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Executive Intelligence Review

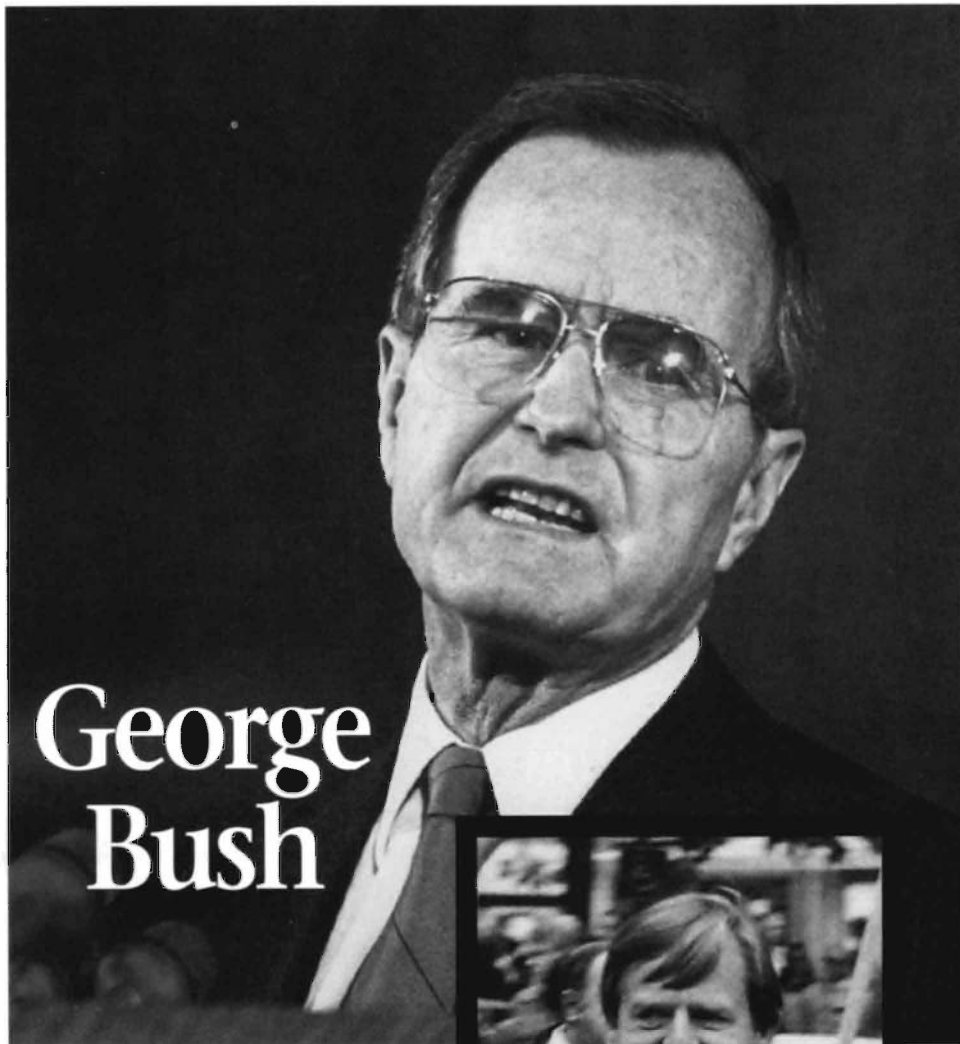
October 23, 1998 Vol. 25 No. 42

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Russia seeks escape from bubble economy
Paul Krugman's cargo-cult economics
How John J. McCloy nearly wrecked the world

**Thousands tell Clinton: Name
LaRouche as economic adviser**





**George
Bush**



And the 12333 Serial Murder Ring

Growing numbers of the cronies of George Bush's orgy of worldwide drug- and weapons-trafficking, not-so-secret wars, and just plain murder are pointing bloody fingers at each other, and also at their former masters. A case in point: the murder of Sweden's Olof Palme.

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From the Managing Editor

The world cannot afford a loss of nerve, a failure of command on the part of the United States, as, at any given moment, the world may be just seconds away from the disintegration of the global financial system. That, of course, means leadership from the Office of the President.

The LaRouche movement is defending that Office and President Clinton from British-inspired attacks whose purpose is to emasculate the power of the United States to lead the world into a New Bretton Woods system. As we go to press, a major rally is scheduled at the White House on Oct. 17, at which signatures on the petition “Americans to Save the Presidency” will be delivered to the White House.

But, it is also necessary for President Clinton to take on the financial establishment. In this week’s *Feature*, Lyndon LaRouche picks up where he left off with “Time to Tell the Truth” (last week’s issue), in addressing Clinton’s weaknesses. The President cannot simply wait for favorable opportunities to act, but must himself create them. As a result of the failure to act in the G-7, G-22, and IMF-World Bank meetings in Washington in early October, the world has entered a more critical, reverse-leverage phase of global collapse. Clinton’s “fatal, or nearly fatal political blunder during the period of that conference, was his loss of nerve in a crucial situation, a situation not of his making, but a situation occurring ‘on his watch,’ occurring at a time when the commanding responsibility lay in his hands,” says LaRouche.

As the world knows, LaRouche would show no such weakness. Our cover story (see *National*), reports the growing demand for Clinton to name LaRouche as an economic adviser. In *Economics*, we have an exclusive interview with leading Russian economist Dr. Sergei Glazyev, who calls for new economic leadership in the United States.

In *Strategic Studies*, we dispel more of the myths of U.S. postwar history — related to the role of John J. McCloy — which is crucial to understanding the mess that the United States is in today.

In *International*, we update British-instigated wars (see the article on Ariel Sharon, in particular), which are also designed to destroy the power of the United States to act for the good.



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Lyndon H. LaRouche, Jr. introduces the story of Wall Street lackey John J. McCloy, the "sorcerer's apprentice" who, in concert with Nikita Khrushchev, and much of the London and Wall Street establishments, collaborated in a wildly utopian, one-worldist project, aimed at eliminating the sovereignty of all nation-states. Their collaboration is the watershed of every principal catastrophe suffered by the U.S.A., among others, since the Cuba Missile Crisis.

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By Lyndon H. LaRouche, Jr. "What will occur during the temporary phase which comes next, after the October 12-15 interval of transition, no one knows with certainty, and almost no one could imagine. What is certain, is that all that assortment of 'crisis-management' tinkering, as proposed by Tony Blair, from France, from circles around former Chancellor Helmut Schmidt in Germany, and Clinton, will accomplish nothing, but to worsen the situation much more than had they made no such efforts; already, the effect of such tinkering has been to divert discussion of real solutions from the agenda."

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After financial crash, Russia acts on food supply and banks

by Rachel Douglas

The Russian government paper *Rossiyskaya Gazeta* of Oct. 9 carried V. Kuznechevsky's article in defense of Prime Minister Yevgeni Primakov, against a chorus of newspaper articles, complaining under headlines like "Primakov's Silence Becoming Irksome," about his lack of an announced comprehensive economic plan. The author invoked a famous quotation from one of Primakov's favorite authors, Tsar Alexander II's Foreign Minister, Prince Gorchakov, who in 1856 said in a circular to Russian embassies, "Russia is accused of being isolated and of keeping silent. . . . It is said that Russia is angry. Russia is not angry. Russia is concentrating."

"Primakov makes no secret of the fact," wrote Kuznechevsky, "that—like F.D. Roosevelt in 1933—he is planning to make greater use of state levers than did his predecessors, in order to run a crisis-ridden economy." As for media criticism of Primakov for allegedly not being an economist, the author recalled the 1933 incident when John Maynard Keynes came out of an hours-long discussion with FDR, and "said that never in his life had he met a less well-informed person about economic matters than Roosevelt"—at the very moment FDR was orchestrating the New Deal.

The depression now gripping Russia resulted from a "financial bubble economy," Russian economist Sergei Glazyev recalls in his interview in this issue of *EIR*, and the main speculators on the Russian markets were foreign financial interests. Without a shift away from the "completely wrong" approaches of the International Monetary Fund (IMF), Glazyev sees the aggravation of a financial situation in the world, "similar to that of the Russian economy," as "the forecasts which were made by Mr. LaRouche come into reality." The Primakov government is interacting with that fatally ill global financial system, but Russia cannot delay the adoption of emergency economic measures before this winter.

On Oct. 14, Primakov, along with Central Bank Chairman

Viktor Gerashchenko and other members of the cabinet, went before the Federation Council (upper House of Parliament) to report on their first month in office. Primakov's run-down of the dire straits of the Russian economy, and the government's priorities, was given in the tones of a wartime mobilization.

"Not in order to complain, but so that everybody should understand what we really have at our disposal at present," the Prime Minister first enumerated the elements of "the base from which our government began" in September: 1) months-long wage arrears to public-sector employees and pensioners; 2) paralysis of the banking system, impossibility of making payments; 3) much of the real economy not functioning; 4) two IMF loan tranches not received; 5) imports that have fallen fourfold, and food imports even more steeply; 6) dramatic diminution of tax collection and customs revenues, due to 3) and 5); 7) collapse of GDP by 16%, and real incomes by 11%; and 8) a devaluation of the ruble comparable to that of 1992.

Food security

As of mid-October, the acting head of the Labor and Society Policy Committee of the Russian State Duma (lower House of Parliament), Vitali Linnik, reported that 40% of the Russian population now lives below the official poverty line. According to Interfax, Linnik also said that the minimum wage now equals \$5.50 per month, poverty has spread quickly since the August currency crisis, and unemployment is 15 million—more than one-tenth of the Russian population.

In Russia's far northern settled regions, where over 12 million people live, a member of the Duma's Northern Affairs Commission calls the situation "extremely dangerous." With fuel deliveries shy of 70% of what is required, and food shipments at less than half, "many cities with big populations are

on the brink of mass tragedy,” said Vladimir Budkayev, who was quoted in the press on Oct. 12.

Under these circumstances, said Primakov, the government has concentrated on areas for emergency action before winter sets in.

“The government has built up an emergency [food] reserve for special consumers and for individual regions,” said Primakov. “But I must be frank: Our possibilities are limited. We are creating the government’s emergency reserve for a period of two weeks and it only covers one-third of the population. We cannot go beyond these limits, because even now it costs \$600 million.” He listed seven key imported food and pharmaceutical products, on which customs duties are already being cut. Also for the sake of the food supply, there has been a 50% reduction of rail freight tariffs, cancellation of a 10% value-added tax (VAT) increase on food and drugs, and agreement with Ukraine and Belarus on payment of their natural gas bills in food supplies.

Twenty-five billion rubles of farm and food-processing industry debt to the state has been deferred until the year 2005.

Primakov went on to discuss the mobilization of fuel and energy resources for the winter, including debt restructuring for various public institutions. Some public-sector wage and pension arrears have been paid, but the 80% of wage arrears that are in the private sector, he called “the main time-bomb that we have in our country.”

“Everything possible must be done,” said Primakov, “for the economy to start to work.” The government’s top priorities, to this end, are 1) restructuring the banking system; 2) clearing “mutual payments on all levels, so as to push through those clots that have formed in the blood vessels of our economy”; 3) changes in the tax system. Central Bank Chairman Viktor Gerashchenko reported to the Federation Council that the banking reorganization will entail effective Central Bank takeover of several large, bankrupt but major—“system-forming”—banks.

With the demise of major banks, some of which never functioned as lenders in a normal sense, but only as cut-outs for speculative investment in a state bond market offering triple-digit annual returns, the ability of the Central Bank to function as a national bank becomes critical for Russia. Glazyev emphasizes this point, saying that “we have no opportunity now to provide the real sector with credit and to maintain the payments system in the economy, other than to use our Central Bank to do this.”

There are also unconfirmed reports, that the Russian government is preparing to invite greater foreign bank ownership of shares in Russian banks, in coordination with the government bonded-debt restructuring.

Primakov announced major changes in privatization policy. The planned sale of the Rosneft oil company and the next 25% share of Svyazinvest, the national telecommunications company, have been cancelled. President Boris Yeltsin has signed a reversal of the bankruptcy-buyout of Purneftegaz, a Rosneft subsidiary that was subjected to bankruptcy and then

sold for \$10 million, though Primakov put its value at \$600 million. This and other cases of theft through privatization will be turned over to prosecutors. Primakov said that he wanted future privatizations to serve the purpose of promoting real investment, not asset-stripping for fiscal, revenue-raising needs.

Regarding de-dollarization of the economy, Primakov rejected both the Argentina “currency board” model, and the total ban of dollars, proposed by Sverdlovsk Province Gov. Eduard Rossel and other Russian officials. He said that the government is exploring ways to attract the billions of dollars, privately held inside Russia, “into the real economy.”

Russia’s deliberations on financial policy are complicated not only by the political uncertainties of the Presidential power system, as President Yeltsin has become visibly more ill, but by those of international finance. On Oct. 12, Deputy Finance Minister Oleg Vyugin said that the IMF has postponed its autumn delegation to Russia yet again, waiting until the government announces its short-term economic plans. Finance Minister Mikhail Zadornov, meanwhile, has had to draft two fourth-quarter budgets for the Russian state: one assuming the disbursement of pledged IMF loans, the other assuming none.

First Deputy Premier Gustov told the daily *Kommersant* on Oct. 8 that decisions on monetary policy, including the issue of new credits and currency to finance the state budget deficit, would be decided after the IMF indicates what it will do. Central Bank First Deputy Chairman Andrei Kozlov, also interviewed in *Kommersant*, said that the bank was readying monetary policy guidelines, for release by Nov. 1. He said that the size of the money supply was being calculated, but “whether or not we get the next [IMF] loan will affect the budget, as well as the policy of the Central Bank.”

Some contingency plans are under development for Russian finances. Gustov told *Kommersant* that he was considering the option of “an additional ruble, which would not have the status of being convertible and which would circulate on the internal market,” alongside the convertible ruble. He cited the experience of China’s currency policy, as a precedent.

Also on Oct. 8, Sberbank, the Russian state-owned savings bank, announced that it had bought more than eight tons of gold in January-September 1998, and would buy five tons by the end of the year, selling more than 90% of these purchases to the Central Bank, to bolster reserves. On Oct. 9, *Kommersant* cited anonymous government sources for a report that the Central Bank is planning to mint gold coins from the gold reserves. The sources said that a draft government resolution earmarks 20 tons of reserves for this purpose by the end of 1998, and eventually 200 tons out of Central Bank gold reserves in excess of 500 tons. Minting the coins is a way to turn this portion of the reserves into a liquid form, without the pitfalls of selling gold abroad (driving down the price), or using it as loan collateral (which might be seized).

‘Serious changes’ needed in Russia and the world economy

Dr. Sergei Glazyev, the prominent Russian economist, was interviewed for EIR on Oct. 14 in Moscow, by Karl-Michael Vitt.

EIR: Please characterize the financial situation in Russia.

Glazyev: The collapse of the Russian financial system was predicted much beforehand. We published a lot of analytical papers, describing how this financial pyramid of short-term government debt would collapse. So, it was nothing extraordinary, and it was quite the natural result of a macroeconomic policy which was conducted in favor of financial speculators. For about five years, the Russian government supported financial speculators, giving them government guarantees, providing them 100% interest-rate profits on government bonds, while doing nothing for the promotion of the real sector and productivity of the economy. This resulted in huge capital flight from the real sector into financial speculation, and abroad. A sort of bubble economy was constructed, which obviously was going to collapse this year.

Unfortunately, the decisions which were made by the Russian government and Central Bank made the situation even worse. Because of those decisions, not only the government’s financial system turned out to be bankrupt, but also, almost, the largest commercial banks were bankrupted, because the government, and the Central Bank, cheated them. I mean the former Russian government, headed by Mr. Kiriyenko, and the Central Bank, headed by Mr. Dubinin. Mr. Chubais was the key financial adviser of Mr. Kiriyenko, and he was the real author of those decisions of the 17th of August, which brought Russia to its financial troubles.

There were a lot of opportunities to have averted this catastrophic result, using much more smooth methods to remove this huge burden of government short-term debt. For instance, last fall I proposed a special arrangement with the Central Bank, to restructure those government bonds that are held by the Central Bank (that is, half of the total of government bonds outstanding). This would have provided an opportunity to overcome the debt crisis, without default of the government. But nothing like this was done. Instead of this, all the obligations were declared to be restructured, abruptly and by surprise, without any clear procedure. Thus, the government and Central Bank made decisions which bankrupted not only the government financial system, but also the banking

system as a whole. I think those decisions undermined the stability of the Russian economy.

Now, we are looking at how to get out of this crisis, and to use this financial crisis in order to find an economic growth policy, to promote the real sector, and to stimulate the growth of investment and production.

We now have a revision of economic policy under way, to switch from maintaining the financial speculators, to the promotion of growth of productivity and investment. I hope that the new government will succeed.

EIR: The Western media always describe this as a “Russian crisis,” having nothing to do with the world financial crisis. How do you see the connection to the world financial situation?

Glazyev: The point is, that the major players in the Russian financial bubble economy were foreigners. They have about a 60% share in the securities market, including about 30% of the government bond market.

The world financial crisis which started last fall undermined the financial pyramid of Russian government debt. Of course, it was going to collapse, in any case, and the major cause of the Russian financial crisis is the stupid financial policy, conducted by the Viktor Chernomyrdin government and Mr. Dubinin, who used government guarantees to provide 100% interest rates on government bonds. Nobody could survive, under those conditions.

But, at the same time, the entire system was designed in 1997, mainly for foreign investors. This stupid policy could have collapsed two years ago. Without the inflow of fresh foreign speculative capital, it couldn’t survive. But during 1997, it was mostly the influx of foreign capital that supported this financial pyramid policy.

And, to my mind, we see now how the forecasts which were made by Mr. LaRouche come into reality. The world financial system becomes very unstable. I think that in the world, we now have a situation similar to that of the Russian national economy.

The world financial pyramid and financial speculation created such a huge gap between the real sector of the economy and the financial sector, that the capital markets have just bankrupted Russia. We do not see good mechanisms for capital transformation. Instead of providing capital to the real



Dr. Sergei Glazyev, at the National Press Club in Washington, D.C. in March 1995.

sector, the financial sector is extracting capital from the real sector. And, of course, this leads to economic disaster.

EIR: In his latest papers, Mr. LaRouche has proposed to reestablish the full sovereignty of nations, to bankrupt the speculative bubble in the world, and return to a policy of capital controls and national banking, in order to get the real sector—the real economy, infrastructure—moving. Do you think that this is also workable for Russia?

Glazyev: I think it is workable for Russia, and I think, even more, that we have no opportunity now to provide the real sector with credit and to maintain the payments system in the economy, other than to use our Central Bank to do this. Because all the commercial banks, which were involved in financial speculation, especially the financial pyramid of the government debt, are now bankrupt. So, there is no other way than to channel monetary policy under government control, and to turn to a differentiated monetary policy, providing capital to the real sector, and using currency controls and capital controls in order to avoid capital flight, which was enormous in the last few years in Russia.

It is impossible to stabilize the ruble, without currency controls now, because the economy is so unbalanced, that any new money creation immediately goes to the currency market and turns into capital flight. Unfortunately, the financial system, based on speculation, was designed to take capital from the real sector to the financial pyramid, and then to transfer it abroad. We couldn't survive, with such a financial system. So, we need radical, rather serious changes, and these changes will lead to the reestablishment of mone-

tary management technologies related to the refinance of the real sector.

EIR: You see that “crisis-management” has not led to success in these last months. What would you think if President Clinton changed his economic advisers and put somebody like LaRouche in, because he is the only economist who warned about this?

Glazyev: What I could say is that, unfortunately, our domestic macroeconomic policy was constructed under the strong influence of American and IMF [International Monetary Fund] advisers. And they share the huge responsibility of the Russian government and the Central Bank for the market failure, for the failure of the market reforms. The IMF played a critical role, and advisers from the American [Department of the] Treasury also played a critical role in forming Russian macroeconomic and financial policy. And we see now, that the strategic mistakes in the macroeconomic policy finally led to the failure of the whole market reform in Russia.

At the moment, we must start everything from the very beginning. And we lost more than \$100 billion during this experiment. So, it is quite obvious in Russia for everybody capable of making economic observations, that the IMF approach was completely wrong, insofar as the Washington Consensus ideology led to economic disaster. And, bearing in mind that American influence is critical at the moment, in the worldwide financial system, we expect that some new people should come; if some new people can come to manage the American international financial policy, perhaps we have a chance to avert global collapse of the financial system.

Global reverse-leverage collapse is under way

by John Hoefle

For years, Lyndon LaRouche has warned that the growth of the derivatives bubble would inevitably lead to a reverse-leverage chain-reaction disintegration of the global financial system, unless sovereign nations intervened to put the bubble, and the financial institutions which support it, into receivership. That reverse-leverage process is now under way, a process from which the current system will not survive. Trillions of dollars of what were carried on the books of individuals and institutions around the world, have simply evaporated over the past three months, and the speed of that evaporation is accelerating. The losses are piling up fast and furious, and there is only one end in sight—the total disintegration of the system—unless sovereign governments snap out of their paralysis, and turn to the one man who has the competence and the courage to oversee the creation of a new global monetary system, Lyndon LaRouche.

Most of our readers are now familiar with LaRouche's Typical Collapse Function Triple Curve, in which the rate of the rate of change of financial aggregates grows hyperbolically, triggering a similar but lesser growth in monetary aggregates to service the financial ones, while the productive output of the physical economy collapses hyperbolically. Such a system must inevitably break down, and it is that breakdown, now under way, which is driving the chaos on global financial markets.

Live by leverage; die by reverse leverage

As the speculative bubble grew, led by that specimen of clinical insanity known as the derivatives market, participants in the bubble borrowed large amounts of money, and invested that money in even larger amounts of derivatives, in a process known as leverage. As long as the bubble grew, this process was—from the standpoint of the virtual reality of the casino—immensely profitable for the big banks, investment banks, insurance companies, and hedge funds.

The case of Long-Term Capital Management (LTCM), which Federal Reserve Chairman Alan Greenspan is trying to bail out, is exemplary. LTCM used \$2.2 billion in equity capital to borrow some \$125 billion, then used that to enter into derivatives contracts with a notional value of \$1.25 trillion (and these numbers may be understatements, according to some reports). LTCM was therefore able to leverage each dollar of equity into at least \$57 in assets, and \$568 in derivatives bets, winning enough to pay off its borrowings and book

huge profits—until it collapsed.

Just as LTCM's profits were multiplied through leverage while it was winning, its losses were multiplied when it lost its bets, through a process known as reverse leverage: Its losses on its trillion-dollar derivatives portfolio wiped out its equity in a matter of weeks, leaving it unable to pay its debts, forcing its creditors to foreclose.

This process of reverse leverage, is now dominating the global financial markets. The trillions of dollars of notional financial values which have disappeared, have triggered substantial losses throughout the system. The system itself, has switched from expansion and inflation, to contraction and deflation; from maximizing income, to minimizing loss. The commercial banks, facing heavy losses on their own derivatives trading and on loans to other speculators, are increasing their demands for collateral to hedge funds and other lenders. The hedge funds, in turn, are having to sell assets to meet the demands of their lenders. Due to the collapse of world stock and bond markets, many of these assets are being sold at a loss, worsening the financial problems of the sellers. Since selling into a declining market tends to drive the market down even further, the entire process turns into a vicious cycle, in which selling to cover losses creates more losses, which requires more selling, and so on.

The hedge funds are taking the most visible hits at the moment. Besides LTCM, which is still hemorrhaging money, several other funds are liquidating all or part of their portfolios. The Ellington Management Group, a \$1 billion fund specializing in mortgage-backed securities and related derivatives, has been forced to sell substantial amounts of securities to meet the demands of its bankers, including the new Citigroup. Ellington is run by Michael Vranos, former mortgage-bond chief at Kidder Peabody, which failed in 1994 when the mortgage-backed securities market collapsed after the Fed raised interest rates. The Eagle Global Value Fund, a \$118 million hedge fund in Minneapolis, is also liquidating a portion of its holdings, at the demand of Citigroup and others.

The banks are placing demands on the hedge funds, because the banks themselves are in mortal danger. According to *American Banker*, the market capitalization of the top 100 U.S. bank holding companies dropped \$242 billion (23%) in the third quarter, due to the meltdown in the value of bank stocks. BankAmerica, the new bank created by the takeover of BankAmerica by NationsBank, reported \$529 million in trading losses for the quarter, and took a \$372 million loss on the \$1.3 billion it loaned to D.E. Shaw & Co., a New York-based securities firm and hedge fund. Merrill Lynch, which poured \$300 million into LTCM last month, reported a \$164 million loss for the fourth quarter, its first quarterly loss since 1989, while Paine Webber's profits for the quarter dropped 27%, Bear Stearns dropped 60%, and Donaldson Lufkin Jenrette dropped 83%. And, with some \$40 trillion in derivatives holdings among U.S. banks and investment banks, the losses due to reverse leverage are just beginning.

U.S. exports, industry nose-dive under 'Asian phase' of world crisis

by Richard Freeman

The damage caused to the U.S. physical economy by the worldwide financial disintegration became apparent with the release on Oct. 6 of a U.S. Treasury report which showed that imports by collapsing Asian economies of physical goods from America, have contracted. During the first quarter of 1998, U.S. exports to Asia were \$40.2 billion, a fall of 11% from the \$45.1 billion of the first quarter of 1997.

The fall of U.S. exports to Asia were especially pronounced for the 15 states that are the largest exporters to Asia. During the first quarter of 1998, these states exported a combined \$30.5 billion worth of goods to Asia, three-quarters of the \$40.2 billion of exports that the United States exported to Asia during the first quarter. Of these 15 states, only three registered export increases, and only by a small amount: Washington State, with an increase of 7.4%; Colorado, up 2.5%; and Connecticut, up 2.2%.

Seven of these 15 largest exporting states to Asia registered declines of 15% or more: New York, a decline of 15.3%; Illinois, -15.6%; Pennsylvania, -17.6%; New Jersey, -19.7%; Ohio, -21.0%; Oregon, -21.8%; and Arizona, -30.6% (Table 1).

Given that U.S. exports to Asia account for 30% of all U.S. merchandise exports, and 40% of all U.S. agricultural exports, the fall of U.S. exports to Asia is having a deep effect on the U.S. physical economy, causing several U.S. manufacturing firms to announce production cutbacks and large-scale layoffs.

A hit on California

California is America's largest exporting state to Asia, accounting for one-quarter of U.S. exports to that region. California's first-quarter \$10.5 billion of exports to Asia was down 11.1% compared to the first quarter of last year. In 1997, California exported \$49.8 billion worth of goods to Asia, which accounted for 48% of California's merchandise exports.

During the first quarter of this year, California's exports to South Korea plunged 43% compared to last year's first-quarter levels, and its exports to Japan (California's largest trading partner) fell 12% compared to the same period last year.

California's exports of electric and electronic equipment

to Asia (its principal export to the region) fell 12% between the first quarters of 1997 and 1998. And, California's farm exports to Asia, a very large sector, also tumbled.

Manufacturing, farming

The drop in exports to Asia has slammed America's manufacturing sector. For example, let us look at "industrial machinery and computers," a broad category which encompasses some very necessary industrial equipment as well as less critical computers. A sampling of some of America's largest exporting states shows what has happened as Asia's economies contracted, forcing these nations to import fewer goods from America. Below, the figures compare first quarter 1998 export levels to Asia with those of first quarter 1997:

- Pennsylvania: Exports of industrial machinery and computers plummeted 39%.

- Illinois: Exports of industrial machinery and computers plunged 47%.

- Indiana: Exports of industrial machinery and computers tumbled 50%.

Other industrial sectors were similarly battered:

- New Jersey: Exports of chemical products fell by 23%.

- Florida: Exports of chemical products fell by 35%.

- Texas: Exports of chemical products nose-dived by 40%.

- Maine: Exports of paper products dropped by 53%.

- South Carolina: Exports of paper products dropped by 78%.

TABLE 1

U.S. states' exports to Asia, ranked by dollar value

State	Exports, first quarter 1998 (billions \$)	Percent change from first quarter 1997
1. California	\$10.5	-11.1%
2. Washington	3.6	+7.4
3. New York	2.6	-15.3
4. Texas	2.5	-4.0
5. Illinois	1.7	-15.6
6. Massachusetts	1.2	-9.0
7. Arizona	1.0	-30.6
8. New Jersey	1.1	-19.7
9. Oregon	1.1	-21.8
10. Connecticut	0.9	+2.2
11. Ohio	0.9	-21.0
12. Colorado	0.9	+2.5
13. Pennsylvania	0.9	-17.6
14. Virginia	0.7	-8.5
15. Michigan	0.7	-5.1

Source: U.S. Department of Commerce; Standard and Poor's.

For agriculture, the devastation was widespread. For three of America's largest farm states—Kansas, New York, and Minnesota—farm exports to Asia for the first quarter of 1998, compared to first-quarter 1997, were down 18%, 31%, and 50%, respectively.

In Iowa, where one in four jobs is directly tied to farms and food, agriculture was ravaged. Iowa's exports to Thailand fell by 41%; exports to South Korea, its second-largest Asian trading partner, fell by 66%; and, Iowa's exports to Indonesia also fell, by 66%. This means that the nations of Asia are not getting the food and protein levels they require.

And, this is having a severe impact on Iowa. A few years back, when the Freedom to Farm Act was passed, farmers were told that they no longer needed any parity and price supports. Instead, they could rely on the "free market" and sell their products—presumably surplus—to Asia. Now that Asia market is contracting. In 1996, Iowa's farm income was approximately \$4 billion. Based on projections, it is expected to plunge to \$2.2 billion this year, a fall of 45%. For 1999, it is expected to fall further, to \$1.8 billion. "This creates unbelievable hardship," said Gary Hoskey, vice president of Iowa's National Farmers Union. "Obviously, the family and the kids go without."

More layoffs

On Sept. 16, Motorola Corp. announced that it will halt construction on a \$3 billion plant in Goochland County, Virginia, near Richmond, citing "the worst global downturn in semiconductor history." This refers to the effects of the world financial disintegration in Asia. The facility was to have comprised 1.5 million square feet and employed 2,500 people. "Our supply and demand is so far out of whack, it would make no sense for us to proceed now," said Sean Hunkler, who had been directing construction operations at the plant site since the beginning of the year.

Over the last few months, several Fortune 500 U.S. corporations have announced large layoffs, due in significant measure to the "Asian crisis." This includes Gillette, which said that it is laying off 4,700 workers, 11% of its workforce; 3M Corp., which announced that it is laying off 4,000 workers, 3.5% of its workforce; and Boeing, which is laying off 28,000 workers, 12% of its workforce.

Further, the firm of Challenger, Gray & Christmas, which tracks layoffs, reported on Oct. 6, that the month of September witnessed the largest announced employment cutback total in 32 months, with an average of 3,479 announced layoffs per business day. More than 60% of the cuts were attributed to the global financial turmoil, according to the firm's survey, with a significant portion of that due to drop in trade with Asia.

One in five goods-producing jobs in America depends on exports. The ruination continues, wrought by the Asian phase of the world financial disintegration which the financial experts at first predicted would be "short-lived," and whose end they cannot now predict.

Indonesia nears brink of disintegration

by Michael O. Billington

"We are dying," said Indonesian Finance Minister Bambang Subianto, speaking to a meeting of the International Institute of Finance in Washington on Oct. 4, as the world's economic leaders gathered in Washington for the annual meeting of the International Monetary Fund (IMF). Subianto's plea for the world's leaders to wake up to reality went largely unheeded, despite the nearly universal recognition that the world's financial institutions are now tumbling toward disintegration.

If nothing is done in the coming weeks to dump the bankrupt IMF-centered financial system, and build a new, development-oriented structure, Indonesia could well be one of the first nations driven into genocidal hell. The fourth most populous nation on earth, Indonesia's over 200 million citizens have been subjected to cataclysmic collapse by the speculative assaults on the Southeast Asian nations by the hedge funds. This has been coupled with the forced collapse of industry, agriculture, infrastructure development, and social services under the dictate of the IMF, which seized control over much of Indonesia's economy when the collapse of the nation's currency, the rupiah, left the nation unable to pay its foreign debts.

There are increasing signals, however, that Indonesia's leadership may break out of the IMF's straitjacket and impose emergency policies to defend the nation's sovereignty and the livelihood of its population. This is exactly what *EIR* Founder Lyndon LaRouche called for in his "What Each Among All Nations Must Do Now," published in *EIR*'s Oct. 9 issue. In Indonesia's case, it has the model set by its neighbor, Malaysia, where Prime Minister Dr. Mahathir bin Mohamad imposed sovereign measures to ban speculation, control the currency, and restart the real, productive economy.

Iman Taufik, the deputy chairman of the Indonesian Chamber of Commerce and Industry (Kadin), and also a special envoy of President B.J. Habibie to the member-states of the Association of Southeast Asian Nations, said on Sept. 18 that, "at present, the country's foreign exchange system is still being debated, but I think we can apply a system like the one Malaysia has adopted after reaching a national consensus." The problem, however, he said, is that waiting for such a "national consensus," or waiting for the interna-

tional community to reverse the global collapse, could prove to be fatal.

As LaRouche says in the above-mentioned report: "Equivocation, sometimes called euphemistically, 'crisis management,' can be fatal to entire nations. . . . It is time to set forth clear *directives* defining the range of actions to be taken. . . . This approach, avoiding the folly of quibbling over complex supranational architectures, is the only approach which could succeed, in the time available under present, rapidly devolving circumstances."

LaRouche then detailed the required directives, including the sovereign control measures over the currency and economy, such as those recently adopted in Malaysia.

Economic and social breakdown

The economic breakdown across Indonesia is devastating. Inflation is at 82%, while the price of rice has increased 400%. Per-capita income has collapsed by two-thirds in dollar terms, and as much as two-thirds of the population could slip below the poverty line by year's end—down from only 11% as of October 1997, when then-President Suharto received the United Nations award for poverty eradication. Food shortages, due to both the financial breakdown and the worst drought in 30 years, now threaten widespread starvation. Already, more than one-half of children under two years of age are malnourished, threatening the physical and mental health of the next generation.

Half of the nation's listed firms posted losses this year, and unemployment is skyrocketing. As a result of capital flight, nearly half of the nation's currency is now overseas, at the disposal of speculators.

The population is showing signs of panic and anarchy. Across the archipelago, there have been recurring incidents of mobs looting shops, rice mills, delivery trucks, and even the rice fields, shrimp ponds, orchards, and plantations. Such riots have occasionally taken on racial overtones, with the minority Chinese shopowners blamed for the inflation and shortages.

Most frightening is the outbreak of cultish murders in East Java. Nearly 100 villagers in the districts around Banyuwangi have been pulled out of their homes at night and hacked to death by hooded terrorists in "ninja"-style outfits. At first it was claimed that the victims were practitioners of "black magic," but the nation's largest Muslim organization, the Nadlatul Ulama (NU), has reported that most of the victims were NU members and leaders. The military has deployed elite units to counter the terror.

There is also a threat of insurrection. Demonstrations by students have continued across the country, although they have remained far smaller than those of the spring, which brought down President Suharto. However, a group of retired military officers and former government officials have formed an organization, the National Front, which announced its support for student radicals' demands for the

resignation of President Habibie. The National Front is headed by Lt. Gen. Kemal Idris (ret.), who once headed the nation's Strategic Reserve Command. The National Front does not appear to have mass support, but the government, and responsible opposition leaders, are taking it very seriously. NU leader Jusuf Hasyim said that General Idris was "playing with fire in the middle of a dry straw field," and threatening to "take over legitimate power by force." Muslim leader Amien Rais, who was a leader of the anti-Suharto demonstrations last spring, and who has now formed a new political party, condemned the campaign against President Habibie as an effort to "subvert the legal government."

Principle of tolerance threatened

Also potentially dangerous is the call by certain Muslim leaders to eliminate *pancasila*, the constitutional principles of tolerance and brotherhood of the Republic of Indonesia, first enunciated by the nation's founding father and first President, General Sukarno. *Pancasila* has held the nation's diverse ethnic and religious elements together, while preventing the emergence of a Muslim fundamentalist state.

President Habibie, who has set a schedule for elections in 1999, while trying to pull the nation back from the abyss, has initiated a crackdown on both the lawless looting and the threat of insurrection, and has taken steps to ease ethnic tension by eliminating such ethnic classifications from personal identity documents. Army troops and police have issued stern warnings that rioting and looting of food supplies will be met with gunfire, if warning shots are ignored. President Habibie, addressing the 53rd anniversary celebration of the founding in 1945 of the Armed Forces (Abri), called for Abri to meet the threat of insurrection and anarchy in the midst of the crisis: "Slowly, a trend is beginning to emerge among small groups in society of seeds of a radical and revolutionary movement, which claims to speak and act for reform. The actions of these radicals and revolutionaries have the potential to be destructive, disintegrative, and unconstitutional."

Against the demand of some radical students to do away with "*dwifungsi*," the dual function of the Armed Forces in military and social spheres, President Habibie told Abri to "maintain its role as a power that people could rely on to solve the country's security problems," as well as its "commitment to the development of society and the fulfillment of its services to the people."

However, if the economic collapse is not reversed, discontent will fester and grow. Malaysia's courageous declaration of sovereign measures and recent moves by China and Japan to defend the economies of Asia from speculators, increase the potential for Indonesia to take the decisive measures required to restore the nation to its historic role of leadership against colonialism, of all forms, including financial, and for the economic development of the non-aligned nations.

Danish former Central Bank chief on crisis

Up until 18 months ago, Erik Hoffmeyer had served as Governor of the Danish Central Bank for 30 years, during the major monetary crises of the postwar period, including the pound-sterling crisis of 1967, the oil shocks and inflation crises of the 1970s, and the Third World debt crisis of the 1980s. He was interviewed in Copenhagen by William Engdahl and Poul Rasmussen.

EIR: What to your mind is the nature of the present upheavals in world financial markets which began in Asia?

