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Executive Intelligence Review

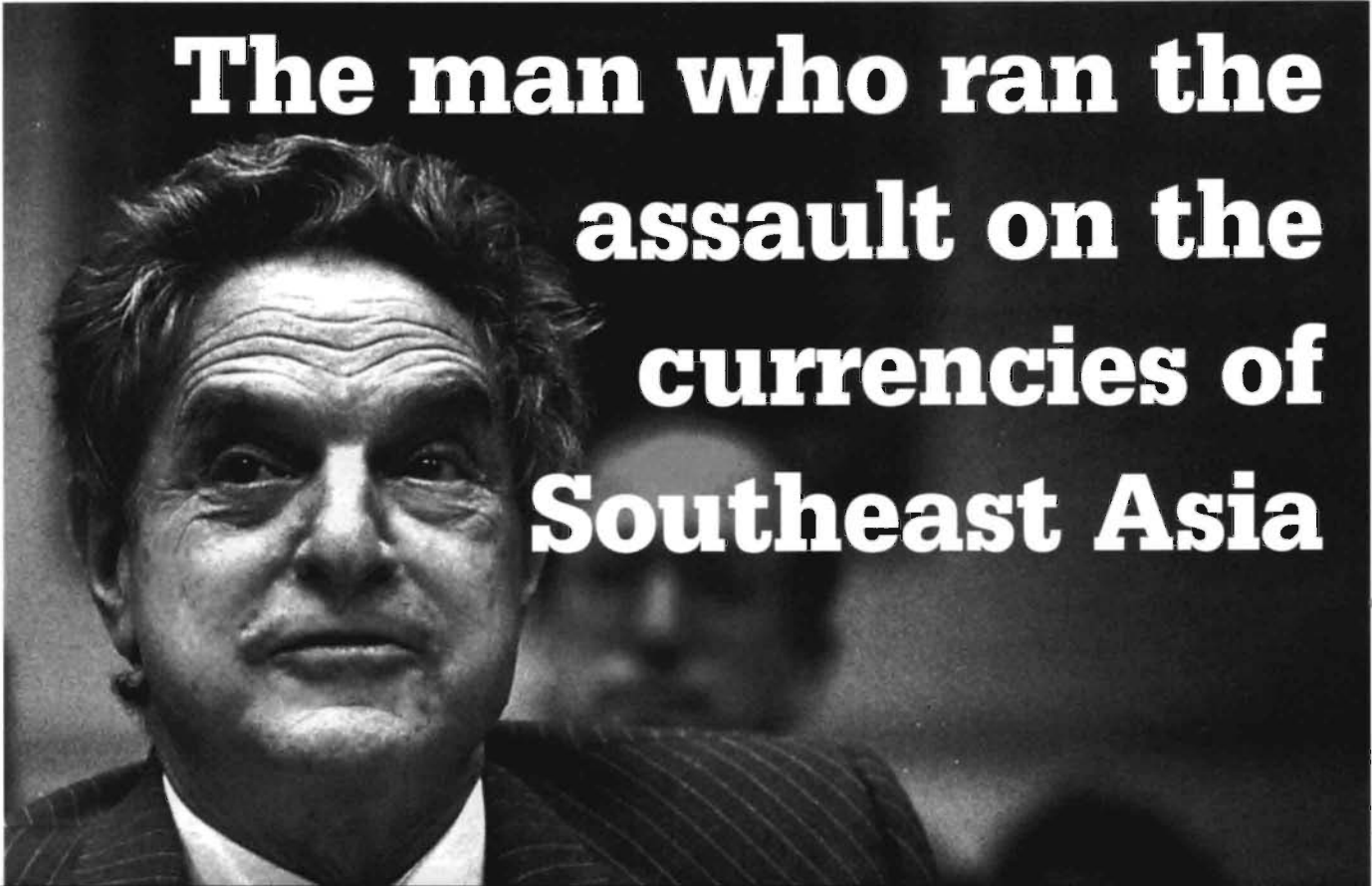
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Human rights and the Virginia LaRouche cases
Impeachment: House Republicans commit treason

**LaRouche on emergency financial
reorganization: People first!**





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- Malaysia's Dr. Mahathir on Soros: "He's no Robin Hood. He takes from the poor and fills his own pockets."
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From the Managing Editor

Our *Editorial* this week, sets the tone for what must be brought to pass: “Clinton Must Bring in LaRouche.”

In our cover story, “People First!” Lyndon LaRouche writes: “Very soon, the doomed, present international financial system will disintegrate. It can not be managed, or repaired; its doom is certain, and soon. We are already in the final phase of its destruction. This destruction will occur either in a rational way, through merciful, preemptive actions by individual governments, or in the most tragic way, spontaneously, and chaotically. Either way, the present financial system is doomed to disappear, very soon.”

If the end of the present financial system is to come about in a rational way, LaRouche must play a hands-on role in the emergency world reorganization. In “People First!” LaRouche outlines measures to protect the essentials of life of the population, while that reorganization is undertaken. In “Time to Tell the Truth,” LaRouche puts the question to President Clinton and Treasury Secretary Robert Rubin, that they must level with the American people on the collapse of the economy.

This is a question of leadership, of individuals with the moral, intellectual, emotional qualities to provide leadership in a time of revolutionary change. LaRouche is such a leader, and it is time he were exonerated to play the role that he must. In our *Feature*, the human rights violations against LaRouche, and his associates who were railroaded to prison in Virginia, make clear that the attacks were politically motivated, and carried out by LaRouche’s oligarchical enemies.

Elsewhere in *Economics*, several articles deal with the rapidity with which the economic collapse is unfolding. In particular, note the article on the Russian food crisis, and the lively exchanges that *EIR* had with George Soros, and the Congress had with Fed chairman Alan Greenspan, whose defense of speculative hedge funds has even Republican members of Congress aghast.

The British oligarchy is trying to start wars to immobilize President Clinton and forestall a New Bretton Woods system. In *International*, we feature articles on the Balkans and the Middle East. Also, there are new revelations in the murder of Princess Diana.



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The National Guard holds a protesting crowd in check at a farm foreclosure sale, in 1933.

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Lyndon LaRouche's guidelines for reorganization of the global financial system. "The present financial system is doomed to disappear, very soon," he writes. "The continued existence of the U.S.A., as of other nations, depends absolutely upon the alacrity with which the government responds with certain required, immediate measures of emergency action."

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People first!

by Lyndon H. LaRouche, Jr.

October 4, 1998

Very soon, the doomed, present international financial system will disintegrate. It can not be managed, or repaired; its doom is certain, and soon. We are already in the final phase of its destruction. This destruction will occur either in a rational way, through merciful, pre-emptive actions by individual governments, or in the most tragic way, spontaneously, and chaotically. Either way, the present financial system is doomed to disappear, very soon.

Under these circumstances, the continued existence of the U.S.A., as of other nations, depends absolutely upon the alacrity with which the government responds with certain required, immediate measures of emergency action.

If the measures specified here are taken, this nation will assuredly survive the crisis, and that most successfully. If the political will to adopt and implement such emergency measures, immediately, is lacking, the nation will be torn apart by the chaos caused by its stubborn refusal to change the present system. If the present posture of clinging to the self-doomed dogmas of "free trade" and "globalization" is not overturned, chaos is already inevitable; in that case, this nation will not survive in a recognizable form.

The following are exemplary required measures.

1.0 General emergency policy

When that disintegration of the world's present financial system occurs, the U.S. and other governments, if they are sane, will each consider themselves obliged to take certain, instant, autonomously sovereign, and drastic emergency actions. The immediate purpose of these actions, is to maintain the social stability and general welfare of the nation and its entire population. The rule governing these actions, is: "People first! All the people!"

Using the case of the U.S.A. itself as the example, the case can be stated as follows.

These measures are of four general classes: (a) Emergency

measures to ensure immediate and continuing social security, according to the general imperative of the Preamble of the 1789 U.S. Constitution; (b) Emergency measures of general financial and monetary reorganization, measures designed to facilitate the measures designed to ensure general social security; (c) Emergency measures of economic recovery, to maintain and expand the levels of physical-economic output of the national economy, both per capita and per square kilometer; (d) International measures required for this same purpose.

2.0 Emergency measures of social security

2.1. These actions will give absolute priority to the continuity of the essential functions of government itself, but will also give equal priority to maintaining the continuing function of all essential elements of basic economic infrastructure, agricultural operations, manufacturing and closely related operations, and the physical distribution and commerce in those goods and services essential to maintaining the life of persons and households. Enabling action expressed in such legal forms as emergency laws and decrees, will be needed for this purpose.

2.2. These actions must not merely maintain infrastructure, agriculture, manufacturing, household, and related essential physical-economic activity at levels existing prior to the "crash." Immediate steps must be taken, chiefly by initiative of government, to increase the levels of useful output from these categories of activities, this at the expense of forms of services which are not essential to the health of the physical economy and its population. For the case of the U.S.A. itself, these actions will be taken with an eye to the methods of emergency action taken under President Franklin Roosevelt, for the period for World War II.

2.3. Some special, supplementary actions must be taken. These will include a moratorium on financial foreclosures of home-owned residences and closely related, functional essentials of private ownership. This must be complemented by absolute protection of the bank deposits of individuals, up to

a specified, modest amount per capita. Similarly, basic health-care programs must be funded to similar effect. The general rule for such and related measures, is to leave the household and small business affairs of the individuals and families at the discretion of the individuals, as much as possible, freeing decisions within this area from the burdensome and complex details otherwise demanded of governmental interference, as much as possible.

3.0 General financial reorganization

3.1. The U.S.A., like most nations of the world presently, and most globalized financial institutions, is already hopelessly bankrupt financially. It is not necessary to wait, to see if the bank collapses, to know, already, that this is so. Only desperately wishful fools would deny that to be a fact.

3.2. As in any bankruptcy of a major, once stable economic enterprise, the bankruptcy did not come all at once, but occurred through the cumulative effect of wrongheaded policies, each piled on top of one another, over a long period of time. In the case of the U.S.A. itself, a period of not less than thirty-odd years. Fortunately, the set of principles on which the U.S. economy, in particular, was operating prior to thirty-odd years ago, was predominantly sound in effect. That being the case, we must reorganize the U.S. economy as we would act to bring any essentially sound economic enterprise back to healthful life, by reorganization in bankruptcy.

3.3. The actions to be taken initially, are to eliminate the bad management and the bad policies of practice, and to write off that portion of the total amount of putative present financial obligations, the which must be written off, if the enterprise is to resume the degree of healthy growth it enjoyed status quo ante—prior to thirty-odd years ago.

3.4. In the case of the bankruptcy of the financial system of a sovereign nation-state, there are special rules to be considered, differing from those which might be appropriate to any institution other than a nation-state. Fortunately, in an earlier period the U.S. as a whole was bankrupt, 1787-1789, those implicitly constitutional considerations have already been addressed, principally by U.S. Treasury Secretary Alexander Hamilton's three reports to the U.S. Congress, on the subjects of national credit, a national bank, and manufactures. These rules apply not only as the relevant U.S. precedents, but serve as a model of reference for other sovereign republics.

Although we must give due consideration to debts and assets defined in terms of differing media, the central point of reference for the financial, monetary, and related policies of the U.S. government, especially under conditions such as these, is the sovereign currency of the U.S. government, which can be nothing other than U.S. Currency-Notes issued according to constitutionally prescribed procedures for this. For reasons stated by Secretary Hamilton, that form of currency, and other forms of debt directly incurred as U.S. Debt (rather than other Federal Reserve debt), constitute the primary, absolute obligations of the U.S. government in face of a general financial bankruptcy of the nation, such as that now

extant. The “full faith and credit” of the U.S.’s currency and sovereign debt, must be defended, as the premise for the credit-mechanisms employed in coming out of the end of the present international financial system. The role of U.S. currency, on this account, is not limited to the case of the U.S.A. itself; the special importance of the U.S. dollar is global, still today.

The central principled issue of financial reorganization, is that the defense and deployment of those forms of U.S. sovereign debt, are the financial mechanisms of credit-creation, through which the U.S. real economy shall be revived from its present degenerated, torpid condition.

3.5. With one additional provision, let paper values otherwise, fall as low as they please. “It is only paper, after all.” If a bank's net worth is less than zero, we may choose to support its continued functioning, because the sovereign U.S. requires that such a bank exist for the needs of the citizens and economy of that locality. The protection of modest financial and other assets of individuals, households, and certain varieties of enterprises which are defined as essential in physical-economic terms, follows from the same general principle.

3.6. The object is to expand the physical-economic activity and productivity of the economy and of the population as a whole, such that the economy is meeting the needs of the entire population, and also operating above physical-economic break-even levels. To this purpose, U.S. national credit must be supplied, through national-banking methods, radiating through participating private banks, into the relevant enterprises of the nation's government and private sector, as we built up what became the prosperous U.S. economy of the 1950s and early 1960s, from the deep economic-depression levels supplied by Andrew Mellon's policies of the 1920s and early 1930s.

Our nation has done this in the past, has known how to do that in the past, and can apply those lessons to doing the same, or better, once again.

4.0 Economic recovery measures

During 1861-1876, again during the economic mobilization of 1914-1917, and during 1933-1945, the U.S. used a combination of large-scale infrastructure-building and science-driver programs in technological progress, with effects whose successes astonished the world of those periods. The leading priorities in organizing a long-term period of successful, global economic reconstruction, are the following.

4.1. Basic economic infrastructure: principally water-management and general sanitation; mass transportation of freight and passengers; power, with emphasis upon increasing energy-flux density and coherence of primary sources; basic urban infrastructure as such; and, national and international mass systems of education, science, and health-care. Large-scale, long-term investment in these improvements in basic economic infrastructure, supply the foundation upon which the potential for real economic growth depends.

4.2. Fostering employment of operatives in basic agricul-

tural and industrial production, with emphasis upon those increases in the productive physical-economic powers of labor which are realized solely through emphasis upon increased rates and levels of per-capita investment in capital-intensive, power-intensive modes of scientific and technological progress.

4.3. Increasing the role of the machine-tool-design sector of production as a percentile of total labor-force employment, and the development of these capabilities to ever higher international standards, and with greater density of efficient delivery into national economies and the localities of those economies.

4.4. Integrating the educational, fundamental research, and machine-tool-design functions of the world's and national economies around science-driver programs, including the aggressive exploration and colonization of nearby portions of our Solar System.

Generations have passed since a very nasty fellow, Harvard Professor William James, wrote of "the moral equivalent" of war. The only true moral equivalent of war, is to mobilize for development of the world's economy, to the benefit of each and all nations of the planet, and to do this in a way we have never mobilized before, except for purposes of war. That, in summary, is the task, the policy which sane governments will adopt now.

Time to tell the truth

by Lyndon H. LaRouche, Jr.

October 3, 1998

The text of a prepared address, which U.S. Treasury Secretary Robert Rubin delivered to an Oct. 1st forum, sponsored by the *Wall Street Journal*, is typical of what has been traditional "boardroom-bullshit" speeches for about fifty years or more. Before anyone rushes to interpret Rubin's carefully pruned text, the critic should pay close attention to the auspices displayed.

"Ninety-five percent bullshit" is a high standard of candor for such public performances. In such boardroom theater, the stiletto is always present, but the camouflaged point is barely visible within the froth of a lace-decked sleeve. Always say, "Joe has done a terrific job; but, a genius, hidden in our back-room, has, quite miraculously, discovered some very slight room for improvement in Joe's wonderful work." Damn with a profusion of faint praise, is the rule for such occasion.

When hearing, reading, or viewing such a display of standard "boardroom" remarks, certain touches must be noted. In this case, the additional features, from a video viewing of Rubin's address, included, first, the plain sticking to the prepared text. Second, if the case ever came to court, boardroom veteran Rubin had protected his rear from the Iagos of the White House backstabbing mob, with customary touches, distinguishing "my opinion" from the line which the White House has allowed to be implicitly attributed to the President.

In some circles, such a speech, whose content is 95% flagrant falsehoods, is not regarded as lying, but only as an exercise of discretion.

It would appear, that the White House has strayed from the effective candor which President Clinton displayed in his appearance before the Starr chamber. When the President said, then, in effect: "It is none of your damned business!" he was telling the strict truth; it was his questioners whose questions were essentially lies, were plain efforts of dissimulation, attempts in sophistry, aimed to divert the grand jury proceedings away from the truth relevant to the constitutional occasion. Later, the majority of those who observed the replay of the videotaped session, cheered with joy when the President showed the guts to stick it to Starr, but good. President Clinton's biggest problem, is that he does not do that often enough; too often, he permits himself to be talked, by his so-called "advisors," into doing things which bring him down.

So far, the President has refused to tell the truth about the U.S. economy. There are no mere technical problems. There has been no actual growth of the U.S.A.'s real economy any

LAROCHE ON THE NEW BRETTON WOODS

"The present fatally ill
global financial and
monetary system must be
radically reorganized.

It can not be reformed, it
must be reorganized.

This must be done in the
manner of a reorganization
in bankruptcy, conducted
under the authority
not of international
institutions, but of
sovereign governments."

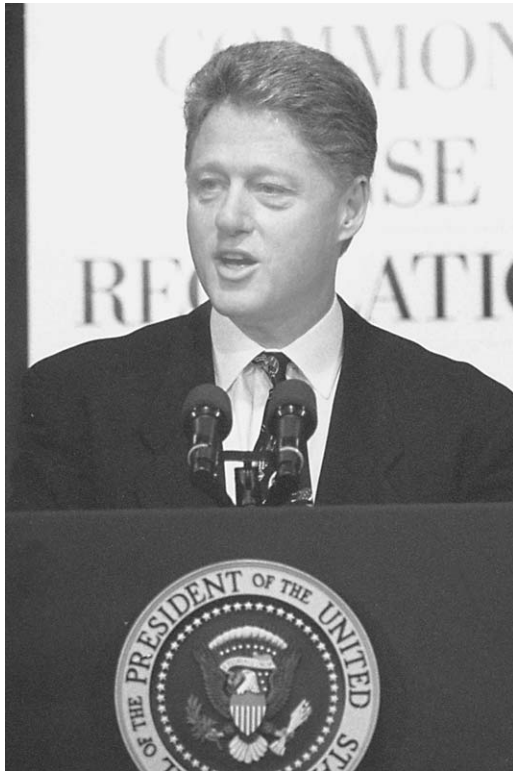
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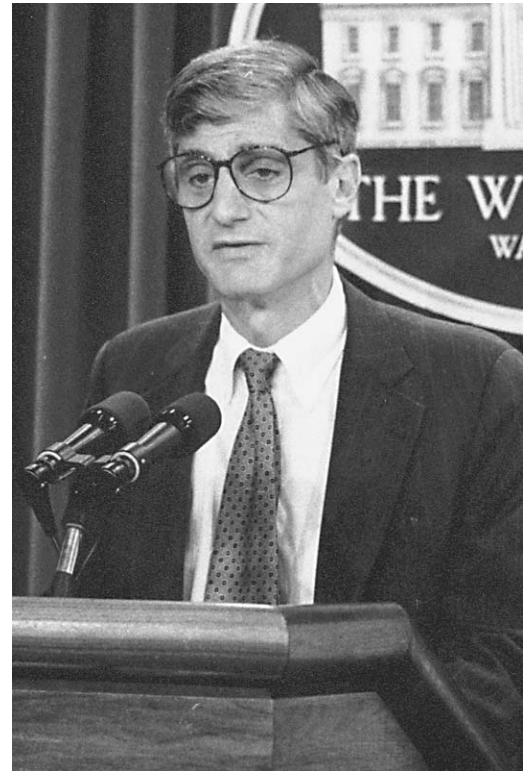
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President Bill Clinton (left) and Treasury Secretary Robert Rubin. "Unless the President stops the flood of 'boardroom bullshit' from the White House itself, and admits, finally, that everything he has praised, up to now, as an achievement of the past thirty years' reshaping of national and global economic policy, has been the cause of the worst, onrushing disaster which the world has suffered in all modern history to date . . . we shall not survive."



time during the past twenty-nine years! Every change in policy which he points to as an "improvement" in the U.S.A. or world economy, has been, in truth, nothing but a literally bloody disaster. It was what the President has repeatedly identified as the achievements of "free trade," "deregulation," and "globalization," covering the past twenty-nine years to date, which are each and all crucial contributing factors in bringing about the presently ongoing, greatest financial, monetary, and economic disaster in all modern history.

It is not a matter of "simply telling the truth," or not. There are no "white lies," but only real lies, buried in the false picture of economic reality painted, repeatedly, so far, by the President's administration, as by the "95% bullshit" content of Rubin's referenced Oct. 1st address.

Yes, the President and Rubin have recently stated, and restated, a number of things, truthfully, which, in and of themselves are of importance. However, what the administration has praised, on these accounts — what it has buried under an avalanche of "boardroom bullshit" — is what he must openly damned and destroyed, just as he openly damned and discredited the mid-August Starr chamber proceeding. If he does not do that, the U.S. — and the Clinton Presidency, with it — are not going to survive the effects of what will be hanging on the Christmas tree you don't have, come Christmas 1998. We are in a giant, rapidly oncoming financial hurricane, which has the force to destroy entire nations, including every nation-state of the Americas, even as early as before Christmas, unless the President calls for an end to the "boardroom bullshit,"

and acts to destroy those very policies of the past thirty years which he has, so far, repeatedly defended. There is no way in which the usually lying "boardroom bullshit" of crisis-management sophistries, will save the butt of either the President, or, the entire Congress, or, the Supreme Court, or the nation as a whole, unless the President stops the flood of "boardroom bullshit" from the White House itself, and admits, finally, that everything he has praised, up to now, as an achievement of the past thirty years' reshaping of national and global economic policy, has been the cause of the worst, onrushing disaster which the world has suffered in all modern history to date. Until he says, of all these bad things he has so often, so ritually, praised, "It is time to kick the habit, or we shall not survive."

The Greensperm Syndrome

This past week, Federal Reserve chairman Greenspan came before the Congressional committee hearings, smelling as if he had just fallen into the ripest of all outhouses. Even Greenspan's usual fans, among the Republican members of the Committee, knew that it would be useless to attempt to cover up the obvious stench. "How could you have let such a thing happen? . . . Why did you lie to us about this?" was the tenor of the questioning by Republican Leach, among others.

If those Republican Members had been on their toes, they might have suggested that the White House explain why, in the light of the global derivatives collapse, the President permitted Secretary of State Madeleine Albright to defend Soros

from the charges of Malaysia's Prime Minister Mahathir bin Mohamad, and why the State Department is still engaged in carrying the British MI6 line against Mahathir now. Chairman Greenspan had covered up the facts which exploded in the LTCM scandal, but what he had done was consistent with the previous official administration line on the subject of derivatives.

It is much worse than just LTCM. LTCM is the detonator of a chain-reaction, which could, possibly, bring down the entire world economy (outside of China, and a handful of other possible exceptions) during as soon as this coming week. That is not yet the really bad news. The bad news, is that the leading banks of the U.S., together with the leading banks of Switzerland, came very close to being wiped out by the collapse of their LTCM golem.

It gets worse, rapidly. LTCM only typifies the situation inside the leading U.S.A. and Swiss banks. There are many LTCMs ripe to fall next week, or soon after that. There are complexes of other big syndicates of the same type, centered in London, in the British Commonwealth as a whole, and among the leading and other banks of those nations scheduled to plunge into the place of doom called the "Euro" at the end of this year. Meanwhile, the Japan banking bomb, which, in itself, could be sufficient to set off a chain-reaction collapse of the global financial system, is ready to pop momentarily. The 1929 crash was nothing compared to what is already breaking out around the world.

That is not yet the really bad news.

If the Congressional Committee had wished to discover the really bad news, they might have asked Chairman Greenspan: "How is it that all of the world's leading banks and other giant financial institutions have been so collectively and consistently stupid for all of the past eight-plus years?" since the ominous political assassination of the most influential obstacle to the financial and economic policies of Thatcher and Mitterrand, Deutsche Bank's Alfred Herrhausen, in November 1989? True, Thatcher and Mitterrand, with the consent of President Bush and Bush's advisors from among the veterans of Kissinger Associates, crafted the lunatic policy under which the global derivatives swindle was unleashed. But, Thatcher, Mitterrand, and Bush did not do this alone.

If they had been on their toes, the House Committee's members would have remembered, that the wave of manic-euphoric mass-insanity, called derivatives, was a scheme for which the two relevant clowns associated with LTCM won the Nobel Prize! Thatcher, Mitterrand, and Bush, must take the blame they deserve, but they could not have done this alone. Virtually every leading financial house of the world, including the world's leading banks, were sucked into the lunacy fabricated by this pair of pseudo-scientific quacks. Think of it! Virtually the entirety of the ruling financial class of the world went insanely incompetent: Otherwise, the derivatives swindle could not have occurred as it did. Think of all the financial advisors, political parties, and officials of

governments, around this world, who joined in defending George Soros and derivatives. Clearly, there has not been much in the way of sanity among the captains of finance and their lieutenants in government, during the past eight-plus years. That is a real case of "boardroom bullshit" run wild.

The Republican members should have asked a question or two about the Republican Party's Russia branch, the International Republican Institute, which, to the present day, is the most influential peddler of the same nonsense there, advice which could bring a horrible right-wing dictatorship into the saddle in that nuclear power. So much for the reforms in Russia which have been pushed from the U.S. political scene.

From that point on, it gets much, much worse.

Virtually all of the major news media, and the dominant circles in the leadership of both the Republican and Democratic national party organizations, have been up to their eyeballs in pushing the exact same policies responsible for the collapsing derivatives bubble. Worse, tens of millions of suckers have placed and probably lost their pensions and savings into the promised "higher returns of the private sector," into the same money markets controlled by the types behind the LTCM catastrophe. This has been truly a case of mass insanity. It should make you wonder about the confused citizen who thinks the "really important issues" are those which "directly affect my pocketbook," or "my local community." It should make you wonder about what is called "the authority of popular opinion."

If many citizens had not detected the extremely pungent smell exuded from Chairman Greenspan, it was probably because this was the same aroma floating around their offices, their local party headquarters, their campaign committee offices, and their bedroom, too.

Governments face doom

More than financial, monetary, and other economic institutions are at the brink of doom at this moment. Governments, too, are threatened with immediate disintegration. Take Western Europe, for example. There is not a single political party, excepting perhaps in Slovakia, in any part of Europe west of Belarus which is prepared to cope with what I and my associates have repeatedly warned, since my 1992 Presidential campaign, would be the inevitable effects of allowing the present derivatives bubble to continue to the present point of its chain-reaction collapse. In these parts of Europe, the strategic situation is different than in Russia, and it is different in the U.S.A. than it is either in Russia or other parts of Europe.

To understand the situation throughout Western Europe, one must emphasize that, excepting President Charles de Gaulle's leadership of France's Fifth Republic, excepting the intent of Konrad Adenauer's leadership in postwar Germany, and excepting the intent of the best Christian-Democrat leaders in Italy, there never was an actual republic established in Twentieth-Century Western Europe. Instead of republics, what has evolved is a relic of feudalism, typified by accretion

of those external trappings of democracy associated with parliamentary government. Thus, apart from parliamentary regimes which are easily overturned in “confidence votes,” or similar festivities, the power of the state is located within state bureaucracies of types which have evolved out of earlier state bureaucracies of the feudal system. The British monarchy is a perfect example of an epidermis-thick layer of a merely apparent democracy, cloaking a monarchical form of dictatorial power within.

The only state within European civilization which meets the formal requirements of a sovereign nation-state republic, is the Presidential system defined by the U.S. Federal Constitution of 1789. Some other states of the Americas, such as Mexico, have the constitutional form of a republic, but lack the freedom to exert true sovereignty, notably in respect to external economic affairs, in the degree necessary to qualify as an efficient republic.

China today fulfills the requirements of a sovereign nation-state republic. India, although of very much mixed political and related features, is a major, and very influential nation committed to exerting sovereignty in matters deemed of most vital self-interest. Malaysia’s Prime Minister Mahathir has seized certain of the most essential, exemplary features of sovereignty for his nation, despite the efforts of the British monarchy, and some accomplices of the British monarchy within the U.S. State Department, to destroy that sovereignty. It is not essential to discuss other most interesting forms of cases, such as Australia, for our purposes here.

The other most interesting case which we must review now, is that of Russia. The possibility of maintaining a civilized order globally, depends upon an optimal form of collaboration among three or four key, but, mutually highly dissimilar, nation-states of the planet: the U.S.A. under President Clinton (otherwise, forget it all), China, Russia, and, hopefully, India.

That said, consider the global pattern under the circumstance, that, as early as this coming week, or not long after that, the world’s \$140 trillions-plus derivatives bubble implodes, in a chain-reaction of super-critical reversed leverage. Consider Europe first. There is no government in Europe west of Belarus, which could survive such a global event.

For example, the present, outgoing government of Germany, is exiting in a manner which suggests more a rout, than an orderly retreat. The successor government is not due to assume office until Oct. 23rd, and both the policies and composition of that new government are presently uncertain. Nothing in the announced policy-considerations of the SPD leadership suggest even a whiff of sensibility respecting the scope and depth of the catastrophe about to strike, probably significantly prior to Oct. 23rd. In France, the situation is actually worse, but, as the timing of the Stavisky scandal might remind us, France, like the head of Hamburg’s famous pirate *Störtebächer*, sometimes lurches through a few moments of delay, before it actually falls. Forget Norway, Swe-

den, Finland, and Denmark; they are gone already. The Benelux countries are small, and correspondingly vulnerable. Italy has been gutted of actual government by the post-1991 “Clean Hands” operation run by Britain’s Prince Philip, Soros, et al. The Iberian peninsula is, currently, politically and financially, virtually non-existent. And, so on.

Under those circumstances, if governments can not muster the qualities of leadership of such past leaders of Germany as Adenauer and Schumacher, who will govern the nation-state of Germany, or other European nations? In Germany, as in France, the answer should be obvious: in the worst case, the permanent state institutions will simply man their stations, under a coordination supplied, at last resort, through the Bundesrat. One is reminded of the 1931-1933 crisis in Germany, in which a fascistic German government of Brüning, modelled on the policies of the Blair-like Ramsay MacDonald, fascistic Labour Party government of Britain, made Germany virtually ungovernable. An effort to put the pieces together, through the state institutions, was attempted under von Schleicher. However, the British arranged the toppling of von Schleicher, and brought Hitler into power in Germany, a Hitler who took control of the state institutions, and governed in that way. In the worst-case situation, that sort of choices will confront Germany and other Western European states today.

A different, but somewhat analogous situation exists in Russia. There is a brutal parallel between the Hindenburg-Schleicher-Hitler options of 1932-1933 Germany, and the Yeltsin-Primakov-Lebed options of Russia today. If Primakov succeeds, under efficient implementation of the advice supplied by such advisors as Abalkin and Lvov, Russia will survive, and the danger of a U.S. Republican Party-backed choice, of a Russian version of a French General Boulanger or a Hitler, can be avoided. However, if, as Britain did, in arranging the overthrow of Schleicher and accession of Hitler, the U.S. and Britain insist on pushing through the already hopelessly failed, so-called “reform” in Russia, the result will be the fascist “solution” in nuclear power Russia, courtesy of the ideologues of the Gingrich-backed U.S. International Republican Institute.

Thus, if President Clinton can terminate the flow of the truckloads of “boardroom bullshit” now being produced daily by White House and Democratic National Committee political advisors, and if Primakov’s efforts are allowed to succeed, then the combination of the U.S.A., China, and Russia, will supply the pivot around which numerous other nations of the world, including India, Germany, Japan, and so on, can regroup their efforts, to create, de novo, a new, “protectionist” model of international financial, monetary, and trading system, needed to defeat the forces of doom now displayed in the unwholesome political aromas which bedeck Chairman Greenspan. What sane person could object to such emergency measures? clearly, all of those who have directly contrary opinions have now been proven, conclusively, to have been clinically insane!

'Bailouts' won't work: The whole financial system is disintegrating

by John Hoefle

The spectacle of world financial leaders scrambling to find tens of billions of dollars in a vain attempt to prevent the global financial firestorm from spreading to Ibero-America, dominated the annual meeting of the International Monetary Fund and the World Bank in Washington in the first week of October. In their assembled wisdom, the finance ministers are openly working on a plan for the IMF to provide \$30 billion or so to Brazil, and are more covertly working on a plan for Argentina. That the IMF "bailouts" have only helped spread what used to be called the "Asian contagion" to over half the world, does not seem to deter these witch-doctors from cooking up more of the same medicine.

Nobody is actually proposing to save Brazil or Argentina, of course; after all, in the rarefied world of high finance, nations are just cash cows to be milked dry, then slaughtered for their meat. The IMF doesn't bail out nations, it bails out the big Western banks, whose successes at looting the so-called emerging market countries, invariably leave those nations unable to pay their debts. But politically, it's a lot easier to pretend that the IMF is helping nations, rather than admit that the IMF plays the nasty role of bill collector for the loan-sharking financiers.

The problem facing the banks, is one familiar to any clan of cannibals: When your survival depends upon eating your fellow man, how do you protect your food supply? The present financial system exists by cannibalizing the nations and peoples of the world, and were it to stop doing so, it would immediately collapse. It cannot save Brazil, because it must destroy Brazil in order to save itself.

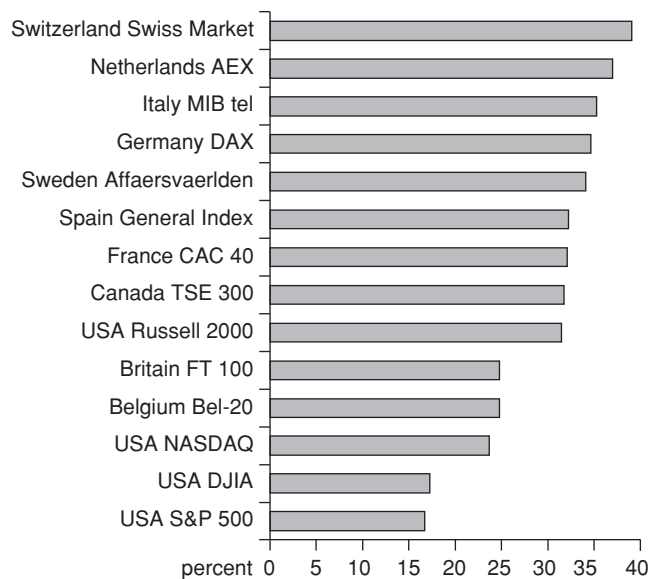
The hole truth

While the bankers are searching for billions to plug the holes, trillions are evaporating from the collapse of financial markets worldwide. Since mid-July, when the U.S. and European stock markets went into near free-fall, and especially since Aug. 17, when Russia declared a debt moratorium, tens of trillions of dollars of notional value of financial assets have simply evaporated. From record highs earlier this year, most of the major European stock market indices have declined between 30% and 40%, and the major U.S. indices have dropped some 15-25% (Figure 1).

Most of the major players in the financial markets place their bets on margin, or with borrowed money, greatly increasing their potential profits through leverage. As long as

FIGURE 1

Drop in major Western stock indices from mid-1998 peak



the markets are rising, tremendous amounts of money can be earned through leverage. But the reverse is also true: When the markets drop, the leverage goes into reverse, and losses grow even faster than did the profits. When markets are dropping, participants are often forced to sell assets at a loss to meet margin calls, and the more participants are forced to sell, the faster prices drop, which in turn forces more selling.

