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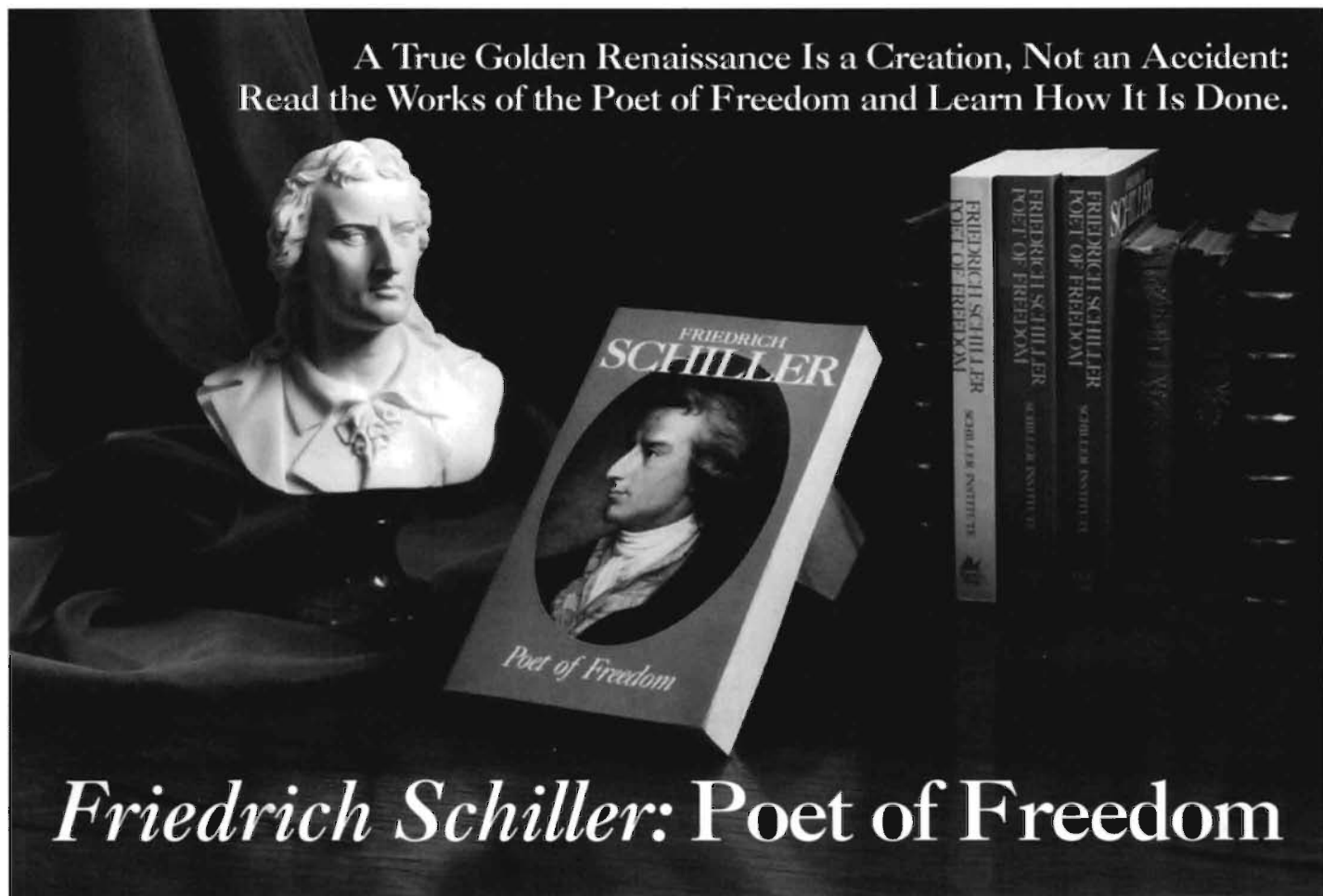
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Elections: President Clinton has no more excuses
Primakov insists on survival of Russia
APEC meeting poses an opportunity for Clinton

**LaRouche: Food, not
money, is the crisis**



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From the Managing Editor

The choice facing President Clinton remains: London, and disintegration of the global financial system; or China, and a chance to create a new system to restart world production. Russia, opting for the latter, has delivered another shock to the London-centered financial cartels: An incipient shift in policy, in which “the Primakov government insists on the survival of Russian statehood, regardless of what happens in its relations with international finance,” as Rachel Douglas reports (p. 4).

Lyndon LaRouche sums up the choice another way in our *Feature*, “Food, Not Money, Is the Crisis.” In this, his most current strategic policy guidance on the global collapse, he points out that, since the G-22 and IMF meetings in October, Clinton has retreated under pressure in dealing with the crisis. LaRouche revives his 1988 Food for Peace proposal, directed toward Russia, as the best means for the President to build the cooperation required for a new monetary system.

The U.S. mid-term elections are a victory for the FDR coalition of minorities and labor, and the LaRouche movement’s campaign to Save the Presidency (*National*). The victory gives the President an opportunity to change course, one that will be posed directly when he travels to Malaysia for the APEC meeting (p. 8). But, whether Clinton acts, is dependent on you. LaRouche outlines the moral quality needed for this period:

“All economic policy-shaping today, must begin with the recognition, that money, in the form it exists today, is becoming, rapidly, virtually worthless. . . . The thing most to be feared is the kind of greed-driven, ‘every man for himself’ anarchy, which can engender a Hobbesian sort of more or less homicidal chaos. . . .

“In that moment of crisis, you must say to your fellow-citizen: ‘You are not going to starve. You are not going to be thrown in the street. You are not going to lack necessary medical care, or any other necessary thing a decent life requires.’ . . .

“This is not a matter of simply me to you. We, your fellow-citizens, who own this government under the Preamble of our Federal Constitution, are not going to allow that to happen to you, and you must join us in assuring that it is not allowed to happen to anyone else.

“In the meantime, we have the ability to get back into the business of producing what our nation needs.”



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Demands are intensifying around the world, for President Clinton to tell the truth about the global financial crisis, and bring in Lyndon LaRouche to advise him on the necessary steps to avert an otherwise certain meltdown.

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The next 'Russia shock' hits global financiers

by Rachel Douglas

Russia's August 17 freeze on its domestic debt, which halted servicing and redemptions of the ruble-denominated state bonds known as GKO and OFZ, detonated the global derivatives bubble. Long Term Capital Management (LTCM) and other hedge funds that engage in multibillion-dollar arbitrage, betting on such things as the spreads between yields on the bonds of different countries, were caught way out at the end of a limb when GKO yields went to zero, a contingency not provided for in their computerized models. And Russia's step into the domain of "sovereign default"—even though the freeze on the domestic obligations and a 90-day moratorium on commercial foreign debt payments did not apply to the sovereign foreign debt of the Russian Federation—sent waves of panic through the debt and stock exchanges of other countries, victimized by international financiers as "emerging markets."

Three months later, Russia has shocked the London-centered financial cartels again. It is not merely a question of which debt payment due-dates might be missed or the continued threat of a broader Russian default, although those possibilities loom large. Indeed, First Deputy Prime Minister Yuri Maslyukov announced Nov. 4 that the nearly \$3.5 billion remaining Russian foreign debt payments, due this year, and \$17.5 billion due in 1999 were "an extraordinary task for our weakened economy. Either we adopt an emergency budget and take the harshest measures to wrest this money from all sectors of the economy, or we should come to terms with our creditors, reach an agreement with them that they will restructure our debt. We will be tackling the second task."

The bigger shock is a change in attitude, an incipient shift in policy. Like a handful of countries in Asia, or factions therein, the Primakov government insists on the survival of Russian statehood, regardless of what happens in its relations

with international finance. It does so with considerable awareness of the condition of international finances, which Maslyukov expressed after his week of negotiations with an International Monetary Fund (IMF) delegation at the end of October.

In 1996, when he was chairman of the State Duma's (lower House of Parliament) Committee on Economic Policy, Maslyukov more than once related his experience of meeting with an IMF delegation. "It was like Hawaiian Islanders, trying to converse with Eskimos," he would say. In October 1998, things were different. Maslyukov told *Nezavisimaya Gazeta*, in an interview published Oct. 31, that Russia and the IMF could understand each other now, because the IMF is in just as bad shape as Russia.

The International Monetary Fund representatives had admitted that the policies of recent years—not "isolated errors"—were the cause of today's grave state of affairs in Russia, Maslyukov reported. "Actually," he said, giving a flavor of the Primakov government's negotiating style, "Russia and the IMF are almost in an identical position: they pursued a common policy and now experience very similar financial problems. The similarity of their positions helps a certain similarity of views and a bigger mutual understanding than in former years, when relations often were based on the 'at your service, sir' principle."

The IMF mission departed Moscow without deciding on the release of funds pledged before August. Prime Minister Yevgeni Primakov told a press briefing on Nov. 5, "Everybody should firmly know this. It will be easier for us to plant our feet firmly on the ground if we get support. But even if we do not get any support, we will neither fall flat on our back, nor stand on our knees."

Maslyukov confirmed to *Nezavisimaya* that talks are under way with Japan and with Germany, on a bilateral, state-

to-state basis, “on credits for Russia. We are counting on a positive result.”

‘Nondeliverable forwards’

Tony Blair’s London is the venue for negotiations between the Russian government and a committee of Anglo-American banks, over the disposition of derivatives contracts written by Russian banks. The dispute, as yet unresolved, goes to the heart of global financial policy. The London committee is trying to make the Russians assume responsibility for making good the soured bets of the Western banks, in hopes of crisis-managing a perpetuation of the past decade’s lethal “free trade” and global deregulation regime. So far, Moscow will not.

The particular derivatives matter at issue is subsumed under the restructuring of Russian Federation GKO/OFZ bonds, frozen since Aug. 17. Some 30% of them (about \$20 billion before the devaluation of the ruble) were held by foreigners. Reported Russian offers have comprised the exchange of the defaulted or frozen bonds for new long-term bonds, some dollar-denominated, at somewhere between 11 and 30% of face value. The Western banks are reportedly demanding to maximize a partial payout in cash.

Foreign investors in GKO/OFZ speculation hedged against the devaluation of the ruble, by getting Russian banks to write forward contracts, to exchange rubles for dollars at a certain rate. The London committee of banks, meeting with Deputy Finance Minister Mikhail Kasyanov, is demanding separate Russian government talks on making good these derivatives gambles, while Moscow’s position is that the obligations must be packaged with the GKO workout—if they are to be honored at all.

Deutschebank Morgan Grenfell, Lehman Brothers, J.P. Morgan, Chase Manhattan, Crédit Lyonnais, and Crédit Suisse First Boston are Kasyanov’s negotiating partners in London—a group notorious for high levels of derivatives risk, not only in connection with operations in Russia. It is a committee of desperadoes, judging from their actions when the Russian currency forward contracts went bad. In September, Lehman Brothers got a court order in London to seize the London accounts of Inkombank, which had failed to meet currency forward contracts with Lehman Brothers. (The Bank of Russia has since revoked Inkombank’s license, beginning the reorganization of the speculation-addicted Russian banking system.) In late October, representatives of the desperado banks were complaining through their press outlets, that the Russians weren’t “taking the negotiations that seriously,” especially on “reasonable governing principles” for the question of “nondeliverable forwards.”

A ‘system of measures’

On Saturday, Oct. 31, Prime Minister Primakov chaired a cabinet meeting on economic policy and briefed the press on it. The document debated by the government is titled “Mea-

asures Aimed at Stabilizing the Economic and Social Situation in the Country.” It is not “a program,” stressed Primakov, but “a system of measures,” which “as a system of measures is a self-developing system.” Where it goes, he said, will depend not only on the internal Russian economic dynamics, but on the world financial situation: “We proceed from the assumption that this system will not be a static one and that it will steadily develop with account of changes in the situation. Changes in the situation in the country and in the world.”

