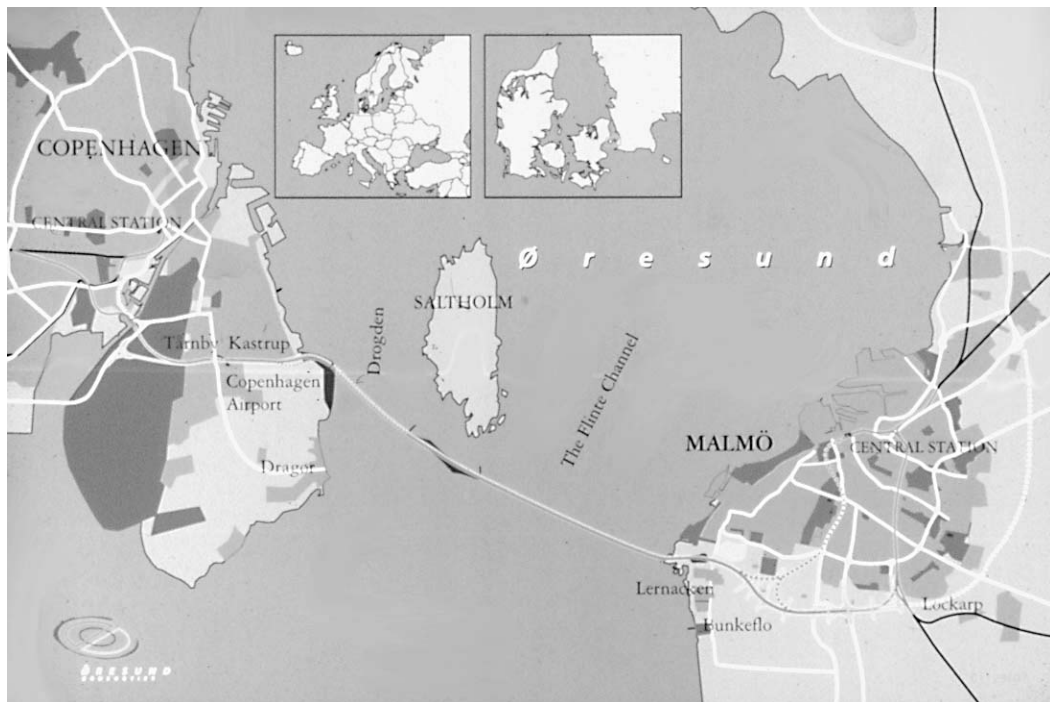
is presently seven weeks ahead of schedule. The East Bridge will open for traffic in June 1998, thereby completing the Great Belt Fixed Link.

At the peak of its activity in 1992, the Great Belt Link involved a total of 11,720 workers and engineers. Of these, only 4,144 were directly employed in on-site construction, while 7,576 were employed by secondary suppliers. Both the Great Belt Link and the Øresund Link have been financed by loans on the international markets and by the European Investment Bank, and will be paid off by bridge tolls.

### The Øresund fixed link

The second large Danish infrastructure project, the fixed link across Øresund, is as impressive as the Great Belt project (see **Figure 2**). Connecting the Danish capital of Copenhagen, to the southern Swedish city of Malmö, the Øresund Fixed Link will be 16.2 km in length, consisting of a 7.5 km elevated bridge, a 2.2 km low bridge, a 4.5 km man-made island, and a 2 km tunnel. It is planned to be completed in the year 2000.

**FIGURE 2**  
**The Øresund Fixed Link project**



*Connecting the Danish capital of Copenhagen, to the southern Swedish city of Malmö, the Øresund Fixed Link project will create the largest integrated urban center in Scandinavia, with 3.2 million people. It is planned to be completed in the year 2000.*

While the Øresund Fixed Link itself does not break as many records as the Great Belt, the accompanying landworks will make the entire project much more comprehensive. Both in Copenhagen and in Malmö, major road and rail construction is well under way. Copenhagen will get a new additional subway system.

These days, travellers arriving at the Copenhagen International Airport in Kastrup, jump right into the largest construction site in Europe. The Øresund Fixed Link connects to the shore only a few hundred meters from the main terminal of the airport. Here, a four-lane highway, a two-track railroad, and an underwater tunnel are now under construction. In addition, a submerged train station directly connected to the airport terminal, plus a brand new terminal finger, are also being built. All of this makes a breathtaking sight. When in operation in the year 2000, Copenhagen Airport will not only be the largest airport in Scandinavia, but also the second-most-trafficked train station in the region.

The tunnel at the airport will carry two rail tracks and four lanes of road 2 km into the sound, to the man-made island located just south of Saltholm, a small island in the middle of the sound. In order to protect the 40,000 birds and 12 seals that inhabit Saltholm, environmentalists demanded that an artificial island be added to the project, costing several hundred million dollars. Appropriately, the new island has been named Pepperholm.

From Pepperholm, a low bridge will take both rail and road traffic to a 7.5 km bridge, that will be able to handle the heavy shipping traffic through the sound, one of the most trafficked waters in the world.

### Population density

The Øresund Fixed Link will make Copenhagen and Malmö the largest integrated urban center in Scandinavia, with a total population of 3.2 million. Already in the 1960s, when the first studies of a fixed link across the sound were made, the greater population density potential of Copenhagen and Malmö was the major argument for placing the fixed link here, and not between Helsingör and Helsingborg, where the sound is only 4.8 km wide. In 1965, a report on the sound project was published by the municipality of Copenhagen. The authors of the report, Prof. Kristian Antonsen of Copenhagen University and engineer Anders Nyvig, argued in favor of a Copenhagen-Malmö connection over a Helsingör-Helsingborg connection, based on their study of the potential population density of the two urban centers. By using a model developed by the American astronomer and sociologist John O. Stewart, a modified version of the LaGrange equations for the energy potential in a gravitational field, Antonsen and Nyvig concluded that the Copenhagen-Malmö connection would give the highest potential population density.

Antonsen and Nyvig also had a second argument. Writing in 1965, before the onslaught of the post-industrial insanity which has since gripped the brains of many politicians in the West, and before the World Bank and the International Monetary Fund succeeded in writing off the so-called Third World from any industrial development, they wrote:

“In the decades to come, a growing portion of the industrial exports from Western Europe will go to the Third World. These countries will first and foremost demand various means of production, i.e., machines and machine tools. Since the



*A view of construction on the West Bridge section of the Great Belt Fixed Link project. Most often, the concept of new technologies is associated with computer science, space programs, or other exotic technologies. But an often-overlooked aspect of large-scale infrastructure projects, is the development of new technologies.*

industries in the greater Copenhagen area are expected to concentrate on the various iron and metal industries, and especially those sectors requiring a highly skilled labor force and technical research, one can expect a rise in the overseas export, especially from Copenhagen. The situation in the Malmö area is in many ways similar to the one on this side of the sound, since the lack of local industrial raw materials has caused an industrial composition similar to Denmark's. . . . Such a specialization around the southern part of the sound could lead to a local expansion of exports to the Third World, which could have an important impact on the development of the cities, especially the use of the port facilities."

Unfortunately, both Copenhagen and Malmö have been hit by the kind of massive deindustrialization over the past 30 years, that Antonsen and Nyvig never would have dreamed of. Today, the most active proponents of the Øresund Fixed Link, are found in Malmö. The city has been reduced from one of Sweden's most active industrial centers, to a desolate area of high unemployment and economic depression. With the other Swedish urban and industrial centers of Stockholm and Gothenburg far away, the Øresund Link is the only way for Malmö to break its geographic and economic isolation.

Undoubtedly, the Øresund Fixed Link will have a major impact on the entire Malmö region. But, if this kind of infrastructure project can have such an importance for an area like southern Sweden, which is by no means isolated when compared to the cities in the vast hinterlands of Central Asia, what then will be the impact of an infrastructure program like the one that LaRouche proposes in his Eurasian Land-Bridge concept? The idea of the Land-Bridge is not merely to connect

China and Europe with a few railroad tracks. The Land-Bridge will also bring roads, rails, energy, communications, and other kinds of infrastructure to cities and areas with millions of people, who today are living in a state of isolation which is orders of magnitude greater than Malmö and southern Sweden. If the Øresund can bring economic development back to southern Sweden, the Eurasian Land-Bridge can create an economic miracle for an entire continent.

### **The Fehmarn Belt Link**

The third leg in the Danish infrastructure program, a rail and road link across the Fehmarn Belt, was included in the list of central projects in the European Union Commission's work on Trans-European Networks, a part of the Delors White Paper, which was presented at the Essen Summit in December 1994. The Fehmarn Link is also seen as an important part of the establishment of a European-wide high-speed rail network. The Fehmarn Belt Link project proposal consists of a 23 km-long combined rail and road tunnel. The costs are estimated to be around \$4 billion.

Unfortunately, the Fehmarn Belt Link project has entered the same state of hibernation as the rest of the projects of the Delors White Paper. Studies and reports are still being made, but nothing decisive is happening. Perhaps, the new winds from the debate at the Amsterdam Summit in June, about solving the unemployment crisis, the French government's revival of the Delors Plan, and the growing interest in implementing the Eurasian Land-Bridge concept, can bring this ambitious plan back onto the drawing boards, to become an important addition to the Eurasian Land-Bridge of the future.

# Parity pricing for dairy farming 'built a beautiful industry'

*Gregory D. Blaska is a Wisconsin dairy farmer and a long-time national leader in agriculture policy, serving most recently on the board of directors of the National Dairy Board. Marcia Merry Baker interviewed him on July 22.*

**EIR:** The U.S. dairy farmers are being underpaid, and the prices of retail dairy products are high.

**Blaska:** The relative economic imbalance of the dairy producers with the economy is, I think, our problem. We need to find a way that we can get to a parity program for the dairy farmers. The problem came in 1980, when, after nearly 40 years of growth, the dairy industry was removed from the parity system of pricing, in favor of what I call a "free world market" pricing system, that offered no protection, or very little protection, for the American dairy industry. So, since 1980, we've lagged along, with our total cost of milk production continuing to go up and up, and the return from the market lagging, so that what's happening in the whole eastern part of the United States, and the Midwest, and now continuing in parts of the Southwest, is that the dairy farmers are reducing their production. The largest-populated part of the United States is the East-Southeast, and the South—and including some of the Midwest. So, we're having to lean more and more on production from the Far West to give us a supply of milk that is adequate. And this is especially noticed in the Southeast, where milk production is very low, and the population continues to grow, including Florida, so that milk has to be moved from another source most of the year, to supply the Florida market.

At times now, it is difficult to find the milk that is of a quality that can be used for bottling. So the Florida people are sometimes suffering shortages in the marketplace for fluid milk. And that trend seems to continue on, until we find new ways of pricing milk to the producers, so that they can produce an adequate supply. I think the answer lies in a fair regulation of the Federal Order System that is under review now.

The Congress, in the last farm bill, ordered the secretary of agriculture to reform the Federal Order System. However, to do that in a fair way, has to come back to a system of pricing milk that is hinged somewhat to the cost of production, and that's where we seem to have the problem with our leadership not recognizing what the farmers go through to produce Grade A milk—and we're not producing that Grade A milk

on a free market, by a long shot. We have to have input items, including our labor, which is hinged to a minimum cost of labor, or a unionized cost, whichever prevails. We're competing with the products made from that kind of labor, including our tractors and all our equipment, which we have to buy. And we're also now affected by the increasing price of the grains and forages, which are in demand by foreign countries which are short of food. They are bidding up the price of the corn and the feed grains, and our dairy farmers now have to compete with that cost.

So, our cost has to be hinged to what it costs to produce the milk. And we just have not had the leadership yet—that includes both in the industry, and in Congress—to signal that we need to take that one step. In fact, the Canadian dairy farmers did. And the European dairy farmers, who have had more response from their government people, and they're much more comfortable in producing milk.

**EIR:** What about the regional shortages in the United States? The national media are not reporting any of this. Do you foresee, when school starts in September, shortages of fresh fluid milk, for example in the Southeast, as we have seen in past years?

**Blaska:** Yes. That's been building up over a period of years: the need to move milk to the Southeast during the summer and fall months, especially when school starts. And I'm sure that it will be the same in 1997, that Florida will have to import 3-4,000 semi-truckloads of milk in order to have an adequate supply. It's getting more difficult to reach that, because the milk supplies are moving west, at a very rapid rate, beyond Texas into New Mexico, Arizona, Idaho, and also some of the other Mountain States; the State of Washington and California continue to produce adequate and surplus amounts of milk. The milk is out of reach of the Eastern part of the United States for fluid use.

**EIR:** What about some of the state-level initiatives—the Southern States Compact, and the Northeast Compact—to put a floor price under the farm milk price? Where does that stand?

**Blaska:** The Northeast Compact is announcing a minimum price for the milk that is reasonable. And that's what we think the Southern Compact will do in the Southeast. Here in Wis-



consin, we're having a meeting here this week, during Farm Progress Days [exhibit fair], that will indicate to our leadership that that's what the dairy farmers want: to use the ability of government to assist the farmers in pricing this milk.

**EIR:** Do you see a deterioration in outlook among leadership institutions in our country, regarding the acceptance of myths, such as "free trade"?

**Blaska:** That's correct: The free-trade philosophy as expressed in NAFTA and GATT [North American Free Trade Agreement and General Agreement on Tariffs and Trade], would be fine, if we didn't have a unionized workforce. But that's not the way the United States operates: We have a protected workforce, which is fine. And I appreciate that. But the dairy farmers are left out on the hook, because while our input items come through that source, it's pretty hard for us to produce milk at a competitive world price, as low as it's produced in New Zealand, and Australia and possibly in Poland, and, now, in Argentina and Brazil. Argentina—not so much Brazil—which are expanding their production, because they don't have the same cost items that we do here, in the United States. So, we do have to use the available tools that we have. They were well written back in the 1940s. We call it the Federal Order System.

And we have the [current] farm bill, which continues to protect sugar, peanuts, and tobacco, and also the legislation that was written for the protection of fruits and vegetables, for those states that want to use it; and cranberries, in our state here, with use of the Federal Order System to protect their price, for the benefit of the growers. We have to go back and use this on the dairy bill, and forget this idea that we want to bust the Canadian milk price, in order to think there is another billion dollars' worth of sales there, which is a falsehood. Canadian farmers have protected their price, but they do not flood our market with their milk. And they don't expect us to flood their market with our cheaper milk. So, we do have to move ahead, as far as the dairy industry here goes, especially in the Midwest. If we do not do that, it will be a continuous decline. Now, since 1985, our industry in Wisconsin has declined about 12%. That's on a basis of milk poundage, and much more than that on the basis of producers. We've probably lost a third of our producers since the 1980s.

**EIR:** How does this show up on the county and local level, where some farmers have had to go out of business?

**Blaska:** In the states surrounding us, where dairying is not quite so intense, it shows up as no more infrastructure for dairy. The feedmills cease, so the farmers have to exist by working at a great distance—especially for the parts you need for specialized equipment—so 40-50 miles is not unusual to secure a source of supply parts, and supplies that you need in a dairy. And, in Wisconsin, that trend is building: What we're losing now, is the cheese factories that are closing, and so many towns are losing their factory. These are moving west,

and are built as huge factories to accommodate those large factory dairy farms we have in New Mexico, Arizona, and California. So Wisconsin infrastructure will decrease, and that is on a continuing basis.

We see nothing in the near future—unless we do use a pricing system to put a floor price under this milk. What we're going to suggest, is an index based on the total cost of production. We have those figures, they come out of Cornell University. They have a 30-year study going there, that gives it for each year. We just received the one for 1996, and the cost of producing the milk in New York in 1996, was \$15.14 [per hundredweight]—that's an average cost of the farmers that were surveyed. They only received \$14.93 for their milk, so apparently they got less than the cost to produce it. But last year was a very good year as far as pay price, and the milk price was up nearly \$2 in New York last year, which helped them quite a bit. But this year, our cost of production still continues beyond, I think, the \$15 per hundredweight figure, and our price on our last milk check was \$11.95. So we've dropped about \$3 behind the cost of production at the present moment. And we need to stop that nonsense of thinking that we can subsidize this industry, because the farmers don't do it. They just quit. And they can find another future quickly once they leave the dairy farm—and they do. So they can take some of these other jobs that are available. Wisconsin's unemployment is probably less than 3% statewide, and there is plenty of work for the dairy farmers off the farm.

**EIR:** But of course you can't pull a switch that re-starts a dairy herd.

**Blaska:** No. They do not re-start. Once a dairy shuts down, it ends. Very, very few of them start up again. Now, the only way they would start up, is that we could guarantee that the cost of production would be realized by the farmer with some security for over a period of time. He won't do it over a one- or two-month promise. It's got to be there for several years. That's more true yet, in the Northeast part of the United States, and that's exactly what the Northeast Compact was talking about. And last month, they were able to raise the price nearly \$2 per hundredweight for the producers in the Northeast area.

**EIR:** In other words, you're talking about what would be beneficial for preserving our national production base of milk, instead of the globalist idea, that there should be some world market—especially for something so perishable.

**Blaska:** Absolutely. Remember back, when World War II was at its height, and our dairy industry then was committed, and the government made that commitment to us, that they wanted that protein from the milk, and the fat; so we just expanded the industry and we did it with parity pricing. Of course, that parity pricing they gave us in the late 1930s lasted until 1980. And it built a beautiful industry. We did produce some overages through some of those years, that were used to feed the world, after it was nearly demolished in the '40s,

and that lasted way through the '60s. They called it Public Law 480. Those donations that were made, are a very small price to pay, as far as the American taxpayer was concerned. And they still had a plentiful supply of milk here, at a moderate price.

What's happening now, without some incentive to keep the production up, is that the milk prices went sky high in the stores last fall, and of course, they didn't come down again. That's the way the game's played, when you have a dairy economy that's pretty well controlled by just a few players, especially on the cheese and butter side. So they didn't reduce the price after they moved it up last fall; they just reduced the producer price. So that spread then, went into the multinational companies that own most of the dairy-processing plants and have a pretty good fix on the market. That includes Philip Morris [Kraft] and others of that nature, especially the food distribution companies — some of them are owned out of England, the Metropolitan group. These international companies just left that price up, and take the margins from the consumers.

So we did lose some sales, especially in the cheese market. We think the demand was reduced a bit, because of the high prices in the stores. That just compounded the problem of pricing the farmers' milk. I think we have to pay the farmers first, and then, the market will settle out, and there's no reason to believe that the consumers would have to pay any more for their milk, if the farmers got their pay first. The margins are way too wide, between what the farmers are paid, and what the consumer pays.

**EIR:** You're talking about re-establishing a national-interest policy, based on a percent of cost of production, like the 1949 farm law left it, up through 1980.

**Blaska:** Yes. They were using a parity calculation. The parity was probably outmoded because of technology changes. The cost of production index that I have been quoting you, out of New York, has all these technology improvements that we get, including BGH [bovine growth hormone], show up as reducing the farmer's cost. So they're all built into that cost of production.

**EIR:** That's how they got the \$15.14 per hundredweight figure for 1996 cost of production?

**Blaska:** That's right. All that technology is built in, and we do have to cover those costs, which is a fairer way than we used to do with the parity, because the parity was pretty much outmoded. So, what we had to do on the parity, which the consumers and the Congress didn't understand, was that we reduced the percent of parity. When we reduced in 1980, off the index, it was at about 70% of parity — that was the support price for milk. During prior years, when the war was still on in the '40s, we had 100% of parity. With the increased technology that the dairy farmer is able to get from many, many sources, he is able to produce the milk at a lower cost

per hundredweight.

But now, the total cost has gone up to \$15, and there is no way that we can change that. We cannot change the cost of taxes, or the cost of utilities — which is another regulated industry that we have no power over. So we pay the price: All those costs put together, and the cost of feed, make up a cost of \$15 to produce milk. And that's a Grade A quality, now. We are paying for a lot of government mandates and safeguards, when we say that. We just can't produce milk from a cow that isn't fully treated, for health reasons. There are no TB cows; none with brucellosis; none with Mad Cow disease. We've taken that all into consideration in our cost of production. But it does cost us to do that. And, the same with BGH; many of the farmers will not use it. They could produce milk a little cheaper if they did; but their market does not want the BGH. That's true of California; much of the California market won't accept BGH. We have to produce what the consumer wants. So, that's why we have to recover that cost.

Somehow we will have to declare, through the Federal Order System, that milk will have to be priced that much, before the buyer receives it. This is possible under the Federal Order System. We've done that for years and years.

**EIR:** What's the timetable, and opportunity, to get this through?

**Blaska:** I think we have a good timetable for the balance of this year. The Texas dairy farmers — the Texas Milk Producers Association, with Clint Van Vleet, has issued a strong statement to the secretary of agriculture to try to resolve their problems down there. The Greenbay Cheese Exchange was pretty much dismantled by the producers in the last period, this winter and spring; that was the source of the pricing in the past. But this was so controlled by a couple of buyers; they were able to play even world market cheese against that market, so that it would reflect more of a world price for cheese, rather than the domestic price. And that's the price they had used to price our fluid milk. So that's been pretty well dismantled, and the secretary does have to come up with a fair price — we call it a Basic Formula Price, or BFP — and the secretary does have to discover a new Basic Formula Price, and we are urging the use of a cost of production item as part of that Basic Formula Price.

**EIR:** In the face of the need for food internationally, and the need for the development of national agriculture sectors' own output capability, what do you see, especially for the food needs in Africa and North Korea?

**Blaska:** As far as the food for developing countries that are in trouble, and that includes North Korea, and all of Africa, and there are others — the problems of Cuba — it's pretty clear that they're not getting the source of food needed. And Mexico has some definite problems, though it is probably ahead of some others. That need still exists, and a much cheaper way for the government to assist the developing country and

help it emerge, would be with food. And then, of course, the old, big opportunity we have is for a free and open market with the eastern Asian countries, including China—probably a market that we could never satisfy, as far as food is concerned, as the years go by. So, we have to build relationships with China and other massive population countries that are food-short. And the proteins of milk—especially our whey industry—there’s plenty of market there, but as of this hour, we still are infants in world marketing.

Our industry needs to be assisted by our government. Most other governments, including New Zealand and Australia, are partners with their dairy industry. Ireland is also in that group. They are partners with their dairy industry to assist them in getting their milk inventories, and keeping them reasonable by exporting the product. So the opportunities are there, if the will is there on the part of the Congress and the industry to do it.

A free-market farming system has some real problems in the United States. Good examples of successes, of course, are the peanut growers, sugar growers, and fruit and vegetables. We have some smaller examples, like cranberries. But they all use a system of managed supplies, and protected industries. Dairies fit into that class, and we’re just going to have to do it, if we are going to retain a dairy industry in most of the United States. Now, I’m not so sure that the western dairy

industry can prevail over time. As the feed prices rise, they’re going to find that the cost of production of their milk will have to be considered. Up to this point, California runs pretty much its own system, as far as marketing its milk. They’re not part of the Federal Order System. But the farmers out there, I think, will have the same problems we’re having in the Midwest, as far as, the way we say it on the farm, “paying the feed bill.” So, if we can’t pay the feed bills, then we won’t produce the milk. That’s about the bottom line.

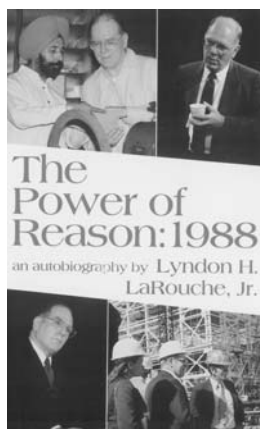
**EIR:** Under the myth of free-trade thinking, when it comes even to a grain reserve in the national interest, this has been outlawed by the World Trade Organization, which came into effect in January 1995. What do you think about just the basic grain reserve for food security for a nation?

**Blaska:** I think that’s part of the problem we had with dairy last year, when grain went so high. Most dairymen have to buy the grain. If that’s going to be the national policy, there’s going to be a lot of problems. It will also creep into the pork and beef industries, very quickly, which are very grain-sensitive, as far as the feeding grain. If they are going to shorten up the world supply of grain, and we’re not going to carry any reserves, or granaries, then the price will go sky high some years. We saw what happened last year. And this year, the soybean price is still very, very high, because the reserve is

## Books by Lyndon H. LaRouche, Jr.

The LaRouche case “represented a broader range of deliberate cunning and systematic misconduct over a longer period of time utilizing the power of the federal government than any other prosecution by the U.S. Government in my time or to my knowledge.”

—**Former U.S. Attorney General Ramsey Clark**

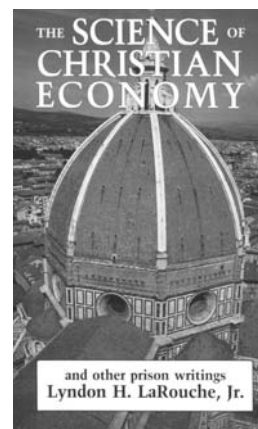
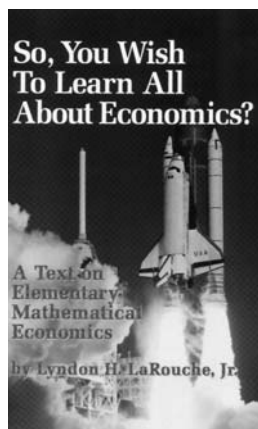


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empty. There is no reserve for soybeans. We're depending on this new crop, and nature has a funny way of sometimes spoiling your plans: There's drought now in China. Right now, the Midwest looks fairly good, but there is a drought that seems to be spreading across Illinois and Missouri, so we might not have all the corn and soybeans that's being predicted.

Yes, I would agree that we have to go back to a normal granary of some balance, similar to what Canada does, in order to make our consumers comfortable. They won't be very happy with sky-high beef and pork prices.

**EIR:** Have you seen patterns of direct investments into factory herds in the last few years?

**Blaska:** Sure. But although we are hearing it in the pork industry, in dairy, we are not getting it from what we call the milk processors. They're not making investments. Years ago, we had a few going into it in Florida, Arkansas, and a few other places, but they're not doing that in dairy; it's too much risk for them. It's a big management problem to run a dairy. The money that is going into dairy now, is pretty well generated from inflation of the land around big cities, especially in California, so that these people that are dairying, are selling the land, and moving on and making bigger factories in another states. Idaho is the recipient of a lot of that money, and Kansas is getting some of that now, coming from farther west, but it's generated by inflated land values, and then it is reinvested, for tax reasons, in dairy. I don't know how long that curve will last.

**EIR:** Besides the famous cattle feed lots, and processor-owners of cattle in the United States, in Argentina, George Soros is now one of the biggest owners of wheat lands, and is holding maybe 20,000 tons of wheat, alone, off the market, speculating.

**Blaska:** Well, IBP, the big pork packer, announced last week, that because of the shortage of hogs, they were going to invest in production facilities on their own.

I would hope that our anti-trust laws are more clear than that. That the packers would be allowed to produce their own livestock, I think that would be very dangerous. I would not want to see that happen. This would be as bad as communism, or worse.

**EIR:** Command production, you mean.

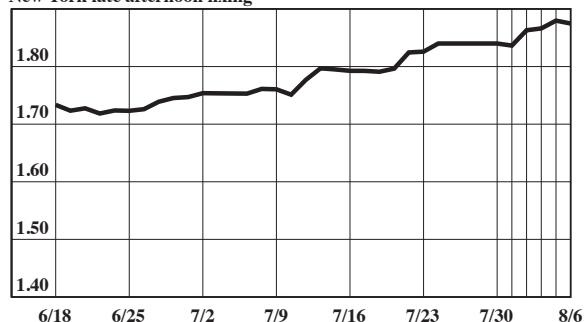
**Blaska:** That's right. Because what they'll do is use that production over your head, to keep the price of the rest of the producers down, and that we can't tolerate. But that's being done in the pork industry, and in the beef industry, and certainly in chickens—the Tyson, Cargill, and other interests. But dairy is still pretty clean, as far as the outside investors go.

There is an interesting trend going on right now. There is a lot of producer unrest. But the Congress hasn't given us a clear signal yet, as far as dairy goes.

## Currency Rates

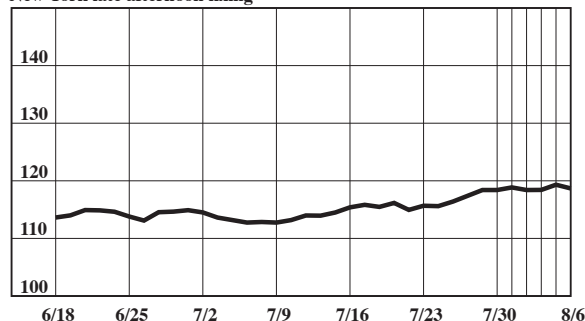
### The dollar in deutschemarks

New York late afternoon fixing



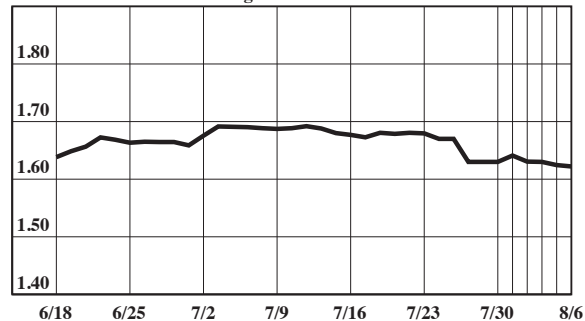
### The dollar in yen

New York late afternoon fixing



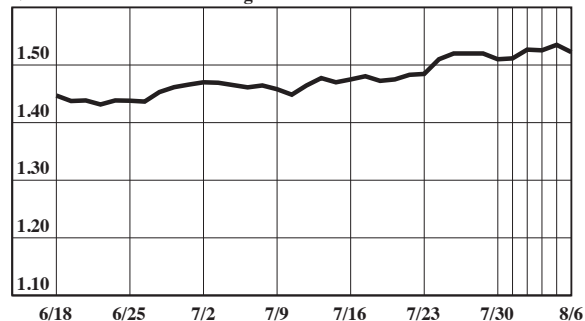
### The British pound in dollars

New York late afternoon fixing



### The dollar in Swiss francs

New York late afternoon fixing



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### An army that wins the peace

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*The fight against the flood disaster shows that the economy could recover, if the free market were dumped.*

**F**or years, Germany has been dominated by the inability to create jobs and reduce unemployment, and the nation has heard a whole army of “experts” saying that it is virtually impossible to create domestic jobs in the era of globalization. The government has gone along with that ideology, stating its “commitment” to reduce unemployment, but leaving it to the “market.” So, jobless figures are increasing, and the elites have lost all confidence.

But, something has happened in recent days that proves that something can be done — on condition that it done without the “market.” What has driven the free market out of the picture, at least for the moment, is the flood catastrophe along the Oder River, on Germany’s border with Poland. There, in the struggle to protect the water-logged dikes, a dirigistic approach dominates the scene. The command of all emergency military and civilian operations is firmly in the hands of the Army.

It is the biggest peacetime deployment of the German Armed Forces since they were reestablished in 1956. At the peak of the flood, in late July, on the 167 kilometers of dikes along the Oder, more than 10,000 soldiers, close to 3,000 vehicles (including 2,500 heavy trucks), 85 inflatable rafts, and 54 helicopters were deployed around the clock, to reinforce the dikes, prepare evacuations of the population, build reserve dikes, and so on.

All engineering units of the Bundeswehr have been mobilized, many being deployed with earth-moving

equipment, heavy transport vehicles, and water pumps. Close to 8 million sandbags have been packed onto the water-logged dikes, to prevent them from being swept away by the waters of the Oder, which exerted 6-7 tons of pressure on each square meter of dike structure.