The effects of this reverse leverage is even greater in the derivatives markets. Take the case of Russia, where many Western financial institutions bought ruble-denominated Russian government-backed GKO bonds. To protect themselves against the possibility that the ruble would collapse in value, the institutions also bought derivatives from Russia, which would pay off if the ruble dropped. When Russia declared a debt moratorium and allowed the ruble to float, the value of the GKOs dropped sharply; meanwhile, the institutions were unable to collect on their derivatives bets. The

FIGURE 2

Drop in stock price since mid-1998 peak

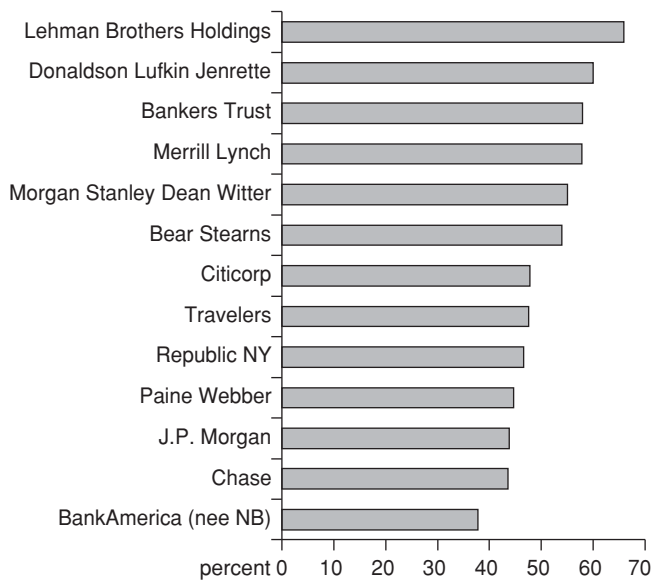
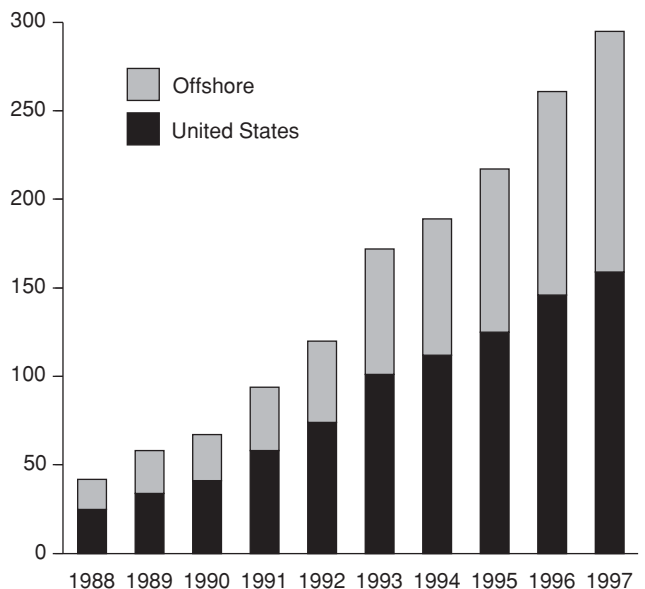


FIGURE 3

Money under management by hedge funds

(billions \$)



result was huge losses to Western banks, some of which are said to be fatal. At least one major European bank is on the verge of failure, according to European banking sources.

In defense of chaos

The banks have historically insisted, that volatility in the financial markets was good for business. In 1993, Michael G.J. Davis, the deputy head of risk management at Chase Manhattan Bank, made the revealing statement that “the bank’s biggest fear would be a long period of calm and stability in the markets, which would lull companies and investors into slowing their trading activities. The worst thing for us is a marketplace where nothing happens.”

The whole derivatives market, in fact, is based upon chaos. The derivatives market can be fairly compared to the protection racket favored by organized crime: You throw a brick through someone’s window, then sell him glass insurance. The 1971 introduction of floating exchange rates was the brick, and currency derivatives the insurance. The interest rate derivatives perform a similar function for the bond markets.

Risk has become the buzzword of the 1990s, with “risk management” presented as if it were the high point of human economic activity, rather than a clinical insanity. It has become almost obligatory, in financial, regulatory, and journalistic circles, to sing the praises of “risk management,” and of those modern financial instruments known as derivatives.

The commitment of the bankers and their supposed regulators toward defending speculation at all costs, was obvious

at the hearing held on Oct. 1 by the House Banking Committee, to examine the failure of Long-Term Capital Management, a Connecticut-based hedge fund. Federal Reserve Chairman Alan Greenspan, who has not only explicitly endorsed the derivatives market, but has actively fought all attempts to regulate them, testified.

“If, somehow, hedge funds were barred worldwide,” Greenspan told the committee, “the American financial system would lose the benefits conveyed by their efforts, including arbitraging price differentials away. The resulting loss in efficiency and contribution to value added and the nation’s standard of living would be a high price to pay—to my mind, too high a price.” Greenspan added that our current economy, with its “highly leveraged financial institutions, has been a conscious choice of the American people since the 1930s.”

Hedge against disintegration?

The Banking Committee hearing on Long-Term Capital Management (LTC) was mostly a sideshow, focussing mainly on whether the Federal Reserve should have gotten involved in arranging for a group of banks to take it over, and whether there should be increased regulatory oversight of hedge funds.

As of the end of 1997, there were some 5,500 hedge funds worldwide, with some \$295 billion in funds under management, Van Hedge Fund Advisors President Steven Londsorf told the committee (Figures 2 and 3). These figures do not include the trillions of dollars of derivatives holdings of the hedge funds.

While most of these hedge funds are relatively small, some are huge, like the \$20 billion Quantum funds of George Soros, and the \$20 billion Tiger Management Funds of Julian Robertson. It was Soros, a financial warfare specialist for the British Empire, who launched the so-called Asian crisis in mid-1997, with assaults on the currencies of Southeast Asia. British agents Soros and Robertson are heavy users of derivatives, and have made both multibillion-dollar gains and multibillion-dollar losses in recent years.

What the committee and the speakers danced around, was the systemic nature of LTC's failure. While LTC was dangerously overleveraged, with derivatives holdings more than 500 times its equity capital, what triggered LTC's failure was the disintegration of the financial system, from underneath its bets. Had the Fed and the banks not intervened to protect LTC's derivatives exposures, LTC would have defaulted on its debt the next day, blowing a trillion-dollar hole in the derivatives markets, and likely setting off a chain reaction of defaults which could have brought down the entire financial system.

Federal Reserve Bank of New York President William McDonough hinted at this danger at the Oct. 1 hearings, telling the Banking Committee: "Had Long-Term Capital been suddenly put into default, its counterparties would have immediately 'closed-out' their positions. If counterparties would have been able to close out their positions at existing market prices, losses, if any, would have been minimal. However, if many firms rush to close out hundreds of billions of dollars in transactions simultaneously, they would be unable to liquidate collateral or establish offsetting positions at the previously existing prices. Markets would move sharply and losses would be exaggerated. Several billion dollars of losses might have been experienced by some of Long-Term Capital's more than 75 counterparties." In addition, McDonough said, "as losses spread to other market participants and Long-Term Capital's counterparties, this would lead to tremendous uncertainty about how far prices would move. Under these circumstances, there was a likelihood that a number of credit and interest rate markets would experience extreme price moves and possibly cease to function for a period of one or more days and maybe longer. This would have caused a vicious cycle: a loss of investor confidence, leading to a rush out of private credits, leading to a further widening of credit spreads, leading to further liquidations of positions, and so on."

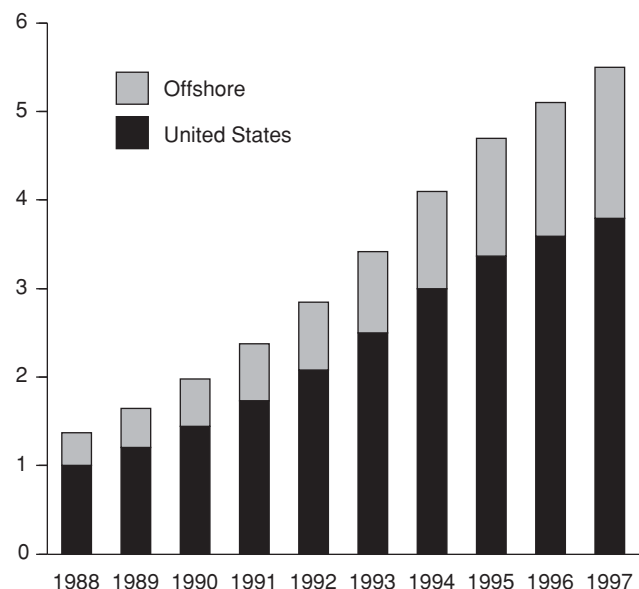
In short, a reverse-leverage chain reaction.

On the edge

While the immediate LTC crisis has been temporarily contained, the problems which triggered it have not. Worldwide, there is a flight out of anything perceived as a "risky" investment, and into relatively safer major-nation sovereign debt, such as U.S. government Treasury securities. Risk, the darling of financial markets just a few short months ago, has suddenly become a pariah. Greed has given way to panic.

FIGURE 4
Number of hedge funds

(thousands)



This sudden reluctance to take risks has put a damper on the mergers and acquisitions (M&A) and initial public offering (IPO) markets, as well as the junk-bond markets. M&A activity slowed dramatically in the third quarter, to about half the level of the second quarter, and a number of IPOs have been put on hold. One of the IPOs which has been postponed, is that of Goldman Sachs, the private partnership which announced in early September that it planned to go public to raise money. For a company which prides itself on knowing what is happening on world markets, Goldman's sudden decision to cancel its IPO was undoubtedly embarrassing. But that embarrassment was more than offset by the thought of losing billions of dollars, due to the general decline in commercial and investment bank stocks.

Among the first stocks skittish investors unload, are those of the big derivatives-holding commercial and investment banks, the stocks of which have plummeted since mid-year (Figure 4). Lehman Brothers, whose stock has declined some 60% in value in the last few months, took the unusual step of publicly denying that it was insolvent. Bankers Trust, whose stock has dropped nearly as much, is also the subject of much rumor.

The rapid drops in the bank stocks indicate that the institutional investors are unloading their holdings, because they know that the banks face losses much larger than anything they have admitted publicly. The losses due to LTC are still being calculated, and they are just the tip of the iceberg of the losses in the global derivatives markets. The system itself, is disintegrating.

Providing Russia's 'daily bread' is now an international emergency

by Marcia Merry Baker

On Oct. 8, U.S. Agriculture Secretary Dan Glickman announced that emergency U.S. food relief would be organized for Russia. At the time of the announcement, which followed a meeting on Oct. 8 in Washington, D.C. between Glickman and the Russian Ambassador to the United States, no more details of the timing and amount of aid were available. However, the initiative is urgent and of strategic importance. The next day, Russian Prime Minister Yevgeni Primakov officially appealed to the European Union for food assistance.

The provision of "daily bread" is now a matter of emergency measures in Russia—a nation of fewer than 147 million people, and the "plus 8" member of the Group of Seven so-called leading industrialized powers of the world.

On Oct. 6, in his first televised address to the nation, Prime Minister Primakov made food a central issue, outlining measures required to meet the national food crisis.

The food shortages and suffering in Russia, and elsewhere in the Commonwealth of Independent States, are the results of the combined impact of recent years of "free market" reforms (which were *rigged* all along, as part of Thatcher-Bush anti-development policies), the consequent decline by 50-75% in output potential of the Russian agriculture sector, and forced reliance on food imports and survival garden plots.

On top of this deteriorating, marginalized system of food supply, the international financial collapse hit Russia full force this year. On Aug. 17, the ruble was devalued, and imports screeched to a halt. Coincidentally, the 1998 weather patterns were a disaster for the crop season—first drought, then cold and damp during harvest time.

In particular, blight has devastated the Russian potato crop, in a situation where the Russians have come to subsist on potatoes. Russians have the highest per-capita potato consumption in the world, which, already in 1993, amounted to 131 kilograms per person that year. (During the Bush-Thatcher "shock therapy" period, annual per-capita potato consumption jumped 26% in Russia, from 104 kg a year in 1989, to the 1993 level.) Now, the potatoes aren't there.

The Russian grains harvest this year (of all types, including wheat, corn, rye, and buckwheat) is coming in only at some 60 million tons, which is far below last year's 88.5 million tons (when weather was perfect), and way below the 100 million tons a year, which was not unusual during the

1980s Soviet command economy. There are reportedly some 20 million tons of carryover grain stocks from last year, but it is not easy to mobilize this, when logistics, infrastructure, and hope are lacking.

What heightens the catastrophe, is the policy paralysis in the West. The welcomed U.S. relief announcement of Oct. 8, was slow in coming; and as of that date, aid from the European Union was still only rumored. In September, the International Committee of the Red Cross in Geneva issued a global appeal for emergency aid, saying that starvation is threatened. The Red Crescent is also calling for food and medical aid. On Oct. 6, the Rome-based UN Food and Agriculture Organization put out a special appeal.

However, hesitation on the part of leading nations is preventing an aid mobilization, just as hesitation is preventing new monetary arrangements for nation-serving economic aid of all kinds. Citizen leadership is urgently required.

In the United States especially, the fact that the means exist for food relief, is dramatically illustrated by the millions of bushels of wheat now piled on the ground in Washington state, because export markets have collapsed under the financial blow-out; U.S. farmers are getting next to nothing for their crop, and their grain has overflowed the storage facilities, and now sits on the ground, open to spoilage and rot. "There's a disconnect here somewhere," Sen. Byron Dorgan (D-N.D.) said in September, pointing to international hunger while U.S. farmers are told they are "overproducing."

Every kopek for food

In recent years, the food supply for Moscow has become more than 65% import dependent. Since the Aug. 17 ruble devaluation, food price increases and shortages have intensified. Some figures were given on Oct. 3, in a front-page story in the daily *Moskovsky Komsomolets*: Flour had jumped 2.2 times in price, eggs 2.3 times, sugar 3 times, Russian cigarettes 3.3 times, and buckwheat 4.3 times.

The Oct. 6 *Moscow Times*, in "Food Threatens to Eat Up Every Kopek," reports how the costs of basics—butter, milk, eggs, macaroni, and oatmeal—are now three to five times more expensive in Moscow than before the August financial crisis.

The *Moscow Times* gives statistics from Moscow's Insti-

tute of Socio-Economic Problems of the Population, from senior researcher Lilia Ovcharova. By her count, the price of essential goods have soared 500%. Muscovites who, at one time used to spend an average of about 60% of their wages on food, now spend it all on food. In 1992, Russians were spending 68.3% of their wages on food, 20.7% on consumer products, 9% on utilities, and 2% on taxes. Ovcharova estimates, "That year the cost of gas, water, electricity, and the telephone increased, and people were forced to spend [proportionally] less on food." She says, "But since Aug. 17 this year, food prices have shot up and Russians have been forced to spend all or almost all of their wages on sustenance."

Outside of Moscow, the food supply lines have broken down, especially for the Far North, to the point that instances of starvation, among widespread malnutrition, are occurring. Moscow and other centers have put rationing in place.

The extent of the crisis is implicit in remarks given by Prime Minister Primakov, and by First Vice Premier Vadim Gustov, at a meeting on Oct. 2 with regional leaders from throughout the Russian Federation. At the time of this conference, the harvest results showed that 7.5 million *fewer* hectares were combined this year compared to last; and 31 million fewer tons of grain have been milled. Significantly less mineral fertilizer was delivered to the agriculture sector and applied. Blighted potatoes were rotting in the ground.

Emergency measures

Primakov said, "At present, the government is adopting a whole system of measures, a series of measures to prevent in these difficult conditions a worsening of food supplies to the population. One of these measures bears directly on the activities on the local level. A big role here is played by kitchen gardens. People with such land plots last year produced more than 80% of all potatoes and vegetables in the country, and about 35% of all meat and milk.

"In order to introduce order in the sale of the produce grown in orchards, kitchen gardens, and private land plots we must revive consumer cooperatives."

Vice Premier Gustov added, "We are taking feverish measures to ensure the delivery of goods to the Far North. I think we will solve this problem of shipping coal, [and] foodstuffs to the eight regions, via the Northern Sea Route. Already, executive orders have been signed to assist the depressed regions. We are talking about 1.170 million rubles. We also agreed with the Railroad Ministry recently, that agricultural produce will be carried at 50% of the usual cost."

Additional measures have been set by Vice Premier for Agriculture and Food Gennady Vasilyevich Kulik: Agriculture sector debts have been rescheduled for five years. National poultry production is to be promoted. A national grain buffer stock is to be created. And, lists of essential commodities for import are being drawn up. In late September, the U.S. Department of Agriculture deployed "fact-finding" missions to assess aid needs.

Russian meat and dairy herds have dropped in numbers by 75% over the 1990s, while foreign imports of chicken parts (known as "Bush legs" because the trend started during the George Bush administration) displaced domestic production.

At a Sept. 21 press conference, Kulik denounced the import dependence: "We can meet here thousands of times, talk, allocate money, but import chicken drumsticks from Holland and America." Instead, he called for actions to restore domestic production of all kinds. He said, "The way I see it, we have the possibility to quickly ensure the recovery of domestic poultry farming. I will have meetings with poultry factory farms.

"I am considering the following plan. We have seen a lot during the past years. When we speak about a growth of government regulation, when we speak about a greater role of the state in our reforms, I do not visualize this as any restoration of the command system, the way some media outlets portray this. This is the way I see it. For instance, a program of reviving national poultry farming is announced. There will be certain benefits or measures of support for domestic poultry breeders."

On soil fertility, Kulik said, "While in previous years we applied 1 kilogram of fertilizer per hectare, this year we applied 800 grams. Actually, we should be applying at least 80 kilograms and we have the capacity to produce that much."

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'Food separatism'

Around the nation, local leaders are resorting to all kinds of local actions, austerity, and food control. On Sept. 22, *Izvestia* reported that many governors have banned food deliveries outside their region's borders, triggering a dangerous trend toward "food separatism." Among the regions cited were Stavropol, Krasnodar, Khabarovsk, and Samara. Earlier, *Izvestia* reported that the Vologda administration had issued an order forbidding the export of staple goods and food products from the region. On Sept. 21, acting Finance Minister Mikhail Zadornov told reporters that more than 60 regions have adopted their own austerity programs.

As of mid-September, there were "bread vans" cruising Vladivostok. Acting Mayor Vladimir Nedelin of Russia's Pacific port city of Vladivostok told Itar-TASS that destitute citizens there are being given coupons, which allow them to buy bread at fixed prices, from vans that drive around the city. Nedelin said there were "thousands" in need of this relief.

On Sept. 16, a local administrator said on the *Vremya* TV broadcast from Moscow, that "there is a real threat of famine" along the Volga River in southern Russia, where more than two-thirds of the summer crop has been destroyed by drought. Another local official told Agence France Presse that emergency food aid was being sent for 100,000 villagers around Pallasovka near the Kazakstan border. "People are not dying of hunger yet, but it is true that in six districts on the left bank of the Volga River the situation is extremely difficult. There is no more bread," the official said. The *Vremya* reporter described families as "close to starvation," and the children of the region as in terrible health.

In September, the Russian State Duma (lower House of Parliament) adopted an appeal to Russian President Boris Yeltsin to save the children of Russia from starvation. Reported in the Sept. 23 *Rossiyskaya Gazeta*, the official government paper, the call asked for executive authority to deploy emergency commissions to give aid to children in need, and help to families, including provision of proper food for children, and clothes, footwear, and medicines.

Russia's military also has a severe food supply crisis. On Sept. 26, Viktor Ilyukhin, the chairman of the State Duma security committee, stressed this at a round-table meeting dedicated to the problems of the Russian Armed Forces, the defense industry, and state security. Speaking to representatives from the General Staff, defense-related enterprises, and military scientists, Ilyukhin said that in 1997, budgetary allocations covered the provision of a three-meal daily diet for only 290 days a year, with the calorie content being decreased by 30%.

Moreover, acting Chief of Staff Col. Gen. Valery Manilov added that even this money is delayed for three to four months, and since 1995, no calculation taking inflation into account has been made.

Leaders fail to act to stem financial crash

by Jeffrey Steinberg

World finance ministers and central bankers from 182 countries spent Oct. 6-8 in Washington, D.C., shuffling between the International Monetary Fund (IMF) and World Bank headquarters for their annual autumn meeting. Group of Seven ministers and bankers gathered as well, on Oct. 3-4. And, on Oct. 5, President Clinton personally addressed a meeting of the Group of 22, the group of advanced sector and developing sector nations first assembled under U.S. auspices last April 16 to tackle the growing international monetary and financial crisis.

After President Clinton failed to convince the other G-7 nations to coordinate an emergency conference later in October, along with developing sector governments, to devise a comprehensive plan for a "new global financial architecture," the President decided to use the occasion of the long-scheduled G-22 follow-up session, Oct. 5, to meet with the bankers and ministers of the 22 nations, to review the crisis, and assess the interim studies mandated in April.

The characteristic flaw of everything that President Clinton and Treasury Secretary Rubin attempted during the week of meetings, was their insistence on focussing all reform efforts around a "people-friendly" IMF. The idea that the IMF, whose track has been highlighted by economic devastation, social chaos, and toppling of governments could be reformed in such a fashion, is preposterous.

The most optimistic reports to come out of the G-22 five-hour closed-door session, suggested that most participants agreed that urgent action had to be taken to curb the destructive powers of hedge funds and other speculators, whose activities in the past 18 months brought economic ruin and social chaos to Asia and Russia, and whose next target is Brazil, a country whose economy and banking system are inextricably tied to the United States. Sources close to the U.S. administration reported that Treasury Secretary Robert Rubin is deeply worried about the looming Brazil crisis.

Following the G-22 session, the Malaysian Deputy Finance Minister told reporters back home that, in stark contrast to the September 1997 IMF-World Bank gathering in Hong Kong where Malaysian Prime Minister Dr. Mahathir bin Mohamad was ostracized for attacking speculators and for singling out George Soros for criticism, this year, Mahathir's words and actions (last month he imposed currency and capital controls to stem flight capital and speculation against the Malaysian currency, the ringgit) were praised by many participants.

Even Treasury Secretary Rubin, while insisting that a worldwide floating exchange rate system is still viable, acknowledged that some developing sector countries could benefit in the short term from capital controls and fixed rates. Japanese Finance Minister Kiichi Miyazawa echoed Rubin's words, and Donald Tsang, the chief financial officer for Hong Kong, strongly defended the Hong Kong Monetary Authority's aggressive intervention into the stock market, to beat back hedge funds that were attacking the Hong Kong dollar in August.

Missed opportunity

Sources close to the White House report that the President abandoned plans at the last minute to deliver a major policy address to the G-22 ministers, possibly as the result of the other G-7 governments agreeing in principle to participate in a heads-of-state summit in November. In addition to the open intransigence from such ostensible G-7 "allies" as France, the President was operating under the cloud of the House Judiciary Committee vote, which took place at the very moment that the G-22 ministers were sitting down with the President, authorizing the full House of Representatives to vote on an impeachment inquiry.

With Congressional Republicans playing out their treason across town on Capitol Hill, it is no wonder that the combined gatherings of the ministers and bankers failed to craft any kind of coherent solution to a crisis that President Clinton has correctly and repeatedly labeled the gravest financial crisis in 50 years.

The crash is on

Unlike all recent gatherings of the G-7, the IMF, or the World Bank, the early October meetings in Washington were shaped by the onrush of the global financial collapse. In the six-week period leading up to the summitry, Russia had gone into sovereign default, triggering a new round of stock market collapses in Europe, Asia, and the Western Hemisphere. From the peak levels of July 17, bank stocks in the United States and Europe plunged by an average of more than 40%. As the bankers were gathering in Washington, the stock markets of western Europe and the United States had wiped out all of the gains posted since Jan. 1.

And, just days before the October fest, Long-Term Capital Management, the Cayman Island-based hedge fund, dominated by Nobel Prize-winning economists and former Fed officials, went belly up, triggering a U.S. Federal Reserve-brokered \$4 billion bailout. For the first time, bankers and ministers were forced to admit, what *EIR* and a handful of others have been saying for years, that the off-balance-sheet derivatives trade, involving tens of trillions of dollars in highly leveraged bets, represents the gravest threat of all to the world monetary system.

In the midst of the IMF-World Bank festivities, Fed Chairman Alan Greenspan moaned to a gathering of American business economists that the world was faced with a drastic

drying up of investment capital, that threatened to bring the world one step closer to economic calamity. For once, Greenspan was right.

A Titanic debate

When all is said and done, the week-long exercise in policy paralysis was dominated by a failure of most of the leading participants, led by an admittedly besieged President Clinton and Treasury Secretary Rubin, to move beyond the effort to "save the system" through a series of short-term "crisis management" measures, all doomed to fail.

By the end of the week, news media around the world were spinning out a variety of half-measures, all discussed in the corridors of the IMF and World Bank gatherings. Richard Medley, a consultant to a number of major banks and hedge funds, told National Public Radio on Oct. 8, that plans were afoot to impose taxes, deposit requirements, and other disincentives on short-term capital flows. Had these ideas been seriously implemented ten or twenty years ago, before the offshore bubble reached epoch proportions, the system might have been salvaged. But today, such measures are wholly inadequate.

Even worse, beginning with a speech to an Oct. 1 *Wall Street Journal*-Dow Jones conference in New York City, Treasury Secretary Rubin spent a good deal of his time over the next week putting pressure on House Republicans to pony up \$18 billion for the IMF. Even as Rubin warned, accurately, in a Treasury Department report, that the majority of the 50 states of the United States are suffering severe losses of export earnings, due to the "Asian contagion," the Russia crisis, and the overall collapse of the developing sector economies and currencies, his recipes for relief all began with the demand for the funding of the IMF. So long as the "solutions" being pursued by the Clinton administration include the effort to "reinvent" the thoroughly discredited IMF, the world financial system is as doomed as the *Titanic*.

Documentation

President Clinton addresses the IMF

On Oct. 6, President Clinton delivered what was billed as a major policy address to the opening session of the annual autumn meeting of the International Monetary Fund in Washington. Excerpts from the President's speech follow:

A half century ago, a visionary generation of leaders gathered at Bretton Woods to build a new economy to serve the citizens of every nation. In one of his last messages to Congress, President Franklin Roosevelt said that the creation of

the International Monetary Fund and the World Bank, and I quote, “spell the difference between a world caught again in the maelstrom of panic and economic warfare or a world in which nations strive for a better life through mutual trust, cooperation and assistance.” The Bretton Woods generation built a platform for prosperity that has lasted down to the present day. . . .

The IMF and the World Bank have been vital to the prosperity of the world for the past half-century. We must keep them vital to the prosperity of the world for the next half-century. Therefore, we must modernize and reform the international financial system to make it ready for the 21st century.

The central economic challenge we face is to harness the positive power of an open international economy while avoiding the cycle of boom and bust that diminishes hope and destroys wealth. And the central political challenge we face is to build a system that strengthens social protections and democratic institutions so that people everywhere can actually reap the rewards of growth. We must put a human face on the global economy. An international market that fails to

work for ordinary citizens will neither earn nor deserve their confidence and support. We need both an aggressive response to the immediate crisis and a thoughtful road map for the future. . . .

We must address not only a run on a bank or a firm, but also a run on nations. If global markets are to bring the benefits we believe they can, we simply must find a way to tame the pattern of boom-bust on an international scale. . . .

In the end, we must fashion arrangements that serve the global economy as our domestic economies are served, enabling capital to flow freely without the crushing burdens the boom-bust cycle brings. . . .

At a moment of financial crisis a natural inclination is to close borders and retreat behind walls of protectionism. But it is precisely at moments like this that we need to increase trade to spur greater growth. Again, we must never lose sight of what the fundamental problem is. We need more liquidity, more growth in this world today. Only by tearing down barriers and increasing trade will we be able to bring the nations of Asia, Latin America, and other parts of the world back onto the path of growth.

U.S. in rapid decline, yet Rubin talks up IMF

On Oct. 6, the Treasury Department released a state-by-state analysis, detailing the local impact of declines in U.S. exports, and the specific industry effects in individual states from the global financial crisis. A page of data on each of the 50 states shows drastic drops, by sector, of up to 60% in volume of exports, and of domestic economic activity, from the the first quarter of 1997 to the first quarter of 1998. The rate of decline since is even worse.

Treasury Secretary Robert Rubin is quoted in the Treasury News departmental release on the new study, stressing the danger of this process to the nation, and need for action. However, he then resorts to the reflex-reaction of calling for the country to fund the International Monetary Fund.

Rubin warns: “The study demonstrates the importance of international trade with both Asia and the world’s developing nations to each states. Clearly events in Asia, Russia and Latin American are having a direct impact on the prosperity of America’s farmers, workers, and businesses. The United States has a very real interest in stemming the tide of global economic turmoil.

“One important way we can act to deal with these threats is to fulfill our responsibility—and to provide the funding that the President has requested for the IMF. The international community must have the resources that it

needs to deal with this crisis that has spread to so many emerging economies and threatens the economic well-being of the American people.”

Among the highlights of the report is the agriculture crisis, showing that, “Forty percent of all U.S. agricultural exports go to Asia, more than to any other region. In the past year, total U.S. exports to Asia have decreased by 11%.” In the state of Minnesota, for example, “exports to Asia in the agricultural products sector, the principal sector that exports to the region, decreased 50% between the first quarter of 1997 and the first quarter of 1998.”

Manufacturing areas are likewise reeling. In Pennsylvania, “exports to Asia in the industrial machinery and computers sector, one of Pennsylvania’s principal export sectors to the region, decreased 39% between the first quarter of 1997 and the first quarter of 1998.” In Texas, the fourth-ranking state exporter to Asia, in terms of money value, “exports to Asia in the chemical products sector, one of the state’s principal export sectors to the region, fell by 40% between the first quarter of 1997 and the first quarter of 1998.”

The Treasury report concludes: “An important danger of the financial crisis is the contagion effect. Russia’s economic difficulties and the recent market pressures in Latin America are in part due to contagion. The further deterioration of those economies and others in Asia could have an even more significant impact on the U.S. economy.”

If the IMF is not replaced with a new “LaRouche economics” Bretton Woods system, the U.S. economy is dead.—*Marcia Merry Baker*

Soros loses his cool over speculation, drugs

by Jeffrey Steinberg

Global speculator George Soros came to Washington for the week-long International Monetary Fund (IMF) festivities during the week of Oct. 5, expecting to pull off yet another world-class con-job, this time, against the assembled “poo-bahs” of world finance. But, things didn’t work out as Soros planned.

On Oct. 5, the hedge fund boss who made billions wrecking the currencies and economies of countries from South-east Asia to continental Europe, delivered a public address at the Omni Shoreham Hotel, sponsored by *Foreign Policy* magazine. The majority of several hundred bankers, government officials, and financial press who gathered to hear Soros wax eloquent about the global financial crisis and the need for re-regulation, were bamboozled by the slick-talking speculator, who doubles as an amateur Aristotelian philosopher, with Oxford credentials.

Those who took the time to read the press handout, and studied excerpts from Soros’s forthcoming book, *The Crisis in Global Capitalism*, would have realized that Soros’s idea of “re-regulation” is to enhance the powers of the International Monetary Fund and other supranational agencies, and to eliminate economic national sovereignty. In fact, Soros at one point lamented, in front of the audience, that the IMF “had not gone far enough” in imposing murderous austerity conditions on the countries of Asia and Ibero-America, and Russia.

Frayed around the edges

But even as the public question-and-answer session ensued, there were signs that Soros was a bit frayed around the edges by the recent wild gyrations on the financial markets. In response to a question by a Malaysian reporter, who gingerly asked about Soros’s opinion of Prime Minister Dr. Mahathir bin Mohamad’s recent curbs on flight capital and currency speculation, Soros lashed out, saying that the questioner was “an extremist” and an enemy, along with Mahathir, of his cherished “open society.”

The moderator of the event carefully controlled the question-and-answer session, calling, almost exclusively, on familiar faces who would be certain to propitiate the guest speaker.

But, after the formal session broke up, Soros stayed

behind to answer questions from a large group of reporters, who rushed to the stage. With cameras and tape-recorders rolling, this author got the chance to ask Soros several pointed questions, that ultimately drove him to the nearest exit.

EIR asked, “Mr. Soros, don’t you think that you were being rather hypocritical, talking about the need to curb hedge funds and other speculators, when you were one of the biggest looters of Asia, and even Europe? Why didn’t you tell these folks that you are under investigation by the Italian government, by Taiwan, Malaysia, Belarus, and others for currency manipulations?”

Soros, maintaining his cool, admitted that “it is true the Italian government is investigating me, but the Italians love to investigate and I do not take them seriously.” Soros then went into a convoluted explanation of how he had bet against the Thai and Malaysian currencies three months *before* they collapsed, and, therefore, he was innocent of manipulating them in February 1997.

The next day, *La Repubblica*, the Milan daily, published a report of Soros’s scoffing remarks at the Italian probe.

Later on in Soros’s free-wheeling exchange with the press, *EIR* got a chance to pose a second question: “Mr. Soros, Lyndon LaRouche has called for a return to the pre-1971 Bretton Woods system, with some improvements, to put an end to the currency speculation altogether. Would you support such a plan?”

Clearly bugged by the mere mention of the name “LaRouche,” Soros mumbled, “Yes, I could support such a plan.”

Soros’s effort to legalize drugs

The final exchange drove Soros screaming from the room.

EIR: “Mr. Soros, how do you square your theory of open society with the fact that you are the biggest funder of organizations pushing for the legalization of drugs?”

Soros (screaming): “That is a lie! I am only encouraging debate over drug policy reform. . . .”

EIR: “You are lying. I have personally attended five conferences of the Drug Policy Foundation, which you bankroll, and I was there, when the TV cameras were turned off, to hear calls for the legalization of crack cocaine.”

Soros: “I never saw you at any of the conferences.”

EIR: “Do you want dates and places? Do you deny that you bankroll Eric Sterling?” [Sterling called for the legalization of crack at the November 1996 Drug Policy Foundation conference in Washington. The DPF had just received a \$15 million grant from Soros’s Open Society Institute.]

Soros (now obviously in a fury): “Look, you are a great guy, but I’ve had enough of this. I’m leaving.”

At which point Soros pushed through the crowd of reporters and fled the room.

Greenspan backs hedge funds; Congress gags

by Marcia Merry Baker

On Oct. 1, Federal Reserve Board Chairman Alan Greenspan testified for three hours before the U.S. House of Representatives Banking Committee, on why the Fed took action to rescue creditors and principals of the Long-Term Capital Management (LTCM) hedge fund, which failed in September, but he still demands that derivatives remain unregulated.

On Sept. 23, the New York Federal Reserve intervened to host a rescue meeting, and \$3.5 billion was put up as a bailout fund. This follows years of repeated avowals by Greenspan that there is no public interest in regulating, or even studying, the risks and menace of private hedge funds and the growth of derivatives trading. LTCM's own founding partners, in 1994, included the two mathematicians who won the 1997 Nobel Prize for Economics for their formula for how to succeed in "options," or derivatives bets. Their formula crashed within a year.

Unusual for such a hearing, the Oct. 1 occasion saw Banking Committee members drop their customary cloying deference to Greenspan, and confront him. There was real shock in the chamber that Greenspan could so arrogantly continue to defend the rights and privileges of hedge funds and derivatives traders, after the LTCM failure, and amid the many subsequent reports of other derivatives losses and crises.

Nevertheless, on Oct. 2, the House dutifully passed a bill (as has the Senate) proscribing for another six months, any study or attention to derivatives trading by the Commodity Futures Trading Commission, whose chairman, Brooksly Born, has attempted for many months, to launch an investigation on the scope and dangers of derivatives.

In 1993-94, before the cowardly "Conservative Revolution" Republican leadership gained the majority in both the House and Senate in 1996, then-House Banking Committee Chairman Henry Gonzalez (D-Tex.) had not only held hearings on the dangers of derivatives, but, in spring 1995, proposed Federal legislation (the "Derivatives Safety and Soundness Supervision Act of 1995") to tax and control derivatives betting. Pennsylvania and other states also introduced "financial betting" transaction tax bills. As of 1996, this thrust was squashed by the ascendant Gingrichite Republicans. Now, their own incompetence and subservience to Wall Street and the City of London is exposed, along with Greenspan's. Nevertheless, on Oct. 1, Greenspan was too much for even their stomachs to take.

Greenspan said, "Since its founding in 1994, LTCM has

had a prominent position in the community of hedge funds, in part because of its assemblage of talent in pricing and trading financial instruments, as well as its large initial capital stake. In its first few years of business, it earned an enviable reputation by racking up a string of above-normal returns for its investors." However, Greenspan said that LTCM maybe took a little too much risk: "In that [volatile] environment—so at variance with the experience built into its models—LTCM's embrace of risk on a large scale produced stunning losses." Therefore, he said, the Federal Reserve stepped in, to "avoid fire-sale conditions."

A danger of global meltdown

Moreover, he warned Congress, "Had the failure of LTCM triggered the seizing up of markets, substantial damage could have been inflicted on many market participants, including some not directly involved with the firm, and could have potentially impaired the economies of many nations, including our own."

But, Greenspan abjured any regulations. He asked, "Does the fact that investors have lost most of their capital, and [that] creditors may take some losses on their exposure to LTCM, call for direct regulation of hedge funds? . . . Any direct U.S. regulations restricting their flexibility will doubtless induce the more aggressive funds to emigrate from under our jurisdiction. The best we can do, in my judgment, is what we do today: Regulate them indirectly through the regulation of the sources of their funds," i.e., regulation of the banks that lend them money.

Greenspan then apotheosized hedge funds as essential to the functioning of the economy: "Commercial and investment banks especially have the analytic skills to judge the degree of risk to which the funds are exposed. . . . If, somehow, hedge funds were barred worldwide, the American financial system would lose the benefits conveyed by their efforts, including arbitraging price differentials away. The resulting loss in efficiency and contributions to financial value added and the nation's standard of living would be a high price to pay—to my mind, too high a price."