As he has since before his appointment as Premier, Primakov reminded that “it is not by our own fault, alone, that we find ourselves in our present circumstances,” singling out the role of the IMF. The government’s top order of business, he repeated, is “measures aimed at ensuring life-support priorities. We should focus on the creation of measures that would help us live through the coming severe Russian winter. Those measures are priorities.”

Beyond that, he highlighted four points.

1. Finance Minister Zadornov will give a public account of government spending, on the last day of each month, to make it possible to analyze why, “in some sector of our society or some geographic area, people fail to get payments.”

2. The purpose of the “system of measures,” is “primarily to move the country out of the grave situation in which it has found itself. But that certainly does not mean that the system of measures does not lay the foundation for further headway. In fact, it implies such forward movement, even though it does not go into concrete mechanisms in deep detail. That will be done later, at subsequent stages. What would I like to say in principle? The market system will undoubtedly remain in place and will develop. What had been done before us had been primarily done not to develop the real sector of the economy. And I would like to note that a market system cannot function normally unless production develops, if only some infrastructure is being formed for [the market’s] development and only financial stabilization is attained at the macroeconomic level. That is extremely important, but it should serve the development of the real economy.”

3. State regulation has an essential role, “especially as the country is moving out of a crisis.” Among the countries that have “gone through that stage,” Primakov cited the United States under Franklin Delano Roosevelt, West Germany after World War II, and Austria. In Russia’s case, a key role of the state is “to establish economic order,” meaning “implementation of the budget, enforcement of all contracts and other documents, mandatory payment of taxes, pressing out the shadow economy, and creating conditions for better performance by producers.”

4. Protection for domestic producers is “certainly not to the detriment of foreign investment, direct foreign investment into the real sector of the economy. It is important for us—and it is not import-substitution in its classic form—the main thing for us is to create conditions in which, regardless of who owns an enterprise, in whose hands it is, whether it has foreign

participation, or even if it is a fully foreign-owned one but located on the territory of Russia, it works here first and foremost to satisfy the needs of the population, produces commodities that are in high demand.”

Answering questions, Primakov commented more sharply on the posture of the IMF. “As to the IMF,” he said, “we are having now what I regard as a dialogue. They presented their remarks. We can agree with some of them and, in my opinion, we cannot accept some.” He said that some IMF negotiating positions, “directed against state intervention, against serious work on the micro level” of the economy, contradicted public statements by Managing Director Michel Camdessus in a recent interview with the Paris daily, *Le Monde*. At the same time, he pointed out that Camdessus’s own assertion, that the IMF has promoted “direct investments” in Russia, was untrue.

Egyptian TV asked whose fault Russia’s situation was, if not its own? Primakov replied that Russia’s situation was “definitely not through any fault of Egypt!”

He said that the reimposed state monopoly on alcohol would be a source of substantial funds, as would “improved utilization of state property.” A crackdown on corruption and crime, said the Premier, would create “serious reserves” for the economy.

Primakov said that price controls are being applied only to certain products, such as medications for patients with serious disease (insulin, anti-TB medicines, oncological medicines). “As for foodstuffs, I don’t think so. Market prices will exist for foodstuffs.”

Locomotives for growth

Obshchaya Gazeta asked Primakov to tell more about the planned National Development Bank, in connection with which Russian government experts are studying postwar German industrial banking (see box). He replied, “I cannot go into greater detail, because the idea of its creation is just being considered. I would rather not rush to conclusions, and I would prefer my answer to your question not to be regarded as the final decision in connection with the bank’s creation.”

In his *Nezavisimaya Gazeta* interview, Maslyukov outlined a concept of economic growth engines, citing another aspect of the experience of Germany’s industrial sector. Asked, “Where will you get the necessary resources?” Maslyukov replied, “In my opinion, the natural monopolies can serve as locomotives capable of pulling the country’s economy out of the crisis. In order to utilize the possibilities, say, of the oil and gas sector, it is necessary to make fuller use of the capacities of the defense industry—which so far are not fully utilized. The German Union of Machine Builders is a model of such cooperation of the leading sectors in the real sphere of the economy. It is very demanding toward the enterprises that are its members, it sets production quotas and determines the size of exports, and it conducts talks with the government on benefits in this or that area. I can describe the

Union of Users of Oil and Gas Equipment as an embryo of such a structure in Russia.”

Since formation of the new cabinet in September, Maslyukov has visited Norilsk Nickel, the giant mining company above the Arctic Circle, while Primakov in late October spoke before the Greater Volga Association Council in Saransk. The leaders of seven major industrial cities in this region, where over two-thirds of Russia’s automotive industry and half of its aerospace firms are located, have formed a new association.

While focussing on industrial policy, Maslyukov again denied that the government would crank up the money printing presses ’round the clock. “I am convinced that hyperinflation is as big a woe for a country as is the absence of money,” he said.

A Russian ‘Kreditanstalt für Wiederaufbau’

One of the key issues of the Russian government’s anti-crisis plan, furiously rejected by the International Monetary Fund, is the proposal to create a “state-owned bank for reconstruction.” The references by both Prime Minister Yevgeni Primakov and Deputy Prime Minister Yuri Maslyukov to the strong state role in the postwar German reconstruction period, indicate that the model for such a new bank is the Kreditanstalt für Wiederaufbau (KfW), or Reconstruction Loan Corp., founded in November 1948 in Frankfurt, West Germany. For 50 years now, the KfW has played a crucial role as a state-run instrument for dirigistic economic activities, with special emphasis on infrastructure financing; assisting private, medium-sized business; and fostering German exports through credit grants.

During 1948-52, the U.S. government supported the economic buildup in western Europe with its Marshall Plan credits. In the absence of any noteworthy hard currency reserves, such funds allowed the import of the most urgent food necessities, and raw materials by German industry. But far more important than the initial credits as such, was the special way in which the repayments on the credits were later put back into circulation again and again. A group of German bankers around Hermann-Josef Abs went to the leadership of the U.S. occupation forces in Germany, and proposed to create a new state-owned bank for reconstruction, which would use the (local currency) repayments of Marshall Plan credits from German companies as its core capital. The U.S. officials agreed to the plan

By what rules

The Primakov government's moves have been greeted with consternation on the part of international financiers and their press mouthpieces. "Russian liberals, like the IMF and Western governments, are worried that the current crisis might signal the end of post-Soviet Russia's experiments with free market capitalism," proclaimed a Nov. 1 Reuters wire, which also cited Interfax leaks about the IMF delegation's concern over Russia's " 'step backward' in the process of moving toward free market reform." London financial editors' anxiety over Russian policy was rivalled only by their chagrin about China's latest moves to protect itself against the consequences of financial speculation, exemplified by an Oct. 29 London *Financial Times* article on how China had begun "to test—indeed, strain—foreign nerves" with the

closing of Guangdong International Trust and Investment Corporation.

Just before the demise of LTCM, megaspeculator George Soros told the U.S. House of Representatives Banking Committee that there ought to be international insurance for derivatives operators—"borrowers who play by the rules." U.S. Secretary of State Madeleine Albright, in an Oct. 2 speech on Russia, complained about the "talk in recent days, about printing new money, indexing wages, imposing price and capital controls, and restoring state management of parts of the economy. We can only wonder if some members of Primakov's team understand the basic arithmetic of the global economy."

Not everybody has caught on, that nations can change the rules and the arithmetic.

because of the convincing argument by the German bankers, that this policy would be fully in line with the successful economic policies of President Franklin Roosevelt. Due to the creation of the KfW, the German economy was able to take the greatest advantage from the Marshall Plan, although it was far from the leading recipient of such funds (**Table 1**).

With a balance-sheet volume of 278 billion deutsche-marks at the end of 1997, the state-owned KfW is today among the biggest German banks. During 1997 alone, its total commitments of loans and grants had a volume of DM 59.9 billion.

The primary activity of KfW is the granting of loans at below-market interest rates to well-defined categories of private business. The focus of such loans is financing for:

- business investment and investment in environmental protection by small and medium-sized enterprises in Germany;
- business investment by small and medium-sized enterprises outside Germany;
- technology, innovation, and equity participations; and
- the construction and modernization of housing.

Another priority is the promotion of local infrastructure projects, such as:

- water supply and sewage disposal systems;
- solid waste management;
- projects in the energy sector;
- local transportation infrastructure;
- social facilities.

Furthermore, KfW grants export loans and project financing loans in the following economic sectors:

- aircraft production;
- shipbuilding;

TABLE 1
Total U.S. Marshall Plan aid through the end of 1952

(millions \$)

Great Britain	3,165.8
France	2,806.3
Benelux countries	1,532.8
Italy	1,515.0
West Germany	1,412.8
Austria	711.8
Greece	693.9
Denmark	275.9
Sweden	107.1

- transport infrastructure;
- raw materials extraction;
- telecommunications;
- energy;
- manufacturing industry and technology.

Finally, KfW is engaged in financial cooperation with developing countries.

After German reunification, the reconstruction of East Germany became a key activity of the KfW. By the end of 1996, the total volume of KfW credits into eastern Germany amounted to DM 105 billion, triggering investments of DM 190 billion, that is, 20% of all public and private investments into eastern Germany during this period. In times of speculative bubbles, it is noteworthy as well that, according to a 1997 statement by KfW chairman Gert Vogt, the quick action by KfW, to grant additional large emergency credits for local infrastructure, was vital to the stabilization of the German economy right after the stock market crash of 1987.—*Lothar Komp*

APEC meets in Malaysia: another opportunity for President Clinton

by Michael O. and Gail G. Billington

The meeting of the heads of state of the member nations of the Asia Pacific Economic Cooperation forum (APEC), scheduled for Nov. 14-18, in Kuala Lumpur, Malaysia, has become a golden opportunity for the United States to break from its current flight into fantasy regarding the global economic crisis, and to forge a strategic alliance with those nations of Asia increasingly acting in concert to demand a new world financial system.

The fact that the APEC meeting is in Malaysia is fortuitous, since Malaysian Prime Minister Dr. Mahathir bin Mohamad has taken the lead, since the crisis first exploded in Asia in July 1997, in identifying the criminal, causative role of the hedge fund speculators and the neo-colonial policies of the International Monetary Fund (IMF), in creating the current disaster. Although Mahathir has been ridiculed and demonized by Western bankers and media, the reality of the global depression has led to nearly universal acknowledgment that Mahathir was right.

In the past months, dramatic measures to impose currency controls, and to restrict short-selling in derivatives trading, have been implemented, to varying degrees, in China, Japan, Russia, Taiwan, and Malaysia. In each case, parallel measures have been implemented to restart the real economy, focussing on the crucial infrastructure and industrial sectors, which have been devastated by the currency collapse and by IMF-dictated austerity measures.

This intersects Japan's plan to provide a \$30 billion fund to support South Korea and Southeast Asian economies, and by public support for Dr. Mahathir's policies, as expressed by the Vice Minister of Finance, Eisuke Sakakibara, during Mahathir's October visit to Japan.