The efficiency of the Bundeswehr mobilization, which is widely recognized among the population and a good part of even those media that have an anti-military profile, is based on the fact that the military does not operate on free-market principles, but on the basis of task-orientation. Unlike the political domain, characterized by budget-cutting that kills any impulse to do anything, the military asks, first, what must be done, and, second, how best it can be done. “We are generally working on the normal logistical system of the Bundeswehr, as it has been designed for crises—with fast and short tracks and the usual division of labor,” Maj. Gen. Hans-Peter von Kirchbach, who commands the 10,000 soldiers from throughout Germany who have been deployed, in a rotating system, to the flood front, said in an interview with the daily *Die Welt* on Aug. 2.

“If the Bundeswehr needs anything from the state of Brandenburg [which borders the Oder], and this is very often the case, special equipment from construction firms, for example, for the supply of small stones, all these things are being handled fast, and without any bureaucratic apparatus,” he said, explaining the cooperation between civilian and military authorities. It works, because the command is not

in the hands of bureaucrats who have an uncanny ability to slow things down, to make projects that could be finished in two years, take 20 years.

The military is in charge at the Oder, because Defense Minister Volker R  he and Brandenburg Gov. Manfred Stolpe have given the Bundeswehr a free hand, unconstrained by the budget crisis, to organize the operation in the most efficient way possible, including all the supplies from the civilian sector.

And indeed, the Bundeswehr is the only institution in Germany that can carry out such operations. The fact that Poland and the Czech Republic, which have been worst hit by the flood, mobilized their armies too late to do any good, proves the case. “That which has helped us here most and enabled us to get from speed zero to 100 fast, for this deployment, is the fact that the Bundeswehr has a well-functioning system of leadership,” General von Kirchbach said. “It has been designed for military missions, but it is also fit for a catastrophe of this type. . . . Our technical special units, like Army engineers, ABC defense troops, ground Air Forces, are being trained for military missions. What they are mastering, helps us now, in this catastrophe situation.”

The Army will stay on after the flood. Defense Minister R  he declared on Aug. 3 that, “for us, the task is: The water goes away, the Army stays. . . . The Army can repair roads and make them usable again; it can remove sandbags, help in the restoration of the infrastructure.”

For everyone who has eyes, the way the “combat” against the flood has been organized, shows the way the economy can be put back to work. One just has to throw the free market out, and install a dirigistic system, which does things where they have to be done, and does them in the shortest timespan.

# Business Briefs

## *Economic Strategy*

### **Herrhausen murder changed German policy**

Schiller Institute representative Mark Burdman outlined how the assassination of Deutsche Bank Chairman Alfred Herrhausen brought about a radical shift in German economic policy, in an interview with the British Broadcasting Corp.'s "News-Hour" program, on Aug. 6.

After a short "Business" section item about the rise of German unemployment, the announcer mentioned the view of "Schiller Institute economic strategist Mark Burdman," about the fact that there had been a big change, in recent years, in German economic policy. In a segment from a recorded interview, Burdman said that the murder of Herrhausen produced a shift in German economic thinking, away from "real production," and toward "speculation" in derivatives and related activity. He added that a drumbeat is building in high-level German industrial circles, for Chancellor Helmut Kohl to be removed from office, and that Kohl had gotten himself into a "cul-de-sac, a dead end," by his insistence on "Maastricht above all."

## *Infrastructure*

### **Privately financed projects in trouble**

Privately financed infrastructure projects are running into serious trouble in East Asia, especially because of regional currency crises, the July 28 London *Financial Times* reported. The situation should provide ample warning against nations following British insistence that infrastructure financing be left to the private sector.

The private sector has "led the way" in funding Asian infrastructure in recent years, but the surge in infrastructure construction could slow down, after the recent currency depreciations. Most recently, the Thai government threatened to scrap construction of the privately financed Bangkok elevated rail and road project, worth \$3.7 billion. The developer, Hopewell Holdings of Hongkong,

must prove it has secured financing for the project. Hopewell executives were to meet bankers in London in July. Chairman Sir Gordon Wu said he is seeking a 10-20% increase in projected fares for the project, to compensate for losses because of the devaluation of the Thai baht.

Earlier, the project encountered funding problems due to the collapse of the Bangkok property market. Much of the project's revenues were to come from renting out commercial space to be built beneath the elevated transport system, which is planned to run from the airport to the financial district.

## *Australia*

### **New transcontinental highway under study**

Australia may build an east-west, transcontinental highway across the "dead heart" of the continent, from Perth, Western Australia, through Laverton, to Alice Springs in the Northern Territory (N.T.), taking in the Gunbarrel Highway, and on to Winton, Queensland, the *Sunday Times* reported on July 13. Called the Outback Highway, the project is strongly backed by Western Australia Transport Minister Eric Charlton.

Western Australia would have 888 kilometers to pave, from Laverton to the N.T. border, costing \$115 million, while Queensland and N.T. together would have less than 1,000 km to pave. There is one transcontinental highway already, but it goes across the lower part of the country, from Adelaide to Perth.

Four other major infrastructure projects have recently been discussed in the press: a high-speed railway from Melbourne to Darwin; two water diversion schemes for irrigation of inland tracts; and one or more space launch facilities.

Australia has three potential space ports. United Launch Systems Pty Ltd. plans to build one in central Queensland, while Space Transportation Systems plans to build a base at one of two sites just outside Darwin, and another firm, a consortium of South Korean, U.S., and Australian investors, is interested in a site for a billion-dollar port at Temple Bay on Cape York, North Queensland.

## *Transportation*

### **Russia can use Iran's expertise, says minister**

Russian Transport Minister Nikolai Tsakh called Iranian progress in the area of transportation "astonishing," the Iranian news service IRNA reported from Moscow. Tsakh, on July 16, said that Iranian officials attached special significance to expansion of their transportation system, and that their experience in the field, especially in road building, could be used by Russia.

Tsakh said that cooperation between Iran and Russia in transportation could serve as a firm bridge linking East and West, and that the Russian Transport Ministry has drawn up a long-term program for laying rail tracks between East and West through Iran, China, Russia, and Kazakhstan.

Tsakh said that Iran would cooperate, under a contract, with Russia in construction of the port of Olya on the Volga River on the Caspian Sea. Other cooperation with Iran, in transport and in trade via the Caspian Sea, is among the primary cooperative efforts of his ministry, he said. Iran and Russia have given priority to linking Iranian Caspian Sea ports and Russia's port of Astrakhan.

## *Russia*

### **Zyuganov: Privatization is destroying the nation**

Russian Communist Party leader Gennady Zyuganov, the main opposition candidate in the last Presidential election, on Aug. 1 denounced what he called the sale of the country's "juiciest pieces" in privatization auctions that are "liquidating the economic basis of Russia's state integrity." He said he had warned two months ago that there would be a powerful summer offensive by all forces hostile to Russia. Today this offensive is at its peak, he said, which is "directed at destroying the pillars of our state."

Among the six points Zyuganov identified as part of this offensive, were the destruction of "the economic fundamentals of our statehood and national security . . . intended to share the juiciest chunks of our

**INCOME** from short-term stock market speculation in the Netherlands in the first six months of 1997, is expected to equal that earned from work in the productive sector in the entire year, the Amsterdam daily *De Volkskrant* reported in late July. The total asset value traded on the Amsterdam stock market has increased 52% since January.

**IRANIAN** firms will invest \$4 billion in Mindanao, the Philippines, according to an agreement signed on July 20. The agreement is expected to create 50,000 jobs. Iran is to invest in an oil refinery, several liquid gas reservoirs, a steel mill, a cement factory, and a plant for manufacturing agricultural machinery.

**THE HIGHWAY** linking Kyrgyzstan, Uzbekistan, and China was opened on July 21, at a ceremony at the new Erkecham customs post on the Kyrgyz-Chinese border. Uzbek Prime Minister Utkir Sultanov said the Andijan-Osh-Kashgar highway will become the "transcontinental bridge between Europe and Asia."

**AID TO KENYA** has been blocked by the International Monetary Fund, because of alleged "corruption," the IMF said on July 31. The loss of aid is expected to force a new round of austerity in Kenya, which has been targeted by the British for destabilization.

**AZERBAIJAN'S** President Heidar Aliyev and U.S. Vice President Al Gore hosted a ceremony on Aug. 1, at which their nations agreed to establish an inter-governmental energy dialogue. Chevron, Exxon, Mobil, and the State Oil Company of Azerbaijan also signed contracts for energy development.

**A UKRAINIAN** firm, Turboatom, has contracted with the Russian firm Zarubezhatomenergostroi, to design a turbine for Iran's Bushehr Nuclear Power Plant. It is expected to sign another contract in August to build the slow-rotation turbine, which will have an overall capacity of 1 million kilowatts.

property, first of all the communications systems, railways, and the power supply networks"; the "liquidation of the remaining social gains of our citizens, first of all the right to housing. This is being done by way of the so-called housing and utilities reform, by jacking up prices"; and, the destruction of the Army by a financial stranglehold.

Zyuganov denounced the auction of the Svyazinvest telecommunications firm, which he described as "one of the fattest chunks of property, the system of telecommunications, in a huge country from the Atlantic to the Pacific." The auction, he said, involves "a clash of two big groupings whose interests are represented in the government and the Security Council. And, unabashed, they are drawing the entire law enforcement system into their personal scandal. I would like to ask the law enforcement system to protect the law and state interests and not the interests of individual groups of firms and companies, regardless of who is backing the latter." Zyuganov added that, in his view, the "government is pursuing an impermissible policy. It is liquidating thus the economic basis of Russia's state integrity."

## Energy

### Enron, British grab resources in Mozambique

Two years ago, almost no oil companies were involved in exploration in Mozambique, but since the signing in late 1995 of a Memorandum of Understanding (MOU) between the government and Enron Corp., a U.S. oil company tied to the George Bush networks, exploration or production-sharing contracts have been awarded on 10 blocks covering the whole of Mozambique's sedimentary area. And, South Africa's JCI Ltd. has announced plans to build an iron ore reduction plant, utilizing gas from the Pande or Temane fields. Pande is being developed by Enron, together with the state-owned ENH-Hydrocarbonetos De Moçambique.

In a recent report, the U.S. Embassy in Mozambique said, "The flurry of exploration and production-sharing contracts in the past 20 months has been impressive. . . . The involvement of major companies makes real

the possibility of an oil and gas industry in Mozambique."

Eloi Dolivo of the Geneva-based analysts Petroconsultants, said that nine foreign oil companies had signed MOUs with the Mozambique government, and Canadian company Canop was about to sign an MOU for the Xai-Xai block, covering about 38,000 square-kilometers north of Maputo, the capital. The promise of gas, and possibly oil, has already attracted majors including Atlantic Richfield, British Petroleum, and Enron. South Africa's Sasol Ltd. and Lonrho, a division of Lonrho Plc, are also active in Mozambique. Several junior oil companies, including Canop, Scimitar Hydrocarbons Corp., Leopardus Resources Ltd., Antrium, and Norbay Oil, are actively exploring. British Petroleum currently has exclusive rights to explore an offshore area of up to 40,000 km<sup>2</sup> in Mozambique's Zambezi delta.

## Germany

### Budget-cutting is destroying infrastructure

Rüdiger Pohl, the president of the Institute for Economic Research, Halle (IWH), warned against further cuts in infrastructure investments by federal and state governments and municipalities, under the policy of cutting budgets in an insane attempt to balance them, in a statement in late July.

The "attrition" of roads, public supply systems, including water, gas, and electricity, waste water management, and public buildings is becoming ever more visible, which is all caused by budget-cutting policies, he said. Germany is "more and more running down its public capital stock," he said, and the longer politicians allow this to happen, the bigger the problems will become.

The association of German construction companies recently estimated that the backlog of public infrastructure investments in Germany has reached 1.1 trillion deutsche marks (roughly \$700 billion). In comparison, in 1997, the overall interest rate expenditures of German households, in a time of record low interest rates, will be DM 138 billion, that is, two times total public infrastructure spending.

## Global financial crisis: The cookie crumbles

by Marcia Merry Baker

This issue of *EIR*, dated Aug. 15, coincides with the same day and month when, in 1971, President Richard Nixon officially removed the U.S. dollar from the Bretton Woods Gold Exchange Standard. This act was associated with the advent of an age of ever-wilder financial speculation—in currencies, real estate, stocks, bonds, futures of all kinds, and, after 1987, the ultimate gamble, derivatives—that, over a period of only 30 years, resulted in the world-historic, multitrillion-dollar bubble, which has now entered a blow-out phase.

The financial crisis events now breaking out each day in different parts of the world (bankruptcies, currency devaluations, stock market drops), mark the breakdown of the financial system itself; they are not isolated incidents. It is the end, not only of the post-war Bretton Woods era, but also of a 500-year span of uneasy cohabitation of two diametrically opposed concepts of economics and of mankind.

Here, we present three reports for the aid of those working on behalf of humanity, for the convening of a “New Bretton Woods” conference, to take emergency financial measures, and to launch emergency economy-building actions in the interest of nation-states. William Engdahl, our economics editor in Europe, summarizes the history of the 1929 crash, and also of the Bretton Woods system—what was right, and what went wrong. John Hoefle, from our U.S. economics staff, provides a selection of graphics to illustrate the “state of the bubble,” which he used at an *EIR* seminar in Washington, D.C. on July 23.

There’s no denying that the financial crisis is on the world agenda. The only question is, what to do. In recent months, the European media, and press in capital cities around the world, were reporting on the impending crash. For example:

- On July 23, the Germany daily *Frankfurter Allgemeine Zeitung* headline read: “Fear Is Spreading Among Emerging

Stock Markets; Now Also Latin America Is Facing the Currency Problems of Other Regions. Will There Be a Domino Effect Like the Mexico Crisis of 1995?”

- On July 27, the London *Sunday Times* said: “Brace Yourself for the Crash Ahead.”

- In the United States, on Aug. 3, *Time* magazine warned of the danger of a stock market crash. With the cover headline “Preparing for the Crash,” the inside gave a “Doomsday Scenario for Wall Street.” The U.S. monthly *Money* magazine for August, also came with a 24-page feature, “Don’t Just Sit There: Sell Stocks Now.” The gist of the coverage, is that you and your money can get through okay, if the “crashmeisters” in the federal government, and mutual funds money managers, do their crisis-management jobs. This is eminently wrong; but the “crash” headlines themselves are to the point.

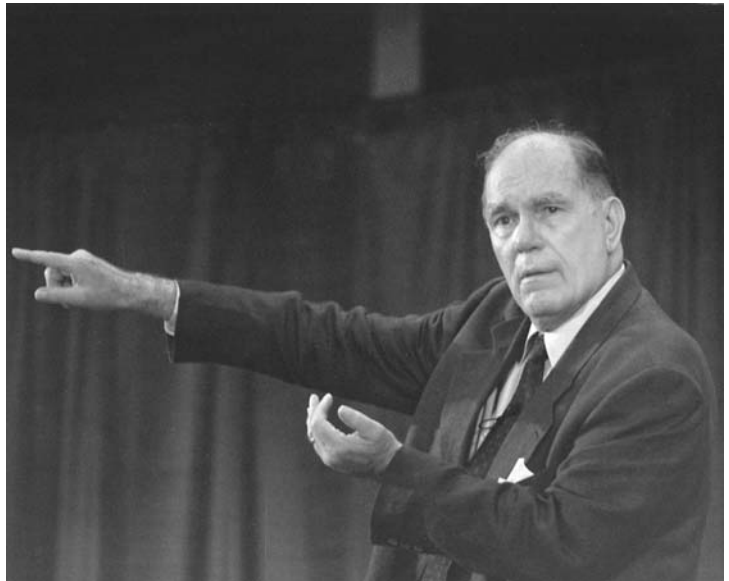
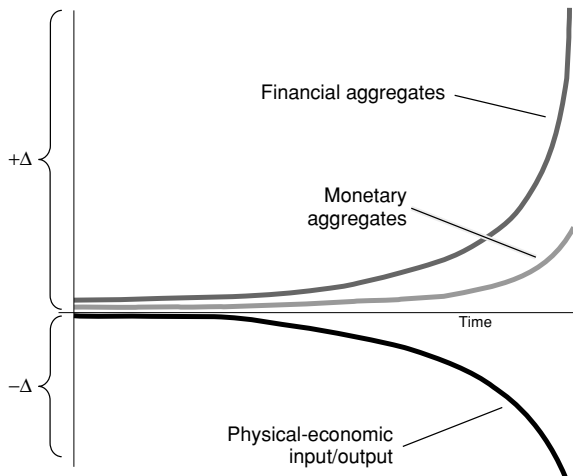
Commenting on this, in an Aug. 5 radio interview with “EIR Talks,” Lyndon LaRouche said, “I think the intent of this, is to save the credibility of the system, when the crash occurs. Everyone knows that we are expecting several things. I would say (I think my ability is better than anyone else’s on this) that we’re looking at a wave of financial earthquakes, which has just toppled the unbounceable dead pussycats, normally called tigers of Asia. All of them are going down: Korea, Thailand, the whole lot are going. . . . But that’s not all. Every part of the world—for example, recently the largest bankruptcy in Europe, Crédit Lyonnais (formerly Mitterrand’s bank—he’s now dead, and the bank is, too, but the French government keeps bailing out Crédit Lyonnais, whose bankruptcy gets bigger and bigger as time goes on, with taxpayer money, again, and again, and again).

“There are going to be crises all over the place. We’re looking for someplace between August and October, for



FIGURE 1

**A typical collapse function**



Lyndon LaRouche’s “triple curve” graph is a schematic representation of an economy heading for an explosion, as the world economy is now. As financial and monetary aggregates go through the ceiling in a frenzy of speculation, the productive output of the economy enters a hyperbolic downward plunge.

something hitting the United States. If Germany and the United States both raise interest rates, in the same period, we expect a blow-out. But, what they’re concerned about, is the fact that any time that U.S. or the Americas, Europe, and Asia all have crises in the same time frame, that you have the potential of an unrestrainable, uncontrollable reverse-leverage, chain-reaction implosion, which will disintegrate the entire financial and monetary system. No government, or no combination of governments today, presently has any plan, or any means by which they can control such a crash. So, the time has come, that in order to try to save the political system, that some parts of the Establishment in Europe, and now the United States, are saying, “Okay, tell the suckers to get out of the market, because if we don’t tell them to get out of the market, when it blows, they’re going to go running to LaRouche and say, ‘He was right, and these guys are wrong.’ So, in order to save some credibility for themselves, and to manage the political situation, they are now *finally* warning the suckers to get out of the stock markets and the mutual funds markets.”

The fuse on the detonator of interest rate hikes got even shorter on Aug. 4, when the International Monetary Fund released a statement on the U.S. economy (after its annual review in July), saying that some of its 24 board of directors think interest rates should be raised. In IMF language: “Those Directors took the view that a further, moderate, preemptive tightening was necessary to guard against the emergence of inflationary pressures.”

Also, the Bundesbank, the central bank of Germany, took the unusual step at its last council meeting in July, of setting one of its key interest rates, the “repo,” for only *two weeks*

ahead, not for the whole four-week summer break in August, as is customary, in case the Bundesbank needs to raise interest rates mid-month to protect the mark. The bank’s council explained that they have “to pay close attention to the foreign exchange value of the deutschemark and the processes at the financial markets.”

**Mr. President, what about the crash?**

One week after *Time* covered the coming crash, the Dow Jones “Industrial” Index (of 30 selected companies) hit a new world record of 8,259.31 on Aug. 6. The same day, President Clinton was asked by a reporter, “Mr. President, the stock market has been soaring in recent months. Are you worried or concerned about whether ordinary Americans understand the risk involved in their investments at this time?”

The President replied, “Hmm. Anything I say is wrong, right? If I say yes, the market drops tomorrow. If I say no, someday it’ll drop, and I’ll be a heel.”

But the President once again failed to frankly acknowledge the reality of the collapse of the physical economy—a collapse which Lyndon LaRouche has pungently presented in his “triple curve” function, as shown above. We have now proceeded so far along that curve, that the looting and murder of even entire continents, such as Africa, is now no longer sufficient to maintain the mountain of fictitious claims on non-existent wealth. So, now, as the crash begins in earnest, the fate of not only the United States, but of all humanity, will rest on whether LaRouche’s concept of physical economy can be emblazoned upon the walls of the White House planning rooms, and on whether the President will dare to venture into the unknown, “other side” of those zooming curves.

# The robust Dow Jones: A closer look at the ‘fantasy index’

by John Hoefle

*John Hoefle, of the EIR Economics desk, gave the following report to the EIR seminar on “How to Save the Economy,” in Washington, D.C. on July 23.*

Actually, what we’ll start with is an Economics IQ Test (**Figure 1**). This is the Dow Jones Industrial Average, since 1900. Now, if you look at this and think, “Oh my gawd, we’re in trouble!”—then you pass. If you look at this and say to yourself, “Oh boy! We’re rich!”—well, then you’re an expert. And you’re qualified to be an investor, a stockbroker, or a financial writer for the *Washington Post*.

The *Washington Post*, of course, is the newspaper that periodically reminds its readers that the major danger in the U.S. economy today, is that the economy is growing so fast, it can overheat—and that can lead to inflation. So, you know right away, that they’re insane.

But, if you look at the Great Depression, you had a stock market drop in two days, of about 25%. That was in the neighborhood of about 60 points. In 1987, the great crash of about 23%, was 500 points. Now, all the experts will tell you: That’s all history; we’ve left that all behind, and there’s your empiri-

cal evidence—that we’ve left it all behind.

The stock market, since 1987, back when we were warning people to get out, and when Lyndon LaRouche predicted that there would be a crash: It has quadrupled; since 1995, it’s doubled. Today, if we had a crash, equivalent to the 1987 crash, it would be about 1,800 points.

Now, you look at this curve, and the way the stock market is going up: Here’s a nice hyperbolic curve. Now, think about the Triple Curve [see **Figure 1**, p. 23]. While this has been going up, the real economy has been going down. The real economy has collapsed at about 50% since 1970, at the same time that this has skyrocketed. So, what you’re dealing with is not a measurement of anything real. What you’re dealing with here, is what you might call a fantasy index. It’s a tool for brainwashing the population. Everybody talks about the Dow Jones—this is what the big economic measure is. “The economy doin’ OK? The Dow go up? Oh, it fell back a little bit, maybe we’re not doing so good.” None of it means anything.

It’s also a reflection of the biggest financial bubble in history. This (**Figure 2**) is the same thing, but from a slightly

FIGURE 1  
**Dow Jones Industrial Average**

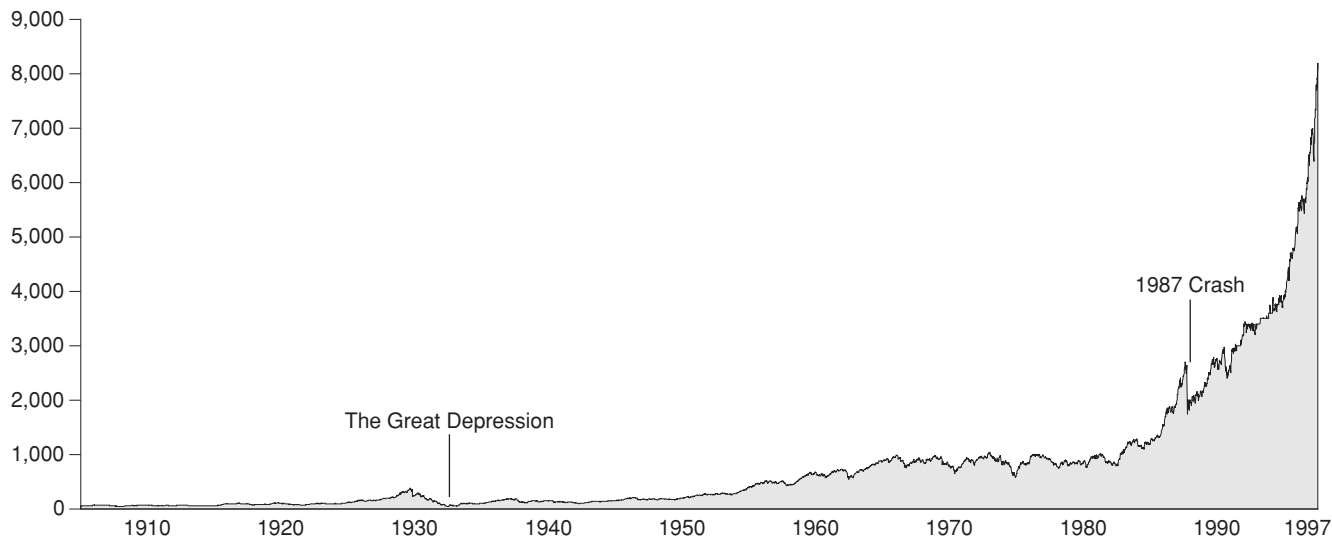
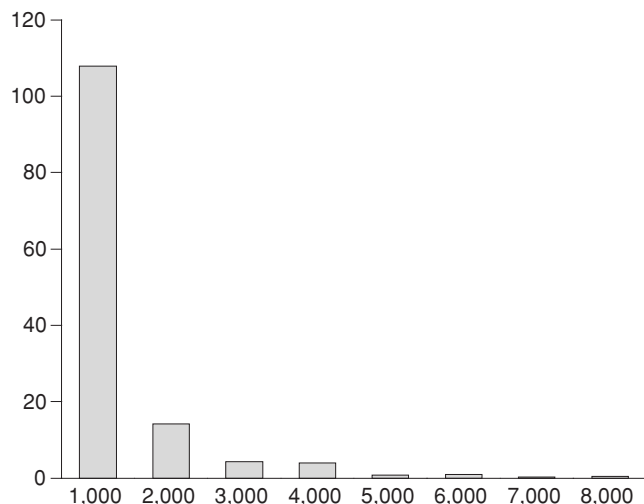


FIGURE 2

**Number of years it has taken the Dow Jones to rise to the next multiple of 1,000**



different perspective. This is how long it takes to rise 1,000 points. From its inception, it took over 100 years to break 1,000. To break 2,000, it was 14 years. Three thousand and 4,000 took about four years apiece. And then, when we have the *real* economic recovery, we switch to days—now it’s a matter of a few hundred days, to break thousand-point barriers. So, our hyperbolic curve is picking up steam.

**A bubble bigger than the GNP**

Now, while the market is going up, the market capitalization, which is the values of all of the shares of stock, has gone way up, to about \$10 trillion, which is bigger than the GNP of about \$8 trillion (Figure 3). And you can see it’s risen nicely over the last few years. Back in 1990, the market capitalization was about \$3.5 trillion. Today, it’s \$10 trillion. So, while a 10% correction of the stock market wouldn’t drop it to anywhere near what it was at, say, the time of the 1987 crash, it would still wipe out about \$1 trillion of value. Since the experts are saying that we might have a 20% correction on the stock market, they’re talking about wiping out a couple of trillion dollars of value. That’s mostly paper money; it doesn’t really exist. But, of course, if part of that money is yours, and you have to come up with something to cover it, you might see it slightly differently.

What’s behind all of this? The Dow is a reflection of a financial bubble. One of the best elements of this bubble is derivatives. What’s a derivative? A derivative is basically an IOU: It doesn’t exist. It’s a bet. You bet that something’s going to go one way; somebody else bets it’s going to go another way. And, it’s like a casino; it’s much more like a casino than a financial instrument.

So, derivatives are now—we estimate—at about \$100

FIGURE 3

**Capitalization value of all stocks traded on U.S. stock markets, 1950-97**

(trillions \$)

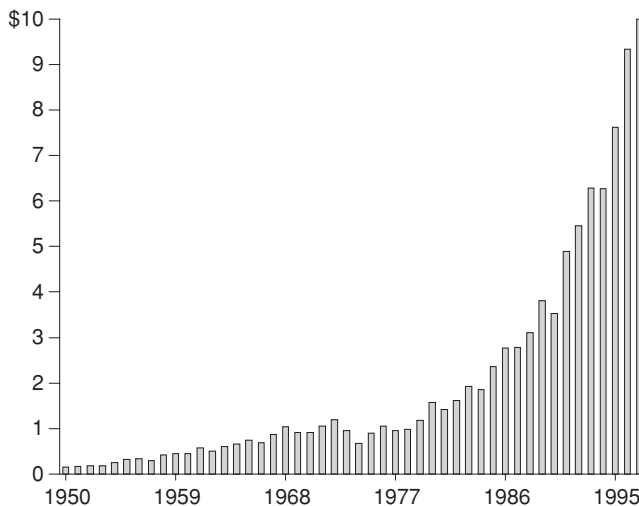
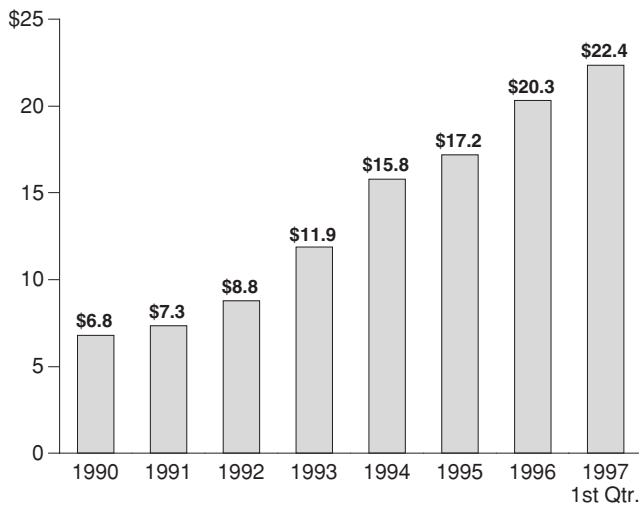


FIGURE 4

**U.S. banks’ derivatives holdings: FDIC ‘off-balance-sheet derivatives’**

(trillions \$ at year-end)



Source: FDIC.

trillion a year, outstanding, worldwide. And turnover, which is the number of times these things are bought and sold during the year, is probably well over a *quadrillion dollars* a year. Now, remember, all this grows, while the real economy, which is responsible for *paying* for this stuff, is declining.

So, this is unsustainable.

Now we’ll get to the U.S. banks (Figure 4). The U.S.

FIGURE 5

**U.S. banks addicted to derivatives: derivatives versus assets, loans, and equity**

(trillions \$)

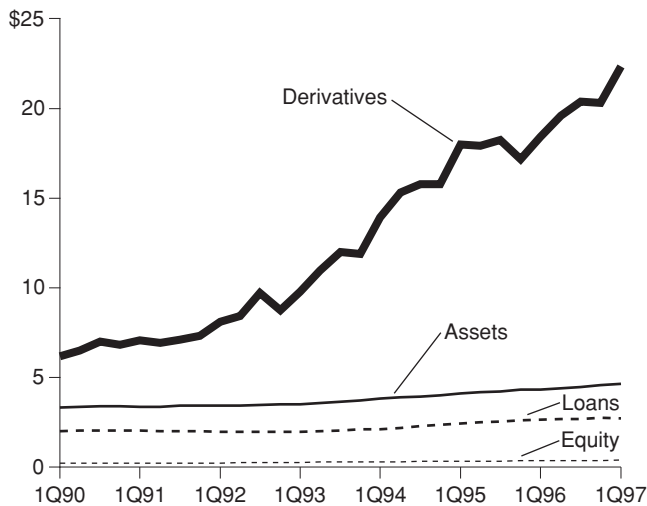
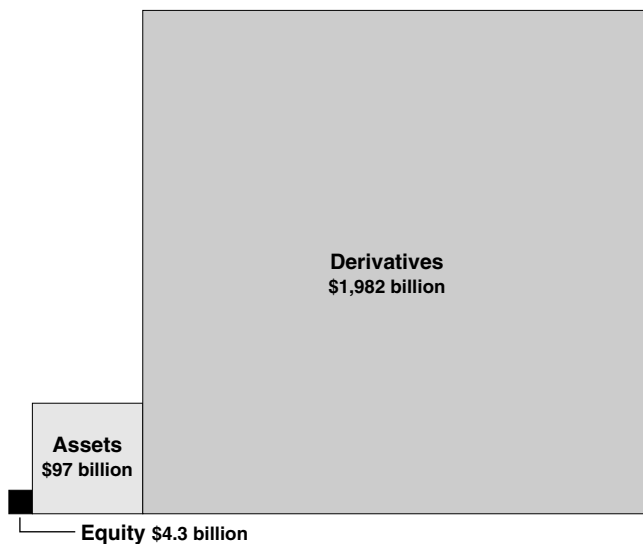


FIGURE 6

**Bankers Trust New York Corp., 1994**



banks now hold about — as of the first quarter — \$22.4 trillion in what the FDIC calls “off-balance-sheet derivatives” — now, that’s against about \$4.5 trillion in assets; so, the derivatives are five times the assets — and about \$300 billion in equity, which is the net worth of the banking system itself.