Rep. Michael Castle (R-Del.), in his opening remarks at the hearing, said, "What I hope we avoid today is obfuscation and deflection, as if there is no problem whatsoever." At the close of Greenspan's testimony, Castle said that there is a "disconnect" here, when we are told the Fed must intervene on a private company to prevent global meltdown, yet, "I don't hear any recommendations about what to do, or how to regulate."

Rep. Barney Frank (D-Mass.) told Greenspan, "The extent you underestimated this [hedge fund derivatives crisis] is impressive. . . . And, Mr. Greenspan has said that this may happen again. So then, the question is, if it was so important as to justify this intervention now, how do you persuade us to do absolutely nothing except wait again and trust entirely in your discretion to deal with it if it happens again?"

Lull in Venezuela's foreign exchange crisis: the calm before the storm

by David Ramonet

Following the ferocious August and September attacks on Venezuela's national currency by international speculative funds and the foreign investment banks, the exchange rate slowly fell during the last two weeks of September, to settle at approximately 572 bolívars to the dollar, about 30-40 units less than what the speculators had bet it would be by now on the New York futures market.

Venezuelan financial and monetary authorities have touted this as a victory over the restrictive monetary policy of the Venezuelan Central Bank (BCV), and as a show of confidence in the drastic budget cutbacks ordered following the fall in the country's oil income. However, this whole "Pageant of Marvels" is more fantastic than Cervantes's own tragedy, and more dramatic because it is reality, not fiction.

Absolutely everyone in Venezuela knows that this pause in flight capital is but temporary and circumstantial. With the end of the third quarter, the major companies and corporations in Venezuela will have to pay their taxes in bolívars. This forced them to sell the dollars that had been accrued in prior months and weeks, triggering a temporary rise in the dollar supply.

Selling 'confidence'

A delegation flew to Washington to meet with International Monetary Fund Managing Director Michel Camdessus in early October, to convince him of the achievements of the government's economic strategy, of support from every sector of Venezuela, and how all the risk-rating agencies that have been badmouthing Venezuela, are wrong. The delegation was made up of Finance Minister Maritza Izaguirre, Planning Minister Teodoro Petkoff, and BCV president Antonio Casas, as the government representatives; Fedecamaras president Francisco Nateras and National Banking Council President Ignacio Salvatierra, as representatives of Venezuelan business; and Federico Ramírez and Carlos Navarro, president and general secretary, respectively, of the Venezuelan Workers Federation (CTV).

As might have been expected, the meeting in Washington was but one more scene from the "Pageant of Marvels." Minister Izaguirre pledged that Venezuela would not default, that debt service payments were guaranteed for this year; Petkoff

repeated this, and added that there would be no devaluation in the four months remaining to the current Caldera government; Camdessus praised the tripartite nature of the delegation, and promised to continue their oversight of the country; the businessmen and labor leaders were stunned.

In September, inflation ran at 1.8%—below the 2.1% of the previous two months—due to the fact that consumption has suffered brutal contraction since August, as much as 3.6%, according to the Venezuelan Council of Food Industries (Cavidea).

As a result of cutbacks in the already-reduced public budget, the first semester GNP fell 4.6% over the previous semester, reported the BCV. That collapse is even greater, if one sets aside the oil sector, which despite the fall in petroleum prices, continues to be the main prop of the Venezuelan economy. The GNP generated by *non-oil* activities contracted by 5.3% over the previous semester, a more direct reflection of the impact of reduced public spending, the fall in oil investments, and the decline in private demand, both in consumption and in investment, caused among other things by a significant increase in bank interest rates, according to the BCV. With all this, and the private sale of foreign exchange, international reserves continue to fall, ending September with \$12.94 billion, due to the systematic servicing of the foreign debt.

The latest budget cutback of \$740 million is the fourth already this year, adding up to approximately \$2.23 billion worth, or 2.5% of the GNP.

The Chávez danger

The Venezuelan economic cabinet could end up the victim of its own games, in a replay of Cervantes's "Pageant of Marvels." The constant deterioration of the economy and of the population's living standards, has had an undeniable impact on the electorate. The front-running Presidential candidate for next December's election is former Lt. Col. Hugo Chávez Frías, a member of the narco-terrorist São Paulo Forum and a public admirer of British Prime Minister Tony Blair's "Third Way."

Chávez capitalizes on the generalized discontent among the population, adapting his speeches to whatever circum-

stances his audience presents. Before the dispossessed masses, he offers himself as the great hope for change in their increasingly desperate situation; before the bankers and brokers, he presents himself as the only option for guaranteeing the continuity of “globalization” and “free trade,” without whom the entire population would rise up against that same policy which has already ruined the world financial system. Circus without bread, and so-called “social stability.”

Until now, investment banks like Merrill Lynch have used the leftist image of Chávez to frighten the upper classes and encourage capital flight. But the real danger posed by Chávez has nothing to do with “communism.” Chávez is, above all else, an instrument of the British in their strategy to balkanize the continent and dismantle the very institute of the nation-state. The British embassy in Caracas has openly wooed Chávez since 1995, when the Minister Counsellor of the embassy at the time, William Webster Hare, lunched in public with Chávez.

At a press conference Chávez gave in Buenos Aires, Argentina, on March 29, 1995, he complained that the Venezuelan government had intervened to prevent his travel to London, invited at the time by British Ambassador John Flynn. Chávez’s dream of seeing the capital of the Empire firsthand came true just a few months ago, when Ambassador Wilkinson organized a trip for him, as the Presidential candidate of a coalition of parties associated with the São Paulo Forum. That coalition combines the narco-terrorist left and the advocates of the Theology of Liberation, with various tired Marxist utopians.

Chávez returned from his trip starry-eyed over Tony Blair and his Third Way, that is, the strategy of following the rules of the “globalism” game while continuing to mouth “revolutionary” promises (what in economics, Lyndon LaRouche has described as the alternative between life and death). Recently, the international spokesman of Colombia’s narco-terrorist FARC, “Commander Ariel,” gave his blessing to Chávez’s candidacy, in the context of bloody “peace” negotiations with the Andrés Pastrana government in Bogotá. Chávez, in turn, has accepted this support, saying that should he win the Presidency in December, he would do everything in his power to contribute to a successful conclusion of those so-called negotiations. As was openly proposed by a spokesman for Colombia’s other narco-terrorists, the ELN, what is being negotiated there is the conversion of Colombia into a Switzerland-style confederation, each territory of which would be controlled by the FARC and ELN; in other words, independent and autonomous “cantons.”

In the meanwhile, Chávez has promised to continue punctual payments of the Venezuelan debt, by following the model begun by deposed President Carlos Andrés Pérez, against whom Chávez headed a failed coup attempt on Feb. 4, 1992: swapping debt for equity, according to the Brady Plan model orchestrated by then-Planning Minister Miguel Rodríguez, who today is another Presidential candidate in Venezuela.

A currency board would finish off Mexico

by Carlos Cota Meza

Henry Kissinger, the perennial voice of the most aggressive British oligarchical interests, has reared his ugly head once again, this time threatening to overthrow Mexican President Ernesto Zedillo, should the latter fail to impose a currency board and privatize the national oil firm *Petróleos Mexicanos* (Pemex). The threat came from one of Kissinger’s better-known mouthpieces, Alan Stoga, currently head of the former Secretary of State’s consulting firm, Kissinger Associates. Among the latter’s clients are large multinationals, as well as some of Wall Street’s big brokerage firms and banks.

In an article in the Sept. 13 issue of the daily *Reforma*, Stoga wrote, “The question is no longer whether Mexico will have a financial and economic crisis, since one is already under way, but whether there will also be a political and constitutional crisis. . . . Increasingly, the question posed among international financial circles is whether President Zedillo will survive his last two years. It is easy to predict that a crisis of his administration is inevitable. The more complicated problem is whether Zedillo will be around to witness it.”

Later in the article, Stoga outrageously affirms that “although it is not polite to predict the failure of a President or a Constitution,” President Zedillo has no choice but to accept the eight-point program which Kissinger and his associates are demanding. Among these points is the call to “establish a credible financial system, adopting an Argentine-style currency board,” and “allowing private capital into the energy sector . . . using the money collected to reduce both the national debt, as well as the debts of individuals and small businesses.”

Help from the Mont Pelerin Society

On cue, Stoga’s article created a chorus of support for the currency board proposal, one of the worst forms of economic bastardy to surface in recent years. Press sources revealed that Guillermo Ortíz Martínez, governor of the Banco de México, the central bank, had actually “advised” several commentators and analysts to launch the debate. Within the private sector, the campaign is coordinated by Francisco Gil Díaz, the Banco de México’s former deputy governor. Roberto Salinas León, chairman of the Mont Pelerin Society in Mexico, whose family also owns the TV-Azteca network, is directing the

mass propaganda drive on behalf of this particular form of financial whorishness.

Those familiar with the writings of the modern proponents of currency boards, such as Margaret Thatcher's former adviser Sir Alan Walters, or Steve Hanke, an executive of the Toronto-based financial speculation fund, the Freidberg Group of Companies, should understand why the threats to overthrow President Zedillo should be taken with absolute seriousness.

Technically, a currency board converts a nation's currency into an appendage of a foreign currency which, historically, has been either the pound sterling or the dollar. The internal printing of money in a nation with a currency board is contingent, *by law*, on the amount of reserves the government holds in the chosen foreign currency. There is open discussion in Mexico today of the "dollar" or "dollarization of the economy."

Beyond these "technical" aspects, however, a currency board destroys the sovereign nation-state, transforming the government into a mere administrator or enforcer of a colonialist policy, based on the looting of raw materials, the labor force, and "privatized" state-sector companies. As both Hanke and Walters admit, "currency boards have become the monetary arrangement of preference for the British colonies and for some independent nations."

The idea of a currency board first appeared in 1844, when one was imposed in Britain's African colony of Mauritius. In the Americas, the first currency board was imposed in Argentina's Malvinas Islands, illegally seized by Britain in 1833. Of the approximately 70 territories internationally where currency boards have existed, more than 85% of them have been in British or French colonies. As the proponents of a currency board for Mexico admit, their plan would not only imply the disappearance of the autonomous central bank, but also of Article 28 of the Constitution, which defines the land and subsoil rights of the sovereign nation-state.

The financial oligarchy for which Kissinger Associates speaks, today proposes a currency board not only for Mexico, but for Russia, Brazil, and other "emerging markets," so as to subjugate them once and for all. The "success story" they point to is the "convertibility plan" imposed in Argentina by President Carlos Menem and his former Finance Minister, Domingo Cavallo.

Political chaos

Curiously, Kissinger Associates foresees the dismantling of the Mexican Constitution through an alliance between the two opposition parties, the National Action Party (PAN), and the Party of the Democratic Revolution (PRD). This is why the remaining six points on Kissinger Associates' list demand that the ruling PRI party hand over power before the year 2000.

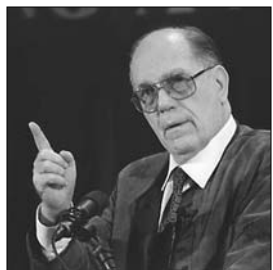
Aside from the two points mentioned above, Stoga also demands: a) the creation of a "national unity government spanning as many elements of the political spectrum as possible," not including any Presidential aspirant; b) abandoning current policy on the southeastern state of Chiapas, and beginning new internationalized negotiations, supervised by a neutral "third party — perhaps the Pope," or someone like former Costa Rican President Oscar Arias; c) "reform the PRI"; d) create a "Truth Commission," like South Africa's, to investigate "political crimes"; e) impose a "labor reform" to "liberalize" the rights of labor and management; f) move the Fobaproa bank bailout plan "from the realm of politics to economics," such that "the assets now owned by the government" can be sold, and those who "abused the system" can be punished.

As we see, these are six Kissingerian offers which neither the PAN nor the PRD can refuse. Political transvestite that he is, Governor of Guanajuato and Presidential pre-candidate Vicente Fox publicly called for a currency board during a Sept. 27 forum organized by his party, the PAN. Fox has also promised that, were he elected President, he would privatize Mexico's state-run oil industry. The internationalization of the misnamed "conflict" in Chiapas, the creation of a "Truth Commission," and similar things, is music to the ears of PRD leader Cuauhtémoc Cárdenas, sung by the oligarchy. And the PRI? Occasionally this party bleats, like the terrified lamb, headed toward the slaughterhouse.

THE WORLD FINANCIAL COLLAPSE LAROUCHE WAS RIGHT! An EIR Video

What does Indonesia's Minister of Economy, Finance and Industry, Ginandjar Kartasasmita, know about the global financial crisis that you don't?

Here's what the Far Eastern Economic Review reported July 23: "It seems the IMF isn't the only organization



entitled, 'The World Financial Collapse: LaRouche was Right.' Lyndon LaRouche . . . has been arguing for years that the world's

supplying economic advice to the Jakarta government. . . . [Reporters] were surprised to spot, among [Ginandjar's] papers, a video

financial system was on the brink of collapse due to unfettered growth in speculative funds; he says now that the Asian crisis is just the beginning. . . ."

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Harbingers of a New Dark Age

Victoria's gas crisis is the latest disaster to hit the supposed "First World" nations of Australia and New Zealand.

Lyndon LaRouche has emphasized that the world will plunge into a New Dark Age, if a New Bretton Woods monetary system is not put in place in the very near future. The recent infrastructure disasters in Australia and New Zealand, which have cut power and water supplies—the very basics of life—to such major cities as Auckland, Sydney, and, now, Melbourne, afford a glimpse of what such a Dark Age would look like.

In the latest disaster, the state of Victoria, including its capital city, Melbourne, with 3 million inhabitants, has been hit with the worst crisis in its history, following an explosion on Sept. 26 at Esso's natural gas refinery in the coastal town of Longford. The explosion killed two maintenance workers, and knocked out the gas supply of 80% of the state. A majority of homes are now without hot water, and every house in the state has been ordered to turn its gas supply meters off, so that what little gas remains in the system can be directed to hospitals and aged care homes. An estimated 100,000 workers have been laid off without pay, as automobile and other factories, bakeries, dairies, and other heavy gas users have had to close; the crisis is costing Victoria \$50-100 million per day.

The explosion at Esso's Longford refinery was caused when a gas leak was being repaired in a pipe at one of the refinery's three plants. The leak ignited, and the heat then burst other pipes. There were three explosions, the third of which threw a fireball hundreds of meters into the air. An even

worse disaster was averted, as the fireball engulfed four 200,000-liter liquid petroleum gasoline cylinders, which, if they had exploded, would have flattened an area several kilometers wide.

Esso forecasts that the gas supply will be down for at least a week, probably two, and maybe even more, despite the fact that the company has flown in 20 experts from its operations around the world to assist in repairs. Even when the gas is turned back on, Victorians will face gas use restrictions well into 1999; economists estimate that the disaster will cut at least 0.1% from Australia's economic growth rate for every week the crisis lasts.

And, two Melbourne law firms have threatened Esso with what may become the largest class-action lawsuit in Australian history.

The explosion is the fourth major crisis to cripple the four largest Australasian cities this year: In February, Brisbane in Queensland, and Auckland in New Zealand, were hit with power blackouts lasting weeks; in July, Sydney (population 4 million) was hit with an outbreak of giardia and cryptosporidium, dangerous intestinal parasites which contaminated the city's entire water supply—a crisis which has not yet been solved.

Given that privatization-driven maintenance cuts provably caused all the earlier disasters, a fierce debate about privatization has erupted following the Victoria gas explosion, despite the government's insistence that, since the plant had been privately owned by an Esso-BHP consortium

for nearly 40 years, privatization isn't an issue in this case. Trade unions, however, immediately pointed to recent cuts in maintenance, which Esso denies.

What is undisputed, however, is the atmosphere of radical privatization-driven cost-cutting in which this latest disaster took place: Premier Jeff Kennett has presided over one of the most ruthless and far-reaching privatization programs anywhere in the world. Following Kennett's \$22 billion fire sale of Victoria's electricity system over the last several years, he had next planned to sell the state Gas and Fuel Corp., which has now been put on indefinite hold.

The recent privatization-led cost-cutting has greatly exacerbated the lack of infrastructure spending by Australian federal and state governments over the last two decades. Australia is conservatively estimated to have an infrastructure deficit upwards of \$100 billion, and whereas in the early 1970s some 8-10% of Gross Domestic Product was spent on infrastructure, today spending is less than half that figure.

What has enraged Victorians is that Esso, with the benefit of a decades-long monopoly, does not have the back-up infrastructure for emergencies. Furthermore, some are asking, although the gas crisis alone is serious enough, what would happen if a combination of the gas, power, and water crises which have savaged Australia and New Zealand, were to occur in one or more cities *in combination*? Together with the extraordinary breakdown in hospitals and public health systems in both countries, which has unleashed epidemics of such deadly diseases as tuberculosis and meningitis, residents of these two countries are beginning to get a small glimpse of what the "New Dark Age" will look like.

Business Briefs

Russia

International Red Cross announces food drive

On Sept. 30, the International Committee of the Red Cross launched a \$15 million appeal for Russia, aimed at providing food assistance for the 1.4 million pensioners and families with many children in the 12 hardest-hit regions, the London *Economist* reported in its Oct. 3 issue.

The ICRC Moscow office warns of the prospect of “mass starvation,” citing the case of a pensioner’s situation in Noginsk in north central Russia: “Her pension, of 400 rubles a month, used to be worth about \$60; after the devaluation in August it is worth half that. In any event, it has not been paid for two months. Her son, the only person who might help her, lives in Kamchatka, in Russia’s remotest far east. He has not been paid for five months. The town’s economy is rotting. As the local textile factory went on shedding jobs in recent years, many workers became traders, shuttling cheap toys, shoes or make-up from Turkey or Poland, and selling them in Russia’s big outdoor markets. It was arduous, chancy work, but it fed the family. Now that has stopped. The implosion of the banking system has wiped out their money.”

Malaysia

Analysts: Controls a ‘necessary evil’

As the Oct. 1 deadline for repatriation of the Malaysian currency, the ringgit, passed, and all offshore ringgit after that date became “waste paper,” Reuters interviewed analysts in the region on their assessment of Malaysia’s imposition of capital controls. The response was probably not to Reuters’ liking: The consensus among financial analysts was, that the controls are a “necessary evil” to restore stability.

A European research outfit in Malaysia said, “This will insulate the economy from the external pressures that are still hurting many Asian economies. Businesses, which

had been frozen stiff over worries about where the economy is going, can now get on with their jobs, because at least the currency is stable.”

IDEA research said, “Our own view . . . is that Malaysia will experience more growth over [the next 18 months] than it would in the absence of capital controls.” In the Singapore *New Straits Times*, IDEA’s senior economist, Simon Flint, is quoted, “The country is definitely heading for recovery. So far, the measures were a great success.”

Salomon Smith Barney, which has been appointed financial adviser to the Malaysian government, is dealing with troubled banks, and has released a report backing the currency control measures. “The alternative, which basically means adhering to IMF [International Monetary Fund]-type policies, will see interest rates high and exchange rates fluctuate indefinitely,” the report said, according to *The Star Online* on Sept. 16.

Brazil

Industrialists blast Cardoso government

The government of President Fernando Henrique Cardoso is favoring speculation while Brazil’s physical economy is dying, according to Brazilian industrialists. Luis Carlos Delben Leite, president-elect of the Brazilian Association of Machinery and Equipment Industry, denounced the government’s talk of generating a fiscal surplus of up to \$40 billion, in order to channel “all these resources to pay interest to international speculators,” *Hora do Povo* reported on Sept. 25. “What we are witnessing is the federal government’s lack of a strategic policy to deal with the real necessities of Brazil,” he said.

There is “real chaos” and “absolute economic instability” in Brazil, Delben said. Cardoso’s “Real Plan” has led to the loss of 458,000 jobs in the state of São Paulo over the last four years, leaving at least 1.5 million people without a place to live or means to earn even a subsistence living.

Similarly, Mario Bernandini, vice president of the Industries Center of São Paulo State, charged that for four years, the federal

government has been “destroying production, in exchange for foreign loans.” Cardoso appears committed to maintaining this economic policy, at the cost of the devastation of the country, “down to the last job, to the last industry,” he said.

Economic Theory

List promoted over Karl Marx, Adam Smith

German-American economist Friedrich List’s theory of “national economy” is an alternative to either Karl Marx or Adam Smith, Michael Lind writes in *Nation* magazine in its Oct. 5 issue. Lind, the Washington editor for *Harper’s* magazine, never mentions economist Lyndon LaRouche, the chief international proponent of List’s historical role. Nonetheless, the article is an important contribution to the debate on the global financial collapse.

Lind points to the “deepening global economic crisis,” and attacks the “liberalization of financial markets worldwide” for having “benefitted international speculators while crippling the power of governments either in the developed countries or the developing world to promote the long-term interests of their producers and consumers.” International Monetary Fund (IMF) “reforms” have only made the problem worse. For the global crisis, Keynes is not the solution, he says.

Lind says that there are three economic “traditions” in the world, “symbolized by Karl Marx, Adam Smith, and Friedrich List, the German-American theorist and activist who developed the insights of the American Hamiltonian ‘national economists’ into a systematic theory of industrial capitalist economic nationalism. It was List (1789-1846) who taught the Germans and later the Japanese to follow the 19th-century American example of using tariffs and other industrial policies to promote the industrialization of their nations.”

Lind points to List’s contrast of “national” economics with the “cosmopolitan” economics of the English laissez-faire school of Smith and David Ricardo, as the

SINGAPORE has surpassed Hong Kong in foreign exchange trading, according to a Bank for International Settlements report, and has taken fourth place, behind the U.K., United States, and Japan, while Hong Kong has slipped to sixth place, behind Germany, and slightly ahead of France.

THE SWISS Banking Control Commission announced on Sept. 29 that a new supervisory board has been established for big banks, in the wake of the Long Term Capital Management bailout. The LTC derivatives disaster continues to batter the stocks of the two banks known to be tied up in LTC's operations, Union Bank of Switzerland and *Crédit Suisse*.

DOMINGO CAVALLO, the former Finance Minister of Argentina, said he will be an adviser to Brazil's government, instead of Russia's, according to *Ambito Financiero* on Sept. 29. Advice from Cavallo, an intimate of global speculator George Soros, is the kiss of death.

THE BANK OF CHINA is awaiting approval of its first branch bank in Malaysia. Du Chaohua, deputy general manager of BOC's office in Kuala Lumpur, said the bank is confident of securing the branch license, "and we are also very interested to do business here."

THE POST-1973 ERA of floating exchange rates must end, as a minimal requirement for any solution to the global financial crisis, German economics professor Wilhelm Hankel said in the weekly *Die Zeit* on Oct. 1. Hankel is one of four professors who had launched a lawsuit against the European Monetary Union.

FARM INCOME in Iowa will drop 60% compared to last year, according to a study released on Sept. 30 by Iowa State University. Farm prices for corn, soybeans, cattle, and hogs have dropped 15-30% in recent months, and by the year 2000, unless this trend is reversed, fully one-third of all existing Iowa farms will have to quit, or restructure.

latter, in List's words, "omits a vital intermediate stage between the individual and the whole world. This is the nation, to which its members are united by the tie of patriotism." Lind asserts that, if List were alive today, he would oppose the World Trade Organization, the IMF, and the North American Free Trade Agreement.

"Listians are not Hegelians, and thus do not believe in an inevitable future; they merely believe in a possible future," Lind says. Marx, himself a Hegelian, saw the philosophy of List as a "dire threat. . . . As it turned out, List was right and Marx was wrong." Today, the premise of the left/liberal critique of globalization is "Listian, not Marxist: National governments should be able to regulate the terms on which their nations engage with the world economy."

Argentina

Worries grow over threat to real economy

It is sinking into the heads of some business and government leaders that the global financial crisis isn't going away. The Argentine Industrial Union (UIA) proposed an "anti-crisis" program in late September, arguing that "the crisis isn't just financial, but affects the real economy." However, the UIA proposals would be of little help, because they are largely based on austerity, cost-cutting, increasing taxes, extending temporary-employment programs, and similar such things. In apparent response to the UIA, the government said that there will be "no extraordinary measures to protect local industry." However, Trade and Industry Minister Alieto Guadagni told the daily *La Nación* that measures will be taken against "disloyal trade, dumping, and subsidized imports."

Interviewed by *Clarín*, Agostino Rocca, CEO of the Argentine engineering multinational Techint, argued that in times such as now, the markets aren't going to differentiate among countries. "It is illusory" to think that, he said. In fact, he warned, the current crisis is far worse than the 1995 "tequila effect," and, "if Brazil enters into a traumatic

solution to its crisis, I see a serious risk of the crisis spreading to Argentina, and a recession is therefore possible." All that Rocca proposed as policies, however, is better fiscal discipline and keeping the perception of country risk as low as possible, so as not to affect interest rates.

Meanwhile, the Argentine government is continuing its commitment to the privatization and globalization policies which have fuelled the global crisis. It has decided to sell 25% of Banco Hipotecario Nacional, the state-run national mortgage bank, before the end of the year. Observers say that the estimated \$350 million the government will get for the sale will probably be used to "alleviate the country's financial burden." The bank is one of two remaining state banks (the other is Banco de la Nación) which the Menem government wants to privatize.

Finance

Malaysia tightens stock trading transparency

A series of 28 amendments to four bills was introduced into the special session of the lower house of Parliament (*Dewan Rakyat*) on Sept. 29, aimed at enforcing measures associated with the Sept. 1 decision to repatriate share trading in Malaysian stocks to the Kuala Lumpur Stock Exchange, *The Star Online* reported. The bills were introduced by Prime Minister Dr. Mahathir bin Mohamad, in his capacity as First Finance Minister.

The four bills are needed to reinforce administrative measures at the Kuala Lumpur Stock Exchange (KLSE), the Securities Clearing Automated Network Services, and the Malaysian Central Depository. Central to the bills are enhanced transparency of KLSE-listed share transactions, and to confine dealings to only the KLSE or other legally recognized stock markets, thus banning such off-shore transactions as the Singapore Central Limit Order Book. The amendments also require all equity holdings be made in the name of the beneficial owner or authorized nominee, and beef up enforcement powers of regulatory agencies.

Research on Mir advances growing plants in space

An international program to grow plants in microgravity has produced important, and sometimes surprising results. Marsha Freeman reports.

One of the techniques that will have to be mastered to accomplish long-term space missions, will be the ability to grow crops in space. On other solid bodies, such as the Moon and Mars, the task will be somewhat Earth-like, in that a soil is available, and even the partial Earth gravity on these bodies provides growing conditions quite different from those with virtually no gravity at all.

But, on space stations orbiting the Earth, Moon, or other planets, and in spacecraft making journeys considerably longer than the two days it took Apollo astronauts to travel to the Moon, supplementing the food that is carried along from Earth, with food that can be grown *in situ*, would be a great weight-saving benefit.

In addition, plants can provide a service now performed by mechanical equipment using chemical techniques, to “scrub” the carbon dioxide in the atmosphere expelled when the crew members breathe. At present, the oxygen they consume has to be replaced with on-board supplies carried from Earth. Plants, which use carbon dioxide in their metabolism and expel oxygen as a waste product, can potentially take on the task of regenerating the spacecraft’s atmosphere.

And, not to be underestimated, is the up-lifting psychological effect of caring for and nurturing a garden, so far away from the greenery of Earth.

With the goal of long-term space flight in mind, in 1984, scientific work was begun under the auspices of the Soviet-led Intercosmos program, coordinated by the Institute for Biomedical Problems in Moscow, for the “study of the ways and means for use of higher plants, algae, and animals in biological systems for life support of space crews.” The So-

viet programs and their successors have placed great emphasis on developing closed-cycle life support systems, where the water can be recycled, and plants can substitute for, or at least complement, the chemical regeneration of the atmosphere.

As Dr. Tania Ivanova from the Space Research Institute of the Bulgarian Academy of Sciences explains, during the 1980s, a number of scientists from several East bloc countries contributed to the design and development of various experimental facilities to study the growth of plants in the microgravity of space.

In 1985, the first preliminary experiments took place aboard the Soviet Salyut 7 space station, to test the hydrodynamic characteristics in space of a zeolite material called Balkanin, for use as a nutritive medium for future plant-growth experiments. Zeolites are three-dimensional aluminosilicate crystal structures that can lose and gain water reversibly. Balkanin was used because it is a natural zeolite, which might also be found on the Moon and Mars. It is “dressed” or doped with mineral salts to provide nutrition for the plants.

At the same time, greenhouse modules were designed and tested on Earth. A major advance was made in June 1990, when the SVET (“light”) greenhouse, developed by Dr. Ivanova and her colleagues in Bulgaria, was launched to the Mir space station inside the Kristall laboratory module. On June 15, the first experiments with the SVET, termed Greenhouse 1, were begun.

In 1996, under the Shuttle-Mir joint program, a Gas Exchange Measurement System (GEMS) from the United States was added to the SVET greenhouse. It enhanced the ability



Dr. Shannon Lucid, aboard Mir, looks in on the wheat crop she has planted in the SVET greenhouse.

to precisely measure the critical environmental parameters affecting plant growth, particularly the up-take of carbon dioxide and the substrate moisture.

During the Shuttle-Mir joint science program, Greenhouse 2 and 3 experiments were performed, growing Super Dwarf wheat, and then a plant in the mustard family. Because not all of the experiments have been successful, scientists are learning how growing crops in microgravity differs from agriculture on Earth, and are developing ways to solve the problems that the space environment presents.

Early experiments in SVET

The SVET greenhouse is a small facility, with a plant-growing area of about one square foot. The root modules, where the seeds are planted, are arranged in four rows side by side. The root module is mounted on rails and fits like a drawer into the bottom of the structure of the greenhouse. There is room for plants to grow to a height of about 16 inches.

Water is injected into the Balkanin substrate from tubes through a foam, which is surrounded by a chloride-impregnated fabric, or wick. This wick prevents particulate matter from the substrate from escaping into the cabin of the spacecraft, and increases the surface area for the water to move into the substrate. From the start of the experiments, plant physiologists working on the project recognized that the major challenge to growing plants in microgravity was going to be the even distribution of water to the roots of the plants.

The transpiration rate of the plants bears a linear relationship to the amount of water that the plants can extract from the root zone; too little or too much water disturbs the “breath-

ing” of the plant. In turn, the transpiration rate, or gas exchange of the plants (taking up carbon dioxide and expelling oxygen), determines the rate of accumulation of dry plant matter, or the growth rate. Water is also important for cooling the plants, especially under the intense light of an artificial growing environment. Doubling the light level for the plants, to increase their growth rate, will also double the amount of water the plants must extract through their roots.

The Greenhouse 1 experiments were performed in SVET after it arrived at Mir in 1990. Dr. Ivanova reported, in a paper presented in 1992, that the first fresh root-vegetables were produced in space during these experiments, consisting of white-ended red radishes and Chinese cabbage plants. It was observed that the vegetables accumulated biomass in direct proportion to the duration of the light period, and that it was not indispensable to simulate “night” and “day.” But, the duration of the light period for the plants during Greenhouse 1 experiments was limited by the on-board power supply, to 16 hours per day.

The scientists report observing a delay in the stages of development of the space plants, due to difficulties in substrate moistening. In addition, when fresh 23- and 54-day, and dried 29-day roots were returned by the crew for study by scientists, it was observed that the SVET plants were half the size of the ground-control plants that had been grown under the same lighting conditions as aboard Mir. For example, the Chinese cabbage and radish plants in space on the 23rd growth day corresponded to the ground vegetation on the 10th or 11th day of growth.

From these characteristics, Dr. Ivanova and her col-

leagues concluded that photosynthesis had been reduced fourfold in the space greenhouse. Dr. Ivanova reported at a conference last October in Italy that physiological and chemical analyses showed that the space plants were “exposed to significant moisture and nutrient stress.” It was clear that better real-time monitoring of environmental conditions would aid in altering watering procedures more rapidly, thus reducing stress on the plants.

Greenhouse 2 experiments

In 1994, NASA, the U.S. space agency, and the Russian Space Agency signed an agreement to conduct a number of joint Shuttle-Mir missions, which would deliver U.S. astronauts for long-duration stays on the Russian Mir station. Along with a crew member, scientific equipment developed in the United States would be delivered on each mission to Mir, in order to augment the capabilities already on the station, for a joint science program.

In May 1995, the new Spektr module was launched to Mir, and on June 30 the Space Shuttle *Atlantis* docked with the station, carrying a new vegetation module developed in Bulgaria, and the Gas Exchange Measurement System (GEMS), designed and built by Utah State University. GEMS was designed to monitor the environment in the SVET greenhouse and in the Kristall module of Mir.

GEMS includes a set of 16 moisture sensors that monitor the water distribution in the substrate of the greenhouse. The unit measures and records data every three seconds, on substrate moisture; light, leaf, and air temperatures; oxygen; and cabin air pressure and temperature.

The Greenhouse 2 experiments were conducted on Mir between Aug. 10, 1996 and Jan. 17, 1997. On Aug. 10, 1996, astronaut Shannon Lucid planted Super Dwarf wheat seeds in the SVET, with the goal of completing the first “seed to seed” full plant cycle. All of the active components of the SVET were replaced for the experiment, including a new fluorescent light.

In the May 1998 issue of *Scientific American*, Lucid described the experiment, explaining that “every day we photographed the wheat stalks and monitored their growth. At selected times, we harvested a few plants and preserved them in a fixative solution for later analysis on the ground. . . . One evening, after the plants had been growing for about 40 days, I noticed seed heads on the tips of the stalks. I shouted excitedly to my crewmates, who floated by to take a look.”



The wheat grown in the SVET appeared to be mature and normal. Note the numerous heads on the tips of the wheat plants, that scientists believed contained seeds.

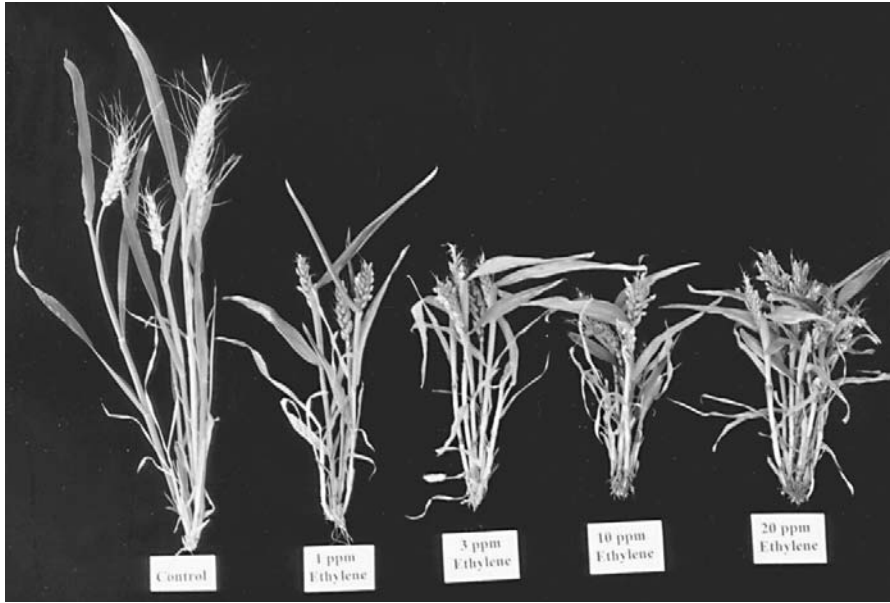
Lucid was replaced by astronaut John Blaha on the Mir on Sept. 16, to whom fell the responsibility of harvesting the dwarf wheat crop.

On Dec. 12, 1996, NASA announced that Blaha had harvested the first crop of healthy plants grown in the SVET that had completed their life cycle of going from seed to seed. The press release from NASA stated that project scientists were optimistic that the plants “appeared to have matured fully to produce the desired seed-containing heads.”

But on Feb. 21, 1997, scientists reported that when the Space Shuttle STS-81 mission brought back the dwarf wheat plants (and Blaha) from the Mir, they found that the wheat heads lacked seeds. All of the 296 heads that formed on the plants were sterile, and had stopped developing at the pollen development stage, while the rest of the plant parts were normal.

Some in the press immediately branded the experiment a “failure,” but co-investigator Dr. David Bubenheim from the NASA Ames Research Center said, “These conclusions are not justified by the results of the Mir experiments. The potential failure of the wheat plants to set seeds in space was anticipated in advance, since it is known that head sterility can be induced on the ground by several environmental stresses.” The job now was to find out what had caused the problem.

Ground studies were initiated at Utah State University and the NASA Ames Center to replicate the conditions on Mir to try to isolate the cause of the sterility of the plants. In a presentation that Dr. William Campbell from Utah



After the SVET wheat plants were returned to Earth and found to be sterile, ground control tests simulating the Mir's atmosphere, including high levels of ethylene gas, demonstrated the impact on plants of high levels of this contaminant.