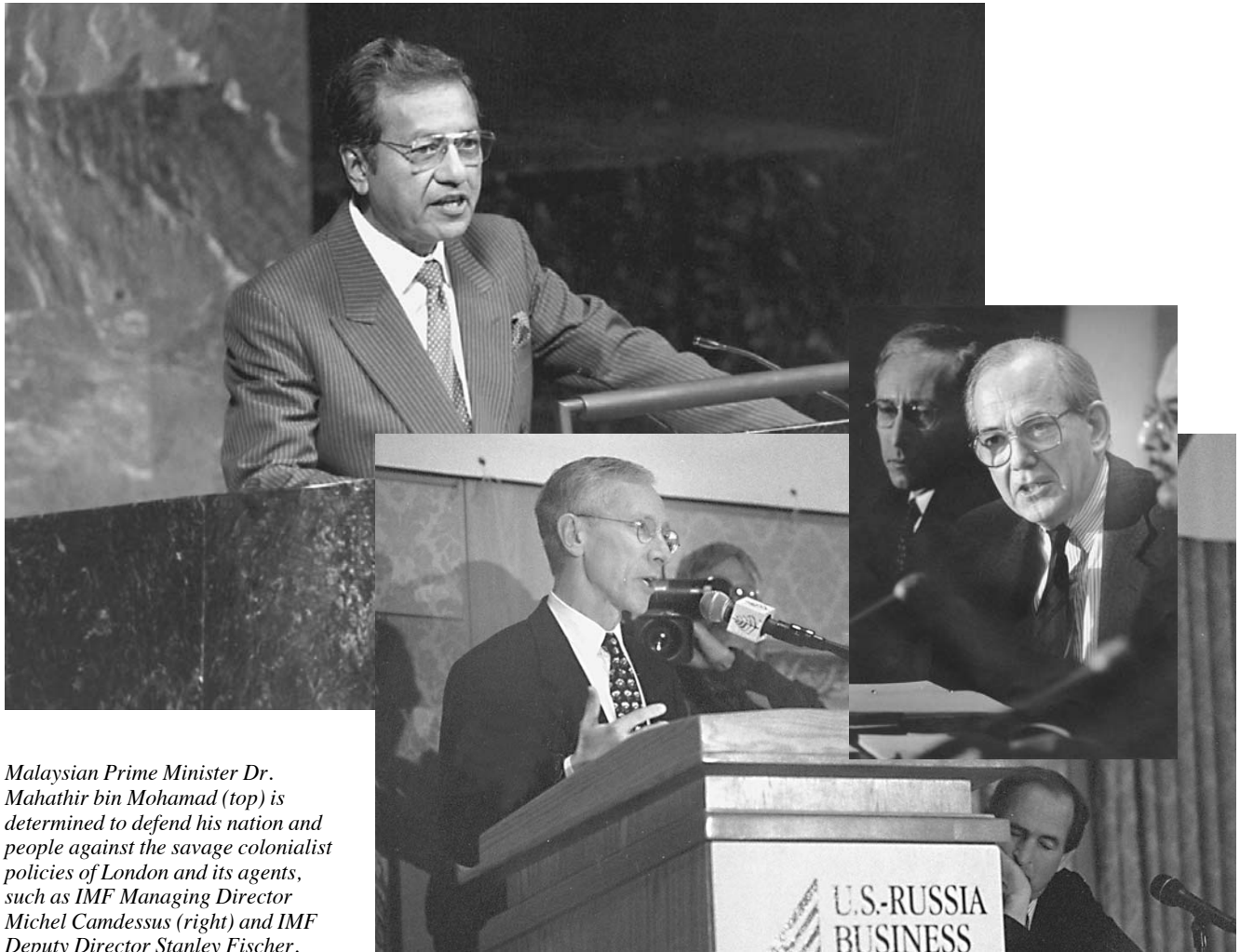
All the nations mentioned above are APEC members. (The other members are, in Asia: Brunei, Indonesia, the Philippines, Singapore, Thailand, Australia, New Zealand, Papua New Guinea, South Korea, and Vietnam; and in the Americas: Canada, the United States, Mexico, Peru, and Chile.) In addition, India, which is not an APEC member, has strengthened ties with China and the Southeast Asian nations, and adopted a \$6 billion infrastructure investment program similar to the enormous \$1.2 trillion domestic program currently being implemented in China. Neither India nor China ever relinquished basic currency controls, despite intense pressure from

the IMF globalizers, and have thus held off the worst effects of "contagion" from the speculative destruction of economies around the world.

A refusal to face reality

These sovereign measures, coupled with increasingly public calls from across Asia and around the world for a just new world monetary system, like that proposed by *EIR* Founder Lyndon LaRouche, were provoked in part by the failure thus far of the advanced sector nations to face the reality of the systemic breakdown of the world monetary system, especially at the Oct. 4-5 meetings of the Group of Seven and the Group of 22 in Washington. President Clinton, despite his acknowledgment that the world faces the worst economic crisis in the last 50 years, has continued to cling to the myth that the current bankrupt, derivatives-swamp monetary bubble can be saved, and the bankrupt, degenerate IMF institutions reformed, refusing to embrace LaRouche's proposals for saving the real economy, not the carcass of the current financial system (see Lyndon LaRouche, "People First!" *EIR*, Oct. 16).

President Clinton has been seduced into collaboration with British Prime Minister Tony Blair's "Third Way" for saving the sinking *Titanic* by throwing the passengers overboard. However, at the upcoming APEC meeting, Clinton will be face to face with the leaders of China, Russia, Malaysia, Hong Kong, Taiwan, Japan, and others, but without the official attendance of London, nor of Blair's "Third Way" allies, French Prime Minister Lionel Jospin and German Chancellor Gerhard Schröder, since the European nations have observer status only at APEC. It is a moment of truth for the U.S. President. Will he seize the opportunity to act in the tradition of President Franklin Roosevelt, and declare, in league with the Asian leaders, for a new just world financial system, based on "American System" principles of government-led scientific and technological progress, with universal health care and Classical education for the children of the world? Or, will he continue to punt, following the lead of the clinically insane Federal Reserve Chairman Alan Greenspan into global hyperinflation, and IMF Managing Director Michel Camdessus and IMF Deputy Director Stanley Fischer into IMF genocide? This may not be President Clinton's last



Malaysian Prime Minister Dr. Mahathir bin Mohamad (top) is determined to defend his nation and people against the savage colonialist policies of London and its agents, such as IMF Managing Director Michel Camdessus (right) and IMF Deputy Director Stanley Fischer.

chance, but time is very short, because the financial system is cascading into a terminal breakdown crisis.

Mahathir's leadership

Mahathir has continued to take personal leadership, not only to protect his own citizenry, but, as a citizen of the world, to mobilize patriots everywhere to save civilization. Previous to the Sept. 1 declaration of capital controls in Malaysia, Mahathir had refrained from endorsing a return to the fixed exchange rates of the original Bretton Woods system, as proposed by LaRouche. Even after Sept. 1, the Prime Minister at first called only for international controls on capital flows—which even the “Third Way” proponents grudgingly accept as a necessity—but stopped short of calling for a “new” Bretton Woods.

Then on Oct. 11, speaking at the launch of an “International Invention, Innovation, Industrial Design and Technology Exhibition,” he said: “As a Malay proverb goes, when you lose your way, go back to the beginning. The postwar Bretton Woods fixed-exchange rate system did not fail in

itself, but [its failure] was caused when developed countries reneged on their promises, by devaluing their currencies to become competitive.” Thus, he said, “having identified the true cause of the failure, the idea of using a fixed rate system becomes more acceptable.”

Mahathir also presented a new budget to the Parliament on Oct. 26, which includes a huge stimulus package for infrastructure, low-cost housing, and tax breaks to productive industries of national, strategic importance, which had been pushed toward bankruptcy by the currency devaluation and the credit crunch. With fixed exchange rates and lower interest rates, the government can direct credit to the productive sector, while cleaning up the bad debt in the banking system, without fear of capital flight or speculative attacks from the hedge funds.

While Japan's Vice Minister of Finance Sakakibara backed Mahathir's measures, there are indications that some Japanese circles are looking toward imposing restrictions on short-selling of stock in the Japanese markets itself—to the horror of the hedge fund speculators.

Another sign of a possible shift in Japan is the \$30 billion Miyazawa plan to provide credits and loan guarantees for the “Asian tigers,” primarily South Korea, Thailand, Malaysia, and Indonesia. There are indications that the amount in the fund will be increased.

According to Thailand’s Olarn Chaipravat, a leading banker, the Japanese loans under the aid package will be “managed separately from the IMF-brokered financial package which was allocated to support the macro-economy.” The IMF has tried desperately over the past 18 months to stop Japan from taking any such support measures not governed by the destructive “conditionalities” imposed under IMF loan programs.

Japan has called on Thailand, in particular, to “take the lead in helping other countries in the Mekong region,” referring to Myanmar, Laos, Cambodia, and Vietnam. Japan wants to reactivate the Mekong River Development programs, which were put on hold after the regional currency collapse.

The other crucial element in this year’s APEC meeting is the fact that Russia, for the first time, will attend as a full member. It was Russia’s effective default on its short-term, usurious foreign debt on Aug. 17, which set in motion the current global phase change, marking the official bankruptcy of the IMF-based world financial system. Despite desperate efforts by the IMF to force Russia to recant, and to submit to still further looting and starvation, Prime Minister Yevgeni Primakov has announced a nationalist budget, multiple exchange controls, continued debt moratoria, emergency measures to solve the food crisis, and extensive tax and related incentives to stimulate industry and agriculture. The IMF delegation packed up and went home—perhaps their first positive contribution to the Russian economy since the fall of communism. If Russia, China, Malaysia, and other Asian nations were to present to President Clinton a common policy proposal at APEC for a just new world monetary system, the combination would be more than adequate to make it succeed.

The opposition

Arrayed against the emerging concert of nations are the leading powers behind the British-American-Canadian oligarchy. IMF Deputy Director Fischer, speaking in Argentina on Oct. 23, spit out his orders in the manner of the governor general of a global empire: “When things calm down we’ll see that what the IMF did in Asia was the best way to proceed. We shall continue with our activities. . . . Those countries which today have controls, should get rid of them. . . . There is little evidence of the benefits of controlling capital flows.” And those who have recently abandoned such controls, he added, should never turn back, because “that would be an intensely retrogressive step.”

But what are Fischer and his allies proposing? Perhaps most explicit in revealing the real purpose of IMF conditions are the news outlets of Dow Jones, Inc., the *Wall Street Journal* and the *Far Eastern Economic Review*, the latter based in

Hong Kong. The Oct. 1 issue of the *Far Eastern Economic Review* carried a diatribe against Asian industry, claiming that excess productive capacity is the *cause* of the crisis. An associate executive from Seoul of one of global speculator George Soros’s operations is quoted on the Asian economies: “They all tried to maximize production, not to rationalize it. We need a different model now.” The magazine concluded with the blood-curdling prognosis of an ING Barings executive: “To achieve equilibrium, 78% of all manufacturing capacity in Indonesia, 77% of that in South Korea, and 64% of that in Malaysia and Thailand will have to shut down.” To Fischer and his friends, such devastation is “progressive.”

Wall Street Journal Editor Robert Bartley, in an Oct. 23 editorial, extended this argument to China: “Does China’s apparent success in dodging the Asian economic crisis mean its mixed economy and closed capital account are a model to follow? Hardly. . . . It suffers from the same fundamental problems as the Asian tigers: overinvestment and overcapacity. Instead of taking its lumps and enduring some creative destruction, China is engaging in a huge round of state-financed investment. . . . The lesson for developing countries in Asia and elsewhere, is that it’s useless to try to dodge the bullet of creative destruction through capital controls or extravagant fiscal stimulus.”