Hoffmeyer: The Asian economies lost huge sums in capital flight, that is true. But the problem is that they had let their currencies be too tightly tied to the U.S. dollar. Denmark was locked into a peg to the German mark in the 1970s, and through that became significantly overvalued. It is very hard to abandon once you have fixed your currency's level to that of another currency.

Of course, we look with hindsight, and everyone believed in the myth of the "stable Asia," and capital flooded into these economies. They became overinvested. But the worrying thing is that on top of the Asia crises, we have also a Japan in economic depression. This combination with Japan, the largest economy in the region and second-largest in the world, is creating a very negative interplay. The basic question is whether the financial system is the cause, or is there another cause of all this.

EIR: Lyndon LaRouche has proposed a New Bretton Woods system. How do you reply to this?

Hoffmeyer: Clinton talks of a new architecture, Blair, Chirac are each having their own proposals for a new Bretton Woods or change of the system. We now have a recession or worse in a large part of the world—Asia, Japan, Russia, Latin America. The problem at the moment is that there is no "locomotive," no economy willing or able to pull the others out of this. I am not personally against a new system per se, if I can be convinced that it will be based on a workable model. To date, I have not seen such a workable model. It is clear that a fixed currency system does not work in the long run.

EIR: How do you respond to the recent moves in the direction of currency and capital controls imposed by Malaysia, Hong Kong, and others?

Hoffmeyer: If certain Asian governments want to make a major adjustment, one which can only be done with introduction of such controls, that to my mind is okay for the short term. We have the problem in these emerging economies that there exists no developed social safety net to provide for the poorest strata. The pure market hits just this sector hardest. So, some temporary controls to stabilize capital movement and trade for the reason of the lack of this social support system can be justified in these countries. Not, to my mind, however, in the industrial economies of Europe or the OECD, where such a well-developed social system exists to cushion the blow.

This is one reason I do not agree with the IMF [International Monetary Fund] when they demand such a strong market adjustment as they do in these Asian and other countries. It is interesting, that only in the United States today is there a strong, aggressive debate over the role of the IMF in these cases. Here in Europe there is no debate on the IMF; the attitude is, okay, leave it alone, it works.

But the crises so far, I see in a very specific way. The Mexico peso crisis in 1994-95, that was much more the interest of the United States, with the NAFTA [North American Free Trade Agreement], rather than Europe, which felt it had very little at stake in Mexico. Similarly with the Latin America crisis of the 1980s, again being primarily the problem of U.S. banks and the U.S.—their Monroe Doctrine.

As well, to my mind the present Asia crisis is primarily the affair of the United States, not of Europe, which has relatively little presence there by comparison. Even regarding Russia, despite its proximity to western Europe, it is the Americans who are most concerned with Russia's economic situation, not we Europeans. This, in my view, is because unlike us, the Americans are very worried about Russia as a nuclear power going into political chaos. The Germans and French are not as worried about Russian nuclear problems. Yes, Germany has provided the most financial support to Russia, but German unification is the reason.

EIR: Recently, some have expressed concern that the rules of the new European Central Bank have no provision for who acts in a banking crisis as "lender of last resort." What are your views on this?

Hoffmeyer: The various interest rates in the bond markets of the 11 member countries are supposed to converge before the euro begins in three months. But instead, they are diverging right now, for various reasons. This is why the job of the European Central Bank is going to be a very difficult one. Jacques Delors [former president of the European Commission and architect of the Maastricht Treaty on European Monetary Union] told me that a combined political and economic union was his original plan. As it is, we have no political union, but a monetary union. Always in history, a monetary union follows after there is a political union. That is why, if we have fair weather, the euro can exist, but if not. . . .

Mexican government panicked over economy

by Carlos Cota Meza

Addressing the closing session of the annual conference of the Business Confederation of the Republic of Mexico on Oct. 9, President Ernesto Zedillo stated that “the existing postwar accords, such as Bretton Woods, are now clearly obsolete. The new reality requires a new architecture of the international financial system.” These remarks completely surprised his audience of elitist businessmen, whose loyalty to Mexico has often been in doubt.

Zedillo told the distressed business leaders that “without going into detail on the solutions to this very complex problem,” his government “has confirmed its decision to collaborate with the most important participants in the international market in the design of new mechanisms,” in an effort to control volatility and stabilize the financial markets. He also affirmed that this is not a new position vis-à-vis international markets, but one Mexico has held since 1995, following the devaluation crisis of December 1994.

It is important to point out that the Mexican government has not recognized the magnitude of the world financial crisis. Nor has it been calling for a new global financial architecture since 1995. We need only recall President Zedillo’s November 1997 speech to the Asia-Pacific Economic Conference in Vancouver. At that time, he chastized Asian governments and heads of state for not having implemented the neo-liberal adjustment policies which Mexico applied after the crisis of 1994.

“You have to bite the bullet immediately,” Zedillo said in Vancouver. “With financial problems of the kind seen in some Asian countries, you can’t wait for a few weeks. These measures are frequently unpopular among voters, and carry a high political cost, but it is crucial not to let a country’s financial system fall apart. . . . Whatever is necessary to save the banking system, including making adjustments to the budget, cutting costs, or raising taxes, has to be done, whatever the cost.”

What is true is that the Zedillo government is apparently beginning to recognize, if belatedly, the seriousness of the international financial crisis. Brazil’s desperate situation has hit it like a bucket of cold water, not to mention the chain reaction of reverse leverage now under way as a result of the collapse of the Long-Term Capital Management hedge fund. Several Mexican newspapers have taken note of the fact that close to \$9.1 billion has fled the country so far this year, reflecting Mexico’s extreme vulnerability to the ongoing in-

ternational financial hurricane.

Two words suffice to describe the government’s current mental state: panic and hysteria. In statements in early October in Washington, Finance Minister José Angel Gurría confessed that “in 30 years, I haven’t seen such a total [credit] cutoff for an entire sector of countries like the emerging markets. . . . This is a very serious situation which puts us on a collision course.” He warned that debtor nations might declare moratoria on their payments, if some mechanism weren’t put in place to restore liquidity to the developing economies.

But, recognizing the crisis and proposing the right solutions are two different things. Zedillo is sticking to “crisis management,” within the existing framework of the International Monetary Fund system. At the conference of Mexican businessmen, Zedillo promised that his government would “continue its participation in free trade,” and reiterated that “today, more than ever, we must persevere with fiscal and monetary discipline.”

Backing British imperial designs

The “New Bretton Woods” of which Zedillo speaks is the same monetarist concoction as that put forward by British Prime Minister Tony Blair—not Lyndon LaRouche’s proposal to restart world trade and production. On Oct. 13, Zedillo arrived in London for a state visit, after which he was scheduled to attend the Oct. 17-18 summit of Ibero-American heads of state in Oporto, Portugal.

In early October, the Permanent Conference of Political Parties of Latin America and the Caribbean (Coppal), which includes 57 parties, including Mexico’s ruling PRI party, met for its 21st plenary assembly in Buenos Aires. Reports made available to *EIR* from the conference reveal that the discussion at that event centered on Blair’s proposal, which he explicitly defined as “a New Bretton Woods for the next millennium.”

In the midst of their hypocritical denunciations of “globalism” and “neo-liberalism,” representatives of all 57 political parties at the conference agreed to adopt Blair’s *imperialist* proposal as the action program for their respective countries. At the same time, Coppal will seek registration at the United Nations as a “multilateral organization,” in order to promote the same initiative.

Blair’s proposal calls for creating a new supranational financial authority, modelled on the World Trade Organization. One of its tasks would be overseeing the “behavior” of volatile capital, blamed for the current phase of the world crisis. Another aspect of the British “Bretton Woods” proposal would be to eliminate all resistance to economic globalization, preventing the imposition of capital controls, and ensuring greater transparency and supervision of capital flows.

In other words, Blair wants to push to its final consequences the genocidal globalization program which has already failed and is tearing apart entire nations.

Blair becomes unhinged as economy crumbles

by Mark Burdman

The 20th century has seen two world wars and horrific acts of genocide, as well as, positively, such events as a human being landing on the Moon. It is now coming to a close, amidst the worst financial crisis yet. But for “New Age” British Prime Minister Tony Blair, all of this is irrelevant. There is one object that most sums up the century: the electric guitar.

Blair was recently asked to donate an object for an exhibit at the newly opened Museum of Scotland. His choice was the Fender Stratocaster electric guitar, the model used by the late, drug-besotted rock star Jimi Hendrix. As the London *Observer* noted on Oct. 11, the Fender Stratocaster achieved “iconic status,” when Hendrix “set his on fire at the Monterey Jazz Festival in 1967.”

In a statement motivating his choice, Blair said the Stratocaster best sums up the 20th century, as it reminds him “of a time when everyone wanted nothing more than to be in a rock band.” Blair also stated that his greatest disappointment, was when his student rock band, Ugly Rumours, failed to make it into the Top 30 in Britain.

Back to the mid-19th century

Nobody expects profound thinking from New Ager Blair, who has said that his greatest living hero is the Rolling Stones’ Mick Jagger, and that his role model is Pontius Pilate. But to spew out such lunacy now, would suggest that Blair is beginning to lose touch with reality. Indeed, Blair may soon be in store for much greater disappointments than his failed rock band, as his government begins to unravel, under the impact of the global economic crisis on the United Kingdom.

Exhibiting the same flight from reality as the Prime Minister, but from a different standpoint, British Chancellor of the Exchequer Gordon Brown, on Oct. 11, described the British economy as “a rock of stability in these troubled times.”

On the same day, the *Observer* reported that employment in manufacturing in Britain is steadily falling to the lowest level since the mid-19th century! The article reported that there are expected to be “record job losses” in the manufacturing sector in 1999. Based on current projections, i.e., not taking into account the coming phases of disintegration of the overall system, there will be almost 400,000 layoffs in manufacturing next year.

Perhaps Britain will soon be unable to produce electric guitars.

Surveys taken in early October by the U.K. Institute of Directors and by the British Chambers of Commerce, have revealed a sharp drop in business confidence in Britain, the which is most marked among manufacturing companies.

These institutions, as well as trade unions whose workers are in the manufacturing/industrial sector, are pressuring the Bank of England to further lower interest rates, below the 0.25% that was decided on Oct. 8. That lowering was widely greeted with a thumbs-down, and the reaction, “Too little, too late.” But, the problems in the British economy go far beyond what manipulation of interest rates will accomplish.

There is pressure from the parliamentary opposition in Britain for Chancellor of the Exchequer Brown to make an emergency statement on the subject, when the House of Commons returns to session this month.

At the same time, the latest news reveals a catastrophe in the British farming sector. On Oct. 9, the press reported that farm incomes in the U.K. are having their worst fall since the 1930s, and that things are expected to get worse. The bottom 25% of the country’s 170,000 full-time farmers—a number down by 30,000 compared to 10 years ago—are suffering 10 times the losses they suffered in 1996, and are being advised to quit farming. According to the Oct. 9 *Daily Telegraph*, the drop in incomes is being blamed on the high valuation of the pound sterling, low crop and livestock prices, “the world recession,” and poor weather. The controversy over “Mad Cow” disease is only making matters worse.

On Oct. 14, the *Daily Telegraph* reported in a front-page story that 25,000 British farmers are now “facing ruin,” and will be forced out of farming. It reported a finding from the National Farmers Union of England and Wales, that net farm incomes this year will be less than one-fourth of what they were as recently as 1996. A union statement declared, “Never mind a graph, the income figures are going over the cliff.”

Certainly, the devastation is rooted in policies that began before Blair came to power, in the Thatcher-Major years of 1979-92, when whatever there was of the real economy was sacrificed on the altar of radical “free market” policies, which prioritized short-term profits, “privatization,” and the like. The problem is that Blair has made it clear repeatedly, that he admires the Thatcher legacy, and that his much-vaunted “Third Way” is an attempt to preserve the essence of Thatcherism, albeit with a somewhat more “Fabian,” softer face.

And it is Blair and his team who will now have to face the music. On Oct. 11, the London *Sunday Times* forecast dire troubles for the government, in the coming months. In an editorial entitled “The Economy, Stupid,” the paper wrote: “As ever, ‘the economy, stupid’ is the answer to the question of what makes or breaks governments. The worse the economic situation, the less important every other issue becomes. . . . Labour [Party] control freaks at No. 10 [Downing Street] have panicked before when the going got rough. They may do so again.”

A lot of ugly trouble lies ahead

The new government of Chancellor Gerhard Schroeder is faced with far graver problems than expected.

Most likely, the new government that will be sworn in at the end of October, will be a “red-green” coalition of Social Democrats and ecologist Greens. Its leaders will come to realize that defeating the Helmut Kohl government in the Sept. 27 elections, was much easier than governing, as the global economic collapse goes into its next round.

The red-green politicians who will now try to govern Germany are not prepared for the job. They have dangerous illusions about ecological projects, timetables for a shutdown of nuclear power technology, and boosting the service sector at the expense of traditional industry, particularly heavy industry. They have not paid attention to the ongoing global crisis, and their worldview was expressed in a striking way by Foreign Minister-designate Joseph Fischer of the Green party.

After his first meetings in Washington with U.S. State Department officials, Fischer told the press on Oct. 10 that the big problem, is that the new government would have to “operate in an environment that none of us expected to be there after the elections — for example, the world economic crisis.”

Despite numerous public statements by the Social Democrats and the Greens that “something must be done against speculation,” the prevailing policy orientation of the new government is not international, but confined to the European Union and its 15 member-states. The new government has so far not shown any commitment to do what would be appropriate for a lead-

ing industrial nation like Germany: efficiently deter speculators, impose capital controls, create incentives for infrastructure and industrial projects, and expand high-tech production and exports.

Quite the contrary: Leading politicians of the new government, like Minister of Finance-designate Oskar Lafontaine, have ruled out any concrete steps against speculators, such as capital controls. All that remains after all Lafontaine’s polemics against the “chaos on the markets,” is his assessment, reiterated many times, that “globalization is a fact,” and that “no intervention against the markets” should occur.

This red-green government will not do much for German exports, because it is not committed to do so. Instead, Lafontaine and other red-green leaders believe that they will be able to operate in a zone of economic and monetary stability, protected from the global chaos, within the prospective European Monetary Union. As for German industry, the red-green leaders think in terms of domestic incentives: increase consumption, promote labor-intensive ecology projects, and cut state subsidies to deficit sectors like agriculture and high-tech research and development (space, military, and so on).

They have no intention of generating new industrial credit, but plan to lower the interest rates and income taxes, to redistribute the money that is there. What is spent in one area, is taken away from another one, in a balanced, zero-sum budget policy.

But, because of the deepening

global economic depression, the tax base in industry and among the employed labor force is continuing to shrink. The red-green government wants to compensate for the losses in tax revenue, by new special taxes on the consumption of raw materials and energy, i.e., the “ecology tax,” which will hit the broad population. Of the 2,700 deutschemarks which the red-green experts promise will accrue annually to every lower-income household from a decrease in income taxes, most will be absorbed by price increases for energy and consumer goods caused by the ecology taxes. The taxpayer will be bled to support this entropic design of the red-green government, and will not be an iota better off than it was with the Christian-Liberal coalition.

Social conflicts between the labor unions and the new government are already preprogrammed (ironically, not least because of the red-green promises of domestic consumption incentives). The unions feel encouraged to call for wage increases, and the biggest union, the metal workers, is already beginning to do so, with its demand for a wage increase of 6.5%. What the red-green experts would grant, in order not to upset their balanced budget, is 2.5%. Wage freezes will provoke broad labor protests against the new government.

Also, the new government is committed to following the example of the United States’ disastrous 1996 welfare reform, with the foul slogan that “any job, even if poorly paid, is better than none.” This implies the abolition of the traditional German welfare system, and voters will recall that they voted the previous neo-liberal government out, because of its repeated assaults on the welfare system. Pursuing just another variant of the same policy, the new government will come under massive pressure, rather soon.

Business Briefs

Financial Crisis

Al-Arab International prints LaRouche article

The London-based Arabic daily *Al-Arab International* published, in its Oct. 11 issue, an Arabic translation of the full text of a memorandum by Lyndon H. LaRouche, Jr., "What Each Among All Nations Must Do Now" (see *EIR*, Oct. 9, p. 4). The article was introduced on Oct. 9, in an editorial titled "LaRouche and the Ninth Forecast," by *Al-Arab's* economics editor, Mustafa Al-Bazargan.

Bazargan states that "only two years ago, no one could predict that economic catastrophe which has infected the misnamed 'Tigers' of Southeast Asia." He describes the "blooming" markets which provided a great meal for international speculators. When these "investors" suddenly withdrew their investments off the Asian markets, Bazargan continues, "the Tigers entered the cage of recession, and to be tamed by the World Bank and the IMF following the dictates of the U.S. administration according to what it sees appropriate, even if that was at the expense of the other nations of the world."

"The only thinker and economist who foresaw what is currently happening in the international markets and stock exchange was Lyndon LaRouche, Jr. who, in 1994, issued his forecast for the collapse of the international financial and monetary system within a few years, due to its divorce from the real economy. He called that forecast, the 'Ninth Forecast,'" adds Bazargan.

"LaRouche, who has been known internationally as a fighter against imperialist policies, is concentrating his efforts to create an international economic order aimed at raising the living standards in the Third World through the introduction of modern technology and building of basic economic infrastructure. He proposes the creation of a 'New Bretton Woods System,' and to abolish the bankrupt IMF system and to put international speculators under control in order to save the world economy."

Bazargan concludes: "LaRouche introduces a detailed program for action to revive the world economy. The memorandum is

valuable, important, detailed, and worth paying attention to by economists and professionals in finance, as well as citizens who are affected by the changes in the economy for the better or the worse."

This newspaper is one of the three largest Arabic dailies that are produced and printed in London and distributed in all European capitals and major cities.

Gold

German newsletter reports LaRouche plan

The weekly newsletter *Goldmarkt*, published by Martin Siegel, on Sept. 30 states in its report on the collapse of the Long-Term Capital Management hedge fund, that the present world monetary system, based on paper money and the promises of governments and central bankers, is doomed, while "feverish preparations for a new world monetary order" have already started.

One example is British Prime Minister Tony Blair's proposal for a new "Bretton Woods." Blair, states the article, "is making use of the terminology of the American economic scientist Lyndon LaRouche (party: Bürgerforum Solidarität [sic], newspaper: *Neue Solidarität*), who for many years has been calling for a new Bretton Woods. The basis of the LaRouche proposal for a new Bretton Woods is gold."

Mixing up statements by international figures ranging from International Monetary Fund Managing Director Michel Camdessus to German Social Democrat Oskar Lafontaine, the article concludes that "the establishment of a new world financial system, based on fixed exchange rates and on a gold standard, could already happen in September 1999." Meanwhile, "the international financial markets are disintegrating" and the "private demand for gold is exploding." Therefore, the reader is advised to buy as much gold as he can in the coming months.

The article is a wild concoction, mixing up LaRouche's proposals with the 19th-century "gold standard," in order to support the

single message of the newsletter, which is "buy gold." Reports from *Goldmarkt* recently have received considerable coverage in the German media.

Speculation

'People's Daily' in China invokes de Gaulle

In a commentary on Sept. 24 on the proposed "Tobin tax" against speculation in financial derivatives, China's leading newspaper, the *People's Daily*, reports that Prof. James Tobin of Yale University, who was an adviser to President Kennedy in the early 1960s, said that the main aim in establishing such a tax was to "throw sand into the gears of market economy."

"In fact," *People's Daily* reports, "the 'Tobin tax' is only one form of administrative intervention in the financial market; it can be followed, or other suitable counter-measures can be found. . . ."

"The fact that the 'Tobin tax' is being mentioned again shows that people are understanding ever more clearly that allowing market forces to do whatever they like leads to disaster, and countries must appropriately constrain them.

"In past years, General de Gaulle, founder of France's Fifth Republic, said that 'market economy has its positive aspect,' but 'it also brings unfairness,' therefore 'markets cannot override nations and states but must be regulated and controlled by them.'

"French Prime Minister Jospin recently said: 'The financial crisis has reminded us that capitalism has impetus, but it does not know where it is going.' There is undoubtedly great truth in these remarks."

While economic globalization "is an objective trend and objectively exists," this is the one-sided view of the industrialized countries. "Just after the end of the cold war, some people publicized 'the end of history'; afterwards, as globalization developed, there was talk of 'the disappearance of geography (state boundaries).'

"In fact, history has not ended, and geog-

raphy will not disappear. Amid the main trend of the continued development of globalization, every country, especially the developing countries, should use its own sovereignty to pursue benefit and avoid harm.”

Nuclear Energy

Chinese official sees cooperation with U.S.

Speaking before the Washington chapter of the American Nuclear Society on Oct. 6, Dr. Wei Jiang, First Secretary of the Science and Technology office of the Embassy of China, outlined China's ambitious plans for nuclear power plant construction, and its plan to “continue to open up for increased nuclear cooperation.”

Dr. Jiang said that later this month, a Chinese government delegation will be coming to the United States to meet with representatives of nuclear suppliers General Electric, Westinghouse, and ABB/Combustion Engineering. The purpose is to discuss the “potential application of American nuclear technology,” specifically in preparing bids for the nuclear units China plans to build in Guangdong Province.

Right now, Dr. Jiang explained, China has a large diversity of nuclear technology, from France, Canada, and Russia. Each supplier has its own rules and regulations, which has left China without overall standards, including for safety. Early in the next century, he said, China plans to chose one design that it will standardize.

Expressing the view of many Chinese representatives, Dr. Jiang said that the American technology is the most advanced, and would be their choice. But he made clear that China “does not want an agreement that is linked to political policies, like human rights,” that could stop work on a power plant.

In answer to questions, Dr. Jiang said that China is planning to reprocess its spent nuclear fuel (not bury it, as the United States is planning to do), and that an experimental, second-generation gas-cooled nuclear reactor of 10 megawatts is under construction at

a university in Beijing. U.S. nuclear representatives will travel to China in October to start to work out the framework for a financial and legal liability agreement between the government and U.S. suppliers.

Financial Warfare

Malaysian paper hits role of foreign media

Malaysia's leading newspaper, the *New Straits Times*, wrote on Oct. 5 and 6 that it is time to play “hardball” with foreign press, especially Dow Jones assets, for its biased and incendiary coverage of Malaysia, since the imposition of capital controls and the sacking, and subsequent arrest, of former Deputy Prime Minister and Finance Minister Anwar Ibrahim.

The newspaper concluded that maybe Malaysia should take a page from Singapore's Senior Minister Lee Kuan Yew, who, from time to time, banned or severely restricted foreign newspapers and magazines, and hauled editors and reporters into court, even detaining some under the Internal Security Act. Lee's “hardball” policy apparently works, since the Western press rarely has anything but praise for Singapore.

The particular target of *New Straits Times*'s editorials are the Dow Jones-owned or co-owned CNBC, *Asia Wall Street Journal*, and *Far Eastern Economic Review*, although the *Times* doesn't identify *FEER* as a Dow Jones asset. The Oct. 5 article ticks off a timeline of articles blackballing Dr. Mahathir and whitewashing Anwar, written both by foreigners and Malays writing for the cited publications. The Malay *Utusan Malaysia* also ran an article in its Oct. 5 edition, by the press secretary of former Deputy Prime Minister Tun Ghafar Baba, who slams the Singapore *Straits Times* for sharing the same view as those foreign press out to “destroy” the Malaysian government. The article singled out the *Straits Times*'s recent publication of Lee Kuan Yew's memoirs, which denigrate Malaysia's first two prime ministers.

THE ISRAELI SHEKEL is falling against the U.S. dollar as well as the basket of currencies it has been pegged to. It depreciated 2.01% on Oct. 7, reaching NIS4.096 to the dollar. It can fall theoretically another 16% before the Central Bank will be obligated to intervene. Finance Minister Yaakov Ne'emman is quoted as saying, “This is in fact a window of opportunity, as long as we refrain from indulging in a campaign of wailing and lamentations.”

NIGERIA has had to shut down 400,000 barrels a day of oil production, as a result of what are described as armed “community activists” attacking Shell oil installations in the Niger Delta, BBC's Hillary Anderson reported from Lagos. Shell is claiming the attacks are “coordinated.” The “activists” are demanding more autonomy and a greater share in Shell revenues.

NEWSWEEK blares the headline: “The Crash of 1999,” in its Oct. 12 issue, citing economist Robert J. Samuelson that it doesn't have to happen, but it could. The article contains few startling revelations, but its importance is that—finally—the word “Crash” is blazing on every American newsstand.

MALAYSIA'S Second Finance Minister Datuk Mustapa Mohamed told a meeting of the International Monetary Fund and World Bank on Oct. 7 that “a complete overhaul of the international monetary system is required and required soon.” He underscored that Malaysia's capital controls are neither radical nor unique, but absolutely necessary.

THE CHINESE government allowed the Guangdong International Trust and Investment Corp., a government investment firm, to go bankrupt on Oct. 7. The decision was taken directly by the central authorities at the People's Bank of China. GITIC was unable to repay foreign debts, the *China Daily* reported.

Paul Krugman's cargo-cult economics

by Lyndon H. LaRouche, Jr.

October 8, 1998

“Stop the world! I want to get off!” is the title which might have been borrowed for the quality of performance shown, during a recent set of Washington, D.C. conferences called by U.S. President Bill Clinton. An appropriate illustration of this characterization, was provided by the ironical posturings of France’s minister Dominique Strauss-Kahn, whose silly sentiments were matched for that occasion by an even sillier MIT economist, Paul Krugman.

Under the headline “Etats-Unis et Japon: les géants paralysés,” *Le Figaro’s* Washington, D.C. correspondent Jean-Pierre Robin wrote, in part, in the Oct. 7 edition:

“ . . . La proposition du ministre de Finances nippon, Kiichi Miyazawa, de débloquer 30 milliards de dollars en faveur de ses voisins asiatiques— dont le moitié sous forme de crédits commerciaux pour les exportations— était accueillie avec ironie, le professeur d’économie au MIT, Paul Krugman, a dit. . . . *‘Il est étonnant que le Japon présente un programme à 30 milliards de dollars pour l’Asie alors qu’il ne peut régler ses propres problèmes économiques et financiers.’ . . .*”

[“ . . . The proposal of the Japanese Finance Minister, Kiichi Miyazawa, to release \$30 billion on behalf of her Asian neighbors— of which half would be in the form of commercial credits for exports— was received with irony, said MIT professor of economics Paul Krugman. . . . *‘It is astonishing that Japan is presenting a program of \$30 billion for Asia, when she cannot settle her own economic and financial problems.’ . . .*”]

That *Le Figaro* comment on Japan, like the entirety of the published item within



Japanese Finance Minister Kiichi Miyazawa's (left) proposal to invest \$30 billion in the development of Japan's Asian neighbors, has created an uproar among such kookish "cargo cultists" as MIT's Professor Krugman. As for President Clinton, his failure of nerve, in the face of the new, more critical phase of the worldwide economic and financial crisis, creates the danger of something like a financial "Super-Nova."

which that quotation appears, implies that Krugman, like *Le Figaro's* other source for that day, Dominique Strauss-Kahn, had departed the real world, and is currently vacationing in some Cloud-Cuckoo resort-area. Strauss-Kahn's choice of fantasy-land, is called the "Euro," a magical place of doubtful existence, where it is supposed that the bottomless debts of such enterprises as France's *Crédit Lyonnais* will be paid by German taxpayers, for an eternity yet to come. Krugman's choice of vacation spot is addressed below.

Immediately prior to, and during the Washington conferences, the weakness of will shown by President Clinton, under pressure from not only the leading fools of Britain and the Commonwealth, but also the French and German victims of the Euro fantasy, had turned a promising U.S.A. opportunity into the immediate, global disaster which has followed. Apparently, it did not occur to either Krugman or Strauss-Kahn, to look for a causal connection between, on the one side, the pattern of foolish behavior of France and others, in these Washington proceedings, and, on the other side, during the same period, the upward zooming flight of Japan's Yen (**Figure 1**).

It is consistent with the quality of France's unfortunate contributions to the Washington proceedings, that the world's financial situation following those Washington conferences, is far worse than is suggested merely by the presently ongoing, reversed-leverage effects of the upward-zooming Yen. As a result of the combined failures, of the Clinton Administration and European G-7 members, to face that reality which had been presented, during the interval from between the Septem-

ber 23 outbreak of the crisis of the Long-Term Capital Management syndicate, through the follies of the subsequent Washington conferences, the world as a whole has been pushed into a new, qualitatively more critical phase of the ongoing, global plunge into something which must appear to most of the world's leading bankers as a maëlstrom of reversed financial leverage. For those who can see a bit further ahead, it were better described as an oncoming financial "Super-Nova."

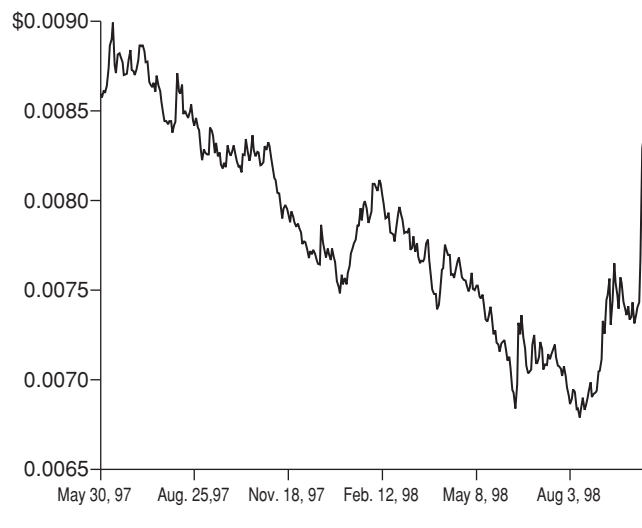
At the moment I write this: if that explosive charge, of as much as approximately \$150 trillions of derivatives and related paper, is not shifting already into a reversed financial-leverage kind of global Super-Nova, it is touching the brink of such a new phase-shift. Whichever present alternative proves to be the case, the mad pursuit of cash at any price, that "financial bloodbath" which is now controlling the global financial and monetary system, is the explosion of a detonator, whose sequel will be a vastly more devastating implosion to follow.

Any further "crisis management" effort by the U.S. and the governments of western Europe, in their efforts to bail out any large part of the estimated \$150 trillions of derivatives and related paper, will crush any assets mustered for bail-out, or related purposes, under pressures of reversed leverage averaging as high as in the range between 200 and 300 to 1. The present cashing-in does not relieve the pressure on the system as a whole; the margin of write-down of cashed-in financial assets, merely intensifies the pressure of reversed

FIGURE 1

Japanese yen rises dramatically in wake of financial meetings in Washington, Oct. 5-9, 1998

(U.S. dollars per yen)



leverage. This prepares the way for the next, new phase downshift, the next wave of crises to come during the weeks just ahead.

In this present circumstance, attempts to “stay the course of reform” by methods of “crisis management,” would ensure that the world financial system, in any of the forms we have known it during all of this century, will soon simply cease to exist. What will occur during the temporary phase which comes next, after the October 12-15 interval of transition, no one knows with certainty, and almost no one could imagine. What is certain, is that all that assortment of “crisis-management” tinkering, as proposed by Tony Blair, from France, from circles around former Chancellor Helmut Schmidt in Germany, and Clinton, will accomplish nothing, but to worsen the situation much more than had they made no such efforts; already, the effect of such tinkering has been to divert discussion of real solutions from the agenda.

We have entered a phase of disintegration of the present global financial and monetary system, in which the process of collapse is immediately nothing but non-linear. That is to say, that we have entered a process characterized not by calculable trends, but by an accelerating succession of phase-down-shifts, producing statistical results of a non-linear type which, as the recent crisis of Long-Term Capital Management illustrates, no ordinary professional mathematician is competent to forecast. As long as the world attempts to set economic policies within the terms of the existing, doomed global financial and monetary system, those nations attempting such crisis-management, are, as the cases of Korea and Indonesia

illustrate the point most dramatically, the regions of the world doomed to suffer the worst.

That larger picture of the weeks ahead, while not our immediate subject in this report, must be described as we have done here, but is summarized so, only to identify the context within which the topic of this report is situated. That said, we now resume our review of the practical policy implications of Krugman’s quoted remarks.

Had Krugman been paying attention to reality, he would have given serious thought to key statements I had just previously published, on the subject of the crucial role of new export policies in any future recovery of Japan’s derivatives-wracked financial system. Exemplary, is my September 21 report on the topic of Japan’s use of export credit [“Save Japan, Not Banks!” *Executive Intelligence Review*, Oct. 2, 1998].

There was no excuse for Krugman’s failing to consider my report. Nowadays, since the time that many leading bankers and other professionals have come, however reluctantly, to recognize what they regard as my uncanny success as a long-range forecaster, no respectable leading economists, or relevant others, overlook what I publish currently on subject-matters of that type. Virtually every competent economist and many leading political figures from all leading nations around the world — whether in the Americas, all of East and Southeast Asia, Russia, western Europe, and elsewhere, seriously study my reports, either in the original, or through summaries, even if they are often reluctant, usually for factitious reasons, to identify me by name in that connection. Since the unique confirmation of what is called my “Ninth Forecast,” an economist who does not study at least the essential content of my reports, at least privately, is considered a quack or simply a reckless fool. If Krugman had been sober and serious at the moment *Le Figaro* interviewed him, he would have put my statement, Miyazawa’s statement, and the fact of the Yen movements together, and would have recognized what a careless fellow he, like Dominique Strauss-Kahn, had been, at least during the period of the recent Washington conferences.

To understand how “techno age” clockwork minds, such as Strauss-Kahn’s and Krugman’s, tick, consider the following illustration of that elementary principle of economic sanity which, according to *Le Figaro*’s report, they violated.

Somewhere, among the Pacific islands, we should be able to find at least one pair of greying senior Melanesian cultural anthropologists, shaking their heads in wonder at the primitive superstitions of such assorted folk as U.S. Federal Reserve Chairman Alan Greenspan, Krugman, and Strauss-Kahn. One can hear one such anthropologist saying to the other, “Would you believe it? These dumb French and American academics still believe in a ‘Cargo Cult’!”¹

1. Nothing we write here is intended to support the myth of the “Cargo Cult,” at least not as the popular press has reported it. We point to the case of the hoaxster, Linda Tripp-like Margaret Mead’s notoriously fraudulent *Coming*

That anthropologist might point to the French socialists, for example, who wait for mysterious German ships to leave a cargo of money on the shores of the Seine. In the old days, there were those, in parts of Melanesia, who longed for the return of those ships which had delivered the war-time cargos of real U.S. manufactured goods to the island's shore. Compared to today's *Wall Street Journal* and other Mont Pelerin Society's loonies in general, any emphasis by Melanesian veterans of World War II's Pacific, upon the acquiring of useful goods, back then, reflected a commendable sense of economic reality, at least relative to the folly of economists such as Krugman today. We justly point the finger of ridicule at those, today's monetarist savages of Paris, Washington, and elsewhere, who are content to wish for cargos of that virtual IMF money, which is never actually delivered, but flashes on the screen of a handheld calculator, for but one wispy, Black-Scholes micro-second.

So, we must regard the economic professionalism of such Internet-Age "cargo-cultists," as we should the foolish bankers responsible for the Long-Term Capital Management disaster. So, we should regard Strauss-Kahn and Krugman. Unfortunately, the President's remarks at the recent Washington conferences were devoted largely to a litany from the domain of today's "Cargo Cult" economics.

It's much safer in the lifeboats!

I had issued the immediately relevant warning just a short time before those conferences. I warned, that until such time as my specifications for a New Bretton Woods were adopted, the world must expect new, and unprecedented, successive forms of crisis, each to erupt around the world at a frequency of about every several weeks, until such time as the whole shebang comes down. I had warned: do not make the childish mistake of treating the present global crisis as similar to that of 1929-1931; I have warned, repeatedly, over years, that the most recent comparison to the presently ongoing "financial

of Age in Somoa, in which it appears that most of the Kenneth Starr-type content was either made up by Mead, or behavior of the type she was known to propagate, not only in Somoa. Mead, one-time wife of the British intelligence community's Gregory Bateson, went on from Somoa to become a full-fledged, witch's-staff wielding, cloak-and-groaning Dame of the British monarchy's Hospitaller Order. In addition to one lurching, failed effort to brain my wife a couple of decades back, she was an impassioned enemy of mine from around such New York City precincts as Columbia University and the American Museum of Natural History, from no later than the very early 1970s. Indeed, the latter institution might have been renamed "The American Museum of Unnatural History," in, so to speak, her memory. She typifies the propensity for sheer fabrication of evidence among the cultural anthropologists generally. This is the way in which the "cargo cult" came into the popularized anthropological literature from such sources. However, the fact remains, that the "Cargo Cult" has its devotees among those anthropologists who concocted the reports, and, also, does correspond to the way in which most of today's liberal and far-right economists, alike, think and behave, both in and out of government.

bloodbath," from any part of European history, is that so-called "New Dark Age," from the middle of the Fourteenth Century, which was triggered by the collapse of the Lombard banking system. So, it happened. Just several weeks after I had delivered that warning of such an immediate succession of phase-shifts in the ongoing crisis, a previously unprecedented form of reversed-financial-leverage chain-reaction erupted.

As a direct result of the catastrophic failures of the recent Washington conferences to heed that warning, a new, short-term situation has been created, which is even far more dangerous, even far more complex, than any of the problems considered on the agendas of the participants going into the sessions. The dismal collective performance by the participants in those conferences did much to set off the most recent wave of catastrophe. It is in that context, that the significance of *Le Figaro's* contemptibly foolish response to Minister Miyazawa's referenced remarks is located, and only in that context can the issues posed be understood.