Now, here (Figure 5), the top line is the growth of derivatives. Then you’ve three lines that are pretty flat, down at the bottom. The top line [of those three] is assets, the middle line

FIGURE 7

**Consumer credit**

(trillions \$ outstanding)

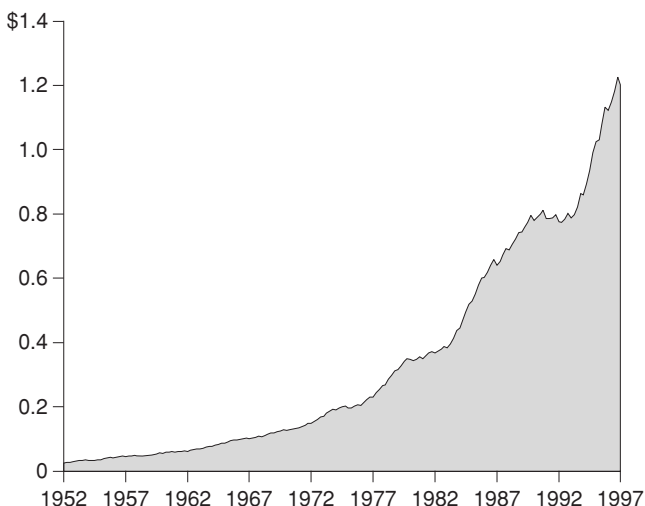
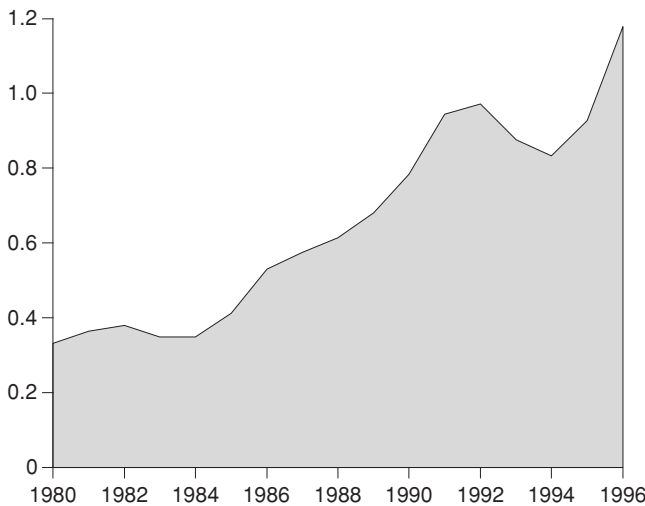


FIGURE 8

**U.S. bankruptcy filings**

(millions of filings)



is loans, and the line that runs right along the bottom, that’s the equity. So, here you have a banking system in which the parasite is rapidly taking over. They’re not banks anymore: They’re speculators. This has become a casino, rather than a banking system.

To take an example: Here’s Banker’s Trust (Figure 6); this is 1994, which is a significant year for Banker’s Trust, because that’s the year that the Federal government stepped in and took it over. And you can see why they had to step in

and take it over. The little, bitty black square—the thing that looks kind of like a smudge—that’s the equity of Banker’s Trust, it’s about \$4 billion. The second square is their assets, of about \$97 billion. And the really nice, big one: That’s their derivatives portfolio.

If you look at that, you see that the derivatives—they’re not carrying on the balance sheet; they’re, again, off-balance-sheet derivatives. So, when you look at the balance sheet of any bank, basically, it doesn’t mean anything, anymore. If you’ve got something this huge, that’s hidden, you’re not dealing with reality, when you talk about the balance sheet.

Another way to look at this, is to think of a dog with a one-thousand-pound flea on it. You can see that both the dog and the flea have a real problem: The dog has a problem, because the flea is sucking it dry. The flea has a problem, because it’s killing the dog. And there’s you’re banking crisis, and there’s your financial crisis, in a nutshell.

Now, to compensate, we’ve had this 50% collapse in productivity and output, and basically, in the standard of living. It used to be that a father could support a wife and two or three kids on one income. Now, everybody in the family is working—and they’re not doing as well as it used to be on one income. We have an income shortfall: People aren’t making enough money. To make up for it, they’ve been borrowing like crazy (Figure 7). Some people are even borrowing to

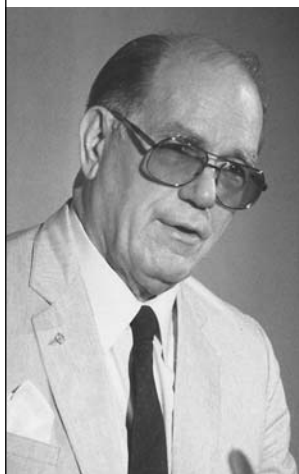
buy stocks. Now, that’s really smart! As one of our political prisoners reported to me the other day, there are people who are now in jail, because they were out stealing; and they were taking the money that they got from stealing and they would put it in the stock market. That’s really nice: Here you have small-time crooks, stealing from people, to turn their money over to the biggest crooks in the world!

Another impact of this is, in bankruptcy filings (Figure 8): Because the danger here, is not just that there’s a big crash coming. The *real* problem is, also, that the very existence of this system is killing people, just like the fleas are killing the dog. Money that should go into infrastructure; money that should go into education; money that should go into all of the things that people need to survive; money that should go into decent wages, is all being sucked away, and fed into this financial bubble to keep the system afloat.

But, the system can’t survive.

So, that’s where we stand. So, when someone says to you, “Hurray!” The Dow Jones is now—what?—10,000 by the end of the day. Maybe 100,000 by year-end (of course, unless it collapses)—you never know how fast it’s going to rise, but you know one thing for sure: It’s not going to keep going up. When someone starts talking about the market, give them the Economics IQ Test. See if that causes them to think. And, when you read the *Washington Post*, the best response is to just laugh at them.

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Hong Kong . . . . .	0600*	Tel Aviv . . . . . 2400
Houston . . . . .	1600	Tokyo . . . . . 0700*
Istanbul . . . . .	2400	Toronto . . . . . 1700
Jakarta . . . . .	0500*	Vancouver . . . . . 1400
Jerusalem . . . . .	2400	Vladivostok . . . . . 0800*
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Lincoln . . . . .	1600	Yorktown . . . . . 1700
Lisbon . . . . .	2300	

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# How the suckers lost it all the last time around

by William Engdahl

**Editor's note:** *Those who may still harbor some illusion that "the big guys," or "the computers," or some other mystical force, will prevent the world financial markets from collapsing at least as badly as they did in late 1929, should consider the following history, which is excerpted from a longer piece, entitled "The Treacherous British Role in the Great Depression Crisis." This doesn't tell you why, but it's a useful reminder. Back then, millions of American families had put their life-savings into stock options, which they used as collateral on home and other consumer financing; today, it is the entire world economy that has been collateralized, by the greatest speculative boom in world history. But this time around, if Americans wise up quickly, they will be able to permanently defeat the British financial gamemasters, who are positioning themselves to be the only ones remaining standing after the blowout.*

While the newly created Federal Reserve Bank diligently watched for any hint of inflation in commodity prices during the 1920s, they ignited a far more dangerous inflation, that of financial paper. Bank funds which were not going abroad to Germany and such destinations, were going to broker loans in the stock market bonanza of the "Roaring Twenties."

The greatest speculative bubble in American history was under way. Most domestic bank loans in the 1920s went directly to finance securities purchases, mostly stocks. After World War I, large U.S. corporations had turned to the growing New York Stock Exchange to raise their capital for expanded investment, through new issue of stock shares to an eager investing public. The American automobile industry was expanding at breathtaking speed, most of the expansion of plant and equipment financed by new stock issues from Chrysler, Ford Motor, or General Motors.

Further, because of these changes in how American big business financed their expansion, through selling stock to the public, rather than through traditional bank borrowing, banks were awash with liquidity, with few traditional places to profitably invest. So, ever resourceful, they turned to the "financing of finance."

The private American banking system, backed by the large U.S. gold reserves, extended credit to purchase of stocks on an unprecedented scale. The stocks and other securities were themselves then taken by banks as collateral

for new lending. A vast financial pyramid was under construction.

In this manner, the Wall Street stock market bubble assumed gargantuan dimensions during the late 1920s. In 1925 alone, as bank loans to stockbrokers to finance stock purchases more than doubled, to a record \$2.8 billion, the New York Stock Exchange index rose by 40%.

By early 1929, fully two-thirds of all U.S. bank credit was collateralized by various securities, usually stock shares. The potential of a stock market collapse to bring down the entire banking system, was theoretically clear for anyone to see. But, in the growing frenzy of citizens, of all walks of life, to share in the new riches of being a stock owner, few took heed of such unthinkable prospects.

With easy bank credit available to finance stock purchases, and the belief that interest rates would go ever lower, the demand for stocks from ordinary citizens with small savings to invest, began to grow. As the stock market itself continued to rise on the back of the new demand, mostly on borrowed money, the public's interest in stock ownership grew even more, as family after family began to put their life savings into the marvelous new money machine called Wall Street.

Stock prices ballooned 69% from the end of 1927 to the peak in September 1929. People were encouraged by their bankers to borrow money to buy stocks on margin—that is, by putting up only a few percent of the face value of the shares bought, the rest to be paid at a future date. This risky practice pushed the stock prices ever higher, drawing ever more people into the market, at ever riskier levels. Businesses which financed capital needs by issuing stock in this climate, reaped the rewards, as the public's appetite appeared insatiable. The total volume of common stock financing by companies, increased 661% between 1926 and 1929, a rise from \$579 million to \$4.406 billion. Never since the 1620s' Holland tulip speculation, had the world seen such a speculative delusion.

Far from trying to prevent this flow of bank credit into stock speculation during the 1920s, Benjamin Strong and the New York Federal Reserve attempted to feed the stock boom, at least until it was too far advanced to respond to ordinary reason. Strong told his Federal Reserve colleagues at the time, that the advantages to the nation of an "active and rising stock market," were a primary goal of his monetary policy.

This significant shift in credit policy by the New York Federal Reserve bank in the period up to the October 1929 market panic, was of immense importance for what was to follow. By allowing the very heart of the established U.S. bank credit mechanism, based on gold reserves, to finance stock market speculation, Strong and his associates set the stage for the greatest economic contraction in American history. The pyramid of postwar U.S. credit in the 1920s, much like that of Japan during the 1980s, was built on the assumption of ever-rising stock values. When that ceased, the entire edifice collapsed, with breathtaking speed and efficiency.<sup>1</sup>

### **Hatry and Norman: springing the trap**

Just as huge sums of capital had gone via the City of London into Germany and the continental economies of Europe after 1925, so, by the end of that decade, as the Wall Street stock market caught fire in its speculative frenzy, the City of London became the crossroads for a reverse flow, as capital began flowing out of Germany and the rest of Europe, Britain included, into Wall Street's feverish stock market speculation.

Within a short time, following the 1925 resumption of the gold standard, Bank of England head Montagu Norman had secured the role of *primus inter pares* among the world's major central bankers, largely through his skillful alliance with Benjamin Strong. The American Agent General for Reparations, Parker Gilbert, referred to Norman, with good cause, as, "the most powerful man in the world."

Emil Moreau of the Bank of France protested about what he called an alarming "imperialism" of Norman's Bank of England, since their rejoining the gold standard, despite the fact that French gold reserves had grown far more substantial than England's. In 1928, Moreau wrote to French President Poincaré, complaining that Norman and the British managed to dominate the Financial Committee of the League of Nations in Geneva (whose head was Montagu Norman's intimate friend, Sir Henry Strakosch), and that he was using that position to establish crucial influence over European economies.

Moreau charged, "England, having been the first European country to re-establish a stable and secure money, has used that advantage to establish a basis for putting Europe under a veritable financial domination. The Financial Committee at Geneva, has been the instrument of that policy. The method consists of forcing every country in monetary difficulty to subject itself to the Committee at Geneva, which the British control. The remedies prescribed always involve the

installing in the central bank of a foreign supervisor, who is British or designated by the Bank of England, which serves both to support the pound and to strengthen British influence. To guarantee against possible failure, they are careful to secure co-operation of the Federal Reserve Bank of New York. In addition, they pass on to America the task of making some of the foreign loans if they seem too heavy, always retaining the political advantages of these operations."

Moreau noted that such maneuvers by Montagu Norman and the British government had allowed England to become "completely or partly entrenched in Austria, Hungary, Belgium, Norway and Italy."<sup>2</sup>

Such little-publicized maneuvers by Norman were to determine the ultimate fate in the 1930s of Germany, Austria, and much of the world.

The financial distress of an unconventional and now long-forgotten British businessman, Clarence Hatry, was to be the vehicle for Norman and the political establishment of the City of London in a far larger design.

Hatry, a financier who had built a large industrial conglomerate by merging financially troubled companies and reorganizing them after the war, had bought, and later sold, such known British firms as Leyland Motors. He created British Glass Industries, and owned the London *Globe* newspaper and the Commercial Bank of London. During the 1920s, he created Allied Ironfounders by merging 23 small firms in the British steel industry. He was widely regarded, on the way up, as having a "Midas' touch."

Hatry's empire, however, like many in the day, had been built on borrowed funds, and was overextended at the point when Montagu Norman and the Bank of England began to take steps in summer of 1929 to clamp down on the speculative frenzy which had also come into the London Stock Exchange, by tightening bank credit.

That fateful summer, Hatry's fate depended on securing an emergency infusion of new credit to weather his short-term cash problems. It was a top-down decision by no less than Montagu Norman personally, and City of London financier Marcus Samuel (Lord Bearstead), head of the Samuel & Co. banking house tied to Royal Dutch Shell, which triggered the collapse of the Hatry empire, and, with it, the largest collapse on the London Stock Exchange, on Sept. 17, 1929.

Hatry insisted that initially he had been given a verbal assurance by Lord Bearstead, for an emergency "bridge loan" of £4 million, enough to have saved the large conglomerate business empire from collapse. But Bearstead did not extend any loan. Hatry then went directly to the Bank of England's

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1. The policy of Benjamin Strong to support the stock market as well as the Bank of England's pound stabilization, was openly laid out in an internal memorandum from Strong to officers of the U.S. Federal Reserve, made public after the onset of the depression in 1931. See U.S. Senate Hearings (Senate Res. 71), Washington, D.C., 1931, Part VI. A useful account of the stock market frenzy of 1925-29 is in Giulio Pontecorvo, "Investment Banking and Security in the Late 1920s," in *Business History Review*, Harvard College, Cambridge, Massachusetts.

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2. The comments of Moreau are cited in Andrew Boyle, *Montagu Norman, a Biography* (London: Cassell & Co., 1967). The remarks offer revealing insight into the skillful deployment of financial and political "leverage" to magnify the role of the Bank of England over world events far beyond its nominal monetary resources in the period. The role of Norman and of the Bank of England were to be decisive in the ensuing British geopolitical strategy of the 1930s.

Norman for help.

At this critical juncture, Norman used the hapless Hatry to detonate a financial crisis of world dimensions. Norman not only refused to help Hatry with what was, to be sure, a financial problem which could well have been managed with a small injection of new credit. Norman even went further, and issued a warning to all financial houses of the City of London, to refuse Hatry credit. Hatry had been blackballed, and as his large business empire collapsed, it triggered the collapse of the London Stock Exchange. On Sept. 20, 1929, the London Stock Exchange Committee suspended share dealings, after three days of panic selling with no buyers. Hatry's was the century's largest business failure in Britain.

Norman had little interest in Hatry per se, nor even in the reports that Hatry had engaged in suspicious bookkeeping to keep his empire afloat.

### **The unravelling begins**

For want of extending a mere £4 million to a British company, Norman allowed the entire post-Versailles international monetary and economic system to collapse. No single individual in international banking was more aware than Montagu Norman, of just how fragile the international capital markets on both sides of the Atlantic were, as the Bank of England had carefully positioned itself in the center of post-1925 world capital flows.

The Bank of England began to reverse the global financial flows initially on Feb. 6, 1929, when Norman raised the Bank of England's main lending rate by a full 1% to 5½%, after two years at 4½%. The New York Federal Reserve, becoming alarmed at the out-of-control flood of funds into stock market speculation, reacted at the same time with a verbal "warning" of possible U.S. interest rate rise, from the 5% discount rate levels it had been for some months, but took no immediate action.

In late March, there was an attempt by the Federal Reserve banks to withhold funds from the New York stock market, triggering a "minor correction," a 5% drop in stock prices. But the effect was overshadowed by a public statement from the influential head of New York's National City Bank, Charles Mitchell, that he was prepared to personally extend his bank's capital to support the stock market. Wall Street stock speculation soon resumed its pace, as the players saw the Federal Reserve firmly resisting any decisive increase in its central discount rate.

The Bank of England's rate rise had immediate impact, however, in the most fragile capital market, Germany. By the end of that February, Germany began to see a sharp outflow of capital to London, attracted by the higher rates, and by German short-term borrowers attempting to pay down their foreign three-month loans. Action by Hjalmar Schacht's Reichsbank to tighten the German discount rate to 7½%, slowed the German capital outflow somewhat during the summer of 1929.

But the Reichsbank's rate action also exposed the fragility of the German economy to the huge foreign short-term capital borrowing. In September, a disaster was narrowly averted, when a large insurance group, Frankfurter Allgemeine, was rescued by a consortium of German banks and the German insurance company, Allianz. Frankfurter had 35% of its debt owed to foreign banks. The crisis brought to the fore an inherent conflict between the foreign bank creditors of German companies and domestic German creditors. It was the first tiny crack in the Germany's fragile edifice of post-1925 financing. It was far from the last.

Finally, after months of vacillation and unconvincing action to dampen the speculative fever in Wall Street stocks, the New York Federal Reserve Bank raised its discount rate a full 1%, to 6%, on Aug. 6, 1929. The intent was to discourage further purchase of stocks on borrowed funds, and to facilitate a gradual deflation of the dangerous Wall Street stock market levels, while maintaining easy credit to agriculture and business.

Thus, while the New York Federal Reserve Bank raised the discount rate, it simultaneously lowered another critical rate, the so-called bankers' bills of acceptance rate, to 5⅛%, convincing market speculators that the overall climate would not change. Banks merely took funds from the bankers' bills of acceptance market, from the financing of agriculture and commercial credit, sold them to the New York Federal Reserve for funds at 5⅛%, and used the funds to continue the speculative activity on the Wall Street stock market.

As Clarence Mitchell's National City Bank told clients that month, "There is a good deal of doubt the Federal Reserve can control the use to which credit is put, and once Federal Reserve credit has been released, it is likely to go where there is the greatest demand for it. After all, there is nothing to prevent a bank from selling acceptances to the Reserve Banks and using the proceeds in the stock market." And, in August 1929, demand was for more stocks on credit.

Stocks, not surprisingly, soon resumed their upward climb to new record highs as the total of broker loans passed the \$6.2 billion level.

At this juncture, conditions were primed for the decisive blow from Montagu Norman, when Clarence Hatry presented Norman his convenient target of opportunity. On Sept. 26, the Bank of England announced that it had raised its principal base rate by another full percent, to 6½%, five days after the collapse of the shares of the Hatry Group of Companies closed the Stock Exchange, citing a loss of Bank of England gold reserves as the reason. With this move by the Bank of England, a full-scale international crisis was detonated.

The Hatry affair provided the credible pretext for the Bank of England to raise its interest rates. No one could claim there was no crisis in the London financial markets. What few realized, was that the decision to precipitate such a crisis had been willfully and knowingly made by Norman and the inner court of the City of London establishment, fully aware of the conse-



quences of forcing Hatry's collapse.

By early October, share prices on the New York Stock Exchange had fallen 15% from the pre-Hatry crisis levels of early September. Stock prices of American steel, automobile, and copper companies led the way down. The selling in New York came primarily from investors in the City of London. British investors were liquidating their holdings in the vulnerable New York market, partly to cover losses triggered by the collapse of the far-flung interests of the Hatry group of companies, but also to get out of the vulnerable New York market, taking advantage of the higher interest rates in London. In liquidating their U.S. holdings during the month of September, these British investors set the stage for what was to be the greatest collapse in U.S. stock market history only weeks later.

By Thursday, Oct. 24, 1929, the selling across the board of New York shares reached such a tempo, that an emergency meeting was called by Thomas Lamont of J.P. Morgan & Co., one of the city's leading bankers, to try to restore market confidence. It succeeded for all of two trading days, before renewed panic selling resumed. In one week, more than \$1 billion in brokers' loans had been liquidated, bringing the reduction in such loans down by almost \$2.5 billion for the month of October alone, more than one-third of the total such loans. On Oct. 31, the New York Federal Reserve signalled its attempt to calm matters by lowering the discount rate from 6% back to 5%, an attempt to ease liquidation pressures on those who had gone heavily into debt to buy stocks.

By mid-November, when the New York Federal Reserve again lowered its discount rate, this time to 4½% to calm matters, the value of stocks on the New York exchange had already fallen by 30%, a paper loss of a staggering \$26 billion since September's peak. It was the beginning of the unwinding of the entire credit structure of postwar America.

Because most of the credit structure of America after 1920 had been built on a pyramid of rising stock prices, when those stock prices no longer rose, but, instead, began to fall precipitously, millions of citizens found their life savings wiped out, as banks demanded "margin calls" of new collateral to replace the disappearing market value of stocks used as collateral to borrow.

Further, during the 1920s, the United States had become the world's leading advocate of buying consumer goods or housing on "time," rather than for cash, as had been the practice earlier. In countless families, investment in the stock market had been used, or was to be used, as collateral against purchase of a new car or a house. When this began to collapse, new home construction and automobile production dropped precipitously. This meant that people who built cars and homes were suddenly unemployed, and without any state insurance to cushion the blow. People who were unfortunate enough to be living in homes or with a car bought against stock as collateral, found themselves evicted, because they were unable to afford higher mortgage payments to compen-

sate loss of stock values, or their car was repossessed. In 1929, almost one-half of all homes in urban areas carried a bank mortgage, with total mortgage debt held by the banking system of some \$19 billion. Rates of default on home mortgage payments, generally the last payment families sacrifice in a crisis, rose in many cities to double-digit levels. All this had dramatic impact on U.S. industrial output, which fell fully 12% from the peak in June to the end of December, two months following the October 1929 crash.

The collapse of the New York Stock Exchange in 1929 was not, then, merely a collapse of an isolated part of American savings; it decimated the very heart of the entire economy, in ways unimaginable even six months earlier.

One of the most prominent Wall Street speculators, Bernard Baruch, spent the summer of 1929 in England and Scotland, where he met his close friend Winston Churchill. Curiously, Churchill managed to be in the Gallery of the New York Stock on Oct. 24, "Black Thursday," with his friend Baruch, to personally watch the panic below on the exchange floor. Already back in early September, when the market had been near its peak, Baruch had sold his shares, and had advised Churchill to do the same. Baruch later advertised the fact that he had avoided the disaster, as proof of his investment acumen. It was more likely proof of his well-placed friends in London.

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# What the Bretton Woods system really was designed to do

by William Engdahl

The postwar Bretton Woods System was an international treaty agreement for regulating world trade, and monetary and financial stability. It evolved out of bilateral discussions beginning in 1942, during World War II, between the U.K. and the United States, regarding the desired postwar international monetary order. The chief negotiator of the basic proposals on the British side was the economist John Maynard Keynes, then an adviser to His Majesty's Treasury. Assistant U.S. Treasury Secretary Harry Dexter White represented the American side.

Following months of preparatory discussion by various working groups from the United States and Great Britain, on July 1, 1944, President Franklin Roosevelt convened a meeting of 44 nations in the resort town of Bretton Woods, New Hampshire, to discuss the proposed Joint Statement of Principles prepared by the United States and Britain for postwar monetary stability and economic reconstruction. The Bretton Woods talks concluded on July 22 with the unanimous adoption of proposals to create an International Monetary Fund (IMF) and a Bank for Reconstruction and Development, later simply called the World Bank.

In early 1945, the IMF and World Bank began operations, as the war neared an end.

The delegates at Bretton Woods, in addition to the United States and Britain, included representatives of most countries of the British Commonwealth, such as Canada, South Africa, and Australia, as well as Mexico, Argentina, Brazil, and other countries of Ibero-America.

## Facilitating reconstruction

The primary problem which occupied the various countries' representatives present, was the desire to establish a stable basis to restore trade among nations, to facilitate the huge task of reconstruction of the economic infrastructure of Europe after the war.

With the experience fresh in mind of the devastating competitive import tariffs of the 1930s, and their attendant competitive currency devaluations, all of which were viewed as having led to the severe economic depression and, later, to World War II, the Bretton Woods parties were preoccupied with creating an international monetary system which would avoid those problems in the future.

The IMF and World Bank were created foremost to deal with the economic problems of the mainly European indus-

trial countries which had been devastated by war. The less developed economies, or colonies, in Africa, Asia, or elsewhere, were viewed mainly as sources of raw materials which the industrial nations required, but were unable to import because of lack of hard currency. At that juncture, little attention was given directly to developing countries.

The foremost objective of the Washington group working on proposals for Bretton Woods, was to create an international treaty among sovereign nations to facilitate what they termed "the reconstruction of a multilateral system of world trade." The U.S. view at the conference was not the "free trade" view of Keynes and the British delegation. Indeed, despite the external appearances of intimate wartime cooperation between Washington and London, there was considerable behind-the-scenes friction in the days of Bretton Woods. One American delegate observed that tensions between the head of the American delegation, Harry Dexter White, and Britain's Lord Keynes, at one point were so great, that White began referring to the arrogant Keynes, whose bisexual proclivities were well known since his days with the notorious Cambridge Apostles, as "Her Majesty Keynes."

Rather than the Keynes system of free trade, Washington favored one which would encourage non-discrimination in trade barriers, a move aimed at dismantling Britain's imperial preference system, the Sterling Area trade club, with its colonies and Commonwealth. As well, Washington overruled Keynes's call for the IMF to become a global supranational central bank, with power to issue paper money, a global currency, not backed by gold.

The economic reality of the world as the 44 nations sat down to negotiate at Bretton Woods, was one in which the only industrial power with ample industrial base, and the capacity to provide urgently needed machinery and goods, as well as credit which would be everywhere accepted as a solid currency, was the United States. This was a major influence on the resulting structure of the Bretton Woods Agreement.

## The Gold Exchange Standard

The core of the Bretton Woods System and the adopted IMF Articles of Agreement of 1944, was the arrangement for fixed currency parities. Exchange rates were to be changed in relation to the dollar or gold, only as a measure of last resort, and only after national policy measures had been exhausted. Following the war, the value of the British pound, the French



*Delegates from 44 nations gathered for the Bretton Woods International Monetary Conference, in New Hampshire in 1944. President Franklin Roosevelt convened the conference to restart world production and trade. Today, with the world facing a far worse crisis, Lyndon LaRouche has called upon President Clinton to convene a “New Bretton Woods” conference.*

franc, the Swedish kroner, the Italian lira, and, after 1948, the German mark, all were fixed at agreed, more-or-less-permanent ratios to the American dollar. Long-term investment and trade relations could be undertaken on a stable currency background. Risk of dramatic currency losses was nonexistent under Bretton Woods at that time.

In turn, the American dollar was fixed to a specific weight of gold—a fine ounce of monetary gold was set equal to 35 U.S. dollars. The intent was to encourage member governments not to cheapen their currencies by simply printing money and running deficits, a major problem preventing stability in many European countries in the postwar period. In addition, the guarantee of fixed exchange was aimed to encourage the resumption of world trade as soon as possible.

The role of the dollar in the Bretton Woods system was unique, for good reason, in 1945. At that point, it was the only major currency, which was backed by the world’s strongest and most productive industrial economy, the largest trading nation, and one which had ample gold to back the dollar. The U.S. dollar was, in short, the only currency regarded to be “as good as gold.” European gold reserves had long since been drained by the costs of the war.

As the U.S. Federal Reserve System held some 65% of the world monetary gold reserves after 1945, it also made sense to establish what was called a Gold Exchange Standard, not the earlier, nineteenth-century British absolute Gold Standard, in which each country scrambled to accumulate maximum gold reserves.

Under the earlier Gold Standard, which had collapsed in the 1930s, European or other gold-standard central banks were able to print paper money only in agreed fixed ratio to the amount of their physical monetary gold reserves. If they

were forced to sell that gold to stabilize their currency, domestic credit had to contract accordingly, that is, deflate. That deflation had been one of the most savage aspects aggravating the economic crisis of the 1930s in those countries which remained on the Gold Standard after September 1931.

Under the Bretton Woods Gold Exchange Standard, the dollar was considered an acceptable substitute for central bank reserves, i.e., “as good as gold.” An IMF member country’s central bank was therefore allowed, under the Gold Exchange Standard rules, to issue currency in the defined ratio, against its reserves of dollars as well as its gold. The intent was that for European economies after the war, the process of non-inflationary credit creation would thereby be made far easier, and encourage strong rates of needed industrial investment and reconstruction. The World Bank had been created as the vehicle to extend reconstruction dollar loans to the governments of Europe.

The dollar would function for almost the next quarter-century, until the end of the 1960s, as the accepted substitute for gold. The rates of investment and real economic growth during especially the 1950s were made possible by this stability anchored on the dollar-gold exchange standard of Bretton Woods.

The control over an IMF member-country under the Bretton Woods system, against cheapening its currency via domestic money printing, was the ultimate IMF rule that a country, say, Britain in the 1960s, must redeem its pounds in gold from the Federal Reserve or IMF. This, not in cheapened currency, but rather, in a fixed parity to the Bretton Woods currency rate. The International Monetary Fund was not intended to be a world austerity policeman, as it has become today. Rather, it was intended to act as a financial pool of

dollars and gold reserves of each member-state, used to extend short-term emergency loans, until a member-country could impose economic policy changes to correct a balance of payments problem before it became serious. In short, it was to be a stabilizer of advanced industrial economies whose own inherent basis for recovery and growth was essentially strong, but for the destruction and disruption of the war. The Bretton Woods system was never intended to regulate growth of emerging countries or developing economies.

In the immediate postwar years, until approximately 1958, when European currencies were able to become fully convertible, the fundamental problem for trade and economic reconstruction in western Europe was the so-called dollar scarcity. Dollars were necessary to settle trade between European countries or with third countries. Britain would not accept the French franc in payment, because it was not yet stable enough to be convertible. France needed dollars to pay for imports of British industrial goods. Similarly for Italy, for import of German machinery, for example.

As a corollary, under the Bretton Woods gold exchange system, with the dollar as the central reserve currency, unilateral dollar devaluation by the United States was ruled out. Only upward revaluation of other non-reserve currencies was allowed, as their economies recovered from depressed post-war conditions and began to build surplus currency balances. By the late 1960s, the rule prohibiting dollar devaluation was to become a central factor in the ultimate breakdown of the Bretton Woods system.

### **The pound and the breakdown of Bretton Woods**

By 1958, the Bretton Woods system of fixed exchange rates became fully operational, some 13 years after the IMF began to function, when the mark, pound, and other currencies became fully convertible, not only for national central banks, but for private business transactions, into dollars or gold. (The point is worth noting, when compared with IMF demands after 1992 that Russia, Ukraine, Poland, and other former state-run economies move, more or less immediately, to full currency convertibility.)