It is increasingly recognized that China is the only nation on earth that is still experiencing real growth, due to protective measures against speculation, and a mobilization of all available resources for vast internal infrastructure development, as well as international collaboration on projects such as the Eurasian Land-Bridge. Bartley ridicules this fact, and cries that China is simply stalling the inevitable.

For the IMF and Dow Jones to so blatantly express their demands for the de-industrialization of Asia demonstrates the desperation in London and New York, and proves the truth of LaRouche’s “triple curve” function, which shows that rampant speculation and the productive economy cannot co-exist. Speculation can only survive by cannibalizing the healthy working parts of the productive economy.

Political subversion

The second level of attack against the emerging Asian concert of action is on the political level—a media-orchestrated attack on the “Asian way” as nothing but “corruption, cronyism, and nepotism.” Of course, the same people who praised the “Asian economic miracle” while it was allowing foreigners to reap super-profits in speculation and cheap labor, changed their tune after the crash. Calling the use of sovereign measures of protection and directed credit to be “corruption,” the London and Wall Street gurus have succeeded in forcing IMF dictates in several Asian nations, and even brought down the governments of Gen. Chavalit Yongchaiyudh in Thailand and President Suharto in Indonesia, and contributed to the fall of South Korea’s Kim Yong Sam, fuelling social and human disaster across the region.

But by the middle of this year, the IMF nemesis had proven to be deadly, driving the Asian economies into collapse, and the population into poverty. Then, when the Federal Reserve Bank of the United States orchestrated the multibillion-dollar bailout of Long-Term Capital Management (LTCM), a hedge fund set up by insiders from the European and American banking cartels, the accusation of “cronyism and corruption” in Asia was exposed as a ludicrous joke. Mahathir was not alone this time in pointing out that the LTCM bailout was “the worst form of cronyism.” Mahathir observed that whenever a Malaysian state-sector company was privatized, but was sold to a Malaysian rather than to a foreigner, it was denounced as “cronyism” in the Western press. Only selling out to foreigners is “being democratic.”

The LTCM scandal has not slowed down the international attacks on Malaysia, however. There is a virtual feeding frenzy against Mahathir, centered on the trial of deposed Deputy Prime Minister and Finance Minister Anwar Ibrahim, who has been charged with multiple counts of corruption and sodomy. Anwar, long favored by the IMF and the globalization mafia, has placed himself squarely on the side of IMF dictates, denouncing Mahathir’s approach as “obsolete,” while willfully repeating the fraud that the combination of “free trade” deregulation coupled with IMF austerity policies, which has been used to *abort* the full industrial and technological development of developing nations roughly since the death of President John Kennedy, has anything whatsoever to do with “reform” or “being progressive.” Although Anwar has some support among the Islamic fundamentalist layers and some middle-class layers too strongly influenced by Western academics, media, and non-governmental organizations, the vast majority of the population, and all the leading institutions, strongly support the Prime Minister’s actions to defend the nation.

Two U.S. Republican Congressmen have demonstrated the colonial mentality of the Anglophilia that grips the current Republican Congressional leadership, with an open letter to President Clinton on Oct. 21, demanding that the APEC meeting be moved out of Kuala Lumpur, and that the United States dictate economic policy to Malaysia. The letter, from Benjamin Gilman (N.Y.), chairman of the House International Relations Committee, and Douglas Bereuter (Neb.), chairman of the Asia and Pacific Subcommittee of Gilman’s committee, said that President Clinton’s attendance at the APEC summit “might be perceived as an endorsement of the anti-free-market measures put in place by Malaysia’s Prime Minister Mahathir Mohamad and the arbitrary arrest, detention, and beating of former Deputy Prime Minister Anwar Ibrahim. In our view, continued scapegoating by the Prime Minister against foreign speculators, Jews, and now his former Finance Minister, is highly offensive and totally counterproductive to the much needed efforts at reform of the political and financial system inside his own country. . . . In our view, it would be

incumbent on all participants to ensure that a date is set for the lifting of capital controls.” Mahathir is accused of “discriminating against foreign investors, arbitrarily limiting foreign ownership of companies, and maintaining or erecting barriers to American exports. Its continued protection of its domestic industries and its efforts to bar foreign trading of its currency make it less than a role model for its fellow APEC members.”

China is targetted

The financial oligarchy is terrified about the fact that Malaysia is indeed serving as “a role model” for APEC, as well as developing nations around the world. As Lyndon LaRouche said in a recent memo, “when Washington says Malaysia, they mean to signal their displeasure with the drift of policies in China, which Asians do not overlook. The crucial point here is that Washington must choose between London and China; there is no ‘middle’ between those two choices.”

President Clinton, with a successful mid-term election providing him some breathing room from the British-directed assault on the Presidency, has the opportunity at APEC to make the right choice. And, since APEC was to a significant degree the brain-child of President Clinton, failure to so act raises the question: What’s the point, after all?

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Calls for LaRouche to be named Clinton's adviser

Here is a sampling of recent international press coverage, calling on President Clinton to appoint Lyndon LaRouche as his economic adviser.

Denmark

Poul Rasmussen, chairman of the Danish Schiller Institute, guest commentary, "The Need for a New World Economic Order," *Jyllands-Posten*, Oct. 22.

Denmark's largest-circulation daily newspaper commissioned and published a 1,000-word commentary by the Schiller Institute's chairman in Denmark, with the following quote highlighted: "Either we quickly take on a political confrontation with the current financial system, which the speculation funds and banks have transformed into a grotesque 'Casino Mondiale,' or we will become victims of a devastating financial and economic collapse, writes the author of the chronicle."

The article highlights LaRouche's 1994 warning of world financial disintegration, his February 1997 call for a New Bretton Woods system, and the need to rebuild the world's physical economy by constructing a Eurasian Land-Bridge.

The commentary was commissioned when a Schiller Institute organizer contacted one of the editors, to support their Oct. 6 editorial call for political action to stop unregulated financial speculation, and to discuss LaRouche's proposal for a New Bretton Woods conference.

Rasmussen details LaRouche proposals, emphasizing his call for restarting the physical economy through Franklin D. Roosevelt-style great infrastructure projects.

Rasmussen continues, "How will the whole thing look a year from now? . . . I will venture the following prediction: . . . The current crisis is not an ordinary 'cyclical crisis,' which apparently hits the capitalist system at regular intervals. It is a systemic crisis, of a kind we have not seen since the collapse of the Florentine banking houses of the Bardi and Peruzzi in 1343-44. At that time, it led to a long-term disintegration of European civilization. Nobody wants to see that again. Therefore, there must be an intervention, before it is too late. And therefore, responsible politicians, sooner or later, will put into effect measures of the kind which are described above, no matter how unlikely that may sound today."

Mexico

José Neme Salum, "Banks Exposed: The Worst Scenario," *Excélsior*, Oct. 26.

In his weekly financial column, Neme Salum briefs his readers that "the much-feared banking crisis in the advanced sector of the world economy is now under way." The dangers of the enormous exposure of leading financial institutions to the derivatives bubble, as revealed with the hedge funds, was seen in the Federal Reserve's Oct. 15 decision to inject liquidity into the system, to head off a collapse of the inter-bank payments system.

"Effectively, as U.S. economist Lyndon H. LaRouche had just analyzed the situation, the crisis entered a phase of greater intensity. In this new phase, new earthquakes are approaching at top speed, especially over the coming weeks. . . .

"As economist Lyndon LaRouche has reiterated, unless the 'mass of fictitious claims is wiped off the books very, very soon, the result will be a total, and chaotic disintegration of the world's existing public and private financial assets and monetary systems.'

"In reality, 'the worst scenario' presented by [President] Ernesto Zedillo during his visit to Lancaster House in London, is already occurring, and therefore 'there is no time remaining to continue those infantile games of shilly-shally, called "crisis management,"' as LaRouche warned.

"The sensible thing is, given the inability of those who currently decide the measures to deal with the current situation, statesmen like President Clinton should allow the participation in the decision-making, of those who *are* capable of putting national economies which are threatened by destruction, on the right path.

"In the case of Clinton, it is obvious that he needs the advice of the only accurate economist in his country, Lyndon LaRouche. That is why there is an international movement in favor of that appointment, which is urgent!"

Venezuela

David Ramonet, *EIR* correspondent in Caracas, guest commentary, "Do You Believe That Greenspan Can Stop the Effect of Reverse Leverage?" in *El Globo*, Oct. 29.

Ramonet reviews Greenspan's Oct. 15 decision to lower interest rates, to stop the financial system from going under. He concludes: "The Ibero-American heads of state fell short in their summit [at Oporto, Portugal], when they called for certain reforms to the financial system. A general bankruptcy reorganization of the financial system is needed. It is for this reason, that in the United States and in other parts of the world, the initiative is being presented to President Bill Clinton, that he name as his economic adviser Lyndon LaRouche, who not only forecast with absolute accuracy this debacle, but has proposed the mechanisms required to build a 'New Bretton Woods.'"

Mario Torrealba Lossi, "Towards a New World Economy," *El Globo*, Oct. 30. *The author is former president of the Bolivarian Society and a member of Fundapatria, a nationalist group founded to stop the privatization of the state*

oil company.

The article begins:

“Mrs. Helga Zepp, wife of the distinguished Yanqui economist Lyndon LaRouche, is carrying out a vigorous campaign in the north for her husband, a victim of the Republicans, to be named an economic adviser to the White House. As she sees it, LaRouche would help, with his clear intelligence, to right the financial boat of the empire. According to recent statements by the burdened and downcast head of state, he now finds himself in the sights of Kenneth Starr, an implacable judge who appears to have a pact with Satan. . . .”

“As LaRouche warns again, the series of mistaken decisions taken within the framework of neo-liberal economic policy, has provoked over the last 30 years, a dangerous crisis, of a systemic character. The model applied—the dictatorship of the sharks—really no longer fools anybody. The IMF itself is bankrupt, and instead of lending, it needs to be helped.”

“Returning to the beginning,” he continues, “Helga and Lyndon LaRouche’s petition that the ‘biggies’ of the world financial power change the rules of the game, does not fail—in the context of reality—to provide a spur to the world of the debtors, today together in the camp of the ‘non-aligned.’ Lyndon is very well known as a progressive in modern economic theories, and his presence in Clinton’s cabinet possibly would serve to humanize the grave panorama through which the developing nations are living. It is necessary—urgently—that the philosophy of ‘savage capitalism,’ so often denounced by John Paul II, be thrown out. It is not right that, for every 100 million human beings, 70 or 80 million are condemned to unhappiness, poverty and death. . . .”

Brazil

Air Force Col. Aldo Alvim, “Solution to the Financial Crisis,” *Jornal do Comercio*, Oct. 28.

“In Chinese, crisis and opportunity are expressed with the same characters,” Colonel Alvim begins. The first world crisis occurred in the Middle Ages; “the response to the chaos was the creation of the Modern Sovereign State, responsible for the Renaissance, the great navigational voyages, and the beginning of the industrial era and the cultural explosion from the increase of printing.” Today’s crisis comes from derivatives, “paper money without backing and money which exists only in computer memories,” a fiction which exists in quantities several times greater than the GNP of ten leading countries of the world.

The people who inject these into the virtual economy, now want the real economy to pay for them, an impossibility which is leading to the disintegration of the real economy around the world, he writes. “Factories closing, unemployment, and all this catastrophe we see around the world.