State University will make in November, at the third Phase I [Shuttle-Mir] Results Symposium, he will report that scientists conclude, that the exposure of the wheat plants to 1-2 parts per million of ethylene gas had led to small and shriveled pollen grains and sterility. Dr. Campbell reports that the scientific "literature is replete with the use of ethylene to induce male sterility in cereals," which makes a strong case for their conclusions regarding the data from Mir.

This led to the question: What would happen to the mustard plants that were being planted on Mir by astronaut Mike Foale, in the follow-on Greenhouse 3 experiment?

New plants from space seeds

When Foale launched on the Space Shuttle to Mir on May 15, 1997, he had no idea what an eventful four months it was going to be on the Russian station, in more ways than one.

Along with Foale aboard *Atlantis*, were *Brassica rapa* seeds to be planted in the SVET greenhouse. Dr. Mary Musgrave, of the Louisiana State University Agricultural Center, the principal investigator for Foale's experiment, along with Dr. Margarita Levniskikh from the Institute for Biomedical Problems in Moscow, describes *Brassica rapa* as derived from the economically important mustard family.

Prior to Foale's launch to Mir, Dr. Musgrave explained that the goal of the experiment was to study "a plant's entire life cycle in microgravity and better understand the effects of microgravity on plant reproduction." The plan was for three successive seed plantings in the SVET, "starting with dry seeds grown on Earth, planting them in space to get a second

generation, and using the resulting seeds to get a third generation of plants," Musgrave explains.

The plants take about 14 days to flower after planting, and the plan was for Foale to then spend seven days using a bee stick to transfer pollen from one plant to another. A bee stick is a small stick with the body of a honey bee attached at the end. After 45 days, the plants were to be harvested, and the seeds from the first generation would be planted. In the accompanying interview, astronaut Foale describes the SVET experiment during his four-and-a-half-month increment aboard Mir. Prior to launch, Foale remarked, "I never was a farmer in my childhood, but I'm ready to be one now. I'm a physicist, in fact, by training, but this idea of growing seeds from a seed to a fully flowering plant . . . pollinating

first, and then collecting the seeds, kind of excites me. I'm looking forward to that."

In the midst of his farming, on June 25, an unmanned Progress supply ship collided with the Mir space station, decompressing and rendering useless the Spektr module, which housed Foale's personal effects and scientific equipment. The consequences of that accident led to problems that stressed both the crew and Musgrave's mustard plants, including changes in the atmospheric pressure and composition, and three days of darkness for the tiny plants.

Dr. Musgrave reports that both Foale and the plants rose to the occasion. As Musgrave reported on Aug. 1, 1997, for the first time, seeds that were produced in space had been planted and germinated. "This is really a historic time for us," she said. "This seems like a real milestone in plant space biology. My first reaction was feeling really good for the whole group of people who have been involved in this project, and especially good for astronaut Mike Foale."

In a recent preliminary report on her experiment, Musgrave explains that it had been observed on previous short-duration Space Shuttle flights that "identical gaseous environments have very different consequences for plants growing in them on the Earth and in space." For one, in space there is no convective air movement, and, in the absence of active ventilation, stagnant air layers can form around plants.

But during Foale's stay on Mir, he was able to complete two entire growth cycles, Musgrave reports. At the time of the collision in June, the plants experienced 72 hours of darkness, and to assess the effect on the plants, and "advise astronaut Foale on future operations," Musgrave and col-

leagues created the same conditions for their control plants growing on Earth. The ground-based laboratory plants did exhibit diminished seed weight and had a higher percentage of undeveloped seeds than plants that continued in the light.

There were also temperature fluctuations on the Mir as the cosmonauts worked to repair some of the damage from the collision, and carbon dioxide concentrations ranged 15-20 times above normal levels on Earth. Plus, the previous Greenhouse 2 experiment with wheat had indicated problems with elevated levels of ethylene gas. But, Foale did succeed in growing plants from seeds grown in space.

At the end of August, Dr. Musgrave reported that her team had just completed a 4.5-month ground-control experiment, which replicated the day-to-day conditions on Mir that her plants experienced in SVET. Similar to the SVET plants, the ground-control plants were smaller than normal.

The Russian scientists from the Institute for Biomedical Problems are planning soon to begin a Greenhouse 4 experiment on Mir, using a variety of wheat developed at Utah State University. Whether this experiment can proceed will depend on the ability of the Russian government to adequately service the Mir station, which has been in doubt due to the financial crisis.

The Russians are also continuing a series of ground-based experiments which will help evaluate what role plants can play in moving toward a closed-cycle life support system. According to wire service reports, specialists from the Institute for Biomedical Problems are seeking volunteers to spend 240 days, starting in June 1999, in an isolation chamber similar to the Russian laboratory module that will be part of the International Space Station. Previously, such isolation experiments have been carried out with European and Russian volunteers for up to 120 days.

According to Dr. Musgrave, in her discussion with a crew member of a previous isolation experiment in Moscow, she learned that the psychological impact of caring for and observing plants while simulating a space mission, was as important, or perhaps more important, than the contribution the plants made to regenerating the atmosphere or potentially providing nutrition.

The "crew" in the upcoming experiment is to simulate the activity of a space station crew, and one requirement is fluency in English, which will be the principal language of the International Space Station. The Russians hope to have the participation of the other nations in the ground experiment that will be building and using the ISS.

All of the scientists from different nations who have participated in the SVET experiments, await the facilities that will be available on the International Space Station. As Musgrave states, "Long-duration access to orbital platforms and the dedicated time of well-trained astronauts will be necessary to develop the database needed to implement the technological goal of a plant-based life support system."

Interview: C. Michael Foale

First seed-to-seed plants grown in space

Dr. C. Michael Foale was the fifth NASA astronaut to live on the Mir station. In June 1983 he joined NASA, and four years later was selected as an astronaut candidate. Before his stay on Mir, Foale had been a crew member on three Space Shuttle missions. Currently, he serves as Assistant Director (Technical) at the NASA Johnson Space Center, and is also assigned to the third mission that will service the Hubble Space Telescope. Marsha Freeman of 21st Century Science & Technology met with Dr. Foale in his office on May 13 and discussed his SVET experiments, and his future plans in space exploration.

Q: One of the important aspects of the space program that does not get covered in the press very much, if at all, is the science that has been done on Mir. Your flight on Mir was very eventful in unexpected ways, but you also accomplished very important scientific and technical goals. I am particularly interested in the work that you have done with the greenhouse. I have been to the Kennedy Space Center and seen the controlled environment agriculture work they are doing. But working in microgravity must be very different. Could you describe the work that you did with the SVET greenhouse, and what you were able to accomplish?

Foale: Basically, the greenhouse experiment was a joint project between the Russians and the Americans. It was building on a lot of previous work over many years, using a facility that's been on board the Mir in the Kristall module, since it was launched.

The experiment is called the "SVET" module. And *svet*, in Russian, means light. And they call it the "SVET oranzhereza." *Oranzhereza* means a greenhouse.

It was originally built in Bulgaria, and is basically a box which has an array of bright fluorescent lights that radiate in the wavelengths that plants use most effectively, and a system of tubes that provide water in measured amounts, to what we call root modules that would hold the plants that we were trying to grow. It was sort of a generic facility, for just exploring the growth of different types of plants, from the seed up.

Shannon Lucid had done a lot of work, and that was carried on by John Blaha, who harvested wheat. And they

produced a very luxuriant growth in their experiment, but did not produce viable seeds. As I understand it, they did do a pollination, so there was some flowering and there was some pollination. But, they did not produce viable seeds.

So, the goal of the investigators for my experiment, from Louisiana State University, and from the Institute for Biomedical Problems in Moscow, and from the University of Utah, was to grow *Brassica rapa*, which is, as far as I know, a form of broccoli, and to take that from the seed, all the way through flowering, and through pollination, and to seeds in a pod, and then to harvest the seeds, and then replant them.

That cycle was expected to take about a month. And so, the hope was that in my time on Mir, which would be four and a half months, I would do this three times, and produce two space generations of seed, from which, in turn, would be produced plants in space. The goal was, specifically, to attack the problem of not just germination, but pollination and then the production of seeds. And then fruition and harvesting, and then repeated plantings of those space-produced seed.

Basically, we were successful. The way we carried out this experiment was, we had root modules prepared. And a root module allowed four rows of plants watered in pairs, to grow about 13 seeds per row. So, we could do about 52 plants at a shot. That was the plan: 52 seeds planted.

The root module was a box that contained zeolite powder, but is not a uniform powder. It has small grain sizes and large soil sizes. And this is very critical, they have found, in space research, in getting the water to not flood the root or totally dry the root. You want the water to form patches, but not to totally flood the zeolite when you feed the water in. There's no gravity to differentially separate the water from the root.

On Earth, in soils, when the water goes in, it's more dense as you go down, and it's drier as you go up. So, the root can find places where there's air, and places where there's water, and pick or choose the environment.

In space, for many, many years with the SVET module, they had very little success, because the soil material didn't work out. It was always a fine powder of one particular size, 70 microns. And that would either totally wet and flood the root, or totally dry out the root. But either way, they couldn't get viable plants. They kind of solved that problem, and I think much of the credit goes to the University of Utah, for coming up with a system that allowed this wetting to be done in a more root-friendly way.

On top of the soil material, there are wicks placed, that spread out down into the zeolite material. And I would place this root module, which is roughly a half-meter by a half-meter, into the greenhouse, and connect up water tubes and electrical sensors. I would measure the temperature, along the strips, at different depths in the soil, as well as free water. The



Shuttle and Mir astronaut Michael Foale. The logo (inset) is of the joint U.S.-Russian program in fundamental biology research in space.

whole point of this was to measure the humidity, the water-level content, at different points in the root module, near the plants, so that the machine itself could control the wetting, and it didn't flood the roots, or dry them out.

The first day of the experiment, I set up the equipment, which took a lot of time, finding all the pieces that were left over from the expedition before mine. Finding things was hard. I set up all of the electronic monitoring of the temperatures of the soil, and then took out long cellophane strips on sticky tape of the seeds. The seeds were about a millimeter in size, these little round holes. And I would place them, by hand, with tweezers, into this wick, about 13 per row.

Then my job was to wet the zeolite and the root module enough, but not too much. And initially, on the first try, I think we overshot. We weren't getting any measurements of humidity in the first 12 hours or so, so I and the investigators agreed that we'd put more water in. And lo and behold, suddenly, we saw the humidity levels going way past 50%, and we were afraid we were going to flood the root module.

This happened in the first day, and we got better at it the second and the third time around. At the same time, we left the light bank on continuously, in a cycle of 23 hours on, and one hour off.



Before his flight to Mir, Mike Foale posed at the Institute for Biomedical Problems in Moscow with a ground duplicate of the SVET unit in which are growing Brassica rapa plants. With Foale are Keith Zimmerman and Sally Greenwalt from the United States, and on the right is Dr. Margarita Levinskikh, a Principal Investigator with Dr. Mary Musgrave on Foale's experiment on Mir.

Q: How did the plants respond?

Foale: In weightless conditions, there is no up or down. And as the seeds started to germinate, about 50% of them will put a little root shoot—the up-growing shoot on Earth—would just burrow down into the wick, and the root would start popping up. It would be completely confused. About another 50%, would go heads up and tail down, which is the right way we wanted them. And others would just grow along the wick. This was especially true on the first planting, because I had placed the seeds fairly deep down into the wicks, so there wasn't much light getting down to them. The wicks were made of a whitish material, so some light got down.

When they finally popped their heads up above the wick—or I teased them up with tweezers, so they could sort of see the light—then the light, through phototropic action, drew the plants upwards in the right direction, toward the light, and the roots, in the opposite direction, went down toward the wick.

Overall, about 50 to 80% of each of the rows, germinated. In fact, I think almost all of the seeds germinated. I'm not an expert; "germination" to me meant they'd burst their little shoot out. Beyond that, some of them failed. And only about 80% would actually carry on—again, with me helping them in the right direction—to go up toward the light, and reach down.

In a matter of a week or so, two weeks, they would start to grow one or two primary leaves, and then flower buds. And only after about four weeks did the flower buds—now the plants would be about five centimeters, six centimeters high—suddenly produce a plethora of yellow flowers, which

had pollen on the stamens.

I would write down every day the stage of the plants: how they looked, how many had buds, how many didn't. And I would write down the average highs, and then the minimum high and the maximum high for each row. And, of course, at the same time, we'd carefully monitor the temperature and the humidity level in the root module.

Now, there's air being blown across this greenhouse as well. And in the first experiment, before the collision of the Progress module and Spektr, the seeds would start to germinate. After the plants had grown about three or four centimeters, we placed what we called leaf bags—just basically polyethylene bags that were sealed—over the plant. The gas that would go in from the cabin, into the greenhouse, would be passed over the plants, and then passed out through a gas analyzer. And a measurement was made of the carbon dioxide intake and outtake, the respiration rate of the plants during most of the growing phase.

It was only when I was going to pollinate, that I would take the leaf bags off. And I would then take a bee stick—pieces of bees on sticks. This is actually a common technique. I didn't know this. In schools—most schools know about this, teaching high school kids how to pollinate plants.

They find bees, and they chop the tails off, and stick them on sticks, on little toothpicks. And you basically go along with your toothpick, with the bee on the end of it—your bee stick (bzzz, bzzz, bzzz)—you go up and down the rows.

I practiced some of this on the Earth, and I did it pretty well in space, it turns out. You collect pollen first from the

stamens, and then you put the pollen onto the pistils. And after collecting pollen in one pass up and down the row, like a bee would, you then go into two passes, trying to take the pollen you've collected, and put it onto the female part of the plant.

And, lo and behold, within two or three days—There's only a day's window, or two days' window, in this plant's very rapid growth cycle, when any one flower is ripe to be pollinated. And, it's not quite the same time as when it's ripe to give pollen. So, we do the pollination over a period of about a week, about four weeks into any one planting.

And then, after that, you put the leaf bags back on so you can measure the CO₂ over the plants again. And another two weeks went by, which was already two weeks longer than we expected. We thought the cycle would be four weeks. It is on Earth. It takes longer in space. Also, by this time, the conditions were harder on Mir. The temperature wasn't quite so constant, it got cold a lot in that module. So, it slowed down things.

After six weeks, some pretty long seed pods—just like pea pods—grew in the place where the flowers were. And it was pretty clear that they were full of seeds. They seemed to be full of seeds. And when I was told finally to harvest, I just took down the whole experiment, and collected the plants in a glove box. This was invaluable stuff.

This is in a spacecraft where your whole life is dependent on air flow moving around, blowing the carbon dioxide away. And yet, when you pull out these flimsy little plants that are so light and drying now, they'll blow away in a heartbeat. And so, I had to be very careful in collecting these, especially the seed pods, and popping them into little vials with a desiccant. At the same time, I took the rest of the plants, and put them into a general container bag, so I could then put them into formaldehyde to fix them, so the product could be studied on Earth.

That was a very laborious process. It took me three days or so to do that. But then, having taken the seed pods and dried them after about 50 days, I then set up a whole sort of sticky tape, across the base block [section of the Mir], and started, very carefully, taking these crispy, crispy seed pods between tape again, and breaking the tape, wiggling it, so that the dry, husky material would fall apart, and just the seeds would be exposed.

And then, I'd peel apart the tape. These were tiny seeds, half a millimeter. These were *smaller seeds than Earth seeds*. They were not as strong. Some of them would float away very, very quickly. And I'd try and catch them, and then stick them down on the tape that I had for collecting them.

Having loaded up all my space-produced seeds, I would then replant half of them in the next module wicks. And at the same time, in each row, I would have half space seeds, and then the other half, original Earth seeds, which I had a supply of, also on sticky tape.



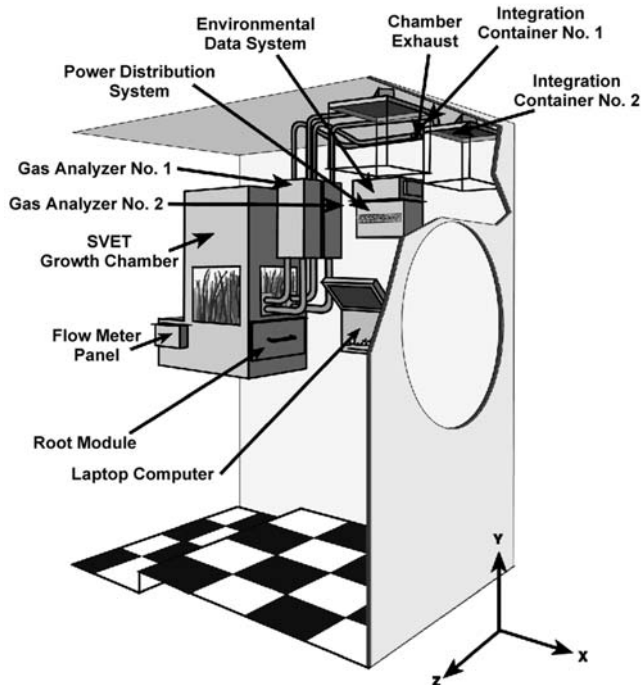
The fifth NASA astronaut to live on the Mir was Michael Foale, seen here exercising on the treadmill onboard the Russian station, on Sept. 30, 1997, at the end of his eventful Mir mission.

And then the whole experiment repeated.

I think it was about the time I'd repeated the experiment, that we had the collision. And unfortunately, the leaf modules—the plastic bags that would go over each root module to measure the carbon dioxide intake and outtake—I had stored those in Spektr. So, they weren't usable. But actually, for me, it ended up being an easier process, because then I could have access to the plants every day. I didn't have to peer through some kind of crinkly material to figure out what was going on. And if a plant was kind of going crooked, I could redirect it more easily.

Now, in the second planting, I developed a number of techniques that were more efficient than the first time. Certainly, I figured out how to set the seed with tweezers into the wick, so that it didn't float away. The first time I put the tweezers in, opening up the wick with the tweezers, to drop the seed in, but then the seed would just fly out. So, I had to figure out a way to put the seed in, so that it would stay. I basically ended up being able to put the seed in, a little more shallow. And as a result, the seeds saw the light quicker, and more of them found their way up than on the previous planting.

Gas Exchange Measurement System



The Utah State University-built Gas Exchange Measurement System allowed Mike Foale to keep a constant watch on the state of his plants aboard Mir, and respond to problems quickly.

However, only three or four of the space-produced seeds germinated, out of the six or so I planted. We produced about 15 or 20 seeds total—space seeds. But they were so weak and flimsy, only two or three of them were worth even planting. I planted a total of six or seven. And I think only two of those actually ended up producing a viable plant that grew up.

Q: Was the second-generation plant as healthy as the first, or was it smaller?

Foale: No, it wasn't. It was smaller. I think the uncertainty of how the seed gets the nutrient through the wick, is enough to always favor the seed that's bigger, to do better. It really matters how big the seed is. How much built-in carbohydrate material that seed has, determines how far it gets going, before it has to stop pulling from the wick. If you had a very a nutritious soil and environment, then it wouldn't really matter too much, how strong the seed was.

Q: What were the major problems? The Russians have been trying to do experiments with this for quite a while. What were the major technical problems that they had?

Foale: The major technical problem is controlling the moisture content. That has always been the biggest problem. And I think the biggest breakthrough is the soil, this zeolite.

The University of Utah also came up with a much more

sophisticated system of measuring the humidity, both at the surface and at depth in the soil. But even though that was sophisticated, and corroborated the rather simpler measurements that the Bulgarian-built SVET measured in the soil, nonetheless, those simpler measurements were the ones that were used to control the humidity level. They confirmed that just having one or two sensors, as they originally planned with the SVET module, is good enough. It was what level to control to, that they didn't know.

In the early days, people always tended to over-wet the root module. And I think now, on the third planting, I remember I got distracted, and I ended up leaving it on high wetting, for about four or five hours longer than I should have. And when I came back, I thought, "Oh, no, overshoot!" If I wanted to, I could have told the ground that everything was okay. But I knew that pretty soon, we'd have an overshoot, and then even though I would have turned off the water, the humidity level would slowly increase over a day or two. So I discussed it with the ground, and we just agreed to keep the lights on a bit longer, because that also warms, and it tends to dry out the soil. The lights are what determines the major water loss of the soil.

Q: It is my understanding that in a lot of the research on controlled-environment agriculture on Earth, in addition to finding out what the optimal number of hours of light and the wavelength should be, there's been a lot of work in controlling, or increasing and decreasing, the amount of carbon dioxide. In this case, it sounds like it is not controlled.

Foale: No, it's not. I'm afraid that's the problem the investigator has to deal with, because, in this experiment especially on Mir, the carbon dioxide level does vary quite dramatically.

Q: So it's not controlled in the greenhouse—

Foale: Nor is it controlled in the station.

Q: And the atmospheres are the same?

Foale: Well, it's the same atmosphere [in the greenhouse] as what we're breathing, and the carbon dioxide [levels] went through a large range, so you wouldn't be able to pick out, I think, the effect of carbon dioxide on the plants.

Also, the temperature variations in that module were very great. After the collision, in that timeframe and afterwards, the temperatures were down even in the 5° Celsius range, really cold in that module, when we really wanted to be running at about 20-25° Celsius.

That second planting was a very slow planting, because that was when we were having our most trouble recovering from the collision, and that module was totally unpowered. The only thing in the whole of the Kristall module that had anything on, was the SVET, because I was running the power to the SVET, all the way with a long extension cord, from the base block. So, it was a pretty hard environment

for that experiment.

It's great we actually got the results we did, because I think overall, they were very pleased with what they learned from it.

Q: What was the analysis of the seeds that you brought back?

Foale: Apparently, they're viable. I don't know much more than that. The preliminary report says that the seeds have similar structures to Earth seeds. I just read the preliminary report that came out and took a quick look after bringing this stuff back, and all that was said was the seeds look good, and they look viable, we have good products to analyze. It didn't say what the analysis was.

Q: Do you have any idea what the prospect would be for continuing these kinds of experiments on the International Space Station?

Foale: The Russians for sure will, and I think our groups are excited by the collaboration. So, I think the collaborative work will continue, which is a rather amicable arrangement, between the Institute for Biomedical Problems in Moscow, and the universities of Utah and Louisiana.

Q: Psychologically, one of the things I think would be important in space is to have something that is growing and changing, as opposed to the other hardware that surrounds you. Did this provide for you some relief?

Foale: I don't want to overstate it, because I believe my time on Mir would have gone pretty much the same, but especially when I had almost nothing else to do for a month or so after the collision, the greenhouse experiment really provided me a lot of peace of mind.

This whole business of being a gardener, and getting used to your plants, and getting into their condition, and developing some kind of connection with them, though romantic, actually has a little application in space, because it provides a very different visual scene and activity from the normal, extremely technical kind of bare and artificial existence that you have in space. It's a connection with the Earth, I guess, that you've brought with you, that gives you some comfort.

So, I very much enjoyed doing my morning status check in the greenhouse. It would only take me about 20 minutes each day, but I'd sit there, and I'd just savor that time. And, I think, on a long-duration flight, or on any space station, not only to provide scientific research, but also to provide psychological support, experiments that grow things can be well utilized—and I mean visible things, like plants. I expect animals would be just as rewarding, but they're more complicated.

Q: Do you think it would make any sense, or have people ever thought of bringing a plant just to have—not a scientific experiment, but just to take care of it?

Foale: Yes, very much so. I think, just like we have house

plants for no reason but for them being there, I think exactly the same—in fact, more so—would we value having Earth plants in space, for no reason but that they're pretty, or that they're a reminder of Earth. It's something to follow. They grow, they flower.

I think the pragmatic value, of course, is, in the long term, self-sufficiency away from the Earth in your food production. And the only way you can achieve that, is through some of these pretty aggressive technological programs to grow biological material in space, or on the surface of Mars. So, these are essential to feature in the exploration of space. Because in the end, it becomes too difficult to supply all that food from the Earth. It would be a terribly burdensome logistics problem just to keep supplying food, because you can't make it *in situ*.

As you probably know, we have a chamber here [at the Johnson Space Center], a 60-day chamber, where they put three or four people inside for, I think it was 60 days, and then 90 days. And they lived there. It was a totally closed system. I think 25% of their CO₂ was scrubbed by the plants that they grew. Pretty significant. And I think they ate most of their plants. So, they did pretty well.

And I think it was 25% of the O₂ was produced by the plants, which is pretty dramatic. Certainly, my plants weren't producing any significant O₂.

Q: What are your plans for the future?

Foale: My plans are to keep doing what I've been doing, which is enjoy my family, bring up my children responsibly, and continue to get people into space—and, if possible, myself. And, I would like very much to go back into space, do space walks, which I love doing. I got to do one on the Mir, as well as once on the Shuttle. And then, after that, in maybe two years, I would like to go to the International Space Station, and do another long-duration flight. And I choose that time-frame, because that's when my son is going to be six or seven. He'll be well on his way to having his own character, without any regard to my influence. I feel I can kind of excuse myself, even if my children don't excuse me, for going away for six months,

So, for me, it's a pretty exciting period of time. I think we've got some really big problems ahead of us, that we haven't even thought about. And I don't mean programmatic ones. I mean that there are going to be some things that just don't work out the way we expect them to. And it's going to test our ingenuity, our ability to work with the Russians, and just our general good humor to put these right. But I think we will.

And right now, my job is to apply the lessons I've learned in the last two years of my life, learning Russian and working with the Russians, and being on the Mir, to some of the problems that we're addressing now for the International Space Station, and the new astronauts that we might be picking in the very near future.

The human rights issues in the Virginia LaRouche cases

by Barbara Boyd

This article originally appeared in the Aug. 10, 1998 issue of The New Federalist, and has been updated. We republish it here because of the importance of the Virginia “LaRouche” cases, and the usefulness of the article, especially for our international readers.

In the Republic, Plato paints the following picture of the “perfectly unjust man”:

Similarly, the unjust man who attempts injustice, rightly must be supposed to escape detection if he is to be altogether unjust, and we must regard the man who is caught as a bungler. For the height of injustice is to seem just without being so. To the perfectly unjust man, then, we must assign perfect injustice and withhold nothing of it, but we must allow him, while committing the greatest wrongs, to have secured for himself the greatest reputation for justice, and if he does happen to trip, we must concede to him the power to correct his mistakes by his ability to speak persuasively if any of his misdeeds come to light, and when force is needed to employ force by reason of his manly spirit and vigor and his provision of friends and money.

So it has been, to date, with the coverup of the injustices committed in the political prosecutions of Lyndon LaRouche and his associates. Some in the United States dare to lecture the rest of the world loudly and sanctimoniously about human rights violations. Yet, the failure of the United States to exonerate LaRouche and his associates demonstrates that, to date, the United States remains “perfectly” unjust.

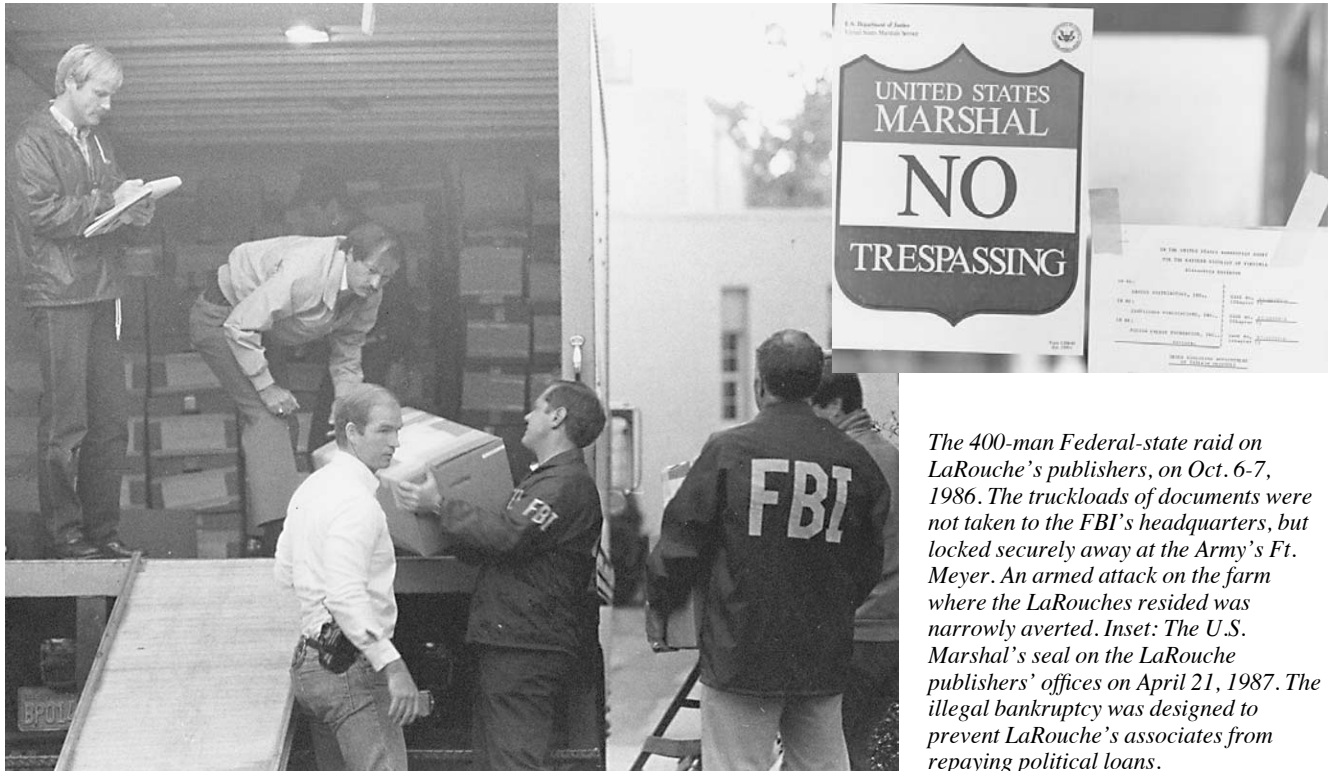
The most recent manifestation of this perversion occurred

on July 16, when the United States Court of Appeals for the Fourth Circuit sustained the conviction of LaRouche associate Michael Billington against Billington’s *habeas corpus* challenge. Billington is presently serving a 77-year sentence in a Virginia prison for alleged securities fraud violations. The *habeas* petition is the last legal remedy, after all appeals have failed, that an innocent person has to overturn a conviction by proving his basic Constitutional rights have been violated.

The history of Billington’s case makes clear, however, that his only “crime” was his association with Lyndon LaRouche, and his effort to seek vindication for LaRouche and his associates through the notoriously barbaric Virginia court system. Billington’s co-defendants, Anita Gallagher, Paul Gallagher, and Laurence Hecht, remain in Virginia prisons, serving sentences of 39, 34 and 33 years, respectively, for the same alleged crime. Don Phau and Rochelle Ascher were also convicted by Virginia state courts and sent to prison. They have been released on parole.

Mike Billington will now appeal his case to the U.S. Supreme Court. Anita Gallagher, Paul Gallagher, Laurence Hecht, and Don Phau have petitions for *habeas corpus* pending in Federal district court in Virginia, challenging their convictions under the U.S. Constitution. Their state appeals have been rejected.

Former Attorney General Ramsey Clark, who was LaRouche’s attorney for the appeal of his railroad conviction, said of the LaRouche case that it was the “number one” case of injustice, in his experience, based on its “complex and pervasive utilization of law enforcement, prosecution, media and non-governmental agencies focussed on destroying an enemy.” The Virginia cases represent the crudest side of the



The 400-man Federal-state raid on LaRouche's publishers, on Oct. 6-7, 1986. The truckloads of documents were not taken to the FBI's headquarters, but locked securely away at the Army's Ft. Meyer. An armed attack on the farm where the LaRouches resided was narrowly averted. Inset: The U.S. Marshal's seal on the LaRouche publishers' offices on April 21, 1987. The illegal bankruptcy was designed to prevent LaRouche's associates from repaying political loans.

operation referenced in Clark's statement. Only by publicly exonerating LaRouche, purging the political and institutional networks which promoted and tolerated these atrocities, and freeing the LaRouche political prisoners incarcerated in Virginia, can the United States ever assert again that it aspires to actual justice. Any illusion to the contrary is destroyed by comparing what actually happened in these cases to the principles set forth in the United States Constitution and Bill of Rights.

The context for the Virginia prosecutions

The main action in the LaRouche prosecutions was conducted by the Federal government and led, ultimately, to the Oct. 14, 1988 Virginia Federal indictment and conviction of LaRouche, personally, on trumped up charges. Under way since 1982, this operation deployed the Justice Department, a government-sanctioned media salon run by Manhattan financier and intelligence spook John Train, and the ever-present Anti-Defamation League of B'nai B'rith (ADL), and reached its first stage of fruition between the months of October 1986 and February 1987. On Oct. 6, 1986, four hundred armed agents swept into Leesburg, Virginia, seizing every extant piece of paper in the offices of LaRouche's publishers. Unlike any other search and seizure, the seized documents were hauled off pursuant to classified orders, to the military base at Ft. Meyer, for examination.

Deployments were put into motion, that same day, Oct. 6, for an armed foray into the Leesburg farm where LaRouche

resided. Called off at the very last moment, this assault surely would have resulted in the long-sought physical "elimination" of LaRouche.

Between October and December 1986, the Justice Department arrested and detained five of LaRouche's long-time associates without bail on obstruction of justice charges brought by a Boston Federal grand jury. According to comments published in the *Washington Post*, the objective was to "break" these individuals and obtain testimony against LaRouche.

As part of the same psychological warfare offensive, Mike Billington was repeatedly incarcerated. First arrested on Oct. 6 on the Boston Federal charges, he was released on bail and promptly incarcerated again in Loudoun County, Virginia, on securities charges issued by the State of Missouri. He was not released until late January 1987, when the Missouri charges were dropped.

Saturation levels of black propaganda media coverage, nationally and internationally, demonizing LaRouche and anyone associated with him as participants in a violence-prone criminal cult, were again mobilized, based upon the raids and arrests.

While the Federal assault on the LaRouche movement was calculated and brutal, the activities of Virginia Attorney General Mary Sue Terry and her law enforcement cohorts, members of the same Federal/state "get LaRouche" task force, can only be described as crass.

In documents released under the Freedom of Information Act, long after the Virginia state and Federal trials even FBI



Lyndon H. LaRouche, Jr. at his first public appearance in February 1994, after being paroled from prison. With him is his wife Helga, and civil rights veteran Amelia Boynton Robinson.



Rochelle (sentenced to 10 years) and John Ascher



Donald Phau (sentenced to 25 years)

and Justice Department officials characterize Terry as “politically motivated” in her pursuit of LaRouche’s associates. These documents show Terry holding up the Federal raids in order to assure a more prominent media presence for herself, while high Justice Department officials wring their hands and court a compromise with the Virginia maenad.

In subsequent admissions, Loudoun Sheriff’s Deputy Don Moore, who played an integral role in Terry’s operations, provided a less sanitized version of the major topic of discussion in the immediate pre-raid period. According to Moore, he spent the time manically lobbying Federal officials for an armed assault on the farm where LaRouche stayed. Moore detailed plans to enter the

farm and “take out” various LaRouche security personnel under the guise of arresting LaRouche.

On the night of Feb. 17, 1987, Terry finally had her chance at center stage. She dispatched state police and local sheriffs and a flock of media groupies throughout Loudoun County, Virginia and Baltimore, Maryland to arrest 16 associates of LaRouche on securities fraud charges. At a press conference, Terry claimed that her actions had the full backing of Virginia Governor Gerald Baliles. The Governor’s office, of course, is not normally a party to criminal proceedings. The *Washington Post* noted that Terry’s actions were also backed by prominent Northern Virginia business figures—individuals who could advance Terry’s political aspirations. Avowed LaRouche-haters in Northern Virginia included super-wealthy members of the local gentry such as Sir Paul Mellon, media magnate and former CIA propagandist Arthur Arundel, Magalen Ohrstrom Bryant, Langhorne Washburn, the du Ponts, and other leading lights of the nearby Middleburg Hunt Country set.

While Terry garnered public attention, the main event on Feb. 17 took place behind closed doors. Federal officers stationed themselves in the Loudoun County Courthouse that night, offering free passes out of jail to those arrested if they would tell Federal prosecutors what they wanted to hear about LaRouche.

At the time, the Justice Department, desperate to add fraud charges (involving loans by supporters to LaRouche-related political activities) to those already pending in Boston, had concluded, as of December 1986, that they could not bring these charges because the lenders were unwilling to make claims of fraud. They still believed they would eventually be repaid.

To enhance the Federal bargaining position, Terry had issued charges against the 16 individuals which would subject them to sentences ranging from 30 to 100 years in Virginia’s

prison system if they failed to cooperate with Federal prosecutors. Despite the threat of decades-long sentences, none of LaRouche's associates arrested on Feb. 17 agreed to "cooperate."