Under the rules of Bretton Woods, foreign central banks could take the dollars that they had accumulated, and redeem them for gold at the New York Federal Reserve's Gold Discount Window. The gold bars physically remained in New York, but the gold was credited and registered with the IMF as transferred, on the account of the Bank of France, or Bank of England, or whichever. Before 1965, the amount of such transfers had been relatively small.

After European currency convertibility in 1958, American banks were able to make large international loans to French, Belgian, German, Italian, and other European economies starved for dollars, to import needed American machinery and goods. The currency convertibility assured lenders that the value of the loan would remain constant over time. As well, American corporations could, with little risk, come

to France or other European countries with dollar balances, and invest in companies, exchanging their dollars, under rules of free convertibility, for French francs.

French fear of being completely bought up by American companies during the 1960s became almost a national obsession, leading to such famous books as Jean-Jacques Servan-Schreiber's *The American Challenge*, an effort to arouse French anxieties about American investment in Europe.

In early 1965, against such a backdrop of French concern about an American corporate "invasion," a French intervention changed the entire perspective for the future of the Bretton Woods arrangement. Instead of holding dollar balances, usually invested in U.S. Treasury securities to earn interest, European central banks, especially the Bank of France, and later, the Bank of England, began to redeem dollars and demand U.S. Federal Reserve gold instead, for the first time in large amounts.

On Feb. 4, 1965, France's President Charles de Gaulle called for abandonment of the Bretton Woods Gold Exchange Standard, and a return to the nineteenth-century Gold Standard, as had been created by London. By that time, the Bank of France had accumulated a large gold hoard, and felt itself in an advantageous position for such a move.

De Gaulle called for creating a new system, "on an unquestionable monetary basis that does not bear the stamp of any one country in particular." On what basis? "Truly it is hard to imagine that it could be any standard other than gold," said de Gaulle. "Yes, gold, whose nature does not alter, which may be formed equally well into ingots, bars, or coins, which has no nationality, and which has, externally and universally, been regarded as the unalterable currency."

The best method of "terminating the gold exchange standard without causing a hard jolt, and the restoration of the gold standard," de Gaulle added, must, of course, "be examined calmly." De Gaulle had taken the proposal of his adviser, Jacques Rueff, against the contrary advice of his own Ministry of Finance and Bank of France.

The reaction to de Gaulle's bombshell was anything but calm. The United States argued vehemently against his proposal. It rejected his call that it agree to a major revaluation of the price of monetary gold by 100%, to allow it to buy back its dollar reserves in European central banks with gold, and as well, in order to establish a price high enough to encourage increased mining of gold around the world.

Washington argued that that would have meant a devaluation of the dollar by 100%, destabilizing the entire world trading system. Further, such a large increase in the price of official gold, Washington argued, would have enormous consequences for the conduct of the Cold War. The major beneficiary, aside from South Africa, would be the Soviet Union, the world's second-largest gold producer. It could sell its gold at enormous profit to finance import of Western technology to modernize its economy, weapons systems, and further tighten control over the captive satellite states of eastern Europe.

France was not impressed. De Gaulle immediately ordered

conversion of \$300 million, a huge sum for that day, held by the Bank of France, into gold, at the New York Federal Reserve Gold Discount Window. From that point, France began to take monthly redemptions of dollars for U.S. gold. Other central banks followed, but none so aggressively as France.

The Vietnam War of the 1960s proved the ultimate undoing of the Bretton Woods system. With huge public deficits used to finance the cost of the unpopular war without imposing unpopular new taxes, year after year, foreign central banks built up large dollar accumulations, the so-called "Eurodollar" market. After de Gaulle's call in 1965, the European central banks, especially the Bank of France, began to convert more of those dollar reserves into gold from the U.S. Treasury.

Pressure began to focus about that time on the weak link of the Bretton Woods system, the pound, which had a peculiar status, partly because of Keynes's influence and British demands in 1944 that it be the so-called second reserve currency, next to the dollar, for Bretton Woods, because of England's monetary ties to its colonies at the time.

The British economy began running huge chronic balance of payments deficits in the mid-1960s, in technical defiance of Bretton Woods rules. The United States and others joined in extending Britain emergency dollar loans to try to stabilize the problem, but the Labour government policy of maintaining full employment made matters worse. Finally, by November 1967, the U.K. government announced that it would devalue the pound by 14%. This collapse of the pound, and its unilateral devaluation, then brought into question the entire basis of Bretton Woods fixed exchanges, most immediately the U.S. dollar.

By late 1967, U.S. inflation, owing to the huge Vietnam War spending and now-chronic balance of payments deficits, was also worsening dramatically. The economies of Japan and West Germany, especially, as well as of France, by contrast, were emerging as major advanced export economies, with ever-larger balance of payments surpluses.

In light of this now-obvious divergence from the situation of the immediate postwar years, speculators began record private gold purchases in London after 1967, and shifted funds out of dollars into francs or marks. They were betting that the dollar would soon be forced to devalue against gold and the main European currencies.

De Gaulle encouraged the shift. A Gold Pool of the ten leading industrial countries, led by the United States, had agreed in 1963 to pool gold reserves to hold the Bretton Woods parity stable, by selling their pooled reserves of gold in the London market. However, as more gold came onto the London market, speculators bought more, in the conviction that, ultimately, the Bretton Woods fixed exchange must crack. By June 1967, de Gaulle unilaterally pulled France out of the London Gold Pool, weakening it significantly.

Over a six-month period, from October 1967 just prior to the pound's devaluation, to April 1968, the Gold Pool countries were forced to sell a staggering \$3.5 billion in gold, to calm speculation that there would be a dollar devaluation of

the Bretton Woods system. That meant a U.S. loss of some 20% of its gold reserves. By March 1968, the Gold Pool officially dissolved, and a two-tier private and official gold market was agreed upon, in which private gold could be bought or sold at market price, and official central bank gold only at \$35 per fine ounce.

By the end of 1969, the U.S. economy had fallen into a major recession. By 1970, the Nixon administration and the Federal Reserve had eased monetary policy to lower interest rates and stimulate domestic growth. International currency speculators reacted immediately with a major attack on the dollar. By 1971, as a U.S. recession worsened and Nixon faced a hard re-election campaign, inflation and easy money from the Federal Reserve were stepped up under political pressure from the White House.

Nixon had appointed his old friend Arthur F. Burns, later ambassador to Germany, as chairman of the Federal Reserve in January 1971. Burns accommodated immediately, as Nixon indicated his desire that the "independent" central bank turn on the printing presses and revive the depressed economy in time for Nixon's 1972 re-election campaign. Nixon told the press at the time of Burns's appointment, "I respect his independence. However, I hope that independently he will conclude that my views are the ones that should be followed." Within two weeks of his appointment, Burns began to lower interest rates and increase money supply to stimulate the domestic economy.

That flood of money led to a torrential outflow of short-term funds from the United States. Such money flight reached \$6.5 billion in 1970, and soared to \$20 billion by 1971. Nixon's government budget deficit was rising accordingly, from \$10 billion in 1970, to an unheard-of \$30 billion in 1971.

By August 1971, U.S. official gold reserves had fallen to only half that of 1958. More alarming, in terms of covering U.S. external liabilities, U.S. gold reserves represented only 25% of total future claims on U.S. gold by foreign central banks holding dollars. Theoretically, were all central banks at once to demand gold for their dollar reserves, the United States would be unable to pay. The Bretton Woods Gold Exchange Standard was near rupture.

In the first days of August 1971, the U.S. Treasury had received reports of a planned concerted run by European central banks on the remaining U.S. official gold reserves. That attack was to have been led by the Bank of England and the Bank of France. But, before it could take place, on Sunday, Aug. 15, 1971, President Nixon announced to a startled world that, no longer would the United States Federal Reserve honor its obligations under the Bretton Woods Treaty to redeem dollars for gold. The dollar, as well as other major world currencies, were to float.

By 1973, this free-floating currency system had officially replaced the Bretton Woods system, opening the door to creation of what Rueff called fiat money, or "printing press" money. Gold left the monetary system, for all intents and purposes.

## Iran and its new President face an historic challenge

by Muriel Mirak-Weissbach

*The author visited Iran in mid-July.*

The inauguration on Aug. 4 of Seyed Mohammed Khatami as the new President of Iran, marked the transition to a new phase in the Islamic Republic's history. If the first phase, stretching from the 1979 revolution, to the end of the war against Iraq in 1988, was a period of upheavals, including massive dislocation of the economy and destruction of basic infrastructure, the period following, from the death of Ayatollah Khomeini in 1989 to the present, has witnessed the reconstruction of the domestic economy, and vast expansion of infrastructure. In the last eight years, under the Presidency of Hashemi Rafsanjani, Iran has rebuilt internally, and embarked on an ambitious foreign policy based on economic cooperation in regional infrastructure, among new partners in the political landscape opened up after the fall of communism.

The context in which this has emerged, is defined by the Eurasian Land-Bridge, the great project of continental infrastructure, which entails applying advanced technologies to rebuild the historic Silk Road linking China to Europe. Of the three great transit routes—one stretching across Russia, one through Central Asia, and the third, through the subcontinent—the latter two traverse Iran.

Thus, 18 years after the revolution, the country finds itself situated in a strategically crucial location, geographically, economically, and politically. Despite the continuing rhetoric branding it a rogue state, and the corresponding economic sanctions designed to punish it, objectively speaking, Iran has shed its pariah status and become a key factor

in the region. Now, this must become subjective as well.

The third phase opening up now under the leadership of the new President, is destined to complete the process of rehabilitation of Iran, to reestablish healthy diplomatic relations with the rest of the world, including emphatically the United States and the western European nations. Domestically, the shift will be manifest in cultural policy in particular, leading to greater freedom of the press and of association. Some in Teheran say, the real revolution is beginning now.

The seventh Presidential election, held on May 23, was revolutionary in itself: Although the vote was not compulsory (as was, for example, the practice in communist countries), Iranian voters flocked to the polls in unprecedented numbers. Of the 33 million eligible voters, 29 million cast their ballot, and 69% of them (20 million), for Khatami. Polls had to be kept open beyond official hours, to allow citizens waiting in line, to exercise their right to vote. The overwhelming majority of Iran's women and youth chose Khatami, transforming his victory into a landslide.

If the turnout, which the President-elect termed "an historical epic," handed him a clear mandate, it also presented Khatami with a list of demands, that concrete measures be introduced to effect change.

### **Economic pressures**

Highest on the priority list is the economy. As a visitor to Teheran immediately realizes, the city of over 8 million inhabitants is a teeming metropolis, pulsating with activity, and bursting at the seams. Although an ambitious effort is under way to build housing units for the expanding popula-



*The historic square of Isfahan, the capital of the Safavid Dynasty, from the 16th century to the 18th century. Isfahan was the capital of Persia during this time. The magnificent palaces and mosques are among the greatest achievements of Islamic architecture in the world.*

tion, visible in the countless cranes that stand out against the city skyline, the pace of construction of new housing units has not kept up with the growing needs. There is no homeless problem in Teheran, that is, of persons without a roof over their head, but many live in crowded quarters. Continuing demographic growth of the resident population, is augmented by the immigration from rural areas, and the massive influx of refugees, particularly from Afghanistan.

In addition to the housing shortage, unemployment and inflation are twin evils which the population demands that the new government redress. Iran's population doubled in the decade after the revolution, and reached 56 million in 1991. The most recent figures place the total population at 66 million, well over half, under the age of 18. Some time early in the next century, the population could top 100 million.

These millions of young Iranians who will enter the labor market, require education and job opportunities. The Iranian Constitution calls for "free education and physical training for everyone at all levels, and the facilitation and expansion of higher education." Although universal educa-

tion is available to all, and significant progress has been made to eliminate illiteracy, the competition for admission to universities is extremely tough. According to one estimate, about 1.3 million Iranian high school graduates seek access to universities, but only a fraction can be accommodated by existing facilities.

For those already trained for employment, competition for jobs is also tough. This has been aggravated by the massive influx of refugees, since the renewed fighting broke out in Afghanistan over the last couple of years. According to official statistics, Iran has over 2 million refugees, of whom 1.3 million are Afghans. These refugees constitute a pool of cheap labor, which can be employed without social benefits. The pressures thus exerted on native employment, are obvious. Thus, this year, the government started to fire these workers, to make way for Iranian labor. Statistics released by the Employment Ministry in July, indicated that 65,000 foreign workers, mainly Afghans, had been removed from their jobs. It was reported that 58,000 foreigners had been working illegally.

Finally, inflation continues to be a problem. The root

causes of inflation, as of the other economic problems, are to be found in the after-effects of the destruction caused by the war, and international factors, including foreign debt obligations, and trade sanctions. In an Iranian television interview on Aug. 2, outgoing President Ali Akbar Hashemi Rafsanjani drew a picture of Iran at the end of the war, and the beginning of his first term as President in 1989, as he saw it: Factories were idle, foreign exchange was scarce, industrial plant and equipment had been devastated, transportation was inadequate, and consumer goods distribution was disorganized. Rafsanjani stated, correctly, that these problems had been by and large solved in the course of his two terms.

In a speech to the Majlis (Parliament) just before leaving office, Rafsanjani gave a detailed evaluation of the reconstruction effort which is associated with his name. Although his five-year plans (which began in 1988) had been considered "ambitious" by some quarters, he said, in reality all the pre-planned projects had been implemented. The most severe problem Iran faced initially, the lack of manpower, had been overcome, and the budget deficit, which had been 51% in 1988, had dropped to zero. Rafsanjani said that Iran had a budget surplus and foreign currency reserves at present. He put inflation at 1.5% monthly, and said unemployment had dropped from 16% to 9.1%. He said Iran was among the top ten countries worldwide in projects in the areas of gas, oil, petrochemicals, dam building, urban sewerage, power generation, agriculture fisheries, animal husbandry, poultry farming, forestry, heavy and light industries, security, road building, laying railways, airport establishment, transportation and defense, according to a press summary in the Iranian daily *Ettela'at*.

Addressing a group of bankers in the capital, Rafsanjani pointed to the leading role played by them in reconstruction, due to their participation in infrastructural investments. The generation of domestic credit had also been important, to reduce dependence on foreign countries. One of the leading aims of his government, in recent years, has been to reduce foreign debt.

At the end of the first five-year plan, foreign exchange debt was at \$33 billion. At the same time, the economic sanctions, under the rubric of the "dual containment" policy, took their toll. Thus, in the second five-year plan, emphasis was placed on limiting foreign credits to \$10 billion, earmarked for specific projects, and making payments to bring down the foreign debt. As Rafsanjani told the bankers, the debt figure now stands at \$6 billion.

The cost of the effort has been felt by the population, particularly in the form of inflation. Young men eager to marry and start families, find their greatest obstacle to be financial. If an engineer can earn enough to cover the combined costs of housing and food, which in some major urban centers add up to 1.2 million rials, someone working for the state may be earning less than half that amount.

Thus, it is no surprise that such a large portion of the electorate voted for the candidate who, pledging to continue the reconstruction effort on the level of great infrastructure projects, at the same time, promised to focus more intensely on solving the domestic social issues related to the economy and culture.

## **Iran, culture, and the West**

One of the central themes of the new President's election campaign, was the need to bring Islamic Iran into line with the culture of the modern world, which means, opening up to cultural impulses from the West. In one of his many encounters with students, during the campaign, Khatami outlined his views of the West, in terms which very few Americans or Europeans would expect from an Iranian cleric.

According to a *Teheran Times* report, "He explained [his view of the West] by saying that the West is moving towards the path of humanism. By this he meant that man is the main axis upon which material life develops; but in Islam we are of the view that reason is next in importance to revelation and is capable of constructing human lives. Further, he said that our basic difference with the West is in our attitudes, but other than this, all aspects of development, including social, political, economic and cultural, have originated from the West. By expressing these views, he said he intended to convey the idea that development will not be materialized without having a proper understanding of the West, i.e., knowing about its advantages and disadvantages. We cannot confront the West blindly. We should have knowledge about the issues such as liberalism, fascism, capitalism in order to have a basis on which to judge them, Khatami said."

Developing this concept, Khatami urged citizens to adopt a critical approach both to the West and to tradition: "He said the salvation of Iranian society lies in the possession of two kinds of situations. We should have a critique of the West and modernization, and another of tradition. We should recognize all the positive and negative aspects of the two basic issues posed by Westernization and tradition, [because] without having enough understanding of both, we can neither reject nor accept either. He said that such understanding of their real nature is a must, and only then should we deal with ourselves and search ourselves from the depths of our being. Therefore, an understanding of the West, tradition, and ourselves will help save this society. If we can do this, we can have the power to construct the country, Khatami said."

Khatami reiterated his commitment to striking a balance between modernization and tradition, in his inaugural address on Aug. 4. Addressing the Majlis, in what was characterized by the press as a speech delivered in a "beautiful and poetical Persian style, difficult to translate," the new President promised to protect civil liberties, including freedom of expression, within the framework of the rule of law. While declar-



FIGURE 1

The expansion of Iran's railroad connections, east and west



- Existing main rail lines
- == Newly completed rail line
- ..... Proposed new rail routes

ing his commitment to safeguarding religion, the country's territorial integrity and borders, he said that the best platform from which to promote religion, would be a society which "enjoyed material and spiritual comfort, and had its rights recognized and fulfilled." This would be the basis for "nurturing of ideas, the countering of discrimination, the eradication of poverty, the presence of justice and the continued development of Iran," development which must go hand in hand with justice.

Acknowledging the weight of the mandate given him by particularly young voters, he said the "energetic and dynamic spirit of the youth made him hopeful that he would meet his commitments to a young nation." He focussed on the idea of accountability of the elected to the voters, and reciprocity between the two. He emphasized the importance of "public participation in the affairs of the country, reminding government officials that they were servants of their nation." Such officials, he said, had to "live up to the expectations of Iran's citizens, deal with their pain and suffering, and work for their well-being." A means of ensuring this, he said, could be found in the media, whose role was "to monitor the functioning of Iran's government." He also invited all figures from the political, intellectual, and cultural world to "keep a close watch on the administration's activities."

Finally, addressing the international stage, he said his government would "refrain from any act which could lead to tension and would strive for friendly relations with all countries that respected Iran's national interests." While promising to "confront acts of hegemony and expansionism by large powers," President Khatami emphasized that a "dialogue among civilizations and cultures was necessary to avert crises."

### **The institutions of government**

To evaluate the difficulties which the new President may face, as well as to appreciate the genuine chances of his success in the task he has defined for himself, it is important to consider the system of Iran's government. It is based on three branches, the legislative, the executive, and the judiciary. Above them all, is the Leader of the Revolution, a position held now by Ayatollah Seyed Ali Khamenei, who succeeded Ayatollah Khomeini.

The Leader represents the highest authority of the land, both religious and political, and his powers are vast. They include deciding overall policies and overseeing their implementation. He may order referenda, command the Armed Forces, declare war or peace, arbitrate among the three branches of government, endorse the winner of Presidential elections, and appoint and dismiss numerous high-level officials, including the President. It was Ayatollah Khamenei, for example, who issued the decree endorsing the election of Khatami. Nor was this a mere formality: In his decree, in fact,

Ayatollah Khamenei outlined the broad policy parameters which the new President should follow, stressing the fight against poverty, discrimination and injustice, themes which were echoed in the President's inaugural address. As supreme authority, his responsibility is to provide the guidelines according to which policy is formulated, to indicate the right path to follow.

The Leader is elected, by a group known as the Assembly of Experts for Leadership, which also has the power to dismiss him, if he no longer provides leadership. The First Assembly debated and passed a draft of the constitution in 1979, which was later put to a referendum. The Second Assembly of Experts, was elected in 1982. Members may also hold other offices, in parliament or in government, but they must be clerics. They are elected for an eight-year term.

Next in order of authority is the President, who leads the executive branch. The powers of the President were enhanced through a constitutional amendment which abolished the position of prime minister. Thus the President has the power to name his cabinet ministers, and submit them to the Majlis for a vote of confidence. The President, like his ministers, may be subjected to a vote of no-confidence, and can be impeached with a vote of two-thirds.

In the legislative branch, there are two organs, the Majlis and the Guardian Council of the Constitution. Legislation which is approved by the Majlis, must be ratified by the Guardian Council, before being signed into law by the President. Thus the Guardian Council functions like an upper house.

The Majlis is made up of 270 members, who are elected by direct vote, for a four-year term. The overwhelming majority of members are Muslims, but there are seats for representatives of the religious minorities, the Armenians, Assyrians, Jews, and Zoroastrians.

The Guardian Council, or council of sages, is made up of 12 members, six of them clerical Islamist canonists, elected by the Leader, and the other six, civilian jurists, elected by the Majlis. In considering legislation presented by the Majlis, this group must ascertain that it is compatible with Islamic provisions and with the constitution. The Guardian Council also supervises elections.

Given the composition and responsibilities assigned the two bodies, the more conservative Guardian Council, and the more heterogenous Majlis, it is not surprising that they should come into conflict. As early as 1987, a new institution was created, to intervene in disputes which broke out between the two organs.

The Council for the Determination of Exigencies, or Assembly for Determining the Expediency of the Islamic System, has developed over time, from a mere arbiter to a functioning body of the legislative process. Shortly before the Presidential elections took place, the Expediency Council was reshaped by Ayatollah Ali Khamenei and then-President Raf-

sanjani. It was announced that Rafsanjani, on leaving office, would take over as chairman of the Expediency Council. Furthermore, the body was redefined, its powers and responsibilities significantly enhanced. Not only is it to intervene to settle disputes between the two houses of parliament, but it is to function as a consultative body, which even the Leader, Ayatollah Khamenei, would hear, before issuing decisions on the foreign policy, economic, or defense front. Reports in Iranian publications have identified the Expediency Council as the primary vehicle for economic policymaking.

Soon after the results of the May 23 vote had been announced, Rafsanjani explained to the press, what the significance would be, of his presiding over the Expediency Council. Asked by a Syrian paper, what his capacity would be in foreign and domestic policy, Rafsanjani answered, "We are discussing general policies at the Council of Expediency. The President-elect Mr. Khatami will also be a member of the council. Our views at the Expediency Council take effect after the final approval of the Leader of the Islamic Revolution [Khamenei] and that I will help Mr. Khatami." Asked by another reporter, in what ways he could be expected to aid Khatami in his new capacity, Rafsanjani outlined the three duties of the institution, as "removal of the differences between the Majlis (parliament) and the Guardians Council, settlement of problems which the current laws and regulations are unable to tackle, and lastly serving as an advisory body to the leadership."

Considering that Rafsanjani's entire tenure as President was dedicated primarily to the task of reconstruction, infrastructure development, and, since 1991, aggressive economic

cooperation in the framework of the Silk Road program, his having been appointed to head up the Expediency Council, means that this body will maintain continuity in policy with that of the past Presidency. This was already clear in the decision by Rafsanjani, to throw the weight of his political movement, the Cadres for Reconstruction, behind Khatami's candidacy.

Thus, Iran's new President may find significant resistance to his proposed opening on the cultural front, from among the more conservative clergy, in the Guardian Council. In addition, the conservatives in the Majlis, emphatically including the Speaker, Nateq Noiuri, who ran on a conservative profile against Khatami, still hold a numerical majority. But the new President has been assured the support of his predecessor, Rafsanjani, who is in a position to provide it, not just politically, but institutionally. And, most important, he enjoys an unprecedented popular mandate. The vote which swept him into office, was an unambiguous message to the conservatives, that their policies and outlook had been defeated.

### **The Khatami cabinet**

According to Iran's Constitution, the President has two weeks' time after having been sworn in, to present his cabinet to the Leader and the Majlis. As of this writing, President Khatami has announced only two cabinet appointments. The first was Dr. Hassan Habibi, who was reappointed as first vice president, a post he has held for eight years under Rafsanjani. Dr. Habibi, a former justice minister, received his training as a lawyer in France, and was among those

## **Who is Iran's new President?**

President Hojjatoleslam Mohammed Khatami was introduced by Ayatollah Khamenei, as "an experienced and revolutionary clergyman, a man of letters and culture who has been trained in a seminary . . . a competent scholar and a prominent thinker."

President Khatami was born in Ardakan, in the Yazd province, in 1943, the son of Ayatollah Rouhollah Khatami. After completing his early schooling there, he went to Qom, where he conducted religious studies, and received a diploma in 1961. He took a B.A. in philosophy, years later, at the University of Isfahan, and continued religious studies at Qom Seminary. He carried out post-graduate studies in education in Teheran.

Prior to the revolution, he was active in political activities against the Shah, together with the Association of Muslim Students at Isfahan University. He chaired the Islamic Center of Hamburg, in Germany before 1979. Following the revolution, he entered the Majlis as a representative of Ardakan and Meybod. In 1982, he was appointed as minister of culture and Islamic guidance, under the premiership of Hussein Musavi. During the Iran-Iraq War of 1980-88, he held various posts, including deputy and head of the Joint Command of the Armed Forces, and chairman of the War Propaganda headquarters. He was reappointed minister of culture by President Rafsanjani in 1989, but resigned in 1992, under pressure from conservatives. Thereupon, he was appointed cultural adviser to President Rafsanjani and head of the National Library.

He is the author of numerous articles and books. He is fluent in German, Arabic, and English, in addition to his native tongue, Farsi. Married in 1974, he is the father of two daughters and one son.

who drafted the country's Constitution. Over the past years, he has been closely associated with Rafsanjani's infrastructure-building projects, not only in Iran, but abroad, and is therefore another guarantor of continuity in economic policy orientation. Dr. Habibi is also well suited to implement President Khatami's design for greater accountability of government to the citizenry. As *Iran News* noted in a report on his nomination, Dr. Habibi used to hold weekly press conferences, to report on the government's day-to-day activities, during his first few years in office. It was mooted that he might return to this practice. In announcing the nomination, President Khatami said he had made the choice on the basis of his scientific and educational background, as well as his moral and religious qualifications, and experience.

The other appointee embodies the spirit of innovation of the new government. Called to occupy a new post, as vice president and head of environmental organizations, was a woman, Mrs. Massumeh Ebtekar. The first woman to occupy a cabinet post, Mrs. Ebtekar, in her thirties, is a university professor in Teheran. She studied in the United States and received her Ph.D. in chemistry. In recent years, she represented Iran as a delegate to the United Nations conferences in Cairo and in Beijing.

It is expected that the crucial post of foreign minister will go to Dr. Kamal Kharrazi, who has been serving as the Permanent Representative to the United Nations in New York City since 1989. He is thus the highest-ranking Iranian diplomat on American soil, and is in the best position to contribute to improved relations with the United States. Dr. Kharrazi has served as deputy foreign minister for political affairs and acting foreign minister, in a career which began shortly after the 1979 revolution. Before receiving his post at the UN Mission, he was the head of the Islamic Republic News Agency (IRNA). He also directed the War Information headquarters during the 1980-88 Iran-Iraq War. It was he, who convinced then-UN Secretary General Javier Peres de Cuellar, that Iraq was the aggressor in the conflict. Dr. Kharrazi's diplomatic efforts led also to the resumption of relations with several countries, among them Morocco and Jordan. During his term at the UN, Dr. Kharrazi has generated initiatives aimed at finding a political solution to the continuing conflict in Afghanistan.

### **Rapprochement with Washington**

Immediately following the news of the elections results in Teheran, President Clinton was quoted saying, he had found that they expressed the viability of the democratic process in Iran. He said, he found the fact that a moderate had been elected, "intriguing." Just on the eve of Khatami's inauguration, the White House said something of substance: It was announced July 27, that the U.S. administration no longer opposed the project for a pipeline to traverse Iran, from Turkmenistan to Turkey.

Unnamed U.S. officials were quoted to the effect that the Clinton administration "had not endorsed the pipeline, but had concluded that such a project did not technically violate America's 1996 Iran-Libya Sanctions Act." Despite routine diplomatic denials, by Secretary of State Madeleine Albright and White House official Anne Luzzato, that the announcement did not constitute any change in policy toward Iran, the opposite is obviously true. In Teheran, the announcement was taken as a signal.

Coincidentally, on the same day, the Majlis endorsed the United Nations treaty to eliminate chemical weapons, and, according to official Iranian press dispatches, it was expected that the Guardian Council would ratify the decision. At the same time, the International Atomic Energy Agency expressed its "satisfaction" with Iran's nuclear program. Hans Blix, secretary general of the IAEA, visited Iran in the last week of July, to inspect the country's nuclear installations. After inspecting the Karaj nuclear research center in Teheran province, which has an agricultural and nuclear medical research center, Blix "confirmed Iran's use of nuclear energy for peaceful purposes" and "expressed hope that products of this center would be used in other countries of the Middle East and Central Asia," according to IRNA. In an interview with *Iran Daily*, Blix reported that Rafsanjani had assured him of Iran's acceptance of the agency's new safety provisions, and of the IAEA's right to inspect installations anywhere and anytime.

These developments in Iran, constitute further meaningful signals. It is known, that the reasons given by the British and their faction's representatives in the United States, like Sen. Alfonse d'Amato (R-N.Y.), among others, for imposing sanctions against Iran, and maintaining the "containment" policy, include the allegation that Iran seeks to procure weapons of mass destruction, specifically that its nuclear program is a cover for the development of atomic weapons, etc. With the clean bill of health issued by Blix, and the Majlis vote for the chemical weapons ban, such allegations are somewhat deprived of their credibility.

There is every reason to be optimistic, that the new government in Teheran will pursue the openings made by Washington, to proceed, step by step, toward the resumption of normal diplomatic and trade relations. There will be attempts to sabotage this rapprochement, as shown by the current farce being played out in the European Union, under British direction (the EU nations, which, on British orders, withdrew their ambassadors from Teheran last spring, in the wake of the "Mykonos affair," have lined up in a bloc, and refused to reinstate their diplomats, on Iran's terms).

Theatrics aside, profound changes for the better are in process, in Iran. The *Teheran Times* of July 29 was not wrong in saying, "With the swearing in ceremony of President-elect Mohammed Khatami to take place within a few days, the U.S. must not miss the opportunity to pave the way for a rapprochement with Iran. . . ."

# Swedish political ‘gatekeepers’ are losing their grip

by Torbjörn Jerlerup

The theory that a “lone assassin” murdered Swedish Prime Minister Olof Palme on Feb. 28, 1986, received more blows recently, reinforcing the growing perception of a cover-up in the investigation of those responsible for his murder. In June, it was revealed that the mysterious 1984 death of Cats Falck — a Swedish journalist who investigated secret Swedish arms deals with East Germany, Iran, and African nations — could have been murder, carried out by Communist East German agents; and that her murder could be related to the assassination of Palme. And, in late July, it was revealed that an alleged former South African spy and arms dealer, Nigel Barnett, had been interrogated by Swedish police because of his possible involvement in the Palme assassination. Both tracks clearly have nothing whatsoever to do with the fiction of a “lone assassin.”

On July 22 and 23, Swedish media reported that Barnett had been interrogated by Swedish police in Mozambique earlier this spring. Barnett was arrested in March for arms smuggling and for possibly being a former spy, working for the South African apartheid regime. In April, it was revealed that Barnett had extensive Swedish contacts, and that a tape-recording of a radio program on the Palme assassination was found in his car at the time of his arrest. Swedish authorities were alerted to this, and a Swedish police official travelled to Maputo, Mozambique and interrogated him. The Swedish police official who went there serves as the expert on the “South Africa track” in the official investigation of the Palme assassination.

This “South Africa track” surfaced in September 1996, when a former South African Secret Service colonel, Eugene De Kock, testified to the South African Truth and Reconciliation Commission, claiming that he knew who assassinated Palme, and that South Africa was involved in the assassination.

It was soon revealed by Swedish media that a network around former Rhodesian and South African agents Craig Williamson and Anthony White, a secret intelligence network involved in espionage, assassination, and illegal arms smuggling in Europe, the United States, and Africa, was involved. Barnett reportedly is not only a good friend of Williamson

and White, but also speaks Swedish (he was adopted by a Swedish missionary as a child).