“The American economist Lyndon LaRouche, who has been warning about these deviations in world finances for years, gives the following prescription for how to overcome

دعوة لإقامة نظام إقتصادي عالمي عادل وجديد



تحدثت أنت شخصيا بشكل لا ليس فيه عن حقيقة ان العالم منذ شهر اخطر ازمة اقتصادية وعالية منذ 50 عام. ولسوء الحظ فقد اوضح جليا، من خلال الاجتماعات العديدة التي عقدتها مجموعة الدول السبع G7 ومجموعة G22 ومنتدى النقد الدولي والبنك الدولي في واشنطن مؤخرا، ان هذه الحكومات والمؤسسات غير قادرة على التعامل مع عملية اعادة التنظيم العاجلة واللقمة للنظام المالي والنفدي العالمي. مع ذلك، فإن نظام اقتصاد السوق وندفبه، نعه يعمل اليوم يجد نفسه في حالة من الانحلال تشابه تلك التي كان عليها نظام الاتحاد السوفياتي المحطم

للتن-العرب- طالب أعضاء معهد شيلدر الإقتصادي الدولي الرئيس الأمريكي بيل كلينتون تعيين المفكر الإقتصادي الشهير ليندون لاروش مستشاراً إقتصادياً في إدارته، ولي الصورة خلاف العدد الأخير من مجلة (EIR) الإسبوعية التي أسسها لاروش. وينطق فيه عدد من أعضاء معهد شيلدر بحلول لاروش أمام مبنى الكابيتول، في واشنطن تطالب بشخصين مستشاراً إقتصادياً للرئيس الأمريكي. يجدر بالذكر ان لاروش اقترح إنشاء نظام «بريتون وودز» جديد كوسيلة لانقاذ الإقتصاد العالمي من كارثة حقيقية، ونشرت «العرب» العالمية قبل إسبوعين تفاصيل ذلك في مقالة من حلقين.

وجاء في الرسالة التي وجهها أعضاء معهد شيلدر: «ان المحاولات الجارية من جانب المحقق الخاص كيث ستار ورئيس مجلس النواب نيوت غينغريتش لاستغلال الكونغرس للبدء بإجراءات العزل ضدكم بالطريقة المعتادة في النظام البرلماني البريطاني ترقن التي محاولة انقلاب ضد منصب الرئيس وضد الدستور الأمريكي. وإذا تم لهذا الانقلاب النجاح فإن الولايات المتحدة، ليست وحدها تحسب، بل العالم اجمع سينحدر نحو وضع سياسي أشبه بذلك الذي وجد قبل الثورة الأمريكية - جاكيا معه أسوأ الآثار الممكنة إذا تأكدت ذلك»

The newspaper Al-Arab International features the campaign by the Schiller Institute and EIR to convince President Clinton to name Lyndon LaRouche as an economic adviser, to deal with the onrushing financial breakdown crisis.

the crisis,” he writes. The rest of the article summarizes LaRouche’s proposal for emergency action (see LaRouche, “What Each Among All Nations Must Do Now,” *EIR*, Oct. 9, 1998).

Middle East

“An Appeal to Establish a New, Just, International Economic Order,” *Al-Arab International*, an Arabic newspaper published in London, Nov. 3.

The daily published on its economics page the Schiller Institute’s appeal to President Clinton to name LaRouche as an economic adviser. The appeal was introduced by the newspaper’s economy editor: “Members of the International Schiller Institute appealed to the American President Bill Clinton to appoint the famous economist Lyndon LaRouche as economic adviser in his administration. In the picture is the latest issue of *EIR* weekly which was founded by LaRouche, showing Schiller Institute members in front of the Capitol Building demanding the appointment of LaRouche as Clinton’s economic adviser. It should be mentioned here that LaRouche has proposed the establishment of a ‘New Bretton Woods System’ as a means to save the world’s economy from a real disaster.”

Europe: Prisoner in the euro straitjacket

by Lothar Komp

The new left-wing majorities in Bonn, Paris, and Rome let not a day go by without pulling at least one new proposal for job creation or for fighting the global financial crisis out of their hats. The background of this rhetorical activism of European governments is the self-imposed impotence of trying to act effectively against mass unemployment and other economic disruptions, under the conditions of the European Monetary Union (EMU). At just the time that national sovereignty in economic questions is more urgent than ever, the scheme is to surrender this sovereignty to a supranational institution, whose sole purpose is to secure the stability of currencies. As long as the Schröders, Jospins, and D'Alema do not summon up the courage to liberate themselves from this euro-compulsion, which they are complicit in bringing about, Europe will plunge further into the depths of economic depression.

For example, the tensions between the new government in Germany and the Bundesbank (German central bank) manifest various levels of insanity. The reduced interest rates now demanded by German politicians, are supposed to bring about a mysterious recovery of the economy, without changing anything in the failed system itself. The central bankers, on the other side, are resisting such moves in a futile attempt to defend the stability of the currency, which is already a pure fiction.

'Multiple personality disorder'

Lyndon LaRouche appropriately characterized the current state of mind of European governments as "multiple personality disorder." That aspect of the psychosis which is immediately related to the euro, the European single currency, leads to fatal miscalculations, the consequences of which can be summarized in six points.

1. The obsession with the euro blocks the fundamental reform of the international financial and monetary system.

The world financial system is at the brink of total collapse. Since the Russian debt moratorium in August and the collapse of the Long-Term Capital Management hedge fund in September, a meltdown in stocks, bonds, and financial derivatives has dramatically worsened the positions of the largest banks and funds. No one knows how many off-balance-sheet corpses have piled up in the cellars of the banks. The next financial catastrophe of significant dimensions could unleash

a chain reaction, leading to the implosion of \$150 trillion of paper values in the derivatives bubble. In Asia, ever-more governments are turning to resolute measures to regulate the financial markets, in order to protect national economies from the collapsing ruins of the world financial system, and they are demanding a return to a worldwide system of fixed exchange rates. In Japan, such measures are no longer seen as "heretical," as Vice-Minister for Finance Eisuke Sakakibara recently asserted.

But in Europe, heads are still in the euro-clouds. In Germany, it suddenly seems as if it is only strictly loyal Social Democratic Party comrades, indoctrinated by Finance Minister Oskar Lafontaine, who still believe that the euro will have a stabilizing effect on the world financial system. The swings of the euro with respect to the dollar and the yen are supposed to be brought under control with agreements; there ought to be a bit more transparency and supervision of banks and hedge funds, and then everything will come back to an even keel, they imagine.

2. The euro will not protect us from the effects of global financial catastrophes.

The problem for European exporters today is not the fluctuations of exchange rates within the EMU, but the abrupt shifts between European currencies, on the one hand, and with the dollar, as well as the collapse of currencies unleashed by speculators acting against the currencies of countries such as Russia, Indonesia, or South Korea, which results in the sudden loss of entire export markets, on the other. The EMU changes nothing at all about such phenomena.

Should the euro be targeted by currency speculators, one important matter to consider is that the European Central Bank will be equipped with relatively limited reserves of gold and foreign exchange, i.e., some 100 billion deutschemarks (roughly \$60 billion), whereas the German Bundesbank today alone accounts for DM 133 billion. Following the successes of international financial speculators in 1992 and 1993 in forcing European central banks to their knees, their war treasuries, due to the financial leverage of financial derivatives, among other factors, have grown immensely.

The conclusion from this fact is: It is not the euro which represents any protection, but only the reliance upon defensive measures such as those available to governments in western Europe until 1958, during the most successful phase of the Bretton Woods system: capital controls and limited convertibility of currencies.

3. The euro significantly exacerbates the danger of a European banking crisis.

On Oct. 12, the *Wall Street Journal* published a warning about "the coming credit crunch," authored by Jean-Michel Paul from Rabobank. Paul pointed out that it is the European banks which hold the lion's share of the outstanding loans in Asia, Russia, eastern Europe, and Latin America, and so these are the banks which will be hardest hit by coming financial shocks. Banks within the territory of the European Union

account for 68.5% of these credits, which amounted to \$924 billion at the end of 1997, according to reports of the Bank for International Settlements. Paul claimed that it is estimated that 30% of these credits cannot be paid back. Even if 15% of the credits are already written off or are covered by state guarantees, the “optimistic” scenario would entail losses of \$140 billion, which would come out of the capital of the banks. Since, on average, \$10 of credits are issued for each \$1 of capital, this would amount to a forced contraction of the credit volume by some \$1.4 trillion. About two-thirds of that contraction would hit European banks.

In addition to a dramatic contraction of credit to the European economies, this also entails a markedly increased potential for the collapse of large banks in Europe. The European Central Bank is not at all prepared for this, precisely because it is almost exclusively oriented to currency policy, and is conceived to have only a limited role in supervision of banks. It lacks the information necessary to recognize risks involving particular banks in advance of a crisis. There is no institution in the context of the Maastricht Treaty which can function as a “lender of last resort,” i.e., as a financial fire-brigade capable of providing emergency liquidity. This means that the national central banks—which have been weakened in the meantime—will have to jump into the breach. And what will happen if some bank, which has emerged as a conglomerate of European banks, of uncertain nationality, which will soon be a rather frequent phenomenon, gets in trouble? By the time the proper channels of responsibility are clarified, a chain reaction could well have begun to occur.

How to create jobs

4. Simply lowering interest rates does not create a single job.

Short-term interest rates today are at record lows in all leading industrial countries—the United States, Japan, and Europe. This policy was obviously not very effective in reducing mass unemployment. In view of the nature of the present world financial system, this is not surprising. Additional liquidity, pumped into the system by lowering the discount rates, does not lead to an expansion of credit lines to enterprises in the real economy, which would take the credit to invest and create new jobs. Instead, since summer of 1995, the printing presses of the central banks have been running at full capacity in order to postpone the unavoidable collapse of the worldwide financial pyramids by glutting the system with massive volumes of liquidity. In Japan, with an interest rate of 0.25%, banks can procure liquidity at the central bank and invest the money in high-interest, speculative markets. These volumes are supposed to be stocked up by an additional roughly \$500 billion from the taxpayers. As part of the same process, the domestic credit volume of Japanese banks has contracted drastically and unemployment is soaring. This sort of “crisis management,” which is hyperinflationary over the short or longer term, is exacerbated by International Monetary

Fund “rescue” packages. There is only one solution: a global bankruptcy proceeding for the financial bubble, which cannot be salvaged in any case.

5. The euro prohibits the creation of millions of productive jobs by means of national bank credits.

According to orthodox British economic theory, credit creation can only take place from the central banks via private banks, where the latter see to it, out of their own interest, that the money is invested where it be the most useful for the entire economy, so that no “misallocations” arise. The events of the recent years—from the \$2 trillion of bad debts of the Japanese banks, down to the abortive adventures of large European banks with “hedge funds” and financial derivatives—have refuted this nice theory. In times of economic emergency, direct credit creation for infrastructure and technology projects which increase productivity, as outlined in the notion of national banking which goes back to U.S. Treasury Secretary Alexander Hamilton, is indispensable. By means of such credit creation, millions of jobs could be created in Germany and other European countries immediately, for example by building the trans-European railway network, or the far more ambitious plans for the Eurasian Land-Bridge. Maastricht explicitly prohibits such a possibility. Article 104 of the treaty reads:

“Overdraft and other credit facilities at the European Central Bank or the central banks of the member countries (in the following termed ‘national central banks’) for institutions or authorities of the community, central governments, regional or local governing bodies, or other public institutions, other institutions of public law or public enterprises of the member states are forbidden, including the incurring of titles of debt by these through the European Central Bank or other national banks.”