The immediate cause for this sudden worsening of the situation is, that even after the September 23, 1998 crisis of the Long-Term Capital Management's gambling syndicate, President Clinton and the European G-7 members still defended, publicly, and axiomatically, those same policies which had brought the world's financial and monetary systems to the brink of doom. The President continued to claim a recent period of successful growth of the U.S. economy, for example, when no such growth has occurred. He insisted that the present "free trade" and "globalization" policies, the actual causes of the present catastrophe, are predominantly sound, a claim which is plainly false; he conceded only that some features of the current situation must be remedied, as either dangerous, or also sometimes also cruelly unfair to their obvious victims. In sum, he clung still to the posture of defending those disastrous, so-called "reform" policies which had been the actual cause for the presently accelerating, global financial collapse, those policies which had been shoved down the world's throat by the Berlin-pivoted four-power agreements among Thatcher, Mitterrand, Bush, and Gorbachev, during 1989-1991. Thus, the President promised a remedy, but delivered the disease.

Admittedly, during those conferences, the President blundered, and badly; but do not blame President Clinton for those other, related problems which he did not cause. He did not cause the present world crisis; he inherited it from his immediate predecessors. His failure is not merely that he included numerous blunders in his statements to those conferences. The relevant, ominous part of his recent performance, for which he, personally, is to blame, is that only the President of the U.S.A. was in the position to organize the kinds of concerted action needed, to save this planet from a kind of Hell worse than anything either the President, or most other leading circles of the world are prepared psychologically, so far, to recognize. His culpability does not lie so much in the fact

that he had, indeed, made numerous defective policy-utterances, and decisions, some of which were very bad. His fatal, or nearly fatal political blunder during the period of that conference, was his loss of nerve in a crucial situation, a situation not of his making, but a situation occurring "on his watch," occurring at a time when the commanding responsibility lay in his hands.

It should be sufficient for me to emphasize, that I have been among the first and foremost to concede, that Bill Clinton personally has many excuses for his loss of nerve at that, and earlier junctures, including some very big excuses. Who does not know the President's troubles these days? The point is: whatever Bill Clinton's excuses as a person might be, as President, no such excuses are allowed him. Troubles like that "go with today's Presidential territory."

I point out, that he is not in trouble because of Monica Lewinsky's bad Tripp, nor merely because of the sexual perversions of the world's dirtiest pornographer, Kenneth Starr, and Starr's financial backer Richard Mellon Scaife. Nor is he in trouble merely because of such high-ranking British authors of the "Get Clinton" operation as Lord William Rees-Mogg, Conrad Black, Rupert Murdoch, and the Anglophile, ever-kookish so-called "right-wing Zionist Lobby" of such predatory Elmer Gantry's as Pat Robertson, Jerry Falwell, et al. He is in trouble chiefly because governments which are

foreign enemies of the U.S., such as that of Israel's mass-murderous Prime Minister Netanyahu, and others, have savagely violated U.S. national security, and have worked subversively to set the President up for targeting by such accomplices deployed through the Federalist Society's, Starr's, and Newton "Benedict Arnold" Gingrich's flagrantly unconstitutional, sexually perverse, and implicitly treasonous attempts at an anti-American, parliamentary form of coup d'état against the U.S. Constitution itself. As Presidents John Quincy Adams and Abraham Lincoln would have forewarned Clinton, such troubles, including treasonous operations against him from very high-ranking places, go with the territory of being President in such extraordinary times as these. So much for the alleged patriotism of the Gingrich leadership in the Congress.

Granting the President that much: No amount of such troubles represent an excuse for a failure of command in the moment of opportunity confronting the President at that juncture. On this, I can speak with weighty, hard-earned, personal authority. The scope, extent, and duration of the politically motivated victimization I have suffered, and under which I have had to operate, for more than two decades, is far worse than anything President Clinton has had to tolerate up to this point. Lest there be any doubt of this, the President has no known enemy which was not already my enemy, and a thoroughly vicious one. Thus, I can say, with absolute fairness and certainty, that I would not have failed to meet the requirements of command under the kind of aversive circumstances to which he and his family and friends have been subjected. When one is in such a position of responsibility as his, no excuses for a failure of nerve in command are allowed, and I allow myself none, even in my present position. On specific account, for that failure, President Clinton, having chosen the office which carries such risks and responsibilities, has no one to blame but himself.

As the German saying goes, the important thing is the result. President Clinton's essential folly is as we have just said: as is not unusual for him, the fault lay chiefly in what he failed to do. Usually his follies are the result of his capitulation to influence from bad political advisors, those chiefly within the Democratic Party leadership, or, often, even his own immediate White House circles. As Clinton's error bears upon the discussion of Miyazawa's announced policy, Clinton's loss of nerve was expressed in such disguises as his renewed public genuflections to the heathen gods of the IMF, "free trade," and "globalization." The chief effect of the Washington conferences, therefore, is the sickening waves of dismay, and matching sense of desperation, which the President's non-performance, then, has spread around the world since.

For example, the relevant effect of the President's inclusion of "New Age" rant into the conference's proceedings, has sent a brutal signal to Russia, Japan, Malaysia, Indonesia, and others, suggesting that they not rely upon hopes for any decisive kind of helpful cooperation from the U.S.A. We must

So, You Wish To Learn All About Economics?

by Lyndon H. LaRouche, Jr.

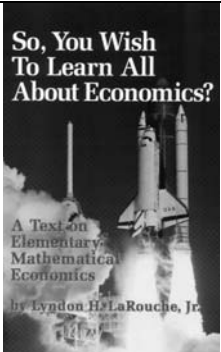
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see that result of the President's failure, as these nations experience that failure, and we must take that fact as such into account. We should not view as unreasonable, or unexpected, those nations' reaction to his apparent commitment to continue the tragi-comical posture his administration presented during the Washington conferences.

Russia, for example, is faced with an existential crisis beyond anything President Clinton has been yet able even to imagine. A decent person does not say to a Russia which has been virtually destroyed by the "free trade" and "globalization" policies of reform which Clinton and Gore have continued from Bush's time: "Trust us; stay the course of reform." A decent person does not say to an Indonesia subjected to mass-genocidal, combined direct and chain-reaction effects of hedge-fund raids and IMF conditionalities, "Stay with the conditionalities; try to make them work." He does not say to Malaysia, "Please lie down and let us do to you what we have done to Indonesia, and, in the meantime, please be nice to mass-murderous financial pirates and drug legalizers such as George Soros and London's shamelessly open backing of agents of British influence such as Anwar Ibrahim."

There is a limit, beyond which such disgusting expression of moral indifference from Washington officials, must be rightly perceived as violating all sense of elementary moral decency, as an intolerable offense against any reasonable regard for the most elementary kinds of human rights. The President must bring himself to acknowledge, and accept the reality, that, given the extremity of the circumstances now facing them, nations will not be content to sit waiting to receive permission to continue to live; in such extremity, no mere threats can blackmail a nation into submission to the dubious whims of current Washington diplomacy. With what can you threaten a nation which your combined negligence and other abuse are already murdering? Who will not shrug in disgust, if the President were to say, "Don't you see? I had no option but to do it this way, because. . . . Please! You must grow up, and learn to be more patient."

If, for some weighty reason, you, as a responsible official, can not act for an urgent cause, at least admit the fact of your dereliction, honestly, *and, above all, publicly*. All decent statesmen have learned from Plato, as did U.S. Secretary of State John Quincy Adams, that strict, and open adherence to the interrelated causes of truth and justice, is the acid test of public morality.

It is urgent to see the reaction to such negligent behavior of our President, as the victims experience and see it. It is urgent, to portray the issues of justice involved, truthfully. It is important to recognize the difference between the moral authority of our republic's traditions, the traditions of Lincoln and Franklin Delano Roosevelt, and the contempt evoked by the characteristic immorality, now called, euphemistically, "liberalism," of recent decades' turns in U.S. foreign policy. We must take frankly into account, that contempt evoked by that sheer hypocrisy usually displayed, when U.S. diplomats

and others in powerful offices speak unctuously of "moral issues."

The President must rightly perceive Kenneth Starr as a pervert, the world's dirtiest pornographer. Therefore, when Starr and his fellow-travellers babble, like England's infamous Lord Jeffreys, of "moral issues," so, the President should also recognize, the same quality of perversion displayed, when U.S. diplomats prate self-righteously of "human rights," while they deny the right to existence of entire nations. The latter is a right which is often simply ignored, or even denied, whenever that right to truth and justice might conflict with the current, Ramsay MacDonald-like, "Third Way" line of Britain's virtually fascist Blair government. So, our diplomats and other officials, are rightly viewed, as customarily avoiding real-life issues of human rights, of even entire nations, whenever defending those rights might interfere, otherwise, with a policy rooted in those mere utopian delusions currently received doctrine in official Washington, D.C. The same immorality is exhibited in the pressures on the President to sign the 1996 "Welfare Reform," or by political pressures to push through the NAFTA slave-labor program for northern Mexico. Those latter abuses are rightly seen by the victims, as our government's cruel, and vastly hypocritically self-righteous disregard for the most elementary human rights of not only entire nations, but entire regions of this planet.

So, in Asia, Africa, and other places which are the chief continuing victims of such hypocritical U.S. diplomacy, including instances of the President's own negligence in some such matters, the plausible message read by many observers of the most recent Washington conferences, especially from among so-called developing nations, is: No competent leadership is to be expected from the U.S.A., or any nation of western Europe, at this time.²

Not only typical of this, but crucial in and of itself, is the Clinton Administration's foolish posture of public sympathy for that coup d'état which the British monarchy is mobilizing against the government of Malaysia. The disgusting, gratuitous diplomatic slaps at Prime Minister Mahathir from the Clinton Administration, are interpreted in most of Asia: "Ex-

2. The very term "emerging markets" bespeaks the racist quality of immorality of each and every U.S., or other institution's official who uses that term. In general, the despicable connotations of that usage should be self-evident. The shift, to this term, away from "developing nations," is a correlative of the present "New Age" fad of "globalization." The rabid one-world ideologue prefers not to use any term which might remind him of discouraged notions such as "sovereignty" and "nationhood." He prefers a term more consistent with John Locke's defense of chattel slavery, "property." "You are my property: my market." "You are not a nation; therefore you have no sovereignty. A market has no sovereignty. You are a subject of 'the laws of the market according to the heathen god of John Locke.'" To be consistent, therefore, "Honesty in marketing" should require that all who use the term "emerging markets" should wear Ku Klux Klan regalia; Prince Philip's Kleagle would advise us, and, no doubt Kenneth Starr too, that the sheet and pillow-case should be, like the costumes of English fashion models, transparent.

pect nothing good from the U.S. for the foreseeable period immediately ahead.” This sort of U.S. diplomacy is especially disgusting, and implicitly racist, when our State Department acts, as it has done so often in respect to African butcher Museveni, as it is doing now to Malaysia, as a shameless towel-boy for the British monarchy’s current Commonwealth policy: as “an American cockboat in the wake of the British man o’ war.”

In short, in Russia and various capitals in Asia, the message from the U.S.A. and western Europe, is being read as: “Our ship is sinking; the captain has capitulated to his political advisors: Take to the lifeboats, and save yourselves, if you still can!” In this setting, while many of the world’s most famous names in banking are scampering about, desperately searching for piggy-banks to rob for cash, Russia, China, Japan, Malaysia, and, very soon, many others, too, become increasingly restive at the boundless immorality of policies emanating from not only the IMF Mafia, but from the governments in Washington and western Europe. They are reacting accordingly; that reaction is becoming increasing visible, and increasingly substantial in both visibility and effects.

Some argue against this view: “But, the President is well-meaning.” I agree with that opinion; but, I reply, “Mere sincerity was never proof of either accuracy, or of sanity.” Washington’s currently prevalent insanity must be understood, like the symptomatic sillinesses of Strauss-Kahn and Krugman, in light of the massive evidence proving, that, up to this moment, the United States and western Europe have their heads stuck into the lunacy of a “Third Way” fantasy-world. In official Washington, not only Clinton’s enemies, such as Gingrich, but some among the President’s most influential political advisors, are like the poem’s Miniver Cheevy; they prefer to propitiate a past which either no longer exists, or never did, than to face the present reality of the world which does.

On President Clinton himself

Speaking personally, I am more hopeful, but not blindly optimistic when it comes to certain crucial weaknesses in the President’s patterns of behavior. It is still possible that President Clinton will turn around, in time. It may take the shocks of one or two more terrible crises to turn him around. I will continue to do the utmost to bring about the urgently needed change in his outlook. But, until he abandons the specific kinds of influence and thinking which prompted him to sign the 1996 Welfare Reform bill, and to waste the kind of precious opportunity which the recent Washington conferences offered him, I will not suggest to anyone that they adopt a policy of blind faith in the President’s ability to come to his senses in time. There are strong reasons to believe, that, left to his own resources, he would not be able to stay the course for any of the historically urgent actions which fall upon his shoulders now. Indeed, the better we understand the Presi-

dent’s personal shortcomings on this account, the more likely we shall be able to help him overcome them.

Admittedly, there is some good news around Washington, even these days. Despite the latest flaps from Washington, the relations between China and the Clinton Presidency continue to be excellent. Clinton’s attitude toward the efforts of the new government in Russia has not been unfriendly. The Clinton White House has continued serious efforts to deal fairly, if frankly with Japan’s government. Clinton has amiable personal qualities, without doubt.³ There is other good news along similar lines, but —

In light of the importance of the U.S. Presidency for the world as a whole right now, the key, global political problem to be remedied, is the President’s politically fatal propensity for propitiating bad advisors, such as those who persuaded him, in 1996, not to veto the “Welfare Reform” legislation. The President’s most significant failings have been less his incidental mistakes, than the fact that, so far, despite good moments, such as his appearance before the Starr chamber proceedings, President Clinton has failed to show the kind of consistently effective leadership needed to avert the preventable, chaotic disintegration of the world’s financial and monetary system. In respect to the world’s financial and related crises, the President is, apparently, so busy searching for a convenient, apparently safe opportunity to be handed to him before dealing with this crisis, that he overlooks the fact that in a crisis of the present type, the only opportunity he, like any other real leader, will find, is the one he makes for himself.

I do not copy exactly the argument, or tone of criticism recently published by Clinton’s old friend Robert Reich. With qualification, I am more optimistic than Reich appears to be; besides, presently, we have no other choice but Clinton; all the visible, legally available, potential opportunities for a successor, prior to 2001, would make the doom of the United States absolutely certain.

Instead of Reich’s choice of terms, I would rather say, therefore, that President Clinton’s “crisis management” fumbling, has already wasted too many precious opportunities on conciliating not only his variously exposed deviant-Democrat and other defective political advisors, but also his enemies from the circles of House Speaker Newt Gingrich and of London’s “new Ramsay MacDonald,” Tony Blair. His temporizing has fostered a leadership vacuum which neither Russia nor relevant key nations of Asia will continue to tolerate, simply because they can not continue so. The latter simply can not tolerate such excuses by the President, as his imploring them to trust him and be patient. It is his capitulations to certain among his political advisors, as the almost fatal blun-

3. As for charges of financial corruption, or so-called “sexual immorality:” What might be hidden, or not really so well hidden, in the closets of such Clinton enemies as such an obvious sexual pervert as mass-pornographer Kenneth Starr, or in the affairs of Newt Gingrich?

der of supporting the 1996 Welfare Reform, best illustrates, which have created that kind of leadership vacuum, which, in turn, has now, in the context of the recent Washington conferences, set off a qualitatively new series of crises, far more menacing than anything which the White House has appeared to address thus far.

The balanced estimate of the President's personal political situation, which I would suggest as a restatement of Robert Reich's published comment, is my observation, that the President is rapidly running out of the options he too frequently wastes. I see this pattern as reflecting a dependency upon certain advisors linked to a lack of deep-rooted personal confidence. His "instincts" are often good, but he lacks the confidence to stand up consistently to pressure from advisors, even in defense of his certainty that he is morally right. By the pattern shown in his public actions, he seems to be saying, "That may be true, but I do not have the right, as President, to believe that. I must bend to the opinion of my political advisors." That is the picture of the man as candidate and chief executive of both Arkansas and the U.S. government since his second campaign for reelection as Governor.

As a result of this manifest flaw, we have the following exemplary, dismal results. Since the President's refusal to slap down Israel's bestial Prime Minister Netanyahu, like his senselessly opportunistic, and disgusting effort to propitiate Clinton's own "Zionist Lobby" assailants, by bombing Sudan, like his disgraceful capitulation to pressures from advisors on the 1996 Welfare Reform bill, and his temporizing during the period of the recent Washington conferences, the President's streak of recurring weaknesses has produced a menacing loss of not only his own, but also the U.S. Presidency's strategic credibility. His terrible performance during the recent conferences, has been perceived as such.

I would ask Reich to modify his view of Bill Clinton. This President, and his nation, too, desperately require that this man be supplied new advisors, who will fend off ruthlessly the kind of bad political advice leading to such tragic results as the non-veto of the 1996 Welfare Reform bill, and will supply him the basis for confidence needed to face up to the crucial decisions ahead of him.

In the wake of those latter conferences, that perception of his temporizing, has set into motion ominous developments which might have been controlled had the President, at least, told the straight truth publicly, rather than resorting to that mish-mash of evasive pragmatism and matching dissimulation, which tends to destroy his image of credibility. As a result of this, the relatively unprejudiced majority of the world's relevant observers seems not to dislike him, but, rather, sees him, with a sigh of regret, as "unfortunately, no FDR." Unless the influence around him is changed in composition, "Unfortunately, no FDR," will become the likely future title of ex-President Clinton's biography; it could also prove to be the epitaph of the United States itself.

What Krugman could not understand

Japan's actions are to be seen in light of that kind of global strategic situation, which the President's temporizing has fostered. So are the changing colors of reactions shown from Prime Minister Primakov's Russia. However, one must not leap to the assumption that these reactions from Russia and Asian nations, are concerted, conspiratorial actions. The tendency toward apparent convergence reflects chiefly the common, if separate experience of these nations, an experience presented by a persisting pattern of the President's continuing refusal to supply the needed qualities of leadership in respect to a wide assortment of nations, constituencies, and situations. Nor, must it be assumed, that the fact that the Clinton administration is often at cross-purposes with nations such as Russia, Japan, Malaysia, and so on, means that those nations' relations with the Clinton administration are — so far — motivated by unfriendliness toward Clinton himself.

If that sounds like a complicated situation, perhaps the situation itself is complicated. In real life, the more important a situation is, the more complicated it is likely to become. However, "complicated" does not mean "confused," or "incomprehensible." The leading features of the new situation become intrinsically comprehensible as soon as a few relevant key facts are taken into account.

The foregoing background considerations, respecting the President's handling of the recent conferences, and his personal role in his administration more generally, define that immediate, present situation, symptomized by the referenced, silly behavior of Strauss-Kahn and Krugman. Start with the Miyazawa proposal itself, and then go on to that more general situation which the case of Japan aptly illustrates.

On the subject of Krugman and Strauss-Kahn: As the saying in the boardroom goes, "We may hope for their improvement;" but, so far, that pair have shown themselves typical of those politicians and economists who are apparently incapable of understanding even the most elementary principle of modern economy. The most relevant of the essential principles which neither has recognized, so far, is that all modern economy centers around an interaction between a fictitious economy, the money system, and a real economy, the latter the population's relationship to non-monetary, physical reality. To understand any economy, put aside all today's popular psychobabble about "information theory" and "monetary theory;" start with the physical economy as such. From that latter standpoint, what Miyazawa said, appears, at its conjecturable worst, to be very sensible, and what Krugman is quoted as saying to *Le Figaro* on the subject is silly sophistry worthy of a pretentious barroom loud-mouth.

When it comes to Japan, Americans, such as Krugman, ought to have the decency to remember, that it was the forces commanded by General Douglas MacArthur, which defeated Japan in World War II, with no credit for victory actually earned by either President Harry Truman or the

atomic bombs which perennial war-criminal Churchill's and Bertrand Russell's Britain demanded be dropped. The relevance of this to Krugman's and *Le Figaro's* cited folly, is direct, and crucial.

At the time the fission bombs were dropped on Hiroshima and Nagasaki, not only was Japan already defeated, but Emperor Hirohito, working through the then-Monsignor Montini's⁴ Vatican Office of Extraordinary Affairs, and in cooperation with O.S.S.'s Max Corvo, had already delivered President Franklin Roosevelt's U.S.A. essentially the same terms of surrender signed, months later, after the bombs had been dropped.⁵

4. Later Pope Paul VI.

5. Truman's travesty in the case of the Hiroshima nuclear bombing, was mint Churchill. Several precedents from perennial war-criminal Churchill's and related British intelligence dossiers are relevant illustration of the point. When the German resistance acted to overthrow Adolf Hitler in Summer 1944, the British intervened to save Hitler, arguing that Churchill's Britain preferred to have Hitler in power nearly a full year of war longer, than to negotiate peace with German generals in July 1944. The family and friends of every U.S. soldier (for example) who died in that war, after July 1944, can thank Winston Churchill for that. British documents have revealed, more recently, a Churchill war-plan, called "Operation Unthinkable," for a "preventive war against the Soviet Union," to occur in June 1945, in which a number of captured Wehrmacht divisions would be used as Anglo-American auxiliaries. This little beauty Churchill cooked up shortly after Franklin Roosevelt's untimely death. The Churchill gang's pressure on Truman, to drop the nuclear bombs on an already defeated Japan, is typical of Churchill's war-criminality. The same war-criminality is continued, long after Churchill's death, today, from Prime Minister Tony Blair's London, in connection with a plot to unleash a probable nuclear war in Bibi Netanyahu's Middle East cockpit, and to use that as part of London's plan to topple Russia's Primakov government, and bring a London-picked, modern "General Kornilov" to power in Moscow. Indeed, harking back to Churchill's days once more, that was the way in which London orchestrated the parliamentary coup d'état against von Schleicher, to bring von Papen's asset, Adolf Hitler, to power in 1933 (at a time, incidentally, when Churchill happened to be out of power and financially strapped). Like the competition between von Schleicher and Hitler, under a fading President Hindenburg then, we have the equivalent in the case of President Yeltsin, the Primakov government, and a "Kornilov" alternative in Moscow today. Or, we might also refer to Russia events of Summer 1917, when the Bolshevik move toward power was set into motion, however unintentionally, as a by-product of a London-directed attempt at a Churchill-in-power-backed attempt at orchestrating a succession from Kerensky to Kornilov. From Shelburne and Bentham, through Palmerston and Churchill, to Tony Blair's government today, that is the habitual British imperial way of thinking about the conduct of diplomacy. The British motive for the dropping of the nuclear bombs on Japan, was, in part, to seize the laurels of victory from a General MacArthur which London and its U.S. cronies hated as they hated Presidents Kennedy and Charles de Gaulle later, and as agent of British influence Henry Kissinger has hated the U.S. and Franklin Roosevelt to last report. The deeper purpose for the Hiroshima bombing was identical to that behind Churchill's war-plan for June 1945, "Operation Unthinkable;" the purpose was to create a nuclear balance of power between Washington and Moscow, which Britain intended to manage as part of a long-range scheme to set up a process of "globalization" which would lead directly into the scheme of world government which the author of nuclear warfare, Bertrand Russell, intended to effect through his personal orchestration of the relevant Einstein letter to President Roosevelt.

The final, decisive military blow to World War II Japan, even before those bombings of Hiroshima and Nagasaki, was the effective U.S. military blockade of the islands of Japan, shutting off that inflow of raw materials and other goods, the margin upon which the continued physical-economic existence, and war-fighting capability, of Japan depended absolutely. That same strategic vulnerability is key to Japan's economy still today, even more so than fifty-odd years ago. Apparently, Krugman understands nothing of the same fundamental issue of today's Japan's economic security, and related matters of export-credits policies. For those who may have overlooked my earlier published statement on these matters, I summarize the case here.

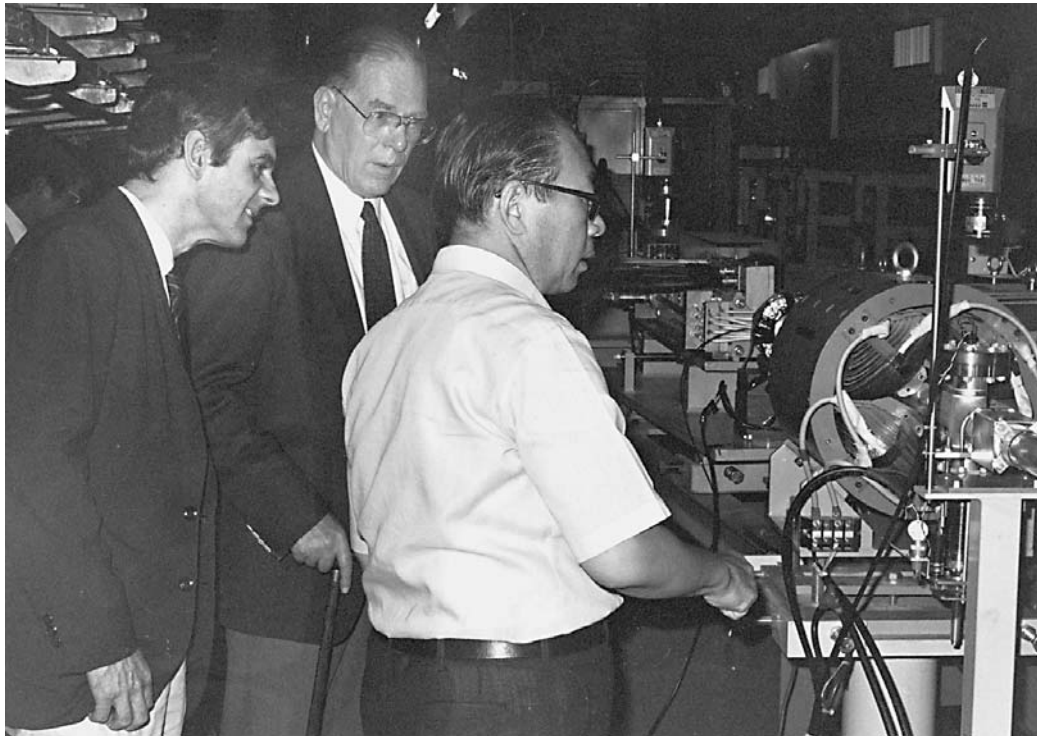
As I pointed out in my referenced report: Into the middle of the 1970s, post-war Japan had an essentially sound economic policy. Indeed, tallying the score up to that time, Japan's economic policy had been one of the world's best, matched only by the pre-mid-1960s U.S.A. and Germany, with de Gaulle's Fifth Republic coming up from behind. Japan's growing economic strength lay in the export of heavy engineering and in high-technology capital goods, the latter especially in manufacturing. Beginning the 1970s, under heavy pressure from Kissinger and Brzezinski, Japan was blackmailed into the less appropriate resorts of peddling cars and dealing in what has turned out to be some very bad financial paper. Similarly, it should also be recalled, that after Nippon Steel's Honorable Shigeo Nagano had founded an Asia-Pacific association with Australia and others, the U.S. and British silly side of the discussions, insisted that the agenda specify that all nation-building impulses for Southeast Asia be suppressed, in favor of concentration on cheap-labor projects such as tourism.⁶

Later, from the time of the Plaza Accords, Japan's banking system was ordered to become insane; the pressures for lunacy, from London and Wall Street, were stepped up mightily with the onrush of the derivatives swindle, beginning late 1989.

Now, Japan's financial system is collapsing under the world's most dangerous accumulation of the worthless financial paper which Eddie George's London and Alan Greenspan's Wall Street advised it to generate. As I have pointed out, repeatedly, the kind of options for post-1971 Japan which have been prescribed by Kissinger, Brzezinski, Volcker, et al., are all bankrupt—hopelessly bankrupt. That latter, failed set of options, which silly Strauss-Kahn and foolish Krugman defend, can not be saved, and no effort should be wasted on trying to save them.

Yet, underneath, despite that worthless pile of "Yuppie-

6. See Lyndon H. LaRouche, Jr., "A Fifty-Year Development Policy for the Indian-Pacific Oceans Basin," *EIR Special Report*, 1983. See also, "The Industrialization of India: From Backwardness to Industrial Power in Forty Years," *EIR Special Report*, February 1980.



Lyndon LaRouche (center) during a visit to the high-energy physics laboratory in Tsukuba City, Japan, in September 1984. In order to survive, Japan needs to export heavy engineering and high-technology capital goods. That means scrapping the failed, lunatic “post-industrial,” “New Age,” “globalization” model.

dom’s” fictitious paper, Japan’s industrial economy remains potentially a leader in today’s world economy, unlike the France which such de Gaulle-haters as London’s François Mitterrand have ruined. To round out that picture, Japan’s industrial and related real economic potential for producing highly competitive heavy engineering and capital-goods outputs, is sitting on the rim of the world’s biggest, fastest-growing market for imports of this type: the East Eurasia markets.

Japan must earn those imports it requires for its own continued survival. The only asset which Japan has today, is what Kissinger, Brzezinski, Volcker, and the “New Age” crowd attempted to destroy: industrial Japan. That is the industrial Japan memory associates with the Mitsubishi Research Institute’s Honorable Professor Masaki Nakajima.⁷ It is a Japan we should remember, as living most successfully by exports of heavy engineering and high-technology capital goods. To earn those imports, it must export physical things urgently needed by, especially, its Asia neighbors. To make that work, Japan must scrap the failed, lunatic “post-industrial,” “New Age,” “globalization” model, and return to the former full industrial employment policies of an earlier, happier era of its post-war life.

Japan’s only sane alternative is thus clearly defined. To

7. “Japan’s \$500 Billion Plan for Reversing World Depression,” *EIR Special Report*, Feb. 23, 1982.

coin a phrase, Japan requires a sweeping reorientation. It must collapse the hyperinflated financial bubble created by London’s and Wall Street’s influence, and do that as quickly and as ruthlessly as possible. Meanwhile, put all available financial assets and export-import credit-lines into unleashing Japan’s leading industrial-export potentials for the Asia market. Only a barroom rhetorician, such as Krugman, would find anything ludicrous in such a reorientation.

I am not yet in a position to estimate presently, how well Japan’s leaders are making that change, away from “New Age” lunacy, back to industrial Japan. I am in a position to say, that what Minister Miyazawa’s words have proposed, contrary to the silliness of *Le Figaro*’s correspondent, appears to be one step in the right direction, both for Japan and for its Asia neighbors.

Japan must collapse the rotten, bankrupt financial structure, which was designed by the modern Biches and Mouches of London and Wall Street, to concentrate all available resources on reawakening the former industrial Japan. Thus, it is perfectly consistent for Japan, on the one side, to organize the collapse of the derivatives-oriented financial system, while expanding the industrial-export credit system.

So, in effect, Japan must collapse one side of its financial system, while creating, and boosting a new one. Nothing must be wasted in attempting to save the bankrupt system; everything must be steered into building up the new one. On the one side, write off bad financial paper at the lowest

possible price, even zero, collapsing that part of the financial system. On the other side, build up a new financial system, a new system dedicated chiefly to growth of exports from Japan's heavy engineering and high-technology capital-goods potential.

To the anxious query, "What about the fellows who invested so much in the financial bubble?" the answer is, they may have invested money in that enterprise, but the enterprise went bankrupt. They gambled, and they lost; there is no reason for us to weep over the gambling losses of useless parasites. Explain to them, "In our system, no socialist bail-out is provided for, nor sympathy extended to bankrupt professional gamblers." The parasites will simply have to write off their losses, and find some useful employment, perhaps in digging ditches, or cleaning away the waste products which have poured so copiously from the mouths of Kenneth Starr and Speaker Newt Gingrich. This time, let these bankrupted parasites now work to earn some new money, this time making certain that they actually earn it.

Krugman's 'Cargo Cult' economics

In what remains, by the year A.D. 2020, as the greatly reduced population-level of Washington, D.C., the roster of local residents will consist of paleolithic-style, club-bearing cave-men. That prospective spectacle should be considered the natural outcome of the economics dogma most popular around both the Congress and White House today.

For that eventuality, the description of so-called economists such as Paul Krugman as "Cargo Cultists," can bring only nods of approval among any anthropologists then surviving, a generation from now, to consider the relevant evidence. Today, people who have not yet learned the lessons of such a future history, prefer not to call their opinions a "Cargo Cult." Today, they prefer names such as "Zero Growth," "Free Trade," "Globalization," and "Third Way." In reality, each and all of those latter terms mean nothing but "Cargo Cult" in effective practice.

As I have noted above, let us be fair to those Melanesians who were formerly accused, falsely or otherwise, of having become devotees of a "cargo cult." Whether such a "cargo cult" ever existed as described, or not, at the very worst estimate, fictional, or real, they were far, far saner than most of those sweat-suited wonks currently jogging the sidewalks and pathways of Washington, D.C. Perhaps, it is only when we demonstrate what might be described as "the utter appropriateness" of the term "Cargo Cultist," as identifying the habitués of the Mont Pelerin Society's Heritage Foundation front-organization, the American Enterprise Institute, and similar varieties of loonie menace, that the historic implications of the "free trade" cult might become obvious to relevant parts of today's policy-shaping establishment.

The parameters of belief of the alleged devotees of Melanesia's "cargo cult," were those of persons who had no

conception of the means by which the goods they used had been produced. In short, they are like that suburbanite housewife, who sees farmers as greedy parasites, and believes that the milk in her refrigerator comes not from the farmers, but the local supermarket. In general, around the suburban bedrooms of our nation's Capital, today's typical urban "cargo cultist" is often a government bureaucrat, who is a devoted follower of Newt Gingrich, who has adopted the full-blown belief of any street-corner Mafia boss, that physical goods are produced, not by planting seeds, building new high-energy-density power stations, or turning lathes, but by the act of investing money.

"Investing in what?"

"Investing my money in getting more money!"

"How does that produce more of the goods we need to live?"

"It just does!"

"Cargo cultist!"

Take Krugman's case, for example. According to his cited remarks, Japan should not bother itself about developing exports, but simply concentrate on the mysterious inability of a Japan suffering collapse in its export market, to pay its own financial obligations. How Japan is to continue to exist, is of no proper concern to Japan's finance minister, implies Krugman's quoted observation. Like Newt Gingrich and other paleolithic intellectual types, Krugman suggests that Japan's finance minister should concentrate all his attention on balancing the budget, and not waste time putting his nose into areas where Japan's net national income might be generated.

There, in Washington, or Paris, we have today's typical "cargo cultist!" Ultimately, anyone in a policy-shaping position in the U.S. government, or a Gingrich follower in the U.S. Congress, or editorial staff of the *Wall Street Journal*, who supports the currently fashionable dogmas of "free trade" and "globalization" is just as much a "cargo cultist" variety of kook as Krugman, and, implicitly, at least just as dangerous, or even more so.

The same outright lunacy of the "cargo cultist," is expressed as the delusion, that "a shift to a services economy," is a workable alternative to "an industrial society."

Take away all of those articles which define an "industrial society," as opposed to a "services economy," and what is the penultimate result? Paleolithic street-gang warfare among the tribes of thinly-populated greater Washington, D.C., for example. What do we say of the person who ignores the implied calculations to be made, but simply asserts his blind faith in the ultimate good and success of what he or she might term, alternately, either a "service economy" or an "information society"? Close both your nostrils with the fingers of one hand, and, with the other hand, point toward the man or woman you should denounce as a "Cargo cultist!"

Return from Washington, to the Paris of *Le Figaro* and

to those Francophone varieties of “cargo cultists” who, so far, usually unsuspected by saner French residents, roam those nightly streets. So, we come back to the subjects Strauss-Kahn and Krugman. Focus upon the purely fictional existence of the so-called “Euro.” That is to emphasize the fact, that the Euro exists only as a legal fiction, and that for not much longer.⁸ Focus on one of the crucial facets of currently popular versions of the “cargo cult” ideology, the hottest of all political issues today, the issue of the economic role of the sovereign nation-state.

On this account, nothing of principle has changed since the 1630-1684 interval of the Massachusetts Bay Colony, and even earlier. There are only three sources of the marginal income indispensable for the successful existence of a modern society. Either the protectionist measures associated with what Alexander Hamilton, Mathew Carey, Friedrich List, and Henry Carey defined as “The American System of political-economy,” or looting of foreign nations, through either a combination of colonialist forms of looting, or usurious international loans.

The most successful applications of the principles of the protectionist form of American System, have been either in the U.S.A. itself, during several intervals beginning the Abraham Lincoln recovery of 1861-1876, or in nations, such as the direct copies of the Lincoln 1861-1876 model in post-1877 Germany and Meiji Restoration Japan. Such success has been the dominant feature of the periods of the U.S. economic mobilization for World War I, and for the greater part of the interval 1934-1963. As a mode of national economy, the so-called “free trade” system has always been a failure, which may have appeared, falsely, to succeed in cases such as the looting of subjugated colonies or client states by the British colonial system, and use of international loans as a means of looting subject or foreign territories and their populations.

By economic success, we must signify the general in-

8. The “Euro,” which will come soon to be filed under such hateful rubrics as “the French disease,” was chiefly the work of France’s President François Mitterrand, a matter of fact recently documented in significant detail, first hand, by Germany’s Chancellor Helmut Kohl. *Deutsche Einheit: Sonderedition aus den Akten des Bundeskanzleramtes 1989-1990* (München: R. Oldenbourg Verlag, 1998). Helga Zepp-LaRouche, “Germany’s Missed Historic Chance of 1989,” and “Secret Documents on German Reunification,” *Executive Intelligence Review Special Report*, Aug. 14, 1998, pp. 4-19. Under present trends, the terms of agreement to be reached before the end of 1998, can not be met. By the time the newly elected government of Germany is installed, no earlier than Oct. 23, 1998, nothing which might seem certain today, will seem as certain then. From that point on, the uncertain grows. At the point that the Euro means nothing other than a collapsing German economy’s endless subsidies of a bankrupt France, the myth of the Euro will have become painfully obvious, very painfully obvious, and increasingly so, until the cause of the pain were removed. Sometime between thirty and sixty days from now, most people in Europe would be surprised to be reminded that they had once believed almost anything they believed today.

crease of the physical-economic productive powers of labor, per capita and per square kilometer of territory, combined with a general improvement in the demographic characteristics of all of the households of which the nation is composed. To meet this standard of success, no relevant nation’s accounting can include any looting of other nations through low prices of their exports, through dumping of exports upon them, or through usurious benefits to nations engaged in the practice of international financial loans as a source of parasitical gain.