## The Cats Falck case

Between March and April of this year, new revelations on the death of 31-year-old Swedish journalist Cats Falck in November 1984, made front-page headlines in the Swedish press. Falck, who was investigating secret arms deals, was found dead, along with a friend, in a car at the bottom of Stockholm’s harbor. At the time, the death was declared an “auto accident.” But, the Stockholm police reopened the case as a murder investigation, after an anonymous letter arrived at police headquarters, accusing the East German secret police, the Stasi, of the murder. The motive was, according to the writer, that she knew too much about secret arms deals. — The Stasi had already been deeply implicated in the Palme assassination and cover-up. Shortly after the collapse of the East German regime, following the fall of the Berlin Wall, a high-ranking Stasi official, Herbert Brehmer, appeared in Swedish news publications and on radio interviews, admitting that he, as a disinformation specialist in the Stasi’s Department X, had orchestrated the Big Lie that American politician Lyndon LaRouche had been behind the Palme assassination. Brehmer described in detail how the Stasi had used a network of assets inside the Swedish media and the Social Democracy, to plant a rash of stories, all based on the ID-format smear, “LaRouche killed Palme.” The Stasi operation was abetted by the U.S.-based Anti-Defamation League of B’nai B’rith, NBC TV’s news division, and the Soviet KGB. But it was the Stasi that led the drive to misdirect Swedish investigators away from promising leads, down the false trail of LaRouche and his Swedish associates in the European Labor Party.

The anonymous tip that the Stasi had played a role in the murder of Falck reinforces suspicions some Swedes have had about her death. Many believed at the time, that she was murdered because of her last journalistic investigation, which dealt with secret arms deals and smuggling of sensitive electronic equipment. Besides many strange circumstances around her disappearance and the nature of this so-called “accident,” it has been well known since her death in 1984, that

AK: 54	PATRULL: 11E0	BEORDRAD: 23:22	AT	ANTECKNINGAR:
		KLAR PÅ PLATS: 04:17	MB	RTGÅRD:
		AVSLUTAT: 04:17	MU	ANTAL GRIPNA:
AK: 52	PATRULL: 2520	BEORDRAD: 23:31	AT	ANTECKNINGAR:
		KLAR PÅ PLATS: 03:27	SS	RTGÅRD:
		AVSLUTAT: 03:27	SS	ANTAL GRIPNA:
AK: 54	PATRULL: 1227	BEORDRAD: 23:33	AT	ANTECKNINGAR:
		KLAR PÅ PLATS: 04:17	MB	RTGÅRD:
		AVSLUTAT: 04:17	MB	ANTAL GRIPNA:

This computer list shows that Gösta Söderström, in patrol 2520, reported that he had arrived at the murder site at 23:31. The crucial computer records from the night of the assassination were destroyed some years after 1986; this part of it, in the form of a computer list, is all that survived.

most of the notes and tape-recordings that she made during her last assignment disappeared mysteriously after her death, never to be recovered.

Parts of the anonymous letter were published in *Dagens Nyheter* in the beginning of June by the journalist Bo G. Andersson. In the letter, it is written that “Cats Falck wanted to reveal something big,” that “she was investigating [Swedish arms producer] Bofors . . . and had found that ships from Sweden were unloading containers in Rostock [East Germany], which later were transferred to the storage of IMES [an East German trading firm] at Kavelsdorf, near Rostock. IMES was supervised by the Stasi and was involved in arms smuggling all over the world.” This information led the police to reopen the Falck case, and one man is now assigned to take a fresh look at the details of it.

The German police have also shown interest in the Falck case. In June, Manfred Kittlaus, the head of ZERV, the German police unit investigating the crimes of the Stasi, made a formal request to get a copy of the letter, via Interpol. According to Kittlaus, the Falck case is one of 12 cases he is investigating, of murders carried out by the Stasi outside of East Germany. Press sources report that there could be as many as 200 such cases under investigation.

### The assassination of a prime minister

Reflecting the growing discrediting of the politically convenient “lone assassin” theory, journalists and other experts have pointed toward wider conspiracies for the assassination. Bo G. Andersson, in a series of articles in *Dagens Nyheter*, connected the Falck murder with the Palme assassination. In addition, the main researcher of the Swedish Peace and Arbitration League, Henrik Westander, also mentioned this possibility in an interview in *Aftonbladet* on June 2. The problem is, that those who raise the connection of the secret arms trade to the Palme assassination, and the officials investigating the “South Africa track,” tend to lose sight of the fact that the arms deals of Bofors were *not* a “Swedish affair,” but something bigger.

In the 1996 *EIR Special Report* “George Bush and the 12333 Serial Murder Ring,” as well as in the 1989 *EIR Special Report* “Irangate, the Secret Government and the LaRouche Case,” on the Iran-Contra deals, *EIR* has detailed how Bush and Margaret Thatcher were coordinating perhaps the largest secret arms-smuggling operation in world history, in the mid-

1980s. Guns, explosives, and sophisticated missiles were traded secretly to various parts of the world, as part of a geopolitical strategy to create “arcs of crisis,” and, thus, to keep the world divided by fear and chaos. The Swedish explosives and arms company Bofors played a crucial role in the European part of this strategy, and smuggled tons of explosives to Iran through the Soviet bloc (East Germany and Yugoslavia), in collaboration with the explosives cartel of the western European countries, and sometimes with the help of American planes involved in the arms-for-hostages project with Iran.

Palme’s government sought to end the Bofors secret trade of explosives to Iran and East Germany in 1985, after German and Swedish Customs officials discovered the secret shipments. An investigation was initiated that year, with the tacit consent of the Swedish government, which ultimately threatened to break up the trade of arms and explosives to Iran and Iraq during their war. This is a known fact, and is definitely something more than a purely internal Swedish matter.

If Falck was murdered by the Stasi because she knew too much, it certainly has to do with this secret *international* trade. The same thing obtains with the “South African track”: This is by no means only a Swedish and South African deal. The “South African track” leads directly to George Bush. In the “12333 Serial Murder Ring” report, *EIR* detailed that Craig Williamson and Anthony White, the possible conspirators involved in the assassination, were an integral part of the African network of the Bush-Thatcher apparatus. The same planes which flew arms to Iran and to the Contras in Nicaragua, also flew to Africa with arms for, among others, the UNITA of Angola’s Jonas Savimbi, who was, up until this time, closely allied with Bush and Thatcher. The South African arms company Armscor worked closely with the Bush crowd and with the European arms cartel, including the Swedish arms producer Bofors, during this period. Williamson and White played a crucial role in these African operations.

This fact has yet to be properly investigated. More than 11 years have passed, and still no interrogation has been conducted of the key individuals of this secret trade, such as Oliver North and Alexander Schalk-Golodkowski of IMES. It is the same with the “gatekeepers” in the so-called “free press” of Sweden, who have the attitude that “we have to look for the gun which killed Palme; conspiracies have nothing to do with the murder,” as the main Palme assassination “expert” of the paper *Aftonbladet*, Lennart Haardh, told this writer a

half-year ago. The question now is, have the Swedish police, in the light of this new evidence, decided to do some serious work to investigate these matters?

## More on Africa

A closer look at the surviving notes from Falck's diaries underscores the importance of investigating the cases of Falck and Palme together, and of bringing in the whole picture of the international illegal arms trade. According to her notes, Falck was delving deeply into this arms trade. Several notes deal with Armscor of South Africa, and in one note, she wrote in a fragmentary way that: "South Africa is the center . . . illegal trade . . . advanced American technology." Another note states: "Seven containers, American producers, digital equipment via Cape Town, South Africa."

Other quotes show that she was investigating Swedish secret operations in Africa, too, as part of her look at the illegal arms trade. She writes about "possible Swedish airplanes" that had been sold to some nation, and about something which was going to happen in 1986, and then names the nations of Senegal, Sudan, and Ethiopia; names of Swedish diplomats and foundations appear in her fragmentary notes.

This was written in 1984. Was it possible that she had found something related to the great regrouping of political positions that occurred in Africa in 1986, after secret negotiations between East and West had been held?

Africa was then, as now, the playground for all kinds of dirty geopolitical games. And in January 1986, two months before the assassination of Palme, Dieter Uhlig from IMES and the Stasi met with the chairman of Lonrho, Tiny Rowland, in London. The subject was how Britain, through Lonrho, and East Germany, through the Stasi, should coordinate and divide up their work in Africa. The result of the deal was, most notably, that the coup d'état that Rowland's pet, Yoweri Museveni, staged in Uganda in January 1986, was recognized by the Soviet bloc as legitimate. The protocol of the meeting gives many details about how the Hitler-to-be of Africa, Museveni, had received support from Rowland in 1985. At the meeting, it was also decided that the governments of Angola and Mozambique, until then Soviet assets, should begin to cooperate with the British and with the U.S. government under Bush. Hence, after 1986, the support from the Bush-Thatcher alliance for the resistance movements of UNITA in Angola and Renamo in Mozambique, was gradually withdrawn. In 1996, Mozambique joined the British Commonwealth, as final proof of the former Portuguese colony's new pro-British status.

Sweden, too, played an important role in this dirty game. Hence, the importance of Falck's notes. Museveni got plenty of support from Sweden before he gained power and established contact with the Social Democratic party during his visit to Sweden in spring 1985. To this very day, the Swedish government remains one of the most important backers of Museveni, despite evidence that more than 3 million people have been exterminated in wars in which he has played a



*Prime Minister Olof Palme and his wife, Lisbeth, in Stockholm in 1984. On the night of his assassination on Feb. 28, 1986, Palme had dismissed his security detail early. He then decided to go to the cinema with his wife, unprotected.*

crucial role.

If one broadens the investigation of the Palme assassination to deal with these secret arms deals, the mysterious deaths of people involved in these deals, and with the deliberate cover-up of the murder investigation by the head of the Stockholm police, Hans Holmér, in 1986, the truth about the assassination can be found. A serious investigation must include the origins of the slander campaign against Lyndon LaRouche and the European Labor Party; they were accused of the murder in March 1986, and have never been fully cleared of this accusation. The importance for the investigation can be seen in the fact that it can be shown that it was the Stasi and the arms- and drug-running network around George Bush which spread the lie that "LaRouche killed Palme." If treated properly, this constitutes one more crucial piece of evidence pointing to the role of George Bush and the Stasi in the assassination.

Real evidence on the murder, which might be embarrassing for the "gatekeepers" in Sweden, could come out of the new trial on the smuggling of explosives from Bofors to East Germany. A new trial is scheduled to take place this fall. The accused is Mats Lundberg (sales director of Bofors Explosives in the mid-1980s), who coordinated the Swedish part of the sales of explosives to East Germany and Iran the year before Palme was assassinated.

# ‘The Palme investigation was initiated to protect the assassin’

*Gösta Söderström was the first policeman to arrive on the scene where Swedish Prime Minister Olof Palme was assassinated. As a superintendent, he was also the field officer with the highest rank in service during that night between Feb. 28 and March 1, 1986, and was therefore in charge of the initial part of the investigation on the murder scene.*

*After two days, Söderström realized that there was a cover-up under way, when the chief investigator, Hans Holmér, lied about the timing of the police work after the assassination. Since then, Söderström has fought to find out the truth about why there is a six- to seven-minute discrepancy between the time Söderström recorded that he arrived on the scene, and the official time, as given by police inspector Holmér, the first chief of the Palme investigation.*

*This lead in the case is crucial, because it shows that a cover-up was going on from the very beginning of the investigation. It also underscores the totally fraudulent nature of the accusations from the official investigators, led by Holmér, that the American politician Lyndon LaRouche, and the party affiliated with him in Sweden, the European Labor Party, assassinated Palme.*

*This interview was conducted by telephone by Dean Andromidas, on July 28.*

**EIR:** Will you please introduce yourself?

**Söderström:** I have been a policeman for nearly 40 years. At the time of the assassination of Olof Palme, I was *Poliskommissarie* (superintendent); this is the highest grade in the ordinary police force in Sweden. I was the chief for the police forces out in the streets of Stockholm on the night of the murder. At the time of the murder, we had a special mission out, which aimed at stopping the nightly violence originating from groups of young people and drug dealers which disturbed the order for the ordinary people. I had about 15 constables under my supervision, divided into two groups, and I was the coordinator for both groups.

When Olof Palme was assassinated (at 23:21 on the 28th of February 1986), I was on patrol, together with a colleague, and we were driving our car along Kungsgatan. A man stopped us there and told us that some shots had been fired at the street-crossing Sveavaegen-Tunnelgatan, about 500

meters away from there. About ten seconds later, I heard an alarm on the police radio—a taxi driver had alerted the police about the shooting. When I arrived at the murder site, there were about 10 to 15 people standing around a man who was lying on the pavement. He was lying on his back and had blood all over his face and over his clothes. I looked at him at once, and I saw that his eyes were wide open and came to the conclusion that he was probably dead. Two people, who had witnessed the assassination, were trying to save his life.

One man in the crowd pointed at a street nearby and said that “they” had run that way. “They,” that is, that there probably had been more than one man running away from the place of the crime. The official investigation maintains that there was only one assassin.

Ten seconds after I had arrived, a police van with five ordinary constables and a chief arrived, and we told them to pursue the men who had run away. Among the people gathered around this dead man was a woman screaming hysterically, “You must save the life of my husband!” I tried to talk to her, but it was almost impossible. After about five minutes, and after three attempts to talk to her, she told me that it was the prime minister, Olof Palme, who was lying there.

After another minute, an ambulance arrived, which drove away to the hospital two minutes later, and the wife of Palme, Lisbeth Palme, went with them.

**EIR:** Can you tell us what happened after the night of the murder?

**Söderström:** I was on the scene of the crime, as the superintendent coordinating the first investigative attempts, for about 30 minutes; then I left.

After this, I heard nothing from the investigators until Mr. Lenninge called me three days afterwards. I talked with him for a quarter of an hour. Besides this, no one from the investigation has tried to contact me to hear what I have to say, but I have contacted them several times about things they should investigate.

**EIR:** So, you mean to say that, after you had coordinated



the work at the murder site, you just went home, and were asked to work the next night as if nothing unusual had happened the night before? Just as if it was an ordinary murder case? Nobody asked you to give a detailed after-action report? No investigators were interested to hear you?

**Söderström:** No, no! Nothing at all. We wrote up the ordinary report about the murder at the police station, of course, but besides that, we heard nothing. Nobody was interested.

**EIR:** You have noticed a difference between the officially registered time, when you are said to have arrived at the murder site, and the time you personally know you arrived there. Can you say something more on it?

**Söderström:** I first noticed this discrepancy after two days, when the chief of the Stockholm police [and head of the investigation], Hans Holmér, spoke to the press and said that I and my colleague arrived at the murder site two or three minutes after the shots were fired. I immediately realized that this was wrong. I arrived there eight or nine minutes after the shots, a difference of five or six minutes between the time I registered, and the official time.

I think it would be very important for the investigation to investigate this discrepancy, but up until this day, this has not been done. I think it is very important, because the officially recognized time is a big lie. I would be ready to defend this view in court with my hand on the Bible. I arrived at the place of the murder at 23:30, not 23:24 as it is claimed. It is a lie! How can they continue to uphold a big lie like this in such an important investigation like this, in the murder of a prime minister?

I have tried to get to the bottom of this problem for several years now. I have written to the police, to the chief of the board of prosecutors, and to many more about it. Everybody has the report I wrote about this problem, but nothing has been done about it; they are not interested. I am a nobody, they say. When I spoke to the head of the Palme murder investigation in 1993, Hans Ölvebro, he just stated:

“I don’t give a damn about what you policemen did at the place of the crime, I am investigating a murder.”

**EIR:** Let’s get back to the question of the six-minute discrepancy.

**Söderström:** At 23:29, the man I talked about stopped my car at Kungsgatan, and ten seconds after this, I get the alarm on my police radio. And, at 23:30, I was on the scene, with the police van arriving ten seconds later. After about one minute, I made a call on the police radio, at 23:31. In my report, and in the official documents, the time 23:31 is registered for my first contact with police central. At 23:35, I heard that it was Olof Palme who had been murdered, and I reported this on the police radio. And this is in the official documents.

**EIR:** What was the explanation from the investigators for this discrepancy?

**Söderström:** The explanation for this discrepancy from the side of the investigators, is that I had a bad mental health [problem], or something, and had been wrong about the time from the beginning. That there was something wrong with me. I took these accusations very hard, because I had never been “mentally confused” or in a state of shock before. I was not confused when I recorded the time. Of course, I became a bit confused later on, when I heard that it was the prime minister who had been killed, but this confused the whole population of Sweden at the time, not only me.

**EIR:** Can you prove the discrepancy?

**Söderström:** I have documents on this. The computer records from the “alarm central” that night, which contain all phone and radio communications pertaining to the murder that evening, have been destroyed. I have in my possession computer lists from these destroyed records, and they show that I called in to central and registered that I had arrived at 23:31. This is the only instance I know, of disappeared computer recordings from any Swedish “alarm central”; a very abnormal thing.

**EIR:** So you mean to say that important information pertaining to the assassination of Palme could have disappeared due to this discrepancy?

**Söderström:** Yes, important information was lost! Perhaps a real investigation would have found something which could have hurt the official authorities of the state itself. I think there would be a large political scandal, if the truth about what happened on the night of the murder comes out. The investigation was, from the very beginning, a cover-up. The investigation was not initiated to get the assassin, but to protect the assassin.

**EIR:** Why was there a cover-up?

**Söderström:** You have to look for that answer on a higher international level. I do not believe that the Swedish authorities could have acted as insanely as they did in this investigation, if they had not been influenced, or rather ordered, to impede the investigation, from abroad. Look at the international drug- and weapons-dealers around former U.S. President George Bush and Oliver North, that is what I mean. Look at the South African revelations, and—why not?—the Swedish part of the international illegal arms trade around Bofors. The people organized in these operations were nothing else than murderers. Do you think they want ordinary people to know the truth about what they have been doing? No, they want to suppress the truth with all means possible. It is in this light, that the suppression of the different facts about what happened on the scene of the murder should be seen.

# Ford Foundation operative promotes fascist 'alternative' to globalization

by Mark Burdman

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### **When Corporations Rule the World**

by David C. Korten

Kumarian Press, Inc., West Hartford, Conn., and Berrett-Koehler Publishers, Inc., San Francisco, Calif., 1995

374 pages, paperbound, \$19.95

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The 1990s has been a decade in which “globalization” has unleashed a process of destruction around the world, the which can only be likened to a plague. Sovereign nation-states are being crushed, and populations subjected to untold suffering, in the name of such catch-words as “the free market,” “privatization,” “International Monetary Fund (IMF) structural adjustment,” and “outsourcing.” This has produced, in reaction, considerable rage, from populations who have suffered unemployment, poverty, and various forms of chaos.

It is hardly surprising that, in such a situation, false prophets, sorcerers, and witch-doctors reminiscent of Simon Magus described in the Acts of the Apostles, would emerge, to manipulate and misdirect such sentiments. It is also not surprising, if regrettable, that well-meaning persons, in various countries, would be tempted by some of these contemporary fakers.

David C. Korten is one noteworthy example of the Simon Magus species. *When Corporations Rule the World* has become somewhat of a popular manifesto, among individuals and groups in eastern Europe, Southeast Asia, Mexico, and elsewhere. Although he has a different background from the late wheeler-dealer Sir James Goldsmith, Korten’s devious impact is reminiscent of what happened when Goldsmith wrote *The Trap*, his 1994 manifesto against “free trade” and globalization. That book, indeed, trapped many well-meaning individuals into support for Goldsmith’s brand of demagogic populism. In both cases, what we see are classic British

“countergangs,” deployed to siphon off support that would otherwise orient toward the policies for global reconstruction of Lyndon LaRouche. Not surprisingly, Korten quotes Sir James favorably at one point, and one of the endorsers of the book is Teddy Goldsmith, Sir James’s brother, the ecologist who supported the policies of Cambodia’s Pol Pot during the 1970s.

*When Corporations Rule the World* has been endorsed by Nobel Prize Laureate Archbishop Desmond Tutu of South Africa; Klaus Schwab, founder and president of the Davos, Switzerland World Economic Forum; and U.S.-based New Age guru Willis Harman. It has received funding from the Ford, Rockefeller, and Charles Stewart foundations, as well the Deep Ecology Foundation, which promotes projects for the massive reduction of the human population.

To the extent that Korten is taken seriously, as providing an alternative to the current disastrous course programmed by the globalizers, he can become extremely dangerous, like injecting pneumonia into a person with a seriously weakened immune system.

### **The ghost of McGeorge Bundy**

It is instructive, in reading Korten’s book, to reflect on the naïveté, or in some cases sheer idiocy, of those activists who like to scream about “the CIA” as the source of their problems. Korten’s is a classic “counterinsurgency” program, dressed up in modish, politically correct verbiage. He worked, for years, as an operative of the Ford Foundation, particularly in the Philippines. He is quite proud of this, as the biographical account in the book notes: “Disillusioned by the evident inability of USAID [the U.S. Agency for International Development] and other large official aid donors to apply the approaches that had been proven effective by the non-governmental Ford Foundation, Korten broke with the official aid system.” His alternative to globalization, is “local community control.”

“Local community control” is the term for a social engineering project developed by the British Empire, particularly

its London Tavistock Institute, and implemented through such British intelligence fronts in the United States as the Ford Foundation.

Followers of LaRouche initiated a battle against proponents of “local community control” in 1968, during the New York City teachers’ strike, when the local-controllers were setting about to “balkanize” the city into conflicting ethnic communities. The leading “local control” proponents were financed and directed by the Ford Foundation, headed at that time by McGeorge Bundy, the late godfather of the Anglo-ophile “treason” wing of the American policy establishment. During that period, LaRouche authored a piece (under his *nom de guerre* Lyn Marcus) entitled, “The New Left, Local Control, and Fascism.” The argument he made, then, that local control necessarily leads to fascist policies, holds true, now, as evidenced in the rise of such movements as “communitarianism.” If further proof of the point is required, one need simply read Korten’s book.

Korten’s support for “local community control” leads him to support the demolition of the sovereign nation-state, and the eruption of British-backed secessionist insurgencies. He exults over the Zapatistas’ armed uprising in Chiapas, Mexico, favorably quoting those Mexican commentators who hail it as the “first revolution of the 21st century”; it is a “revolution” centered around the demands for “greater local autonomy” and “political rights within the borders or their own communities.” Along the same lines, he eagerly awaits the break-up of Canada. With the United States flanked south and north by separatist movements, the break-up of the United States, along the lines of the policy supported by British Royal Consort Prince Philip, cannot be far behind. Indeed, Korten exclaims: “The present political movement in the United States toward greater local authority and autonomy is in part a response to the fact [!] that the United States has reached an unmanageable size and complexity. . . . It makes good sense to devolve to the individual states many of the powers once lodged at the national level, including the power to regulate commerce and trade.”

What this might involve is indicated in his bizarre suggestion that “many localities may issue their own currency to facilitate local transactions and limit the flow of money out of the community.”

And what is the goal of all this? World government at the top, and “communities” at the bottom. Hence, in enumerating his hoped-for “predictions in line with the agenda of the Ecological Revolution,” Korten places, as number one on his list: “the world’s major armies dismantled, in favor of a small unified UN peacekeeping command.” This great critic of “globalization,” is in fact a fanatic supporter of “globalism.”

### **Political schizophrenia, or a Faustian pact?**

All of this is the more insidious, as Korten cleverly seduces the reader, by argumentation that is often quite cogent. It would be charitable to diagnose Korten as politi-

cally schizophrenic, were it not obvious that he has devious motives.

So, on the one side, his attacks on the IMF, World Bank, and the General Agreement on Tariffs and Trade, are, generally speaking, incisive. His warnings of the dangers of the trade in financial derivatives are correct, and his proposal for tight regulation of the derivatives markets is useful. His characterizations of speculators like George Soros and of “corporate raiders” and “asset-strippers,” are on the mark.

But he is crippled by an identifiable emotional problem. Were he to follow through on his apparent compassion for human suffering, he would have to mobilize the adult emotion of *agapē*, and seek real solutions for the entirety of mankind. Instead, the 60-ish Korten feels obliged to propitiate the politically correct views of the “Baby Boomer” generation, and dissolves into an infantile, Mother Earth-worshipping mush. He makes his Faustian pact with Mephistopheles.

We see the problem right at the outset of the book, as he defines his philosophy. On the positive side of the ledger, he attacks “economic globalization,” and writes of the “market tyranny that is extending its reach across the planet like a cancer.” He warns of the “globalized financial system that has delinked the creation of money from the creation of real wealth. . . . The big winners are the corporate raiders who strip sound companies of their assets for short-term gain, and the speculators who capitalize on market volatility, to extract a private tax from those who are engaged in productive work and investment. Faced with pressures to produce greater short-term returns, the world’s largest corporations are downsizing to shed people and functions.” He then speaks of the rise of such problems as crime, violence, societal disintegration, and so on.

So far, so good. But then, in his next sentence, he is blurting out the following incoherent nonsense: “These problems stem in part from a fivefold increase in economic output since 1950, that has pushed human demands on the eco-system beyond what the planet is capable of sustaining. The continued quest for economic growth as the organizing principle of public policy is accelerating the breakdown of the eco-system’s regenerative capacities and the social fabric that sustains human community; at the same time, it is intensifying the competition for resources between rich and poor. . . . Having reached the limits of the materialistic vision of the scientific and industrial era ushered in by the Copernican Revolution, we are now on the threshold of an ecological era called into being by an Ecological Revolution grounded in a more holistic view of the spiritual and material aspects of our nature.”

This passage brings into play the equation “Globalization = greed = economic growth = destruction of the eco-system,” the which is reiterated almost like a Hindu *mantra*, throughout the book. In this regard, Korten is engaging in conscious fakery. As he himself shows in various locations,

globalization *undermines economic growth*, as the globalizers undermine what he calls “real value,” by pursuing their own desire to loot wealth. But, by employing his cited equation, Korten attempts to rope the unsuspecting into seeing the “ecological revolution” as the necessary alternative to the “greedy globalizers,” when reality is that “globalization” and the “ecological revolution” are symbiotic; to the extent that globalization sucks the lifeblood out of the physical economy, the relative potential population density of the planet is drastically reduced, and Malthusian measures of population reduction seem to become “necessary.” It is no surprise, that we find Korten embracing Malthus, and some of the worst Malthusians around today.

### ‘A drastic demographic adjustment’

Once he has endorsed the *Zeitgeist* of the “ecological revolution,” there is no inanity that Korten will refrain from endorsing. He tells the reader that “we are creatures of nature and spirit,” and that our problems stem from the “Judeo-Christian tradition.” He extols the glories of the Global Forum of the United Nations non-governmental organizations (NGOs), which took place in the margins of the UN “Earth Summit” of June 1992 in Rio de Janeiro. This Global Forum demanded “planetary limits to economic growth.” Korten publishes in full, as an appendix, “The People’s Earth Declaration: A Proactive Agenda for the Future,” put out by the Global Forum.

Korten comes up with an array of bizarre arguments, to “explain” the dynamics of the “Ecological Revolution,” going so far as to endorse Thomas Malthus, the British East India’s chief theoretician of genocide. He speaks of “the obvious reality that the human economy is embedded in and dependent on the natural environment. As far back as 1798, Thomas Robert Malthus suggested that environmental limits might make population growth ‘a problem for the future of humanity.’”

Korten thus finds himself in bed with the worst genocidalists around today. Among his citations, are the reports from the Worldwatch Institute of neo-Malthusian Lester Brown, and from Gerald Barney, coordinator of the late-1970s *Global 2000 Report*. His funding from the Deep Ecology Foundation is most relevant. That foundation, the brainchild of U.S. businessman Douglas Tompkins, has provided funding for David Foreman, a founder of the self-professed eco-terrorist group Earth First!, who went on record, in the late 1980s, welcoming the emergence of the AIDS virus as a means of reducing world population. The Deep Ecology Foundation draws primarily on the writings of Norwegian misanthrope Arne Naess, who has called for reducing the world population to somewhere between 500 million and 2 billion people.

Korten goes so far, as to laud the study, presented by Cornell University Prof. David Pimentel to the annual meeting of the American Association for the Advancement of Science in 1994, in which Pimentel and his co-authors, as Korten

writes, “argue for a population of 1 to 2 billion” for the world. Saying that Pimentel’s is exemplary of “the kinds of analyses that are fundamental to any realistic discussion of sustainability,” he quotes the report’s assertion that “a drastic demographic adjustment to 1 to 2 billion humans will cause serious social, economic, and political problems.”<sup>1</sup>

### New Age populism

In his effort to undermine the fabric of “economic growth,” Korten reserves the brunt of his hate propaganda for an undifferentiated attack against “corporations.” This is critical, in his efforts to portray himself as a “true populist” — never mind his affection for the human-despising Pimentel! — opposed to the meaner variants of populism promoted by the neo-conservatives and “corporate libertarians” in the United States.

While much of what multinational or transnational corporations do is objectionable, and many of his charges about corporations’ behavior today cannot be disputed, his undifferentiated attack is absurd. There is an obvious difference, between a corporation operating according to the traditional paradigm of the American System, motivated by a policy embodied in the famous advertising slogan, “progress is our most important product,” and a corporation operating in a British System/imperial paradigm, committed to pure looting.

Korten endorses the Jacobin, mob-like assault of the rock-sex-drug counterculture against corporations, exulting that U.S. corporations entered the 1970s “besieged by a rebellious anti-consumerist youth culture” and a “mushrooming environmental movement.” In fact, the “rebellious youth culture” was anything but “anti-consumerist”; it was anti-production, and portrayed “consumers” as victims of society’s producers.

Korten confesses to being a believer in “systems theory,” and so the corporation is, in his construct, at the center of manipulation of “the system.” This is the kind of paranoia-inducing brainwashing rhetoric, of the type used by Massachusetts Institute of Technology “linguist” Noam Chomsky, that would be readily familiar to any radical activist of the 1960s. It is no accident that such verbiage was utilized to create the terrorist movements of the 1970s.

### British disinformation

It may seem strange to some, that one of Korten’s big heroes in his war against corporations, is Adam Smith, the author of the *Wealth of Nations*. He goes so far, as to portray Smith and the framers of the American Declaration of Independence as being of the same species, authors of two “revolutionary manifestos,” both written in 1776, who “shared a deep suspicion of both state and corporate power.”

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1. On Pimentel, see Mark Burdman and Roger Moore, “Prince Philip’s Malthusians Launch New Age Killer Cults,” *EIR*, July 18, 1997.

Korten's affection for Adam Smith is most lawful. Smith and Korten's beloved Malthus, were two ideological side-kicks, in the employ of the British East India Company. Both abhorred what the American Revolution, and the Declaration of Independence, stood for. Smith's "deep suspicion of both state and corporate power," was an abhorrence of the commitment of the American Founding Fathers, personified by Benjamin Franklin, Alexander Hamilton, and others, to state-supported development of science, technology, and the infrastructure of the nation.

Korten's admiration of Malthus and Smith is emblematic of his deep commitment to the British imperial obsession, up to the present day, to destroy the American Republic, and all that it stands for. This emerges most clearly in Korten's Chapter 9, "Building Elite Consensus," in which he attempts to elaborate a strategic overview of who or what is behind the corporate monster. After assuring us that "there is no conspiracy" behind the evils associated with globalization, he proceeds to discuss such elitist groups as the New York Council on Foreign Relations (CFR), the Bilderberg Group, and the Trilateral Commission—all in an attempt to prove that, behind the strategy of globalization, lies an *American-authored conspiracy* to rule the world.

The section on the CFR is entitled, "Visions of American Hegemony," and claims that the relevant plot was hatched on Sept. 12, 1939, by the CFR. The CFR, he claims, produced "confidential expert recommendations for President Franklin D. Roosevelt, who, during his tenure as governor of New York, had lived in a townhouse next door to the Council's headquarters." Get it? In case you don't, Korten next writes: "Relations between Roosevelt and the Council continued to be close."