6. Green Keynesian gibberish destroys jobs.

Let us imagine, despite all the constraints imposed by the euro, and despite the lack of willingness to create a new, functioning world financial system, that the German government were to succeed in drumming up a few billion deutschmarks for employment programs. Under the prevailing ecologist/anti-technology policy direction of the new government, it would have no effect at all. What is completely lacking here is a comprehension of how investments in public infrastructure and revolutionary technologies can unleash an increase in productivity, which then, by means of creating new branches of economic activity, leads to the creation of genuinely new jobs. What chemistry and electrical engineering were at the end of the 19th century in this respect, space technology and nuclear technology could be today. Instead, even the Transrapid maglev train is threatened with mothballed, road and rail projects are being blocked for “ecological” reasons, and enterprises are weakened further by the deliberate increase of energy and transportation costs. This policy will actually destroy jobs on a massive scale.

Greenspan creates new hyperinflation danger

by Richard Freeman

Federal Reserve Board Chairman Alan Greenspan is printing new dollar bills, on behalf of his banker and hedge fund operator friends, like there's no tomorrow. He is rushing liquidity, in the form of dollars bills and Fed lending through the "federal funds" window, into the banking system, in order to rescue several large commercial and investment banks, some of which are technically insolvent, having come out on the wrong side of large speculative bets. He is also attempting to liquefy the derivatives, junk bond, collateralized securities, and several other markets. The banking system has heavily lent to or taken derivatives positions in these markets, and saving them, many of which are filled with speculative paper, has become Greenspan's top priority, as the way to "save" the banking system as a whole.

Greenspan is making the same errors of judgment, and forcing the United States onto the same path as the 1921-23 Weimar German hyperinflation.

During the seven-week period from the week ending Aug. 29 to the week ending Oct. 19, Greenspan and the Fed have cranked up the presses, printing up \$9.8 billion worth of new dollar bills, called the "currency in circulation." During this period, the currency in circulation has grown at an explosive annualized rate of 16.4%. During the same period, M1 money supply, of which currency in circulation is one part, has grown at a 12.9% annualized rate; M2 has grown at a 16.8% annualized rate; and M3, the broadest measure, has grown at a 17% annualized rate.

Table 1 shows the outstanding levels for currency in circulation and for the different primary measures of money

TABLE 1

Seven-week growth rate of money supply

(billions \$)

	Currency in circulation	M1	M2	M3
Aug. 31, 1998	443.0	1,057.4	4,241.0	5,710.8
Oct. 19, 1998	452.8	1,075.8	4,337.3	5,841.8
Seven-week average (annualized basis)	16.4%	12.9%	16.8%	17.0%

Source: Federal Reserve Board of Governors, *EIR*.

supply; it also shows the growth rate for the period, on an annualized basis.

The growth of currency in circulation is significant, because it occurs through what are called "Treasury pass-throughs." That is, the Federal Reserve purchases U.S. Treasury debt, by monetizing it, i.e., printing new bills. There have been several "Treasury pass-throughs" in the last few weeks.

(M1 money supply consists primarily of currency in circulation plus the funds in checking accounts. The reason that, during the seven-week period, currency in circulation grew at a faster rate than M1, is that the level of funds in checking accounts declined. M2 consists of M1, plus savings accounts, money market funds, and small-denomination time deposits that are smaller than \$100,000—these are usually Certificates of Deposit of less than \$100,000. M3 consists of M2, plus large-denomination time deposits, institutional money market funds, Eurodollar deposits, and corporate repurchase agreements.)

The new dollar bills are not intended to help the real, physical economy. Consider that, even using the fake measure of Gross Domestic Product, *unadjusted for inflation*, for the first nine months of 1998, U.S. GDP is growing at only a 4.5% annualized rate; thus, currency in circulation is growing three-and-one-half times as fast as the rate of GDP. More than three-quarters of the increase in currency in circulation is being used to save Greenspan's banker and hedge fund allies.

Pumping in through the federal funds window

In addition to printing new dollar bills, the Fed is also adding reserves to the banking system through the federal funds window. The Fed does this through "repurchase agreements," by which it buys U.S. Treasury bills from U.S. banks, giving the banks cash for the T-bills. The Fed usually buys T-bills from the banks on a 24- to 48-hour basis; after which period, the banks repurchase the Treasury bills (hence the name). However, the Fed can keep rolling over the repurchase agreements, thereby pumping liquidity-reserves into the banking system on a semi-permanent basis.

On Nov. 3, the Fed added a total of \$4.410 billion of reserves into the banking system, through repurchase agreements; on Nov. 4, the Fed added \$2.535 billion into the banking system, through repurchase agreements. On the whole, for the last seven weeks, the Federal Reserve has averaged a weekly level of repurchase agreement-infusions outstanding of \$3-6 billion.

With the repurchase agreements, and the printing of new dollar bills, Greenspan has been a busy boy. But his actions threaten the stability of the U.S. financial system. Hyperinflation will render the U.S. currency increasingly worthless, while feeding the asset bubble in stocks, derivatives, and so on. That bubble is sucking the physical economy dry, and will become ever-more unsupportable. Obsessed with saving his banker friends, Greenspan is ignoring this reality.

Soros and his hedge funds take a bath

by Scott Thompson

EIR was the first to state that hedge funds, like those run by billionaire George Soros, were the sort of Robin Hoods that robbed the poor to pay the rich. Having wrecked the currencies of nations from Southeast Asia to Russia, and, thereby, these sovereign nations' physical economies, the hedge fund operators are themselves beginning to collapse because of the very economic chaos that they helped cause. With a collapsing asset base to manage, the hedge fund operators are going belly up.

One of the worst hit so far, according to the Oct. 28 issue of the *Times* of London, is Soros himself, with whom Malaysian Prime Minister Mahathir bin Mohamad has crossed swords for destroying the currencies and stock values of the so-called "Asian Tigers." The *Times* writes that Soros took a big hit when Russia went into default following the collapse and default of Russia's GKO bond market on Aug. 17.

\$2 billion lost in one blow

The *Times* notes that Soros has had to reorganize his hedge funds after major losses in Russia, even though Soros had been among the first free enterprise hedge fund operators in the recent period to warn that the crisis in Russia had reached "a terminal phase." By the end of August, Stanley Druckenmiller, the chief investment strategist at Soros Fund Management, was admitting a \$2 billion loss, the largest ever suffered by the Soros operation.

Soros's various enterprises are in the middle of a big shake-up as a result. Investors in his Netherlands Antilles-based Quantum Emerging Growth Fund are to be offered cash after it lost 31% of its value this year, reducing its net assets to \$1.5 billion. Quantum Industrial Holdings, another Russian casualty, has fallen 19%, and is to be combined with Quasar International, one of the hedge funds run by Nick Roditi.

Top operator can't take the stress

It's tough being a hedge fund operator these days. No sooner had Soros merged his Quantum Industrial Holdings with Quasar International, than Roditi announced that he "needs to take a temporary medical leave of absence after six tiring years." Roditi, who works from small offices in Hampstead, North London, had been among the best-performing hedge fund operators. Born in Zimbabwe, Roditi

took a previous career break after contracting an infectious disease of unknown origin.

He is now expected to be away from work for several months, and sources report that the cause of his latest illness is "obviously stress-related," according to one hedge fund observer. Roditi has been unable to sustain his record in the global meltdown. His Quota Fund has lost about a third of its value since the end of June. From being 32% up on the year, it is now 13.6% down. Roditi lost \$1 billion in five weeks.

One critic suggests, according to the *Times*, that Quantum has failed to live up to Soros's reputation for several years. He said:

"The Quantum group results have been lackluster for some time. They do not appear to have had the necessary skills to make money—really since 1993. Maybe people should start becoming less patient. Quota was the only one that had done well. Roditi is really the only person who's added any value."

For example, Quota investors had enjoyed a 159% and 82% rise, respectively, in 1995 and 1996, earning an annual income of £80 million. Now, those profits are evaporating in the global financial meltdown which Soros and Roditi, among other hedge fund operators, had done so much to create.

Despite these losses, Soros Fund Management still manages \$20 billion, which can be leveraged many times over for killer moves, such as those Soros led against the Asian economies. But, Soros is rapidly becoming more and more of a "toothless tiger" himself.

Soros is not the only hedge fund big loser.

Tiger Fund posts \$3.4 billion loss

On Nov. 2, the *Wall Street Journal* announced that Julian Robertson's Tiger Management, a major rival of Soros Fund Management, lost \$3.4 billion, or 17% of its value, in October, producing a net loss of 1% for 1998 to date. Tiger lost \$2 billion on Oct. 7 alone, when it bet on a continuing fall of the yen, but the yen rose strongly instead. Ironically, it was the ongoing collapse of the Long Term Credit Management (LTCM) hedge fund, which was partly responsible for that sudden and unexpected rise in the yen.

"In the wake of the Japan hit," according to the *Journal* report, "the firm began unwinding its Japanese positions, traders have said, which required it to buy yen to cover earlier borrowings. Coupled with similar moves by other hedge funds, that further contributed to the dollar's weakness. Last Friday, Japan's currency was trading at 116.15 yen to the dollar, up from a low of 147.61 in August."

Tiger says it has liquidated \$25-30 billion in assets, reducing its "loan ratio" from 5.5:1 to 4:1.

It is significant that Tiger's board includes former British Prime Minister, now Lady Margaret Thatcher.

It could not happen to a nicer bunch of people.

Brazil's Cardoso: double or nothing on a losing bet

by Lorenzo Carrasco

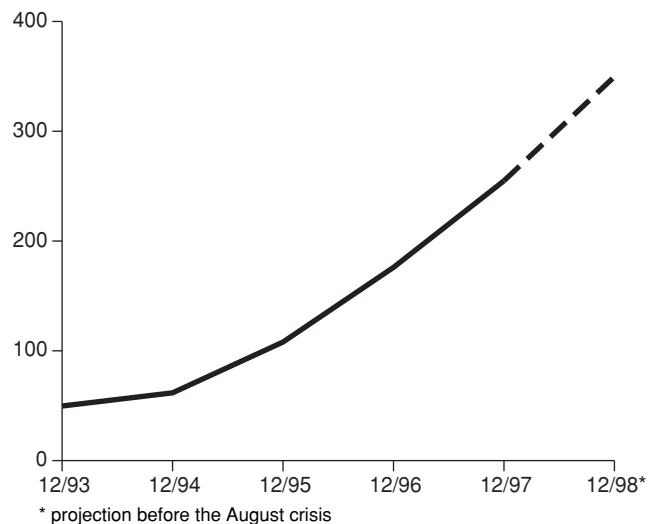
The party, exquisitely laid out by the President for the well-to-do elite, is coming to an end. The 5,000 guests, elegantly dressed in the latest fashions from London and Paris and toasting each other with crystal glasses filled with the finest imported liquors, sampling from nearly a ton of delicately prepared shrimp, dancing and laughing to the beat of orchestral music designed to caress their enormous egos, are beginning to leave. Caravans of luxury cars drive the rich and powerful to their majestic homes. But, oh, the great shock to come! Six days later, on Nov. 15, 1889, the host of the great Fiscal Isle Ball, Emperor Pedro II, is overthrown by the Brazilian Army, and replaced by a republic.

These images which describe the extravagance of a monarchy unwittingly in its death throes, offer us an apt historic parallel to a situation which could be emerging in the short term, if the current government of President Fernando Henrique Cardoso insists on staying the course of monetary policies which have characterized the first four years of his government, a course which now requires implementation of a vicious austerity package negotiated with the International Monetary Fund (IMF) in exchange for an emergency \$30 billion credit line.