On April 20, 1987, the Federal government, with the help of Virginia authorities, made its next move. In secret and unprecedented proceedings, the Justice Department moved, in Federal court, to bankrupt LaRouche's publishers, securing the appointment of interim trustees to take over the companies and close them down. The Chapter 7 (liquidation) forced bankruptcy ended any possibility of loan repayments. On the same day, the FBI and state law enforcement agents began systematically to contact lenders throughout the country, to see whom they could intimidate and coerce into making claims of fraud against LaRouche.

The combination of the brutal, nationally publicized legal assault, the ongoing vilification of LaRouche in the media (reminiscent, in its effects, of the hysteria created by the 1950s McCarthyite witch-hunts), and the fact that funds which had been loaned by supporters to LaRouche political campaigns, were now lost forever, thanks to the imposed bankruptcy, provided fertile ground for witness recruitment. While some lenders immediately lost their nerve and surrendered to prosecutors, others stood their ground and continued their support. Many supporters simply broke contact, shunning both LaRouche and prosecutors. Other lenders, as we shall see, were subjected to coercion, pressure, and lies from law enforcement agencies, from irate family members, and others, finally resulting in conversion to the prosecution side.

Through the looking glass: political loans = securities

At the center of the Virginia prosecutions was the novel allegation by prosecutors, that political loans advanced for political programs and campaigns, were investment securities, subject to the securities registration and securities fraud provisions of state law. No court had ever declared this prior to the Virginia prosecutions. In fact, the Virginia courts uniformly declared, at the time these loans were taken, that in order for a loan obligation to qualify as a security, it had to be an "investment" for profit—characteristics singularly absent in political loans.

As the lawyers for Paul and Anita Gallagher and Larry Hecht argue in their Federal *habeas* petitions now pending in the Western District of Virginia Federal Court, any attempt by the Commonwealth to actually apply the Virginia securities laws and regulations to the cases of political loans made to the LaRouche movement, presented at their trial, would demonstrate clearly that these loans are not securities.

The loans considered by the Gallagher/Hecht jury went to finance events and campaigns which emerged in the context of fast-paced political developments. Loans were sought to finance an international conference bringing together various institutions and individuals fighting the war on drugs, publica-



Michael (3 years Federal; 77 years state) and Gail Billington



Anita and Paul Gallagher (sentenced to 39 years and 34 years)



Laurence (sentenced to 33 years) and Marjorie Hecht

tion campaigns putting time-sensitive literature on the desks of Congress, political rallies, and lobbying campaigns to educate Congress. Typical of the non-profit, non-investment nature of these transactions was the loan check from a lender named in two counts of Anita Gallagher's indictment. It states in the memo line, "repayable contribution."

The *habeas* petition notes that if the securities statutes apply, each new political organizing thrust for which loans were sought would have to be registered and approved by the state before it could be undertaken. Registration would involve a separate registration statement for each such campaign, including detailed financial statements by everyone involved, an opinion of legal counsel, pre-approval by regulators for "suitability" of all literature used, among other requirements. Prior to any solicitation, political organizers would have to qualify to become professional securities dealers, taking examinations for that profession and passing them. Alternatively, the political organizations seeking the loans would have to hire securities dealers to solicit for political causes. Detailed lists of supporters and their activities would have to be kept and would be open to inspection by state regulators at all times. Regulators could withhold approval of any planned political activity.

In short, applying securities laws to political activities not only results in a Kafka-esque absurdity, it also *violates the First Amendment to the U.S. Constitution*, which outlaws burdensome regulation of political speech and association, as well as state censorship.

Following the arrests on Feb. 17, Terry vowed to the media that she would use Virginia's State Corporation Commission to "shut down" all of LaRouche's operations. The SCC, which enforces and interprets Virginia's securities statutes, initially balked at its assignment—namely to issue a ruling that loans to a beleaguered, openly controversial and cash-starved political movement were, in fact, investment securities. The SCC refused to issue the immediate injunction Terry demanded, and, through its chairwoman, Elizabeth Lacy, asked for further legal briefing on this "issue of first impression," alluding to obvious First Amendment problems.

The SCC's reluctance produced panic in the prosecution camp. "State law enforcement" sources told the *Richmond Times-Dispatch* that Terry's prosecution might go "down the tubes." Following the forceful intervention into the SCC proceeding by the Attorney General's office Lacy changed her tune, however, and declared, somberly, that political loans were, after all, securities, and that there were no problems under the First Amendment to the U.S. Constitution with this status. Soon thereafter, Lacy was nominated to become the first woman Virginia Supreme Court Justice. In a further demonstration of her bona fides for Virginia's corrupt high appellate court, Lacy adamantly refused to recuse herself as a Supreme Court Justice from hearing appeals

on the issue of whether political loans were securities in the LaRouche cases.

It is an axiom of appellate law that judicial officers cannot sit in appellate review of their own decisions. But as one seasoned Virginia attorney commented, the LaRouche cases demonstrate just how far the current judicial establishment is willing to go to achieve a desired political result. "It is as if the courts went out of their way to shock, knowing that people will think you're crazy when you factually tell them what actually happened in these cases."

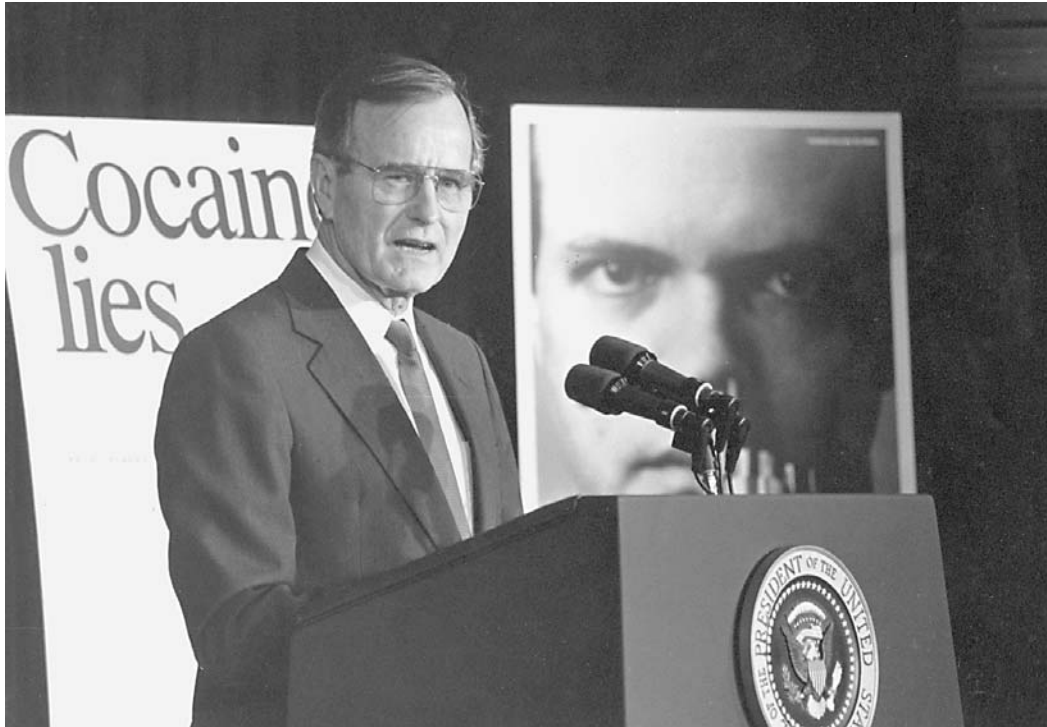
Lacy's ultimate decision for the SCC did note that political loans had never, prior to her decision, been declared to be securities by Virginia, and that the law defining securities was unclear. The SCC ruling postdated by years all the loans set forth in the Virginia indictments. Yet, the indictments uniformly charged that the defendants sold unregistered securities and failed to register themselves as securities broker-dealers or agents—knowingly, willfully and with intent to defraud—counts which were worth 20 years in each indictment.

Despite the fact that the SCC balked, post-indictment, at calling these loans securities, and admitted the law was unclear in its ultimate ruling, the indictments asserted that the defendants knew the loans were securities and deliberately did not register them in order to pull the wool over the eyes of political supporters and state regulators.

The second *ex post facto* aspect of the Virginia prosecutions involves the fraud counts in the indictments. If the loans are securities, then detailed information disclosure requirements can be retroactively imposed on political solicitation calls which actually occurred under very different circumstances. Rather than simply asking for a loan to support a rally or similar political cause, the securities law would have political organizers providing detailed financial prospectuses such as those provided in stock offering. The Virginia defendants were convicted for not making such detailed financial disclosures, while never knowing that they were required to do so.

This sleight-of-hand is all the more troubling because *no lender ever testified that they were misled about the financial risk involved in loaning funds for a political fight*. It is akin to being prosecuted for not disclosing that we are standing on planet Earth in the course of discussing more sophisticated propositions.

In their petitions for *habeas* relief now pending in Federal court, Anita Gallagher, Paul Gallagher, and Laurence Hecht challenge their Virginia prosecutions under the due process clause to the U.S. Constitution, which requires that criminal liability can only be imposed based upon violations of pre-existing and clear legal mandates, i.e., a law cannot be written, or reinterpreted to cover an act which has already occurred, as was done in the matter of political loans as securities. They also challenge their prosecutions as violations of the First



President George Bush, whose drug-pushing Iran-Contra operations ran afoul of LaRouche's exposés. Bush et al. ran the entire illegal operation against LaRouche from 1982 on, under a "national security" cover.

Amendment. The Virginia state courts uniformly rejected these challenges at trial and on appeal.

Rigging the trials

On May 4, 1988, the Federal prosecution against LaRouche in Boston collapsed, following months of hearings on government misconduct in the case. The case ended in a mistrial when the defense forced the prosecutor's hand and sensational evidence, in the form of classified documents, emerged showing the involvement of the George Bush-Oliver North secret government apparatus in the LaRouche prosecution. The government was also shown to have used evidence fabricated and planted by the prosecutor in its presentation to the jury. Jurors interviewed following the mistrial told the press that they had taken a vote and would have acquitted all the defendants. At the point of the mistrial, the prosecutors had presented the entirety of their credit card fraud case. Judge Robert Keeton, in ruling on various post-trial defense motions, found "systemic and institutional prosecutorial misconduct."

The response of the Justice Department and their Virginia cohorts to the Boston developments was to eliminate any pretense of due process or any chance for acquittal from future trials. LaRouche was indicted in October 1988 in the Eastern District of Virginia, a district notorious for pro-prosecution juries, national security prosecutions and convictions, and petty judicial vindictiveness. Under a timetable which the judge conceded was "short" even for this court's notorious

"rocket docket," the case went to trial 28 days after indictment. There was no time to prepare the defense. The time given to jury selection was *one morning*. In Boston, this process took weeks, because Judge Keeton recognized that the poisonous, inflammatory publicity surrounding LaRouche would necessarily bias jurors. Major lines of defense were barred from the jury's consideration by Virginia Federal judge Albert V. Bryan—the same judge who approved the Federal government's initial bankruptcy action! For example, the defense was banned from even telling LaRouche's jury that the U.S. government brought the bankruptcy. Prosecutors withheld reams of exculpatory evidence.

Five weeks after LaRouche's Federal conviction and one week prior to Federal sentencing of LaRouche and his co-defendants in Alexandria, Virginia, Mary Sue Terry's railroad moved into the trial stage with jury selection in Rochelle Ascher's case.

Ascher's trial, conducted in Leesburg, had all the subtlety of the Ox Bow Incident lynching. For the four years prior to the trial, Leesburg and surrounding Loudoun County, had been saturated with anti-LaRouche propaganda. At the time, Loudoun County had a voting population of 37,225 people. Years after the Virginia trials, a leading state investigator, former Sheriff's Lt. Don Moore, admitted some of the illegal operations to an FBI informant during an FBI investigation of a plot by Moore and others to kidnap a LaRouche associate, Lewis du Pont Smith.

Moore bragged about "black-bag jobs" on the offices of

LaRouche publishers. He admitted posing as a deputy registrar of voters when members of the LaRouche movement registered to vote, in order to gain personal data from the applications. He admitted to using the Sheriff's Department to organize a covert community campaign, "a citizen's underground" to threaten and intimidate any local individual or merchant associating with LaRouche.

Moore admitted that the Sheriff organized local merchants (including a photo development service, which provided copies of personal photographs to the Sheriff's office), banks and others to illicitly provide data on individuals and organizations associated with LaRouche. Telephone lines on the farm where LaRouche stayed, and at the offices of his publishers, were illegally tapped in collusion with the phone company. Although backed by state and Federal law enforcement, much of this activity was financed privately by political opponents of LaRouche, such as Newbold and Stockton Smith of the Philadelphia du Pont family, and the ADL, which received, in return, copies of the accumulated "LaRouche files."

The jurors who were assembled for Ascher's trial had been subject to an unrelenting anti-LaRouche hate campaign by former CIA propagandist Arthur Arundel every week from 1985-1988 in Loudoun's local newspaper, the *Loudoun Times-Mirror*. A slightly more high-brow version of the smear campaign appeared regularly in the pages of the *Washington Post* under the by-line of Don Moore's "good friend" John Mintz. According to FBI documents released long after the trials, reporters for the *Times-Mirror* served as "confidential informants" to Virginia state law enforcement on the LaRouche case. Local, state and Federal law enforcement provided "anonymous" and fabricated background briefings to the *Times-Mirror* and the *Post*—uniformly painting LaRouche as extreme, irrational, violent, and guilty. During Ascher's jury selection itself, potential jurors read the details of LaRouche's Federal sentencing proceeding. Judge Carleton Penn neglected to instruct potential jurors—as the law requires—not to read anything about LaRouche during jury selection.

The Ascher jury was fully aware that they faced certain social ostracism for any favorable impression of LaRouche, openly stating as much in the *voir dire* (questioning of jurors). Ascher wasn't even guaranteed that members of her jury weren't part of Don Moore's covert anti-LaRouche "underground." One juror, for example, told the court initially in *voir dire* that she had no strong opinion about LaRouche. When confronted by defense counsel with the fact that she had signed a petition stating that because of LaRouche's presence in Loudoun County she feared for "herself, her family and her animals" she admitted she did have strong feelings. Jurors were seated who admitted a deep hostility to LaRouche but claimed they had no feelings about Ascher, whom they did not know. Prosecutors told the judge and the jury that

hostility to LaRouche was irrelevant—that the trial would not concern LaRouche, only Rochelle Ascher. LaRouche, of course, then became the centerpiece of the prosecutor's case, who argued to the jury, over repeated motions for mistrial, that LaRouche directed Ascher's every activity.

Ascher moved four times prior to trial to change venue, citing the extreme prejudice against LaRouche in Leesburg. These motions included detailed surveys of community sentiment and affidavits by community leaders. Judge Carleton Penn refused to change venue, claiming that people did not read the newspapers. The *Loudoun Times-Mirror* even editorialized against the change of venue motion, dubbing it an attempt to "flee the nest where the deeds were done" and claiming that the Loudoun community "deserved" the trial. A special courtroom was built by the county to accommodate the proceedings.

Immediately after selecting the biased jury which heard Rochelle Ascher's case, Judge Penn spontaneously ordered a change of venue for the rest of the Virginia defendants, citing the "extreme difficulty" in selecting Ascher's jury. Any remaining doubt about Ascher's fate was removed when Penn issued jury instructions dictating that the jury *must* find that the loans were securities, and that Ascher *did not have to know the loans were securities in order to be convicted of multiple felonies*. Penn instructed the jury that "any note" was a security—contrary to all securities law before or since the Ascher verdict. This jury instruction, nonetheless, was sustained by the Virginia Supreme Court. Proving the inflammatory impact of the media and law enforcement propaganda, not to mention the judge's instructions, the Ascher jury returned a guilty verdict and a sentence of 86 years, later reduced by Judge Penn to 10 years in prison.

Down the rabbit hole: the Roanoke trials

The Virginia Supreme Court moved the remaining Virginia prosecutions south to Roanoke for trial by Judge Clifford Weckstein. There was nothing accidental about the selection of the judge or the location.

Unlike any other potential site in Virginia, Roanoke had also experienced saturation levels of negative media coverage of LaRouche. Between 1984 and April 1989, when venue was officially changed, the *Roanoke Times* printed over 180 virulent articles, including editorials, about LaRouche. This extraordinary attention occurred despite the fact that there were no LaRouche activists in Roanoke.

The *Roanoke Times*, however, took its anti-LaRouche filth directly from the ADL and Virginia Attorney General Mary Sue Terry, even publishing ADL press releases. An editorial in the paper called the LaRouche movement an "affront to decency" and a "threat to civil order." Judge Weckstein's father-in-law was the former managing editor of the newspaper. His brother-in-law was its political editor.

Mike Billington's trial was first. Convicted with

LaRouche in the Alexandria Federal trial and sentenced to three years in prison, Billington faced 90 years in prison on Mary Sue Terry's hoked-up indictment involving the very same alleged activities. Terry and Federal prosecutors successfully evaded the double jeopardy provisions of the U.S. Constitution and a Virginia state statute implementing them by labeling Billington's alleged crime "securities fraud" rather than the mail fraud conspiracy charged by Federal prosecutors in Alexandria.

On the eve of trial, Judge Weckstein told Billington's lawyer that if Billington would give up his right to a jury trial, he would convince the Virginia Attorney General to go along with a bench trial. By having the judge try the case, Billington would be guaranteeing a guilty verdict, the general outcome of bench trials in Virginia, but would be assured of a light sentence. Judge Weckstein also told Billington's lawyer that if Billington did not accept a bench trial, he would not reduce any sentence imposed by the jury, as Judge Penn had done in Ascher's case.

Billington refused to throw in the towel. He insisted on presenting the political defense to the charges—something which had not been allowed in the Virginia Federal trial. Billington's lawyer, Brian Gettings, responded by going berserk.

Gettings moved to withdraw from the case on the eve of trial and to have Billington judged mentally incompetent. There followed extraordinary and bizarre proceedings in which Gettings:

- concocted charges against Billington and his colleagues, including that Billington was attempting to obstruct the trials, and that Gettings had been "set-up" as part of a "Ludlum-esque plot," Gettings also stated that he had received a death threat: In his deranged state of mind, Gettings concluded that advice to Mike Billington from Lyndon LaRouche to treat Gettings charitably constituted a death threat. Gettings subsequently admitted, on the record, that there was no basis for these charges, despite the fact that his statements were aired publicly to potential jurors in Roanoke;

- worked with the prosecutor and Mira Lansky Boland of the ADL to brew up a mental diagnosis for Billington of "shared delusional disorder" after a psychiatrist examining Billington found him to be perfectly sane—this "disorder" is not even a recognized as a formal psychiatric diagnosis. The hokey diagnosis nonetheless resulted in an order for a second psychiatric examination of Billington;

- argued forcefully that it was in Billington's best interest to be committed to a state mental hospital, despite the fact that Billington was perfectly sane;

- compromised Billington throughout the pre-trial and other proceedings by sharing Billington's thoughts and statements with the judge and the prosecutor, contravening the attorney-client privilege.

Judge Weckstein refused to allow Billington a substitution of counsel, despite the fact that another lawyer stood ready to try the case, and despite the fact that the proceedings before him resembled the worst sort of Soviet human rights abuses. While repeatedly recognizing on the record that Gettings' allegations of incompetence had no basis, Judge Weckstein ordered the competency proceedings forward while castigating Billington for "gamesmanship" and "gumming up the works." Thus, on the eve of trial, Billington was falsely portrayed in the local press, repeatedly, by his own lawyer, as a member of a criminal cult and a "go-along tool" for the alleged arch-criminal, LaRouche.

In the evidentiary hearings conducted on Billington's Federal *habeas* petition it was demonstrated that Gettings assumed he could get Billington to plea bargain, and had not, therefore, prepared for trial. He never disclosed the secret agenda to Mike Billington, however, and insisted to Billington that he was preparing his defense for a jury trial. It was also revealed that the prosecutor had never even agreed to Weckstein's bench trial proposal, supposedly the precipitating cause for the wild pre-trial proceedings. A bench trial could not occur without the prosecutor's agreement.

At trial, Gettings refused to let Billington take the witness stand in his own defense, never prepared his testimony, and continued to insist that Billington was deranged. The *habeas* proceedings carried Gettings' admission that the only reason he believed Billington was crazy was because he invoked his right to a jury trial. When Billington filed a mistrial motion, citing his constitutional right to testify, and the fact that Gettings would not allow him to do so, Gettings wrote a note to Billington suggesting that he now could hire a different lawyer to put him on the witness stand. Billington's expert at the *habeas* proceeding, legal ethics professor Roy Simon, characterized this suggestion by Gettings as "bizarre" and "way outside legal norms."

Gettings otherwise conceded huge chunks of the prosecutor's case, failed to present any real defense to the charges, and cited his own lack of preparation for the case on the record.

Federal Judge Richard Williams, after initially expressing concern about the denial of Billington's Sixth Amendment right to counsel, and ordering an evidentiary hearing on Billington's *habeas* petition in 1996, changed course during the hearing itself. Williams actually ruled on July 26, 1996, that Billington's zealous devotion to LaRouche justified Brian Gettings' actions, and that Gettings was only attempting to protect Billington from himself!

If Gettings' actions weren't enough to send Mike Billington to prison for years, Billington's prosecutor, John Russell, had a backup insurance policy in the form of his concealment of exculpatory materials. Russell put before the jury a witness, Marie Fincham, who, at the time of her testimony, was suffering from Alzheimer's disease. He argued that Mike Billington manipulated the feeble Fincham, and that this justified the

jury imposing the maximum sentence. Jurors wept during Fincham's testimony.

All the time, prosecutor Russell knew that he was presenting a completely false picture to the jury. In testimony produced during the *habeas* proceedings, and in documents which had been previously concealed by the prosecutor, it was demonstrated that *Fincham was fully competent and in charge of her affairs at the time of her dealings with Billington*. It was only manipulation and coercion by Virginia state prosecutors and hostile family members which resulted in her decision to cooperate in any respect in the prosecution of Mike Billington.

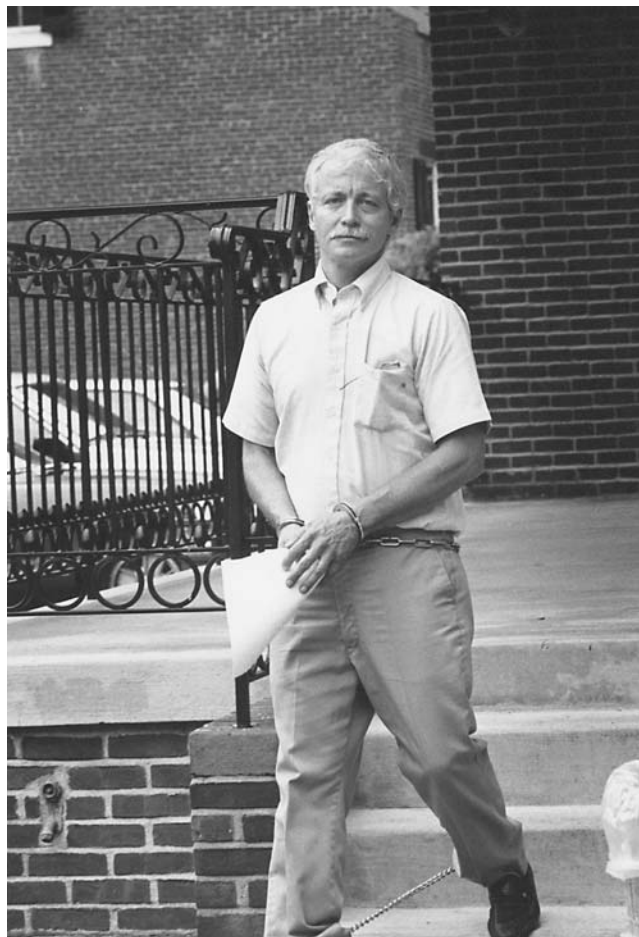
In her initial statements to prosecutors, withheld from the defense, Fincham denied that she had been defrauded, that Billington misled her, or that she considered her political loans "investments." The prosecutor's memorandum noted that it took a whole lot of talking over a two-day period to convince Fincham to "come around." Judge Williams refused to even hear this claim from Billington's *habeas* petition—a decision now sustained by the Fourth Circuit.

Don Phau's Roanoke trial, which followed that of Billington, also involved lawyers rolling over and playing dead—in this case quite literally. Phau was assured by his attorneys, Jay Sekulow and Pat Monaghan, that they understood the political nature of the prosecutions, and that they were uniquely qualified to present Phau's defense. According to this presentation, no stone would be left unturned in defending Phau's innocence. Both lawyers had been associated with the defense of the Right-to-Life Movement and Operation Rescue. Sekulow was at the beginning of a masterful public relations campaign in which he puffed himself into overblown national prominence as the First Amendment guru of the conservative movement.

Phau's Federal *habeas* petition now pending in the Eastern District of Virginia before U.S. District Judge James Spencer, shows that Monaghan and Sekulow withheld several critical facts about themselves in their initial discussions with Phau.

Monaghan never told Phau that he had been in-house counsel to an organization which publicly attacked LaRouche during Monaghan's tenure, and which claimed to be fully mobilized against LaRouche following victories of two LaRouche associates in the March 18, 1986 Illinois primaries. Sekulow never told Phau that his familiarity with securities fraud charges stemmed, in part, from the fact that he was being sued for securities fraud, as the lead defendant, by disgruntled investors in a real estate and tax scheme in the Northern District of Georgia. Neither disclosed that they were beholden to financial angels on the Christian right, Paul and Jan Crouch of Trinity Broadcasting and religious charlatan Pat Robertson.

At the time of Phau's trial, both Monaghan and Sekulow were about to sign on as lead players in Pat Robertson's newest fundraising gimmick, the American Center for Law and



Former Loudoun Sheriff's Deputy Donald Moore, leaving the Federal courthouse for prison after sentencing. A key player in the Get LaRouche case, he tried to parlay his dirty tricks skills into the kidnap-for-hire business, with Galen Kelly. It was a short-lived career.

Justice. Neither told Phau that they had profound religious disagreements with the LaRouche movement, viewing LaRouche's idea of the perfectibility of man and of the universe as the heart of evil.

Ultimately, Sekulow did not even show up for Phau's trial. He claimed he could call the shots in the courtroom by telephone, long distance, after being briefed by Monaghan and a young associate. Monaghan bungled his way through the entire trial from jury selection forward, either not cross-examining prosecution witnesses or reiterating the prosecutor's points through his cross-examination.

Although the transactions at issue in all of Phau's charges were completely exempt from the securities laws, Monaghan argued the wrong statutory exemptions and otherwise did not pursue this complete defense to the charges. When LaRouche was summoned from Federal prison by Phau's lawyers to Roanoke for testimony in the case, the charade completely



Virginia Attorney General Mary Sue Terry, at a press conference in Richmond on Oct. 9, 1986. Even the Feds complained that her political ambitions were getting in the way of their corrupt LaRouche frameup.

collapsed. Monaghan confessed that he endorsed the prosecutor's view of LaRouche and would not call LaRouche to the witness stand. During a scheduled meeting with LaRouche, Phau, and others, Monaghan arrived and promptly rolled himself up into a ball in the corner of the room, refusing any entreaty to discussion.

Phau's Federal *habeas* petition is a detailed account of lawyer incompetence and betrayal. According to the affidavit of Phau's jury foreman, the lawyers' buffoonery was such that the jury freely commented about it. The petition also demonstrates that the prosecutors withheld critical exculpatory evidence concerning the prosecution's witnesses.

In the state proceedings on Phau's *habeas*, his former lawyers sided completely with prosecutors. They presented lying affidavits, asserting that their bungling was justified in every case because Phau had supposedly "agreed" not to defend himself on the charges, and there was, in fact, no defense to the charges. According to these affidavits, the assertion of any defense would only make the judge and the jury angry at Phau!

Phau's prosecutors argued, in turn, that their withholding of crucial exculpatory materials could not have affected the result of the trial — an element which must be proved to obtain relief on *habeas* — because Phau's lawyers would not have used the exculpatory information. As the affidavits of Phau's lawyers stated, the planned "strategy" was not to cross-examine prosecution witnesses or present a defense. The Virginia

Supreme Court denied Phau the opportunity to even contest his lawyers' lying affidavits, although Phau submitted materials thoroughly discrediting their claims.

The Gallagher-Gallagher-Hecht trial

Between the time of Phau's trial in January 1990 and the last Virginia case tried before a jury, that of the Gallaghers and Larry Hecht (November 1990-January 1991), Judge Weckstein also revealed the pedigree which caused the Virginia Supreme Court to pick him to try the LaRouche cases. Known in legal circles for pomposity, ambition, and intellectual mediocrity, Weckstein was the perfect bureaucrat to preside over a judicial atrocity. What was unknown to the defendants was his overt and direct anti-LaRouche agenda.

Richard Welsh, facing trial as the next LaRouche case after Phau, filed a motion to recuse Weckstein based upon Weckstein's relationship to ADL national committee member and Richmond legal honcho Murray Janus, Weckstein's conduct of the Billington trial, and Weckstein's relationship to the ADL's anti-LaRouche propaganda rag, the *Roanoke Times*. Acknowledging the ADL's extraordinary animosity to LaRouche, Weckstein had magnanimously recognized the obvious in the Billington case. He ruled that jurors who had any relationship to the ADL would be unfit to sit in the LaRouche cases.

In the course of proceedings on Welsh's motion, Weckstein admitted that he had clandestine communications with the ADL and Janus about the cases. By his own startling admission, Weckstein had received ADL propaganda against LaRouche, including a motion to appoint a Jewish justice to the Virginia Supreme Court which the ADL believed would be of "special interest" to Weckstein, who is Jewish. He engaged in communications with the ADL concerning Weckstein's need for ADL "protection" following wide circulation by LaRouche's associates of leaflets criticizing the judge's brutal machinations in Billington's case.

Forced into hearings on Welsh's motion based upon Weckstein's own admissions, Weckstein fawned all over Janus when the Richmond lawyer appeared under defense subpoena to testify. Judge Weckstein declared Welsh and his attorney in contempt of court, levied illegal sanctions against them which Janus suggested; Weckstein then vacated the same sanctions after Janus left court, since he had had the opportunity to reflect upon how his impulsiveness would play on the court record.

Despite these developments, Weckstein refused to recuse himself in either the Welsh proceeding or for the subsequent Gallagher/Hecht trial. At that trial itself, he gave full vent to his bias, blustering ahead on the apparent theory that a rigged guilty verdict would trump the clumsy revelations about his own corrupt role. The *habeas* petition cites the following demonstrations of Weckstein's bias:

- Despite the prosecutors' saturation of the jury pool with

inflammatory publicity, including national television appearances by prosecutors and witnesses on the eve of trial, Weckstein refused to allow the defense to ask potential jurors what they had seen or heard about LaRouche or the defendants, strenuously rehabilitated (intervened to advise) potential jurors who expressed outright bias so that they could sit on the jury, and seated jurors who equated LaRouche and the defendants with fascism, fraud, and violence.

- Weckstein refused to adequately explore accusations by overwrought Roanoke jurors that they were bribed by the defense based on a mix-up in the lunch bills at a local restaurant; treated the jury's presentation of an article to him about the famous Texas hanging Judge, Roy Bean, as a harmless joke; and held an unrecorded secret meeting with jurors concerning their fears about four Muslims who briefly attended the trial, never revealing the meeting to the defense.

- Defense subpoenas to prosecution witnesses and for defense witnesses were summarily denied by Weckstein with no legal basis. Prosecutors in this trial deliberately picked loans from supporters who had died between between the time the loan was taken and the trial. They then paraded hostile lenders' relatives, lawyers, and bankers, to testify about the loans of the former political supporters.

Hunt Country resident Langhorne Washburn, for example, testified that Anita Gallagher took advantage of his eccentric sister who, he lied, was barely competent at the time she loaned funds to LaRouche causes. Weckstein barred the defense's efforts to summon a witness who would testify that Washburn, formerly associated with Richard Nixon's Committee To Re-Elect the President (CREEP) apparatus, was himself suggesting that others solicit his sister at the time she was talking to Mrs. Gallagher. Unstated was the fact that Washburn wanted his sister to provide funds for Oliver North's White House Contra operations rather than for LaRouche.

Other materials sought would have showed the anti-LaRouche bias and personal financial interest of the "surrogate" prosecution witnesses.

Weckstein intervened to rehabilitate prosecution witnesses who had been seriously discredited by defense cross-examination while attacking the credibility of Larry Hecht and Paul Gallagher when they took the witness stand in their own defense.

Weckstein ruled that the jury could not hear the actual tape of an interview conducted with a prospective witness by the prosecution's lead investigator, Charles Bryant, which the defense had obtained. Prior to the interview, Bryant used the witness's son to warn her that if she did not claim fraud by Larry Hecht, she could go to jail. When the witness denied there was any fraud, Bryant lied that Hecht had used her loan proceeds to feed Helga LaRouche's dogs and pummeled her with other outrageous claims in order to change her mind.

Weckstein also issued jury instructions which erased the prosecutor's burden of proof. He told the jury that the

prosecutor did not have to prove that the defendants knew the loans were securities and acted deliberately to evade the securities laws, despite the fact that the Virginia statute and the indictments clearly required this proof for conviction of a felony. The jury instructions issued by Weckstein were appropriate to Virginia's definition of a misdemeanor securities offense—a strict liability offense not requiring a criminal state of mind.

As in all of the LaRouche prosecutions, prosecutors deliberately withheld exculpatory information and knowingly presented false testimony at the trial. The Gallagher/Hecht Federal petitions contain many egregious instances of blatant prosecutorial misconduct. To cite but a few:

The lead prosecution witness, Christian Curtis, a former LaRouche associate, was "deprogrammed" by professional deprogrammers before he took the witness stand. Such brainwashing, the petitions demonstrate, rendered unreliable anything Curtis said. Curtis plotted with prosecutors to forever bury an immunity agreement insuring that he would never be prosecuted but would, in fact, go to law school under prosecutorial sponsorship. Prosecutors and Curtis discussed the fact that disclosure of this agreement would undermine Curtis's credibility. Instead prosecutors presented Curtis to the jury as a conscience-stricken truth teller who was willing to "let the chips fall where they may."

Curtis was also involved, with full knowledge of the prosecution, in a plot to kidnap Lewis du Pont Smith, a member of the LaRouche movement and a witness at the Gallagher/Hecht trial. Curtis conducted surveillance of Smith for kidnapers Galen Kelly and Don Moore.

Prosecutors hid their own studies showing that their claims of \$30 million in loans due and owing, based on testimony of prosecution witness Wayne Hintz, were totally false and fraudulent. They also concealed prior statements by Hintz, finally made available after years of Freedom of Information Act (FOIA) litigation, which flat out contradicted Hintz' trial testimony.

To buttress their phony "securities" claims, prosecutors presented lender-witnesses who testified, straight-faced, that the reason they put thousands of dollars at risk in a loan to a political organization was that they could earn \$10 or \$20 more in interest than what they could if they kept funds in a bank. The lenders' prior statements, never produced to the defense, never mentioned any concern with interest rates and stated that loans were advanced for purely political reasons. Interviewed post-trial, lenders uniformly disavowed that they had a "profit motive" in making the loans, despite their trial testimony implying the contrary.

One lender, involved in two counts of Anita Gallagher's indictment, told the Virginia State Police that he had absolutely no problems with his loans—that he gave them knowingly and freely to causes he believed in, and that he did not believe he had been defrauded. After being threatened with loss of his job because of his association with LaRouche, the

same lender completely changed his tune, testifying at trial that he and Anita Gallagher had detailed discussions about the interest rate his loan would carry. He claimed Gallagher had defrauded him. Neither the original State Police statement or the job-loss threat, to which prosecutors were privy, were disclosed to the defense.

Before the trial took place, a pre-trial agreement was reached between the prosecution and the defense in this case. Prosecutors agreed that they would not object to the defense that prosecutorial and law enforcement actions severely compromised the ability of the LaRouche movement to repay loans. This was the defense which had been outlawed by Judge Bryan in the Federal LaRouche trial. In return for this concession, the defendants gave up their legal right to separate trials under Virginia law.

Despite this agreement and exculpatory evidence requests addressed to the “financial warfare” defense, prosecutors lied and covered up their own activities at trial, ultimately mocking the defense’s claims to the jury with the yelp: “where is the evidence?”

Prosecutor John Russell claimed to the Gallagher/Hecht jury that Virginia prosecutors had nothing to do with the Federal bankruptcy action — yet FOIA documents revealed long after trial show Russell and his cohorts plotting every move in the bankruptcy action with the feds, and offering access to private police networks for the action.