In all historic cases the nation has been brought up toward, or maintained this standard of physical-economic performance, the successful national economy has relied upon several outstanding factors: 1) a leading role by publicly-funded improvements, especially in basic economic infrastructure; 2) on either national banking, as opposed to central banking, or forms of industrial banking, which approximate national banking (such as the Hermann Abs system in Germany); 3) on governmental measures of regulation of infrastructure, trade, tariffs, and foreign capital movements and exchange; 4) on measures which have the effect of giving favorable treatment to practices which contribute to capital-intensive, energy-intensive modes of investment in scientific and technological progress, bearing upon the increase of the physical-economic productive powers of labor of the national population considered as a whole. Without such measures, or their fair approximation, no modern nation could provide the benefits of political freedom to its own population in general. No such measures could be provided, except through the agency of the modern sovereign form of nation-state.

The arguments for and against the proposition I have just outlined, have been presented over the centuries, especially since the pioneering success of the first modern national economy, that of France’s Louis XI, and since the Sixteenth-Century mercantilists, most notably of Bodin’s France, Gresham’s Tudor England, and from within Italy. Putting all of these arguments and related evidence together, all evidence supports the arguments for the so-called protectionist model of national economy, and refutes the contrary arguments of the “free traders.” The documentation, including crucial supporting evidence, is overwhelming. Among the profession of economics, only liars, charlatans, or simple illiterates disagree with the conclusion just summarized.

From the standpoint of a general theory of physical economy, the crucial feature of the proof already on the books, is the issue of what constitutes a cost of production. The Adam Smith and other “Brand X” versions of dogma, argue, on this point, that cost is what those who control production and distribution are compelled to pay, usually against their will, as the incurred costs and related expenses of production and distribution. The science of physical economy takes the directly contrary view, that there are certain elements of the cost and expense of production and physical distribution, which must be paid, that in physical-economic, rather than

money terms, to maintain the equipotential of current levels of productivity of the economic process considered as a functional whole.

On the latter point, the practical standpoint of the American System has always been that expenditures and prices must be regulated, to the degree that the amount of “pay-back” to the productive process required to maintain the functionally determined equipotential of a nation’s, or world economy’s productive powers of labor, must be regulated. This regulation must do no more nor less in the way of governmental regulation, than to ensure that payments to maintenance and improvements of infrastructure, population, production, and distribution of goods, are sufficient to cover the functionally implied costs of doing slightly better, at least, than maintaining the equipotential of the productive powers of labor as measured in per-capita and per-square-kilometer terms.

The only means by which that policy can be maintained, is the power of government. This is expressed as such regulation of prices of virtual monopolies, as to foster relative equality of opportunity for development among various localities of the national economy as a whole. It is expressed as tariff and trade agreements which serve the same end in international trade. It is expressed as policies of taxation and credit regulation which foster advantage to those kinds of investments which are most useful to the national and world economies.

Without such measures, which can be taken effectively only by governments of sovereign nation-states, the frictional effects of decentralized, relatively anarchic competitive investment and trade, will lower prices of some things to levels which pauperize and otherwise loot economies and the majorities of their populations, while fostering predatory relative monopolies in crucial areas of national and world trade. These effects are most likely, and most savage, in economies in which competitive prices for goods, labor, and financial assets are dominated by a “free trade” style in price of money itself.

The consistent result of “free trade” policies of practice has been to produce all of these, and still worse effects on the economies of most nations, and of the world in general.

In modern industrial economies, this danger is aggravated greatly by the implications of capital-intensive modes of productive investment. To foster capital investments which have a physically useful half-life-cycle of three to twenty-five years, we require capital at relatively fixed, low prices; this can not be achieved in world trade and investment without carefully regulated, relatively fixed exchange-rates among currencies over long-term intervals. This can not be achieved, if prices of capital are too high, driven upward by the discounting of capital to reflect price fluctuations within and among national currencies.

Generally speaking, a modern economy requires a prime borrowing cost for national-banking levels of issuance of

credit generally, between, and not more than 1-2% per annum. Similarly, large-scale primary capital investment in production and distribution, can not occur unless the ploughed field for such investments, basic economic infrastructure, is made and maintained. Such investments in developing and maintaining infrastructure, are generally, like railways, water management systems, and power systems, of quarter-century maturities, or even longer. These can be maintained only when capital for this purpose is available at relatively the lowest rates, in the vicinity of between 1-2% per annum.

In a time when international trade in production-related physical goods, is a very large fraction of the total turnover of all technologically leading national economies, there must be a certain stability in relative world-market prices of goods and credit for capital investment, at levels equal to or slightly above the rates required by each national economy.

To abbreviate here what must otherwise become not a report, but a weighty treatise on this and closely related topics, the sum of the matter, is that regulation of national and international economies’ affairs along these indicated lines is a precondition for a durably healthy, growing national and world economy. Without the role of related agreements by and among sovereign national governments, such preconditions of healthy economic recovery of the present world economy can not be obtained. Without the regulatory, “protectionist” functions of the sovereign nation-state, healthy economy can not exist, at least not for very long. Those who imagine otherwise, are simply deluding themselves or their dupes.

The most obvious affliction which follows lack of such protectionist institutions, is the use of artificially fostered, anarchic price movements in markets, to the effect of looting relatively long-term, capital-intensive, productive capital investments, in favor of short-term, less productive, less capital-intensive investments, and to discourage payment of those costs incurred by scientific and technological progress. This combines to foster a premium on purely speculative, as opposed to productive financial investments, and to make return on apparent monetary outlays the primary regulator of investment and trade, rather than the relative, medium- to long-term economic merit of alternate investment options.

Under conditions of unchecked “free trade,” the national and world economies so affected, assume an increasingly parasitical character, as opposed to a productive one. The shift from productive investments, especially capital-intensive and energy-intensive ones, to relatively non-intensive, and even purely wasteful enterprise, becomes an increasingly dominant tendency, as we have seen this persisting pattern of degeneration in the U.S. economy since a change in direction of national economic and budgetary policies, beginning 1966-1967.

When such deterioration sets in, the process of using-up previously invested long-term capital improvements, defines the relative scale of time-factors in the long-term process of

economic degeneration following downshifts such as those instituted in the U.S. government's economic and related policies beginning 1966-1967. As we can map such effects in terms of the degeneration of the U.S. economy over the span of 1966-1998, the time-scale for the unfolding of such degenerations of an economy, lies between the range of a decade or so for areas with relatively higher rates of capital turnover, to a generation or longer for investments in education and other long-term improvements in basic economic infrastructure.

Since such degeneration of an economy impacts most heavily those capital investments which are relatively best hidden from short-term market considerations, such as long-term improvements in basic economic infrastructure, the annual losses to the economy are to that degree somewhat hidden, temporarily, from the national income accounting procedures. Simply said: the policy of practice may be adopted, as the discretionary fraudulent practice of government, to perform national-income accounting by those deceptions which assume that what is not purchased during a current period, is not to be reflected as among the costs of annual "value-added" output. Trillions of dollars of losses on the infrastructure account of the U.S.A., were buried from sight during the 1970s, essentially by exactly that sort of accounting fraud. If those "hidden," but actual capital costs are taken into account, the

U.S. economy has been operating, as a whole, at a substantial net loss of not less than 2-3% per annum, during the entirety of the 1972-1998 period to date. If we take into account, the portion of income of the U.S. economy accrued entirely as theft from Ibero-American and other "client" nations, during the same period, we have a better estimate of the true source of the undeniable catastrophe which dominates our once-prosperous economy of thirty years earlier.

The kinds of degenerative processes associated with the repeated outcomes of periods under the influence of "free trade" policies, thus represent a diversion of wealth from productive into non-productive, even outrightly destructive practices, such as the use of the financial system as a laundry for proceeds of international drug-trafficking. This deduction has the effect of theft of that very national wealth otherwise essential to maintain successful economic growth. That kind of "theft," which is inherent in the policies of "free trade" and "globalization," is the characteristic feature which defines France's Dominique Strauss-Kahn and MIT's Paul Krugman, as representatives of a dangerous kind of "Cargo Cult." Unfortunately, it also defines the preponderance of those of President Clinton's axiomatic presumptions, which were set forth by him during the recent Washington conferences; they were also the promotion of a deadly, potentially fatal form of "Cargo Cult."

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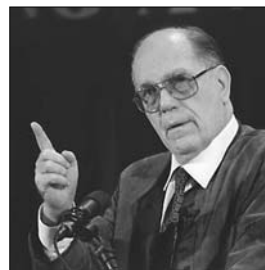
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Cardoso wins elections in Brazil . . . sort of

by Silvia Palacios and Lorenzo Carrasco

Although the world financial crisis hit Brazil with gale force just weeks before the Oct. 4 Presidential elections, President Fernando Henrique Cardoso managed to win reelection. And yet, no one is celebrating his victory, given the climate of uncertainty as to what the coming weeks will bring. In fact, the country is gripped by a sense of hopelessness and apathy.

The domestic and foreign press, as well as the major institutions of public opinion, including television, created great expectations that at the conclusion of the election, President Cardoso's unequivocal victory would give him the power and the mandate necessary to impose an economic package of draconian cutbacks, as demanded by the international financial centers. Those expectations vanished the next morning, like so many drunken dreams, when Cardoso's reelection could not be confirmed during the vote count. Indeed, Cardoso's victory could not be announced until 48 hours later, while bankers and finance ministers of the Group of Seven (G-7), meeting in New York, chewed their nails over whether one of their favorite peons of globalism would remain in power in Brazil.

Although Cardoso did not have to face a second round of voting, which would have proven a bankers' nightmare, neither did he receive the mandate for enforcing the International Monetary Fund (IMF) genocide, which the bankers had hoped for. All of this now leaves the famous \$30 billion rescue package for Brazil up in the air. The IMF has not officially announced the package, nor has Brazil asked for it, but it is already becoming known as the world's first virtual aid package, a purely spiritual consolation to the high priests of liberalism. It is based on pure subjectivity, since if the crisis in Brazil explodes, the \$30 billion will prove useless.

Cardoso's margin of victory over his challengers was minuscule. He won 53% of the approximately 35 million valid

votes cast, 500,000 votes *less* than the combined total of invalid votes, blank votes, and abstentions! Since the votes of all the opposition candidates combined totalled a little less than one-third of all the eligible voters, the fact is that Cardoso was elected by less than one-third of the electorate, who didn't necessarily support him and perhaps only voted for him out of fear of a victory by Luís Inácio "Lula" da Silva, the candidate of the Workers Party (PT), which is a member of the narco-terrorist São Paulo Forum. Da Silva won second place in the elections, with 31.7%, a significant increase over his votes in the 1994 Presidential election.

Third-place candidate Ciro Gomes took 11%; his candidacy was deliberately promoted by the political establishment as a means of containing the protest vote, which it was assumed would go to Dr. Enéas Carneiro. Dr. Enéas took fourth place, with 2% of the vote. As he himself charged, the three other main candidates—Cardoso, Da Silva, and Ciro Gomes—all belonged to the Washington, D.C.-based Inter-American Dialogue, which promotes drug legalization, and which is the chosen instrument of the British banking oligarchy for destabilizing Ibero-America and imposing its economic designs.

Discontent surfaces

What is reflected by this vote is nationwide discontent, which is only kept under wraps on a day-to-day basis by the dictatorship of the communications media. This discontent can clearly be seen in the fact that Cardoso lost in the majority of the nation's main cities, and that several of his main political allies ran the risk of losing the governorships of Brazil's most important states, such as São Paulo, Minas Gerais, Rio de Janeiro, Rio Grande do Sul, as well as the capital of Brasília, where a runoff election became necessary. This post is

so important that, until now, it has been impossible for Cardoso to announce any concrete austerity measure that his second Presidency could definitively commit to, causing growing anxiety among the bankers.

Within this environment of protest, it is worth noting the elections in *Río Grande do Sul*, the state with the most political and historic tradition, where the policies of globalization have had a devastating effect on agriculture and industry, and where, on the other hand, the Landless Movement (MST), encouraged by Cardoso's government itself, has sown terrible fears and insecurity among the region's producers. President Cardoso was soundly defeated in the capital of this state, as he was in the interior of the state which, despite its more conservative tradition, ironically voted this time for the PT candidate, whose base includes the MST.

For a handful of dollars

Beyond the results themselves, the 1998 elections mark an inflection point. First, because they occurred just at the point that the international financial crisis arrived in Brazil with all its intensity, putting the entire world financial system in check. Witnesses to this were the meetings of the G-7 and of the IMF themselves, where the the agendas of every individual at those meetings were focussed, on the one hand, on trying to sweep the crisis under rug, and on the other, on trying to scrape together, from the garbage heaps of the dying financial system, a \$30 billion rescue package for Brazil. This handful of dollars is laughable in comparison to the half-trillion dollars of foreign debt that Brazil owes, which includes the growing mountain of dollar-denominated domestic treasury bonds. And, one could easily add to this picture the national banking system, which is crumbling under the weight of more than \$350 billion in unpayable loans.

As stated in an editorial in the early October issue of *Solidaridad Iberoamericana*, the newspaper of the LaRouche co-thinker group, the Ibero-American Solidarity Movement, reproduced Oct. 7 in the *Río Grande do Sul* edition of *Gazeta Mercantil*, "the horrible face of the pestilence of usury hides, on the one hand, behind the dark cloak of multimillion-dollar electoral propaganda, and on the other, among the nominally more educated social layers, who are starting to see glimpses of the chaos that is coming, but who prefer to flee from reality, and to accept instead the rose-colored world offered them by the media and by the economic soothsayers."

The editorial continues: "It is the portrait, magnificently portrayed by Bocaccio in his *Decameron*, of a decadent nobility which entertains itself in its salons with various vanities, including the most obscene, while turning their backs on the Dantesque reality of the Black Plague knocking at the doors of their rich palaces. So, too, acts the gambler-President Fernando Henrique Cardoso, who in his infantile vanity, not only exempts himself from any responsibility for the financial crisis, alleging the inevitability of globalization, but who now clings to the belief that his G-7 friends, among them the IMF's

Michel Camdessus or brothel-keeper George Soros, will save him so that he can remain in power. What will such vanity be worth, when in the end we will hear him offering 'my kingdom for a handful of dollars?'"

Although President Cardoso has committed himself to enforcing a brutal fiscal reform program to try to reduce the government deficit, he has not been able to announce any concrete measures, and here he appears to be losing ground. His last two pronouncements, made on the request of the IMF to try to "calm market jitters," were a compendium of generalities, facilitated by his academic training, and intended to reconcile the inevitability of globalization with the need for a new Bretton Woods system, of which he expects to end up the author.

The MST plague

Second, the Brazilian elections marked the beginning of a phase of overt terror by the self-described Landless Movement. There have been scores of assaults on food trucks in the northeast of the country, and the dynamiting of major electrical towers, in the style of Peru's Shining Path, in the state of Paraná, in the area of influence of the so-called "Independent Republic of the Puntal de Paranapanema."

The election results, and the electoral wins of the Workers Party, will surely encourage the terrorist leaders of the MST to move forward with their strategy of irregular warfare against the country's economic infrastructure. This picture was confirmed by comments by the MST leader in the northeast, Jaime Amorim, in an interview with *Veja* magazine published on Oct. 7. Asked about the possibilities of armed struggle in the country, Amorim revealed that the MST has "hundreds of centers, with the autonomy to decide when, where, and how to act. . . . If necessary, [the strategy] can be changed in mid-battle [and] only examined later. The movement has grown. It is no longer possible to hear everyone out every time we need to act. . . . [The Mexican terrorists in] Chiapas became a reference, only when they turned to armed struggle."

Third, the 1998 elections are an epilogue to the farce of so-called liberal democracy, imposed in the Ibero-American Southern Cone in the beginning of the 1980s as a precondition for intensified economic looting by the IMF. The election unveiled a rotting political corpse, which is only tolerated because of the tyranny of the banks and of the media. Any attempt to prop up this rotting corpse must drive Brazil and all its potential, into a scenario of chaos and social disintegration in the immediate period ahead.

Any real solution to this crisis necessarily requires the reemergence of the sovereign nation-state, protectionism for industry and agriculture, and expanding the internal market. It also implies, in one form or another, a break with the existing institutional framework, which is only maintained to perpetuate the looting of the country's economic wealth and to preserve the absurd privileges of a decrepit national oligarchy.

'Balkan graveyards are filled with President Milosevic's broken promises'

by Umberto Pascali

After delivering a "final ultimatum" to Serbian dictator Slobodan Milosevic to get his armed gangs out of Kosova or face air strikes, NATO postponed its ultimatum twice within a few days. NATO had issued an "activation order" for air strikes on Oct. 13. But, when U.S. Balkans envoy and chief negotiator Richard Holbrooke announced that he had reached a deal with Milosevic, NATO said that there would be no attacks before Oct. 17. This supposedly gives Milosevic the time to fulfill what he had solemnly promised to do. But, reports from NATO intelligence and other sources are clear: Milosevic is not withdrawing the troops that, in a few months, have "ethnically cleansed" ethnic Albanian inhabitants from Kosova villages and reduced the region into a scorched earth inferno. In fact, there is evidence of the arrival of fresh troops and the positioning of additional military equipment.

On Oct. 12, when President Clinton announced the deal in New York, he stressed: "But let me be very clear: Commitments are not compliance. Balkan graveyards are filled with President Milosevic's broken promises." Indeed, on this point, the President was prophetic.

As *EIR* has stressed, the timidity of NATO stems not just from cowardice; the real scare comes from Moscow. Stirred up by constant British talk of air strikes, Russia, in its most determined opposition to a Western military operation since the collapse of the Soviet empire, is opposing air strikes, making generic threats in public and, reportedly, more precise ones in confidential talks. The crisis in Kosova—whose people are literally starving as a result of International Monetary Fund-World Bank policies—is generating the biggest anti-West reaction in Moscow since the end of the Cold War, fuelled as well by the effect of IMF conditions on Russia and the perception that the West is close to a financial collapse.

On Oct. 16, Russian Defense Minister Igor Sergejev met with his Belarus counterpart and announced the renewal of military ties, arguing that this was necessary because of the Kosova situation. "We have the legal basis to pool our capabilities in the military-political sphere to counter the eastward expansion of NATO." The two ministers told Itar-TASS that, for the moment at least, there has been no decision "on rendering military assistance to Belgrade."

However, pan-Slav chauvinist Vladimir Zhirinovsky, who at a recent Organization for Cooperation and Security in Europe conference on Kosova in Copenhagen said that "Albania does not exist," told Ekho Moskvy radio that he had

received a request from Yugoslav Deputy Prime Minister Vojislav Seselj, requesting that Serbia be invited to join the Belarus-Russia union. "Who is stopping us from sending our fleet into the Mediterranean Sea for a friendly visit to Serbian ports?" asked Zhirinovsky. In recent weeks, Seselj has grabbed the spotlight for threatening terrorist attacks on NATO countries and troops and "whoever helps them."

A Balkan source commented: "It seems that the window of opportunity opened up with the fall of the Berlin Wall in 1989 and the collapse of the Soviet Union, is going to be over soon."

NATO poses its ultimatum, again

Ibrahim Rugova, the leader of the ethnic Albanians (who represent more than 90% of the Kosova population), has accused Belgrade of strengthening its military presence—with little results. Milosevic kept his game going despite further "ultimatums." On Oct. 15, NATO Secretary General Javier Solana and NATO military chief Gen. Wesley Clark, in a meeting with Milosevic, complained about the non-withdrawal. After the meeting, Milosevic, apparently calm and in control, told reporters that he had complied fully with the UN Security Council resolution that called for an end to his genocide in Kosova.

Solana, on the contrary, said that "many army and special police units . . . remain in Kosova. These units must be withdrawn immediately. I have come to Belgrade today to deliver a simple but strong message. [Milosevic] must comply fully and immediately. NATO will maintain its pressure until we have evidence that compliance has been fully achieved. We will remain ready and willing to act."

The list of violations of the Milosevic-Holbrooke deal is getting longer by the day. For example, just on Oct. 15: Heavily armed Serb military and police units, including radar systems, were stationed in the village of Shkabaj, near Prishtina. The troops stationed in northeast Kosova, did not withdraw one inch. Rather, three busloads of fresh troops reinforced Serb positions near Paodujeva. Police stations in Llužan, Orllan, and Krpimeh have been strengthened. In the area of Skenderaj, Serb forces occupying 14 different villages have been beefed up. A police commander in the city of Malisheva, southwest of Kosova, told *USA Today*: "We haven't had any order to move out, not by Oct. 17, not by the 18th." In the meantime, the list of refugees who have died in their primitive

camps, wracked by cold, hunger, and disease — men, women, and children — is getting longer by the hour.

On Oct. 16, the day before the NATO deadline, another delegation, led by top negotiator and U.S. Ambassador in Macedonia Christopher Hill, was in Belgrade to tell Milosevic that the withdrawal was “far from satisfactory,” as U.S. sources put it. Apparently, to no avail. And so, that same day, following a strong request from France and other NATO countries, the NATO ambassadors met in Brussels to discuss a further 10-day postponement of the ultimatum.

Documentation

Put an end to the game called ‘negotiations’

On Oct. 11, the Kosova Information Center (KIC), which is close to Kosova President Ibrahim Rugova and the Democratic League of Kosova, reported on an editorial which appeared on the same day in the Kosova evening daily Informatori, by its editor by Enver Malokou. According to observers, the editorial was a last cry for effective air strikes against Milosevic’s genocidal machine, and signalled opposition to what many in Kosova view as pressure from Western negotiators, who had presented them with a draft of a deal discussed in Belgrade with Milosevic. Kosova’s ethnic Albanians were not part of the official negotiations, and were not required to sign the agreement. Here are excerpts from the KIC report:

The international community has been entreating Milosevic to comply with the demands of the UN Resolution and the Contact Group over Kosova, but the entreaties have fallen on deaf ears so far, Enver Malokou, the editor in chief of the *Informatori* evening newspaper maintains in a leading article on Oct 11. Milosevic has been refusing to accept what are “extremely soft” demands put forward by international entities, Maloku writes.

What has the Contact Group done since March 1998? How many lives have been saved by the UN Security Council? . . . Have statements by [international political leaders] thwarted at all the Serb killing machinery? To these questions, the *Informatori* writer answers negatively. “Therefore, it is futile for the world to continue to threaten and plead with Serbia as heretofore, and it is pointless for leading diplomats to continue kneeling down to the man who is responsible for the most monstrous crimes this half-century.”

The Western world has made many mistakes and undermined their authority and credibility by “being fooled by a petty dictator. . . . It is hard to believe diplomacy will be able to achieve anything without force backing it. . . . Therefore, the arrival of diplomats [the delegation led by U.S. envoy

Richard Holbrooke] in Prishtina (on Oct. 10) was seen with dread here, because the problem of Kosova is not in Kosova, but in Belgrade! The possibility of averting (NATO) military intervention against Serb targets should not be sought in the Kosovar politics, but rather in Belgrade. . . .” Mr. Malokou concludes stressing his hope that Western diplomats have been convinced by the talks in Prishtina that “Kosova is asking loudly for and looking forward to NATO’s intervention.”

The following is from a commentary by editor Veton Surroi on the text of the Holbrooke-Milosevic deal published on Oct. 14 in the Kosova daily Koha Ditore:

. . . The deployment of 2,000 OSCE “verifiers” to Kosova and allowing NATO observer flights, is in substance a concession Milosevic would have made, even without enormous pressure from NATO. What is referred to as the “verification mission,” is in fact the broadening of the present diplomatic observer mission. Instead of a dozen observers, this mission now numbers 2,000.

Following observation flights above Kosova is no different either: information on police/military movements was anyway taken from the air, through satellite images. Now, with NATO air patrols, this information will be furthermore reliable and accessible — and that’s it.

“Verifiers” and air patrols do not create a safe environment for Albanian refugees either, nor for the potential ones: Kosova, through these two concessions, remains a Serb regime concentration camp observed by foreigners, from air and land. [These documents] leave Kosova . . . with a level of self-governance below what it enjoyed up to 1989; and without the right to self-determination, in the aftermath of a three-year period. . . .

If the greatest military force in the history of mankind was to be employed in order to “squeeze” such concessions from Milosevic, then the message sent out to mini-dictators around the globe is, that you can get away with the crimes you have committed. . . . There is no approval from his [Milosevic’s] side to cooperate with The Hague Tribunal [on war crimes], there is no approval from his side that security in Kosova should be installed by peace-keeping forces and not by his war-raging forces; there is no approval from his side that the basis for future negotiations should be those rights divested by Belgrade in 1989. . . . All of these are lacking because Milosevic is today *treated as a peace-building partner and not the one accountable for destruction*. Furthermore, he is treated as a partner who comes out of this crisis even stronger: Not only can he say that he has baffled NATO pressure, but has used the opportunity to purge freedom of speech in his country. . . .

Why does this happen, ask foreign journalists inside and outside of Kosova? This is an old question, asked too often in this decade throughout the devastating wars of the former Yugoslavia. But, it is older than this. It originates more than 50 years ago and it was addressed to Mr. Chamberlain, carrying a letter in his hand, upon his return from Munich, believing, it said, that there would be no war.

Sharon appointment in Israel makes death of Oslo Accords official

by Joseph Brewda

With his Oct. 9 announcement that he has named Israel's top war-monger, Gen. Ariel Sharon, as Foreign Minister, Prime Minister Benjamin Netanyahu has made official his intent to dump even the pretense of seeking peace, and to push a new Mideast war crisis over the coming months.

Sharon played the main role with Netanyahu in inciting the 1995 murder of the Israeli architect of the 1993 Oslo Accords, Prime Minister Yitzhak Rabin, in order to prevent their implementation. Sharon was also the acknowledged architect of Netanyahu's election in 1996, in a campaign against the accords and against Mideast peace. Once in office, Netanyahu established a new super-ministry specifically for Sharon, the Ministry of Infrastructure, which Sharon has used to fund private Jewish settler armies on the West Bank—the same settlers who had provided the patsy hit-man to murder Rabin.

But with Netanyahu's appointment of Sharon as Foreign Minister, Sharon has now emerged as the regime's top foreign policy spokesman, and its primary negotiator with the Clinton administration. Netanyahu has also made clear that his stonewalling tactics will be supplemented by even more aggressive provocations against the Palestinians, designed to spill over into war. Such a war, or even armed clashes with Palestinians, would constitute the death of Oslo—which has been Sharon's and Netanyahu's commitment since the accord was signed.

The danger that Israel may soon go to war has nothing to do with the Mideast per se, but reflects British policy to use a Mideast crisis to overwhelm the powers of the U.S. Presidency, to forestall the emergence of a New Bretton Woods system in the midst of the global financial crisis. It is no coincidence that Sharon was named to the post within a couple of hours of the U.S. Congress voting to impanel a full impeachment investigation of Clinton.

Sharon lost no time in making clear that the Israeli government will stiffen its confrontational stance with the embattled Clinton administration. In his first statement as Foreign Minister to the Israeli press on Oct. 9, Sharon announced his continuing opposition to even an outrageously inadequate 13% Israeli withdrawal from the West Bank that Netanyahu reportedly agreed to at a New York summit with Palestinian Authority Chairman Yasser Arafat and U.S. Secretary of State Madeleine Albright, at the end of September. He also said that he intends to see to it that Arafat, whom he terms a "mur-

derer," honors "his commitments to the Oslo Accords in full." For Sharon, and Netanyahu, this means compliance with vague and impossible demands that can never be fulfilled; for example, that Arafat "stop Palestinian terrorism."

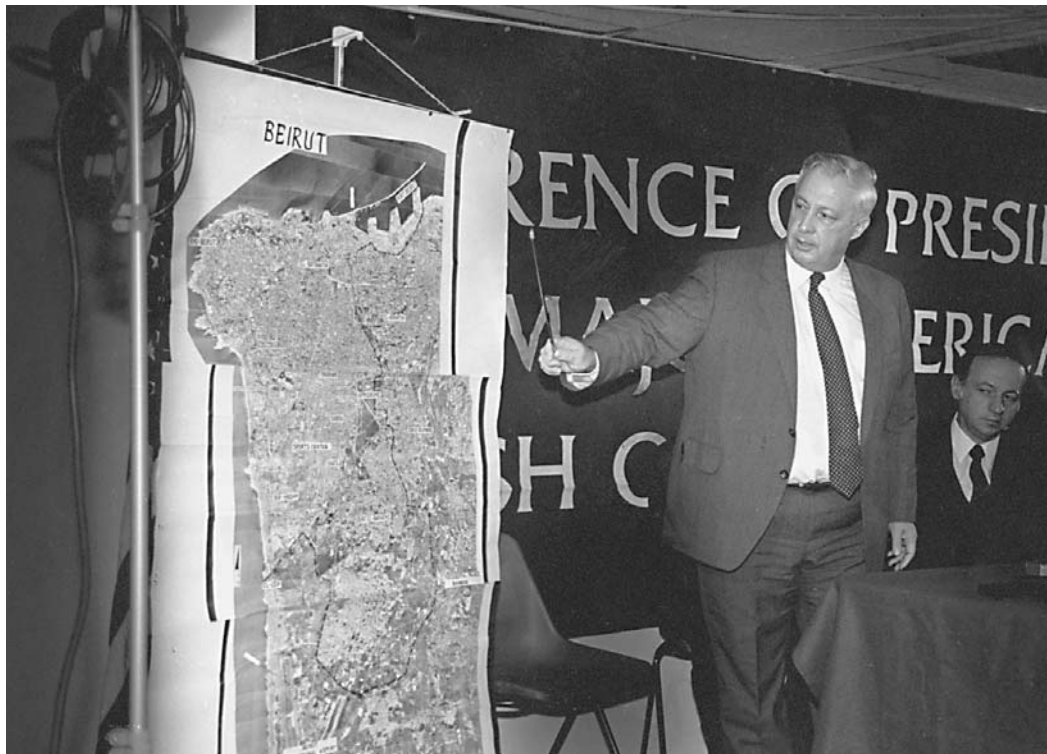
Like clockwork, a Palestinian undergoing psychiatric care stabbed an Israeli soldier to death on Oct. 9, just hours after Sharon's appointment, providing the needed pretext. On Oct. 13, a blustering Netanyahu announced that there was "no chance" of his signing an interim deal with Arafat authorizing the 13% withdrawal, since the murder showed that the Palestinian Authority is not fighting terrorism.

That Sharon's appointment means a collapse of even a public Israeli commitment to the Oslo Accords, was immediately clear to the Palestinians and sane Israelis. Speaking of the appointment that day, Palestinian negotiator Saeb Erekat said, "Netanyahu is telling the world he is cancelling the final-status stage [of the accords], and that he chose the way of no peace and of bloodshed." Similarly, a commentary in the Israeli daily *Ha'aretz* emphasized, "Everyone who remembers the horror of Lebanon, everyone who remembers Sharon as the living barrier to the peace process and as a proponent of Jordan rather than the West Bank as the Palestinian homeland, everyone who witnessed his raptures over West Bank settlements, will find the appointment difficult to digest."

Here, we focus on two aspects of Sharon's not-so-glorious career, which show why his appointment means the Netanyahu regime is committed to a showdown with the Palestinians. First, his personal commitment from the 1967 war through his appointment as Defense Minister in 1982, to consolidate an Israeli policy to make the newly occupied West Bank and Gaza Strip "Arab free." Sharon oversaw the creation of a settlers movement during those years. He also served as the front-man for U.S. and British interests that were buying up that land for the same purpose. Second, is the role Sharon played in mobilizing the settlers movement against the 1993 Oslo Accords, in preparation for Rabin's murder in 1995, to prevent the threat of Mideast peace from ever breaking out.

Ensuring Jewish 'Lebensraum'

Ever since Israel seized East Jerusalem, the West Bank, and the Gaza Strip in the 1967 Arab-Israeli war, Gen. Ariel Sharon has been the main public advocate of expelling some



Gen. Ariel Sharon, then Defense Minister of Israel, briefs the press in New York in 1982 on Israel's invasion of Lebanon. With his recent appointment as Foreign Minister, this butcher has emerged as Israel's top foreign policy spokesman.

1.6 million Palestinians from these lands into Jordan and Egypt—to make them Arab-free. The techniques favored from the beginning were Israeli state terrorism, government land annexations, private Israeli land purchases, and the settlement of the new lands by Jewish militias (the “settlers movement”) intent on expelling the Muslims on religious grounds.

While this policy was sold as the fulfillment of the old Zionist dream, its real purpose, as steered from London, was to ensure that Israel's seizure of the territories could not easily be reversed, thus fostering continuing conflict and wars in the region for decades to come. Sharon made his political career implementing this policy.

Immediately following the 1967 war, Sharon, then a general in the Israel Defense Force (IDF), was the first to deploy armed Jewish civilians into the West Bank on the pretext of creating a “defense perimeter.” By this means, he laid the basis for what became the settlers movement.

In 1972, Sharon and his sidekicks Yehezkel Sahar, the former Police Minister, and Gen. Rehavam Zeevi, today the leader of the Netanyahu ruling coalition's Moledet party, successfully lobbied the Israeli government to partially lift a ban on the purchase of West Bank land by Israelis.

In 1973, Sharon left the military and entered politics, to organize on behalf of this expansionist policy. He was convinced to do so by his longtime patron, Meshulam Riklis, then the U.S.-based owner of Rapid American Corp. Riklis was a front-man for Burton Joseph, a Minneapolis grain merchant

and vice-chairman of the Anti-Defamation League of B'nai B'rith (ADL), and Kenneth Bialkin, a top Wall Street lawyer and ADL national chairman.

In December 1973, Sharon was elected to the Knesset (Parliament), through the aid and funding of such patrons.

After Menachem Begin's Likud bloc came into power in 1977, the policy of “Judaizing” the Occupied Territories dramatically accelerated. Prime Minister Begin's appointment of Sharon as Minister of Agriculture in September 1977 was crucial, because the ministry oversaw aid to all agricultural settlements, including those of the settlers movement on the West Bank.

Expanding these settlements was Sharon's main concern: At the end of his first month in office, he publicly declared that he had already begun authorizing new settlements on the West Bank. As of 1976, there were only 3,000 Jews in the West Bank (outside of East Jerusalem), despite Sharon's earlier efforts before he entered government. During his tenure as Agriculture Minister (1977-81), these settlements grew rapidly. By 1981, some 25,000 Jews had settled there under Ministry of Agriculture patronage. By 1986, more than 60,000 had settled there; today, including East Jerusalem, there are more than 150,000.

Most of the new settlers were members of lunatic cults which proliferated following the 1967 war. These included the Gush Emunim and the U.S.-formed Jewish Defense League/Kach Party of Rabbi Meir Kahane, both committed to driving out the Arabs from the territories, and the Ateret

Cohanim, which was committed to destroying the Al Aqsa mosque in Jerusalem, to rebuild Solomon's Temple in its place. From their inception, these sects were funded by Sharon and Netanyahu's U.S. backers, such as Irving Moskowitz (who later bankrolled Netanyahu's 1996 election), and were managed by Sharon's allies within Israeli intelligence. For example, Ateret Cohanim was run by Sharon's allies within Shin Bet.

During this same period, Sharon's longtime aide, Rafi Eytan, was made Prime Minister Begin's "Adviser on the Warfare against Terror." From that post, Eytan oversaw terrorist operations against Palestinians, in part through arming, training, and funding the settlers movement.

In 1979, the Israeli high court made a major contribution to their efforts, ruling that individual Israelis could buy West Bank land without needing special exemptions. It was only a small matter for Sharon's backers in New York and the City of London to find Israeli front-men for their speculation. As a result, New York and London were given the ability to drastically alter the demography of the territories, independently of what any Israeli government might decide to do.

In 1980, Sharon launched an international propaganda campaign, and toured the United States and Europe, to promote such private land purchases.

In 1981, the Israeli high court also ruled that the Israeli government could declare vacant or uncultivated acreage in the territories state property. Within four years, half of the West Bank and Gaza had been seized.

The Harlech and Kissinger land grab

In 1982, Sharon was named Defense Minister, setting the stage for making a killing in the real estate market—by killing Arabs. To that end, Lord Harlech (David Ormsby-Gore), one of Britain's top Israeli handlers, and former U.S. Secretary of State Henry Kissinger, put together an international consortium in 1982 to buy up the West Bank. Their motive was not merely money, however; it was also geopolitical.

According to Harlech's plan, Jewish and Arab proxies would be used to purchase large blocs of real estate on behalf of the group. Vast numbers of Soviet Jews, which the group was already planning to ship off to Israel, were projected to settle there. The Arabs living there were to be stampeded across the Jordan River into Jordan, in what was known in Zionist lingo as the "Transfer." The demography of the territories was to have been permanently transformed.

Driving out the Palestinians, of course, required violence, and this is where Sharon came in. To pave the way for the transfer, Defense Minister Sharon held a number of meetings at his farm, attended by the Prime Minister's Adviser on the Warfare against Terror, Rafi Eytan; Gen. Rehavam Ze'evi, Eytan's predecessor in that post; and Sharon's money-bags, Meshulam Riklis.

In the aftermath of these meetings, Sharon's crazies stepped up their provocations, including a new round of beat-

ings, killings, and renewed attempted bombings of the Al Aqsa mosque. It was thought that desecrations of Muslim holy sites would rapidly create a spiraling pattern of violence, and give the Israeli Army the pretext to drive the Palestinian population of the West Bank into Jordan en masse.

Sharon's policy of using supposedly civilian "settlers" to butcher Arabs was nothing new. The policy goes back to at least 1953, when Gen. Moshe Dayan ordered the formation of a secret unit in the Israeli Army, "Unit 101," charged with covertly conducting massacres of Palestinians under Jewish civilian cover. Sharon was placed in command.