In truth, that promise of aid is nothing in view of the flurry of federal paper being offered by the Cardoso government at super-high interest rates, for the purpose of satisfying the gluttonous world speculative market, even while driving public finances into bankruptcy—this, despite the gigantic increase in federal tax collection, all of which is absorbed as a tribute to usury (see **Figures 1** and **2**). Without having to lose a war, nor suffer strategic bombings, the picture that emerges in the immediate future of the Brazilian nation is nonetheless comparable. It is a picture of desolation: thousands of national companies in bankruptcy, hundreds of thousands of farmers either bankrupt or hopelessly saddled with mountains of debt, millions of laid-off workers desperately scouring the country's main cities for any jobs or joining the ranks of the starving, some of whom are being led by activists of the Landless Movement (MST) to invade properties, loot food trucks on the highways, and sow terror, as did Wallenstein's armies during the Thirty Years' War

FIGURE 1
Brazil: treasury bonds

(billions of reals)



in 17th-century Europe.

The president of the Federation of São Paulo Industries, Horacio Lafer Piva, exclaimed: "Industries are not going to remain silent about the recession. We are frightened. They're playing double-or-nothing on a losing monetarist bet." Cardoso's initial bet, to which Lafer is perhaps referring, was the one which the President described on June 19, 1997 in the following manner: "We here are wagering that this risk [of financial collapse] is temporary."

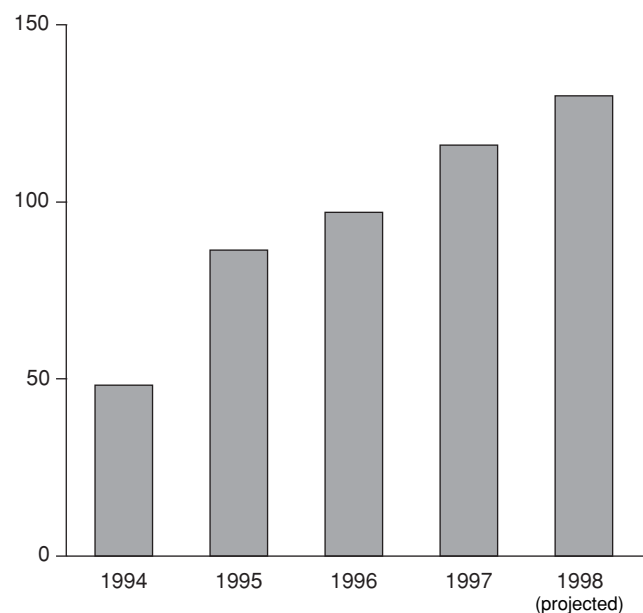
The end of 'Monopoly' money

Despite the efforts of the communications media to suppress the truth with the most vivid government propaganda, the devastation which the President's smiling face cannot hide brings to mind a post-modern version of "The Picture of

FIGURE 2

Brazil: tax revenues

(billions of reals)



Dorian Gray”: The party is over, and it’s now time to pay the bill. Until now, it has been enough for the government to issue bonds at lucrative interest rates, to put the valuable patrimony of public companies up for sale, and to allow thousands of private companies to pass into foreign hands. In this way, resources have flowed to Brazil from a source which the government considered miraculous and bottomless (the accounts of international speculators), and in that way the country got the funds needed to cover the growing current account deficit, a deficit which was in part caused by the free trade policies which flooded the country with imports. It was this which led to the deceptive growth of foreign reserves at the Central Bank.

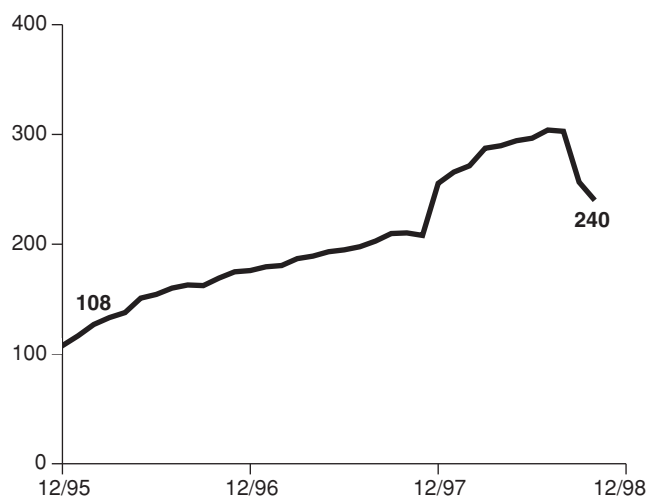
A sad end for the credit of the republic. So much “Monopoly” money has been issued in such a short period of time, that now, no one wants any. In truth, they are no longer strictly certificates and bonds; more than 90% have become documents indexed either to the dollar or to the interest rates, in a kind of temporary truce with the financial market which is awaiting, like the government, some sort of universal miracle to prevent that mountain of government paper from collapsing, and taking with it the entire national banking and financial system.

Already in August and September, when more than \$30 billion in reserves left the country, the entirety of government paper suddenly shrank by 45 billion reals (the Brazilian cur-

FIGURE 3

Brazil: treasury bonds

(billions of reals)



rency), that is, by nearly \$40 billion, at the current exchange rate of 1.18 reals to the dollar, simply because no one was ready to roll it over (**Figure 3**).

In the face of this, anyone in their right mind would recognize the calamity, and would prepare to immediately abandon the free-market neo-liberal monetary programs that caused the disaster. But this is not what the international bankers, nor the Cardoso government, are doing. Instead, they are still feeding the illusion that the crisis is temporary and that there is nothing else to do but wait for the still powerful nations and institutions of the world to fix everything.

Fatal tax package

The announcement of the new tax package, designed to collect more than 13 billion reals in new taxes and to slash 8.7 billion reals from the 1999 federal budget, in hope of thereby drastically reducing the fiscal deficit by more than \$60 billion, is part of the insanity which radiated from the New York meetings of the IMF and the Group of Seven in early October, where a collection of panicked bankers and government officials met to discuss how to hide the volcanic eruptions of the world crisis. It was within that climate that the IMF’s “aid” package to Brazil was born.

But this package is but a prelude to a far greater disaster. To stop investing in the real economy and to try to collect more taxes from an economy which, for a long time, has been plundered by usurious interest rates of 40-50% and subject to an uncontrolled economic opening, will cause a real contraction of at least 5% in next year’s Gross National

FIGURE 4

Brazil: bean reserves

(thousands of tons)

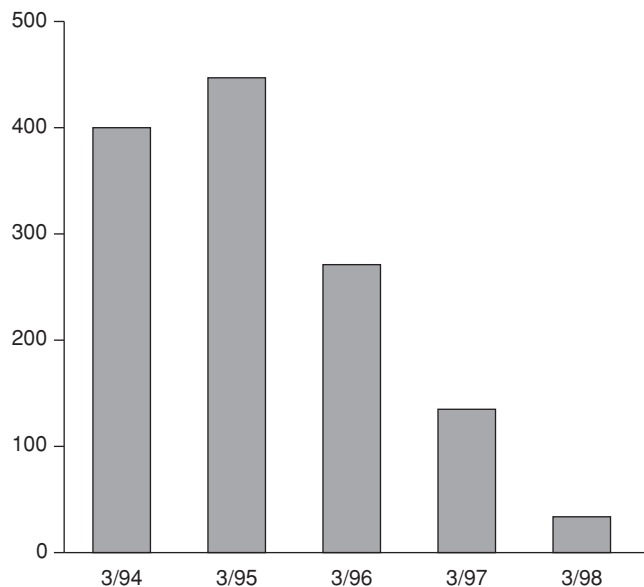
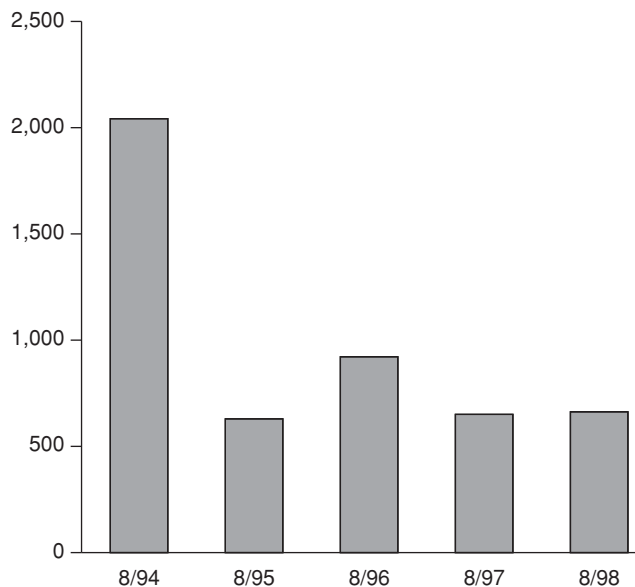


FIGURE 5

Brazil: wheat reserves

(millions of tons)



Product. At the same time, industry will shrink minimally by 20%, causing a rapid increase in unemployment in the main cities, which represents 25% of the national labor force. The financial storms of August and September have already reduced sales of automobiles and other industrial goods by 25%, and this can only get worse.

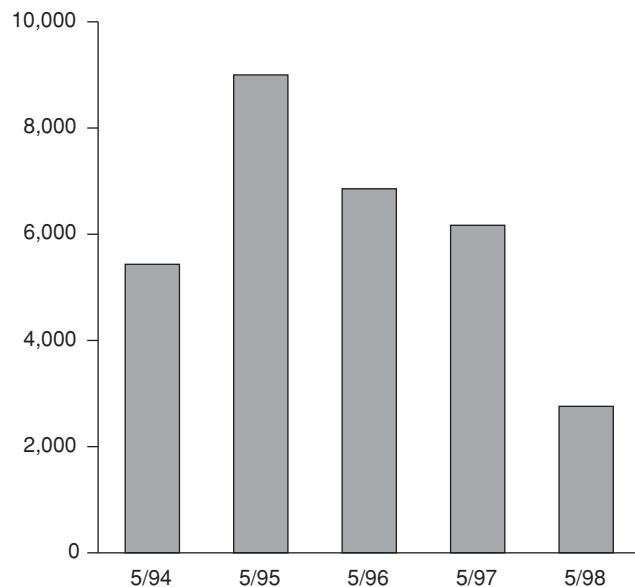
As far as agriculture is concerned, the picture is no better. Last year's mediocre grain yield of 80 million tons will be matched only with great difficulty—with the aggravating factor that the country currently holds grain reserves of less than one month's national needs, and already relies on large imports of wheat, rice, and corn, products in which Brazil was self-sufficient not long ago (**Figures 4-6**).

What is most absurd is that this terminal sacrifice will do nothing to improve the fiscal situation. Tax collection will fall because of the economic depression, and because the real cause of the fiscal deficit—growing interest payments, equivalent to \$60 billion a year—remains untouched. No matter how much the government promises rapid reductions in interest rates, something which is highly improbable in any case, given the international environment, the public debt created in recent months by interest rates around 40% will not only absorb the euphemistically named “fiscal savings,” but will proportionally increase with respect to the total fiscal base. Lloyds Bank predicts that, with the current public debt at 395 billion reals, a stable GNP and a 22%

FIGURE 6

Brazil: corn reserves

(millions of tons)



interest rate next year, as proposed by the government, will still increase debt service to 73 billion reais. But if rates should fall to only 30%, debt service will cost 104 billion reais. No matter what the scenario, usurious looting will take off.

Even more serious, if GNP shrinks by 3-5% next year, industry will enter into depression and tax revenues will fall dramatically, by as much as 20 billion reais—a good deal more than the 13 billion reais that the government hopes to squeeze out of the economy with its new fiscal package, according to the calculations of former Central Bank president Thadeu de Freitas.