Former lead investigator Don Moore confessed, years after trial, that prosecutors, the ADL, and law enforcement planned criminal and civil legal offensives and media mobilizations with the explicit purpose of disrupting and draining the LaRouche movement’s finances throughout the years 1985-87. Moore elaborated further that there were no complaints from lenders when he and the ADL started their actions against LaRouche — law enforcement and the ADL created the evidence for the criminal case.

Finally, the Gallagher/Hecht *habeas* petitions, based on post-trial investigation, demonstrate that jurors who heard the case were biased. One juror, who otherwise confessed that he made up his mind before the defense presented its side of the case, read newspapers about the case despite admonishments not to do so, and felt that the defendants wanted to threaten the jury, blurted out to a defense investigator that “I should have been off that damn jury in the first place.” It turns out that the juror had been a neighbor of lead prosecution investigator Charles Bryant, a major witness and focus of the trial. The juror discussed Bryant’s participation in the case with a neighbor, herself a close friend of Bryant, during the trial. Despite the prosecution’s full knowledge of this situation well prior to direct appeal, it was never disclosed to the defense, even when the defense challenged the bona fides of this juror in post-trial motions.

The Virginia Supreme Court ruled that the Gallaghers and Hecht actually knew about all of the exculpatory materials, which only came to light after years of deliberate prosecutor-

ial concealment, defendants’ FOIA litigation and the fortuitous 1994 confessions of Don Moore to an FBI informant, at the time of trial in 1990! Hence, the Virginia Supreme Court asserted, it was not necessary to address the claims on their merits because the defendants defaulted them — they did not present them on time. The Supreme Court did not even attempt to support this ruling with evidence or to explain its metaphysical possibility, since there is not a scintilla of evidence to support it. Alternatively, the Supreme Court argued that defendants could have discovered the exculpatory materials which the prosecutors took such pains to hide, by being “more diligent.”

The same arguments were pressed by prosecutors in Federal court to dismiss the *habeas* petitions. In addition, prosecutors argued that under the new *habeas* law, signed by President Clinton in 1996 after years of lobbying by states’ rights conservatives — all decisions of the Virginia Supreme Court must be rubber-stamped by the Federal courts, even if unreasoned and without record support. According to proponents of the new *habeas* law, this promotes “finality” in the criminal justice process and appropriate relationships between the state and Federal governments, ideas which are more important than factual innocence or constitutional violations.

Federal Judge Jackson Kiser bought the prosecutors’ arguments. His Oct. 9 decision will be appealed to the U.S. Circuit Court of Appeals for the Fourth Circuit.

Videos Provide Evidence of DOJ Corruption

In August-September 1995, a group of distinguished state legislators and others, with the aid of the Schiller Institute, pulled together independent hearings “to investigate misconduct by the U.S. Department of Justice.” They examined three types of cases: Operation Fruehmenschen against black elected officials; the LaRouche case; and the cases brought by the DOJ’s Office of Special Investigations (OSI), including that against John Demjanjuk.

Two videos are currently available:

- DOJ Misconduct: 4 Case Studies (104 minutes)**, order number SIV-95-002, \$35.
- LaRouche Case (60 minutes)**, order number SIV-95-005, \$25.
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Will NATO strike? The price of appeasement in Kosova

by Umberto Pascali

While officially, everything is ready to launch NATO air strikes against targets in Kosova and Serbia to stop Slobodan Milosevic's genocide, behind the scenes a different game is being played out, a game whose rules and aims go far beyond Kosova itself. "This time it's serious. Milosevic has received assurances of support from the Russians; he has been told not to back down," a senior Balkan source told *EIR*, summarizing the real debate going on. The high-level source pointed out that there is indeed a very cynical reason for the constant "overtalking" about all details of what NATO is going to do, how, when, the constant threats and posturing, which are never followed up with any action.

Indeed, the loudest talk about military action is coming from London. The British elite, as *EIR* has documented, has in the past undertaken the most appalling schemes, like in the case of Sir Gen. Michael Rose, to protect the Milosevic gang. Suddenly, over the past weeks, British Prime Minister Tony Blair, British Foreign Minister Robin Cook, and their sycophants took the lead in the *verbal* war against Milosevic.

While NATO was preparing plans for intervention that are supposed to be kept secret up to the last minute, Blair and company pushed their *virtual* assault. The motivation? According to the senior source: "It is as if they wanted to provoke Russia and force Moscow to intervene in favor of its nominal ally, Milosevic." Even if the motivation were otherwise, Milosevic does not constitute a strategic interest for Russia. "I deeply dislike this overtalking about any detail of a possible NATO intervention, something that should be kept within a very small circle, used as a very credible threat, and applied in a determined way. The opposite is being done. That could very well mean that those who speak the loudest are looking for an excuse not to act."

From economic shock therapy to war

Indeed, the Russian angle has become the center of the complex game in the Kosova crisis. Moscow did indeed intervene in an "uncharacteristic way." President Boris Yeltsin, Prime Minister Yevgeni Primakov, the Russian Defense and Foreign Ministers, the State Duma (lower house of Parliament), and a number of political and military leaders intervened in the Kosova debate, stressing that Russia opposes any military intervention against Milosevic, that no intervention should take place without an explicit resolution and mandate of the UN Security Council, that Russia (as a permanent member of the Security Council) will veto any such resolution, and that air strikes would risk starting a war.

On Oct. 7, Yeltsin talked to Blair, who was visiting China, to tell him that air strikes "would be disastrous for global peace and drastically change the situation." The Duma was even more drastic, calling, in a unanimous resolution, for supporting Serbia and strengthening the Russia-Serbia military alliance. Duma Deputy Speaker Sergei Baburin put on the table the START II nuclear arms reduction treaty. It would be difficult for Russian parliamentarians to ratify it in case of air strikes, he said. "Pushing the world to the brink of war is not the most reasonable thing [Western] politicians are doing."

This is the situation to which the senior Balkan source was referring. "There is a wild atmosphere in Russia. . . . Within the political and military leadership, among many people . . . [there is] a spirit of visceral reaction against the West. Russia is in disarray, economically and otherwise, but still, possibly because of that, it provokes fear. Russia still has nuclear bombs. It is said that it is not clear who controls these bombs," he said. "All this situation is now focussing around

Kosova. . . . *On the other hand, if there are not effective measures to stop Milosevic's genocide, NATO, the U.S., the West — whose credibility is at a dramatic low in the Balkans — will be hit probably in a fatal way with tragic consequences, not only for the Balkans, but for the whole world.*"

Indeed, the "wild atmosphere" in Russia was not provoked by Kosova, but by the systematic economic destruction of an economy already crumbling from the time of the Soviet Union, triggered by the economic "shock therapy" pushed by the International Monetary Fund (IMF), the World Bank, and George Soros on behalf of an appalling "loot and flee" plan, not only in the former Soviet Empire, but all over the world, sponsored by the British oligarchy. There is "disarray" now in Russia—abject misery, despair, humiliation and hate. As in pre-Hitler Germany, there is a strong feeling of having been condemned without appeal by the rest of the world. Ironically, the economic insanity of the IMF and company is the cause of the terrible situation in the Balkans, in more ways than one.

It was decision at the Bosnia Peace Talks in Dayton, Ohio in 1995, to grant the IMF and World Bank the "franchise" for Bosnia's reconstruction, that ensured that no real reconstruction would take place. The state of non-reality, no real jobs, no real economy, has produced despair, unemployment, the growth of the black market, escalating organized crime and, in short, a permanent instability and volatility that could quickly become a hot war.

What is more dramatic, is that the West has nominally decided to face the Kosova problem at the moment in which the international financial system is collapsing and economic, financial, strategic, political, social, and military upheavals are taking place. In the middle of the deliberation on the Kosova intervention, two of the key Western governments involved just collapsed: German Chancellor Helmut Kohl on Sept. 27 lost the election to a Social Democratic-Green coalition, and Italian Prime Minister Romano Prodi on Oct. 8 lost a parliamentary vote of confidence. These are two of the six governments of the "Contact Group" (the United States, France, Germany, Italy, Britain, and Russia) that are involved in the attempt to establish peace in Bosnia and Kosova.

In the meantime, Russia is exploding, and President Clinton is facing a coup d'état organized by Kenneth Starr's puppet-masters. The West, after having waited, appeased, and de facto encouraged Milosevic for so long, after having given him the mark of impunity, is now forced to face the problem in the middle of an impending earthquake. And all this, while London has been unveiling a new version of its geopolitical "divide and conquer" schemes, dangerously pushing Russia to the edge.

Holbrooke, Milosevic negotiate, again

For the moment, while the representatives of the Contact Group nations are meeting almost constantly, and after all the ultimatums to Milosevic, U.S. Balkan envoy Richard Holbrooke, the main mediator of Dayton, after having met on Oct.

8 with U.S. Secretary of State Madeleine Albright in Brussels and the foreign ministers of the Contact Group in London, was sent back to Belgrade for three more days of negotiations with Milosevic.

In an interview with *EIR* (published in last week's issue), Bosnian official Dr. Nedzib Sacirbey stated: "The problem is: Who brought Milosevic back into the game every time? At the time of the Dayton agreement, mediators had a position of the kind: 'When I want a deal, I will get it by pleasing the stronger and putting pressure on the weaker.' Milosevic was again given the position of 'guarantor' of the agreement. This role was tried again in Kosova. . . . I do give credit to Holbrooke for visiting Kosova, mediating . . . but the U.S. cannot bless Milosevic. Milosevic never respects any deal.' "

Is this, beyond all the posturing, what is being prepared? Is there in fact a deal with Milosevic being prepared? It is to be hoped that it is not so. It would be indeed tragic.

The point was raised at a press conference of U.S. State Department spokesman James Rubin, at NATO headquarters in Brussels on Oct. 8. At that point it had just been announced that Milosevic had de facto told Holbrooke the diplomatic equivalent of "Go to hell," and had accused NATO and the West of acting like "rapists." The Milosevic-appointed Deputy Prime Minister of Serbia, the genocidalist Vojislav Seselj, had just stated: "NATO soldiers may possibly enter our country as combatants, but they will leave it in coffins." Seselj had also stated that if Balkan countries provide help to NATO, "they will also be considered our enemy and will have to face the consequences." Seselj had also delivered a terrorist threat, that U.S. forces outside Serbia will be hit, and opposition forces will be hit as well.

"Why is she [Albright] sending Holbrooke back to Belgrade when she has gotten nothing out of Milosevic? . . . What's the point?" a reporter asked Rubin. The answer, in diplomatese, was: "The goal of our policy is not to use force if it's not necessary. . . . Ambassador Holbrooke can work on specific ways to ensure a verifiable and durable compliance with the requirement of the international community."

In the meantime, different approaches are emerging from within the Contact Group. France took a "softer" line, with Foreign Minister Hubert Vedrine telling a French Parliamentary committee that yes, France could accept air strikes, but of a different kind. France "excludes resorting to immediate, huge attacks which would be incompatible with a political solution. *Eventual military action* will be progressive and interrupted by periods where [diplomatic] activities will be resumed," i.e., more British-style cabinet warfare. Russian Foreign Minister Igor Ivanov, who was also in Belgrade while Holbrooke was there, briefed the Contact Group the same day, giving this surrealistic statement: "I am convinced that we have moved closer to a political settlement of the [Kosova] question." On the substance, Ivanov did not change a comma: Air strikes "would have dire consequences of an international nature."

City of London unleashes 'Netanyahu wars' from Balkans to Central Asia

by Joseph Brewda

Beginning in early October, sudden threats by Turkey to invade Syria over its harboring of Kurdish terrorists, demonstrate the way that London, and its puppet state, Prime Minister Benjamin Netanyahu's Israel, are moving to plunge the region stretching from the Balkans into Central Asia into war. Israeli massacres of the Palestinians, followed by an Israeli war with Syria, and an Iranian-Afghan war spilling over into Central Asia and Pakistan, are also on the agenda. A Serbian-Albanian war over Kosova, and a new U.S.-led UN assault against Iraq, are also in the works, while a new Ugandan-led assault on Sudan has already begun.

Although London has several important regional objectives to achieve, its purpose in provoking these wars is their global effects.

London believes that such wars, especially between a nuclear-armed, allegedly out-of-control Israel, and the Arab states, could overwhelm the powers of the U.S. Presidency, rendering it incapable of dealing with the global financial crisis. London also wants to use such wars to destroy any potential collaboration between the United States, Russia, and China, because without these states' cooperation, it is unlikely such a new financial system could be formed. For example, the Kosova crisis places the United States and Russia on opposing sides.

London has a special role for Netanyahu's Israel to play in virtually all these conflicts, even where Israeli military forces are not directly involved. For one, wherever Israel is involved, the United States, and not London, will take the rap. Decades of U.S. bankrolling of Israel, and support for its policies in the UN, have ensured that. Additionally, the Zionist lobby, whose influence in Washington has skyrocketed since the Monica Lewinsky scandal, can be used to block the United States from acting against London's new wars, and block the U.S. from acting on behalf of U.S. interests.

Israel plays Turkey against Syria

As of Oct. 9, Turkish troops have massed on Syria's borders, a sudden buildup which began at the beginning of the month. On Oct. 3, Turkish Chief of Staff Gen. Huseyin Kivrikoglu explained that there was "a state of undeclared war between us and Syria," over Syria's harboring the terrorist Kurdish Workers Party (PKK), whose insurgency in south-

eastern Turkey has killed more than 20,000 people since 1984. He added: "We are trying to be patient, but that has a limit." Simultaneously, 10,000 Turkish troops invaded Iraq on Oct. 3, in search and destroy missions against PKK camps. On Oct. 4, Turkish Prime Minister Mesut Yilmaz told a meeting of his party's parliamentary deputies that Turkey has given Syria its "last warning."

In a last-minute attempt to mediate an end to the crisis, Egyptian President Hosni Mubarak flew to Damascus and then Ankara on Oct. 5-6. But, Turkey has already declared that unless Syria hands over PKK leader Abdullah Ocalan, who lives in Damascus, and shuts down all of the PKK's camps in Syria and Syrian-run Lebanon, no diplomatic solution is possible.

The Syrian ruling party's paper, *Al Baath*, has charged that Turkey's threats reflect "full coordination between Ankara and Tel Aviv in accordance with their alliance," paralleling recent condemnations of Turkey by neighboring Iran and Iraq, as well as by the Arab League. Greece, Cyprus, and, notably, Russia, have also voiced concern that the Turkish-Israeli military agreements negotiated since the mid-1990s reflect a U.S. and NATO plan to have the two states jointly dominate the eastern Mediterranean.

Predictably, Netanyahu, who last month provocatively declared that Turkey and Israel constitute an "axis," has claimed that Israel has nothing to do with the crisis. "We have taken steps to reassure Syria that we are not going to use any of this to our advantage . . . or to change the status quo on the border between Syria and Israel," he said on Oct. 4.

But, while Turkey seems to have fallen into Israel's trap of fighting Israel's wars for it, there are also indications that what Turkey is responding to is not a new Syrian outrage, but to the Zionist lobby's success in pushing the U.S. State Department to again announce its intent to impose a "federal solution" on Iraq. A federal solution means carving out a de facto Kurdish state within Iraq on Turkey's borders, which Turkey knows will serve as a base for the PKK.

On behalf of this plan, the U.S. State Department brought warring Iraqi Kurdish leaders Masud Barzani and Jalal Talabani to Washington in mid-September, to pledge themselves to work together for UN-sponsored Kurdish elections set for July 1999, to create the new statelet. Barzani's ally, the PKK,

is effectively a partner of the agreement, as PKK television broadcasts from London emphasize. The deal was promptly denounced by Turkish Deputy Prime Minister Bulent Ecevit, who said that it “strengthens the de facto separation of Iraq,” and that it is “impossible for Turkey to approve of such changes.” When the United States proposed the plan in February 1997, Ecevit denounced it as reflecting “British manipulation” of Washington.

One month prior to the State Department Kurdish gathering, the Washington Kurdish Institute, led by Mike Amitay, son of the former Washington lobbyist of the American Jewish Congress, Morris Amitay, sponsored a conference on July 29 on the Kurdish conflict. The confab was addressed by top PKK leaders, prominent former U.S. intelligence officers, and officials from the Washington Institute on Near East Policy, the think-tank of the American-Israeli Public Affairs Committee (AIPAC). Assistant Secretary of State for the Near East Martin Indyk, who supervises Kurdish policy at the State Department, is the former head of the think-tank.

Israel promotes Iran-Taliban war

Meanwhile, in Central Asia, 270,000 Iranian troops remain massed on its border with Afghanistan, for exercises announced after the Taliban regime admitted to murdering nine Iranian diplomats. Dozens of Iranian fighter planes bombed imaginary targets along the border on Oct. 2, amidst Taliban protests that the planes crossed over into Afghan territory. According to the latest reports, clashes between the Taliban and Iranian forces occurred on the border on Oct. 8.

Since the Taliban came into power in 1996, Russia, Iran, and most of the Central Asian republics have vociferously charged that the group is a joint U.S.-Saudi-Pakistani project, managed by Union Oil of California and other petrochemical firms, that is meant to destabilize Central Asia. For such reasons, observers emphasize, an Iranian-Afghan war might destroy the promise of near-term, greatly improved U.S.-Iran relations (which Israel fears), as well as add a new, difficult complication in U.S.-Russian relations.

A war between Shiite Iran and the violently anti-Shiite, Sunni sectarian Taliban regime of Afghanistan, could also spark ruinous Sunni-Shiite conflict throughout the Muslim world, another long-sought Israeli policy objective, while undermining any near-term accommodation between Iran and Saudi Arabia, a center of Sunni orthodoxy. The war could also spill over into Iranian conflict with Pakistan, another state which is high up on Israel’s target list.

Such prospects have the Zionist lobby in Washington drooling. “This is two scorpions in a bottle fighting each other,” Jewish Institute for National Security Affairs (JINSA) director Tom Neumann, one of Netanyahu’s top U.S. mouthpieces, said of the possible Iran-Taliban conflict to the Sept. 18 edition of the Jewish *Forward*. “You’ve got to let them fight it out.”

The Zionist lobby has been active in attempting to pit Iran against Afghanistan and Pakistan along such lines. Since December 1997, JINSA and AIPAC, together with their joint operational arm, Kenneth Timmerman’s Foundation for Democracy in Iran, have been pushing for a new U.S. plan against Iran. At a series of high-level meetings, including at the Pentagon, this gaggle has called for blowing up Iran’s eastern borders with Afghanistan and Pakistan through playing the ethnic card. One target is the ethnic Baluch region straddling the three states. Plans are also reportedly afoot to use the 1.5 million Afghan refugees in Iran, among whom Israel has major capabilities, to launch terrorist insurgency within Iran, if it is lured into invading Afghanistan.

Israel vs. the Palestinians, and Syria

Finally, an Israeli showdown with the Palestinians, followed by war with Syria, is another British scenario. In what visiting U.S. Secretary of State Madeleine Albright chose to hail as a “new spirit,” Netanyahu and Palestinian Authority Chairman Yasser Arafat met at an Israeli military base on Oct. 7, where they reportedly bridged Israeli and Palestinian differences, and prepared for an upcoming summit in Washington, now set for Oct. 15.

But, indicating the reality on the ground, Netanyahu said that the “new spirit” in the negotiations is simply the result of a “downward adjustment” in Palestinian expectations. “The Palestinians obviously expected more than 90% of the West Bank and Gaza Strip would be evacuated,” he told the press following the talks, referencing the 1993 agreements between slain Israeli Prime Minister Yitzhak Rabin and Arafat, but “obviously things have changed.” Instead, the Palestinians will get 40% at most, and that, contingent on the Palestinians’ “war on terrorism.”

Regional observers stress that three years of Netanyahu’s sabotage of the 1993 Oslo Accords, through such antics, have not only undermined Arafat, possibly setting him up for assassination, but have also brought back the mood of the Intifada to the Palestinian streets. Indicating what may be at hand, Israeli troops killed a Palestinian demonstrator and wounded 20 others during Oct. 7 clashes between Israeli troops and Palestinians in the West Bank city of Hebron.

The military implications of such provocations has not been lost on some Israelis who fear that Netanyahu is forcing Israel into war. In an August article forecasting coming developments, the newspaper *Ha’aretz*’s commentator Amir Oren warned that the Israeli Defense Forces is already “reaching itself, in the absence of progress in the peace process, for the real possibility of war erupting on the Syrian front.” According to Oren, IDF planners have come to the conclusion that since “the grip of the Clinton administration is weakening, and the U.S. is losing its power to push the Netanyahu government into making progress in the peace process,” war could follow, with Syria, the Palestinians, and Egypt as the main targets.

Italian government falls over budget

by Claudio Celani

The Italian government fell in a confidence vote on Oct. 9, following a decision by the Communist Rifondazione Party (PRC) to vote against the 1999 budget. Despite the fact that 21 dissident PRC members voted with the government, this was not enough, and the center-left coalition, called the "Olive Tree," led by Romano Prodi, lost by one vote.

Now, all scenarios are open. According to the Constitution, Prodi will give back his mandate to President Oscar Luigi Scalfaro, who could decide to give Prodi another try at forming a new government. At that point, Prodi and his allies will have to beg for the votes offered by former President Francesco Cossiga, an old British stooge who has made a political comeback by founding a party called the UDR, made up of members of Parliament whom he stole from opposition forces. But, if Prodi fails, Scalfaro will appoint somebody else. There are proposals for a "technocratic" cabinet, and there is even the possibility of early elections.

The fact is that the Italian government, like governments around the world, has imploded under the pressure of the world financial disintegration. The first effects of this are already disrupting the putative "financial recovery," which was the only "positive" achievement of Prodi's government. Italians had been promised that the last five years of sacrifices, which amounted to 500 trillion liras in spending cuts and tax increases, were needed in order to balance the budget according to the criteria set for participating in the European Monetary Union (EMU), scheduled to start on Jan. 1, 1999. Now, with a collapse of the projected Gross National Product, and unsustainable speculative pressure on the Italian lira, all indications are that the EMU targets, with the deadline a few months away, will be indeed unreachable.

Rumor has it, that at the Italian-French state meeting held at the beginning of October in Florence, a secret plan for postponing the European single currency was discussed. This would amount to dropping the plan altogether. While the government is concealing the truth, rats are leaving the sinking ship.

The government budget presented for 1999 predicts a growth in nominal GNP of 2.8%. Reality has already forced a revision of this to 1%. Since the world economic situation in the next weeks will dramatically worsen (unless Lyndon

LaRouche's proposals are adopted), even 1% nominal growth is an illusion. In addition, there is already under way a reversal of a convergence trend between Italian and German state bonds, a criterion set as indispensable for Italy's participation in the EMU. But, these are minor problems if the already massive speculation against the lira succeeds in defeating (something perfectly possible) the front of European central banks currently involved in supporting the Italian currency.

Against the background of real unemployment already surpassing 5 million, a banking system overwhelmed by a staggering 130 trillion liras in visible losses, and with a collapsing economic infrastructure, the immediate future promises to be explosive.

The question is: Who will succeed Prodi? And: Will there be a change in policy? The scandal involving the Banca d'Italia central bank in the bankruptcy of Long-Term Capital Management (LTCM), the world's largest hedge fund invested in derivatives, not only coincides with the government crisis, but offers a perfect flank for a desired shift toward a pro-national policy.

The Banca d'Italia scandal

The Italian central bank announced on Oct. 1 that it had lost \$250 million of its reserves in LTCM. The fact is more astonishing, if one considers that the governor of Banca d'Italia, Antonio Fazio, has been possibly the most outspoken Western central banker against derivatives. In 1994, the same year the investment in LTCM was made, Fazio forced all Italian banks and funds, which had been putting derivatives investments in the "bond" category, to declare them among "risk" allocations. On Sept. 30, after it had been revealed that the Italian central bank had invested in LTCM, Fazio blasted derivatives again in a speech in London, characterizing them as a systemic risk and mentioning the LTCM case as an example!

The apparent contradiction is explained by the existence of an intense factional struggle among Italy's financial authorities, with Fazio on one side, and the "Britannia boys" faction, led by former central banker Carlo Azeglio Ciampi, now Treasury Minister, on the other. The investment in LTCM was carried out by Ufficio Italiano Cambi (UIC), formally a branch of the Banca d'Italia but de facto an independent manager of its central reserves. The head of UIC is Pierantonio Ciampicali, described as a protégé of Ciampi. Furthermore, the mastermind of the investment is Alberto Giovannini, a former consultant to the Treasury Ministry and now LTCM representative for Italy. Giovannini has never left the board of ENEL, the state electricity company owned by the Italian Treasury.

UIC's speculative investments were already under investigation by the Rome prosecutors' office, which in 1997 had received a complaint from a UIC employee. While the

prosecutors' work will now accelerate, the scandal has prompted several Parliamentary inquiries. The Finance Committee, which is going to hear from both Fazio and Ciampi, is well acquainted with LaRouche's proposals and analyses. If they wanted, they could use the opportunity to force a reversal of all free-market policies adopted since 1992.

The UIC case could also relaunch the ongoing investigation, promoted by the LaRouche movement in Italy, of George Soros and his 1992 attack against the lira. Significantly, when *EIR* editor Jeffery Steinberg confronted Soros in Washington on Oct. 6, the international speculator blurted out: "Italians like to investigate everything."

On a related front, the pro-national faction is resisting pressure coming from the International Monetary Fund and other institutions to lower interest rates, in order to help refinance the derivatives bubble. Thus, it is not accidental that Ciampi, the newly elected head of the IMF Interim Committee, called on his own central banker, Fazio, to comply with the IMF request, in a meeting in Washington on Oct. 4. Fazio answered: "I cannot do it, I must defend the lira."

The battle against the EU

One aspect of the UIC scandal leads to the role of supranational institutions dictating European policy. LTCM's Giovannini is also chairman of the European committee to evaluate the impact of the introduction of the euro on financial markets. This committee issued a report in 1996, recommending guidelines of "transparency" for the monetary policy of the coming European central bank, the European Monetary Institution. This is helpful to show the real nature of the EMU system, at a moment when tensions among national interests and the dictatorial constraints imposed by the European Union (EU) authorities are mounting.

One conflict pits the Italian government against the European Union over the opening, scheduled for Oct. 25, of the new international airport in Milan, Malpensa, a facility whose modern infrastructure will increase Italy's capacity for international connections by 30%. The EU has vetoed the opening, on the pretext that it must wait for a rail connection to Milan's downtown (to be ready next May), and because it is now served only by a highway. In reality, as former state manager Vito Gamberale has stated, "It is natural to put EU Commissioners Kinnock and Colemann [both British], who are leading the assault [against Malpensa], together with the interests expressed by British capital, as well as with the interests that British capital want to develop in Italy."

Gamberale's views are shared by a broad front, including government and opposition parties, and promise a very interesting fight, which will intersect and shape the government crisis. If the Italians open Malpensa as scheduled, it will be the first time that a member of the EU has won a major confrontation with that supranational bureaucracy.

How long will Tony Blair last?

by Mark Burdman

"It's the end of hot air." This was how one influential Briton, in an Oct. 6 discussion with *EIR*, described the shock now hitting Britain, as the reality of the global economic collapse hit the country in earnest. "Hot air" was his reference to the ideological hyperventilations, about a so-called political Third Way and about "Britain's leading role in the age of globalization," emanating from British Prime Minister Tony Blair and his entourage. As reality hits Britain, this and other British influentials estimate, Blair's aura of popularity and decisiveness will evaporate, and his tenure in power will likely be a lot shorter than most have been expecting. Facile manipulation of words and image, will not be enough to bail him out, as the going gets really rough.

Relevant signals to this effect were contained in an Oct. 5 commentary in the London *Times* by Lord William Rees-Mogg, one of the leading mouthpieces for the European oligarchy's "Club of the Isles," centered on the British monarchy. Rees-Mogg focussed on the international financial crisis, claiming that the world is now in the "first deflation crisis since the 1930s," that "fear is universal," and that the situation is "very dangerous." He stressed that "the lesson of the 1930s" is that a global financial crisis like the present one is "destabilizing and dangerous for governments." Noting that President Suharto of Indonesia was forced to resign from office, and that other governments are reeling under the effects of the crisis, his lordship pointed to the fact that, in the last Depression, the Labour Party's hold on power was also short-lived. Today, he asserted, Blair's tenure in power might also be brief, as people turn toward "realism" rather than "idealism," to deal with the global crisis.

Blair had better watch his back. His lordship is a known specialist in journalistic and intelligence-world dirty tricks, who has, for example, been up to his ears in the assault against the U.S. Presidency ever since Bill Clinton came into office in 1993.

Where things are heading in Britain, in all likelihood, is toward some kind of "national unity" government, along the lines of the "National Government" formed in 1931, in the midst of the Great Depression.

As *EIR* frequently summed up the case during 1997, Blair is a reincarnation of that period's Labour Party Prime Minister J. Ramsay MacDonald. MacDonald, an intimate of King



Tony Blair, during a visit with lame-duck German Chancellor Helmut Kohl. Is Blair a lame-duck, too?

George V, was first elected soon before the great stock market crash of 1929. When depression conditions deepened, he carried out the austerity prescriptions of Bank of England Governor Sir Montagu Norman, alienating Labour's trade union base in the process. In 1931, he called in leaders of the opposition Conservative and Liberal parties, to form a cross-party austerity regime, the National Government. That coalition lasted a short time, before it was voted out of office.

'What a crash would mean'

In the September-October conjuncture of this year, the tone and complexion of the Blair government is undergoing a swift change, away from the previous hype about how wondrous the state of affairs has been in Britain since Labour came to power last year, and now barely conceals its alarm, that Britain is heading for rough times.

In his speech to the International Monetary Fund gathering in Washington on Oct. 6, Chancellor of the Exchequer Gordon Brown proclaimed that "every country will be affected by the instability that is currently affecting the world economy." Brown downgraded Britain's economic growth forecasts for 1999, and hinted at significant cuts in public spending, the which, British officials privately hinted, would most likely hit the National Health Service and education. The *Times* reported that Brown's address sent "shock waves" throughout the government.

Reporting Brown's speech front page the next day, the London *Guardian* headlined, "Crash Fear as Economy Slips,"

and characterized the speech as "a clear warning that the global financial crisis is set to hit home harder than originally expected." Also on Oct. 7, the *Times* ran a two-page spread in its news section (which is usually reserved for domestic political and scandal stories) on the global economic crisis, with one included feature article entitled, "What a Crash Would Mean," outlining how jobs, pensions, etc., would suffer "catastrophic effects" under such circumstances. The paper ran a separate article in its business pages, reporting that bankruptcies have gone up 18% in July-September of this year, compared to last year.

Blair himself, in a speech before the Labour Party annual convention in Blackpool some days before Brown's speech, repeatedly came back to the theme that the party faithful should steel themselves for difficult times in the weeks and months ahead.

Blair is also openly courting one of the opposition parties, the Liberal Democratic Party, and its leader Paddy Ashdown, forming alliances around such issues as proportional voting representation. Some disgruntled Labourites are growling that a national unity government, of Labour and the Liberal Democrats, has already come into being.

'Greek tragedy' and 'greedy bastards'

Meanwhile, Blair, like Ramsay MacDonald before him, has set about alienating the trade union base of the Labour Party, in a push for austerity against trade union interests. In early September, on the eve of the annual convention of the national labor confederation, the Trades Union Congress (TUC), also in Blackpool, TUC President John Edmonds told the Labour-linked *New Statesman* magazine that Blair was walking into a "Greek tragedy," by insisting on holding down salaries for public-sector workers, who were being "pushed into a corner" by Blair's continuation of the policies that were hostile to the public sector, fine-tuned by Margaret Thatcher. This, warned Edmonds, is likely to lead to "big trouble" in Britain and to widespread disruption in public services.

Days later, at the TUC convention, Edmonds warned that Blair's policies would jeopardize 300,000 public sector workers. In a fiery address, Edmonds demanded that the Blair government take action against the "greedy bastards" among British chief executives, rather than insist on wage cuts for Britain's 5 million public sector workers. He accused top executives of indulging in the "politics of the pig trough," and denounced what he called the "bloated rodents," who held top posts at the privatized water companies.

The Sept. 15 *Independent* reported that Blair cabinet members were "spitting blood" with anger over the Edmonds speech. Gordon Brown let it be known that he was "very angry" with the speech. One week later, Brown got his revenge, with a speech at the Labour Party convention, warning in no uncertain terms, that the trade unions had better toe the government line, or risk being written off in the coming period.

Dramatic revelations in Princess Diana case

by Jeffrey Steinberg

On Oct. 1, a Vienna, Austria court found American con-man and former CIA asset Oswald LeWinter guilty of fraud, and sentenced him to two and a half years in prison. LeWinter's conviction stemmed from an April 1998 effort to extort \$20 million from Mohamed Al Fayed, the Egyptian-born London businessman whose son, Dodi Fayed, and Princess Diana, were killed in an automobile crash in Paris on Aug. 31, 1997.

Since the moment he learned of the death of his son and the Princess of Wales, Al Fayed has been pressing for a complete investigation of the crash, and has publicly stated that he does not believe it was an accident. Early this year, LeWinter, acting through Los Angeles-based attorney Keith Fler, approached Al Fayed's Washington lawyers, offering to sell "secret CIA documents" that proved that British intelligence and the British royal family had carried out the murders of Diana and Dodi. Skeptical about the approach, Al Fayed dispatched John Macnamara, a former senior Scotland Yard inspector and now the security director of Al Fayed's Harrods department store, to Washington, where he conferred with officials of the U.S. Department of Justice, the FBI, and the CIA. As the result of that cooperation, Macnamara arranged a meeting with an unidentified "ex-CIA" man who claimed to possess the secret documents. On April 24, 1998, during a meeting with Macnamara at a Vienna hotel, Austrian police, with FBI officials on the scene, arrested LeWinter. Moments later, they discovered four "CIA" documents in LeWinter's hotel room, all of which were later proven to be forgeries.

The trial of LeWinter had been expected to be a mundane affair. Long before the trial date, LeWinter had confessed to the crime and thrown himself on the mercy of the court. The 67-year-old notorious con-man, who once served a several-year sentence in a U.S. Federal prison for trafficking methamphetamines between Germany and the United States, argued that he was too old and too ill to serve the potential five- to ten-year sentence. His attorneys also argued that LeWinter was merely an accessory to the crime, and that the architects of the \$20 million extortion scheme were still on the loose in the United States. LeWinter, however, refused to identify his co-conspirators, claiming that he feared for his life and for the lives of his family. In fact, the judge

took those factors into account in giving LeWinter a reduced sentence, which prosecutors say they will appeal. Prosecutors intend to argue that LeWinter should have been forced to cooperate with authorities in identifying his co-conspirators, and in detailing the extortion scheme.

But these details were overshadowed by startling revelations about the August 1997 Paris crash, that were spelled out by Dr. Manfred Ainedter, the attorney for Al Fayed, in his closing arguments before the court. Both Al Fayed and Macnamara also testified in court about the details of their cooperation with American and Austrian authorities, in setting the trap for LeWinter.

New information on Henri Paul

Ainedter revealed, for the first time in public, some of the reasons why Al Fayed is convinced that the Paris crash was not an accident. Ainedter told the court that evidence has now come to light that Henri Paul, the deputy security director of the Ritz Hotel in Paris, owned by Al Fayed, and the driver of the Mercedes 280-S that carried Dodi and Diana to their deaths, had been on the payroll of the British secret services for more than a year! After Paul's death in the Paris crash, it was discovered that he had secret bank accounts in a half-dozen Paris banks, with more than \$100,000 on deposit. Paul had confided to several close friends that he was working for several unnamed intelligence services, providing information and special favors.

Ainedter also revealed that Al Fayed had been assured that Diana and Dodi would travel from the Ritz Hotel to Dodi's nearby apartment in an armored limousine, owned by Al Fayed, that was parked in an underground lot next to the Ritz Hotel. The attorney reported that Paul had insisted on driving the car, even though Al Fayed had understood that a professional chauffeur would be behind the wheel. Also, the route taken by Paul was not the originally planned route. In fact, the Mercedes should have exited the riverfront highway before entering the Place de l'Alma tunnel, where the fatal collision with a second car occurred.

Ainedter also highlighted the fact that, more than one year after the crash, Judge Hervé Stephan, the French magistrate in charge of the crash probe, is still hard at work. In late August, on the eve of the first anniversary of the crash, Judge Stephan had issued a terse statement through the Paris prosecutors' office, itemizing areas of the investigation that were still incomplete. Among the unresolved issues highlighted by Ainedter, is the fact that blood tests on Paul revealed the presence of alcohol, prescription drugs, and nearly lethal levels of carbon monoxide. Had Paul been under the influence of all of these deadly chemicals, he would have been unable to walk, and certainly incapable of driving a car. Yet, videotape recordings from the security cameras at the Ritz Hotel showed Paul walking about, talking with other hotel personnel; and, Dodi Fayed's two bodyguards, Trevor Rees-Jones (who was the sole survivor of

the crash) and Kes Wingfield, testified that they spent two hours sitting and talking with Paul, and saw no evidence that he was drunk or in any way incapacitated. Ainedter's conclusion: The blood tests could not possibly have been performed on Henri Paul's blood.