In October 1953, Sharon led a group into the West Bank, then part of Jordan, and killed 66 people in the village of Qibya. The massacre was supposedly in "reprisal" for the shooting of two Israeli Jews a few days before. UN military observers investigating the scene of the incident two hours later, described it this way: "Bullet-ridden bodies near doorways and multiple bullet hits on the doors of the demolished homes indicated that the inhabitants had been forced to remain inside until their homes were blown up over them."

Other raids soon followed. In February 1955, the unit killed 22 Egyptian soldiers in the Gaza Strip, and in August, it killed another 39 civilians there, in the village of Khan Yunis. In October 1956, two months before the Anglo-French-Israeli invasion of Egypt, Sharon's group murdered 83 civilians in the Jordanian West Bank town of Qalqilya.

Sharon's unit was later incorporated into the IDF paratroop corps, after a decade of massacres, all of which, as in his subsequent massacres up to this day, were attributed to Jewish civilians acting on their own.

Mobilizing against Oslo

Sharon's foreign-sponsored policy of building the settlers movement to ensure that the Occupied Territories would forever remain part of "Greater Israel," had its critics. Throughout the 1980s, some Labor Party officials, most notably former Prime Minister Shimon Peres, put forward an alternative Israeli strategy based on Mideast peace. In their view, giving up the Occupied Territories was a small price to pay for such peace, especially as it would also pave the way for the economic development of the entire region.

The failure of the Israeli military to put down the Intifada, the Palestinian resistance movement to Israeli rule which began in 1987, also eventually won over former Israeli Prime Minister Yitzhak Rabin to this perspective. Rabin, who was the founder of the Israeli military, had come to realize that military means per se could not be a guarantor of Israel's existence.

For Rabin, this also meant giving up the Occupied Territories, disbanding Sharon's Jewish settlements, and acknowledging the creation of a Palestinian state. In 1992, the Labor Party returned to power with Rabin as Prime Minister and Peres as Foreign Minister, with this policy as the government's top commitment. The Oslo peace accords between

Israel and the Palestine Liberation Organization of August 1993 were the result.

For their part, the British, and their co-thinkers in the United States, considered the accords a *casus belli*, because they threatened to bring peace to the region, thus ending their geopolitical games. Consequently, they went into a full mobilization against them. One feature of their mobilization was to unleash Sharon's crazies to block the accords through bloodbaths and murder, including that of Prime Minister Rabin.

The first reaction to the accords by Sharon and Netanyahu's Likud bloc in Israel was low-key. The party as a whole was waiting for orders from abroad, and these were not long in coming. In early September, Likud bloc chairman Benjamin Netanyahu publicly charged Foreign Minister Peres with high treason. On Sept. 9, Peres rejoined that Netanyahu was acting on behalf of U.S. financiers.

Kissinger was the first prominent non-Israeli to denounce the accords, telling CBS News on Sept. 11 that they were unworkable, and chided Arabs and Israelis alike for being "euphoric." Two weeks later, Kissinger addressed the London office of the ADL, the Institute for Jewish Affairs, and predicted that an Islamic fundamentalist takeover of Jordan would prevent the accords' implementation.

Then, on Oct. 11, some 800 people attended the first international conference opposed to the accords, organized in suburban Washington by Sharon's longtime cronies Bertram and Herbert Zweibon. Back in 1968, the Zweibons, and Brooklyn ADL head Bernard Deutsch, founded Rabbi Meir Kahane's Jewish Defense League (JDL), the group that was to play an important role in preparing the climate for Rabin's murder.

On Oct. 16, Sharon picked up on the theme, and began publicly calling for settlers to resist the Israeli government.

Then, on Nov. 14, Sharon began a lengthy tour of the United States to mobilize against the accords, the first Israeli politician to do so. In his keynote speech to a New York conference called against the accords, he raved that "the only barrier we have right now to a Palestinian state is the settlers. It is the 150,000 settlers that Rabin said he cannot defend who are really defending Jerusalem." Sharon was accompanied on his tour by Yechial Leiter, a leader of the JDL and of the settlers movement.

Preparing Rabin's assassination

One of the main reasons for his U.S. trip, Sharon told his U.S. audiences, was to raise funds for the JDL cult settlement of Kiryat Arba, just outside of Hebron, the major Palestinian West Bank city. Sharon said that the settlement was necessary to protect Jewish holy sites in that city, in particular the Cave of the Patriarchs, revered by, and prayed at, by Jews and Muslims alike. He said it was on the front lines.

Sharon's campaign bore fruit. On Feb. 25, 1994, four months later, Benjamin (alias Baruch) Goldstein, a JDL official originally from Brooklyn, entered the mosque at the Cave

of the Patriarchs during the Islamic holy month of Ramadan, and killed 50 worshippers. Goldstein had been manager of Rabbi Kahane's campaign for the Knesset, and was a prominent Kiryat Arba settlement official. The massacre, which was believed to have been aided by Sharon's collaborators within the Israeli Army, created the first Israeli-Palestinian crisis following the signing of the Oslo Accords.

Prime Minister Rabin moved harshly against the attempted destabilization. He denounced Goldstein and his cronies as an "errant weed" that "grew in a swamp whose murderous sources are found here, and across the sea." The Israeli government declared the JDL, and related settler sects, illegal.

But despite this ban, the sects continued to mobilize against the accords, often outrageously claiming that it was they who represented Judaism.

In the last week of March 1994, some 200 rabbis, led by Sharon's longtime crony, former Chief Rabbi Avraham Schapira, gathered in Kiryat Arba to issue a religious ruling to soldiers to disobey any military orders to dismantle the settlements. On March 31, Sharon and former Israeli Prime Minister Yitzhak Shamir, another Sharon patron, organized a 10,000-person rally of the JDL and other sects, calling for soldiers to revolt. "If a commander orders a soldier to kill his mother, does he have to follow such an order?" Shamir raved. "Evacuating Jews from their homeland is like killing their parents."

Speaking from the same podium, Sharon declared that "today the Israeli government sold Hebron to the foreigners." While Sharon and Shamir ranted, the crowd chanted "Goldstein" and "Kahane." Kiryat Arba's JDL Mayor Zvi Katzover threatened, "We will resist in all possible ways the evacuation of settlements in Hebron." A JDL associate added, "Like a doctor who tries to cure the ills of a patients, Dr. Goldstein tried to cure the ills of his country."

In response to these developments, Rabin said on Israeli State radio: "It is inconceivable that we will turn the State of Israel into a banana republic." Sharon was slated to be the banana republic's petty potentate.

While Sharon, Shamir, and the rabbis were calling for rebellion, ADL National Chairman Abraham Foxman, a longtime Sharon crony, was attempting to rally American Jewry against Yitzhak Rabin's government, and against the Clinton administration for supporting the peace plan. In a statement to the *Jerusalem Post* on April 2, Foxman complained that Rabin was "seeking to restrain American Jewish opposition" to Clinton over his support of the Oslo Accords, and was thereby "undermining organized Jewry's clout."

A climate of hate

Over the coming months, a climate of unbridled hate against Rabin was building throughout Israel, at rallies organized by Likud bloc chairman Netanyahu and Sharon, which typically featured signboards depicting Rabin in Nazi uniform.

Speaking of these rallies in an NBC interview on Nov. 7,

1995, days after Rabin's murder, Rabin's widow, Leah Rabin, said: "There was a climate that allowed this to happen, a climate of enormous violence, talking violence, picketing violently. Every Friday afternoon here in our street there were the same people coming and saying, 'Murderer, traitor, traitor, murderer.' And the last Friday, I came home at 3:00, left my car, and there they were. They had big yelling and big shouting, and then they said, 'Wait. In another year, in another year we will kill you both on the Kings of Israel Square' — that is where the [peace] rally took place [where Rabin was assassinated that day], because they knew about the rally that was going to be."

In October 1995, immediately prior to his assassination, and in the midst of this climate of hate, Rabin made his last visit to the United States, where he again came into sharp conflict with the ADL, and other Sharon patrons. "Late last month, Israeli Prime Minister Yitzhak Rabin lashed out at American Jews who lobby in Washington against the Israeli government's negotiating policy toward the Palestinians," the Oct. 12, 1995 issue of the *Washington Jewish Week* reported. "Rabin told members of Jewish organizations that American Jewish groups should not lobby against the peace process in Congress."

On Nov. 4, 1995, Rabin was shot dead by Yigal Amir, a member of Eyal, one of Sharon's settlers movements, who had frequently participated in Netanyahu's rallies against Rabin, and who lived in the Sharon terrorist sect headquarters of Kiryat Arba.

Interview: Viveca Hazboun

'We are greater than the pain'

Dr. Hazboun is director of the Guidance and Training Center for the Child and Family in Bethlehem. A distinguished psychiatrist, author, and lecturer, Dr. Hazboun, currently the only female child psychiatrist in Palestine, has worked diligently to bring clinical services to the Palestinian population in Jerusalem and the West Bank. She was interviewed while in Los Angeles in August by David Kilber.

EIR: Tell us about your work, your clinic in Jerusalem, and a little bit about your background and training.

Hazboun: I'm a Palestinian refugee and an American citizen. I went back to Lebanon and the Middle East in 1985. I've been living there for the last 14 years and have applied for a

request for residency, and still have not received it 14 years later. I studied medicine at the USC [University of Southern California] School of Medicine, and did my training at County Hospital in Los Angeles. I did a year of intern medicine at Huntington Memorial Hospital. I have my boards in adult and child psychiatry. I'm a mother of three children. I live in the Old City of Jerusalem and work in Bethlehem.

I was working as a mental health supervisor with the UN Refugees and Work Agency, and was going through 35 refugee camps during the month. There was no chance to do the follow-up work, or do the necessary work with the kids I was treating, so we started this project, and have been running this center for guidance and training in Bethlehem.

We have different aspects to our center. We have a lot of clinical services, and then we do research on mental health issues in Palestine. We also do training in mental health — which we're very proud of — graduating 110 mental health workers over Palestine and the West Bank area who do counseling, and so forth, and then we have a special educational program, which has been able to help about 800 kids back into the mainstream of the school system.

I am the director there, and the only child psychiatrist at the center. I'm the only female child psychiatrist in Palestine. That opens up the doors for a lot of women who would otherwise not see a psychiatrist. My dream and hope is to be able to extend this into a residential facility for children, and possibly an educational facility for children. We don't have one in Palestine, and, for a lot of the kids who need to be hospitalized, we have to either consider an Israeli hospital, which doesn't go well with the families, most of the time, or they sometimes go to Lebanon or Jordan to be hospitalized, which is economically unfeasible. The economic situation in Palestine is totally nonviable.

EIR: People see a lot of coverage of the Middle East, but don't often have a chance to see what is happening to the Palestinian people. Could you fill that picture in for us?

Hazboun: I'd like to start by saying that the Palestinian family has been the pillar of strength of the Palestinian people, and, although this has been a strong institution, even this has deteriorated, which is really a danger signal. Over the past 50 years, I think the strength of the family has kept the Palestinian people going with a high educational level, despite the social and economic disaster we have had to live through. The Palestinians have the highest educational level of all the Arab countries.

With the Intifada, a lot of the kids dropped out of school to participate in the war of stones. They gave up their childhood for political aspirations, and often were maimed by it, physically and psychologically, and were not able to get back into the school system, or were not even able to tolerate being a child at home. So, these heroes of the Intifada are now the dropouts of the school system. This is why our

center was very interested in attending the needs of these children, to try to mainstream them back into the school system, so they don't lose the chance to participate in the building of the Palestinian nation and people. This is a big loss we've had to deal with.

When you get a nation with up to 45% (in a random sample) of the population suffering from depression and post-traumatic stress disorder, or developmental delay, or 33% of IV heroin addiction, then you're talking about serious problems.

I did a separate study of drug addicts. It was a small sample study of one section of the Old City of Jerusalem. The 25 families interviewed reported 33% IV heroin use by members of the family.

When I was working in the refugee camps, of the 35 camps I visited, there were a lot of drug addicts who I treated, who reported that before the Intifada, they would be smoking marijuana or hashish, but with the Intifada, these things disappeared and suddenly IV heroin was very available. I saw a lot of heroin addicts. . . . I'm not a politician, but this tactic is not something new: to subdue the political aspirations of a people when they are numbed out with drugs.

EIR: What year was that?

Hazboun: This is 1989, '91, '93. 1991 was the peak of the Intifada, when I was hearing this in the refugee camps.

EIR: You mentioned the breakdown of the family.

Hazboun: Before, if we made one call, someone would come to pick up a preemie [premature infant], or injured child being released from the hospital. Now we make 10 or 15 calls, and no one answers. People are so overwhelmed that the extended family is just not available. The immediate family is either tragically martyred or in jail, or something like this, and we're at a loss where to place these children. We don't have the institutions to deal with it.

EIR: There is very high unemployment.

Hazboun: That goes without saying. It's incredible. And, if there is employment, I know workers who go to work for a whole day for 20 shekels, which is less than \$10, from 7 a.m. to 10 p.m. So, even when people are employed, it's incredible. I don't know how people survive!

EIR: What do you see happening to the children as a result of all of this? People forget that many of the refugees in the camps in Lebanon, Jordan, the West Bank, and elsewhere have been there for generations, in poverty and almost concentration camp-type conditions. What effect does this have on the children?

Hazboun: Some people come through it, but most of the time when people are stressed, they do break down. They do things that are destructive. There's a study of abused children,

who themselves become abusive parents. This is one explanation I have for what's happening in Palestine, as far as—how could the Jews of Europe, who were so persecuted, do the same thing to the Palestinians? I just hope it doesn't continue to repeat itself, that these Palestinian children don't grow up to do the same. I'm a psychiatrist and a psychoanalyst, and I cannot deny that the aggressive instinct exists in all of us, Palestinians and Israelis, and I think we've done our share of aggression; but when will we intervene in the cycle of violence? Two wrongs don't make a right, and never made a right. But when people become mentally ill, the violence really becomes uncontrollable. I don't think we are super-human beings. We're human, too. How much longer can people contain this kind of pain? People were very optimistic with Oslo [the 1993 peace accords], and it really raised a lot of hope, and now you can see the depression of people showing up at the clinics.

EIR: You're starting to see more hopelessness?

Hazboun: There was a lot of hope built up, a cure of our depression, and now another relapse. There is no meaningful planning. I read about the Oasis Plan [proposed by Lyndon LaRouche], and I think, "Oh, it would be nice, let's get started! What's stopping us?"

EIR: Please describe the refugee camps. I don't think most people have any idea what the conditions are.

Hazboun: In 1984, when I was living in Los Angeles and was on the staff of the USC School of Medicine, I went to the Middle East and visited two refugee camps, and, although they looked very poor and neglected, I got some drawings from the kids at the schools, and I said, "This is not so bad!" But in 1989 to 1991, it became very different. In 1984, kids would draw an olive orchard, or a wedding, or people playing in the fields. In 1991, I gathered 150 drawings by children, and there was not one that had the color spectrum. It was black, white, and red; it was barbed wire, tanks, guns, blood, jails, soldiers, machine guns. It's incredible. Three different refugee camps, and not one drawing with a green or blue.

EIR: How much of the population is still in refugee camps?

Hazboun: In Gaza, there are still about 450,000 still living in refugee camps; in the West Bank, there are as many. During the Intifada, the refugee camps were surrounded by barbed wire. Most of that has been pulled down now, but when you walk through the camps, you can still smell the sewage. It's not hygienic. . . .

Although we feel we are neighbors and cousins of the Israelis—and I think they suffer also, I don't want to deny that—the heavier weight of pain and suffering and tragedy is on the Palestinian children.

EIR: In 1975, Lyndon LaRouche, after a trip to the Middle

East, proposed what he called the Oasis Plan, that the necessary foundation for peace would have to be real economic development of the region. This involved especially major infrastructure—transportation and water systems, energy production, and so on. There were discussions with certain people in Israel who were interested in the idea, as were people in the Palestine Liberation Organization. When the Oslo agreement came out, LaRouche's reaction was to embrace the peace process, but to warn that unless real changes, real economic development took place, bettering the conditions of the Palestinian people, the peace process would be very fragile and would collapse. There has been no economic development. What money has come in has been for maintaining some services.

Hazboun: That's accurate.

EIR: So, you have growing despair, especially since the assassination of Prime Minister Yitzhak Rabin. What do you think of this idea of the Oasis Plan?

Hazboun: When Oslo came about, one of my children asked, "Why should we settle for Jericho and Gaza when all of Palestine is ours?" I said, "I think we're going to have to look for a peaceful solution." I convinced them that we are pursuing a peace of principles.

As a child, I used to think I would never see the Palestinian flag as a free flag, or it would never be a country again. I'm so glad I can see it, and I don't have to wait for my grandchildren to see it. So, at least this is happening, but it doesn't mean that this is leading to a viable solution, just to see a Palestinian flag that is free.

I think, that unless we do something about the economic situation for the people to survive—life is very expensive, and income is impossibly low. Unless this is solved, I think we will have some kind of explosion. I cannot foresee that not happening. I see that in a lot of people who come to the clinic. . . . I agree that something, economically, providing some decent existence for these human beings, would be an important aspect of the possibility of continued co-existence, and the political solutions will hopefully follow.

EIR: You've been speaking to a number of groups here in Los Angeles. What is the message you have been trying to convey?

Hazboun: I quoted an Israeli psychologist who had been a councillor to Rabin and [former Prime Minister Shimon] Peres throughout Oslo. He had said, "We celebrated the creation of the state of Israel, but the UN declaration at that time was for the creation of the state of Israel and the state of Palestine, and everyone seems to forget about the second part of that sentence." My message is that we do exist and although our pain is big, we are willing to contain the pain to find, and work for, a workable solution. . . . We have to work with the hope that human beings are greater than pain, and greater than loss and despair. As long as we are creative, we can find solutions.

Unity conference challenges silence on Rwanda

by Linda de Hoyos

Over Sept. 19-20, leaders of five organizations of opponents to the regime of the Rwandan Patriotic Front in Rwanda came together to form the Union of Rwandan Democratic Forces (URDF), with a program for restoring democracy in Rwanda and ending the reign of slaughter within the country, a reign which has been largely hidden under a shroud of silence in the international press. The aim of the URDF, among others, is to break that silence and bring the force of the international community to bear to restore peace to Rwanda, and contiguously, the Great Lakes region.

The groups represented included the Resistance Forces for Democracy of Faustin Twagiramungu; the Group for Initiative in Dialogue of former ministers; the Rally for the Return of Refugees and Democracy in Rwanda, a democratic group; the Rwandan National Liberation Movement of Rwandan exiles in Sweden; and the Rwandan National Union, a monarchist group.

The effort to forge unity among the different organizations and political orientations which all oppose the regime in Kigali had been the primary mission of former Rwandan Interior Minister Seth Sendashonga, before he was assassinated in Nairobi, Kenya, in June of this year. Sendashonga, along with Faustin Twagiramungu, the president of the newly formed URDF, had been part of the Rwandan Patriotic Front (RPF) regime when it came to power in July 1994, but left the government in early 1995, charging that dictator Paul Kagame et al. were carrying out mass murder against the Hutu population.

Despite the assassination of Sendashonga, the unity conference did take place.

It is understood by those attending that pressure must be brought to bear on the international community to remove its total support for the regime in Kigali. The RPF government rests on not only a small minority of Tutsis in the country, less than 15% of the population, but documented reports now show that even within that minority, power is not shared equally, but resides within a small clique centered in Gahini in Kibungo Prefecture. Aside from the strength of its military, politically and financially, the only way in which the Kigali regime remains in power is by the consensus of support it receives from London, Washington, Paris, and Brussels.

One way in which that support is manifested is by the opprobrium that any Rwandan political leader who is not

a member of the Rwandan Patriotic Front, is *ipso facto* a “genocidalist,” that is, a conspirator and/or perpetrator of the mass killing that took place in spring-summer 1994 in the aftermath of the murder of President Juvenal Habyarimana. It is also assumed in the international media, that only Tutsis were murdered in that bloodletting, an assessment which multiple sources, both Rwandan and Western, indicate is not true. Yet, the United States, for instance, refuses to grant visas to many former Rwandan leaders, with the broad assertion that anyone in the Habyarimana regime is suspect, and therefore likely guilty.

“The very fact that these people [at the Brussels unity conference] could sit down together at the same table shows that there are no criminals among them,” said one knowledgeable source in the United States. “Because by their presence they give legitimacy to the other.”

As the URDF declaration notes (see *Documentation*), “all signatory organizations reaffirm their condemnation of the genocide committed under the former regime in 1994,” however, unlike the international community, they also “condemn crimes committed under the RPF regime.” This includes the mass murder, now confirmed by the United Nations investigation, against Rwandan Hutu refugees during the 1996-97 Zaire war, and slaughter inside Rwanda since 1994, which first came to light with the murder of 8,000 men, women, and children at the Kibeho camp in southwestern Rwanda in April 1995.

War within Rwanda

Since May 1997, war has been raging inside Rwanda. Although the reason stated by Rwandan Defense Minister Paul Kagame for the Rwandan invasion of Zaire in 1996 was to dismantle the refugee camps of Rwandan Hutus inside Zaire, disperse the Hutu Interhamwe militias, and to secure Rwanda’s western border, the strategy did not succeed. Instead, by September 1997, following the mass repatriation of Rwandan Hutu survivors of the war, the fighting only moved inside the Rwandan borders. In the northern districts of the country, where Hutus are the vast majority of residents, the Tutsi military of Kagame’s Rwandan Patriotic Front launched a merciless war on civilians and suspected militiamen alike. But, this campaign did not have the intended effect. As one Rwandan opponent of Kagame commented, “The Hutus realize that they are slated for death, and they say to themselves, since that is the case, then I would rather die fighting.”

This fighting has so far only taken the form of resistance to the Kagame regime, but has been intense enough that Kagame, along with forces deployed by his mentor, Ugandan dictator Yoweri Museveni, has declared again that Rwanda is entering the Democratic Republic of Congo (formerly Zaire), in order to secure its borders against the activities of Congo-harbored insurgents.

In January 1998, the Rwandan military cordoned off the provinces of Ruhengeri, Gisenye, Kibuye, and parts of Gitarama, and Kagame personally went to Ruhengeri to deliver a

threat to the population that it either cease aiding the “infiltrators,” or it would be starved out. “The first consequence [of support],” Kagame said, “is the lack of subsistence for life. You will have nothing to eat.”

Human rights organizations tend to substantiate claims from the Rwandan opposition that accounts of the murder of Rwandan civilians by the Hutu rebels, as reported by the Rwandan news agency, are in fact, reports of murders carried out by Kagame’s troops.

Typical is the Amnesty International report, “Rwanda: Ending the Silence,” issued by Amnesty International on Sept. 25, 1997: During May 9-11, 1997, the Rwandan Patriotic Army killed 1,430 civilians in Ruhengeri, and another 423 in Nyamutera commune. On May 23, another 170 were killed in Ruhengeri. “From mid-May to mid-June 1997, hundreds of killings were reported from Cyabingo, Ruhengeri. More than 300 people are believed to have been killed by RPA soldiers. On June 6, 1997, in Muramba sector, more than 115 people were reportedly killed by unidentified assailants. A week later, on June 13, fifteen children under the age of 15 were reportedly shot dead and others burned alive by RPA soldiers. Scores of unarmed civilians have been killed in churches.”

The Amnesty report continued to detail massacre after massacre, not just limited to the northwest, of civilians in Rwanda by Kagame’s army.

In addition, there are the targetted murders of individuals, and usually their families, suspected of killings during the spring-summer 1994, or suspected of political support for Hutu insurgency.

Despite the silence in the press, there is no reason to think that such killing has stopped, as reports come through every day from the Kigali radio news of tens of people being killed by “Hutu rebels” or the “Interhamwe.” But an inchoate war against the RPF is a losing battle without a political strategy and leadership.

There is little, if any, communication between the resistance forces on the ground in Rwanda and the political exiles in Europe. The URDF intends to pressure the Western powers involved in the region—the United States, Britain, France, and Belgium—to sponsor a roundtable conference of political forces in Rwanda, which would include the Rwandan Patriotic Front, to forge a power-sharing agreement that would end the slaughter within the country. The Arusha accords, which were hammered out between the Habyarimana government, the RPF, and various democratic parties in Rwanda in 1993-94, still stand, said one URDF organizer. By this agreement, a government of national unity was forged, and the military officer corps was divided 40-60 between the RPF and the Habyarimana government, respectively. “We are seeking a power-sharing arrangement,” said this organizer, “but unless the international community comes behind that idea, we know that Kagame will never agree to it.”

It is understood by many opponents of the RPF that the reason the Arusha accords were cast aside, with the April 6,

1994 assassination of President Habyarimana and the subsequent blitzkrieg of the RPF to Kigali, is not for reasons of power inside Rwanda, but for the requirement by British Commonwealth and other interests, to use Rwanda as a springboard against Mobutu's Zaire. Now that war continues, in its second phase, with RPF troops openly deployed with Congolese "rebels" in eastern Congo and running a military occupation of the Kivu provinces of eastern Congo. Hence, the issue of "power-sharing" in Rwanda—the search for peace in Rwanda—is a direct challenge to Western policy toward all of the Great Lakes region. That is what the URDF has come together to do.

Documentation

Here is the Common Declaration of the Rwandan Democratic Opposition:

We, Rwandan democrats, assembled here in Brussels on the 19th and 20th September 1998, as representatives of the following political organizations:

- Resistance Forces for Democracy (RFD)
- Group for Initiative in Dialogue (GID)
- Rally for the Return of Refugees and Democracy in Rwanda (RDR)
- Rwanda National Liberation Movement (RNLM)
- Rwandan National Union (RNU);

Convinced that Rwandan monarchists, republicans, and other political tendencies must live together in peace, with respect for fundamental liberties of each citizen, and that, after a transitional period, Rwandans must sovereignly decide about the nature of a regime to be set up by means of a referendum;

Noting that all signatory organizations reaffirm their condemnation of the genocide committed under the former regime in 1994, as they condemn crimes committed under the Rwandan Patriotic Front (RPF) regime, and reiterate their disposition to contribute to the bringing to justice of all presumed genocidalists;

Taking note of the break-up of the social fabric that the Rwandan population faces, the total disintegration and the deepening gap between different ethnic components because of mutual exclusions, massacres of the civilian population, assassinations of democrats, war crimes, the genocide committed under the former government in 1994, and large-scale massacres perpetrated under the RPF government, particularly those of Rwandan refugees in former Zaire in 1996-97 that the United Nations Commission of Inquiry has already qualified to be acts of genocide and for which it has requested a thorough inquiry;

Considering that the responsibility of the RPF regime is heavily involved in this endless tragedy, in which its sole concern is to establish an absolute tyranny over the Rwandan

population and to extend it to the people of neighboring countries;

Considering that an army of terror, sham institutions, the choking of the democratic process, a summary and hasty justice, and a systematic looting of the country's meager resources are the attributes of the ruling powers in Kigali;

Conscious of the deep desire of Rwandan people to evolve a political system based on peace, unity, rule of law, justice, equality, and national reconciliation;

Committed to putting an end to the totalitarian power of the RPF government and to ease the pain of the Rwandan people;

We have decided and solemnly declared the setting up of a common platform for change in Rwanda, hereafter named: Union of Rwandan Democratic Forces.

The main objectives of the Union of Rwandan Democratic Forces reads as follows:

1. To mobilize the Rwandan people for national unity, reconciliation, and peace;
2. To put an effective end to ethnic, regional, and tribal discrimination, as well as to any other discriminatory policy;
3. To set up genuine democratic institutions suitable for all components of the Rwandan society, based on the rule of law, equality, public liberties, pluralism, separation of powers, and human rights;
4. To set up a fair and impartial justice;
5. To hunt for the truth about the Rwandan tragedy in order to help justice establish responsibility, and to punish the real criminals for the misfortunes which have plunged, and still plunge, the Rwandan people into mourning, irregardless of the author or the victim, but according to the actual nature of each crime;
6. To institute and guarantee security for people and their goods;
7. To fight against social injustice and to protect vulnerable groups, and, in particular, survivors of the genocide and massacres, repatriated people whose property has been squatted in, widows, orphans, and victims of sexual cruelties;
8. To protect basic economic and social rights;
9. To rebuild the national economy, to clean up public management, to banish corruption, embezzlement of public funds, money laundering, and other economic crimes;
10. To develop and diversify relations of solidarity, brotherhood, and reciprocity with other nations, and to work for peace and regional security.

The Union of Rwandan Democratic Forces is empowered to engage, in fields under its competence, member organizations, and to define appropriate strategies in order to reach its goals.

The Executive Committee of the Union of Rwandan Democratic Forces is the following: Faustin Twagiramungu, president; Claude Rukeba, first vice president; Charles Ndereyehe, second vice president; Emmanuel Ndagijimana, general secretary; Rwanda National Liberation Movement, deputy general secretary

Off in La-La Land

The federal coalition government shows all the signs of having a "kangaroo loose in the top paddock."

Judging by the government's lunatic pronouncements on the state of the Australian and world economy of late, the typically colorful Australian metaphor of a kangaroo hopping around in a field, to indicate mental imbalance, truly captures the state of mind of Prime Minister John Howard and his Liberal/National government. While virtually every other government in the world is making dire predictions on the state of the economy, the Australian government has adopted a firm "What, me worry?" attitude.

Take, for instance, Treasurer Peter Costello, the Mont Pelerin Society darling who is tipped to one day replace his mentor Howard as Prime Minister. Asked a couple of weeks ago if he thought the world were headed for a recession, Costello replied, "I don't think so. I don't think we're heading for any of the doomsday scenarios that anybody's been predicting." His Treasury Department officially predicts that growth in 1999 "will pick up and reach 3.5% per annum."

Prime Minister Howard has shown himself to be equally loony, repeatedly denouncing forecasts of a world recession as "ridiculous," to which he added, on Oct. 8, "The world is not lurching towards recession. The world still remains a very beckoning and very strong place economically in many respects." Howard perhaps hears the "beckoning" of the legendary Sirens of ancient Greece, whose sweet music lured ships to crash on the rocks.

Howard and his Deputy Prime Minister Tim Fischer have repeatedly claimed that Australia is a "safe har-

bor" from world turmoil, both because of their Mont Pelerin-dictated budget-slashing, "globalist" reforms, and also because, as Howard told the *Australian Financial Review* on May 15, "You really have to look at the Australian economy as being a discrete separate entity from the region." That is a wild statement from the leader of a developing sector-style raw materials exporter, 71% of whose trade is with depression-wracked Asia.

Given that the world economic outlook is so rosy, neither Howard, Fischer, nor Costello bothered to attend the IMF/World Bank annual meeting and the G-22 emergency meeting in Washington beginning Oct. 3. Instead, they sent a relatively junior Cabinet member, Rod Kemp, to cheerlead, as he did on Oct. 6, that parts of the world economy are still booming along, and that "the Australian economy continues to grow solidly, and represents another area of relative strength in the world economy."

Presumably, this "solid growth" in Australia includes the following: a true unemployment figure, according to the figures of the Australian Bureau of Statistics, of 19%, and an infrastructure collapse which makes the disease-ridden water in the country's largest city, Sydney, undrinkable; which recently shut down the entire natural gas supply of the state of Victoria for two weeks, with estimated losses of \$1 billion; and which has left the national rail grid almost beyond repair, according to a recent parliamentary investigation. In addition, a recent UN report found Australia to be one of the six poorest "developed sector" countries in the world, and that 1.7 million Aus-

tralian would die before age 60, due to poverty.

But it is when they are addressing their *bête noire*, American physical economist Lyndon H. LaRouche, that Australian government leaders come completely unhinged. Costello, for instance, startled a recent Liberal Party gathering by announcing, out of the blue, that "the economy is in good shape, despite what LaRouche says!" Another government MP, Kent Andrew, recently wrote to a constituent who is a LaRouche supporter, that "I do not accept as indicated in your letter, that it is now openly acknowledged by virtually all leading economic authorities that the global speculative bubble is about to 'burst.'" The government's Chief Whip, Neil Andrew, also recently wrote a letter to one of his constituents, after he had viewed the entire 90-minute "New Bretton Woods" March 18 speech by LaRouche, featuring LaRouche's solutions to the financial meltdown. Wrote Andrew: "After 15 years direct involvement in Australian economic policy, I cannot share Mr. LaRouche's pessimism. It would be a National disaster to return to a rigidly regulated economy with fixed exchange rates." Andrew further intoned, "It is not realistic to portray the world as an economically crueller or harsher place than it was. In percentage terms the number of human beings at starvation level continues to decline and trade reforms have meant that more and more have a chance to build up their economies. The rise of relative prosperity in Asia . . . illustrates this."

Indonesia's Finance Minister, for one, might be surprised to hear this; he told the G-22/IMF/World Bank meetings in early October, regarding the 100 million Indonesians who will sink below the poverty level this year, "We are dying."

International Intelligence

Euthanasia fanatic plans 'how to' suicide clinic

Australia's own "Dr. Death," Philip Nitschke, who killed three people under the Northern Territory's "Right to Die" legislation in 1996-97, has announced plans to open an advice clinic in a Melbourne suburb, to assist people who are seeking to end their lives. Although insisting that he will stay within the law banning euthanasia, Nitschke has further declared that he intends to use illegal drug dealers when he refers patients to sources for the suicide drugs. "I can direct them towards the fast-diminishing sources of the necessary drugs . . . illegal sources and black market sources," Nitschke boasted.

Nitschke moved to Melbourne, in Victoria state, in order to run in the recent Federal election against Liberal MP Kevin Andrew, who was responsible for the Federal reversal of N.T.'s "Right to Die Act." He is receiving support from Andrew's fellow Liberal, Victoria State Premier Jeff Kennett, a Mont Pelierin stooge and openly pro-euthanasia. Kennett announced that his government will not block Nitschke's plans to set up a clinic, shrugging off protests by claiming that "as long as it's only an advice service, I don't think there's any laws that could stop you setting it up."

Laith Shubeilat freed from prison in Jordan

Jordan's leading opposition figure Laith Shubeilat was freed on Oct. 8, after having served his prison term of nine months. An outspoken opponent of the International Monetary Fund, Shubeilat is a former member of Parliament and headed the country's largest professional union, the Jordan Engineers Association, until his latest arrest. According to the Arabic press, he commented again on the unconstitutionality of his detention, saying that what he was jailed for, should be recognized as a civil right. He was referring to his public criticisms of government policy. Shubeilat also commented

on King Hussein's pardon of him on May 18, which he had refused at the time. His reasoning was then, and remains now, that since he was innocent, he did not need a pardon. Furthermore, if Jordan were a true constitutional monarchy, he said, then he would have enjoyed his constitutional rights to political activity.

Early this year, he was arrested while returning to his home in Amman, after having delivered a Friday sermon at a mosque in Ma'an. Demonstrations, which took place long after he had left, ended in clashes between protesters and police. In his most recent remarks, Shubeilat offered an interesting insight regarding the power relations in the country, saying that he had been accused of having provoked the population of the city of Ma'an against the government. If this were true, he said, if he had had the power to mobilize the city or the nation, then he would propose that the King discharge the government and give him the prime minister's position.

Taliban open fire on Iranian border troops

The tensions in Afghanistan exploded on Oct. 8, when Taliban forces attacked Iranian border posts with mortars and machine guns. The border guards, in Khorasan province, returned fire, whereupon the Taliban withdrew. According to the commander of Iran's ground forces, Brig. Gen. Azizollah Jaafari, the Taliban incurred heavy casualties in the early-morning clash about 100 miles southeast of Mashhad. A Taliban spokesman denied the report, and claimed it was Iranian propaganda.

This is the first time that the conflict between Iran and the Taliban has erupted into an armed clash. Iran currently has up to 200,000 troops deployed in maneuvers along the border with Afghanistan.

Meanwhile, the UN secretary general's special envoy for Afghan affairs, Lakhdar Brahimi, has been in Tehran, en route to Islamabad, Pakistan to meet government officials, in an attempt to impose a political solution for the Afghan crisis. Brahimi is working on the basis of deliberations made

at the meeting of the "6 plus 2" group, in New York on Sept. 21. The group includes Afghanistan's six neighbors, plus the United States and Russia. At their meeting, they agreed to send a UN fact-finding mission, to investigate reports of ethnic cleansing and gross violation of human rights by the Taliban. The group seeks to facilitate a government in Afghanistan, made up of all ethnic groups, which the Taliban reject. Brahimi met with Iran's special representative for Afghan affairs, Alaeddin Boroujerdi, who assured him of Iran's full support for the initiative.

Iranian President Mohammed Khatami, in receiving Brahimi on Oct. 6, characterized the Afghan situation as a "full-scale human catastrophe," and "genocide." He said Iran would not tolerate instability on its borders, adding, "Of course, we do not consider war as the first alternative."

"Real peace will be restored," he said, "when the Afghan nation has the power to choose and when a broad-based government comes to office in the country." He emphasized that even if the Taliban gained military control over the entire country, it would not find stability unless a political solution were reached.

Chechnya heating up amid kidnappings and murder

Four employees of a British firm building a telecommunications system in Chechnya were kidnapped in the capital, Grozny, on Oct. 3 following an early morning gunfight, reported the Russian news agency, Itar-TASS. The British Foreign Office has warned citizens against travel to Chechnya until at least April 2002, the Russian agency reported. Chechen officials said they have identified the kidnapers and believe they will be able to free the four captives. Chechen Prosecutor General Mansur Tagirov told Interfax that he believes the kidnaping was intended to discredit Chechen President Aslan Maskhadov.

On the same day, the Russian representative in Chechnya, who had been kidnapped from Grozny on Sept. 29, was found murdered. The body of Akmal Saidov, the

PRESIDENT CLINTON'S trip to Malaysia to attend the APEC conference next month has been downgraded as "neither a state visit nor an official visit" according to the *Straits Times* of Oct. 11. This will be seen as concern about Anwar Ibrahim, but the *Times* also falsely asserts that the intent is to register U.S. discontent with Prime Minister Mahathir's policies.

CHINESE PRESIDENT Jiang Zemin will visit Australia after the November 1999 APEC leadership conference in New Zealand, according to a spokesman for the Australian Embassy in Beijing. This will be the highest-level official Chinese visit.