The author never mentions the fact that the CFR, from its inception in the 1920s, was an extension of the London-based Royal Institute for International Affairs. Korten also never mentions the name of British Prime Minister Winston Churchill, and his relentless drive, during World War II, to preserve the British Empire. He doesn't simply ignore the Roosevelt-Churchill brawls over that latter issue; he includes a passage from a CFR report, cynically advising that anti-imperialist rhetoric be used by the anti-Nazi Allies to create a propaganda image that this anti-imperialism is supported by the Allies. (Odd, is that Korten locates the Rockefeller Foundation as being at the center of these CFR plots—the same Rockefeller Foundation that he thanks, in his "Acknowledgments," for funding him!)

His section on the Trilateral Commission is used to convince the reader that President Bill Clinton's policies are a linear extension of those of President George Bush, since both were members of the Trilateral Commission before being elected. This is another "true populist" hoax, one which ignores the persistent conflict between Clinton and that British Empire, the existence of which Ford Foundation operative Korten never acknowledges.

His section on the Bilderberg Group is also used to promote the idea of alleged American hegemonial ambitions, based on the presentation of the most specious evidence. In his anti-American zeal, Korten never mentions the fact, available to even the most amateurish conspiracy buff, that Bilderberg was a creation of the Dutch monarchy. That might raise some unpleasant questions, about the *Anglo-Dutch* oligarchical nexus, that has, yes, *conspired* to impose a neo-feudalist policy on the postwar world, in opposition to FDR's anti-imperial vision.

By avoiding that unpleasant piece of information, Korten can also avoid the question, why the Anglo-Dutch monarchies created the World Wildlife Fund (today the World Wide Fund for Nature) in 1961, and, for that matter, why many of his hated corporations have provided such generous contributions to the WWF over the past three decades, and have thus been instrumental in launching his revered "ecological age." That anomaly would blow apart his entire construct. As Faust cannot attack Mephistopheles, Korten cannot attack Princes Philip and Bernhard.

Korten thereby establishes his pedigree. Honest patriots should beware of this false prophet, who is acting in the service of Her Majesty's project to destroy nation-states and to drastically reduce the populations that inhabit them.

## DO YOU KNOW

- that the American Revolution was fought **against** British "free trade" economics?
- that Washington and Franklin championed Big Government?
- that the Founding Fathers promoted partnership between private industry and central government?

### READ

## The Political Economy of the American Revolution

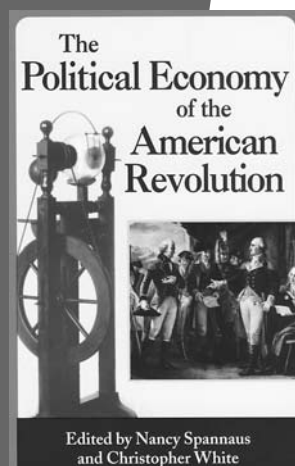
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## India and ASEAN oppose U.S. on Myanmar

*New Delhi did not like the U.S. Secretary of State's blatantly biased views to discredit the government in Yangon.*

United States Secretary of State Madeleine Albright's tirade against Myanmar, at the annual meeting of the Association of Southeast Asian Nations (ASEAN) with traditional Western and regional partners, held at the end of July in Kuala Lumpur, Malaysia, alleging that drug traffickers in Myanmar now hold high-profile positions in the nation's economic and political life, has raised a few eyebrows in Delhi and other capitals. Albright was upset at ASEAN for admitting Myanmar and Laos as full members, in July.

There is no question that Albright wanted to be blunt, as blunt as possible. "Drug traffickers who once spent their days leading mule trains down jungle tracks are now leading lights in Burma's new market economy and leading figures in its new political order," she said. Accusing ASEAN of allowing "Burma" to become a part of this elite trade group, Albright said that the ASEAN nations are vulnerable to criminals looking for a place to operate, or a place to hide.

What Delhi is trying to figure out, is why Washington, knowing full well that ASEAN and its regional partners' views about Myanmar are different, chose to be so brutally forthright. Moreover, Delhi recognizes that ASEAN, which has always accommodated Western viewpoints on trade and financial matters, is under a great deal of stress because of the civil war in Cambodia and continuing attacks on most of ASEAN member-nations' currencies by the offshore speculators, the chief culprit named so far being George Soros, the wrecker of Russia's economy.

The question that Delhi asks is: Why did Albright choose this time and this forum to deliver a one-two punch against Myanmar, whose integration into the regional economy is considered by ASEAN an important factor to maintain peace in that area and prevent the occurrence of yet another civil war à la Cambodia?

It is evident that Albright's tirade has rattled ASEAN leaders. The lining up of the European Union, Canada, and Australia to shore up Washington on the issue made ASEAN more uneasy. But what rattled them most is the statement by Albright that "Burma is now an anomaly within ASEAN." Interestingly, Albright chose to address Myanmar repeatedly as "Burma"—the name by which British colonialists used to address that country.

India, on the other hand, took an unequivocal position linking the admission of Myanmar into ASEAN as a prerequisite for bringing democracy to Yangon. Supporting the Myanmar entry, India's Finance Minister P. Chidambaram said: "I asked Myanmar and other nations to take note of the strength of public and parliamentary opinion in India with regard to democracy and freedom." Chidambaram's views were echoed in Malaysian newspapers, where analysts agreed that the entry of Myanmar into ASEAN is a development that will increase the pressure on Myanmar's authorities to opt for free and fair elections.

Myanmar's Foreign Minister U Ohn Gyaw cited progress in the drafting of a new constitution, and was taken aback at the Myanmar-bashing by the Western representatives at the ASEAN Regional Forum, a meeting

for discussing security issues in the Asia-Pacific region. He contrasted this with the warm welcome ASEAN extended to Myanmar in giving it membership.

What Myanmar's foreign minister was referring to, is the joint communiqué issued by ASEAN foreign ministers on July 25, in which they strongly criticized Western efforts to take trade action against states on human rights grounds.

The ASEAN ministers maintained that trade among nations should not be made conditional on the promotion of human rights. They expressed "concern over the emerging trend of state, provincial, and other local authorities in countries outside the region seeking to impose trade sanctions against other states on grounds of alleged human rights violations and non-trade-related issues."

For instance, the Commonwealth of Massachusetts passed a law prohibiting local government purchases from companies that do business in Myanmar. Once the law took hold in 1996, U.S. firms including Eastman Kodak pulled out of Myanmar.

Aside from opposing the United States on Myanmar's entry into ASEAN, India, on the other hand, was eager to accommodate on trade and other issues. Albright made it a point to tell ASEAN "to liberalize trade in financial services." She said, "No country can have a world-class, high-tech economy without a world-class, properly regulated financial services sector to allocate capital efficiently."

In reply, Chidambaram promised that India will work out a program to phase out quantitative restrictions in the World Trade Organization. He affirmed, "In terms of trade and investment liberalization, we will soon meet the criteria of comparability with ASEAN members of the Asia-Pacific Economic Cooperation."

## Heroin 'trial program' approved

*In a victory for George Soros, federal and state ministers succumbed to a pro-drug media disinformation campaign.*

On July 31, the Health and Police ministers from Australia's eight states and territories approved, by a 5-3 majority, a trial program to prescribe heroin to 40 addicts in Canberra, Australia's capital. To be wholly funded by the Australian Capital Territory (ACT) government, the trial program will charge heroin addicts \$15 per week for four daily injections; it is loosely modelled on a similar trial just completed in Berne, Switzerland. After a trial period in Canberra, where some 7,000 heroin addicts have reportedly taken up residence in anticipation of its approval, the program will be expanded to other states.

Prominent anti-drug campaigner Brian Watters, the commander of the Salvation Army's rehabilitation services, described the decision to the *Weekend Australian* as a "tragedy." He charged that "the ministers have responded to a carefully crafted pressure campaign of disinformation," run through Australia's major media.

Indeed, the difference between last year's ministerial summit, which resoundingly voted down the same proposal, and this year's, which passed it, was the media barrage, particularly in May, June, and July, on how heroin was flooding Australia, and how deaths from heroin usage had increased 700% over 1979. Channel 7's "Witness" program, ABC's "First Wednesday" program, and especially the media empire of Kerry Packer, ran numerous features on the subject. The media constantly paraded the families of heroin or other drug overdose victims, who now support legalization, organized as the Family and Friends

of Drug Law Reform, while blacking out similarly affected families who are vehemently opposed to drugs, such as anti-drug campaigner Angela Woods, whose daughter Anna died after taking Ecstasy two years ago, and who has rejected the dope lobby's attempts to use her to promote legalization.

Accompanying the media onslaught, were the pro-legalization calls by a number of high-profile law enforcement figures in New South Wales, including its Director of Public Prosecutions, Nicholas Cowdery; its Police Commissioner, Peter Ryan; and Justice James Wood, who headed a two-year, \$100 million Royal Commission investigating "police corruption" and pedophilia. Ryan, a fiercely pro-drug import from Britain, and Justice Wood shut down the NSW anti-drug squad, claiming that it was "corrupt," even though Wood acknowledged that it had been "highly effective" in stopping drugs. While he found plenty of corrupt cops, Wood managed to find virtually no pedophiles, despite extensive evidence presented in the NSW Parliament, of pedophiles at the highest levels of society.

The pro-dope lobby repeatedly declared that the war on drugs had been a "failure," to which the Salvation Army's Watter replied, "We've never had a war on drugs; we haven't even had a decent skirmish. If Australia had fought World War II the way we've fought this war on drugs, we'd all be speaking Japanese today." Watters also debunked the oft-cited 700% rise in heroin deaths from 1979, noting that there was hardly any heroin in Australia

then, and that a more accurate figure was the 25% rise during 1985 to 1995.

The most notable feature of the pro-drug legalization forces in Australia, is their financial connections. The ACT heroin trial program was first proposed in 1991 by George Soros's main flunkey in Australia, Rep. Mike Moore (Independent-ACT), who chairs the Australian Parliamentary Group for Drug Law Reform, a group of more than 100 politicians who promote drug legalization. Moore is the point man in Australia for the Drug Policy Foundation, Soros's pro-drug mouthpiece, and also the recipient of the DPF's 1994 Justice Gerald Le Dain Award for Law.

In addition to Moore's efforts, the most important organization promoting drug legalization is the Australian Drug Foundation, composed of impassioned exponents of the DPF policy of "harm minimization." The ADF is funded by Australia's largest banks and family foundations, including the Reserve Bank of Australia, which are desperate for cash, given their heavy exposure in international derivatives markets.

On the media side, the individual who most championed dope legalization was media magnate Kerry Packer, through his "A Current Affair" TV program and his *Bulletin* magazine. Packer, who is worth an estimated \$4 billion, was investigated in the early 1980s by the Costigan Royal Commission, for a number of alleged crimes, including murder, tax evasion, drugs, and drug-money laundering, before the incoming Labor government of Bob Hawke shut down the investigation in 1983.

The key vote which made the ACT heroin trial program possible was that of NSW Premier Bob Carr, who had voted against the proposal last year. Perhaps coincidentally, Carr was formerly employed at Packer's *Bulletin*.

# International Intelligence

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## *Queen to address Commonwealth heads*

"For the first time, The Queen will be addressing the opening session of the Commonwealth Heads of Government Meeting, which takes place this October in Edinburgh," according to the Aug. 5 London *Times*. "Though she has always attended the biannual CHOGM in a ceremonial capacity, she has never spoken formally to the massed ranks of government heads. It has always been left to be too political an event for her further involvement." Britain's Queen Elizabeth is the head of state of many of the Commonwealth countries, including Canada, Australia, New Zealand, Papua New Guinea, the Bahamas, Jamaica, Mauritius, and others. The *Times* cites as the major reason for the Queen's decision, that "she is said to feel that the Commonwealth has lost its footing in recent years. An opening speech at the city's conference center would be an ideal opportunity for her to give the organization a boost in front of the massed media.

"She is being encouraged in this by the [Tony Blair] government, which feels the Commonwealth was under-used and underplayed by the Tories."

In fact, the renewed impetus to build up the Commonwealth has been to reestablish the preeminence of the British Empire, crushing the nation-state altogether, in the face of a global economic collapse.

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## *Blair and Prodi cozy up against France, Germany*

On arriving in Italy for a ten-day vacation in Tuscany, British Prime Minister Tony Blair met his counterpart, Romano Prodi, early this month. The *Daily Telegraph* reported on Aug. 4, that "The Italian prime minister told Mr. Blair that Britain and Italy had a common interest in counteracting the weight of Germany and France in Europe." Prodi urged Blair to join Italy in a common platform for a "soft" Maastricht, as opposed to the "hard" one pushed by Bonn.

Accounts of a Prodi-Blair political love

affair are credible. Prodi is, like many members of Blair's cabinet, a product of the London School of Economics. In addition, Prodi has been a collaborator and a friend of British agent George Soros. According to the Italian business daily *Il Sole 24 Ore* of Aug. 4, Prodi discussed other issues of common policy with Britain, taking as an example the recently concluded merger between the Italian defense firm Finmeccanica and the British GE-Marconi company. They also discussed the Balkans. Blair praised Italy's achievement of "political stability" and its economic "prosperity."

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## *Rokhlin: Russian defense industry barely alive*

Russia's crucial defense industry is hardly alive, the chairman of the Duma's (parliament) defense committee, Lev Rokhlin, told a Moscow press conference on Aug. 4. Rokhlin criticized the so-called reforms in the Army, stating that most vital defense enterprises are idle, including armor producers and steel mills producing for weapon systems, big defense plants in Tula, and artillery shell producers. He also criticized privatization being carried out under the supervision of First Deputy Prime Minister Anatoly Chubais.

Referring to the imposed ratio of the budget deficit to the GNP, Rokhlin demanded to know: "Where has this figure of 3.5% come from? . . . This figure is demanded by the International Monetary Fund. It is proceeding not from economic substantiations, but from what is demanded by the International Monetary Fund. The President announced this figure proceeding from what the IMF wants. We really do not like this."

There is no hope that the situation will change under the present leadership, because, he said "the country is being plundered. Foreign newspapers and magazines are full of reports of money flowing out of the country, 10 billion, 20 billion." Rokhlin also pointed to the country's high infant mortality ("one newborn for every two dead"), and the fact that the population of Russia is shrinking by 1.5 million a year.

"This is tantamount to genocide of the people. During the five years of the Great Patriotic War [World War II], Germany lost roughly a similar number of people."

Rokhlin compared the situations of Russia and China, noting that "China is growing at 13%, and we are declining at the same rate."

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## *Terrorist congress held against 'neo-liberalism'*

Coinciding with the mobilization by Spain's Basque separatist ETA/Herri Batasuna gang to recoup its influence, some 2,500 representatives from similar separatist, integrist, and terrorist outfits from all over the world gathered in Madrid for the "Second Alternative Summit against Neo-Liberalism." The phony opposition to neo-liberal economics (properly identified with the free-trade depredations of Thatcherism), was launched by Mexico's Zapatista National Liberation Army in 1994. Despite the posturing, Cuauhtémoc Cárdenas, the head of the political wing of the Zapatista machine, and now Mexico City's mayor-elect, has said he supports paying off Mexico's debt to the International Monetary Fund.

Two hooded Zapatistas, named Dalia and Felipe, read a message to the conference from Subcommander Marcos, asserting that the dialogue with the Mexican government was at a standstill. Later, "Felipe" told a press conference how important it was for the representatives of oppressed peoples to share their ideas with each other.

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## *Mandela softens stance toward Nigeria's Abacha*

According to the Paris daily *Le Monde* of Aug. 4, the chilly relations between South Africa's Nelson Mandela and Nigeria's Sani Abacha may be warming up. On July 31, Mandela emerged from a meeting with two envoys sent to South Africa by Abacha, to announce that relations between the countries were "very solid," and that Abacha is "my brother," with whom he, Mandela, has "cordial and harmonious" relations. Man-



**CHINA AND INDIA** started two days of talks in New Delhi on Aug. 4, to resolve the long-standing border dispute which led to war in 1962, officials said. It was the 10th meeting of a joint working group set up in 1988 in Beijing by then-Indian Prime Minister Rajiv Gandhi.

**AUSTRALIA** expanded its annual bilateral “security dialogues” with four new nations—China, Vietnam, Thailand, and the Philippines—at the Association of Southeast Asian Nations Regional Forum, which ended July 28.

**GERMAN SUPERSPY** Werner Mauss, who orchestrated kidnappings for the Colombian National Liberation Army (ELN), was released from prison, along with his wife, by a Colombian judge in late July. The two will be deported, according to the Colombia security agency, DAS. Mauss has said that he is looking forward to “assisting his [German] government” in seeking a peace pact between the Colombian government and the narco-terrorists. He added that an ELN leader is awaiting him back in Germany.

**CHRIS PATTEN**, the last British governor of Hongkong, is being investigated by the MI-6 intelligence agency, and could be prosecuted for leaking secret documents, reported the *Sunday Times* of London on Aug. 3. The *Sunday Times* said that the Foreign Office officials want Patten to be prosecuted under Britain’s Official Secrets Act, for allegedly leaking details of a secret deal with China over Hongkong’s future.

**BENJAMIN NETANYAHU**, Israel’s prime minister, ranted that if Palestinian President Yasser Arafat doesn’t crack down on Hamas, Israel will no longer honor the Oslo Accords between Israel and the PLO. Netanyahu, never a defender of the Oslo Accords, which cost his predecessor Yitzhak Rabin his life, used the excuse of early-August suicide bombings in Jerusalem for this round of sabre-rattling.

dela declared that “we will work together, to resolve the problems of the African continent.”

For the past two years, with increasing vehemence in the recent period, Mandela had been a steadfast campaigner against Abacha, to the extent that British policymakers have been counting on Mandela to lead the campaign against Nigeria, preceding the British Commonwealth summit in October. The British are promoting report after report, through the Foreign Office, Prince Philip’s Transparency International, etc., declaring Nigeria to be “the most corrupt” nation in the world.

There must be quite a fight around Nigeria policy inside South Africa, as *EIR* has received other reports—which were not covered by *Le Monde*—that Abacha’s envoys were first arrested on arrival in South Africa, and later released.

## ***Nations join to rebuild Alexandria, Egypt library***

The world-famous library at Alexandria, Egypt, which in ancient times housed hundreds of thousands of great works, is being rebuilt, near the site where the Eratosthenes, the library’s great leader, taught geometry and geography more than 2,000 years ago. Seven years ago, \$230 million for the project was pledged, mainly by Iraq, Saudi Arabia, and the United Arab Emirates. The Egyptian government has underwritten the budget, which was first proposed by Alexandrian historian Mustafa Al-Abadi in the 1970s. “We have 400 workers from all over the world, working 24 hours a day. . . . We should be finished by the end of 1998,” said Yousri El Hakim, who heads up the construction monitoring unit. The library originally had the support of the UN Educational, Scientific and Cultural Organization, “but Unesco had many problems, and now it is 100% Egyptian, under the Ministry of Higher Education,” he said.

According to project manager Mohsen Zahran, the Bibliotheca Alexandrina has so far acquired 350,000 books, among them a complete microfilm record of the priceless

Arabic manuscripts in Spain’s Escorial Library donated by the Spanish royal family. The library will house up to 8 million volumes, plus hundreds of thousands of manuscripts, and is expected to become a center for research with emphasis on the civilizations of ancient Egypt, Greece, and the Eastern Mediterranean.

## ***U.S. reportedly aiding Sudan peace effort***

According to reports from *EIR*’s Sudanese sources, U.S. government officials have been intervening politically, in an attempt to promote the peace process, between Khartoum and rebel factions in the south, especially the British-Ugandan-backed insurgency of John Garang. Following the recent meeting of the Organization of African Unity (OAU) in Harare, Zimbabwe, Sudan’s President Gen. Omar Hassan al Bashir stated that he would accept the principles of negotiations outlined by the Inter-Governmental Authority on Development (IGAD), as guidelines for talks with Garang’s Sudanese People’s Liberation Army (SPLA). General Bashir said he would consider them guidelines, but not “binding.” Garang’s maintain that such principles must be binding.

In response to Garang’s statement, U.S. Ambassador to Sudan Timothy Carney reportedly stated that he considered the guidelines non-binding, and added that otherwise, they would constitute the terms of a treaty, not a negotiating stance. The IGAD principles are: 1) political power and wealth must be shared; 2) there must be self-determination for the south; and, 3) the state must be secular. Sudan has always accepted the first two principles, incorporating them into the April 1997 Peace Treaty with most rebel factions, but has considered the third as only basis for discussion, i.e., not “binding.”

Following the OAU meeting, U.S. Deputy Secretary of State for Human Rights and Democracy Gare Smith met in Khartoum with General Bashir, gave a lecture at a strategic studies institute, and engaged in a round-table discussion, which reportedly included Ambassador Carney.

## It's time to cancel the Weld nomination

by Jeffrey Steinberg

President Clinton must rescind his nomination of William Weld as U.S. ambassador to Mexico. A more careful vetting of the Weld file than has been prepared for the President to date, would show that Weld is thoroughly unfit for the post, and would do grave harm to the national security of the United States, particularly at a moment when the administration is confronting an escalation of the British oligarchy's "Opium War" against the Americas. The reasons that Weld is thoroughly unqualified for the post, or for any other post in government, for that matter, have nothing to do with the ideological sparring between the ex-Massachusetts governor and Sen. Jesse Helms (R-N.C.), which has been grabbing media headlines for the past weeks. To the extent that Senator Helms goes after Weld for his soft-on-drugs stance, he is barely scratching the surface of Weld's collusion with Dope, Inc.

### Attempted murder by decree

As longtime readers of *EIR* are aware, William Weld, while U.S. Attorney in Boston, and later as Assistant Attorney General in charge of the Criminal Division of the U.S. Department of Justice in the mid-1980s, presided over a "judicial" assassination attempt against Lyndon LaRouche, run under the cover of a massive, Waco-style Federal, state, and local police paramilitary assault against LaRouche's publishing offices in Leesburg, Virginia. When the plan failed to "eliminate" the target, Weld helped to launch a string of Federal and state frameup prosecutions against LaRouche and a score of his associates, five of whom are still in state prison in Virginia, serving sentences of between 25 and 77 years, on fabricated charges of securities law violations.

There is a growing groundswell of support—from state and Federal elected officials, civil rights leaders, leading figures from around the world, as well as tens of thousands

of average citizens—for President Clinton to reverse the Bush-league frameup of LaRouche and fully exonerate him. The same forces, for the past year, have been pressing the Senate Judiciary Committee to hold public hearings into the Justice Department/FBI atrocities against LaRouche and other targets. A full public airing of the efforts of the "Get LaRouche" strike force would likely lead to criminal indictments against many of the leading participants—William Weld included!

### An opium warrior

While William Weld was busy conducting political frameups against an "enemies list" of prominent Democrats, including LaRouche and Boston's popular mayor, Kevin White, his track record as U.S. Attorney in Boston set a new standard for coverup and collusion with narcotics traffickers, a fact not unrelated to his family background. The New York-New England patrician Weld family made their initial fortune, as William Weld admits, peddling opium as Tory junior partners of the British East India Company.

This family pedigree was at least one factor in Weld's coverup of the biggest case of drug-money laundering by a major U.S. bank in recent history, the \$1.2 billion Bank of Boston case in 1985.

In late 1984, investigators at the U.S. Treasury Department's enforcement division uncovered evidence of a multi-billion-dollar money-laundering scheme, run through the Bank of Boston, and involving several overseas banks, including *Crédit Suisse*, the Geneva-based bank with long-standing ties to such international organized crime figures as the late Meyer Lansky. Then-U.S. Attorney Weld was handed the Bank of Boston case on a silver platter. According to high-ranking drug enforcement officials who were involved in the

probe, the Bank of Boston case was to have set a precedent, by criminally prosecuting high-ranking bank officials “above suspicion,” as co-conspirators with major international narcotics traffickers. John Walker, then Assistant Secretary of the Treasury for Enforcement, confirmed that the Bank of Boston crimes were by “every indication . . . the laundering of drug money.”

Yet, on Feb. 7, 1985, Weld announced that the Bank of Boston case had been closed—with a one-count plea agreement and a fine of \$500,000. No specific bank officials were even named in the plea deal. The profits that the bank enjoyed through its criminal activities far exceeded the meager half-million-dollar penalty. Yet, Weld had the nerve to issue a press release, trumpeting the action as a paragon of effective drug enforcement.

The Bank of Boston coverup sent shockwaves through the Federal law enforcement community. Weld had not only failed to prosecute what Bank of Boston officials admitted were 1,163 separate instances of violations of Federal currency laws, totalling more than \$1.2 billion in dirty money transactions. The coverup was also a blatant case of nepotism and personal corruption.

A careful review by *EIR* researchers revealed, last year, that William Weld and members of his family benefitted handsomely from the coverup. Had Weld pursued indictments against senior bank officials involved in the money-laundering scheme, he would have certainly been forced to prosecute Bank of Boston’s chief of foreign operations, Ogden White, Jr.—his first cousin. Furthermore, the family brokerage firm, White Weld and Co., had previously merged with *Crédit Suisse*, the leading foreign partner of Bank of Boston in the money-laundering scheme. Weld not only neglected to recuse himself from the case; he ran interference on behalf of his family interests, including his own lucrative holdings in *White Weld/Crédit Suisse*.

When then-Vice President George Bush, whose family financial interests interlock with the White-Weld clan, sponsored Bill Weld to become DOJ Criminal Division chief, in September 1986, Weld continued his efforts to cover up the activities of certain major international drug-trafficking organizations—in this case, drug cartels helping to bankroll the Nicaraguan Contras. Weld’s role in the Contra-cocaine coverup was revealed in the final report of a Senate Foreign Relations Subcommittee, chaired by John Kerry, the Massachusetts Democrat who, last year, soundly defeated Weld in the U.S. Senate race. Unlike the Congressional Iran-Contra panel, which covered up the evidence of Contra cocaine trafficking, the Kerry subcommittee focussed its attention on the widespread evidence that the secret war in Nicaragua had been bankrolled by the proceeds of illegal drug sales on the streets of America. Kerry identified a half-dozen leading international traffickers, who received U.S. government funding and protection, in return for their arming and bankrolling of the Contras.

In a 20-page appendix to the final Kerry Committee report, released in 1989, chief investigator Jack Blum highlighted the efforts of the Criminal Division of the DOJ to block the probe, and otherwise obstruct the effort to expose the Contra cocaine connection. Weld was cited, by name, along with such career DOJ officials as Mark Richard, as the culprits in the attempt to obstruct Congress, a Federal crime.

### **Strange bedfellows**

As governor of Massachusetts, Weld has been a consistent proponent of softening drug laws. Weld is on record backing the legalization of “medical marijuana,” a scientific hoax that even the pro-drug Dutch government has admitted is hogwash. President Clinton’s own director of the White House Office of National Drug Control Policy, Gen. Barry McCaffrey, on July 23, 1997, issued an attack against the very idea of medical marijuana. The measure, he charged, “is the latest effort to undermine sensible drug control policies designed to keep marijuana, cocaine, heroin, methamphetamines, and other dangerous substances away from the nation’s children.”

Weld’s soft-on-pot stance has won him the support of a collection of dope lobbyists, beginning with the homosexual activist group Act-Up, which told the *Washington Times* on Aug. 7, that they would mobilize support for Weld’s nomination to the Mexico post, because of his backing for the legalization of medical marijuana. Act-Up is coordinating a signature drive in Washington, D.C. to get the medical marijuana referendum on the November ballot. In late July, General McCaffrey wrote to D.C. Delegate Eleanor Holmes Norton, D.C. Financial Control Board head Andrew Brimmer, Mayor Marion Barry, City Council President Linda Cropp, and School CEO Gen. Julius Becton, urging them to oppose the Act-Up referendum.

Standing behind Act-Up, and an ad hoc coalition of dope lobby fronts in other parts of the country, who are pushing similar resolutions, is Queen Elizabeth’s own mega-speculator, George Soros. Soros’s Quantum Fund handles a large portion of the British monarch’s personal fortune, estimated at well over \$2 billion; and Soros has recently poured millions of dollars in tax-exempt funds into the dope legalization drive. A spokesman for Soros’s Open Society Institute in New York revealed that Soros has also poured some of his personal fortune, estimated at well over a billion dollars, into the dope legalization effort.

Last year, after drug legalization referenda were voted up in California and Arizona, through deceptive advertising practices, the Clinton administration uncorked a stream of public attacks against George Soros, by name, for bankrolling the dope legalization scams. Along with Act-Up and the other front groups pushing “medical marijuana” and other drug legalization hoaxes, Soros now emerges as one of the Weld boosters that the President should feel most uncomfortable about.

# Tulsa trial adds twist to Oklahoma bomb plot

by Jeffrey Steinberg

One of the most bizarre facets of the still-unsolved bombing of the Murrah Federal Building in Oklahoma City, Oklahoma in April 1995, revolves around a British Israelite compound in eastern Oklahoma called Elohim City, where Timothy McVeigh knew several people, including a mysterious German national, Andre Strassmeier, and where he made phone contact just prior to the bombing. In early August, details of the Elohim City compound came out at the bomb plot trial in Tulsa of Carol Howe, who was indicted last December on charges that she and her husband, who were the co-founders and, apparently, the only members of the "National Socialist Alliance of Oklahoma," had put out a telephone hot-line message, threatening to carry out 15 bombings around the state.

At Howe's trial (her husband was convicted a few months ago), evidence came out that she had been an informant for the Bureau of Alcohol, Tobacco and Firearms, providing information on the activities of Dennis Mahon, an internationally active neo-Nazi, who is himself widely suspected of being a government informant-provocateur. When the FBI raided her home, they were reportedly unaware that Howe was working for the ATF. Howe had told her ATF controller, in December 1994, that the head of the Elohim City compound, Robert Millar, had talked about bombing Federal buildings and other sites. Attorneys for McVeigh had tried, unsuccessfully, to call Howe as a witness at the Denver trial, to demonstrate both that there was a broader plot behind the Oklahoma City bombing, and to suggest that the government had prior knowledge of a bomb threat but took no action. Federal District Court Judge Richard Matsch refused to allow Howe to testify, after government attorneys argued that her prior reports of bomb plots had been "too general" to be considered relevant to the Oklahoma incident. Matsch's blocking of the Howe testimony is one of the issues at the center of McVeigh's appeal, and demand for a new trial.

On Aug. 1, Howe was found not guilty on all charges. Her attorneys had argued that her involvement with the alleged bomb threats had been solely in her capacity as an undercover informant for the ATF and the FBI, and that the government had vindictively prosecuted her because she had revealed that the government knew in advance that there was a danger of a bomb attack against the Murrah Federal Building, and took no action to prevent the attack from occurring.

As *EIR* has reported, McVeigh and Terry Nichols could not have carried out the bombing without the aid of sophisti-

cated demolition experts. Government sources directly involved in the Oklahoma bomb probe, told *EIR* researchers, shortly after the bombing, that neither McVeigh, nor Nichols, nor any of their known associates, possessed the skills to design, construct, and deliver a bomb capable of bringing down the Murrah Federal Building, killing 168 people. And, the Federal grand jury indictment of the two men listed several "John Does," still unknown co-conspirators, whom the grand jurors believed had been part of the plot. Federal authorities recently confirmed to *EIR* that the Oklahoma bombing investigation is still open, meaning that government investigators, too, believe that the case has not been fully solved. However, sources also complained that the FBI has pulled most of the investigative resources out of the case, and the Justice Department appears committed to covering up the broader plot, by pinning the blame entirely on McVeigh and Nichols. It is in this context that the testimony of Howe emerges as a significant feature of the defense of McVeigh, and of Nichols, who is scheduled to go on trial in the autumn.