Al Fayed's lawyer also told the court that some of the "proof" put forward by French police that the crash was an accident, had been proven false. As one example, he cited early media reports, attributed to French police sources, that the Mercedes was traveling at 192 kilometers per hour at the moment of impact. Forensic tests later showed these statements totally false.

Ainedter also clarified another bit of media disinformation. Several months ago, the *Daily Telegraph*, one of the British dailies most deeply involved in the effort to slander Al Fayed and cover up the evidence of murder, claimed that the Harrods owner had announced a \$20 million reward for any information proving that the British government had murdered Dodi and Diana. No such offer was ever made. In fact, the "agreement" to pay \$20 million to LeWinter for the so-called CIA documents was part of the sting, worked out at the behest of the FBI and U.S. Department of Justice, to lure the extortionists to a location where they could be arrested.

A cover-up in Washington?

While the Vienna court considers prosecutors' appeals for a stiffer sentence for LeWinter, in Washington, there are disturbing indications that U.S. authorities are anxious to drop any efforts to track down the identities of the higher-ups in the extortion scheme. While LeWinter's attorneys argued that he was a low-level player in the plot, Justice Department prosecutors, according to sources close to the case, so far have failed to aggressively pursue the other known co-plotters, including Los Angeles lawyer Fler, who made the initial approach to Al Fayed's Washington attorney Doug Marvin. Fler told Marvin that he represented four ex-CIA officers, who were in possession of "proof" of the assassination plot. Former San Francisco journalist George Williamson was another known player in the scheme. Williamson, who has told *EIR* that he was working with Fox TV on a possible docudrama based on LeWinter's account, had served as the go-between for cash payments from Al Fayed to LeWinter, to set up the Vienna meeting (Al Fayed had put up the money at the request of the FBI and the DOJ).

Despite these promising leads, the Justice Department and FBI have apparently done little to pursue the case. Assistant U.S. Attorney Lisa Praeger, from the Washington office, refused to speak with *EIR*. A spokesman for her, Channing Phillips, told *EIR* that the case was still ongoing, and that the U.S. government was "satisfied" with the sentence handed down against LeWinter.

Sources have told *EIR* that the Justice Department is not anxious to pursue the case, because a trial of LeWinter, or the others, in the United States, would draw attention to LeWin-

ter's ties to the CIA, which date back to the late 1960s, and could prove embarrassing to the Agency. CIA sources tell *EIR* that LeWinter was formally dropped as a CIA informant in the 1970s, but his unofficial ties to some Agency officers may have continued beyond that date. When LeWinter was released from Federal prison in the mid-1980s, he surfaced as one of the sources of disinformation about the so-called 1980 "October Surprise," in which the Reagan-Bush campaign sought to prevent an election-eve release of American hostages in Iran, to prevent a come-from-behind Carter re-election victory. LeWinter told investigative journalist Bob Parry that he had received \$100,000 from "ex-CIA" officers linked to George Bush to put out disinformation about the "October Surprise" during Bush's 1988 Presidential election campaign to counter Democratic Party efforts to exploit the scandal.

What do the CIA files show?

EIR has learned that, while the CIA had absolutely no involvement in the plot to assassinate Princess Diana and Dodi Fayed, CIA sources in the Middle East and in Europe had learned of intensive British intelligence, and possibly Israeli Mossad, surveillance of the couple, during the months leading up to the Paris crash. While *EIR* has not been able to learn any details about what is contained in the CIA files, the material could contribute to the ongoing probe in Paris by Judge Stephan, and could possibly implicate the British and Israeli services in the murders.

Such CIA data, if the source reports are accurate, would bolster claims that the British and Israelis were stalking Diana and Dodi during their final months. Recently, Judge Stephan received closed-door testimony from Richard Tomlinson, a former MI6 officer, who said that he had seen MI6 files showing that the couple was under intense surveillance by that agency. In an interview with an American tabloid in early October, Tomlinson stated, "Diana was rubbed out. The agent who masterminded her assassination was absolutely fanatical about the job. I know. He trained me. Diana died at the hands of MI6, the British equivalent of the CIA. Her every waking moment was documented; she was tracked relentlessly. She endured over half a lifetime of torture which ended in cold-blooded murder."

In a soon-to-be-released book, British investigative author Gordon Thomas charges that the Mossad cooperated with MI6 in tracking and killing Princess Diana and Dodi Fayed.

While the reliability of both Tomlinson and Thomas is uncertain, the seriousness of Judge Stephan's probe is not. Were the LeWinter case to be prosecuted in the United States, it is certain that CIA evidence about the circumstances leading up to the Paris crash of last August would surface. Already, attorneys for Al Fayed have formally asked the House Select Committee on Intelligence to conduct an inquiry into what the CIA knows about the crash, based on the unanswered questions in the LeWinter affair.

Did British intelligence down Swissair Flight 111?

by Dean Andromidas

On the evening of Sept. 2, off the coast of Nova Scotia, 229 people died when Swissair Flight 111 crashed into St. Margarets Bay. On Sept. 3, within hours of that disaster, *EIR*'s Wiesbaden office received a phone call from one of our most reliable sources.

"Did you know that Richard Tomlinson was booked on Flight 111?" the source asked. "He's not dead. He never got on the aircraft."

Richard Tomlinson is the former agent of MI6, Britain's foreign intelligence service, whose revelations over recent weeks have been making headlines in the international press. He recently testified before Judge Hervé Stephan, the judge in Paris who is investigating whether Princess Diana and Dodi Fayed were the victims of a traffic accident or an assassination plot. He told Judge Stephan that Henri Paul, the security driver who died in the crash, was in fact a stringer for British intelligence. He has elsewhere revealed that MI6 has been paying a high-level German official of the Bundesbank, Germany's central bank, perhaps millions of dollars since 1986 for the most sensitive economic intelligence from the world's third-largest industrial economy. Information so sensitive that, if it proved true, could destroy not only Britain's relations with its European allies, but the entire euro currency project as well.

Had Flight 111 been the target of a bomb, and not an accident? Was that bomb placed by agents associated with British intelligence? Was the information Tomlinson holds so sensitive, as to justify, in the minds of those who masterminded the bombing, the sacrifice of 229 lives? Are the implications of such an operation enough to prompt the governments of the United States, Canada, and Switzerland to engage in a cynical cover-up?

EIR's preliminary investigation, which involved detailed discussions with security experts, aerospace engineers, and "special operations" experts of several NATO countries, has put together a very strong case that Flight 111 was the target of a bomb attack.

The sequence of events

A brief review of currently known facts points to a sequence of events almost unheard-of in civil aviation disasters, and should lead any responsible investigator to conclude that it was the work of sabotage or a bomb or incendiary device.

According to *EIR* information, the possibility that it was a bomb attack is in fact part of the investigation, but this has not been revealed to the public.

The known sequence of events is briefly as follows: At around 10:14 p.m., the pilots communicated with air traffic control the "Pan Pan Pan" code words for declaration of an emergency, announced they smelled smoke in the cockpit, and requested an emergency landing. They were directed to Halifax International Airport in Nova Scotia, and told to immediately implement emergency procedures for smoke in the cockpit, for which they had been trained and had just recently conducted exercises. They prepared for an emergency landing, including maneuvering aimed at dumping fuel over the water and reducing speed. Throughout this period, their communication indicated that they were in control of the situation. Ten minutes later, the pilots announced, "We are declaring an emergency." They requested immediate clearance to land. Then, shortly after, all communication ceased, and six minutes later the aircraft crashed into the sea at high speed.

Now, consider the following:

- Both the black box flight data recorder and the cockpit voice recorder stopped functioning six minutes before the crash, precisely the point at which communication ceased.
- The aircraft's angle of descent in the last five minutes was so steep that it must have been totally out of control. It hit the water perhaps at a speed of Mach 0.8-1. The wreckage of the aircraft was so compact that it not only covered an area almost smaller than the area of the aircraft itself, but parts of the tail section were found mingled with the nose section.
- All parts of the cockpit that were retrieved had been burned at a very high temperature, much higher than that of any normal electrical fire, or than the heat of the plane's burning insulation (as has recently been suggested) could possibly have reached in the five minutes before it struck the water. These signs of burning would indicate that the pilots had been totally incapacitated, if they were not already dead. Immediate radio contact with air traffic control was lost.
- Shortly after the crash, the FBI began an investigation of every passenger and person who had been booked on the flight, which originated from New York, but who did not board the aircraft. This is standard procedure when the cause of the crash is not known, and a criminal or terrorist cause

is suspected.

That Tomlinson was booked on that aircraft, and that this fact has not been reported by the major international media, also raises questions. Another passenger, one who unfortunately was on the aircraft, was Bandar Al Saud. According to the Saudi Arabian Embassy, he was a prince, a former Saudi Air Force pilot, and a businessman. According to sources, his “business” was arms procurement for the Saudi Air Force.

- Reports of “catastrophic electricity failure,” botched attempts at an emergency landing, or the idea that the pilots panicked, have been shown to be false by the investigators themselves. For example, it was suggested in the Sept. 20 London *Sunday Times* that in an effort to locate the cause of the alleged electrical fire, the pilots were systematically shutting down various systems. According to sources, the possibility of doing so was, in fact, investigated and proved false, because it could never have been accomplished in five minutes.

- According to Canadian law, the investigation of all air crashes is initially under the authority of the medical examiner’s office and the Royal Canadian Mounted Police, until it is determined that the cause of the crash was not a criminal act. In this case, the investigation was turned over to the Canadian Air Safety authority within hours of the crash.

- One of the Swissair safety officials who was involved in the investigation, upon returning to Switzerland, was banned from speaking to the press, which is understandable, but claimed he could not speak even to his superiors. This is not at all understandable, and could only mean a tight security lid has been clamped on the case.

- Rumors circulating among Swissair pilots are that “it was a bomb, and the truth will never get out.”

The booby trap

The investigation of a bomb attack does not start from the wreckage that lies 200 feet below the icy waters off the Nova Scotia coast, but from looking inside the sick but highly professional mind which planned it. The attack was not organized as a public terrorist act or political show of force conveniently attributable to some appropriate international terrorist organization. Such an attack would bring world attention to the affair. Remember, Pan Am Flight 103, which blew up over Lockerbie, Scotland in December 1988, had several highly placed Middle East intelligence operatives of the CIA and the State Department who had become “inconvenient” during the Iran-Contra affair. This fact was all but suppressed by the debate on whether Iran, Syria, or Libya was responsible for the bombing, despite the fact that no terrorist group ever took responsibility. An assassination that could later be credibly attributed to a terrible accident, would be much more convenient.

Several security specialists — some close to the affair and others with experience in construction of such devices — point to a classic “booby trap.” Such sabotage would be designed

to leave a false trail that could be credibly interpreted as a “terrible accident” or an “act of God.” This would also require drawing the attention of the pilots in a false direction, away from the instrument of their premeditated murder.

The device most likely had two parts. The first part would be placed under the pilot’s control panel, which would simulate smoke. Such a device could be very small, comprised of plastic that would burn once detonated, perhaps by an altimeter detonator that would be triggered when the aircraft reached a certain altitude. It could be placed away from the wires that could trigger the sensors that monitor the preflight checks. This would have focussed the concentration of the pilots toward a nonexistent electrical problem originating under the control panel. This would thus trigger the “wire bundle” fire theory, and lead to the initiation of the “smoke in the cockpit” procedures.

The second part of the device would be the actual bomb. Not a powerful, large explosive device, but possibly a magnesium sulfate device similar in principle to a signal flare, and no bigger in size than half of such a flare (10 cm × 4 cm). One expert told *EIR* that such a device could be placed in the control or fuse panel behind the pilots and on the right side of the cockpit. Independent of this source, *Aviation Week & Space Technology* reported on Sept. 28 that investigators are now looking at the possibility that the problem originated precisely in this panel. This device could be ignited by an inverted altimeter detonator, which would go off as the aircraft reduced altitude in preparation for an emergency landing.

Both devices could be placed in a matter of minutes during routine servicing. Such a scenario would necessitate that the operatives were highly professional, and likely linked to a state intelligence service.

Why kill Tomlinson?

Every crime needs a motivation. Why kill Tomlinson?

Richard Thomlinson, a 38-year-old former MI6 operative, served Her Majesty between 1992 and 1995. He had operational assignments in Russia, the Middle East, and the Balkans, particularly in Bosnia. For some unknown reason, MI6 refused to renew his contract in 1995.

Following his attempt to publish a book in Britain on his experiences working for MI6, he was prosecuted, and in December 1997, was convicted for violating the Official Secrets Act. After serving six months of a one-year sentence, Tomlinson fled to Paris. Shortly after his arrival, on Aug. 1, he was arrested at gunpoint by French police and brought before a British police detective in Paris for questioning. Although he was later released, it was clear that the British authorities told their French colleagues that Tomlinson was a dangerous criminal when they requested his arrest. As could be expected, the French police sent a special, heavily armed intervention team, complete with ambulance, to arrest Tomlinson. They managed not to oblige the British by “acciden-

tally” killing him. The British were able to confiscate his personal computer and the encryption software that was on it.

After this experience, Tomlinson apparently concluded that his only defense against the long arm of British intelligence was the use of the sensitive information in his possession.

His first move was to give two hours of testimony to Judge Stephan. According to press reports, he told Judge Stephan that the driver of the car in which Diana and Dodi were killed, Henri Paul, was an MI6 agent, and that one of the other bodyguards was an MI6 contact. He also is said to have claimed that MI6 was planning an assassination attack in Paris on another foreign personality. This testimony was given in the last week of August, seven to ten days prior to the crash of Flight 111.

After his testimony before Judge Stephan, Tomlinson was invited to New York by NBC News for an exclusive interview. NBC booked him on Flight 111 for his return flight to Geneva. He never got on the flight, because upon his arrival at New York’s Kennedy Airport, he was immediately deported and put on the next flight to Switzerland. Did special operations team A of Her Majesty’s Secret Intelligence Service, fail to tell its team B, the bombers? These things do happen.

Tomlinson’s choice of Geneva as a safehaven is not accidental. This famous “open city,” a center for the United Nations and international diplomacy as well as for high finance, is perhaps one of the most controlled security environments in Europe. He, in effect, put himself under the security of the Geneva police, who run the security side of this environment like a Middle Ages fiefdom.

On Sept. 11, Tomlinson revealed an alleged plot to assassinate Serbian President Slobodan Milosevic in Geneva. The alleged plan, which was obviously never carried out, would have involved blinding the Serbian strongman’s driver with a laser device while his car entered a tunnel—the apparent model for the hit against Diana and Dodi.

A British spy in the Bundesbank

But, the most potentially devastating revelation, one that could bring down not only Her Majesty’s global spookery but more importantly Britain’s entire European strategy for the last decade, was revealed on Sept. 16. Tomlinson drafted a letter, addressed to his attorney, which he requested be passed on to the British Intelligence Services Parliamentary Select Committee, revealing the existence of a British spy in the Bundesbank, Germany’s central bank, codenamed “Orcada.” He posted it on the Internet, and it was reported in the Sept. 20 *Sunday Times*.

In this letter, Tomlinson wrote: “Orcada is a German national. . . . He was recruited by MI6 in approximately 1986. . . . His motive is entirely financial and he is paid very substantially. Indeed, he is among the best paid and most important of any of MI6’s agents. He provided regular and detailed

information on the German position during the Maastricht Treaty negotiations.” He added, “The primary intelligence requirement against Germany . . . is economic intelligence,” and such spying is “accorded the same level of secrecy and need to know indoctrination as highly sensitive Russian casework.”

One of the agent’s alleged handlers was a British MI6 operative named Andrew Mitchell, stationed at the British Embassy in Bonn and operating under the cover of a commercial attaché. The British government has confirmed that an Andrew Mitchell was in fact commercial attaché in Bonn during 1993-96. These operations are conducted by the UKB unit, consisting of about 10 officers based at MI6 headquarters at Vauxhall Cross, south London, and given the generic name, Jetstream. Germany was not the only victim of such economic espionage, but France, Spain, Italy, and Switzerland were as well. French military intelligence is also one of the primary penetration targets.

Tomlinson also warned British Foreign Secretary Robin Cook, that if the British government tried to deny the existence of such a spy, he would reveal the spy’s name. The British government has to this day not issued any statement on this revelation, despite the fact that the *Sunday Times* had it on its front page. Nonetheless, the Bundesbank has launched an official investigation.

The report of a British spy operating in the Bundesbank since 1986, corresponds to information contained in recently released official documents concerning German unification. On the personal orders of former Chancellor Helmut Kohl, these documents were released almost 20 years earlier than the officially mandated 25 years. They document the ganging up on Kohl by Margaret Thatcher, François Mitterrand, and George Bush to allow unification only if Germany and its economy were shackled by the chains of the Maastricht Treaty and the euro currency project.

Also occurring within this time frame, was the assassination of Deutsche Bank Chairman Alfred Herrhausen, a murder which to this day remains unsolved. Herrhausen was Kohl’s chief economic adviser, and at the time of his assassination on Nov. 30, 1989, he was deeply involved in drafting economic proposals that would have linked German unification to an initiative to transform the collapsing East European and Soviet economies, through cooperation and massive investment in renewing their industrial and infrastructure capabilities. The hand of British and French intelligence involvement in this assassination was widely believed but never spoken of publicly, outside of *EIR*.

Then again, if a real live British spy were to be arrested in the Central Bank of fellow NATO-ally Germany, and then brought to the light of day, who would consider their nations safe? What about France, or Italy? What about British spies in Her Majesty’s former colony, the United States? Sources close to Tomlinson have told *EIR* that he has more to tell, should he stay alive.

Elites conspire vs. economic nationalists

by Robert Barwick and Allen Douglas

Australian Prime Minister John Howard was narrowly re-elected to a second term on Oct. 3, following one of the most unusual election campaigns in Australian history. Howard's coalition, made up of his own Liberal Party and the rural-based National Party, saw its previous huge majority slashed from 27 seats to just a handful, over voter disgust for his policies of globalism and austerity, known in Australia as "economic rationalism," which included his promise to ram through a 10% "goods and services tax." Howard's coalition actually *lost* the popular vote, despite an impotent campaign run by Australian Labor Party (ALP) leader Kim Beazley.

Beazley's impotence was not surprising: The election was less between the ALP and the coalition, than it was the two of them conspiring to hold down the vote for the best-known economic nationalist force in the election, the One Nation Party of independent Member of Parliament Pauline Hanson. In the face of the two major parties ganging up on her, Hanson lost her seat after just one term, and her party failed to capture any seats save for a solitary position in the Senate. Though Hanson, like the two major parties, completely ignored the global financial crisis, her policies of national banking, re-industrialization, and tariff protection are the basis around which Australia could be re-organized as the crisis deepens. Thus, Australia's Anglophile establishment was determined to destroy her political influence.

On Aug. 26, former ALP Prime Minister Bob Hawke, the man who introduced economic rationalism to Australia in the early 1980s by floating the dollar, deregulating the banks, privatizing state assets, and opening Australia up to international banks, set the tone for the election when he gathered a coalition of religious, union, business, and ethnic leaders to oppose Hanson. Two of the group were Stan Wallis, the head of the Business Council of Australia, the nation's peak big business body, and the principal of the 1996 Wallis Inquiry which had recommended even further deregulation for Australia's banking sector, and Sir Gustav Nossal, a longtime director of British mining giant Rio Tinto, which dominates Australia's Anglophile establishment; Nossal is also a leader in Prince Philip's Rio Tinto-funded campaign to splinter Australia and steal its raw materials through promoting Aboriginal "land rights." Hawke's coalition whined that One Nation

"threatens Australian jobs by undermining the growth that flows from an open economy."

All the major parties — the Labor Party, Howard's Liberal Party, the National Party, and the Democrats — fell in behind their big business donors and immediately pledged to place One Nation last in their preferences on their "how-to-vote" cards. Under Australia's preferential voting system, voters number the candidates on the ballot paper in order of preference. In the many cases where candidates do not achieve a clear majority of "primary votes," the preferences of the runner-up candidates are distributed between the two front-runners, until one candidate can finally claim a majority. This result is known as "2 party preferred," and often creates the curious situation where the candidate who polled the second highest number of primary votes actually wins the election. Under this system, with the globalist major parties in effect *voting for each other ahead of One Nation*, and the major news media running a McCarthyite campaign against Hanson as a "racist" for her stand against Aboriginal land rights (a scheme concocted by Britain's House of Windsor), her party secured only a lone seat in the Senate. Hanson herself failed in her re-election bid, despite winning double the number of primary votes as her victorious Liberal Party opponent. Free trade lunatic Tim Fischer, who is Deputy Prime Minister and National Party leader, and whose rural-based party was most at threat from One Nation, hailed the result as the National Party's "finest hour," despite the fact that One Nation had outpolled the Nationals nationwide, and that under the electoral system of almost any other country in the world, One Nation's national vote of 8.5%, which was much higher in certain areas, would have translated into a stunning success. According to her chief adviser, David Oldfield, Hanson will most likely take up a paid position as president of One Nation, which will receive \$3 million in federal funding, based upon the number of votes cast for it in the election. Hanson herself has said that she intends to remain politically active, to keep her ideas before the public.

The only exception to the pact among the political parties, including Hanson, to ignore the global financial crisis, was the Citizens Electoral Council (CEC), the Australian co-thinkers of Lyndon LaRouche. While other parties ran the standard 30-day campaign, most of the CEC's 36 candidates began their campaigns in November 1997, on the necessity for Australia to adopt LaRouche's New Bretton Woods proposal for reorganizing the bankrupt international banking system.

Despite the presence of One Nation on the ballot (which has benefitted over the last 18 months from millions of dollars in free, if often adverse, publicity from the establishment media), whose domestic economic policies strongly echo those of the CEC, and some 34 minor parties and hundreds of independents on the ballot, the CEC won a nation-wide total of 16,000 votes; under the circumstances, this constitutes a solid vote and the basis for a rapid expansion of LaRouche's ideas.

International Intelligence

French hospital closings spark national resistance

The closing of the hospital in Bitche, Lorraine has become a focal point for national resistance to the government's austerity restructuring of the health care system. At a Sept. 27 meeting of the Organizing Committee to Save the Bitche Hospital, co-thinkers of Lyndon LaRouche distributed about 400 leaflets and the newspaper *Nouvelle Solidarité*. The leaflet explained the relationship between the restructuring plans, the world financial crisis, and the necessity for LaRouche's New Bretton Woods monetary system.

The French government plans to eliminate 34,700 hospital beds, 3,700 of them in Lorraine. As a result of the reduction of services in Bitche and the overcrowding of the next nearest hospital at Sarreguemines, several people have already died, although their conditions were not critical.

Doctors, nurses, the hospital director, several local mayors and one National Assembly deputy were at the meeting. The head of the Medical Doctors and Employees Coordinating Committee from Bordeaux lambasted the immorality and cynicism of the national ministers in charge of implementing these changes, Dr. Bernard Kouchner and Martine Aubry. The spokesman, himself a physician, was particularly harsh in his criticism of their effort to popularize euthanasia in France, as part of the austerity drive.

Indonesian group calls for anti-Habibie protests

The National Front, founded in August 1998, and led by prominent retired military and civil leaders, issued a statement of support Oct. 1 to a call for 40 days of demonstrations, beginning on Oct. 5, to topple Indonesian President B.J. Habibie. The call was issued by a meeting of student activists dubbed the Bandung Reform Movement, under the umbrella of the Reformation Movement of the Entire Java. The chairman of the National Front is Lt. Gen. Kemal Idris (ret.), former chief of the Army Strategic Re-

serve Command, and includes former Jakarta Gov. Ali Sadikin.

Prominent individuals denounced the National Front, and demanded that the country proceed with the general elections next year. Among them, Amien Rais of the National Mandate Party and Zakiruddin Jamin of the United Moslem Party of Indonesia have said they will oppose the National Front. Dr. Asma Affan of the University of North Sumatra and Dr. Mochtar Pabottingi of the Indonesian Institute of Sciences have also rejected the Front's call. K.H. Jusuf Hasyim, a noted Islamic figure whose nephew, Abdurrahman Wahid, heads the largest Islamic organization, admonished Idris and company: "As old persons and retired generals, they must be wise in facing this current condition and should not instigate youngsters." Hasyim cautioned, they are "playing with fire in dry grass."

On Oct. 5, police blocked 200-300 students from demonstrating outside the Parliament, who were demanding the scrapping of the "dual function" of the military (Abri), as defined in the Constitution. Although the students are members of the People's Strategic Committee Against Abri's Dual Function, literature from the People's Democratic Party (PRD) was distributed. The PRD had been banned by the former Suharto government as a subversive organization. The previous week, student organizations also called for abandoning the state doctrine of Pancasila, outlined in the 1945 Constitution, which laid the basis for an ecumenical underpinning for government.

Enéas Carneiro cites EIR in campaign ad

On his last half-minute TV ad of the Brazilian Presidential campaign, broadcast on Oct. 1 to an estimated audience of 100 million, Dr. Enéas Carneiro went after President Fernando Henrique Cardoso for being a crony of the likes of mega-speculator and drug legalizer George Soros. He then held up the Aug. 29, 1997 issue of *EIR* which portrays Soros smiling through a field of marijuana on its cover. Moreover, said Dr. Enéas (as he is known), Brazil's other leading candidate, "Lula" Da Silva of the Worker's Party,

signed Soros's two-page *New York Times* ad, demanding that the UN legalize drugs, then held up the infamous Soros ad, pointing to Lula's name.

And the third "major" candidate, Ciro Gomes, who says he is an independent, is a member of the Inter-American Dialogue, said Dr. Enéas, just like the other two candidates. So, if you don't want your children to be getting cocaine at the doors of their schools, reject these candidates, he said, concluding with his trademark, "My name is Enéas."

Luzhkov attends meeting of U.K. Labour Party

Moscow Mayor Yuri Luzhkov showed up at the British Labour Party annual conference in Blackpool on Sept. 30, and later gave a press conference at the Russian Embassy. The day earlier, he had met Prime Minister Tony Blair for five minutes. Luzhkov charged that the International Monetary Fund and other Western lenders were "throwing money on the fire" by making large loans to Russia. The *Times* of London quoted him as saying that "the IMF and other organizations that granted Russia credit made a huge mistake." Large sums of western aid had been misappropriated, and spent on consumer goods instead of being invested, he claimed. He also accused the IMF of a "strategic error," in treating Russia as though it were some small east European country. The scale was completely different. In this context, he called for a major restructuring of Russia's debt, to provide some breathing space.

He emphatically denied that there would be food shortages in Moscow this winter, asserting that the city had adequate stocks of potatoes, vegetables, flour, and other staples. Emphasizing that he would take personal responsibility, Luzhkov added: "Any talk of hunger is absurd. Perhaps someone wants this to happen."

Luzhkov said he had not yet decided whether to run for the Presidency in the year 2000, "But if I see that the contenders do not have appropriate state positions and views that will bring stability and prosperity, then I may throw my hat into the ring."

House Republicans commit treason in impeachment vote

by Jeffrey Steinberg

By a nearly strictly party-line vote on Oct. 8, House Republicans rammed through an open-ended impeachment investigation of President William Jefferson Clinton, despite the fact that the tainted Starr report to Congress falls far short of any constitutionally sound threshold of evidence of “high crimes and misdemeanors.”

The vote came at precisely the moment that stock markets around the world were crashing, major world currencies were going through wild fluctuations, and finance ministers and central bankers from 182 countries were racing home from Washington, D.C. and the just-concluded International Monetary Fund-World Bank session, with little to show for their efforts to solve the gravest financial and monetary crisis in modern history.

At no time in living memory has American Presidential leadership been more urgently required, if the financial oligarchy is to be stopped from triggering a worldwide New Dark Age of untold suffering. As *EIR* has documented since 1993, it was this London-centered financial oligarchy—working through agencies like the Hollinger Corp. media cartel, the Netanyahu Likud apparatus in Israel and its “amen corner” of American right-wing Zionists and clinically insane Armageddonist Christian evangelicals, and corrupt and ambitious Congressional Republicans—that launched the assault on the U.S. Presidency long before the world knew of Monica Lewinsky, Paula Jones, Whitewater, Filegate, and so on.

Five years and \$40 million later, independent counsel Kenneth Starr handed Congress a report that focussed solely on a private act of personal misconduct, that Starr was first alerted to in January 1998.

Speaker of the House Newt Gingrich’s flagrant effort to squelch open debate on the most profound issue to come before the Congress in decades, failed to silence a number of voices of sanity from the other side of the aisle. Even though

the total length of the House floor debate was restricted to just two hours, and toward the end, Democrats were given 20-second speaking slots, an element of the treachery of the GOP leadership did come out.

Rep. Robert Wexler (D-Fla.) singled out Gingrich: “Mr. Speaker, God help this nation if today we become a Congress of endless investigation, accomplices to this un-American inquisition that would destroy the Presidency over an extramarital affair. The global economy is crumbling, and we’re talking about Monica Lewinsky.”

Rep. Charles Schumer (D-N.Y.) elaborated: “Today the world economy is in crisis and cries out for American leadership, without which worldwide turmoil is a grave possibility. The American people cry out for us to solve the problems facing them. This investigation, now in its fifth year, has run its course. It’s time to move on.”

District of Columbia Delegate Eleanor Holmes Norton (D) drew the distinction between the U.S. constitutional system and Britain’s parliamentary system, a distinction that Gingrich and his allies wished to ignore altogether. She reminded the House, “We are a constitutional democracy, not a parliamentary republic. A vote of no confidence in Great Britain requires no standard, but calls forth a new election. A vote for an impeachment inquiry in the United States requires a high standard, because it could nullify an election.”

Rep. Bob Filner (D-Calif.) returned to the issue of the global economic crisis: “Mr. Speaker, it is this Congress that is subverting the Constitution by trivializing the impeachment process. . . . And we are going to embark on an open-ended investigation while the world economy is collapsing, the health care system needs reform, our whole financial system is corrupt, and we’ll be talking for months about who touched who where.”

Rep. Bob Clement (D-Tenn.) summed up the GOP treason

eloquently: “Mr. Speaker, the President of the United States has the toughest job on the face of the earth. We cannot indefinitely keep this open and keep it going into next year. The economy is at stake—we know that. The economy is unraveling now—we know that. And how can we neglect it?”

The President’s dilemma

A sizable portion of the nation’s media has questioned, and, in some cases, outrightly denounced the Gingrich mob’s action against the President. The American public has weighed in, demanding an end to what one House Democrat equated to the Salem witch trials. Kenneth Starr, Linda Tripp, and Newt Gingrich remain the three most hated personalities in American life today.

Despite this, House Republicans, backed by the most rabid elements of the misnamed Christian Right, have pursued a berserk course of action, that leaves no doubt that they are committed to the destruction of the Clinton Presidency, no matter what the consequences for the well-being of the United States and the rest of the world.

These circumstances demand extraordinary action on the part of President Clinton—beyond the legal counter-attacks and the harsh words of criticism for a Republican Congress gone mad with treason. And, the President has only one avenue of action available to him, that would place the harshest of penalties upon the oligarchs and their henchmen, who are waging the campaign to overturn the Constitution.

The only course of action that President Clinton could take was spelled out on Oct. 7 by Helga Zepp-LaRouche, founder of the Schiller Institute and wife of American political economist Lyndon LaRouche, in an open letter to the President (see the editorial in this issue for the full text of the Zepp-LaRouche letter). After describing the ongoing impeachment drive as “a coup d’état against the office of the President and against the American Constitution,” she called upon President Clinton “to appoint Lyndon LaRouche immediately as economic adviser to your administration.”

Such a bold public move would be read by governments and leading political circles around the world as a clear signal that President Clinton has determined to move aggressively ahead with the New Bretton Woods policy that LaRouche has been advocating, as the only viable remedy to the systemic collapse of the world financial and monetary system. By seizing the initiative forcefully, President Clinton would win the immediate support of the Chinese government, major political factions in Japan, and a healthy segment of the elites of India, Russia, and Brazil. It would shake continental Europe out of its “euro-fantasy” state.

At home, the President already enjoys the support of a majority of Americans, who are repulsed by the hooligan antics of Starr, Gingrich, et al. A move to bring in LaRouche would draw support from a large segment of those Americans who have stayed home for the last several national elections, out of disgust with the “politics as usual” profile of official Washington and the rampant police-state corruption of the

U.S. Department of Justice. For those Democrats fighting to revive the tradition of Franklin Roosevelt and John F. Kennedy, it would be a green light to clean the Democratic Party of its own treason faction.

The crimes of Kenneth Starr

Even as the House Republicans were urinating on the Constitution, new evidence was coming to light that Starr is the appropriate target for Congressional impeachment proceedings, as have been already called for by Rep. Alcee Hastings (D-Fla.).

On Oct. 5, as the House Judiciary Committee was voting out the impeachment resolution, attorneys for President Clinton were filing a brief with the U.S. Supreme Court, arguing that White House deputy counsel Bruce Lindsey should have been able to invoke attorney-client privilege and not be forced to appear before the Starr grand jury. The Clinton brief revealed publicly, for the first time, that Starr had lied to the Appeals Court on June 29, 1998, during oral arguments about the Lindsey subpoena.

Starr had claimed that Lindsey had no right to assert privilege in a purely personal matter involving the President; however, he acknowledged that government lawyers could invoke privilege in the event of an impeachment process. But, “that’s not where we are,” Starr told the court. “It is premature for this court to look down the road and look at impeachment. It is beyond the compass of this case.”

Three days later, however, Starr secretly filed a motion with the three-judge appellate panel overseeing his Office of Independent Counsel (OIC), seeking permission to make an impeachment referral to the House. The permission was granted—secretly—on July 7.

In another case of outright fraud, the *New York Times* reported on Oct. 4 that Starr’s report to Congress contained a false account of the circumstances under which the OIC learned of President Clinton’s relationship with Monica Lewinsky. The report to Congress claimed that Starr’s office first was alerted to the Clinton-Lewinsky matter on Jan. 12, 1998 when Linda Tripp turned over 20 hours of audio tapes of her conversations with Lewinsky.

The *Times* reported that at least one week prior to the Tripp “walk-in,” a law partner of Starr was told details about the Clinton relationship to Lewinsky by Lucianne Goldberg, the ex-Nixon dirty tricks moll who steered Tripp’s tape-and-tell sting. The day after the publication of the *Times* article, President Clinton’s attorney David Kendall sent a letter to Attorney General Janet Reno, asking the Justice Department to release the documents filed by Starr in January 1998, requesting authorization to expand his probe to include the Lewinsky allegations.

On Oct. 3, Associated Press reported that Judge Norma Holloway Johnson, the Chief Judge of the District of Columbia U.S. District Court, had appointed a Special Master to gather evidence about grand jury leaks by Starr and his senior prosecutors.

Why was George Bush never impeached?

by Edward Spannaus

During at least three investigations—the Congressional Iran-Contra investigation of 1986-87, a Senate Foreign Relations subcommittee investigation of drugs and foreign policy (the “Kerry Committee”) of 1986-88, and the independent counsel investigation of Iran-Contra, 1986-93—a substantial body of evidence was accumulated showing that George Bush, as Vice-President and then as President, was implicated in crimes far more serious than anything of which President Clinton has been accused.

While Clinton has been relentlessly hounded, and every movement and utterance minutely investigated by independent counsel Kenneth Starr, George Bush successfully thwarted and obstructed the independent counsel’s investigation until he, Bush, was about to leave office.

Additionally, independent counsel Lawrence Walsh displayed a certain respect for the institution of the Presidency, something which is totally lacking in the conduct of Kenneth Starr. After Bush had pardoned former Secretary of Defense Caspar Weinberger and others of Bush’s associates, and Bush had belatedly claimed that “the proper target is the President, not his subordinates,” Walsh stated that “the President of the United States is entitled to an area of tolerance. . . . The problems that he has are greater in scale, immensely greater, than any other government official. . . . A prosecutor should be very slow before he picks at a President. . . .”

Bush’s offenses went to the heart of what the Framers of the Constitution meant by “high crimes and misdemeanors”—that is, offenses against the state and the constitutional order. It is clear, and it is conclusively demonstrated by the handling of Alexander Hamilton’s admitted efforts to conceal an adulterous relationship in the Maria Reynolds affair, that private, personal conduct was not encompassed in the Constitution’s specification of impeachable offenses.

Let us look at the crimes of George Bush, as are known from the public record.