LEFT-WING KNESSET member Ran Cohen's car was set on fire on Oct. 8 by Israeli fanatics who oppose his pro-peace leadership. Cohen is the key sponsor of a bill calling for the demolition of the tomb of Baruch Goldstein, the Jewish Defense League crazy who gunned down 50 Arabs during Friday prayers in a Hebron mosque.

NORTHERN IRELAND'S Assembly held its second plenary session Oct. 5, with Unionists opposed to allowing Sinn Fein members to hold executive positions. First Minister-designate David Trimble of the Ulster Unionist Party supported the hardline Unionist opposition's demand that the IRA must disarm before Sinn Fein is allowed on the executive. The same provocation in 1994 by British Prime Minister John Major helped sabotage peace talks, then.

HUNDREDS of Mexicans turned out for a music seminar and concert in Mexico City on Oct. 11-12, organized jointly by the Schiller Institute and the Schola Cantorum of Mexico, a children's singing school founded by Alfredo Mendoza. Speakers included Marivilia Carrasco and Hugo López Ochoa of the Schiller Institute, Alfredo Mendoza, and the director of the University of Mexico's National Music School Children's Choir.

head of the social and economic department of the Russian government office in Grozny, was found dead near the border between Chechnya and Ingushetia, Interfax reported.

In a related development, Shamil Basayev, a Chechen field commander and leading opposition figure, told an opposition meeting in Grozny on Oct. 5 that his group will seek to remove Chechen President Aslan Maskhadov by peaceful means, ITAR-TASS reported. "We have been fighting enough, and our actions are aimed at ensuring that there is no civil war in Chechnya." He said he hopes that a special state commission will examine the opposition's charges and then present its conclusions to the parliament and Supreme Shariat Court. In June 1995, Basayev led a raid on the town of Budyonnovsk in neighboring Dagestan, during which he took over 1,000 hostages and set up the hospital as his headquarters.

Malaysia sets Nov. 2 trial for Anwar Ibrahim

Former Deputy Prime Minister and Finance Minister Anwar Ibrahim appeared before the High Court on Oct. 5, where Justice Datuk Augustine Paul set a trial date of Nov. 2-14 on four counts of corruption. Court proceedings will be suspended during the Asia-Pacific Economic Cooperation (APEC) summit in Kuala Lumpur, and will resume on Nov. 23. A second trial remains to be scheduled on one further corruption count and five sex charges.

Justice Paul denied bail, and imposed a gag order on any further public discussion of Anwar's guilt or innocence. He also said that the trial will be conducted in English, as "Justice must not only be done, but be seen to be done."

Anwar, who appeared in court with a neck brace on Oct. 4, following a medical exam, was blocked from speaking to press. Photos of Anwar wearing a neck brace, after he had accused the police of beating him, were picked up by media throughout the world. In fact, as his wife, Dr. Azizah, acknowledged, the neck brace was to treat an old and recurring injury.

Pakistani Army Chief ousted as violence grows

Gen. Jehangir Karamat resigned Oct. 7, and was replaced by Lt. Gen. Parvez Musharraf. Sources close to the Army, cited by the press, said that Karamat had proposed the creation of a national Security Council, to try to stabilize the country, wracked by violence and economic breakdown. There were also reports that the Army might attempt to take power from Prime Minister Nawaz Sharif, to impose law and order. Violence has been increasing, especially in Karachi, where 12 people died on Oct. 7-8.

Pakistan's Afghanistan policy is a major point of conflict. Pakistani intelligence ISI and other military sectors have supported the Taliban insurgency. It was recently reported in the Iranian press, that Nawaz Sharif had declared that the government would run Afghanistan policy, and not the ISI.

Rohrabacher meddling in Cambodia's elections

On Oct. 2, the U.S. House International Relations Committee unanimously passed legislation submitted by International Republican Institute mouthpiece Rep. Dana Rohrabacher (D-Calif.), calling for creation of a tribunal to investigate criminal culpability of Cambodia's Prime Minister Hun Sen in violation of international humanitarian law. While pegging the immediate pretext as election period violence, Rohrabacher slandered Hun Sen, as the "trigger man of Pol Pot" during hearings.

Rohrabacher is a major supporter of Sam Rainsy, the biggest loser in Cambodia's elections, in which 90% of the eligible voters cast ballots. Rainsy was in Washington in late September, demanding that Cambodia's UN seat remain empty, that its membership in the Association of Southeast Asian Nations be blocked, and that the United States refuse to send a new envoy to Phnom Penh, when the current ambassador's tour ends, until such time as a "legitimate" government takes office.

How our world was nearly destroyed

by Lyndon H. LaRouche, Jr.

September 23, 1998

During an important mid-1970s private discussion with a famous Israeli diplomat, he cautioned me: “What you say is true; but you are forgetting one thing. There are heads of state who are clinically insane.” As examples, he named two then-prominent African heads of state. Today, we can point to such similar examples of politically relevant, dangerous lunacy, as Israel’s Prime Minister Netanyahu, U.S. Speaker of the House Newton “Yahoo” Gingrich, and U.S. special prosecutor Kenneth Starr. A different charge, of virtual insanity, should be made, in retrospect, against the man who rose to be the one-time, leading political “fixer” for London’s Wall Street financier oligarchy, former U.S. High Commissioner for Germany John J. McCloy.¹

In a sense, McCloy was morally insane. Admittedly, McCloy would not fit the same category of madness as the medieval Flagellants, or such modern Flagellant look-alikes as House Speaker Newt Gingrich’s fellow-travellers, “Diamond Pat” Robertson, Jerry Falwell, and “Bibi-the-Butcher” Netanyahu. McCloy was no Elmer Gantry; he was more of the quality of a Babbit than a Bibi. The difference between McCloy and today’s crop of right-wing political Yahoos, is that whereas the “Get Clinton” mob mimics the gang of murderous thugs hired to break the miners’ strike, McCloy typifies the management which ordered the hiring of the thugs. Disposable Yahoos like Newt Gingrich, usually arrive, like lynch-mobs, in large numbers, so many sheets to a roll; as the reviewer shows, McCloy typifies those who deploy them still today.

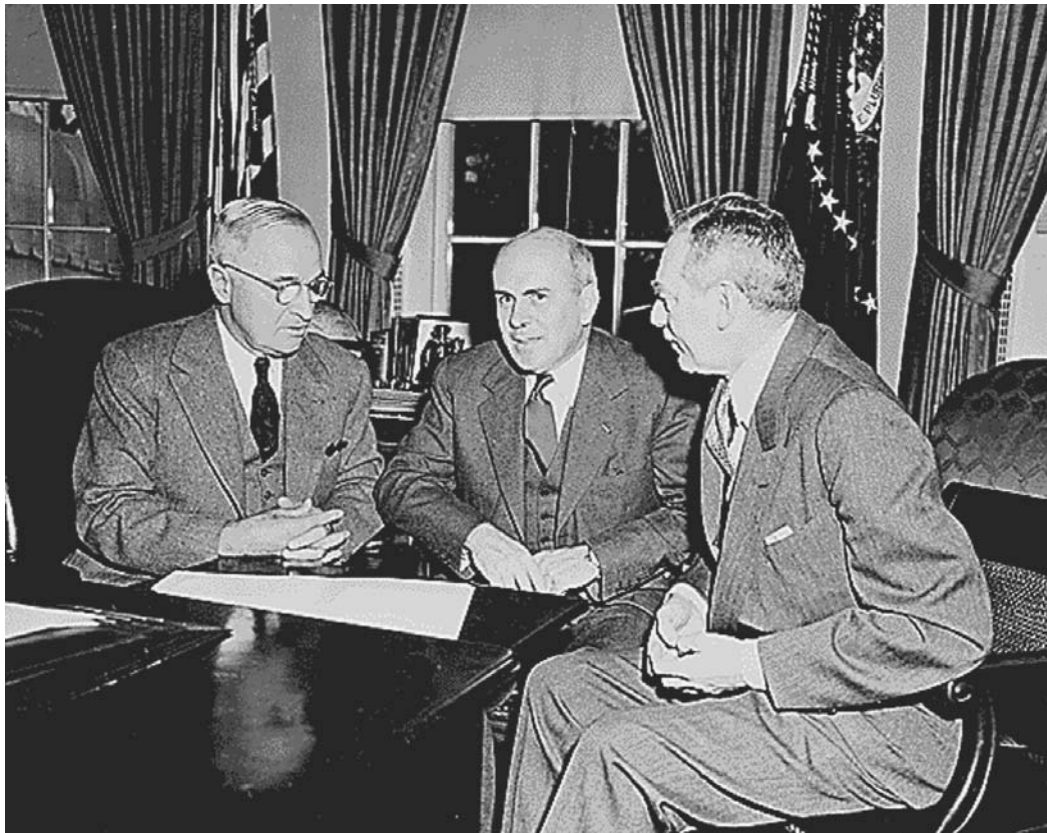
Thus, as the reviewer shows, McCloy’s madness was of

1. Kai Bird, *The Chairman: John J. McCloy: The Making of the American Establishment* (New York: Simon & Schuster, 1992).

a different cut than such shamelessly obvious loonies as a Netanyahu, Robertson, or Falwell; but, in his own way, he was as mad as Adolf Eichmann, if in his acquired patrician style. McCloy’s notable crimes against humanity, were the result of his being gripped by blind obedience to an adopted, Anglophile, anti-U.S., “one worldist” ideology. Once he had adopted that ideology, he was otherwise fully witting of what (and whom) he was doing; but, he was either unwilling, or, like a man trapped within a recurring nightmare, unable to keep himself from doing what the succubus of that madness demanded of him. The bottom line of his autobiography is, that, looking back to the late 1950s and early 1960s, Wall Street lackey McCloy could go down in history, as the “sorcerer’s apprentice” who nearly destroyed our world.

The central, but narrower of the topics addressed within this *EIR Feature*, is the way in which circles including McCloy, in concert with the then-Soviet dictator Nikita Khrushchev, and much of the London and Wall Street establishments, too, collaborated with one another in a wildly utopian, one-worldist project, aimed at eliminating the sovereignty of all nation-states, including that of the U.S.A. The collaboration among the members of this assortment, especially in the lead-up and consummation of the 1962 Cuba Missiles Crisis, is the watershed of every principal catastrophe suffered by the U.S.A., among others, since that nuclear crisis.

On that account, the accompanying book review distills a crucial part of a story long overdue for the telling. It is a very timely story, even as the reviewer tells us; but, even a story with the self-evident importance and shock-impact of this one, must be situated in a larger historical context. To that latter end, *EIR* has supplied this prologue, and has appended two pieces of documentation respecting two of the most damnable actions by the Churchill regime during the closing twelve months of World War II.



John J. McCloy (center), then U.S. High Commissioner for Germany, with President Harry Truman (left) and Secretary of State Dean Acheson, in the White House, March 1950. McCloy's evil nature as a Wall Street lackey showed through in many ways; for example, his attitude on the interning of Japanese-Americans in 1942: "If it is a question of safety of the country . . . why the Constitution is just a scrap of paper to me."

Thus, the book review tells us the kind of evil McCloy represented, the important role he contributed in shaping much of the history of the Twentieth Century; but that only poses a larger question than is addressed within the review itself: What influence within history at large produces the kind of phenomena which McCloy typifies? It is that influence which produced and controlled phenomena such as McCloy, then, now, and long before McCloy was born. McCloy is dead and buried; but that dangerous, evil influence lives on, and is a leading feature of that present, global financial crisis which threatens to bring down civilization. The practical question is, how do we rid future history of that satanic influence?

The key to the biographical account of the case, is McCloy's crucial personal role among those orchestrating that destruction of our civilization and its culture, which has dominated the world since. Without focussing on McCloy's role in those 1960s events to which I have referred earlier, in my report on the case of Lazare Carnot,² no truthful account could be given of the influences surrounding the Warren Commission, the repeated attempts to assassinate France's President Charles de Gaulle, and the hurried ouster of Germany's Chancellor Konrad Adenauer. The bottom line is: The converging agreement which key figures such as McCloy, Bertrand Rus-

2. Lyndon H. LaRouche, Jr., "How France's Greatest Military Hero Became a Prussian Lieutenant-General," *Executive Intelligence Review*, Oct. 2, 1998.

sell, Averell Harriman, and Russell's crony Khrushchev represented, together, in orchestrating the 1962 Cuba Missiles Crisis, and in launching that process of so-called "globalization" which is now systematically destroying the U.S. and other economies from within, is indispensable for understanding any important aspect of world history from 1962 to the present day.

Consider the gloomy implications of the presently ongoing disintegration of the world's present financial and monetary systems. We sit now, amid the wreckage of the post-World War II world, the collapsing ruin of what had been considered by the credulous, as the most assuredly durable world-order ever established. Once the relevant facts behind that collapse of civilization are known, it can only be fair to describe McCloy, once again, as I have done here, as "the sorcerer's apprentice who nearly destroyed our world."

The feral instinct of a feudal lackey

There are those conspiracy buffs who delude themselves, by imagining that the notion of "world government" is a Johnny-come-lately idea, some weird plot recently cooked up by some suspected occult circles of modern conspirators. The key to understanding McCloy's role, is that the idea of "world government," or something like it, is the oldest tradition in recorded history.

The key to understanding McCloy's life, is that he became

a part of that London-directed Wall Street crowd of financial oligarchs, which hated the sovereign form of the U.S. republic so much, that they were willing to risk setting off a general thermonuclear war to bring the end of U.S. sovereignty about. Like every hater of the sovereign nation-state since Venice of the early Sixteenth Century, McCloy became a devotee of the effort to set the clock of history way, way back, to a time when one-world-style empires ruled the world, and maintained such kinds of “social welfare reforms” as kept the numbers and social condition of the subject poor, down to culled levels which the ruling oligarchy considered agreeable.

Not even a fair approximation of a sovereign nation-state existed on this planet, until the late-Fifteenth-Century reconstruction of shattered feudal France by King Louis XI. It was only as a result of Classical Greek culture’s interaction with Christianity, that there came into existence, those ideas which had eventually led western Europe into the Fifteenth-Century Golden Renaissance. The latter Renaissance, in turn, led directly into Louis XI’s revolutionary actions, and, later, into the 1789 establishment of the U.S.A. as a Federal constitutional republic. The key to understanding McCloy’s one-worldist role in the 1962 Cuba Missiles Crisis and later, is that the opponents of the sovereign nation-state never gave up their heathens’ commitment to return the world to some feudal, or quasi-feudal approximation of one-world empire.

To restate the same point in narrower terms of reference: The financial oligarchy whose British-American-Canadian branch McCloy served in his lackey’s role, has never given up its intention to eliminate the existence of any sovereign nation-state from this planet, especially the sovereignty of the U.S.A.

For example, in medieval times, the idea of a one-world empire was the goal of the reactionary Welf League, the opponents of the famous Thirteenth-Century, Hohenstaufen nation-builder, Frederick II. During the Sixteenth Century through most of the Eighteenth, maintaining a global financial-oligarchical system, and destroying the sovereign form of nation-state, was the goal of the policies of Venice’s financier oligarchy. At the Congress of Vienna, it was the policy of both the British monarchy’s financier oligarchy and the landed-aristocratic interest represented by Clement Prince Metternich’s Holy Alliance. Within the United States itself, similar anti-nation-state policies have always been the goals of those American Tories centered around the New England opium-traders, London-controlled New York bankers, and the slavery gang associated with the Confederacy.

There is nothing of “mere generality,” no mere imitation of Apollo priest Plutarch, in situating McCloy in that historical tradition. As the reviewer points out, the key to McCloy’s and Grenville Clark’s roles in seeking to establish world government, was to establish a system of “world law.” This meant, in their terms, as in the stated intent of Bertrand Russell, to strip nations, including the U.S. itself, of sovereignty, placing nations, including the U.S.A. itself, under the alien military authority of an institution of world government. That

notion of “world law” was scarcely new. That notion of “world law” is, as the noted Professor Friedrich von der Heydte’s *Die Geburtsstunde des souveränen Staates*³ presents the case, the notion of imperial law characteristic of such cases as the ancient empires of Babylon, Rome, and Byzantium; it was the principle of oligarchical, *arbitrary law* exerted, as law, solely by an imperial authority. One must be very, very wary, these days, whenever some pompous ass rises from his seat to prate unctuously on the subject of the solemnities of a “world of law.” This is precisely the tradition of oligarchical law which has been summoned for Kenneth Starr’s perverted role in professed neo-Jacobin Gingrich’s attempted revolutionary tactic, a parliamentary coup d’état against the Constitution of the U.S.A.

McCloy can be understood only in his acquired role as a leading lackey of plebeian origins, liveried as a Wall Street lawyer and liberal-establishment “fixer.” As such a lackey, he served a London-directed, Wall Street financier’s oligarchy, the which has been working to destroy the U.S.’s sovereignty and Constitution ever since British agent, and all-around scalawag, Aaron Burr founded the Bank of Manhattan.⁴

To understand McCloy’s role in the events leading into and beyond the 1962 Cuba Missiles Crisis, one must not imagine that he was on the same, lower level as self-proclaimed agent of British influence Henry A. Kissinger.⁵ Obvious sleazeball Kissinger was brought in, as a subaltern, to the pre-1962 one-worldist, arms-control project being directed by McCloy. Kissinger was assigned to this from London, assigned to work under the New York Council on Foreign Relations’ (CFR) George Franklin, and under the patronage of a McCloy liberal-establishment junior, former Stimson assistant McGeorge Bundy. It was through Bundy that the fanatical, Hitler-like racist, the Henry Kissinger of the 1974 National Security Study Memorandum 200, had earlier obtained a seat under the table in President Kennedy’s National Security Council, until, according to reports, Kennedy ordered Bundy to kick the dog out. Kissinger was, like a Newt Gingrich or Kenneth Starr, the expendable type of depraved lout

3. Friedrich August Freiherr von der Heydte, *Die Geburtsstunde des souveränen Staates* (Regensburg: Druck und Verlag Josef Habel, 1952).

4. Anton Chaitkin, *Treason in America*, 2nd ed. (New York: New Benjamin Franklin House, 1985). Like special prosecutor Kenneth Starr, Burr was a product of the “fundamentalist” tradition, who used women as sexual assets of his treasonous endeavors. Burr as banker was an asset of the British East India Company interest, Barings Bank, and a protégé of the head of the British foreign service, Jeremy Bentham.

5. Henry A. Kissinger, “Reflections on a Partnership: British and American Attitudes to Postwar Foreign Policy, Address in Commemoration of the Bicentenary of the Office of Foreign Secretary” (London: Royal Institute of International Affairs [Chatham House], May 10, 1982). The establishment of the British Foreign Office, in 1782, was an offshoot of the brief Prime Ministry of Lord Shelburne. Shelburne’s agent, and head of the British foreign intelligence service, was the notorious Jeremy Bentham who deployed such agents as New York banker Aaron Burr and the Jacobin terrorists Danton and Marat.

who was used, but never trusted by his masters. To understand the terrible things which have happened to our world during the recent four decades, treat Kissinger as, relatively, merely an unpleasant smell, like the Golem who rampaged while fiction's famous Rabbi of Prague was away. McCloy is the case-study on which to focus.

To understand the roles which London assigned to McCloy, the biographical material on McCloy himself is supplemented by documentation bearing upon Prime Minister Winston Churchill's role in two paradigmatic cases of London's strategic double-dealing during the period of World War II. The first, summarized as part of this *EIR Feature*, is London's role in prolonging World War II by almost one full year, by keeping Adolf Hitler in power in Germany. The second, is a recently revealed Churchill plot, called "Operation Unthinkable," to use German Wehrmacht divisions as part of an allied assault on the Soviet Union, an assault intended to be launched in June 1945, after Germany would have surrendered to the Anglo-American allies. Remember that McCloy was at the table, when operations of this monstrous type were being dished out, and that McCloy was in that kind of business for the remainder of his active life. Comparing the 1962 missile crisis and its aftermath with two of Churchill's dirty dealings from the World War II period, helps one appreciate how McCloy's masters think, in sending Churchills or McCloy's out to do the kinds of deeds they do, down to the present day.

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Book Reviews

How Mr. Fixit nearly wrecked the world

by Stu Rosenblatt

The Chairman

by Kai Bird

New York: Simon and Schuster, 1992
800 pages, hardbound, \$30

At the outbreak of the Cuban Missile Crisis in October 1962, John J. McCloy, ostensibly a private citizen but still serving as chairman of the President's Arms Control and Disarmament Board, was abruptly recalled from a business trip in Europe and flown back to Washington.

When first briefed on the existence of nuclear-capable missiles in Cuba, McCloy's response was to call for immediate air strikes to take out the weapons. McCloy, presenting his tough guy, brinkmanship, "Stimsonian" approach, was playing "Liar's Poker" with the existence of the human race. Yet, it was mostly bluff. Once Attorney General Robert Kennedy intervened, with a proposal for a naval blockade of Cuba, and the Russians blinked, McCloy then proceeded to run the peace negotiations. He acted swiftly to implement the outline of a utopian, one-worldist policy of détente with his counterparts in the Soviet Union, and in the process, he sacrificed the sovereignty of both the United States and Russia, to the greater good of the British-run United Nations apparatus.

Kai Bird's *The Chairman* performs a useful service in documenting that treachery.

McCloy's role in the Cuban Missile Crisis was merely one high point in a career that spanned several decades. McCloy, the son of a poor, industrious, but ambitious Philadelphia hairdresser, had been lifted from "the wrong side of the tracks" and put into the upper echelons of power. By 1962, he was the acknowledged "Chairman of the Establishment,"¹

1. Richard Rovere, 1961, *The American Scholar*: "I am not sure who the chairman of the Establishment is today. . . . By a thrust of sheer intuition, though, I did get the name of the 1958 chairman and was rather proud of myself for doing so. In that year, I discovered that J.K. Galbraith had for some time been surreptitiously at work in Establishment studies, and he told me that he had found out who was running the thing. He tested me by challenging me to guess the man's name. I thought hard for a while and was

the “chief fixer” for the British-American-Canadian establishment that has dominated policymaking in the United States for the better part of this century. This lackey for the most powerful London and Wall Street banking families, had been doing their bidding for more than four decades, and was now at the pinnacle of his power.²

The 1962 deal with the Soviets was a follow-up to the infamous McCloy-Zorin agreement of a year earlier, in which a “world federalist” agenda had been solidified between the two superpowers. The deals were part of a larger shift away from the primacy of modern nation-states, back into the arms of feudalist world government.

The architect of McCloy’s foul deeds, the Don Juan to McCloy’s Leporello, was Grenville Clark, a shadowy but powerful Wall Street lawyer. Clark hailed from a blue-blood Massachusetts banking family with oligarchical roots going back 250 years. At the insistence of former President Teddy Roosevelt, Clark had launched the Plattsburgh, New York training camps that brought the United States into World War I on the side of the British, and he retained significant policy influence in the United States for the next 45 years.³

on the point of naming Arthur Hays Sulzberger, of *The New York Times*, when suddenly the right name sprang to my lips. ‘John J. McCloy,’ I exclaimed. ‘Chairman of the Board of the Chase Manhattan Bank; once a partner at Cadwalader, Wickersham and Taft, and also in Cravath, de Gersdorff, Swaine and Wood, as well as, of course, Milbank, Tweed, Hope, Hadley and McCloy; former United States High Commissioner in Germany; former President of the World Bank; liberal Republican; chairman of the Ford Foundation and chairman—my God, how could I have hesitated—of the Council on Foreign Relations; Episcopalian.’ ‘That’s the one,’ Galbraith said.”

Walter Isaacson and Evan Thomas, *The Wise Men* (New York: Simon and Schuster, 1986), p. 28: “It was [McGeorge] Bundy who wrote a memo for Lyndon Johnson entitled ‘Backing from the Establishment,’ which set the stage for the formation of the group that became known as the Wise Men. ‘The key to these people,’ Bundy advised, ‘is McCloy.’”

2. McCloy rose through the ranks of the British-American-Canadian establishment from his sponsorship by the notorious Anglophile lawyer Paul Cravath (Lord Beaverbrook’s friend and Lord Mountbatten’s lawyer) in the 1920s, to become a power in his own right. Along the way, he had been Henry Stimson’s Assistant Secretary of War during World War II, High Commissioner for Germany, and the second president of the World Bank, a position for which he was sponsored by the Warburg and Morgan banks. In the 1950s, he was simultaneously chairman of the New York Council on Foreign Relations, chairman of the Ford Foundation, and chairman of Chase Manhattan Bank.

3. Grenville Clark was the son of a prominent banker of the banking house of Clark, Dodge, and Co. His family had been endowing Harvard University since 1672, and he, like his father, was a Harvard graduate. While still at Harvard, Clark was befriended by then-Vice President Teddy Roosevelt, which would lead to a long association. Clark also became friends with future Justice Felix Frankfurter, and Elihu Root, Jr., son of the incumbent Secretary of War.

After Harvard, Clark founded a law practice with Root’s son and others that would become a prominent Wall Street firm. In 1915-16, Clark initiated the Plattsburgh military training camps at the direction of Teddy Roosevelt. These camps recruited “the best and the brightest” Wall Street, Eastern Establishment sons, including McCloy.

Clark remained a life-long friend of McCloy. Both practiced law on Wall Street; both entered into politics—McCloy as a Republican; Clark as a

Democrat. A longtime friend of Franklin Roosevelt, Clark founded the National Economy League in 1932, upon the election of FDR as President. While Adm. Richard Byrd was honorary chairman, the leaders were Teddy Roosevelt’s son Archibald, former President Calvin Coolidge, Lewis Douglas (McCloy’s brother-in-law and longtime associate), and Clark. Like today’s New Democrats, the League led a mobilization in 1933 to force the President to slash the budget and adopt every austerity policy imaginable. The result was a disaster, but it was this tight-fisted “Wall Street-style” austerity that animated both Clark and McCloy’s entire economic approach.

Ending John Quincy Adams’s community of principle

McCloy’s changes in U.S. strategic doctrine are rooted in the postwar political configuration. Following the death of Franklin Roosevelt, the Anglophile establishment replaced his vision for the new United Nations to be based on a “community of principle,” with a return to power politics and balance of power dogmas. The signal was given by Winston Churchill in his Fulton, Missouri “Iron Curtain” speech: The world would be divided into power blocs. Once that decision had been made in the Anglophile establishment, McCloy and his friends Dean Acheson and Averell Harriman launched the Truman Doctrine, the North Atlantic Treaty Organization, and the “Divided Germany” projects. NATO was specifically the brainchild of British Foreign Minister Ernest Bevin, who confessed that he was creating NATO as a way to trap the United States into entangling alliances that it otherwise would not tolerate.⁵ The overall purpose was to create a new geopo-

While he was attempting to destroy Roosevelt in 1933, Clark also intervened on behalf of the treacherous Bertrand Russell in New York. When Russell, the apostle of libertinism, was booted out of City College of New York, Clark rushed to his defense, providing him legal counsel and arguing on his behalf at Harvard.

As a lawyer in the War Department at the end of the 1930s, Clark led the effort that brought Clark ally Henry Stimson into the department and paved the way for McCloy, Robert Lovett, and other Wall Street types to run the department during World War II.

4. This Anglophile tradition in American foreign policy was started in earnest by Teddy Roosevelt, whose administration was dominated by British imperialist policies, in what became known as the Spanish-American War. The watchword of these men was “military preparedness,” and their dogma was British geopolitics and balance of power—State Department lingo for Hobbesian wars of each against all. The leading practitioners were Teddy Roosevelt, his Secretary of War Elihu Root, Grenville Clark ally Henry Stimson, McCloy, Dean Acheson, Henry Kissinger, and McGeorge Bundy. More recently, this outlook typified the Bush administrations.

5. Don Cook, *Forging the Alliance: NATO 1945-1950* (London: Secker and Warburg, 1989), p. 109. According to Cook, at the point that the British decided to launch the NATO initiative: “On that day at the Foreign Office, [British Foreign Secretary Ernest] Bevin decided that the moment at last had come for the most crucial move of his long-term foreign policy—the initiation of discussion to draw the United States into some new multilateral security arrangement for the West. But it was to be kept vague, diffuse and obscure. Bevin told his staff that he felt the essential thing was simply to start the idea and let the outcome emerge, much as Marshall had done with the

litical division of the world, centered in Europe. McCloy was in the middle of all the initiatives: He orchestrated the division of Germany, and became the leading spokesman for NATO for the next 35 years.

McCloy and company moved with lightning speed to turn the Truman administration into a war-ground against the principle of the sovereign nation-state. The Roosevelt postwar vision of a world without power blocs, but which hoped to ensure the progress of all nations, was shattered.

In the 1950s, McCloy, as chairman of the New York Council on Foreign Relations (CFR), set into motion a number of study groups to undermine U.S. foreign policy. The most important study group, Nuclear Weapons and Foreign Policy, was chaired by McCloy agent Henry Kissinger. Kissinger here first broached the British cabinet-warfare doctrines of limited war, client wars, and even the insane concept of “limited nuclear wars,” all within the confines of geopolitical dogma.

McCloy was aiming to effect the total abrogation of national sovereignty. In 1957, the Gaither Commission, of which McCloy was a member, realized that the window of opportunity to impose a one-world government would present itself in the early 1960s, when the United States would control a preponderance of weaponry including nuclear arms, and could dictate the terms of the new order. Attempts to manipulate the labile Eisenhower Presidency around this scheme failed, but McCloy and company made their move with the advent of the Kennedy administration.

JFK, McCloy, and arms control

However, President Kennedy himself presented a problem to McCloy’s schemes. A World War II war hero, JFK was an ardent nationalist, not a member of the CFR crowd. His administration was a compromise between New Deal FDR Democrats such as John Kenneth Galbraith, Walter Heller, and Ted Sorensen, on the one hand, and establishment insiders, including Douglas Dillon, Dean Rusk, Robert McNamara, and McCloy, on the other. McCloy turned down an offer to become Secretary of the Treasury in order to head up the Arms Control and Disarmament Agency.

During 1961, McCloy sought to force through an agenda of arms control/détente initiatives. Based on the assessment of the Gaither Commission, the United States had a strategic superiority over the Soviets in weaponry of all types, and McCloy seized upon the opportunity to implement his radical new policy.

In the spring of 1961, McCloy began serious arms control negotiations with the Soviet Union, starting with the Test Ban Treaty talks in Geneva. McCloy brought in Arthur Dean, part of his original CFR study group on U.S.-Soviet affairs, to help

manage the talks. McCloy was pushing for total disarmament, and was confident that the Soviets would be trustworthy negotiating partners for his utopian plan.

McCloy proposed ceding the right to maintain a national army to an international body, one, such as the World Court, that would be created that could enforce the peace. He wanted to use the “rule of law” to create a new international order. This brought him into direct conflict with Arthur Schlesinger, who complained that McCloy was trying to work toward some vague “concept of the rule of law” which intended to sacrifice national sovereignty. But, McCloy continued to work with his close friend and confidant Adlai Stevenson, the U.S. Ambassador to the UN, to get the outline of this policy adopted by the Kennedy administration.

In June 1961, Kennedy and Khrushchov met for their infamous mini-summit in Vienna, Austria. While Khrushchov tried to bully the President on Berlin and other issues, he put forward a cooperative policy on disarmament, including bans on testing nuclear devices. The door to détente was opened.

McCloy then began talks with Soviet disarmament negotiator Valerin Zorin, at the U.S. State Department in June 1961, but the intervention of the Berlin Wall crisis stopped the momentum toward disarmament.

The crisis around Berlin had been building since the end of World War II. While the apparent issue was the continuous stream of émigrés leaving East Berlin for the West, the larger issues included the reunification of Germany, the division of Europe, and the configuration of the world. The crisis grew worse over the summer of 1961, and came to a head in August. The Soviet government began erecting the Berlin Wall while the President was on vacation. Although Acheson and others mouthed some opposition, in reality there was no opposition to the erection of the Wall in the West. McCloy, Harriman, and their cohorts in effect supported the Wall, which would serve as a divider of Germany and East versus West. This lack of opposition effectively gave approval to the historic British geopolitical dogma—the division of the world between Western Europe and Asia, with the division running through Germany, precisely as specified in Halford Mackinder’s doctrines.

According to historians Walter Isaacson and Evan Thomas: “For McCloy and his generation, who had twice fought a world war against Germany, this was not the worst outcome [i.e., two Germanys]. George Kennan and Chip Bohlen certainly felt this way and advised the President not to overreact to the building of the wall. As for McCloy, he could not publicly say such things without touching a raw nerve among his West German friends. But that Germany was best left divided, even if half of it had to live under communism, was the unspoken truth. And certainly there was no point in going to war over the wall, which, after all, had become a necessity if Germany was to remain divided. Averell Harriman said it bluntly to Kennedy in a secret letter written

recovery program. So he played like an experienced fly-fisherman trying to hook a big salmon at the end of a long line cast over rapid waters, taking care to entice and attract without scaring the fish away.”

to the President a few weeks after the wall went up. ‘Since Potsdam, I have been satisfied that Germany would be divided for a long time. . . .’ Implicit in both views [McCloy’s view of German separation and that of Harriman] was the commitment to the postwar structure of peace that required the division of Germany between East and West.”⁶

With the construction of the Wall, the world was now partitioned between East and West, and the supranational governing bodies associated with the United Nations were increasingly running the planet. The power of the nation-state would be further eroded with the fast-approaching crises leading up to the Cuban Missile Crisis.

In September 1961, McCloy lobbied for a comprehensive disarmament policy, including for passage of legislation to create an Arms Control and Disarmament Agency. McCloy personally armtwisted numbers of Congressmen to ensure passage of the ACDA legislation. Two among the most prominent were longtime friends: William Fulbright and Senate Banking Committee chairman Willis Robertson, an ardent opponent of the bill. Robertson, father of kook-televangelist Pat Robertson, was a fishing buddy of McCloy’s going back several decades. McCloy’s lobbying merely proved that, when push came to shove, the so-called “left” and the so-called “right” were both in the hip pocket of the Anglo-American establishment.

McCloy interspersed his lobbying with private negotiations with Valerin Zorin in Moscow and in New York. His intent was to produce an agreement on general disarmament principles, but there was still intense opposition to this madness from nationalist elements in both countries. Both governments and their respective armies were continually violating various test-ban agreements, indicating their enmity toward McCloy’s scheme of general disarmament. McCloy was trying to pull off a utopian coup.

Enter Grenville Clark

During the negotiations with Zorin, McCloy drew heavily upon the writings of his longtime controller from the Plattsburgh Training Camps, Grenville Clark. At the end of World War II, Clark’s collaborator, War Secretary Henry Stimson, commissioned Clark to “go home and try to figure out the way to stop the next war and all future wars.”⁷ Clark, already by then a convert to globalist, one-world schemes, worked feverishly behind the scenes in the late 1940s and early 1950s to create such an institution. In the climate of hysteria created by the atomic bombing of Japan in 1945, and with the British takeover of the United Nations in the following years, Clark convened two meetings in 1946 that led to the founding of the World Federalists. Among the attendees were former Su-

preme Court Justice Owen Roberts, future Secretary of the Air Force Thomas Finletter, future Yale President Kingman Brewster, future U.S. Sen. Alan Cranston, and future CIA honcho Cord Meyer.

Clark rammed through a final document that went beyond the strictures of the United Nations. “The conference proposes: That a World Federal Government be created with closely defined and limited powers adequate to prevent war and strengthen the freedoms that are the inalienable Rights of Man.”⁸

Clark kept agitating for the World Federalist view throughout the 1950s from his position in the World Federalist grouping and among his Boston Brahmin cohorts. Clark sat on the board of the Harvard Corp., but hobnobbed among the inner circle of establishment policymakers including Felix Frankfurter, Averell Harriman, and James Conant.

In 1958, Clark collaborated with Harvard Law Professor Louis Sohn in the publication of *World Peace Through World Law*, a book promoted heavily by the Ford Foundation and the New York Council on Foreign Relations through the direct intervention of McCloy, who saw to it that the book was printed and widely distributed. Clark’s book was a blueprint for the total reform of the United Nations along the lines of a World Federalist perspective.

The book launched a frontal assault on the very existence of nation-states. It proposed to subordinate all critical powers to a world governing body that would appropriate all military policing powers unto itself. It would eliminate the existence of most weaponry, i.e., total and complete disarmament, and have full legal jurisdiction to impose itself on violating nations, its own large-scale police force and legal system, and a revamped governing body. There would be an executive grouping, but there would be no veto power among the leading nations, thereby abrogating all semblance of national government.

The thrust of the book is proposals for global disarmament, global policing, and global courts. In the updated introduction issued in 1960, Clark acknowledged the role of the British and Soviet governments in promoting this scheme. He stated, “Thus in the first discussions of the Russian and British proposals, it became apparent that, apart from an effective inspection system to supervise the disarmament process from the outset, it will be indispensable simultaneously to establish an adequate world police force in order that, after complete disarmament has been accomplished, the means will exist to deter or apprehend violators of the world law forbidding any national armaments and prohibiting violence or the threat of it between nations. It will then become equally clear that along with the prohibition of violence or the threat of it as the means of dealing with international disputes, it will be essential to

6. Kai Bird, *The Chairman*, p. 512.

7. Gerald Dunne, *Grenville Clark, Public Citizen* (New York: Farrar, Straus, Giroux, 1986), p. 142.

8. *Ibid*, p. 158.

establish alternative peaceful means to deal with all disputes between nations in the shape of a world judicial and conciliation system. . . .

“The necessity will also be seen for a world legislature with carefully limited yet adequate powers to vote the annual budgets of the world peace authority . . . to enact appropriate penalties for violation of the world law and other essential regulations concerning disarmament and the maintenance of peace, and to keep a watchful eye on the other organs and agencies of the peace authority. In addition, it will be necessary to constitute an effective world executive, free from any crippling veto, in order to direct and control the world inspection service and the world police force and to exercise other essential executive functions. Finally, it will follow as surely as day follows night that an effective world revenue system must be adopted, since there would otherwise be no reliable means to provide the large sums required for the maintenance of the inspection service, the world police force, the judicial system and other necessary world institutions.”⁹

In 1961, McCloy, an intimate friend of Clark, borrowed liberally from this book in drafting the U.S. position on disarmament. McCloy insisted that disarmament take place totally and in stages, and be supervised by a global police force. The Soviets concurred, and in September the two sides drafted a “Joint Statement of Agreed Principles for Disarmament Negotiations.” The statement was adopted by the UN General Assembly, and became known as the McCloy-Zorin Agreed Principles.