## British Israelite networks

It is not yet clear whether the Elohim City leads are key to the Oklahoma City bombing, but given that the compound is part of the British Israelite networks penetrated into the United States, it is worth pursuing. In coming weeks, *EIR* will publish an exposé of nominally private security companies, all controlled, top-down, by official agencies of the British Crown, in irregular warfare, directed against the nation-states of Africa, Ibero-America, and the United States. The section dealing with the United States will expose the role of the Church of England in sponsoring "low church" British Israelite cults, that have penetrated the U.S. military, and recruited an army of terrorists, who constitute the violent core of the so-called "militia movement."

At the time of the Oklahoma bombing, *EIR* spotlighted the role of British propagandists Ambrose Evans-Pritchard and Lord William Rees-Mogg, who were touting the militias, and suggesting prior knowledge on their part that there was to be a major escalation of the "strategy of tension" that has targetted the United States ever since President Clinton's inauguration. Evans-Pritchard is a second-generation British intelligence operative, whose father was a cultural anthropologist involved in field studies aimed at creating controlled "countergangs" to foment tribal and ethnic violence.

Another lead that has not been adequately pursued, is indications that Nichols had links to British-sponsored "Afghansi" mujahideen terrorist networks operating in the Philippines. Nichols frequently travelled there prior to the bombing, despite no visible means of support; and, he was in Sabu City at the same time that Ramzi Yousef, an Afghansi terrorist now on trial as the alleged mastermind of the World Trade Center bombing, was there. Yousef, in turn, is an asset of Osama bin Laden, the expatriate Saudi millionaire who has been identified as a patron of the Afghansi terrorist apparatus.

# Terrorism probes should target London

by Edward Spannaus

Just as President Clinton was about to dispatch his special envoy Dennis Ross to the Middle East, a new round of terrorist attacks occurred, with the obvious aim of disrupting the U.S. President's efforts to get the peace process back on track. Most prominent were the July 30 suicide bombing in a crowded Jerusalem marketplace, which killed 15 people and wounded scores more; and the arrests in New York City the next day, which, it is claimed, prevented a suicide bombing in the New York City subways which could have killed dozens, if not hundreds.

A cynical cry was immediately raised, blaming Yasser Arafat and the Palestinian Authority for both incidents—even though it is clear that such terrorist attacks aim to destroy the peace process on which Arafat has staked his existence. At an Aug. 6 press conference, President Clinton acknowledged this, declaring that the “closest allies” of the terrorists “may be their most extreme enemies in Israel who do not believe that peace is possible.”

Nor is there any evidence that the Jerusalem suicide bombers came from territories under Arafat's control: In fact, the indications are to the contrary, that they did *not* come from the West Bank or Gaza. Nor was there any evidence whatsoever to show that the New York suspects had any ties to any Islamic terrorist group.

Any competent investigation would begin—as *EIR* has declared time and time again—by targetting London as the center of international terrorism. (See, e.g., *EIR* April 4, 1997.)

At the same time as all this was going on, a far more fruitful track was being ignored. In federal court in Manhattan, the second trial of Ramzi Yousef, the alleged mastermind of the 1993 World Trade Center bombing, was beginning. However, the trial is expected to focus very narrowly on the issue of Yousef's role in the 1993 bombing, not on broader issues concerning who is behind Yousef, and who is financing the wave of terrorism he admits having been involved in.

Yousef is known to be part of the “Afgansi” network which has been responsible for a major portion of international terrorism in recent years. The core of this group is made up of veterans of the decade-long war of resistance against the Soviets in Afghanistan in the 1980s, a war which was directed by British and U.S. intelligence and military services. After warfare against the Soviets ended, British

intelligence picked up these networks of trained killers and bombers, and it has been deploying them ever since, under the cover of “Islamic terrorism.”

A major bankroller of the Afghansi networks is the Saudi dissident ex-patriate Osama bin Laden. The London-based bin Laden has taken credit for the two recent bombings of U.S. bases in Saudi Arabia, and has directly threatened U.S. military personnel, and even President Clinton directly. In a May 11 interview broadcast on Cable News Network, bin Laden raved: “The hearts of Muslims are filled with hatred toward the American President. The President has a heart that knows no words. . . . Our people in the Arabian Peninsula will send him messages with no words.”

Last year, the U.S. State Department reported that Ramzi Yousef had resided, for three years, at the bin Laden-funded “house of martyrs” in Peshawar, Pakistan—a center of “Afghansi” networks. However, reports are that none of this evidence will be presented at the ongoing Yousef trial in New York.

The *Washington Times* and the London *Sunday Telegraph* reported that bin Laden's financial director has been in Saudi custody since May, and has revealed information concerning bin Laden's financing of terrorist groups operating in the United States via London. According to intelligence sources, the information has enabled FBI investigators to trace money that originated with the bin Laden organization in Pakistan and Afghanistan, to bank accounts in London and Detroit, and then ultimately making its way to New Jersey and New York. It is also reported that there is currently a federal grand jury investigation of bin Laden in New York.

## The New York link

Meanwhile, the case of the two New York suspects arrested on July 31 keeps getting stranger and stranger. Law enforcement investigators say that the two had no links to any known terrorist groups, and no strong political or religious convictions. A trace of phone calls made from pay phones near their apartment has shown no links to Hamas or any terrorist group. “The more we look at these two guys, the less they look like suicide bombers,” a senior law enforcement investigator is quoted in the Aug. 5 *New York Times* as saying. Those who were in contact with the two, say that all they were interested in was women and money. “They're not exactly living the religious life, looking to die for Allah,” commented another investigator.

Indeed, the two hapless suspects looked like patsies, at best. One lead which surfaced in the *New York Post* on the day after the arrests, and then disappeared in all the hubbub about “Hamas,” was that the owner of the supposed bomb factory where the arrests took place, is a Pakistani known to be tied to Ramzi Yousef's “Afghansi” circles. There were also reports that an Israeli intelligence organization had previously attempted to recruit one of the suspects as an informant.

# Appeal is filed in LaRouche Voting Rights Act case

by Mary Jane Freeman

On July 30, attorneys for Lyndon H. LaRouche, Jr., and nine supporters of his 1996 bid for the Democratic Party Presidential nomination, filed their appeal brief in the Voting Rights Act (VRA) case, *LaRouche et al. v. Fowler et al.* The suit was filed in August 1996 when then-Democratic National Committee (DNC) Chairman Donald Fowler's edict to "disregard" votes cast for LaRouche was enforced, resulting in the DNC's refusal to certify and seat delegates pledged to LaRouche to attend the 1996 Democratic National Convention. LaRouche, who won almost 600,000 votes in the 1996 Democratic Presidential primaries, also won sufficient votes, in Louisiana and Virginia, to be awarded delegates.

The case, now on appeal in the U.S. Court of Appeals for the District of Columbia Circuit, was dismissed last summer by U.S. District Judge Thomas Penfield Jackson, when he ruled for the arrogant arguments of the DNC's and Fowler's attorneys, who relied on racist "Jim Crow" rulings to justify their exclusion of LaRouche and his voters from what they deem to be their "private club," the Democratic Party! But, as the 42-page LaRouche appeal brief and the accompanying 580-page appendix show, the facts of this case raise the crucial issue of the right of all Americans, especially minority voters, to vote and have their votes counted. Such tactics carried out by Fowler and some state Democratic Party officials, caused "the rights of" LaRouche supporters "to associate to advance their political beliefs" to be "demolished," and curtailed "debate of issues" cutting off "a voice . . . in . . . the discussion of issues vital to the party and the country," the brief states.

## A review of the case

We excerpt here portions of the brief just filed. But first, we provide a short summary of the facts of the case and of the issues presented.

The crucial facts which gave rise to the filing of the suit are these: LaRouche, who, under the terms of Article II, Sec. 1, Clause 4, of the U.S. Constitution, was eligible to run for the office of President, declared his candidacy for the Democratic Party nomination on Aug. 7, 1993. In March 1994, the DNC passed a new rule, Rule 11(K), which gave dictatorial power to the chairman to decide who was a bona fide Democrat, and thus who could participate in the party's election of a candidate for President. Thereafter, LaRouche's name was certified for the Presidential primary ballots in 28 states.

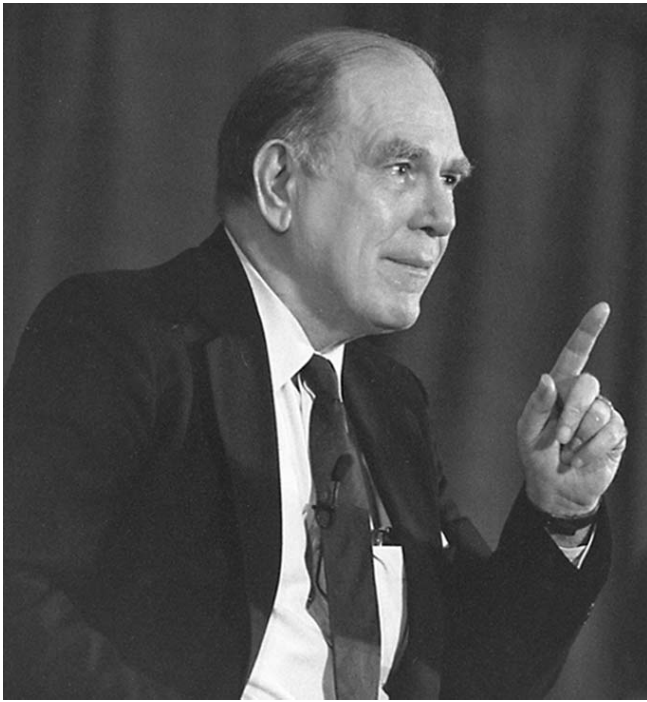
But before the first primary was held, Fowler, on Jan. 5,

1996, issued a letter-directive to all Democratic Party state chairs, pursuant to his powers under Rule 11(K), in which he declared, "Lyndon LaRouche is not a bona fide Democrat." Then, in reckless disregard for the truth, he lied that LaRouche's beliefs are "racist and anti-Semitic." Fowler ordered all state party chairs to "disregard any votes cast" for LaRouche, and to "not recognize the selection of delegates pledged to him." It was the enforcement of this edict by state party officials in Louisiana, Virginia, Texas, and Arizona, all of which are so-called "covered jurisdictions" under the VRA, as well as by officials in the District of Columbia, which led to the violations of law detailed in this case.

In Louisiana and Virginia, LaRouche won enough votes in the 6th Congressional District (CD) of Louisiana and the 2nd CD of Virginia, to be awarded one delegate from each CD, according to Democratic Party rules. But Fowler's edict to "disregard" LaRouche's vote, was followed, and no delegates were selected. In Texas, LaRouche delegates were elected at precinct caucuses, but then were excluded at later party caucuses. In D.C., LaRouche delegates gathered 4,000 petition signatures to run as delegates. But D.C. party leaders, under Fowler's directions, refused to accept the petitions. And in Arizona, the state chairman cancelled the first Democratic primary in Arizona's history.

Each of these exclusions from the electoral process occurred by some change in the qualifications to vote, or to be a candidate. In covered jurisdictions, such "changes" must first be pre-cleared by the U.S. Attorney General, to be tested for any potential "discriminatory" effects, before they can be implemented. This was not done by the state or national Democratic Party officials. Because the state governments had empowered, by law, the state party officials to conduct their primary procedures for selecting a Presidential nominee, the obligation to "pre-clear" such changes affecting voting fell to them.

But, the state party officials demurred, saying that they were just following national party rules. In turn, the DNC and Fowler subverted the purpose and intent of the VRA, by arguing that the Democratic Party is not named as a "covered jurisdiction" in the implementing regulations to the act, therefore they had no obligation to pre-clear Rule 11(K) or Fowler's directive, no matter the consequences. If the courts didn't buy this argument, their fallback was that Rule 11(K) and Fowler's order were merely a definition of who could be a member of the party, and under two decades of U.S. Supreme



Lyndon LaRouche (left) and former Democratic National Committee Donald Fowler (right). Although LaRouche won the support of nearly 600,000 voters in the 1996 Democratic Party Presidential primaries, Fowler instructed party officials to “disregard” that support. His attorneys used “Jim Crow” rulings to insist that the Democratic Party is a “private club,” which is not obliged to admit “outsiders.”

Court cases, they have a First Amendment right to define membership. While true that it may define its membership, in exercising that right its actions must be “constitutionally permissible,” which in this case they were not.

### The traditional base of the party

LaRouche’s candidacy appealed to the Democratic Party’s traditional voter base of blue collar, middle class, civil rights, and entrepreneurial voters who were seeking a voice for traditional policies. The largest part of that support came from African-American voters. It was this base of the party that Fowler, in cahoots with Richard “Dirty Dick” Morris, alienated, by pushing President Clinton to adopt the murderous Welfare Reform bill at the time of the convention. The exclusion of LaRouche Democrats was central to this wrecking operation—something the party has yet to recover from. Thus, the adoption of Fowler’s order had the force and effect of discriminating against minority voters, and his abuse of power, the brief explains, also disenfranchised “long-standing Democratic Party members” and contradicted “the express wishes of its members who chose to support LaRouche . . . as well as the over half-million Democratic voters who voted for [him].” It notes 144 *amici curiae* signers—all active Democrats—warned that the “subtle discrimination” as was used here, “harken[s] back to the exclusion of the Mississippi Freedom Democrats.”

The LaRouche appeal, in part, relies on the Supreme Court case, *Morse v. Republican Party of Virginia*, 116 S.Ct. 1186,

decided in 1996. In *Morse*, Justice John Paul Stevens wrote that practices which “bear on the ‘effectiveness’ of a vote cast” fall under the VRA. He wrote, “Rules concerning candidacy requirements and qualifications, . . . fall into this category because of their potential to ‘undermine the effectiveness of voters who wish to elect [particular] candidates.’” Justice Stevens recognized “that electoral practices implemented by political parties have the potential to ‘deny or abridge the right to vote,’ ” and identified the importance of the passage of the VRA as a means to “stop discriminatory voting practices in certain areas of the country on account of the intransigence of officials who ‘resorted to the extraordinary stratagem of contriving new rules . . . for the sole purpose of perpetuating . . . discrimination. . . .’ ”

When Judge Jackson dismissed this case, LaRouche, addressing why the appeal to overturn Jackson’s ruling and Fowler’s actions was necessary, located its historical significance this way: “This means that the African-American vote has been told *it has no home* in the Democratic Party, and a lot of other minority groups and senior citizens and others are going to look at this and say, ‘What’s the difference between the two parties?’ ”

The LaRouche appeal brief concludes by warning that the issues raised in this case, if not checked, are “likely, if not certain, to recur,” just as decades of discrimination against African-American voters took a new twist and turn every time some new subterfuge was devised by those in power, to keep them from voting. Simply put, discrimination against any

voter is an injustice against each of us, and it cannot go unchallenged.

In the excerpts here, LaRouche and his supporters who filed the suit are identified as either the appellants or as plaintiffs. Fowler, the DNC, and state party chairs who were sued, are the appellees or defendants.

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## Argument

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### A. Errors of the District Court

Issue 3—National Appellees are Subject to 42 USC ss 1973 et seq.

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The changes effected, . . . by the revision in Party Rules and by the Fowler directive should have been precleared under the Voting Rights Act. Those changes violated the regulations, in that Fowler arbitrarily denied LaRouche his candidacy, he instructed and conspired with the State Parties to refuse to count votes validly cast for LaRouche and the plaintiff delegates, and he changed prior rules (and indirectly laws) relating to allocation of delegates to party conventions.

. . . [D]efendants claimed their First Amendment rights as a political party placed them beyond the reach of the Voting Rights Act. A similar contention was made in *Morse*, [but] Justice Breyer, writing a concurring opinion in *Morse*, rejected such an argument saying:

Such questions, we are satisfied, are not so difficult as to warrant interpreting this Act as containing a loophole that Congress could not have intended to create.

\* \* \*

Changes in voting procedures were made by Appellees in this case, so preclearance was required. Having failed to obtain preclearance, those changes are void. Justice Stevens continued:

As we have explained, the fundamental purpose of the preclearance system was to “shift the advantage of time and inertia from the perpetrators of the evil to its victims,” . . . by declaring all changes in voting rules void until they are cleared . . .

\* \* \*

The only difference between this case and the *Morse* case is that here the political party jurisdiction is both the State Party and National Committee, while in *Morse* it was only a State Party Committee. Ever since the decision in *Democratic Party of the U.S.A. v. Wisconsin*, 450 U.S. 107 (1981), the rules of the State Party and, indeed, the laws of the State relating to voting procedures governing selection of delegates to the national convention are subject to being overruled by Rule of the National Party. If the National Party is exempt from the provisions of the Voting Rights Act however, then there is created: “a loophole in the statute the size of a

mountain.” . . . If a National Party orders or instructs a State Party to make a change in voting procedures, as here, either the National or State Party has the obligation to preclear the change if the State is a covered jurisdiction. If it were not so, a further “loophole” would be created which would destroy the Voting Rights Act. In this case, none of the Party defendants submitted the changes . . . for preclearance.

\* \* \*

A review of the hearing transcript reveals that the court below failed to grasp the nature of the constitutional and statutory violations involved in this case. Judge Jackson’s query on page 29, “Suppose Rule 11(K) said ‘we are only going to recognize white males as Democrats.’ ” Merely stating this question discloses a failure to understand the scope and breadth of the Voting Rights Act, the thrust of the White Primary cases, and the concept of denial of constitutional rights of plaintiffs. The court’s off-hand remedy for the more than a half-million Democratic voters whose votes were nullified was contained in the remark, “I suppose the answer that you get from the other side of the courtroom is that you ought to start your own party.”

The trial judge further exposed his personal predilections when he focussed on the argument that plaintiff LaRouche has a criminal conviction. This fact had nothing to do with issues before the court, but revealed much about the Court’s viewpoint.

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### B. Appellees’ Actions Violated the Voting Rights Act

Issues 5-7—Appellees’ Actions Required Preclearance and Were Exercised as Agents of the State

\* \* \*

The regulations governing the implementation of the Voting Rights Act enumerate what changes must be submitted for preclearance. For example, any action necessary to make a vote effective in a “primary, special, or general election including . . . having such ballot counted properly . . . with respect to candidates for public or party office,” requires preclearance.

\* \* \*

Defendant DNC, acting by and through Chairman Fowler, ordered the State Party organizations to refuse to count votes cast for LaRouche. That order was certainly a change from previous procedures. The DNC also ordered the State Party Chairs and the State Party organizations not to consider LaRouche a candidate for nomination for President of the United States. These acts constitute changes covered by the Voting Rights Act.

Here, the State Party Appellees were extended the power to conduct primary election procedures to select a party nominee and/or delegates to the national convention.

\* \* \*

In Louisiana’s Sixth CD LaRouche got 16.696% of the vote; thus the Rules required he be awarded a delegate to the



national convention. After the election, however, Louisiana Appellees adopted and enforced Fowler’s directive pursuant to Rule 11(K), despite such action being contrary to Louisiana law and state and national party delegate selection procedures. Therefore, Appellants [Mr.] Promise’s and [Mr.] Shaw’s votes were nullified, and LaRouche was denied a delegate.

Likewise, the Virginia Appellees, under Virginia Election Code . . . and the precleared Virginia Delegate Selection Plan, had an established procedure by which delegate candidates pledged to presidential candidates would be selected by the electorate. Virginia Appellees accepted all filings from LaRouche and delegates pledged to him for the selection process. Despite the fact that the LaRouche caucus at the 2nd CD convention constituted 24.58% of the assembled Democrats — well above the 15% threshold to be awarded a delegate — [they] shut down the LaRouche caucus, preventing the vote in violation of state-delegated law and Virginia and National Party Rules.

\* \* \*

Appellants assert that when a National Political Party exercises its authority to change State Party Rules (or state law) in matters relating to voting, e.g., rights of candidates, counting of votes, and rights of delegates to state and national conventions of the political party, then it has triggered the provisions of the Voting Rights Act. . . . Appellants do not seek to compel the DNC to seat a delegate selected in violation of the Rules of the Party. Rather, they seek to void those changes which violate the Voting Rights Act and seek damages for those violations. However, if the District Court had properly certified this case to a three-judge panel, Louisiana and Virginia defendants would have had to certify those duly-elected and/or selected delegates pledged to LaRouche, to the Convention, where, they could have exercised their right of contest for their seat under the National Party Rules.

Appellees cite the case of *Democratic Party of the U.S.A. v. Wisconsin*, for the proposition that a national party rule must prevail over a state law concerning selection of National Convention delegates. However, national party rules must be “constitutionally permissible.” Here, Rule 11(K), and the actions of Fowler, which lack any due process and/or equal protection provisions, fall for failure to meet constitutional scrutiny, as well as for failure of preclearance. The failure to preclear each of those changes in states subject to the Voting Rights Act also negates the effect of the *Wisconsin* precedent.

\* \* \*

Issues 8-9 — Preclearance Is Required When a Previously Precleared Legislative Election Procedure Is Changed

Where there has been legislative adoption of an election process or procedure and that process or procedure has been precleared by the Attorney General of the United States, any change thereto, however minor, requires preclearance. . . . For example, the Arizona defendants’ actions . . . were a blatant “end run” around the Voting Rights Act and the rights of the Democratic supporters of LaRouche in that state. There, a Presidential Primary election for the Democratic Party had

been lawfully passed by the legislature, and precleared by the Attorney General of the United States. Candidates had filed the requisite petitions to qualify for the ballot (including LaRouche) and voters had pledged support for LaRouche and made the proper designation under law. Disregarding the Voting Rights Act, the Arizona Defendants went into a State Court and obtained an order “cancelling” the Democratic Primary! One of the reasons asserted was the Fowler directive to disqualify LaRouche.

\* \* \*

### C. Appellees’ Actions Violated the Constitutional Rights of Appellants and Others Similarly Situated

Issue 10 — The Right To Vote Is Protected by the Constitution

Appellants contend that a National Chairman of a political party cannot properly have the power to dictate to state party officials to “disregard” votes cast for a candidate seeking party nomination and/or for delegates supporting that candidate. Even without the provisions of the Voting Rights Act, the right of a citizen to have his vote honestly counted was first held by the Supreme Court in *United States v. Moseley*, 238 U.S. 383 (1915). Obviously, the Voting Rights Act was enacted to further enforce the honest count of votes cast. Regardless of the “rights” Appellees believe *Wisconsin* granted them, it stretches the right too far when they assume to deny a fundamental constitutional right to vote.

Issue 11 — Fowler Exercised Unfettered Discretion

The action by Fowler in disqualifying LaRouche from the Presidential selection process (nationwide) completely usurped state election laws in many of those states. In other states where the party organizations ran the caucuses and conventions, such disqualification usurped the right (and obligation) of those organizations to run a fair and honest election procedure to select delegates and to fairly count the voters’ intent. It cannot be that the Supreme Court in the cases of *Democratic Party of the U.S.A. v. Wisconsin*, and *Cousins v. Wigoda*, 419 U.S. 477 (1975), intended to grant such dictatorial powers as exercised here by Fowler.

\* \* \*

Justice Marshall, taking notice of the line of cases from 1941 to 1980 which invoke the First Amendment and its role in fostering debate in the electoral process, wrote:

We have recognized repeatedly that “debate on the qualifications of candidates [is] integral to the operation of the system of government established by our Constitution.” Indeed, the First Amendment “has its fullest and most urgent application” to speech uttered during a campaign for political office. Free discussion about candidates for public office is no less critical before a primary than before a general election.

As late as 1983, the Supreme Court admonished political

parties concerning potential abuse of First Amendment freedoms, when, in *Anderson v. Celebrezze*, it said:

In *Williams v. Rhodes*, we concluded that First Amendment values outweighed the State's interest in protecting the two major political parties. . . . [I]n *Storer* we recognized the legitimacy of the State's interest in preventing "splintered parties and unrestrained factionalism" but we did not suggest that a political party could invoke the powers of the state to assure monolithic control over its own members and supporters.

Precisely such "monolithic control" was exercised by Fowler over decades-long members of the Democratic Party who supported LaRouche's candidacy. For example, plaintiff Grace Littlejohn has been an active Democrat for "52 years," and plaintiff Geneva Jones an elected official in her community for "18 years." Yet, District of Columbia Appellees, in concert with Fowler, refused the nominating petitions of these and the other LaRouche-pledged delegate candidates. . . .

. . . When the defendants try to hide behind the First Amendment their reliance is misplaced. Indeed, First Amendment protections exist to foster debate; not to arbitrarily grant the power of censorship as was exercised by defendants in this case.

\* \* \*

#### **D. The Issues Presented Are Not Moot**

Although the 1996 election is completed, this case is not moot. Only one of the requested prayers for relief has been rendered moot by that occurrence. The issues of the lack of preclearance of the voting changes made by Rule 11(K) and whether the Fowler directive required preclearance before it was allowed to govern candidacy and counting of votes, remain to be decided. . . .

\* \* \*

LaRouche has run as a Democrat for nomination for President in the past five presidential elections. He garnered over half a million votes during the 1996 primaries. On July 18, 1997, LaRouche issued his announcement titled, "The Time Has Come," stating his "intention to campaign for the Year 2000 Democratic Party presidential nomination." Given this fact, the circumstances similar to those identified in the Complaint are highly likely, if not certain, to recur against LaRouche and his supporters, and/or against another candidate similarly situated. Even were LaRouche not an announced candidate, the unfettered discretion, as detailed herein, exercised by the national defendants against members of their own Party who are minority voters and/or candidates with non-mainstream views, which resulted in the unconstitutional denial of the right to vote, have that vote counted, and to be a candidate, will surely happen again, unless this Court acts to prevent it.

## America is killing innocent people

by Marianna Wertz

The execution of Joseph O'Dell in Virginia on July 23, and the last-minute reprieve of Thomas Thompson in California on Aug. 4, highlight the importance of the report, "Innocence and the Death Penalty," released in July by the Washington, D.C.-based Death Penalty Information Center (DPIC). The report is an update of the 1994 study, prepared by the DPIC at the request of Rep. Don Edwards (D-Calif.), then chairman of the House Judiciary Subcommittee on Civil and Constitutional Rights, on the problem of innocent people on death row.

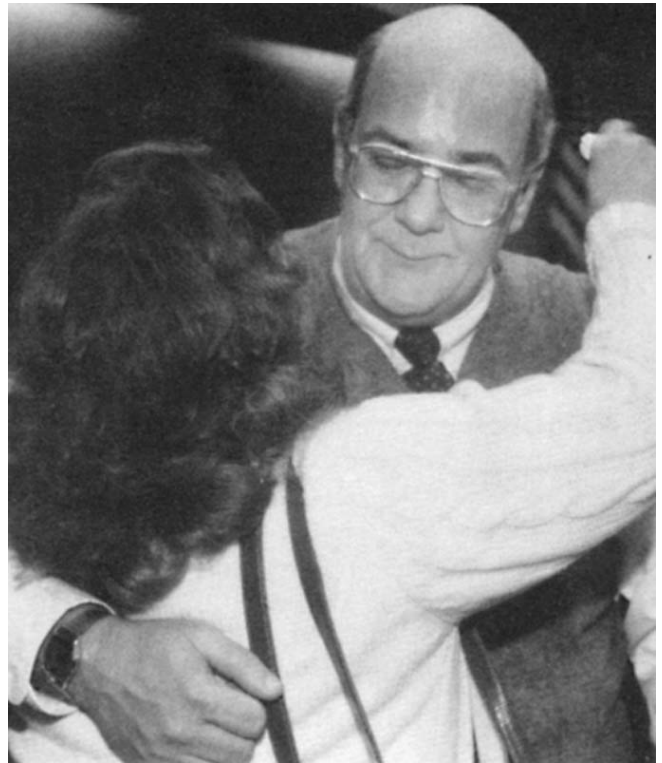
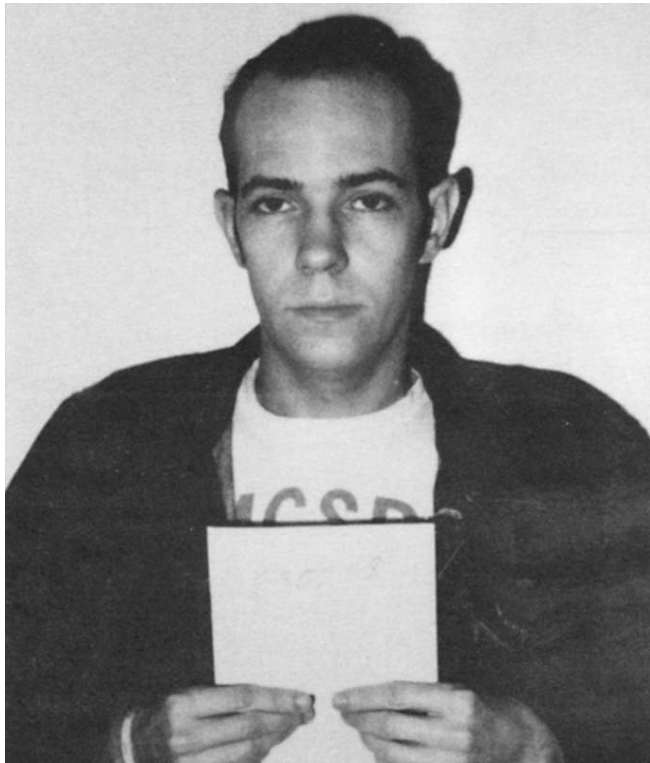
The 1994 report listed 48 defendants who had been released from death row in the prior 20 years because of subsequently discovered evidence of innocence. The growing number of additional cases of innocence on death row, prompted DPIC Executive Director Richard Dieter to prepare the updated report, which lists 21 new such cases since 1993.

In an interview with *EIR* on Aug. 6 (see below), Dieter noted that the recent cases of O'Dell and Thompson "show a tendency in the courts to look at the procedure over substance, to ignore the merits of the case, and to emphasize whether the steps in the appeal have been followed, and that's a dangerous problem. That means that people could be executed solely because they didn't go through the right steps, procedures."

Joseph O'Dell went to his death in Virginia on July 23, proclaiming his innocence (see *EIR*, Aug. 8). He was executed without anyone, from Virginia Gov. George Allen and the lowest Virginia court, to the U.S. Supreme Court, ever allowing a second test on DNA evidence found on the murder-rape victim. The first test, done in 1986, was inconclusive. A second test, conducted with modern DNA analytic techniques, might have proved his innocence. We may never know if he was guilty, because these same courts are still refusing to release the evidence.

Thomas Thompson, 42, was sentenced to death in California for a 1981 rape and murder he says he didn't commit. A veteran with no prior criminal record, Thompson was scheduled to be executed on Aug. 4, but the execution was blocked on Aug. 3 by the 9th Circuit U.S. Court of Appeals in San Francisco. The court cited the "ineffective performance" of his trial attorney, who made no attempt to rebut the prosecution's evidence at trial. This ineffective performance, the court found, prejudiced the trial and led to his conviction.

California Gov. Pete Wilson (R), who has never granted clemency, refused to do so in this case, and denounced the



*John Henry Knapp, at his booking in 1973 (left), and at his release in 1987. The pictures tell the story of a life lost to criminal injustice. Knapp was originally sentenced to death for an arson murder of his two children, but new evidence about the cause of the fire prompted a judge to order a new trial. At least one out of 100 people sentenced to death is innocent, a rate that is estimated to be much higher, because of the extraordinary resources needed to prove innocence.*

9th Circuit as “a coterie of liberal judges.” The state filed an immediate motion to expedite the execution with the U.S. Supreme Court.

On Aug. 4, at about 6:00 p.m. Pacific time, six hours before Thompson was to be executed, the Supreme Court upheld the Circuit Court’s stay, sparing Thompson’s life, for now. But the stay was entirely on technical grounds, not on the basis of agreement with the 9th Circuit, that Thompson received an unfair trial. The Supreme Court will limit its review of the case, to be heard sometime after October, to two issues only: 1) whether the appeals court, when it agreed to give Thompson’s case a new look, circumvented a new federal law that limits prisoners to a single federal appeal; and 2) whether the appeals court exceeded its authority by reviewing the case after the normal time for review had expired.