Subverting the Constitution

As soon as he became Vice President, Bush began to create a “secret government” apparatus, a parallel government-within-the-government, usurping the power of the President of the United States, in whom the Constitution vests the power of Chief Executive and Commander-in-Chief of the Armed Forces.

From his position as de facto head of this secret, parallel government, Bush launched covert military operations abroad, and undermined constitutional rights at home.

- In direct violation of stated Congressional policy, Bush continued and escalated the covert war in Central America. This was carried out through Bush’s direct subordinates, including his national security adviser Don Gregg, Gregg’s longtime associate from the CIA, Felix Rodriguez, and National Security Council staffer Oliver North.

- Bush’s subordinates, operating under his direction and with his knowledge, ran the unlawful arms-for-hostages deals with Iran.

- As President, Bush launched the invasion of Panama for the purpose of abducting a foreign head of state, Gen. Manuel Noriega, in violation of U.S. and international law.

- As President, and at the instigation of a foreign power (Great Britain and its Prime Minister Margaret Thatcher), Bush waged a genocidal war against Iraq and its people, in violation of international law and international human rights covenants.

- Domestically, Bush controlled various interagency units used to harass and intimidate U.S. citizens and Bush’s political enemies; one of these was the Operations Sub-Group of the Terrorist Incident Working Group (TIWG). These units assigned the FBI and private contractors to illegally target and gather information on U.S. citizens. (This was documented, for example, in the Congressional Report on Iran-Contra.)

Drug trafficking

As *EIR* documented in a special report issued in 1996¹, George Bush was fully chargeable as the “kingpin” of a vast drug-trafficking conspiracy operating in the 1980s, one responsible for bringing massive amounts of drugs from Central America into the United States. *EIR* produced a draft indictment of George Bush, Donald Gregg, Felix Rodriguez, Oliver North, and others, which was modelled on standard drug conspiracy indictments as used by Federal prosecutors every day in this country. The evidence and the overt acts of the conspiracy were taken from either the 1988 “Kerry Report,” or from the Final Report of the Independent Counsel for Iran-Contra.

The evidence presented in those reports, when properly laid out, paints a very clear picture of a conspiracy—in fact, far stronger than most conspiracy cases for which defendants are serving long prison sentences—running from the drug-smugglers in Central America, right up to the office of Vice President George Bush. There are meetings between drug-smugglers and those running the Contra resupply operation, such as North, Richard Secord, and Rodriguez. Rodriguez is a frequent link between the lower- and mid-level operatives, and Donald Gregg and George Bush at the top levels of the conspiracy. The Walsh Report documents that Bush and Gregg facilitated Rodriguez’s being set up to operate at Ilopango military air base in El Salvador—which was otherwise known as a notorious arms-and-drugs transshipment point. The report also documents three face-to-face meetings in

1. “Would a President Bob Dole Prosecute Drug Super-Kingpin George Bush?” *EIR Special Report*, September 1996.

1985-86 between Rodriguez and Bush.

Perhaps even more serious is the implication of the personnel involved in Bush's Contra resupply operation in the murder of a United States Drug Enforcement Administration agent, Enrique Camarena, in Mexico in 1985. In July 1990, Juan Ramón Matta Ballesteros was convicted by a Federal court jury in Los Angeles of conspiring to kidnap, torture, and kill DEA agent Camarena. Yet, in the Kerry Report, it is documented that one of the companies contracted by the U.S. government in 1986 for shipping supplies to the Contras was "SETCO air, a company established by Honduran drug trafficker Ramón Matta Ballesteros." The Kerry Report documents SETCO as "the principal company used by the Contras in Honduras to transport supplies and personnel" from 1983 to 1985.

The drug-trafficking allegations were never investigated by Lawrence Walsh. In an interview with *EIR* in 1994, he explained that he believed that this was the type of thing that could be probed by a regular Federal prosecutor, and did not require the focus of an independent counsel. *EIR* was also told by sources familiar with Walsh's investigation, that he was under tremendous pressure from Congressional Republicans and the news media to wrap up his investigation, and his office believed it would come under tremendous criticism if it branched out into other areas.²

Other offenses in Iran-Contra

The Final Report of the Iran-Contra Independent Counsel describes numerous offenses committed by Bush; although Bush was never able to be charged, his offenses are seen to involve abuses of power related to the conduct of foreign policy and offenses against Congress, of an altogether different order than that of which Bill Clinton is accused.

A major reason why a case was never presented against Bush, was that Bush withheld information from the independent counsel, and then Bush pardoned many of his associates in December 1992, including former Defense Secretary Caspar Weinberger³—thus preventing trials in which evi-

2. Walsh was under sustained attack from many of the same quarters which constitute Kenneth Starr's loudest cheering section today. To take just one example: In August 1992, the *Washington Times* magazine *Insight* published a long article called "The Most Expensive Special Counsel," which described Walsh as a "Captain Ahab" who had already spent well over \$35 million, who was "perverting the law" with his obsessive and vindictive pursuit of top Reagan administration officials. The article charged that Walsh and his deputy Craig Gillen had improperly claimed travel and other expenses.

That *Insight* article was authored by Daniel Wattenberg, then an assistant to one of the convicted Iran-Contra figures who was later pardoned by Bush—Elliott Abrams. Of more interest, is that Wattenberg is today a close associate of Jonah Goldberg, the son of dirty trickster Lucianne Goldberg, who orchestrated the laundering of Linda Tripp's Monica Lewinsky saga into Starr's office. Jonah Goldberg, an employee of Daniel's father Ben Wattenberg, appears frequently on television as an outspoken defender of the current "Captain Ahab," Kenneth Starr.

3. Shortly after the granting of the pardons, syndicated columnists Rowland Evans and Robert Novak praised the pardons as "a courageous decision,"

dence against Bush would have come out.

Walsh's Final Report states bluntly: "The criminal investigation of Bush was regrettably incomplete." The report gives a number of reasons for this, including the press of other prosecutions, and the fact that significant evidence was not available until the end of 1992, when Walsh was completing his investigation. But, at the end of 1992, Walsh's prosecutions were brought to an abrupt halt by the 1992 Christmas Eve pardons issued by Bush—which in effect amounted to Bush pardoning himself.

In his report, Walsh states flatly: "Contrary to his public pronouncements, he was fully aware of the Iran arms sales. Bush was regularly briefed, along with the President, on the Iran arms sales, and he participated in discussions to obtain third-country support for the Contras."

In the report and also in his 1997 book *Firewall*, Walsh cites statements by Bush and others which directly conflict with Bush's claims that he was "out of the loop" on the Iran missile shipments, and with his denials that he was aware of the diversion of proceeds of arms sales to assist the Contras. For example, Bush wrote in his diary on Nov. 5, 1986, the day that the arms sales to Iran were first exposed: "I'm one of the few people that fully know the details."

That diary was withheld from Walsh until December 1992, despite requests by Walsh's office to Bush to produce any such documents in 1987 and again in 1992. The existence of the diary was "discovered" by an aide to Bush in September 1992; the diary was turned over to Bush's counsel, C. Boyden Gray, who, according to Walsh's report, "decided to delay notifying the Independent Counsel of the existence of the diaries." It was not until after the November Presidential elections, in fact until Dec. 11, 1992, that Walsh's office even learned of the existence of the Bush diaries.

Not only did Bush withhold evidence, but he himself stonewalled and refused requests by Walsh to interview him, even though, as Walsh states: "In light of his access to information, Bush would have been an important witness."

Walsh's Final Report states: "While President Bush made numerous public statements extolling his cooperation with the Independent Counsel's investigation, that, in fact, had not been the case: Inside the White House it appears he had little intention of cooperating with Independent Counsel."

The Walsh Report cites a number of areas that would have been covered in the requested interview with Bush, including:

and they reported the following: "President Bush's decision to pardon the Iran-Contra Six came under the threat that if he did, he would be the next prosecutorial target. . . . The Iran-Contra prosecutors and Lawrence Walsh have become demons in his mind. He reached the point of no return when he was told that Walsh's investigators were digging into Caspar Weinberger's personal life in a vain effort to find romantic entanglements. . . . What really galvanized Bush was information that James J. Brosnahan, Walsh's new lead lawyer, was deposing witnesses to track down malicious gossip that Weinberger had a clandestine lover in London. . . . Once he obtained Weinberger's now famous notes, every social engagement or personal meeting recorded was scrutinized, even though it had no conceivable connection with Iran-contra."

- “The 1985 arms sales to Iran through the Israelis . . .”;
- “Bush’s meeting with Israeli official Amiram Nir in July 1986,” and Richard Secord’s statements that after Bush reported on the Nir meeting, President Reagan resumed arms sales to Iran;
- “Bush’s knowledge of or involvement in any quid-pro-quo arrangements with Central American or other countries in exchange for their support of the contras”; and
- Bush’s contacts with Oliver North, particularly at the time when Donald Gregg says he learned of Felix Rodriguez’s role in the Contra resupply operation.

Furthermore, Bush orchestrated the refusal of his aides to provide evidence to the independent counsel. Bush’s counsel, C. Boyden Gray, and Gray’s deputy John P. Schmitz, also refused to be interviewed, citing, among other things, attorney-client privilege and attorney work-product privilege. (Five years later, when Bush’s Solicitor General Kenneth Starr had become independent counsel, Starr aggressively sought to override those privileges, and Starr labelled the use of such privileges “an obstacle to the search for truth.”)

Even after Walsh made a number of concessions to Gray and Schmitz, including a non-waiver agreement with respect to the attorney privileges and the privilege against self-incrimination, they still refused to be interviewed. Walsh’s report notes: “This was not OIC’s first encounter with non-cooperation on the part of Gray. In a May 23, 1991 interview

regarding Donald Gregg, Gray asserted on behalf of President Bush attorney-client privilege. . . .”

Completing the cover-up

After Bush granted the Christmas Eve pardons to Weinberger and five others, including CIA officials and former National Security Adviser Robert McFarlane, Walsh declared: “The Iran-Contra cover-up, which has continued for more than six years, has now been completed with the pardon of Caspar Weinberger.”

Walsh was particularly concerned, he said, because Weinberger’s contemporaneous notes, which had been concealed, seriously affected the official investigations “and possibly forestalled timely impeachment proceedings against President Reagan and other officials.” Walsh said that the Weinberger notes evidenced “a conspiracy among the highest-ranking Reagan administration officials to lie to Congress and the American public. . . . Weinberger’s concealment of notes was a part of a disturbing pattern of deception and obstruction that permeated the highest levels of the Reagan and Bush administrations.”

In his statement following the pardons, Walsh also disclosed that Bush had withheld his own “highly-relevant contemporaneous notes.” And Walsh stated: “In the light of President Bush’s own misconduct, we are gravely concerned by his decision to pardon others who lied to Congress and obstructed official investigations.”

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Cover-up continues in Martin Luther King case

by Edward Spannaus

The cover-up of the 1968 assassination of Dr. Martin Luther King, Jr. is still alive and well. Reports of recent efforts to intimidate witnesses in the assassination case, were presented at a forum held at the National Press Club in Washington on Oct. 1. These involved Justice Department harassment of the former FBI agent who recently came forward with new evidence in the case, and efforts to intimidate other witnesses last year.

However, a new initiative which could bring part of the truth out in open court was taken on Oct. 2, when the family of Martin Luther King filed a suit in Memphis, Tennessee, seeking damages from a man who says that he hired the actual killer of Dr. King. The suit names Loyd Jowers and other "unknown co-conspirators."

James Earl Ray, the man who pled guilty to the killing in 1969, and then soon recanted his guilty plea, died in prison on April 23, 1998, bringing to an end his decades-long battle to have his case re-opened and to have the trial which he never had. In the last year of Ray's life, the King family endorsed his appeal for a trial.

The Jowers suit

Jowers is the former owner of Jim's Grill, the bar and grill in Memphis near the Lorraine Motel at which Dr. King was killed. Jowers stated publicly in 1993 that James Earl Ray did not shoot Martin Luther King, but that he, Jowers, had hired a gunman, and that he had been paid \$100,000 to facilitate the assassination. Jowers also stated that he had been approached by a man named "Raul" who gave him a rifle—which was the rifle used to frame Ray.

Over time, Jowers has told more and more of his story, but he has refused to testify publicly unless he were granted immunity from prosecution, which Tennessee authorities refused to do—rather inexplicably, since they adamantly maintain the position that James Earl Ray was solely responsible for King's death.

At the Oct. 1 forum, prior to the filing of the King family lawsuit, Dr. William Pepper, who had represented Ray for a number of years, declared that he believes that Jowers is telling the truth. "Jowers has lost everything," Pepper said. "He is dying, and there is no reason for him not to tell the truth."

On Aug. 26, after meetings with Dr. King's widow, Coretta Scott King, and other members of the family, Attorney

General Janet Reno announced that the Department of Justice (DOJ) would undertake a limited review of the King assassination case. The investigation was said to be focussed on two new witnesses, Jowers, and Donald Wilson, a former FBI agent who recently disclosed new evidence related to the case.

The DOJ investigation is being run out of its Civil Rights Division, and is headed by Barry Kowalski, a career prosecutor in the Civil Rights Division, who conducted the 1993 Federal prosecution of the Los Angeles police officers who were charged with violating Rodney King's civil rights. At the insistence of the King family, the FBI is not involved in the Justice Department investigation. According to a DOJ spokesman, the Civil Rights Division is drawing upon investigators from the U.S. Marshals Service, the Postal Service, and the Bureau of Alcohol, Tobacco, and Firearms (ATF).

However, the skepticism of many observers about the Justice Department review is confirmed by the manner in which the department has treated Wilson, one of the witnesses crucial to the new investigation.

Justice Department harassment

At the Oct. 1 forum in Washington, attorney Pepper said that documents disclosed earlier this year by former FBI agent Wilson are now in the possession of the Justice Department. Pepper said that Wilson had not wanted to give the evidence up, but had wanted to have a forensic examination done first. But, Pepper said, Wilson was forced "by extraordinary tactics" to give up the evidence.

The documents included a piece of paper that had money figures on it; another, Pepper said, was a page of the Dallas, Texas telephone directory with the name "Raul" written on it, and the number of the Vegas Club in Dallas circled. The Vegas Club was owned by Jack Ruby at the time of the John F. Kennedy assassination. Pepper says that he has interviewed a number of witnesses who have placed "Raul" at Ruby's night club—which is one of a number of pieces of evidence which link the King murder to the Kennedy assassination five years earlier.

EIR subsequently spoke with Wilson, who confirmed in detail the account given by Pepper. Wilson said that Kowalski had called him, and then Kowalski and an associate flew out to Chicago to meet with Wilson. Wilson said he had decided to give the documents to Kowalski, and he took Kowalski to

his bank, where the documents were being kept in a safe-deposit box. While they were at the bank, bank officers became alarmed because someone was watching the bank; they called the police, who responded and apprehended the suspect—who turned out to be a Federal marshal, and who said that both the bank and Wilson were under surveillance.

Wilson then confronted Kowalski, who explained: “I don’t know you, I don’t know what you’re capable of.” Likewise, in the interview, most of Kowalski’s questions had to do with Wilson’s relationship with William Pepper and the King family, whether Wilson was making money from this, and if he had a movie deal with Oliver Stone—in other words, everything except the evidence.

Wilson said that since he now seemed to be the target of the investigation, he had to reconsider giving Kowalski his evidence. Kowalski later called Wilson at home and threatened to get a search warrant for the documents and to charge him with obstruction of justice. The next morning, Kowalski called Wilson’s wife, after Wilson had left for the school where he teaches; Kowalski screamed at Wilson’s wife and told her that her husband was a liar, and that he’d better hand over the documents.

An article in the *Atlanta Journal-Constitution* on Oct. 4 put it rather more mildly, reporting that “Wilson relinquished the documents to Kowalski’s lieutenants two and a half weeks ago.”

In response to comments from other panelists and questions, Pepper also described what had occurred on the ABC “Turning Point” program broadcast in June of last year. During the filming of that program, ABC had ambushed Pepper by confronting him with retired U.S. Army special forces Maj. Billy Ray Eidson, who had been identified to Pepper by ex-military sources as the head of a special team which was in Memphis as backup on the day of the King assassination, and which was prepared to shoot King if the first shooter failed. In his book *Orders to Kill*, Pepper had identified Eidson, and reported that he was dead.

Pepper told the Oct. 1 forum that he had been told that Eidson was dead. “I apologized for saying he was dead,” Pepper said, “not for what I said about him being the leader of the unit.”

ABC did not tell its audience what *EIR* has learned: that Eidson had killed two men in bar-room brawls, and that in one of those cases in 1982, he was convicted of criminally negligent homicide; in the other case, the witnesses didn’t show up, and Eidson got off. Eidson has now filed a lawsuit against Pepper and the publisher in a court in South Carolina, claiming—of all things—damage to his reputation!

Pepper also described how he had provided ABC with a “deep-cover witness,” an undercover military operative, who had been close to one of the members of the Memphis team who’d been later shot and killed. Pepper said that ABC interviewed the witness for three hours, never used a bit of the interview on the “Turning Point” show—and then the witness

started getting calls from military intelligence agencies, in an effort to silence him.

Threat to national security?

Also participating in the Washington forum were Dexter King, the son of the late Dr. King, and Rev. Walter Fauntroy, who headed the 1970s investigation of the King assassination in the U.S. House of Representatives.

Reverend Fauntroy said that the 1970s House investigation was not complete, and that he not does believe that James Earl Ray killed King, nor that Ray was acting alone, any more than he believes that Lee Harvey Oswald killed John Kennedy all by himself, or that Sirhan Sirhan killed Robert Kennedy all by himself. Fauntroy also made comparisons between those assassinations, and what is being done to President Clinton today.

Fauntroy said that it is clear to him that Ray was part of an intelligence operation, because even though Ray was a fugitive with no resources, he had access to passports, and there were people who showed up in the events surrounding the King assassination who looked just like Ray. Fauntroy surmised that, as an FBI agent, Donald Wilson understood how intelligence operations worked, and Fauntroy suggested that this is why Wilson reacted as he did and didn’t come forward with the evidence for 30 years. “I don’t doubt the veracity of Wilson,” Fauntroy declared, “and I am shocked and indignant at the treatment he is getting.”

Dexter King described how the King family had come to believe in James Earl Ray’s innocence, which, he said, was not easy for the family to come to grips with. Recounting the circumstances of Ray’s “admission” of guilt, King said that Ray had been told that he would be electrocuted if he didn’t plead guilty. Pepper added that Ray’s first lawyer, Percy Foreman, had been negotiating with the District Attorney secretly behind Ray’s back, and then Foreman told Ray he had no choice but to plead guilty; Foreman even gave Ray \$500 and told him that after he pled, he could get a new lawyer and change his plea—which of course Ray was not allowed to do.

Asked about the allegations of U.S. government involvement, Dexter King said that the decision to kill his father had to come from the top, because that is the way the military operates. But the most important question, King said, is *how* his father was killed, but *why*. Dexter King believes that Dr. King was killed because of his public opposition to the war in Vietnam and because of his campaign for economic equality; at the time of his assassination, Dexter King said, his father was organizing the Poor People’s Movement, “a multi-racial, diversified group that was coming to Washington.” He had successfully integrated those forces from the peace movement and the civil rights movement, Dexter elaborated, “and that was a threat.”

“Some people believe that if the truth comes out, that this is a threat to national security,” Dexter added. “My hope is that the truth can come out, and that there can be reconciliation.”

National News

Major U.S. colleges bet the farm on hedge funds

At least 75 universities, through their endowments, placed their finances at great risk by investing in hedge funds last year. Schools include Loyola, Colgate, Cornell, Harvard, Yale, and Brown. The last two are known to have lost significant amounts through their investment in the Everest Capital hedge fund.

Cornell University began putting money into hedge funds about three years ago, where it now parks about 11% of its \$2.3 billion endowment. James Clarke, Cornell University's chief investment officer, tried to defend the practice, in spite of the failure of Long Term Capital Management: "I don't think that LTCM was hedging anything really. In general . . . hedge funds make a great deal of sense. The main advantage is that it dampens volatility of the holdings."

Justice Dept. moves vs. Steelworkers NAFTA suit

On Sept. 12, the Justice Department moved to dismiss the lawsuit brought by the United Steelworkers (USWA) which claims that the North American Free Trade Agreement is unconstitutional. In a Sept. 14 statement, USWA President George Becker countered: "It appears our government's position is that no one can sue for redress, no matter how many U.S. jobs have been lost to Mexico or Canada since NAFTA's 1993 adoption, and no matter how many workers have been forced to accept lower wages or benefits under threat of a plant moving across the border. That's because, according to the government's lawyers, those injuries were caused by implementing laws and regulations adopted pursuant to NAFTA, rather than by NAFTA itself. Never mind that no such laws or regulations would ever have been contemplated, let alone adopted, except for the mandates contained in NAFTA."

In a related development, the USWA has formed a political alliance with the major steel producers to call on President Clin-

ton to move against the dumping of cheap steel by nations made desperate by the economic collapse. The union's call motivates the action by stating that: "Asia, Russia, and other countries are dumping unprecedented amounts of steel in the United States, causing serious damage to the American steel industry and its workers. Due to the economic problems in their home markets, many foreign producers are no longer selling steel in a rational business manner. As a result, millions of tons of foreign steel are pouring into America at cutthroat prices."

Clinton rejects freedom for Israeli spy Pollard

According to several press reports, when Israeli Prime Minister Benjamin Netanyahu met with President Clinton in early October, he again asked the President to free Jonathan Pollard, a former Navy Intelligence staffer who is serving a life sentence for spying for Israel. White House press secretary Mike McCurry dispelled a report published in the Israeli daily *Yediot Aharonot*, that Clinton had agreed in principle to free Pollard. McCurry stated, "The President . . . accepted the expression of concern . . . but indicated that there was no change in our views on the matter and certainly no agreement." McCurry said the President made his decision based on "the enormity of Pollard's offenses, his lack of remorse, the damage done to national security, the need for general deterrence, and the continuing threat to national security that he posed."

Mental health groups fight HMOs' chiseling

The Mental Health Liaison Group sent a letter to Senate Majority Leader Trent Lott on Sept. 23, calling for him to push through the Patients' Bill of Rights. Such action would help protect 160 million Americans who receive mental health services through health maintenance organizations (HMOs). The group, which includes 36 national organizations representing medical professionals, advocates, families, and unions, details

some of the reports they receive of HMOs denying care to patients, including: emergency services for psychiatric crises; rigid criteria to slash outpatient mental services; treatment plans, diagnoses, and clinical decisions overturned by HMO personnel with no medical or mental health training; and of HMOs' insistence on using least-cost medications, whether clinically appropriate or not.

In addition, according to a Sept. 28 release from the American Psychological Association, the APA and the California Psychological Association have filed suit against Aetna USHealthcare, Inc. of California, Human Affairs International, and Adventist Health Care, a subcontractor of Human Affairs International, for utilizing deceptive practices that harm patients and undermine laws meant to protect patients. They charge the HMOs with lying to patients, routinely overriding doctors' determination of necessary care, and delaying authorization of treatment. Whereas Aetna would advertise that their plan provides mental health treatment benefits of 20-50 outpatient visits per year, contractors were imposing an undisclosed four-visit limit on benefits.

Did Reno oppose Sudan, Afghan bomb attacks?

According to an Associated Press story on Oct. 5, Attorney General Janet Reno opposed the Aug. 20 U.S. bombings of the Al-Shifa pharmaceutical plant in Sudan, and of reported terrorist training camps in Afghanistan. AP was reporting on a forthcoming article in the Oct. 12 *New Yorker* by Seymour Hersh. According to Hersh, Reno did not believe there was sufficient evidence to link bombings of the U.S. embassies in Nairobi and Dar es Salaam, to British-backed terrorist financier Osama bin Laden. Hersh says that Reno did not believe that the level of evidence met the "Tripoli standard" that had led to the 1986 bombing of Libya in retaliation for the terrorist bombing of a U.S. nightclub in Germany.

Other analyses have placed the blame on an anti-Sudan coterie headed by Secretary of State Madeleine Albright and Assistant Secretary of African Affairs Susan Rice.

Appropriations process poses shutdown threat

The 1999 fiscal year began on Oct. 1 with little new progress on appropriations bills, leaving much doubt that more bills will be sent to the President before the current continuing resolution expires on Oct. 9. Senate Minority Leader Tom Daschle (D-S.D.) told reporters on Oct. 2, "This Congress, under Republican leadership, is showing remarkable irresponsibility in management, in failing to produce a budget, in failing to produce appropriations bills, in failing to address the many needs that we have in this country."

A few Republicans, at least, are showing fear of the consequences if the government were to be shut down because the Congress and the White House failed to iron out their differences on the pending bills. House Speaker Newt Gingrich (R-Ga.) told reporters, "We will pass, if necessary, a continuing resolution to keep the government open," and hinted that the leadership is even considering a lame duck session after the November elections.

Attempts to move the bills along have met with mixed results. On Oct. 1, the House failed to move the conference report on the Treasury, Postal Service bill, due to a dispute over the length of service of the general counsel of the Federal Election Commission. Democrats charged that Republicans want to fire general counsel Lawrence Noble, because he has been aggressive in investigating Gingrich's GOPAC and the Christian Coalition for election law violations.

The rule for debate on the conference report was defeated by a vote of 294-106, when conservative Republicans, angered by an earlier agreement on a "martial law" rule to speed the process of bringing bills to the floor, joined with Democrats opposed to the

FEC provision. On Oct. 5, the bill was recommitted to conference, and Appropriations Committee chairman Bob Livingston (R-La.) said that he will withdraw the FEC provision, in order to clear the bill and increase the chances that the President would sign it.

On the other hand, on Oct. 5, House and Senate conferees came to an agreement with the White House on public housing reform legislation that was included in the Veterans Affairs-Housing and Urban Development appropriations bill, making it likely that that bill will now quickly pass.

Veto threat faces agriculture bill

As of this writing, the Senate is preparing to send to President Clinton an agriculture funding bill which he is threatening to veto because it falls about \$3 billion short of what Democrats and the administration are seeking for farm disaster relief. The bill came out of the conference committee with about \$4.2 billion for emergency assistance to farmers suffering under the double effects of weather disasters and low commodities prices. This was in lieu of a program for about \$7 billion proposed by Tom Harkin (D-Iowa), which was supported by the Clinton administration.

In the House debate on Oct. 2, David Obey (D-Wisc.) called it a "very expensive admission that the Freedom to Farm bill is a spectacular failure and it has in fact become the freedom-to-fail-at-farming bill." Tom Latham (R-Iowa) responded that the only failure has been that of the administration, in not aggressively using the export enhancement program, and wanting to increase taxes on livestock producers.

An attempt to recommit the bill to conference to add additional funds for disaster relief failed by a vote of 236-156, and the bill was then passed by a vote of 333-53.

The 1996 farm bill also came under attack from Senate Democrats, where debate began on the bill on Oct. 5. Byron Dorgan (D-N.D.) pointed out that the current farm bill provides no safety net for farmers facing low prices. "So, because we don't have that pricing bridge," he said, "family farmers certainly don't get to the other side." He also attacked the hobby horse of the Republicans: "Tax cuts don't help people without income," which is the problem in farm country, he said. "The first thing we should do is restore income."

Service chiefs describe readiness problems

On Sept. 29, Chairman of the Joint Chiefs of Staff Gen. Henry Shelton and the heads of the four services described to the Senate Armed Services Committee the readiness problems that have been building up over the past couple of years, and the Clinton administration's efforts to address these problems. Shelton attributed the problems to a higher than expected operational tempo, and the effect of that tempo on equipment wear-and-tear and on personnel.

Shelton warned that if current trends continue, "we will certainly face some difficult decisions again in balancing current readiness against modernization, against the maintenance of our operational infrastructure, and against taking care of our people." Without relief, he said, "we will see a continuation of the downward trend in current readiness from mission capable rates for aircraft to de-

pot maintenance backlogs and shortfalls in critical skills.”

No member of the committee directly attacked President Clinton for the decline in military readiness, but there was a marked difference in response to the military chiefs from among Democrats and Republicans. Democrats tended to acknowledge, as did Joseph Lieberman (D-Conn.), for example, that the services have been underfunded for a number of years. Republicans, on the other hand, interrogated the witnesses on why they were so much more optimistic about conditions in the services when they appeared before the committee last February.

Robert C. Smith (R-N.H.) charged the service heads with being less than candid with the committee. “This readiness crisis didn’t come out of nowhere, it didn’t happen in the last seven months,” he said. “You and your predecessors have presided over it.”

Defense authorization report passed by Senate

On Oct. 1, the Senate passed the conference report on the 1999 Department of Defense authorization bill by a vote of 96-2. Armed Services Committee chairman Strom Thurmond (R-S.C.) warned of the difficulties of “maintaining our ability to meet foreign policy ambitions with declining defense resources. If we do not change course soon, present and projected defense investment levels will expose the people of the United States to unacceptable levels of risk.”

The conference report eliminates a number of House provisions objected to by the White House, including a provision barring the launch of U.S. satellites on Chinese rockets, and

a prohibition on Chinese participation in launch failure investigations.

Left in the bill is a provision transferring licensing of such satellite launches from the Commerce Department to the State Department. Carl Levin (D-Mich.) told the Senate that this provision does not take effect until March 15, 1999, to give the State Department time to speed up its licensing process. This compromise, he said, “should protect our national security interests by helping to ensure that American satellites will continue to be launched in appropriate numbers and in a timely and secure manner.”

Financial services bill to be taken up by Senate

A unanimous cloture vote moved the financial services modernization bill one step closer to Senate consideration on Oct. 5. The bill, passed by the House last summer, would permit banks to affiliate with securities firms under a holding company structure to be regulated by the Federal Reserve. However, even though the bill passed out of the Banking Committee by a vote of 16-2, the road to passage by the full Senate faces hurdles.

The issue causing the most heartburn is the bill’s expansion of the Community Reinvestment Act (CRA), which requires banks to make credit available in economically disadvantaged areas as a condition for the bank to qualify for deposit insurance. Republicans generally oppose the CRA provisions because of worries about abuses. Under current law, bank regulators consider CRA requirements only when a bank applies to open, open a new branch, or engage in a merger. Under the bill, not only could bank officers be fined \$1 million a day for failure to comply with the CRA, but it

greatly increases Federal Reserve authority with respect to enforcing compliance with the CRA. Phil Gramm (R-Tex.) said, “The expansion of CRA by these provisions will greatly increase the opportunity for extortion and kickbacks and the imposition of coercive agreements” by community interest groups.

Of less apparent concern, however, is the advisability of dismantling the Depression-era Glass-Steagall restrictions on letting banks and securities firms affiliate, at a time when the entire global financial system is on the edge of collapse.

Money laundering bill clears House

On Oct. 5, the House passed a bill aimed at increasing the effectiveness of anti-money laundering law enforcement efforts. The bill, which passed on a voice vote, said Banking Committee Chairman Jim Leach (R-Iowa), “directs the Secretary of the Treasury to create a national strategy for combating money laundering and other financial crimes by coordinating Federal, state, and local efforts and resources.”

Leach said that the bill builds on the Treasury Department’s successful use of a geographic targetting order in New York during 1996 and 1997. It applies lessons learned from that effort “to other communities in other parts of the country by calling for the formulation of a national strategy for combating money laundering and related financial crimes that emphasizes the importance of coordination and information sharing among Federal, state, and local authorities and by singling out localities in which money laundering is particularly widespread, for increased Federal law enforcement efforts.”

Clinton must bring in LaRouche

A statement issued by Schiller Institute founder Helga Zepp-LaRouche on Oct. 7, 1998 provides the strategic focus for what all citizens, of all stations and nations, must concentrate on in the days ahead. Her statement will become the basis of an international petition campaign. But, more importantly, it must sharpen the thinking of those who wish to save the world and the nation from an otherwise inevitable collapse into a New Dark Age.

Presented in the form of a letter to President Clinton, the statement reads as follows:

“The attempt on the part of Special Prosecutor Kenneth Starr and the Speaker of the U.S. House of Representatives, Newt Gingrich, to misuse the American Congress for an impeachment proceeding against you in the style of the British parliamentary system, is equivalent to a coup d’état against the office of the President and against the American Constitution. Should this coup d’état succeed, not only the United States, but the entire world would be thrown back into a political condition such as existed before the American Revolution—with the worst possible consequences. Therefore we assure you, Mr. President, of our full support.

“You yourself have directly spoken of the fact, that the world finds itself in the most dangerous economic and financial crisis of the last 50 years. Unfortunately, it was demonstrated at the different meetings of the Group of 7, the Group of 22, the International Monetary Fund, and the World Bank in Washington, that these governments and institutions are incapable of dealing with the urgently required reorganization of the international monetary and financial system.

“However, the free market and ‘laissez-faire’ economic system is today just as bankrupt as the destroyed Soviet Union. If the governments now attempt to respond to the crisis with austerity and hyperinflationary policies, this will only lead even more rapidly to the nuclear meltdown of the system.

“The economist Lyndon LaRouche alone has warned for a long time, that the series of wrong decisions in the framework of the neo-liberal economic

policies of the last 30 years must inevitably lead to a systemic crisis. He has been right; all of his critics are today fully discredited. LaRouche is well-known in many countries throughout the world and is highly esteemed for his uncompromising action in behalf of a new, just world economic order. We appeal to you, President Clinton, to appoint Lyndon LaRouche immediately as economic adviser to your administration.”

There will be many who will immediately rebuff this call as unrealistic. Such pessimism is self-fulfilling, and could be disastrous. Because, as LaRouche’s own writings in this issue of *EIR* show once again, he is the only one willing to come forward and take on the powers who have gotten us into this mess—and the only one with the knowledge of how to put the financial and economic systems back together again. To say the proposal is “unrealistic,” is to say that saving the world’s population is unrealistic as well.

And why is such radical action required? To understand that, you have to come to terms with the strategic implications of the overthrow of the U.S. Presidency, especially in this period of financial meltdown. So far, it seems as though the media outside the United States understand these implications better than Americans. They look at the most powerful officeholder in the world being hounded from office by a political witch-hunt and they shudder for their own survival. Instinctively, they realize that a very powerful force is behind this seemingly ludicrous event—one they don’t understand, and don’t know how to reckon with.

That powerful force is the world financial oligarchy, which this magazine has been educating you about. That oligarchy is attempting to bring down President Clinton because its own existence is threatened by the danger that Clinton would act upon LaRouche’s ideas, as the financial implosion reaches the point of crisis.

The solution is to do what they fear: build a mass constituency for Clinton to bring in LaRouche as an economic adviser—and get rid of this oligarchical system once and for all.

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Fall 1998

Beethoven's 'Christ on the Mount of Olives': Gethsemane, As Schiller Would Treat It

by Fred Haight

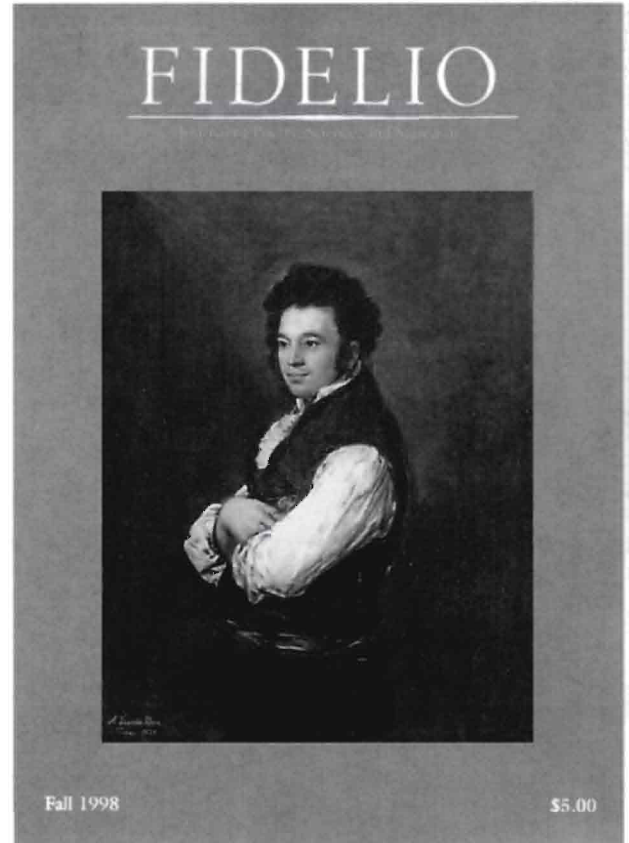
Beethoven's Creative Process of Composition: Reflections on 'Leonore' and 'Fidelio'

by Anno Hellenbroich

For Beethoven, as for Schiller, freedom is the freedom to develop one's cognitive powers, in order to carry out that necessary mission, on behalf of humanity as a whole, for which the Creator put us here in the first place. It is only from this Promethean standpoint, that we can locate the true meaning of individual freedom.

*'As free, as it is rigorous'—
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