“Its language was both utopian and specific: ‘The programme for general and complete disarmament shall ensure that States will have at their disposal only those nonnuclear armaments, forces, facilities and establishments as are agreed to be necessary to maintain internal order and protect the personal security of citizens; and that States shall support and provide agreed manpower for a United Nations peace force.’ To implement the various stages of disarmament, inspectors from an International Disarmament Organization would ‘be assured unrestricted access without veto to all places as necessary for the purpose of effective verification.’ ”¹⁰

There were other sections of Clark’s proposal that McCloy had included in his original draft, including specifics on weapons to be eliminated, and on these points he clashed openly with the White House and the U.S. military. Kennedy, and even McGeorge Bundy, thought the proposal was too radical.

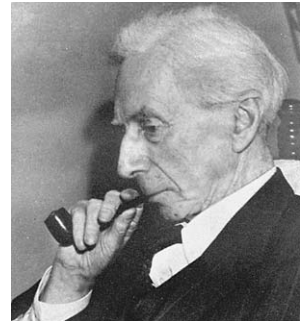
But, the language stuck, and this McCloy-Zorin agreement became the basis for all subsequent UN policy. All of the one-worldist interventions, from NATO’s Malvinas “out of area” deployment, to the Persian Gulf War, have been

9. Grenville Clark and Louis Sohn, *World Peace through World Law* (Cambridge, Mass.: Harvard University Press, 1973), p. xii.

10. Bird, op. cit., p. 515.

What’s wrong with ‘nuclear disarmament’?

Over many years, Lyndon H. LaRouche Jr. has exposed the lying hypocrisy of Sir Bertrand Russell, the advocate of nuclear war against Russia (in 1946), who later became a leading “pacifist,” promoting nuclear disarmament. As Russell admitted in a



Bertrand Russell

1959 interview with the BBC, there was no inconsistency between those two positions. Russell’s goal was One World Government, including a nuclear balance of power, administered by oligarchs such as himself, under the auspices of the United Nations.

For a deeper understanding of the strategic and historical issues discussed in the review published here, see, for example, LaRouche, “How Bertrand Russell Became an Evil Man,” *Fidelio*, Fall 1994, and LaRouche, “Today’s Nuclear Balance of Power: The Wells of Doom,” *EIR*, Dec. 19, 1997. Single copies of *EIR* are available from the publisher for \$10, postpaid. *Fidelio* can be ordered from the Schiller Institute, P.O. Box 20244, Washington, D.C. 20041-0244 (\$5 per single issue, plus \$1.50 postage and handling).

shaped by this outlook.

With the new agreement in his pocket, McCloy formally left the government in October 1961. But, the damage had been done. He continued to serve as chairman of the newly created President’s Advisory Committee on Disarmament, as a way to steer the entire détente/disarmament campaign.

All of the groundwork for a one-world, utopian scheme had thus been laid, and only awaited the intervention of a major crisis to escalate its implementation.

The Cuban Missile Crisis

A crisis was not long in coming. When briefed on the existence of Soviet missiles in Cuba, Acheson and McCloy were enraged. Both probably thought that the Soviets were renegeing on the disarmament deals, and that the recalcitrant nationalist elements had to be dealt with. Though not in the cabinet, McCloy was brought into the top-secret Executive

Committee (Excomm) meetings. McCloy immediately recommended an air strike to take out the missiles, and Acheson concurred. Robert Kennedy intervened to steer the world away from an escalation toward nuclear war, with his proposal for a blockade of the island.

The day-to-day unfolding of the Cuban Missile Crisis is not our concern here. Rather, as a by-product of the world being brought to the brink of thermonuclear war, the crisis had several key components:

1. The crisis provided the “shock effects” for psychological warfare against the United States and other nations, terrorizing their people and leaving them susceptible to cultural brainwashing, such as that of the “rock-drugs-sex” counter-culture.

2. The “crisis management” initiated between the Soviet Union and the United States by people like Bertrand Russell, who actively intervened in the crisis, was used to cement the détente relationship between the two superpowers, mediated ultimately by the “world government” establishment.

3. The military and nationalist establishments of both countries were demoted in their relative power, and rendered subservient to the world government apparatus.

4. The preconditions had thus been laid for the assassination of President Kennedy as a nationalistic impediment to the predilections of McCloy, Harriman, and company.

5. The 500-year stand-off between nation-state elements and world government-financier elements could now be ended, in favor of the latter, and the financier (i.e., the British-American-Canadian establishment) elements now embarked on a policy of de-industrialization and eradication of nation-state impulses.

Once the immediate crisis had abated, McCloy was deployed to the UN to head the U.S. negotiating team to “resolve” the key issues. Over the next several months, as McCloy and his Soviet counterpart, Vasily Kuznetsov, smoothed out the details, McCloy ushered in the new world-government configuration, much to the chagrin of President Kennedy. The sovereignty of the United States was continuously eroded, though Kennedy fought his negotiator every step of the way.

McCloy’s conduct of the negotiations earned him the President’s wrath. McCloy was willing to compromise on most terms of the negotiations. For example, on the issue of verifiability, Kennedy opposed McCloy’s “gentlemen’s agreements” on launch pads, and Kennedy instructed his negotiators to “insist on both on-site inspection and the removal of the IL-28s [bombers stationed in Cuba]. Furthermore, said Kennedy, McCloy was to tell Kuznetsov that no Soviet military base of any kind could remain in Cuba.”¹¹

McCloy wanted to wrap up the Cuban crisis and move on to “broader arms-control measures,” and “such specific topics as the current Chinese-Indian war, which he thought was the

kind of regional conflict that might get out of hand. Kennedy was disinclined to open the discussions up to such far-flung issues, and felt he repeatedly had to instruct McCloy and [UN Ambassador Adlai] Stevenson not to talk to the Russians about these larger issues. The President was heard one day complaining that he was spending more time worrying about McCloy and Stevenson than he did about the Russians.”¹²

Détente was now a “done deal,” and McCloy set about eliminating other vestiges of nation-state resistance to the new global order. He travelled to Europe regularly, and continually singled out French President Charles de Gaulle, no friend of the British, for attack. He also expressed displeasure at the sympathetic behavior of German Chancellor Konrad Adenauer toward de Gaulle.

The Kennedy assassination and the assault on de Gaulle

President Kennedy, President de Gaulle, and other nationalist leaders were now expendable. As *EIR* has documented, the British-American-Canadian assassination bureau known as Permindex failed in its numerous attempts to kill de Gaulle, but did succeed in the assassination of President Kennedy.

While there is no evidence linking McCloy to the assassination, he was a critical operative on the Warren Commission, which orchestrated the cover-up. McCloy termed this “laying on the dust.”¹³ Once again, McCloy was deployed to do the establishment’s dirty work, this time in collaboration with Allen Dulles, the former CIA director and blue-blood Wall Street operative fired by Kennedy.

McCloy was in the upper echelon of the intelligence community. A close friend of Britain’s deployed spymaster in the United States, Sir William Wiseman, McCloy had coordinated one of the largest investigations of espionage and counter-intelligence in U.S. history, the Black Tom case. He had overseen the creation of the wartime Office of Strategic Services (OSS) from his position as Assistant Secretary of War, and had helped engineer the peacetime conversion of the OSS into the CIA. In the 1950s, he helped coordinate U.S. intelligence activities both in and out of government, and his Ford Foundation became a money-bags for legal and illicit intelligence ploys. He was at the very top of the “secret government” of the postwar period.

McCloy and his ally, Allen Dulles, himself a bitter enemy of President Kennedy, coordinated the cover-up of the Kennedy assassination from within the confines of the Warren Commission. McCloy acted ruthlessly throughout to halt any investigation of a conspiracy. It was McCloy who brought in F. Lee Rankin to run the commission, and it was McCloy who orchestrated the suppression of all critical evidence.

When Rankin reported to the Warren Commission that

11. Ibid, p. 534.

12. Ibid, p. 536.

13. Ibid, p. 549.



John J. McCloy (inset, right) in front of the Texas School Book Depository in Dallas, the building from which Lee Harvey Oswald allegedly shot President Kennedy, and McCloy (above) handing the Warren Commission report to President Johnson. McCloy enforced the line that Lee Harvey Oswald acted as a “lone assassin,” allowing the oligarchy’s killers to go free.

the Texas Attorney General had reported that Lee Harvey Oswald was a likely FBI agent, complete with agent number and payroll reports, McCloy quashed this revelation through a series of duplicitous maneuvers. He ultimately conspired with J. Edgar Hoover to deny any truth to the allegation.

As for the completely contradictory medical and coroner reports that demonstrated the impossibility of any simple explanation for the number of shots and shooters, McCloy opted for the report of the Bethesda Naval Hospital doctors, which gave the best justification for the single-shooter hoax.

McCloy was unabashed in his level of deceit. A longtime hunter and gun expert, he knew that the bolt-action Italian rifle allegedly used by Oswald could not have been the murder weapon. He also knew that the reports of other shots fired from the grassy knoll were completely credible. On these and other counts, he simply lied.

The “lone assassin” theory, propagated by Dulles from the first day of the Commission meetings, would be the centerpiece of all the lies. McCloy and Dulles ran roughshod over the Commission to ensure that this story stuck, and they also argued for the necessary corollary: the so-called magic bullet idea. McCloy had to know that this fairy tale was fractured, but he rammed it down the throat of the nation.

Three Senators on the Commission (John Sherman Co-

per, Richard Russell, and Hale Boggs) doubted the veracity of the Commission’s findings, and it was McCloy, with his lawyerly doubletalk and likely veiled threats, who ultimately brought the recalcitrants around. McCloy drafted the language of the final report on all of the thorny issues, and he told the holdout Senators that there would be no minority report. To overcome the objections to the “single bullet” theory, he wrote out a proposed compromise, “that there was ‘very persuasive evidence from the experts to indicate that the same bullet which pierced the President’s throat also caused Governor Connally’s wounds.’ However, Connally’s testimony and ‘certain other factors have given rise to some difference of opinion as to this probability but there is no question in the mind of any member of the Commission that all the shots which caused the President’s and Governor Connally’s wounds were fired from the sixth floor window of the Texas Book Depository.’”¹⁴

Thus, McCloy took two separate and equally unproved “facts”—the single bullet theory and the lone assassin theory—and joined them together, with no proof!

The *pièce de résistance* was the drafting of the final con-

14. Ibid, p. 565.

clusion, that Oswald had acted alone. “The staff’s initial draft stated that there had been ‘no conspiracy.’ [Gerald] Ford suggested it say that the Commission had found ‘no evidence’ of a conspiracy. McCloy’s language was finally agreed upon: ‘Because of the difficulty of proving a negative to a certainty the possibility of others being involved with either Oswald or Ruby cannot be rejected categorically, but if there is any such evidence it has been beyond the reach of all investigative agencies and resources of the United States and has not come to the attention of this Commission.’ This was lawyers’ language, and it laid ‘the dust’ on all the ‘ugly rumors’ of conspiracy without forcing the Commission to make a categorical denial, to ‘prove a negative.’”¹⁵

Thus, the thuggery of Wall Street legal lingo was used to ensure that the killers of President Kennedy got away, deepening the pessimism of a shocked nation, and saying to all other nationalist leaders around the world: You could be next!

Destroying de Gaulle

During the remainder of the 1960s, McCloy escalated his attacks on nationalism in Europe and beyond. The postwar world was coming apart. The global monetary system, which had been shifting increasingly toward free trade, was beginning to unravel, and France, under the nationalist leadership of President de Gaulle, was threatening to tear NATO apart. In 1965, de Gaulle refused to join in the multilateral nuclear force. He vetoed Great Britain’s entry into the Common Market, and in February 1966, he walked out of NATO. Shortly thereafter, de Gaulle called for U.S. troops to be removed from France. Beginning in July 1966, French troops would no longer serve under the NATO Supreme Commander, in Germany, or elsewhere. De Gaulle was acting like a republican leader, and McCloy and company would have none of it.

McCloy reacted vitriolically. Having recently resigned as chairman of the Ford Foundation, McCloy quickly accepted an appointment as chairman of the board of the Paris-based Atlantic Institute, which promoted the unity of the Atlantic Alliance. Within weeks, he and Dean Acheson were named “special consultants” on the NATO crisis.

McCloy flew to Europe to try and isolate de Gaulle within the European Community, especially from Germany. For the moment, McCloy succeeded only in bringing down the Ludwig Erhard government. In the spring, McCloy testified before a Senate subcommittee and “complained of the ‘reinfection of Europe with nationalism’ and ‘discriminatory’ attitudes toward Germany.”¹⁶

Meanwhile, a hue and cry arose in the United States to remove troops from Europe, and this was endorsed by de Gaulle. But, McCloy refused to bend. He ultimately resorted

to a variety of stop-gap measures to hold together the alliance. For McCloy, NATO was the core of the postwar world and could not be abandoned. This commitment even led him to question U.S. policy in Vietnam, which was at that time a subject of raging debate.

In a speech in 1968 at a meeting of the “Table Ronde,” an elite group of some 90 European leaders, businessmen, and intellectuals, Bird quotes McCloy: “‘I am not prepared to debate the point as to where we should draw the line—certainly not to go into the problem of Vietnam. I have no doubt, however, that the line should include Western Europe.’ The crisis in NATO, the withdrawal of France from the military alliance, the resurgence of ‘hoary’ nationalisms—all these trends were undermining the West’s ‘sense of community in all of our international affairs.’”¹⁷

Whether McCloy orchestrated the overthrow of de Gaulle in 1968, one can only speculate. He certainly created the climate in which the British-American-Canadian assassination teams tried repeatedly to kill the French President. McCloy was certainly out to get de Gaulle in the same way that he was out to get Kennedy, and this succeeded with the 1968 rioting that brought down his government. With the assassination of JFK, the overthrow of de Gaulle, and the death of Adenauer, many of the obstacles in the way of McCloy’s “vision” had been removed. Events would now move inexorably to their conclusion: A unified Europe would proceed toward the “euro” insanity of today; “globalization” and other free-trade nostrums would tear apart the world economy and rip nations to shreds; and various UN “inspection teams” would roam the planet, enforcing demilitarization and deindustrialization. The time has come, to rid the world of the wretched heritage of John J. McCloy.

Supplement I

British aimed for end of Germany, not Nazism

Only recently has part of the truth come to light, regarding the reasons why the several attempts failed, on the part of anti-Nazi resistance fighters inside Germany, to overthrow Hitler. It was not only for lack of support from circles outside the country, especially in Great Britain, but due to deliberate, direct sabotage of such attempts by the British government. The British acted repeatedly to ensure that no plot to over-

15. Ibid, p. 565.

16. Ibid, p. 588.

17. Ibid, p. 600.

throw Hitler or kill him would succeed. This included the famous plan by Stauffenberg et al. on July 20, 1944.

As documented in *The Ghosts of Peace: 1935-1945*, a book by Richard Lamb (Great Britain: Michael Russel, 1987), there were numerous conspirators, beginning in 1938, who sought to overthrow Hitler. They were, as Lamb writes, “a band of well-known and respected Germans, many of whom worked against Hitler from 1938 until the bomb plot of 20 July 1944. Yet during the war, the British Foreign Office, Eden and Churchill refused to admit that an organized conspiracy existed, despite much evidence to the contrary through neutral countries and the knowledge of its existence before the war” (p. 24). Yet, as the historical record shows, there were continuing attempts from 1938 through 1944.

John Wheeler-Bennett, who was deputy to Bruce Lockhart, head of the Political Warfare Executive (PWE) of the Foreign Office, and a close friend of Eden’s, was adamantly opposed to aiding anti-Hitler Germans. In 1943, Wheeler-Bennett sent a paper from the Washington Office to the Foreign Office, in which he said, “At the conclusion of the war we are not going to be liked by any Germans, ‘good’ or ‘bad.’ Any friendly feelings will be unnatural and therefore suspect. . . . We should not place ourselves in the position of bargaining with any Germans, good or bad. . . . This is inherent in the principle of unconditional surrender” (p. 266).

The Wheeler-Bennett memorandum

On July 25, 1944, five days after the failed attempt by Stauffenberg, Wheeler-Bennett sent the following incredible memorandum to Eden and Churchill:

“1. Within the narrow limits of our accurate information it is possible to make a certain appreciation of the position resulting from the recent events in Germany, and to deduce certain future developments from it.

“2. It may now be said with some definiteness that *we are better off with things as they are today than if the plot of July 20th had succeeded and Hitler had been assassinated*. In the event the ‘Old Army’ generals would have taken over and, as may be deduced from the recent statement from the Vatican as to the Pope’s readiness to mediate, would have put into operation through Baron von Weizsäcker a peace move, already prepared, in which Germany would admit herself defeated and would sue for terms other than those of unconditional surrender.

“3. By the failure of the plot we have been spared the embarrassments, both at home and in the United States, which might have resulted from such a move and, moreover, *the present purge is presumably removing from the scene numerous individuals which might have caused us difficulty, not only had the plot succeeded, but also after the defeat of a Nazi Germany*.

“4. If it is true that a number of the more distinguished generals, together with such civilians as Schacht, Neurath and Schulenberg, have been eliminated, *the Gestapo and the S.S.*

have done us an appreciable service in removing a selection of those who would undoubtedly have posed as ‘good’ Germans after the war, while preparing for a third World War. It is to our advantage therefore that the purge should continue, since the killing of Germans by Germans will save us from future embarrassments of many kinds” (pp. 296-297) (emphases added).

British betrayal

Just how the Nazis identified those other “good” Germans is another story. On July 13, 1996, the London *Times* printed several letters to the editor, commenting on articles about Britain’s betrayal of the German resistance. A letter from one Nicky Bird, reported on a concrete example of British sabotage of the resistance, which was tantamount to treachery. Bird refers to “the disastrous BBC broadcast on July 22, 1944,” two days after Stauffenberg’s plot had failed, “in which unarrested conspirators were named.” The broadcast “was written by Maurice Latey, of the BBC’s German Service, at the request of Hugh Greene, its editor. Greene had received a tape carrying a long list of names of those believed to be implicated, from which Latey extracted the most important.” Bird continues: “The tape had been sent by the Political Warfare Executive, Foreign Office, based at Woburn Abbey, who were responsible for the policy of broadcasts in German. Latey wrote, in a private letter in 1988, that ‘neither Hugh nor I could have supposed that PWE would have supplied us with a list which would get the conspirators into any trouble.’ But they did, and PWE must have been aware of the implications of publishing such a list.”

In July 1998, formerly top-secret files were released in London, to document how Churchill had given directives to probe options for an assassination of Hitler by British marksmen, from the summer of 1944, on. The secret plots, reported on widely in the British press on July 23, 1998, were ludicrous concoctions, suddenly “revealed,” in order to give the impression that the British had contemplated removing Hitler. Among the “plots” revealed, were a scheme to poison the milk Hitler put in his tea; a plan to impregnate his clothing with anthrax, hidden in a fountain pen, or false teeth, or hollowed-out eye-glasses. It was even mooted, according to the reports, that Rudolf Hess could be sent back into Germany under hypnosis, to kill Hitler. More conventional methods supposedly under consideration, included killing him by sharpshooters, or attacking his bullet-proofed Mercedes, with bazookas.

Needless to say, none of the plans came to anything, for the simple reason that Churchill and his advisers had determined that keeping Hitler alive, better served their own designs for the war and the postwar period. Major Field-Robertson, who was head of the Special Operations Executive’s German section, was cited as one who argued against any assassination attempt. “It would almost certainly canonize him and give birth to the myth that Germany would have been

saved if he had lived,” he is quoted as having said. Furthermore, he said, “Hitler has been of the greatest possible assistance to the war effort,” because of his incompetence.

The *Times* acknowledged on July 23, 1998, that the British had committed themselves to a policy of unconditional surrender to impose on Germany, and this “ruled out for Churchill not only any prospect of negotiating with Hitler, but also with any German leaders who might succeed him.”

Marion Countess Doenhoff referred to Churchill’s policy, in an article which appeared in mid-July 1998 in the weekly *Die Zeit* commemorating the failed July 20, 1944 coup attempt. She wrote, that “although Churchill was perfectly informed about the real situation, he declared at the House of Commons on Aug. 2, the events of July 20 represented nothing but ‘fights of extinction among the notables of the Third Reich.’

“Apparently, Churchill was interested in breaking the Germans, and not admitting that they themselves had tried to liberate themselves. . . . Indeed, he had already declared on Sept. 3, 1939, the day when the war began: ‘This is an English war, and its objective is the extinction of Germany.’ ”

It was the extinction of Germany, not the defeat of Nazism, which was the priority of the British. In fact, due to consistent British sabotage of the German resistance, even providing information to the Nazis, to liquidate resistance fighters, and refusal to take action against concentration camps, the British succeeded in prolonging the war and killing massive numbers of Germans. There were as many casualties in the last nine months of the war, that is *after* the failed attempt against Hitler by Stauffenberg, as in the entire five years of war up to that point.

The British bear direct responsibility for the Holocaust, as well. Not only did they not intervene to bomb rail lines into concentration camps, once the existence of such camps had become common knowledge, but they deliberately concealed information they had about the Holocaust years earlier.

In a report which appeared in the *Daily Telegraph*, Oct. 15, 1998, “MI6 ‘Concealed Extermination of Jews for a Year,’ ” and in a London *Times* piece entitled, “Britain Accused of Hiding Facts on Holocaust,” the role of Churchill and MI6 are laid bare.

The stories are based on what is documented in a new book, by American University historian Richard Breitman, entitled, *Official Secrets: What the Nazis Planned, What the British and Americans Knew*, based on his reading of recently declassified intercepts by British codebreakers during the Second World War. Breitman reveals that the Churchill government, and Churchill personally, knew about the Holocaust a year earlier than was thought, and concealed the information from the Allies. Britain had recognized the Nazi policy of mass killing of Jews in the East by mid-September 1941, and by the following January, realized that Hitler was intent on exterminating European Jewry. Nevertheless, the informa-

tion from the secret radio intercepts was not passed on to the United States until 1982 (!), as part of an American investigation of suspected war criminals.

According to Breitman, Churchill’s reputation as “a great hero” should be challenged, since he should have alerted Jews in Germany’s satellite states and in neutral countries, while Roosevelt’s role in the whole story should be more positively reassessed, as he was kept in the dark by the British. In a statement Oct. 14, quoted by the *Times*, Breitman says: “The British did not share these decodes with the Americans. There was a secrecy reason for not doing so, but there were also a number of conflicts, and a great deal of mistrust between London and Washington on Jewish issues. Anthony Eden [the Foreign Secretary] was a strongly negative influence. To some extent, the reputation of Roosevelt needs adjustment on this issue, because the British knew this earlier. I do not see how it follows that Churchill was a great hero in responding to the Holocaust and Roosevelt was a great villain.”

Breitman charges that the British “simply hoarded” the vital information they were accruing, on transport and other aspects of the infrastructure of the Holocaust. Asked by the *Telegraph* how he assessed British conduct in late 1941 and much of 1942, he said: “I do not use the word ‘atrocious,’ but I believe that Britain, not in a military sense but in a political and diplomatic sense, could have done more than it did.”

Supplement II

Churchill’s plans for World War III

The British press revealed in early October, the contours of a plan conceived by Winston Churchill, to launch an Anglo-American war against the Soviet Union, after the war in Europe had been effectively ended. Churchill’s Chiefs of Staff committee turned down the plan, on military grounds. Excerpts of the plan were published by the *Daily Telegraph* on Oct. 1, 1998.

According to the *Daily Telegraph* report by Ben Fenton, Churchill feared that after V-E Day on May 8, 1945, the Russians could move westwards and threaten Britain. Churchill’s view was that an assault against the Soviet Union would be the only solution, and that it would have to be mounted before the Americans withdrew the best of their forces for combat

in the Pacific. Churchill ordered his staff to “think the unthinkable,” and draft a plan. The report which resulted, named “Operation Unthinkable,” was delivered to Churchill on May 22, by his Chief of Staff, Lt. Gen. Sir Hastings Ismay. This was five days after German Admiral Doenitz had formally surrendered. The scenario for this “Third World War,” which was to have started on July 1, went as follows:

‘Operation Unthinkable’

“The overall political or political object is to impose upon Russia the will of the United States and British Empire. . . .

“Even though ‘the will’ of these two countries may be defined as no more than a square deal for Poland, that does not necessarily limit the military commitment.

“A quick success might induce the Russians to submit to our will at least for the time being; but it might not.

“That is for the Russians to decide. If they want total war, they are in a position to have it. . . .

“To achieve the decisive defeat of Russia in a total war would require, in particular, the mobilisation of manpower to counteract their present enormous manpower resources.

“This is a very long-term project and would involve: a) the deployment in Europe of a large proportion of the vast resources of the United States. b) the re-equipment and re-organisation of German manpower and of all the Western European Allies.”

Opting for a limited war, given that total war would be unwinnable, Churchill’s team, according to Fenton’s account, planned “an attack by 47 British and American divisions, 14 of which would be armored, on a two-pronged offensive, one part along the Baltic coast of Germany towards Stettin [Szczecin], the second further south towards Poznan, both cities being well inside Poland.” Ten Polish divisions were supposed to join in, as well as 10 German divisions, rearmed “under a reformed German High Command.”

According to an appendix to the report, entitled “German reactions to conflict between Western Allies and Russia,” the team considered the possibility of having up to 100,000 Germans engaged: “War-weariness will be the predominant feature of the attitude of the German civil population. However, ingrained fear of the Bolshevik menace and of reprisals by the Russians should make the German civil population prefer Anglo-American to Russian occupation and therefore incline it to side with the Western Allies.”

The plan which emerged, according to Fenton’s summary, was that, “as infantry attacked westwards, the Royal Navy would sail along the Baltic coast, supporting the attack’s left flank and harrying the Russian right almost unopposed. The RAF and USF would operate from bases in Denmark and northern Germany, outnumbered by the Russians, but with superior machinery,” Fenton wrote.

Operation Unthinkable assessed the situation as follows: “Superior handling and air superiority might enable us to win

the battle, but there is no inherent strength in our strategic position and we should, in fact, be staking everything upon the tactical outcome of one great engagement.” Churchill’s team considered that Russian retaliation could include attempts to take over Norway, Turkey, Greece, and the oil fields in Persia and Iraq. Thus, they argued: “If we are to embark on war with Russia, we must be prepared to be committed to a total war, which would be both long and costly.” They added: “Our numerical inferiority on land renders it extremely doubtful whether we could achieve a limited and quick success, even if the political appreciation considered that this would suffice to gain our political object.”

‘A protracted war against heavy odds’

The report on Operation Unthinkable, was then handed over to the Chiefs of Staff committee, which included Gen. Sir Alan Brooke, Chief of the Imperial General Staff, Admiral of the Fleet Sir David Cunningham, the First Sea Lord, and the Chief of the Air Staff, Air Chief Marshal Sir Charles Portal. On June 8, the senior officers replied that, considering the numerical superiority of Russian divisions (264 to 103), a different approach should be taken.

“It is clear from the relative strength of the respective land forces that we are not in a position to take the offensive with a view to achieving a rapid success.

“Since, however, Russian and allied land forces are in contact from the Baltic to the Mediterranean, we are bound to become involved in land operations. In support of our land forces we should have technically superior, but numerically inferior, tactical air forces.

“As regards Strategic Air Forces, our superiority in numbers and technique would be to some extent discounted by the absence of strategical targets compared to those which existed in Germany, and the necessity for using these strategic air forces to supplement our tactical air forces in support of land operations.

“Our views, therefore, that once hostilities began, it would be beyond our power to win a quick but limited success and we should be committed to a protracted war against heavy odds.

“These odds, moreover, would become fanciful if the Americans grew weary and indifferent and began to be drawn away by the magnet of the Pacific War.”

Churchill, having received the response of his military officers, wrote to Ismay on June 8, saying, considering American redeployments and possible Russian advances westwards, “Pray have a study made of how then we could defend our island, assuming France and the Low Countries were powerless to resist the Russian advance to the sea.” Churchill ended his letter, “By retaining the codeword ‘Unthinkable,’ the Staffs will realise this remains a precautionary study of what, I hope, is still a purely hypothetical contingency.” The study Churchill commissioned was presented on July 22.

Name LaRouche Clinton's economic adviser, say thousands worldwide

by Marianna Wertz

A rapidly expanding political movement in America and, increasingly, worldwide, is demanding that President Clinton call in Lyndon LaRouche as his economic adviser, to deal with the exploding global financial crisis. This movement began to grow earlier this fall, organized by LaRouche's forces around the "Americans to Save the Presidency" statement, which won widespread support from the traditional minority and labor constituencies of the Democratic Party. The fight has escalated in size and visibility since Oct. 7, when Schiller Institute founder Helga Zepp-LaRouche issued an appeal, in the form of an Open Letter to President Clinton (see *EIR*, Oct. 16, p. 72), which called for an international day of action on Oct. 13, to support President Clinton against the Starr-Gingrich attempted coup d'état, and to demand that Clinton bring in LaRouche to advise him. It warned of a financial nuclear meltdown in the near term, if the policies outlined by Lyndon LaRouche for a global financial reorganization, are not implemented now.

The first International Day of Action, on Oct. 13, witnessed thousands of people worldwide endorsing the Open Letter, and taking to the streets to make their demands heard. Based on the success of these demonstrations, and the urgent need to get Clinton to bring in LaRouche, on Oct. 14, Lyndon and Helga LaRouche called for a second International Day of Action, on Oct. 20. In between, a major rally is planned for Washington, D.C. on Oct. 17, where tens of thousands of signers on the call to Save the Presidency will be delivered to the White House.

The focus of this second Day of Action will be the anticipated report, on Oct. 30, of the bloodbath which mutual funds

are taking this month, on top of the 15% loss they sustained in the third quarter, and also on top of the ongoing blowout of derivatives speculation. Because 40% of U.S. households have been suckered into investing in the stock market through mutual funds and other investments, the LaRouche movement is giving immediate leadership to the expected fury of the population, when they realize that their pensions and savings will be worthless. Oct. 30 is also two weeks before the U.S. Congressional elections.

International Day of Action

On Oct. 13, the first Day of Action, rallies sponsored by the Schiller Institute were held in the United States and Canada, throughout Europe, North and South America, and Australia. Straightforward media coverage—a rarity for any activity associated with Lyndon LaRouche—was monitored in many places, including in Washington, D.C., where the *Washington Times* reported on the Capitol Hill rally. "The followers of maverick Democrat Lyndon H. LaRouche Jr. have been out in force in recent weeks," the *Times* said.

In Europe, rallies were held in Sweden, Italy, Germany, France, and Denmark. In Paris, a rally was held nearby the Finance Ministry. In Milan, rallies were held in front of the foreign consulates and in the banking center; in Düsseldorf, in front of the stock exchange and in front of Deutsche Bank.

In Copenhagen, 30 people demonstrated in front of the American Embassy. Among the demonstrators were Nigerians, Rwandans, and Burundians, as well as a group of Kosova Albanians, including President Ibrahim Rugova's representative in Denmark.

On the Day of Action in Ibero-America, Marivilia Carasco, who heads the LaRouche political movement in Mexico, held a press conference in downtown Mexico City, which was attended by seven media. In the Dominican Republic, where LaRouche has long-standing support, the Appeal to President Clinton, calling for LaRouche to be named his economic adviser, was repeatedly aired on both television and radio in Santo Domingo.

In Australia, rallies were held in Melbourne, Perth, Brisbane, Sydney, Adelaide, and Canberra. In Melbourne, organizers distributed 5,000 copies of the Appeal at rail stops in the Central Business District. Plans are under way to distribute 500,000 copies of the Appeal in Australia, a country with a population of 18 million. Elsewhere in the British Commonwealth, a two-hour rally was held in Montreal, in the financial district.

In the United States, rallies were held in 20 major cities, with thousands of signatures garnered on the Appeal to President Clinton. Leafletting and petition gathering was carried out by hundreds of local volunteers in smaller towns across the nation. On Capitol Hill, civil rights heroine Amelia Boynton Robinson helped lead the rally, addressing the growing threat to the United States from the ongoing coup against the Presidency, and calling on Clinton to bring in LaRouche to advise him.

At a two-hour rally at the United Nations, 400 signatures on the Appeal were gathered. Later that day, in Manhattan, President Clinton ran into a late-night demonstration, as he was leaving a private fundraising affair. Demonstrators waved their "Free Clinton/Exonerate LaRouche" banner as Clinton's entourage drove by. Clinton acknowledged the rally with the "thumbs up" sign.

Town hall meetings activate thousands

In the two weeks leading up to Oct. 13, a thousand people attended town hall meetings sponsored by the Schiller Institute and its allies in the United States, who armed themselves with literature and petitions to reach out to thousands more in the coming weeks. This is more than double the usual attendance at chapter meetings.

Most notable in these meetings was the participation by high-level political, religious, and trade union leaders, many openly identifying with the LaRouche movement for the first time.

One of the more important developments is the endorsement of the Appeal to President Clinton by former U.S. Representative Walter E. Fauntroy (D-D.C.), who is also president of the National Black Leadership Roundtable and pastor of the New Bethel Baptist Church in Washington, D.C. On Oct. 6, Fauntroy released a statement on Roundtable letterhead, urging supporters to participate in the Oct. 17 rally of the Schiller Institute in Lafayette Park in Washington, and calling on Americans to join him there (see *Documentation*).

Reverend Fauntroy made a surprise appearance at the

Schiller Institute's town hall meeting at the Israel Baptist Church in late September, asking to introduce keynote speaker Edward Spannaus, *EIR*'s law editor, because of the work they have both done in the investigation of the assassination of Dr. Martin Luther King, Jr. After delivering a call to defend the Presidency, with numerous Biblical allusions, Fauntroy also called for a new Bretton Woods policy and told the 60-person audience, "We have the opportunity now to lead the world."

Sixty people attended town meetings in Birmingham and Montgomery, Alabama on Sept. 26. The Birmingham meeting was addressed by State Rep. Tom Jackson, who said that "nobody is safe if they can violate the rights of the President," and called on Clinton to bring in LaRouche to advise him. In Montgomery, State Rep. Andrew Hayden, himself under indictment by corrupt Justice Department officials, defended President Clinton and praised the Schiller Institute for its work in this crisis.

An extraordinary town hall meeting took place in Salt Lake City, Utah on Sept. 30, where the Schiller Institute's presence has grown through its representatives' regular appearance on the radio talk show of "Doc" Stockwell. One hundred people, most of them at their first Schiller Institute meeting, heard Stockwell himself report on the soul-searching he had to do in response to the LaRouche organization's campaign to defend the President: "I had to ask myself, 'Is it possible to say you are defending the President without defending the President's alleged acts in the Lewinsky affair?' It has taken me a while to come to terms with this, but I have. I support this President in his fight to create a new monetary system in the face of the global catastrophe now occurring."

Seventy people attended a town hall meeting in Maryland, at the Baltimore Baptist Ministers Missionary Building on Oct. 1. LaRouche spokeswoman Debra Freeman was joined at the podium by former Maryland State Senator Clarence Mitchell III and Amelia Boynton Robinson. Mitchell opened his remarks, in his booming bass voice, by quoting Frederick Douglass: "We have no permanent friends, no permanent enemies, only permanent interests." "We have the same enemies," he said, "who come in different forms, with different faces. Look at Martin Luther King, Malcolm, LaRouche, and hundreds of leaders sent to jail because they sought freedom. Now they are going after the President." He concluded by "sounding the alarm," urging people to organize for the Oct. 17 rally. "Call your cousins in Carolina, in New York, in Pennsylvania, in Chicago; you know how to do it."

Meetings in New Orleans, Wilmington, Los Angeles, Chicago, and numerous other cities drew similar participation and commitments to organize. The Oct. 1 meeting in New Orleans, a city recently devastated by a hurricane, was held at the Letter Carriers hall and addressed by the leaders of New Orleans' religious and trade union communities.

Documentation

Here are excerpts from a statement, entitled "To People of Goodwill in the United States and Around the World," released by the Hon. Walter E. Fauntroy, president of the National Black Leadership Roundtable, on Oct. 6. NBLR vice president is Dr. Dorothy Height, and its secretary is former U.S. Representative, Hon. Mervyn Dymally.

The United States of America has been plunged into a Constitutional crisis through the work of a corrupt prosecution aimed at America's Presidency. For a decade, and especially since the 1960s, a corrupt faction of "law enforcement" has consciously extended its power, and now acts as a bludgeon, used by powerful financial interests against people, groups, and institutions of which they disapprove.

Civil rights activists, elected officials, whole ethnic groups, scientists, and political dissidents of all persuasions have suffered under this tyranny. We must now join together as a nation and remove these "principalities and powers," these treasonous forces, from their seats of control. President Bill Clinton and his Presidency may be the only thing that stands between the people of the United States, and economic ruin for all of us. In my view, he must act as Franklin Roosevelt did to free America and the world from the grip of the "economic royalists" that have not only mortgaged the country, but now seek to decapitate its Presidency as well. He must establish a New Bretton Woods system. I have in mind a new Bretton Woods like that suggested by economist Lyndon H. LaRouche, Jr.; one that imposes controls on speculation, institutes emergency measures for financial recovery, and employs American workers to rebuild our decaying urban infrastructure, at the same time that we establish an economic community of principle, consistent with Roosevelt's "Good Neighbor" policy.