O’Dell was also given a hearing by the Supreme Court, on such entirely technical grounds, in December 1996. The Court turned down his appeal, and O’Dell was then executed seven months later.

### **Innocence not considered**

The importance of “Innocence and the Death Penalty” is that it proves, beyond the shadow of a doubt, that innocent people are being sentenced to death in America today. It also indicates that some people who may well have been innocent,

have been executed. The report, written before O’Dell’s execution, cites three such cases, all occurring since the death penalty was reinstated in 1976:

- Roger Keith Coleman, who went to his death in 1992 in Virginia, declaring that he was innocent and that no court would review his evidence. His appeal was blocked at every level of the justice system on purely technical grounds.

- Leonel Herrera, who was executed in 1993 in Texas. Though a former Texas judge submitted an affidavit stating that another man had confessed to the crime for which Herrera was facing execution, the Supreme Court said that he needed an extraordinary amount of proof to stop his execution.

- Jesse Jacobs was executed in Texas in 1995. While involved in the murder for which he was executed, the state prosecution itself admitted, in the trial of his co-defendant, that Jacobs was not the trigger-man, reversing their own testimony in his trial. U.S. Supreme Court Justice John Paul Stevens wrote, in his dissenting opinion: “It would be fundamentally unfair to execute a person on the basis of a factual determination that the state has formally disavowed. I find this course of events deeply troubling.”

### **Getting worse**

The report tells the stories of the 21 people who have been released from death row since 1993. It notes that “many

of these cases were discovered not because of the normal appeals process, but rather as a result of new scientific techniques, investigations by journalists, and the dedicated work of expert attorneys, not available to the typical death row inmate.”

In other words, there are more such cases out there, waiting to be discovered. The Innocence Project, founded in 1994 at Benjamin N. Cardozo School of Law by Prof. Barry Scheck, has won the release of nine men since 1994, based on DNA testing, and has determined a common pattern in each of them. Scheck gained national fame as a DNA expert in the O.J. Simpson defense, and also testified in the O’Dell case.

Each of the cases won by the Innocence Project had the following common features: The men were convicted based on identification by witnesses; they were too poor to afford private lawyers; and any forensic data that had been introduced at trial were flawed, or were inadequate to establish the person’s identity. Post-conviction DNA tests proved irrefutably that they were not guilty of the rape and/or murder for which they were convicted.

There are hundreds of people, among the 1.6 million men and women in America’s prisons and 3,300 on America’s death rows, who fit this description. As “Innocence and the Death Penalty” warns, “The current emphasis on faster executions, less resources for the defense, and an expansion in the number of death cases means that the execution of innocent people is inevitable. The increasing number of innocent defendants being found on death row is a clear sign that our process for sentencing people to death is fraught with fundamental errors—errors which cannot be remedied once an execution occurs.”

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## Interview: Richard Dieter

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# Court trends are ‘a dangerous problem’

*Richard Dieter, executive director of the Death Penalty Information Center and author of “Innocence and the Death Penalty,” spoke with Marianna Wertz, on Aug. 6.*

**EIR:** Do you have any comment about the importance of your report, particularly in light of the execution of Joseph O’Dell and the reprieve of Thomas Thompson?

**Dieter:** I think that both of these cases show a tendency in the courts to look at the procedure over substance, to ignore the merits of the case and to emphasize whether the steps in

the appeal have been followed, and that’s a dangerous problem. That means that people could be executed solely because they didn’t go through the right steps, procedures.

O’Dell was executed under a law that’s clearly unconstitutional today, but the Supreme Court said it’s not retroactive to him. In the Thompson case, the Supreme Court wants to look at, not the merits of whether Thompson was misrepresented, poorly represented, whether there were injustices in his case, but rather whether the Ninth Circuit followed the rules of procedure and the new laws. That puts the value of these human lives in second place.

**EIR:** Isn’t that really a “Catch 22” situation with Thompson, because if they did follow those rules, then he would have been executed.

**Dieter:** Perhaps. Somewhere earlier in the process, I think they should have flagged this case. But given that mistakes were made in the process, that’s not a reason to steamroll ahead with the execution.

**EIR:** I’d like to ask a question with respect to Supreme Court Justice Antonin Scalia. Lyndon LaRouche, who’s the founder of our publication, has identified Scalia’s doctrine as at the core of this problem, of looking not to the merits of the case, but to the question of procedure, and also majority rule as the basis for law. Have you noted that with Scalia?

**Dieter:** I don’t really feel like I’m an expert on enough of the different decisions of the court to point that out. Certainly, he has gone out of his way in some death penalty cases to speak in the harshest terms possible, favoring executions and criticizing those who have stood in the way, including defense attorneys. He makes serious challenges seem inconsequential with his remarks. This is just from a few death penalty cases that I’ve noticed. I don’t know how general that is on the court.

**EIR:** That was certainly true in the O’Dell case.

**Dieter:** Yes, just wanting to make sure—not even to consider the possibility that he’s innocent. But he’s done that before, criticizing the Texas Resource Center and their bringing these appeals. He goes out of his way to push to get these cases moved along and people executed.

**EIR:** Is there anything you’d like to say about the impact of the report?

**Dieter:** It has stirred some concern among the American public. I don’t think they want to see innocent people being executed. They may be willing to make the changes necessary in the system, so that this is less of a possibility, or to stop it altogether, use an alternative, like life without parole. That’s been supported in a number of polls that we’ve seen recently. So, there may be some changes in the offing, and the judges will have to step aside when the laws are changed. But, so far, that hasn’t happened.

## Strikers reject 'post-industrial' economy

*The Steelworkers and the Teamsters are fighting for jobs at a wage that can support a family.*

**T**he Teamsters strike against United Parcel Service, and the Steelworkers strike against Wheeling-Pittsburgh Steel, settled on Aug. 3, signify that a "sense of reality" is coming back to the American people, who are turning away from the "post-industrial society" concept that has dominated America for the past 30 years, according to Lyndon LaRouche. Asked about the two strikes in a radio interview with "EIR Talks" on Aug. 5, LaRouche said, "What you're seeing among organized labor, and people around them, is that the effect of a sense of reality long lost, over the past decades, is coming back to the American people, and these movements around the labor movement are an expression of that cultural shift, back toward reality, toward real values, and this is a very important development."

The Teamsters, with full backing from the AFL-CIO, made a political decision to strike UPS at midnight on Aug. 3, and to use the strike to challenge what Teamsters President Ron Carey called "throw-away jobs." Carey, a former UPS driver and former head of a large UPS local in New York, said, "We're fighting not just for Teamster members, but for every working family in America. We have to stop big companies like UPS from shifting to 'throw-away jobs' that don't support a family."

Organized labor chose UPS as the target, because it symbolizes the destruction of labor power which is the hallmark of the "post-industrial economy." The main issue is the speed-up and labor-recycling mill which UPS has become, comprised largely of underpaid, part-time labor, and increasingly of workfare recipients, whose

"salary" is subsidized by municipalities. Although UPS made huge profits last year, 83% of new UPS jobs and more than 60% of all UPS jobs are part-time, starting at \$8 an hour, with sparse benefits.

Speaking on Aug. 6 at a Chicago picket line, AFL-CIO President John Sweeney underscored the importance of this issue for all of America's workers: "UPS is a solid, profitable company that enjoys over 80% of the small package delivery business in our country. Because of the work of its dedicated employees, the company recorded more than \$1 billion in profit last year alone. When UPS refused to acknowledge their contribution and insisted on continuing to replace full-time jobs with part-time jobs, these workers made the decision to withhold their labor and go on strike. In doing so, they picked up the gauntlet on behalf of all American workers and their families, and their struggle is now our struggle. . . . We will dedicate whatever it takes . . . to teach UPS and, indeed, all of corporate America, a lesson in practical economics. Part-time America won't work!"

Management's latest proposal is for the right to increase the percentage of part-time workers, while creating only 200 new full-time jobs per year. The Teamsters are seeking to create thousands of new full-time jobs by combining existing part-time positions. The union is seeking subcontracting language that would ensure that UPS jobs grow as the company grows, which UPS rejects.

The same day that the Teamsters struck UPS, the United Steelworkers of America declared victory in their strike against Wheeling-Pittsburgh

Steel, the nation's ninth-largest steel company. This, too, was a political strike, against a company that had been turned into a looting operation by CEO Ronald LaBow, a New York speculator whose interest is "making money, not steel," according to those who know him best.

The principal issue was the company's unwillingness to accord its 4,500 workers dignity befitting a human being. The strike began Oct. 1, 1996, after Wheeling-Pitt demanded the elimination of seniority, craft, and contracting-out protections; the gutting of health insurance coverage; and that workers accept a paltry severance program masquerading as a "pension plan."

The steelworkers adopted a political, "in-your-face" approach to the strike, confronting the major stockholders of Wheeling-Pitt's parent company, WHX Corp., with Wall Street rallies, walking tours of the CEO's neighborhoods, and embarrassing visits to their homes. The USWA went so far as to announce a boycott of Mellon Bank, WHX's major stockholder.

The contract approved by the negotiating committee provides for industry pattern pensions, increased wages, signing bonuses, and weekly payments and health insurance, pending a return to work. As Jim Teague, Corporate Campaign Coordinator for the USWA, told *EIR* on Aug. 4, it was this "more aggressive style of organizing" that won the strike. USWA President George Becker summed up the importance of the victory: "This was a remarkable victory . . . because these workers and their families stood up to one of the most cruel and sophisticated anti-worker, anti-union campaigns in the history of the labor movement—and they did it as much for generations to come as they did it for themselves."

## **B**udget, tax bills pass Congress in record time

The House and Senate moved very quickly on July 30 and 31 to pass the conference reports on the budget and tax reconciliation bills, after an agreement between Congressional Republicans and the Clinton administration was announced on July 29. Republicans, especially, were eager to get both bills passed in time for the beginning of the summer recess on Aug. 1.

The Senate voted on both bills on July 31, passing the budget bill by a vote of 85-15 and the tax bill by a vote of 92-8. Only Paul Wellstone (D-Minn.) and Ernest Hollings (D-S.C.) voted against both bills.

The debate on the bills was characterized by each side trying to take more credit than the other for the bipartisan agreement and the supposed economic boom since 1993. John Kerry (D-Mass.) went so far as to claim credit for the doubling of the stock market since 1993, as a sign of the success of "the application of Democratic ideals to fiscal policy."

On the House side, the budget bill was voted up 346-85 on July 30, and the tax bill by a vote of 389-43. The weak opposition to both bills was led by Minority Leader Richard Gephardt (D-Mo.), who is well known to be harboring Presidential ambitions for the year 2000, in opposition to Vice President Al Gore.

Even Democrats who supported the bills, however, complained about the speed with which they were brought onto the floor for the vote. The conference report on the budget bill was distributed to members at about 3:30 a.m. on July 30, and the vote on passage took place at 4:30 that afternoon. Joe Moakley (D-Mass.), the ranking minority member on the Rules Committee, pleaded with Republicans

to allow a few hours so members would have time to read the bill, but the "martial law rule" which set the parameters for the floor debate was passed on a party line vote of 226-197. Even John Spratt (D-S.C.), who led the Democrats in the negotiations, said that the bill was "being brought to the floor with unseemly haste for something so serious and so far-reaching."

## **B**iden says, we must feed North Korea

In a speech on the Senate floor on July 31, Joseph Biden (D-Del.) acknowledged the disaster unfolding in North Korea. "It is in our interest to respond generously to their plight," Biden said. He described the evidence of the disaster from reports of the World Food Program, and entered into the *Congressional Record* an article from the July 28 *Newsweek* which graphically described the effects of the famine.

Biden said, "The United States has a long tradition of responding generously to people in need," but to date, "our response has been cautious and inadequate." As a result, he said, "the world, following our restrained lead, has been slow to meet the genuine emergency needs of the North Korean people." Biden paid obeisance to the British line that the famine resulted from "wrong-headed, discredited Communist economic policies and the devotion of vast resources to the North Korean Armed Forces." However, Biden said, "this does not make the North Korean people less deserving of emergency relief. It is not ethically permissible to use starvation as a weapon to force the North Korean dictatorship to undertake essential economic reforms."

Biden warned that geopolitical policies to "starve them out," would result in "panic, massive population migrations, and instability," which must be avoided. He concluded that providing famine relief would be the "smart thing to do . . . the noble thing to do," and "an expression of all that is best about America, that cannot help but resonate in the hearts of the North Korean people."

## **H**ouse Democrats blast Sanchez investigation

On July 25 and again on July 28, House Democrats attacked ongoing Republican efforts to unseat Loretta Sanchez (D), during debate on the Legislative Branch Appropriations bill. Sanchez defeated nine-term Republican Bob Dornan by 984 votes in a hotly contested race in California's 46th Congressional District, made up mostly of Orange County.

Dornan challenged the result, charging that noncitizens illegally voted in the election. He has been causing an uproar ever since with an investigation which has been supported by the House Oversight Committee, chaired by Bill Thomas (R-Calif.).

Democrats are charging that Dornan is harassing Sanchez, and that she is being targeted because she is Hispanic. They're also charging that Hispanic voters are being intimidated by Dornan's investigatory tactics. The Hispanic Caucus, headed by Xavier Becerra (D-Calif.) and Robert Menendez (D-N.J.), are leading the charge against the Republicans on this issue.

The Republicans came under attack for two other probes as well—the investigation by the Government

Reform and Oversight Committee, chaired by Dan Burton (R-Ind.), into fundraising in the 1996 Presidential campaign, and an investigation of the political activities of labor unions, which is to be paid for out of the "contingency fund" that was created earlier this year in the committee funding resolution.

Meanwhile, on the Senate side, the Rules Committee voted on July 31 to continue the investigation of the 1996 Louisiana Senate race without the participation of the Democrats, who pulled out of the investigation on June 24, charging that the investigation had yet to produce any credible evidence of fraud after six months.

## **Moynihán: Maglev is in the 'national interest'**

On July 31, Sen. Daniel Patrick Moynihan (D-N.Y.) introduced a bill to make Federal funding available to public-private partnerships set up to build demonstration projects for magnetic levitation rail technology. Moynihan called maglev "the first new transportation technology envisioned since the development of aviation in the early 1900s, and its adoption represents an opportunity for dramatic national gains in transportation efficiency and economic growth."

Moynihan described maglev technology, and pointed out how Germany and Japan are well advanced in developing and testing maglev systems. "Meanwhile," he said, "our Federal government has done relatively little to develop this extraordinary technology. Because Maglev is a proven technology that offers significant benefits for both passengers and freight, it is in the national interest

to demonstrate these benefits by proceeding to construct and put into service, at an early date, a project in the United States."

Moynihan's bill authorizes a total of \$930 million over six years to be spent on building maglev projects, but specifies that the U.S. contribution to any one project will not exceed two-thirds of the total cost of the project. It also mandates that the project be run by the private sector, once it is completed.

While the bill limits the degree to which the Federal government can lead in developing maglev technology, it would for the first time set a national policy which would "establish a maglev transportation technology system operating along Federal-aid highway and other rights-of-way as part of a national transportation system of the United States."

## **Jerusalem bombing gets kneejerk response**

The Congress responded within hours to the July 30 terror bombing of a marketplace in Jerusalem. In actions that placed sole responsibility for the attack on the Palestinian Authority, both the House and the Senate passed resolutions expressing strong support for the government of Israel and calling on Palestinian Authority President Yasser Arafat "to do more to combat terrorism." The House also added an amendment to the Foreign Operations Appropriations bill that would cut off U.S. aid to the Palestinian Authority after 90 days, barring a report from the President that the Palestinian Authority has met certain criteria regarding security cooperation with Israel.

The sponsors of the resolutions

were Senate Foreign Relations Committee Chairman Jesse Helms (R-N.C.) and House International Relations Committee Chairman Benjamin Gilman (R-N.Y.), both of whom claimed that the Palestinian Authority has not done enough to combat terrorism. Among others speaking in support of the Gilman resolution were Rep. Tom Lantos (D-Calif.) and House Speaker Newt Gingrich (R-Ga.), who said that Arafat and the Palestinian Authority have "an absolute obligation as a function of [their] existence to join in the fight against terrorism, and the United States government should insist unequivocally that we will hold the Palestinian Authority responsible for any failure to lock up terrorists and to abide by its half of the [peace] agreement."

The amendment to the Foreign Operations bill, sponsored by Rep. Jim Saxton (R-N.J.), ties resumption of aid to conditions including: "The PLO must cease all anti-Israel rhetoric"; there must be a report which certifies all efforts taken by the Palestinian Authority to arrest, prosecute, or extradite Palestinian killers of American citizens, and which certifies that a Palestinian court system respectful of human rights has been established and due process upheld.

However, the future of Saxton's amendment is in doubt, because it is not part of the Senate version of the Foreign Operations bill, which was passed some weeks earlier.

Coincident with all this activity, is the Aug. 12 expiration of the Middle East Peace Facilitation Act, passed in 1993 after the Oslo Accords were signed, which provides aid to and legalizes U.S. relations with the PLO. The Congress failed to extend the act before departing for its summer recess on Aug. 1.

# National News

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## Justices snub funeral mass for Brennan

Four Supreme Court justices—including Chief Justice William Rehnquist—effectively boycotted the funeral mass for Justice William Brennan, who died on July 24. Brennan, who was appointed to the court in 1956 and retired in 1990, was a fierce opponent of the death penalty. Writing for the majority in the 1972 case *Furman v. Georgia*, which invalidated all death penalty laws, Brennan stressed that “Death is an unusually severe and degrading punishment; there is a strong possibility that it is inflicted arbitrarily . . . there is no reason to believe that it serves any penal purpose more effectively than the less severe punishment of imprisonment. The function of these principles is to enable a court to determine whether a punishment comports with human dignity. Death, quite simply, does not.”

The other three sitting justices who failed to honor Justice Brennan, were Sandra Day O’Connor, Anthony Kennedy, and Antonin Scalia. The last, a Catholic, like Brennan, had cast the deciding vote not to hear the appeal of Virginia death-row inmate Joseph O’Dell, despite a direct appeal to him by Mother Teresa of Calcutta. According to the *Washington Post*, Scalia had been attending the segregated, all-men’s elite “camp” at the Bohemian Grove, where nudity, profanity, and similar “sports” are *de rigueur*. Scalia had been scheduled to speak there on—of all things—the U.S. Constitution.

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## LaRouche Democrat runs for Charlotte mayoralty

Jim Harwood, a former financial manager, announced his intention to run as a Democrat for mayor of Charlotte, North Carolina on Aug. 1. According to his statement: “On July 18, 1997, Lyndon H. LaRouche announced his intention to campaign for the Democratic Party Presidential nomination for the year 2000. Mr. LaRouche cited a persisting downward trend in national leadership cou-

pled with the onrushing global financial and monetary crisis as his motivation. . . .

“The post-industrial lunacy of the last 30 years has resulted in the financial speculation bubble that threatens not only Charlotteans, but every person on the planet.

“The coming global financial and monetary collapse is best expressed by Mr. LaRouche’s now famous “Triple Curve Function.” What is demonstrated by the triple curve is the hyperbolic growth upwards of financial and monetary aggregates while plotting the contraction downward of our nation’s productive outputs and inputs. Most financial experts expect a major pop in this bubble to occur before the end of October.

“A prime example of what I am referring to are NationsBank and First Union, headquartered here in Charlotte, N.C. These two financial giants presently have an estimated \$2-4 trillion in off-balance-sheet debt, called derivatives! . . .

“As mayor, one policy I would urge legislators to adopt is to create a transaction tax for the sale or transfer of any bond, stock, security, future option, swap or derivative. This would not only help dry up the excesses in the financial markets, but also provide needed and substantial revenues for the state of North Carolina, it would yield upwards of \$500 million for North Carolina, which could be used to create tens of thousands of well-paying jobs in industry and infrastructure. . . .

“It is my intention to use the office of Mayor to rally forces within the Democratic Party to actively revive and support those economic initiatives that are best expressed today in the person of Lyndon H. LaRouche, and in keeping with the tradition of Franklin Delano Roosevelt and John F. Kennedy.”

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## Columbia/HCA executives under Federal indictment

Federal indictments were handed down against three executives of Columbia/Hospital Corporation of America, on July 30, for charges related to defrauding Federal health care programs, including Medicare. Charged are mid-level officials of the Nashville, Tennessee-based company. Columbia/

HCA is the largest hospital chain owner-operator in the world, now controlling an estimated 30% of the hospital base in states such as Florida, and 7-10% of the hospital base nationwide; the company is also prominent in Spain, Great Britain, and elsewhere in Europe.

Columbia/HCA is the foremost name in the area of so-called managed care, in which private profit streams are sucked out of the health care system, at the expense of the patients and providers who were formerly part of community health systems which were built up over decades of hard work.

The modus operandi of Columbia/HCA gives new meaning to the term “blood money.” The company took blood collected free of charge by the Red Cross, provided to Columbia/HCA for free, and then racked up its own profits. One such case is Columbia/HCA’s West Florida Hospital in Pensacola, which the Internal Revenue Service says grossed \$1.2 million at its blood bank, based on selling blood it had received from the Red Cross for free.

Columbia/HCA chief executive Richard C. Scott, who resigned July 25, headed up the company since its formation in 1987, and pushed through the takeovers of community medical facilities, and cutting budgets, staff, and care along the way. The company’s board interlocks with the insurance and bank cartels, through Prudential Insurance, Warburg, Brown Brothers Harriman, and others.

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## Khobar bombing suspect breaks plea agreement

The Saudi dissident who was deported in June to the United States from Canada, as a suspect in the July 1996 bombing of the Khobar Towers in Dhahran, Saudi Arabia, is now saying that he knows nothing about the bombing of the U.S. military barracks, which killed 19 Americans. Amid speculation that he would point the finger at Iran, Hani al-Sayegh was supposed to plead guilty to a charge of conspiring to kill Americans in Saudi Arabia in an earlier incident, and then to cooperate with U.S. authorities in providing information on the 1996 bombing. Instead, al-Sayegh entered a plea of “not



guilty" in a court appearance on July 30, and his attorney declared that the plea agreement was a "dead letter."

The previous day, al-Sayegh's immigration lawyer, Michael Wildes, said he had drawn up papers requesting political asylum. Wildes said that his client "does not know anything or know who perpetrated this atrocity" at Khobar Towers. Wildes described him as a religious studies student who had visited Iran's holy sites, and said that he considered requesting asylum in the United States because he "really feels he was set up by Saudi intelligence to take a fall for this bombing."

## Boston passes, Chicago nixes, living-wage law

The Boston City Council on July 30 voted 11-1 to pass a living-wage ordinance, after months of lobbying by the Massachusetts AFL-CIO and community organizations, according to the AFL-CIO's Aug. 4 newsletter *Work in Progress*. The measure requires large city contractors and business subsidy recipients to pay wages sufficient to keep a family of four out of poverty.

In Chicago, activists stormed past police and pounded on the locked doors of the meeting room, as the City Council voted down a living-wage ordinance. But "the living wage is not an issue that is going away," promised Service Employees International Union Local 880 President Bessie Cannon.

## Control Board takeover of D.C. termed 'shameful'

As part of the "rescue" package which the Washington, D.C. Control Board crafted and President Clinton signed on Aug. 5 as part of the national budget package, the corrections and justice system for the city will be transformed into one of the most severe in the nation. Even Delegate Eleanor Holmes Norton, who otherwise embraced the budget package, said, "I cannot tell you how profoundly disgusted I am with the

result of this," and called it a "shameful act," in her speech to the Urban League conference.

The D.C. package, which will be fully crafted by a panel headed by U.S. Attorney General Janet Reno or her designate, will eliminate parole, increase prison time for users of crack cocaine, and shut down the Lorton Correctional Complex (forcing inmates into Federal prisons all over the country). Defense lawyer Christopher Warnock told the *Washington Post*, "Somebody's got to pay the price for this bailout, and it's going to be young, black men." Mayor Marion Barry reiterated his disgust with the entire package, in a speech to the Urban League's 87th National Conference on Aug. 3, saying that "democracy in Washington was raped."

## Gore set to keynote Club of Rome conference

Vice-President Al Gore is the scheduled keynote speaker at the annual conference of the genocidalist Club of Rome this year. The conference, co-sponsored by the Smithsonian Institution, is set for Oct. 23-25 in Washington, D.C., with the theme: "The Global Information Society: Now New Media Will Transform Society."

A leading Club of Rome figure told *EIR* late in July, that the conference will focus on "the consequences of the new information technology for human psychology, human behavior, governance, and global economy." Individual sessions include "New Media, Governance, and Democracy"; "New Media, Culture, and Languages"; "New Media and Education"; "New Media, Psychology, and Behavior of Human Beings"; and "How New Media Transform Society."

Among the speakers are former Dutch Prime Minister Ruud Lubbers; former Colombian President Belisario Betancur; Prudential Insurance Company of America Executive Vice-President Michele Darling, a Canadian; Nobel Laureate Lawrence Klein of the Wharton School; and UCLA professor Robert Peccei, the son of Club of Rome founder Aurelio Peccei.

**GEORGE BUSH'S** International Republican Institute and unnamed "U.S. Republican Congressional members" held a workshop in Luanda, Angola, "attended by officials from UNITA and other invited opposition parties, and it allowed UNITA deputies and U.S. Republican Congressional members to exchange views," according to a broadcast from Jamba Voz da Resistencia do Galo Negro on July 28.

**PAUL WEYRICH**, of the neo-conservative Free Congress Foundation, endorsed the National Endowment for Democracy, and its ADL-trained director, Carl Gershman, in Weyrich's daily newsletter, *Net News Now!* on July 23. A major component of the NED is the International Republican Institute, which has backed "democratic" destabilizations of developing countries from Myanmar, to Cambodia, to the Zapatista terrorists in Mexico.

**WHITEWATER** Grand Inquisitor Kenneth Starr said on Aug. 4 that he has no deadline to finish his investigation into President Clinton and Whitewater—a probe which has already lasted over three years. "I've thrown all calendars away," Starr told the American Bar Association convention in San Francisco.

**RUPERT MURDOCH'S** Fox-TV network stopped airing such vapidities as "The Simpsons" and "Married with Children," long enough to push "end-times" hysteria, with a July 30 program on "The Prophecies of the Millennium," basing itself on the "Biblical predictions of the earth's destruction" in the year 2000. The program featured Episcopalian charismatic, gun-runner, and drug-pusher, Oliver North.

**SIX HOUSTON** officials, all of them black or Hispanic, were indicted for bribery by a Federal grand jury on July 30, after a sting operation. The sting operatives did not approach any of the city's white or Asian-American city council members or officials.

## Editorial

### *Either justice, or war*

In a few weeks, the Oslo peace agreement will celebrate its fourth birthday. Unless urgent measures are taken in Washington, to redirect the process toward negotiation, that birthday may be celebrated with bombs, not champagne corks, exploding. A new era of all-out guerrilla warfare could begin.

The dramatic deterioration of relations between Israel and the Palestinian Authority (PA) of Yasser Arafat, was not *caused* by the recent suicide bombers, who provoked the deaths of 13 persons and serious injury to over 150. The process has been degenerating by ratchet notches, and such bombings have functioned to hammer home the message, that the peace process is, indeed, dead.

The response on the part of the government of Israeli Prime Minister Benjamin Netanyahu, was predictable: He imposed closure of the West Bank and Gaza, preventing those remaining Palestinians with jobs in Israel, from reaching them; cut off all talks with PA representatives, until Arafat "brings the terrorists under control"; withheld vital funds, tax payments Israel owes the PA, and which account for a large share of the budget; ordered Israeli troops to engage in hot pursuit after suspected terrorists, inside areas under PA jurisdiction; and called for the arrest of the PA police chief.

Such measures are geared to exacerbate tensions, and escalate confrontation to war. Islamist spokesmen lost no time in predicting that further such attacks would occur, if the Israeli government does not show some willingness to compromise. Nonetheless, Netanyahu is displaying the same intransigence that has characterized his regime since spring of last year.

How can the deadlock be broken?

Arafat's approach has been to seek help from outside the region, aware of the fact that the parties involved are so locked in to a dynamic of hatred and revenge, that they cannot alter the dynamic, even if they wanted to. Thus, the PA leader has looked to Jordan and Egypt, the other Arab peace partners of Israel, to mediate some motion toward talks by waving the carrot, while he has also looked to the other regional powers,

including Iran, in hopes they will agitate the stick. But none of them can, in reality, force a change in Israeli policy.

There is only one political power which can do that: the White House. Dennis Ross, the chief U.S. negotiator, was on his way to the region, reportedly with a new initiative, when the bombs went off in Jerusalem. Now, he is to resume his mission.

Whatever the shape of that new initiative, certain facts are clear: There can be no inversion of the trend toward war, unless the Netanyahu government is *forced* to order and implement a halt to its settlements policy. There is simply no way, politically, that Arafat can return to talks with Israel, unless those measures taken in violation of the Oslo accords, be abrogated. This means not only that the settlements must be halted, but that the areas promised the PA, be handed over in effect, and the Israeli military be correspondingly redeployed.

These are the preconditions for any resumption of contacts. But, more deeply, the root cause of the failure of the peace talks must finally be faced: There can be no political peace, unless there is economic and social justice for the Palestinian people. This means, that the economic depression into which the Gaza Strip and the West Bank have been thrust since the Oslo accords, must be reversed. As a recent conference in Gaza laid out the facts, the conditions of life for those Palestinians who are being told to "support peace," have reached the limit.

The PA officially controls 9% of the territory in Gaza and the West Bank, while control over water and other vital resources, is in Israeli hands. With a mere 20% of the ground water given them, only one-fifth of households have running water. A population growing at the rate of 7.44% in Gaza, is without adequate schools, housing, and basic services.

Meanwhile, none of the major infrastructure projects which would provide the start for economic development, such as the Gaza port or airport, has been built.

It is high time to stop the illegal Israeli settlements, and to start building housing, roads, schools, and hospitals for the Palestinians. Otherwise, forget "peace."

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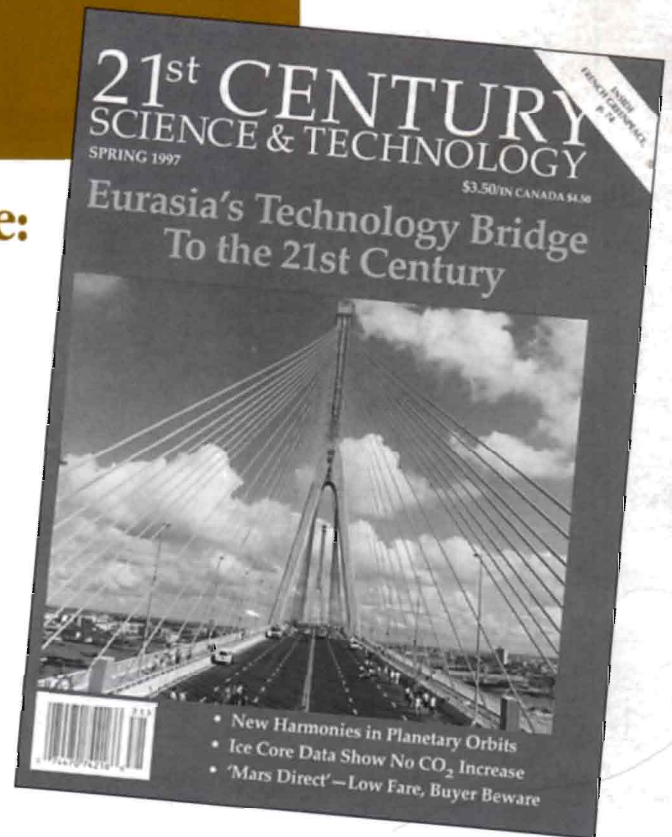
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