The Office of Independent Council (OIC) Kenneth Starr is acting as the enforcer for Richard Mellon Scaife, Newt Gingrich, and a faction of the Congress that is attempting to do a very unfair and unjust thing to our President; they want to impeach him. Our beloved Martin Luther King, Jr. said, "Injustice anywhere is a threat to justice everywhere." If the savage injustice being done our President by these forces is not stopped, what hope is there that the average citizen will have any better chance of securing justice when it comes our turn!

I urge you, therefore, to join me in several activities. . . . I urge you to sign one of the petitions being circulated, beginning Sunday, Oct. 11, 1998 by the heads of eight of our historically black church denominations in their collective 65,000 churches in America. The petition calls upon the Congress *not* to impeach the President, and upon President Clinton to finish both the agenda and the term of office for which the American people elected him. . . .

Starr's quest to seize the Paula Jones case

by Edward Spannaus

After spending the first nine months of the year serving as Kenneth Starr's "lapdogs," some of the leading establishment news media are now raising some very pointed questions about the process by which Starr inserted himself into the Paula Jones case in January of this year.

Accounts in the *New York Times*, the *Washington Post*, *Newsday*, and the *Los Angeles Times* have all reported about the channel through which Linda Tripp got tracked into Starr's office, and all have suggested that Starr misrepresented the facts when he first went to the Justice Department on Jan. 15 seeking permission to expand his investigation to include possible perjury and obstruction of justice by President Clinton in the Jones case.

In fact, there is no mystery as to how Starr got into Paula Jones's suit: He was involved in it *before* he even became independent counsel. And although he had to prematurely withdraw from it when he got the Whitewater appointment in August 1994, Starr no doubt regarded Whitewater as a distraction from the really good stuff, and he took steps to position himself to take over the Jones case as soon as the opportunity presented itself.

Starr's pre-history

When Starr was picked to replace the previous Whitewater independent counsel, Robert Fiske, President Clinton's lawyer for the Paula Jones lawsuit, Robert Bennett, immediately demanded that Starr should bow out because of his prior involvement in the Paula Jones case. Bennett pointed to Starr's public opposition to Clinton's Presidential immunity argument, and to news reports that Starr had planned to file a friend-of-the-court brief opposing Clinton.

"I think Starr should decline it," Bennett said. "I think there is a real appearance of unfairness. If Starr found anything wrong, I don't think anybody could have any confidence in that."

Starr's 1994 contacts with the Jones lawyers were the lead story on National Public Radio on Oct. 14; NPR reported that Starr had consulted with Jones's lawyers at least half a dozen times, before becoming independent counsel. In a discussion with *EIR* the previous day, Gilbert Davis, one of Jones's lawyers from 1994 to 1997, had acknowledged that he had discussions with Starr in 1994. "I'd talked to Ken Starr—it's not a secret—when the immunity question first

came up, and before his appointment as special counsel,” Davis said, explaining that Starr “was a constitutional scholar, a Solicitor General, a former judge on the Court of Appeals, and he’d been out there on a lot of the talk shows taking the same position,” on the question of whether a sitting President should be immune from a civil suit.

Last March, *EIR* reported that Starr’s friend and former law partner Theodore Olson was the link between Paula Jones’s attorneys and independent counsel Starr, and that Olson and former judge Robert Bork had played judges in a “moot court” practice session with Jones’s lawyers before Jones’s lawyers argued the *Jones v. Clinton* case in front of the U.S. Supreme Court.

When *EIR* asked Davis about Olson and Bork, Davis acknowledged: “They worked with me and helped prep me for oral argument in the Supreme Court.” Davis said that he went through several sessions with Olson, Bork, and other lawyers. “I was very grateful for their counsel and wisdom on some of the issues, and how to present them, and the like,” he said.

Olson’s involvement also predates Starr’s appointment as independent counsel. Already in late 1993, Olson was a key operative for the dirt-digging “Arkansas Project,” run with Richard Mellon Scaife money through the American Spectator Education Foundation—for which Olson was counsel. By the end of 1993, Olson was already also a lawyer representing David Hale, a former municipal judge and con-man, who became Starr’s key “Whitewater” witness against Clinton and Susan and James McDougal.

It was the Scaife-Olson nexus which also produced the “Troopergate” article in the *American Spectator* magazine; the “Paula” named in that article emerged publicly a few months later as the plaintiff in the Paula Jones case. Jones was convinced to file the suit by the London *Sunday Telegraph*’s Ambrose Evans-Pritchard—a close collaborator of the *American Spectator* crowd.

It didn’t start with Monica

One can just imagine poor Ken Starr, stuck with boring testimony about real estate and bank loans, while Paula Jones’s lawyers were having all the fun, scouring the country for women who would regale them with real or contrived tales about sexual encounters with Bill Clinton. Suffering from a bad case of subpoena envy, Starr started deploying his own agents to dig into the President’s sex life, beginning shortly after the 1996 elections.

On June 25, 1997, the *Washington Post* ran a front-page story headlined “Starr Probes Clinton Personal Life,” reporting that FBI agents and prosecutors from Starr’s office were questioning Arkansas state troopers and others about possible extramarital affairs Clinton may have had. The *Post* story said that Starr’s investigators asked about 12 to 15 women by name, including Paula Jones. “In the past, I thought they were trying to get to the bottom of Whitewater,” trooper Roger Perry told the *Post*. “This last time, I was left with the impres-

sion that they wanted to show he was a womanizer. . . . All they wanted to talk about was women.”

“They asked me all about Paula Jones, all kinds of questions about Paula Jones, whether I saw Clinton and Paula together and how many times,” Perry said.

“They asked me if I had ever seen Bill Clinton perform a sexual act,” Perry said. “The answer is no.”

Following up the *Post* article, Reuters reported that, beginning in November 1996, Starr had the FBI interview every trooper from the Governor’s security detail, asking about women with whom Clinton had allegedly had affairs.

The Lewinsky pretext

But, by late last year, Starr was hearing about another pretext which he might have to get into the Jones case, one which would enable him to assert jurisdiction and set a trap for the President. Working parallel to Starr was an old intelligence hand who had cut her teeth on political dirty tricks during the 1972 Nixon campaign: Lucianne Goldberg. In a career path which tracked that of Starr’s patron Scaife, Goldberg had got her start working for a joint CIA/British intelligence propaganda front, the North American Newspaper Alliance. Scaife got his training by heading another CIA/British propaganda front in the early 1970s, known as Forum World Features, headquartered in London.

Recent media accounts have described how Goldberg created a “back channel” to Starr’s office through a circle of lawyers who are all members of the so-called Federalist Society—an organization in which Starr and Olson have played prominent roles.

According to an account in the Oct. 4 *New York Times*, Goldberg used Philadelphia lawyer Jerome Marcus as a “cut-out” to another lawyer in the group, Richard W. Porter, a law partner of Starr’s in the Chicago law firm of Kirkland & Ellis; according to Goldberg, this was done in order to hide Porter’s involvement. Porter then contacted Starr’s office. Subsequent accounts have reported that another lawyer in Starr’s office, Paul Rosenzweig, was also given an early tip-off by Marcus.

Goldberg later told the FBI that she herself had called Bennett, prior to Tripp’s call on Jan. 12.

Even more revealing is the report in the Oct. 11 *Washington Post* to the effect that, already in December 1997, Olson had been told about Tripp’s involvement with Lewinsky, and was asked if he would represent Tripp. The effort to bring in Olson was orchestrated by Goldberg.

It is utterly inconceivable that Olson could have been aware of the Lewinsky story without immediately passing that information on to Starr—which further undermines Starr’s assertion that his office did not learn about Tripp and Lewinsky until January.

With the formal approach of Tripp to his office on Jan. 12, and with President Clinton’s deposition in the Paula Jones case scheduled for just five days later, Starr now had what he had yearned for all along.

CIA Inspector General confirms Bush-North ties to cocaine Contras

by Jeffrey Steinberg

The long-awaited declassified report of the Central Intelligence Agency's Inspector General, "Allegations of Connections Between CIA and the Contras in Cocaine Trafficking to the United States, Volume II: The Contra Story," provides a devastating roadmap of Contra links to major Colombian drug-trafficking organizations. It thoroughly vindicates *EIR*'s September 1996 *Special Report*, "Would a President Bob Dole Prosecute Drug Super-Kingpin George Bush?" That report charged George Bush, Oliver North, Richard Secord et al. with racketeering conspiracy, for their role in fostering the 1980s cocaine epidemic on America's streets.

The CIA study is not a comprehensive exposé of cocaine trafficking by the Contras and their backers. But, in tackling even the limited mandate, to review evidence in the CIA's files, the Inspector General corroborated the essential thesis of the *EIR Special Report*: That George Bush and Oliver North oversaw a guns-for-drugs pipeline between Ibero-America and the United States to finance the Contra war in Central America.

If there was ever a case of "high crimes and misdemeanors" committed by a serving Vice President and President, it was the cocaine Contra program, run by George Bush under Executive Order 12333 and National Security Decision Directives 2 and 3, which placed Bush in charge of all Reagan administration covert operations in Central America and around the globe.

Top to bottom

The Inspector General's report establishes that every component of the Contra program was penetrated and heavily contaminated by the cocaine cartels.

- The Democratic Revolutionary Alliance (ARDE) operated on the "southern front" out of bases in Costa Rica. The CIA received credible evidence that five leading officials of ARDE were "engaged in a drug-trafficking conspiracy with a known narcotics trafficker, Jorge Morales." Although the allegations prompted the CIA to cut off official contact with ARDE in October 1984, the IG found that four of the five ARDE traffickers remained in working contact with the CIA through 1987. The CIA received credible information that 16

other individuals, involved in support activities for ARDE, were linked to drug cartels.

- The 15th of September Legion was the military arm of the Nicaraguan Revolutionary Democratic Alliance (ADREN), one of the first of the "Contra" organizations, founded by Enrique Bermúdez in 1980. ADREN merged into the Nicaraguan Democratic Force (FDN) in September 1981. At the time, according to CIA records, ADREN "decided to engage in drug trafficking to the United States to raise funds for its activities." The 15th of September Legion eventually split off as a separate military operation, which, according to CIA field reports, continued to be financed by drug trafficking into the United States, kidnapping, extortion, and robbery.

- The FDN remained the principal Contra organization operating on the "northern front," out of bases in Honduras. According to the IG, the CIA received information and/or allegations that nine Contra figures in the northern front operations were linked to drug trafficking. An additional five people were identified in CIA reports as drug linked, who were involved in northern front support operations.

- The Ilopango Air Base in El Salvador was a major supply center for Contra units backed by the CIA, and by what the IG report referred to as the "Private Benefactor Program," the White House-based covert support operation, linked to Oliver North, Vice President George Bush, and Bush-man Felix Rodriguez (a.k.a. Max Gomez). According to the IG, the CIA received information in 1985, 1986, and 1989 that drug traffickers were using Hangars 4 and 5 at the base. These hangars were staging areas, supply depots, and parking areas for the Contra supply programs of both the CIA and the Private Benefactors Program.

- The CIA received information that 14 pilots involved in supply runs for the Contras were linked to drug trafficking; and, three companies "that were used to support Contra activities from 1984 until at least 1988," were also tied to Colombian narcotics-trafficking organizations.

The southern front Contras

The bulk of the IG report consists of a series of incident reports, identifying the cocaine and marijuana trafficking alle-

gations against the Contra operatives and supporters.

In the case of the southern front Contras, headed by Eden Pastora, the CIA received information in October 1984 that “senior ARDE officials, including several of Pastora’s close associates—Adolfo Chamorro, Carol Prado, and Gerardo Durán—had established a working relationship with a Miami-based drug trafficker. . . . Adolfo Chamorro—Pastora’s second-in-command—had just consummated a ‘mutual assistance agreement’ with a Miami-based narcotics trafficker. . . . The trafficker ‘promised to pay ARDE \$200,000 per month once the narcotics operations were under way.’ ”

A follow-up cable to CIA headquarters, also dated October 1984, identified the Miami-based trafficker as Jorge Morales. Gerardo Durán was identified as one of the ARDE pilots, who was also on the payroll of Morales.

By November 1984, the CIA had established that ARDE head Eden Pastora had travelled to Miami, along with Adolfo Chamorro and Roberto Chamorro, to meet with Morales and to further the ties between ARDE and Morales’s drug-trafficking organization. An October 1982 CIA cable to headquarters had already taken note of a meeting in Costa Rica involving Contra leaders, including Pastora, to discuss gun-for-drugs trafficking between the United States and Central America.

Reports of Pastora’s links to Colombian drug-cartel figures continued to arrive at CIA headquarters during 1985-87. An April 1985 cable reported that Alpa Airlines, a private charter company, was smuggling cocaine into the United States, hidden in yucca shipments. One of the owners of Alpa was Gerardo Durán.

During 1985-87, César Rodríguez, a Colombian drug trafficker, was identified as a source of funds to the ARDE. On July 31, 1987, Alan Fiers, the chief of the CIA’s Central American Task Force (CATF), testified to the Senate Select Committee on Intelligence. He told the Senators, “We have a significant body of evidence with regard to involvement of the former members of ARDE in the Southern Front—Pastora’s people being directly involved in cocaine trafficking to the United States.”

The CIA file on ARDE identified Adolfo Chamorro as the point-man for the dealings with Morales. According to the IG report, “Adolfo Chamorro had been instrumental in making the arrangement for drug trafficker Jorge Morales to supply monetary support and aircraft in exchange for the use of FRS pilots. Chamorro reportedly set up a bank account in Miami through which money from Morales could be transferred to FRS/ARDE.”

Another ARDE official identified in the IG report as linked to Colombian drug cartels was Mario Antonio Aguado, a former Sandinista pilot who defected to the Contras and became Pastora’s personal pilot until he was transferred to Ilopango Air Base, along with 15 other ARDE pilots. Enrique Miranda Jaime, a convicted drug trafficker, identified Aguado

as an associate of Norwin Meneses, a major California-based cocaine trafficker whose bankrolling of the Contras was the subject of a *San Jose Mercury News* serial exposé in August 1996. According to the IG report, Miranda claimed that “Aguado flew weapons to Medellín, Colombia, during the 1980s and returned with cocaine that he stored at Ilopango.” Although the IG report states that the CIA was unable to corroborate the charges, it does note that, in briefings to Congress, Fiers named Aguado as a member of the cocaine-trafficking team inside ARDE.

Octavio César was another leading ARDE official identified in the CIA report as an associate of Cuban-American cocaine trafficker Jorge Morales. In April 1987, César was interviewed by the CIA Office of Security concerning his ties to Morales and Marcos Aguado. Following the interview, on May 4, 1987, Alan Fiers informed Assistant Secretary of State Elliott Abrams that the CIA was convinced that César was tied to narcotics trafficking. Abrams was, at the time, a member of the Restricted Inter-Agency Group (RIG) in charge of Central America, along with Oliver North.

Another important drug link to ARDE was described by the IG report as centering around René Corvo, a Cuban-American veteran of the Bay of Pigs, who created a small paramilitary group of Cubans and Nicaraguans to work with Pastora’s ARDE on the southern front.

A December 1984 cable to CIA headquarters was described by the IG: “René Corvo’s unit was supported by Frank Castro and Corvo might be involved in drug trafficking by Castro. According to a December 1984 cable to Headquarters, Frank Castro reportedly was installing, or attempting to install, a cocaine-processing laboratory in northern Costa Rica and was exploiting widespread paramilitary activities in northernmost Costa Rica as a cover for drug trafficking. Reportedly Frank Castro sent his middleman to Costa Rica to purchase a ranch with a landing strip. Corvo was reportedly involved with Frank Castro and his middleman in this operation, and Corvo had traveled to Colombia shortly after returning to Costa Rica from Miami in November 1984, with the implication that the travel may have been drug-related. Further, Cuban-Americans supporting the Contra movement resented the alleged use of military activities as a cover for drug trafficking and feared that discovery and public exposure of the alleged drug trafficking would discredit Cuban-Americans and the insurgency in general.”

The IG report noted that in August 1985, CIA headquarters was informed that a clandestine landing strip in Guanacaste Province was being investigated by Costa Rican Narcotics Division, and that the ranch was linked to two ARDE officials, Fernando Chamorro and José Robelo Ortiz, both of whom were associates of Corvo.

ARDE pilot Carlos Alberto Amador was also identified as a regular trafficker of cocaine, using Ilopango Air Base Hangar 4. In April 1986, the CIA received this information

from the Drug Enforcement Administration; it noted: “DEA source stated that Amador was probably picking up cocaine in San Salvador to fly to Grand Cayman and then to south Florida.”

A CIA officer, who apparently was on the ground at Ilopango, responded defensively to the DEA allegations against Amador in his own April 1986 cable, which asserted that “the only thing Amador . . . transported during these flights [from Ilopango in late 1984] was military supplies. [It has been] reported that Amador did fly into Ilopango several times during 1985 in light twin engine aircraft on trips from [the U.S.] to either Costa Rica or Panama. [There were suspicions that] . . . Amador was involved with narcotics.” Nevertheless, the cable from the unnamed CIA officer stated that he “would appreciate Station advising [DEA] not to make inquiries to anyone re Hangar no. 4 at Ilopango since only legitimate . . . support operations were conducted from this facility.”

Good golly, it’s Ollie

When the CIA officer in question was interviewed by investigators from the IG office, he acknowledged that “another entity conducted operations from Hangar 4. He says he is not certain about the nature or affiliation of that entity, but surmises it may have been associated either with Oliver North, the Private Benefactors, or the Nicaraguan Humanitarian Assistance Office (NHAO).”

In fact, as the final report of Independent Counsel Lawrence Walsh indicated, the NHAO program and the Private Benefactors operation were “virtually indistinguishable.” The CIA’s Fiers referred to the North-Secord air crews as “NHAO by day, private benefactors by night.” This meant, Walsh says, that “a U.S. government program unwittingly provided cover to a private covert operation.”

While the on-the-ground CIA man was clearly scrambling to cover for the North operations at Ilopango, CIA headquarters had a more ominous comment on Amador in a June 1986 memo, which reads, in part, “In April 1986, Amador, described as a former ARDE member, flew a Cessna 402 from Costa Rica to San Salvador where Amador has access to Hangar no. 4. It is believed that Amador was picking up cocaine in San Salvador to fly to Grand Cayman and then to south Florida. Amador has a valid Salvadoran government I.D. that allows Amador to operate freely in that country.”

Moises Nuñez was another ARDE affiliate suspected by the CIA of drug trafficking. A Cuban-American, Nuñez was a part owner and/or senior manager of a number of companies employed by the State Department-housed, but North-run NHAO. The companies, including Productos Del Atlantico, Ocean Hunter/Mr. Shrimp, and Frigorificos De Puntarenas, were the subject of investigation by the Senate Foreign Relations subcommittee chaired by John Kerry (D-Mass.), which published detailed evidence of Contra cocaine links in a 1989 public report.

According to the IG report, “On March 25, 1987, CIA questioned Nuñez about narcotics trafficking allegations against him. Nuñez revealed that since 1985, he had engaged in a clandestine relationship with the National Security Council (NSC). Nuñez refused to elaborate on the nature of these actions, but indicated it was difficult to answer questions relating to his involvement in narcotics trafficking because of the specific tasks he had performed at the direction of the NSC. Nuñez refused to identify the NSC officials with whom he had been involved.”

Later, in response to written questions from the Office of Independent Counsel Lawrence Walsh about Nuñez, CATF Chief Fiers wrote, “My recollection is that because of the NSC connection and the possibility that this could be somehow connected to the Private Benefactor program (otherwise known as the Iran-Contra affair) a decision was made not to pursue this matter, but rather to turn it over to Judge Walsh.” Judge Walsh’s mandate did not include any investigation of Contra cocaine-trafficking.

EO 12333 and the Contra drug-running cover-up

by Edward Spannaus

Executive Order 12333, entitled “United States Intelligence Activities,” and signed by President Reagan on Dec. 4, 1981, has been characterized by Lyndon LaRouche and *EIR* as the charter of the “secret government” established by Vice President George Bush in the early years of the Reagan-Bush administration.

EO 12333 designated the National Security Council as “the highest Executive Branch entity” for review, guidance, and direction of *all* foreign intelligence, counterintelligence, and covert operations — effectively putting the NSC in charge of the CIA, military intelligence, and special operations. And, for the first time, it permitted covert operations to be assigned to the NSC staff. It also permitted U.S. intelligence agencies to enter into secret contracts for services with “private companies or institutions” — thus paving the way for the privatization of intelligence operations.

Under other National Security Decision Directives and Executive Orders, George Bush gradually took control of the “crisis management” structure and counter-terrorism programs, so that within a few years, he had effective control over all intelligence and covert operations of the U.S. government, whether run through “official” or private channels.

Now, yet another element of the damage wrought by

EO 12333 has come to the surface, flushed out by the CIA Inspector General's report on the Contras and drug trafficking.

The 12333 loophole

Under the Executive Orders governing intelligence activities in existence prior to 1981, the CIA was required to report to the Justice Department possible violations of "any" Federal laws, including narcotics laws, by CIA employees or by non-employees who were contract agents or persons "acting for" or on behalf of the Agency.

EO 12333 contained a couple of subtle changes, which in fact created a loophole big enough to fly a C-123 through.

The previous order, number 12036 (signed January 1978), and 12333 both required senior officials of intelligence agencies to report evidence of possible violations of Federal laws by agency employees to the Attorney General. As to non-employees, officials were required to report possible violations of "specified" Federal laws. Under 12036, the specification was made by the Attorney General; under 12333, the specification was by "procedures agreed upon by the Attorney General and the head of the department or agency involved." That was the first aperture.

Second, 12333 added a clause specifying that the reporting was to be done "in a manner consistent with the protection of intelligence sources and methods, as specified in these procedures."

None of this was accidental. EO 12333 was the product of a series of seminars and discussions financed by Richard Mellon Scaife during 1979-81; the purpose of drafting a new executive order to replace one only three years old, was to "unleash" the intelligence agencies from the strictures of the post-Watergate period.¹

The 1982 Smith-Casey memorandum

The implementation of the pertinent section of EO 12333 thus required the drafting of a new Memorandum of Understanding (MOU), to replace the previous Attorney General's guidelines which had been promulgated in August 1979.

According to the recent CIA Inspector General's report, the new MOU was signed on Feb. 11, 1982 by Attorney General William French Smith, and then on March 2, 1982 by Director of Central Intelligence (DCI) William Casey. That MOU narrowed the definition of "employee" for crime-reporting purposes, so that persons "acting for" the Agency became regarded as "non-employees" for this purpose. As had been the case with the 1979 Attorney General guidelines, narcotics violations were not among the lists of crimes reportable for non-employees, a category which was now expanded.

1. For background on the drafting of EO 12333, see "Who Is Richard Mellon Scaife?" Part 2, *EIR*, April 4, 1997.

But, that wasn't all. At the same time that Attorney General Smith signed the MOU, he sent a letter to DCI Casey which noted that "a question arose regarding the need to add narcotics violations to the list of reportable *non-employee* crimes. . . ." After some legal analysis, the Smith letter stated explicitly that "no formal requirement regarding the reporting of narcotics violations has been included in these procedures."

The IG's report goes through in detail the legal provisions cited in the Smith letter, and concludes that the provisions cited "do not create a requirement to report narcotics violations to the Attorney General."

This is not some obscure citation in the IG's report. Many pages are devoted to analyzing this provision, including asking whether it was a mere oversight, or was deliberate, and to what extent did CIA officers regard themselves as obligated to report possible violations of narcotics laws.

Interviews with some of those involved with the 1982 MOU indicate that the omission was deliberate. Bernard Makowka, an attorney in the CIA's Office of General Counsel from 1975 to 1989, stated, according to the IG report, that "CIA did not want to be involved in law enforcement issues while DOJ [Department of Justice] did not want 'tainted' leads from CIA which could not be used in prosecutions because of national security concerns." Makowka also stated that "DOJ questioned everything in the EO 12333 procedures," and assumed "that DOJ carefully reviewed the MOU as well."

Justice Department obstruction

A number of CIA and DOJ officials who were involved at the time, point to the involvement of Mark Richard, a top career official in the DOJ Criminal Division. Richard has been identified to *EIR* by a DOJ spokesman as the principal liaison between the Justice Department and the intelligence agencies.² When asked about this during the preparation of the IG report, Richard acknowledged that "he probably had some input into the MOU," but he stated that he thinks it was negotiated by Rick Cinquegrana, then a deputy in the DOJ Office of Intelligence Policy and Review. Cinquegrana, on the other hand, says unequivocally that Richard did participate in discussions regarding the MOU. (Cinquegrana went on to become a Deputy IG at CIA, and played a prominent role in preparing Volume I of the IG report.)

The IG report states that Richard "was unable . . . to explain why narcotics violations were not on the list of reportable crimes except that the MOU had 'other deficiencies, not just drugs.'"

2. In 1986, Mark Richard was awarded the "Central Intelligence Award for the Protection of National Security During Criminal Prosecutions." See *EIR*, July 7, 1995, p. 73 for an article describing how Richard earned this award.

In 1985, Cinquegrana wrote a memo to Richard bringing to Richard's attention that "alleged violations of Title 21 [narcotics violations] by *non-employees* are not covered by the procedures to be reported." No response by Richard is reported in the IG report.

In January 1988, this deficiency in the procedures was again brought to the attention of the DOJ Criminal Division, in a letter from the CIA General Counsel to William F. Weld, then the Assistant Attorney General in charge of the Criminal Division. The CIA letter noted that a possible violation of narcotics laws by Contra leader Adolfo Chamorro "is not required to be reported under the Attorney-General approved guidelines." Says the IG report: "No information has been found to indicate the DOJ responded to this statement by the General Counsel."

This is not the first time that Mark Richard's name has come up in connection with non-action regarding allegations of drug-trafficking by the Contras. The 1988 Senate Foreign Relations Committee's "Kerry Report" contained a lengthy appendix on interference with the committee's investigation of Contra-related drug trafficking, most of which pertained to the Justice Department's Criminal Division.

Richard's name was frequently mentioned in connection with obstruction of the Senate investigation, as was that of William Weld.³ A Federal prosecutor in Miami submitted a sworn statement to the Kerry committee saying that he had been told that Justice Department officials met in 1986 to discuss how "to undermine" Senator Kerry's efforts to hold hearings regarding the narcotics allegations. Richard was also implicated in the leaking of confidential documents to Republican Senators in an effort to discredit the Kerry investigation.⁴

12333 in action

During the preparation of the IG report, many CIA officials and officers were interviewed; those officers who had been in the field in Central America in the 1980s were generally aware that there was no reporting requirement, and many stated that gathering information relating to drug-trafficking was not a priority, and that there was no time to pursue such leads or information due to the press of other business. Overall, the IG report makes it clear that the Agency's Operations Directorate put a low priority on collecting intelligence concerning the Contras alleged involve-

ment in narcotics trafficking, and as a result, there were very few reports made.

It is clear from the pattern of responses that, from 1987 on, there was much more emphasis on avoiding dealing with individuals suspected of drug-trafficking — which is, of course, *after* allegations of Contra drug-trafficking became public, and the Congressional investigations had begun.

The IG report acknowledges numerous instances in which CIA officers were aware of drug-trafficking allegations involving individuals working with the Contra supply program. Most of these appear to involve the 1984-86 period, when the Contra-support program was being run out of the NSC under the direction of Vice President Bush. Many involved individuals working for the "Private Benefactors" program, the official name for the "Enterprise" run by Oliver North and Richard Secord to by-pass Congressional restrictions on CIA and Defense Department involvement.

All told, the IG report cites over 50 instances where information was received regarding individuals involved in the Contra program, and who were alleged to be engaged in drug-trafficking; there are three instance of companies contracted to the Contra-support program. (This information is obviously incomplete, since it is based on records and recollections from an agency where both are often in short supply when dealing with covert operations.)

As to reporting of information, the IG reports states that in many instances the CIA did not inform Congress of allegations regarding Contra-related individuals when providing briefings to Congress in which such information was requested.

As to law enforcement agencies, the IG report cites only two definite cases of referrals to the Justice Department. It cites 25 other instances in which information "was shared in a variety of ways with Executive branch agencies," and 11 instances when no information at all was provided to any Executive branch agency.

The CIA official responsible for making crime reports to the DOJ in the early 1980s said that he often did report violations by non-employees, but, he added, "reporting of a matter really made no difference because DOJ never acted on the information."

One, very telling incident recounted in the IG report is related by an analyst who recalled that in October-December 1984, there were only three reports on alleged drug-trafficking, relating to Eden Pastora, and that these received very limited dissemination within the CIA, and they did not even go to the analysts responsible for counternarcotics analysis. However, in April 1986, the reports were given to the analyst by Alan Fiers, who requested that she draft a memorandum for Vice President Bush. The memorandum was entitled "Contra Involvement in Drug Trafficking."

"CIA disseminated this memorandum only to the Vice President," the IG report declares, and adds, "there was no follow-up."

3. In the model indictment drafted by *EIR* showing how George Bush, Donald Gregg, Felix Rodriguez, Oliver North, and others could be prosecuted on drug-conspiracy and racketeering charges, Count V of the indictment, "Conspiracy to Obstruct Congress," named William Weld as a co-conspirator for his efforts to prevent the Kerry Committee "from obtaining access to records and witnesses." See "Would a President Bob Dole Prosecute Drug Super-Kingpin George Bush?" *EIR Special Report*, September 1996.

4. See *EIR*, June 30, 1995, p. 10.

National News

Judge denies habeas to LaRouche associates

U.S. District Court Judge Jackson Kiser of Roanoke, Virginia dismissed the Federal *habeas corpus* petitions for LaRouche associates Anita and Paul Gallagher and Larry Hecht on Oct. 8, who are serving 39, 34, and 33 years on phony charges of violating Virginia's securities laws. (The Virginia judicial persecution of LaRouche and his associates was documented in *EIR*, on Oct. 16.) In dismissing the *habeas* on mostly procedural grounds, Kiser ignored the more than 100-page petitions, backed up by volumes of evidence proving that Gallagher, Gallagher, and Hecht, were totally innocent of the charges, and were the victims of a political frame-up. Kiser's ruling is so brash, that he didn't even wait for the Nov. 20 oral argument before dismissing the case.

The ruling, once again, demonstrates the fear on the part of the Federal and state judiciary in Virginia, of allowing a full hearing on the LaRouche cases. That hearing would show, what a growing number of citizens and statesmen around the world know: that the same enemies of humanity who are attempting a coup against the President were behind the railroad of LaRouche and his associates.

Kiser's ruling will now be appealed to the U.S. Fourth Circuit Court of Appeals.

Judge gives 'Chinagate' prosecutions black eye

Federal Judge Paul Friedman, who is presiding over the criminal prosecution of Yah Lin "Charlie" Trie, an Arkansas restaurateur and friend of President Clinton, ruled on Oct. 9 that the Justice Department had seriously misinterpreted the law regarding election campaign contributions by foreign nationals. The judge ruled that foreign citizens are only prohibited from making "hard money" contributions (which directly support individual candidates), but that foreigners are not barred from contributing "soft money" to parties or organizations (which is used for general purposes, not to elect

specific candidates).

Experts noted that this takes a major chunk out of the Justice Department's case against Trie, and that it will also affect the case against Thai businesswoman and Democratic Party fundraiser Pauline Kanchanalak.

The ruling "goes a long way to restoring sanity to this whole campaign finance investigation," said Trie's attorney Reid Weingarten. "I'm hopeful that the Justice Department will take this opportunity to reevaluate the prosecutions they've already brought."

The same judge had dismissed five of six charges brought against another Democratic fundraiser, Maria Hsia in September. In the instant ruling, Friedman said that Justice prosecutors had stretched the law in a way that "defies logic."

'Loudoun Loonies' fail to turn Dems vs. Clinton

The faction of the Loudoun County, Virginia Democratic Committee known as the "Loudoun Loonies" failed in its effort to squash a support resolution for President Clinton on Oct. 10. This faction has attempted to oust LaRouche Democrats because they are allegedly not "bona fide" Democrats, the argument used in 1996 by former Democratic National Committee Chairman Don Fowler against LaRouche's Presidential candidacy. That exclusion is the subject of an ongoing Federal suit by LaRouche and some of his 1996 Presidential campaign delegates. The irrationality of the Loudoun Loonies has embarrassed both the state and much of the local party.

At the Oct. 10 meeting, the Issues Committee, controlled by the Loudoun Loonies, had killed a resolution defending the President, and had no plans to mention their decision, until longtime Committee member Anne Curley demanded an explanation. Committee chair Don Tenney said they had decided that the resolution, "wouldn't help us win elections." A visibly angered Curley said that if this matter couldn't be considered, then "perhaps it was time not to be a member of this Committee anymore."

Loudoun party chairman Dave "Whitless" Whitmer told Curley that she could make a request of the whole Committee for

action. Ann Robinson made a motion calling for Congress to treat the issue of impeachment with "fairness," "dignity," and "and impartiality," and to act "expeditiously"; the motion was amended to add that Loudoun Democrats did not believe that any of the charges against the President rise to impeachable offenses. The resolution was passed overwhelmingly.

Earlier, "Whitless" Whitmer and Vice Chair Til Bennie frantically pulled literature distributed by the LaRouche Democrats from people's hands and tore it up, claiming that they had made a rule that political literature couldn't be distributed to committee members.

Glenn's Shuttle flight sparks national optimism

Sen. John Glenn (D-Oh.) and the nation, are gearing up for the Oct. 29 launch of the Space Shuttle flight on which he will be a crew member, and, at 77, the oldest person to fly in space. At an Oct. 8 press conference at Cape Canaveral, Glenn chastised the press for covering the "personal aspects" of the mission, and ignoring the science: There are 83 experiments scheduled for the nine-day mission, some of which relate to the parallels between the processes of aging and adaptation of microgravity, in which Glenn will be a key subject.

At the Kansas Cosmodrome in Hutchinson, senior citizens are taking Space Shuttle training and participating in mission simulations. The American Federation for Aging Research is airing TV spots, featuring Glenn, who discusses the importance of space research to help keep seniors healthy and productive.

On Oct. 8, the *Washington Post* "Style" section reports that media carping "got drowned out," and describes Glenn, the first American to orbit the Earth in 1962, as an "authentic, untarnished hero." The effect of his going back into space has been a kind of "reverse Rip van Winkle," the *Post* says, since "it is as if his astonishing return to space had reawakened a whole segment of society." *Life* magazine features Glenn in Shuttle training photos taken by an 80-year-old photographer who had covered Glenn in 1962.

Kissinger spills some beans

Former Secretary of State Henry Kissinger, the British Crown agent of influence who has played a crucial role in corrupting and destroying the United States over the last 30-40 years, this week spilled some beans on his masters' view of the impeachment of President Clinton. In a column published in the Oct. 19 issue of *Newsweek* magazine and the Oct. 15 issue of the London *Daily Telegraph*, Sir Henry put forward a scenario as to how the *permanent bureaucracy* in foreign policy can take charge while President Clinton is undergoing impeachment proceedings.

Kissinger, who is on the board of the Hollinger Corp., the Canadian press conglomerate (including the *Telegraph*) which spearheaded the media assassination campaign against Clinton, begins with lies, as usual. He purports to compare Watergate with Clintongate. But his description of Watergate whitewashes his own role in orchestrating Nixon's political demise, summarizing his filthy behavior with the statement that he "did his best to fill the vacuum."

The reality of the Watergate episode was that it also represented a coup d'état against the Presidency, in which Kissinger was one of the "inside" operatives. It was during the Watergate scandal that Kissinger was able to gain a free hand to implement atrocities such as the 1973 Mideast War, the National Security Study Memorandum 200, and other disastrous foreign policy decisions. A whole set of parliamentary-style measures were also introduced to curb the legitimate powers of the Presidency.

The assault on President Clinton represents a more decisive attack on the United States, to be sure. With the world financial system imploding, the British-dominated international financial oligarchy is desperately fighting for its life, and is thus determined to destroy the institutional power of the U.S. Presidency, and this President in particular, once and for all. The British do fear that Clinton might, under the press of crisis, listen to LaRouche, and act like FDR.

The U.S. political establishment has not been consolidated behind this view, however—despite the traitorous demands of the *New York Times* and the *Wash-*

ington Post. So, out is trotted Henry Kissinger.

Kissinger claims to be concerned about the fate of foreign policy in the United States, and his lying is particularly revealed in his claim that President Clinton has shown little interest in foreign policy. The Northern Ireland peace agreement, the new strategic partnership with China, and the President's commitment to Middle East peace are apparently not to the old windbag's liking.

And, in case President Clinton might move decisively with effective policies on the international financial breakdown, Kissinger and his bosses want to take foreign policy out of his hands!

So, Kissinger proposes to "insulate foreign policy" from what he calls "domestic controversies," by in effect establishing a British-style privy council to take over foreign policy. He puts two concrete proposals on the table:

1. Constitute an inner group of the National Security Council to "raise policymaking from the ad hoc to at least the medium- and, hopefully, the long-range." This, he said, would be comparable to the group which he, George Shultz, and Fed Chairman Arthur Burns formed "with Nixon's concurrence" during the Watergate crisis.

2. "Congress should constitute a group—probably from the leadership of both parties—to receive regular National Security Council briefings."

It doesn't take a genius to see that Kissinger's proposals are intended to institutionalize the power of the "foreign policy establishment." In implicit answer to those who argue, correctly, that this impeachment proceeding is an *unconstitutional* distraction from the President carrying out his mandated responsibilities, Kissinger is demanding that the unconstitutional impeachment go ahead, and that power effectively be taken out of the President's hands.

Kissinger, we hope, is finally discredited enough not to be listened to by responsible leaders. But, spread the word. The British oracle has spoken again—and those who echo him should be treated with the disdain they deserve.

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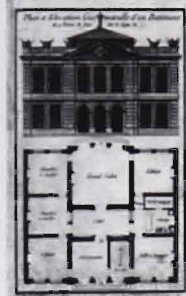
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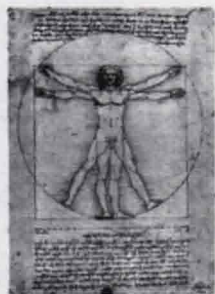
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