Chaos and crisis of the Federated Republic

Only a battery of arbitrary Presidential decrees will make possible the imposition of a fiscal package of this sort. And, it is only the dogmatically rigid neo-liberal economic team who apparently believe that the National Congress will approve the proposed measures.

- First, because of its depressive nature, broad sectors of the population fiercely oppose the package.
- Second, because the government's base of support was split by past elections.
- Third, because three of the four recently elected governors of the country's most important states are openly opposed to the government's current economic policy, and the majority of the rest will not accept the proposal to reduce resources constitutionally allocated to states and municipalities, as the fiscal package would require. On this point, we can forecast that the government's insistence on manacled the fiscal autonomy of the states and municipalities, will unleash a crisis within the Federated Republic itself, which will only aggravate the institutional crisis.

The climate of opposition to the economic package was expressed by an advertisement published in various national newspapers on Oct. 27 by the Brazilian Association of Machine Industries. Entitled "Enough Hard Blows," the document expresses indignation over the announced measures:

"For months, the nation has awaited with apprehension those measures which offer us little in the way of peace and tranquillity with regard to the future. And this has been very distressing. . . . For lack of a secure path, the productive sectors are perplexed: The . . . unfavorable picture stops sales, slows investments, and increases unemployment. Nobody wins with this except the opportunistic, nationless speculators, who have indeed benefitted from the governmental policies. . . . Clip the wings of these birds of prey and revitalize the role of the medium- and long-term investors. Brazilian companies, above all the small and medium-sized ones, are living through a dramatic time, stunned by the latest developments—brutal increases in interest rates and reduction of financing ceilings."

The association ends its unusual advertisement with a

call to arms:

"Capital goods industries await the next blow. But they will not lower their guard. . . . They remain on permanent alert through their members, while they seek creative solutions that will enable them to weather the storm and confront tomorrow, despite the myopia and insensitivity of certain rulers."

"Unfortunately, the old logic of taking the easy path presages a hard blow to come: increased taxes, a foolish proposal that will cause a generalized fall in the rate of consumption, will worsen the recession and, as a result, will shrink tax revenues instead of increase them. And while we wait for the dog to bite its own tail, the measures and reforms which are necessary for us to be able to plan our business affairs, based on the security of a long-term view, are being brushed aside, with cynical arguments of the obese power of the insensitive. In view of all this, the order of the day is to fight. We are going to use every means to force the rulers to wake up, to take a bath of reality, common sense, and patriotism. . . . To accomplish this, it is urgent to formulate lasting policies for every productive sector. Watch carefully, lest another of these palliative actions causes irreparable damage. For those on their knees, the next blow could prove fatal."

Some of the recently elected governors have joined these protests. For example, a spokesman for the governor of Rio Grande do Sul, Olivio Dutra, said that "the governors will not allow themselves to be transformed into mere administrators of military policies that repress their populations made desperate by cutbacks in social areas, cutbacks imposed by the IMF and by President Fernando Henrique Cardoso." Former President Itamar Franco, recently elected governor in Minas Gerais, stated that "what is important is to stress that here in Minas, we will not allow this adjustment to bring recession and unemployment. No one is going to privatize the Electric Company of Minas Gerais while I am governor."

With resistance of this sort, it is probable that President Cardoso will be announcing such fiscal measures in full knowledge that he will not be able to easily impose them, just as occurred with the previous fiscal package in October of last year, at the height of the Asian crisis. In fact, it is possible that the tacit agreement with the bankers and with the IMF is simply to win time for his game of poker, betting that the policy of reducing the U.S. Federal Reserve rediscount rates, announced recently by Federal Reserve Chairman Alan Greenspan, will be sufficient to unblock capital flows and to avoid the bankruptcy of the major banks, especially those in the United States which are exposed in the Brazil crisis. These are vain illusions by those, such as President Cardoso, who plan on reviving the inflationary policies of Lord Keynes to try and sustain the ephemeral life of British Prime Minister Tony Blair's "Third Way," so enthusiastically supported by President Cardoso.

Downsizing the social welfare state

The new German government has begun its work by taking an axe to the social safety net budgets.

The first big move of the new “red-green” government of the Social Democrats and the Greens, has been to call for “streamlining” operations in the social and labor market budgets. Finance Minister Oskar Lafontaine called for substantial changes in the traditional public insurance system of Germany, under the pretext of “bringing more financial justice” to the social welfare structures. The centerpiece of his plan is to drop the contribution-backed insurance system, which guarantees a minimum income to unemployed workers and social welfare recipients, replacing it with an even lower “minimum income” funded from the state’s tax revenues.

Because this minimum income will not provide enough to live on, the individual will be forced to either work for the balance of the required income, or make use of savings. This, Lafontaine claims, will relieve the state of the burden which it has to shoulder now, for unemployment and welfare.

This is discredited Thatcherite monetarism. But, the critical defect in Lafontaine’s plan is that the general population does not have the level of savings that would allow them to live on them, or from the interest they generate. Most Germans who have been unemployed for a longer time have no savings. And, because they do not have savings, the second aspect of Lafontaine’s plan will go into effect: a clause that decrees mandatory “welfare to work” for every unemployment or welfare recipient.

Lafontaine likes to cite the “U.S. experience” of welfare reform, to promulgate his own plan. This, however,

has provoked protest from the labor movement, which points out that “welfare to work” jobs are poorly paid, often at the U.S. minimum wage of \$5.15 per hour.

The case of New York’s Najab Ouahbi, a young woman who grew up in a family of longtime welfare recipients but has managed to get enrolled at New York City Technical College, is being covered here in the German press, as proving the point. Under the “welfare to work” program, she has been forced to work 20 hours a week as a garbage collector, to cover a share of her welfare check, or she would lose all of her payments. Like her, many Americans living on welfare are being forced into low-paid, part-time, non-union jobs, most of which replace well-paid, full-time jobs. The fact that the AFL-CIO is fighting these projects, is pointed out by the German labor unions and reported in the media.

But Lafontaine’s initiative, which is motivated by the effort to balance the budget in a strictly monetarist way, is not the only assault on the traditional welfare system. Bodo “Bobo” Hombach, who designed the election campaign of Chancellor Gerhard Schröder, and who is now head of the Chancellor’s office, has made proposals similar to Lafontaine’s, or even worse. In a new book, *A New Start: The Politics of the New Center*, published just days after the Sept. 27 elections, Hombach attacked the “all-around safety state” notion of the German welfare system, as outmoded in today’s globalization. He called for anti-dirigist policies to replace this

system with one that would “encourage individual initiative.”

Particularly the public social insurance and pension systems, Hombach wrote, should be replaced by a system based on private pension funds. The citizen would be “free to determine” his future welfare or pension income, because he no longer would have to pay the mandatory withholdings to the state welfare and pension funds, thus giving him some extra cash to work with on the financial markets.

The idea is not new, and it has failed, because the “global financial crisis has overshadowed the private pension funds in the United States and in Chile,” as Lafontaine himself said in an Oct. 22 interview with the daily *Süddeutsche Zeitung*. If he is aware of that, why are he and Hombach proposing to introduce exactly that in Germany?

Here, an aspect of profound immorality enters the picture: The primary agenda of the new government is to balance the budget, and the outlays for welfare, public health, and the labor market are the biggest targets. The budget-cutting axe is going to be applied there; that was the doctrine of the neo-liberal government that was voted out on Sept. 27, and it is the doctrine of the new “red-green” government that has not been voted in—most voters oppose it, but it has taken power in a coup that discarded outright any consideration of a Grand Coalition between Social Democrats and Christian Democrats, which most Germans would have preferred.

It is, by the way, the ecologist Greens who are most vehemently calling for “deep budget cuts,” and who keep campaigning against “any new state borrowing, as long as the debt has not been reduced.” Newt Gingrich’s “Third Wave,” it seems, has found dedicated followers in Germany.

Murder by 'suicide'

Philip "Dr. Death" Nitschke has opened a euthanasia clinic in Victoria, a state run by his soul-mate, Jeff Kennett.

What would you do, if a serial killer were running around loose in your neighborhood? Call the authorities, right? What if, however, as in some Grade-B horror movie, the authorities were in cahoots with the murderer?

Residents of the state of Victoria will soon experience this for themselves, in the wake of the move by Dr. Philip Nitschke, Australia's best-known serial killer, from the rural Northern Territory to Victoria, the nation's second-largest state. Although Nitschke allegedly moved to Melbourne, capital of Victoria, to run for Parliament in the Oct. 3 federal election against the sponsor of a successful bill against euthanasia, Liberal MP Kevin Andrews (Nitschke lost), one could surmise that "Dr. Death," as he is known, had at least two other motives: the higher population density, which will afford him a greater number of potential victims; and, the fact that Victorian Premier Jeff Kennett is an outspoken proponent of euthanasia.

If you're going to kill somebody, it were best to have some political back-up. Perhaps Nitschke also thinks that, since Kennett has massively cut the state hospital budgets, cuts which have indisputably killed people, as documented by Lyndon LaRouche's Citizen Electoral Council associates in their mass pamphlet "Australia's Health Care 'Reforms': A Nuremberg Crime Against Humanity," that his own murders will just sort of blend in with the general mayhem. Nitschke claims his clinic will just dispense "advice."

Like his American colleague Jack Kevorkian, Nitschke is a homicidal

maniac, although he has helped kill four people, as opposed to Kevorkian's more than 100. After he described, in a May 1997 address in Adelaide, South Australia, what he did to kill Esther Wild, Paul Rofe, the state's Director of Public Prosecutions, said he had just heard "what I believe to be technically a confession to the murder."

Not content with knocking people off one by one, Nitschke is exploring ways to increase his kill rate, including the use of a "coma machine," which even he describes as a "slightly macabre device." This would monitor the victim's brain activity, and pump in more drugs if the patient showed any sign of waking, until he died. He is also working on a death machine involving a plastic bag and carbon monoxide. Furthermore, he delivered a paper on his pet idea of a "suicide pill" to a conference on "voluntary euthanasia" in Switzerland in mid-October, where he effused that it should be possible to invent a cheap pill based on easily obtainable ingredients from "the immense array of toxic products on our supermarket, hardware, or agricultural supply shelves." His efforts have been boosted by Rupert Murdoch's *Herald Sun*, which publishes his pro-suicide rants.

The debate on euthanasia intensified in late October, when Melbourne urologist Dr. Rodney Syme, the president of the Voluntary Euthanasia Society of Victoria, publicly admitted that he had administered increasing doses of morphine to a cancer patient, knowing that this would kill the patient, as the patient had allegedly requested. Although "assisting suicide" is illegal

in Australia, Syme's use of what is called "pharmacological oblivion" to kill people, falls into an ostensible gray area which the Australian Medical Association (AMA) distinguishes from "active euthanasia," on the grounds that the intention is to relieve pain and suffering, even if it is clear that the process will "hasten death."

Syme would clearly prefer to just kill his victims outright. As he told the *Age* of Nov. 2, "I find it a rather obnoxious, very unpleasant process of putting somebody to sleep, keeping them asleep, knowing they are going to die. . . . It's something that is not often discussed, it is swept under the carpet."

Syme's admission, together with his claim that many other doctors are doing the same thing, provoked enough outrage that even Kennett warned doctors that they "risked deregistration" by the AMA for doing what Syme had done. Furthermore, Kennett said, Syme should realize that although he, Kennett, was definitely pro-euthanasia, "that is not the government's position, nor will it be in the future."

Kennett, it would seem, prefers to eliminate people through his savage, Mont Pelerin Society-dictated cuts to Victoria's public health system, which have eliminated thousands of beds and fired thousands of health care professionals, as well as cleaning personnel, which has led to epidemics of golden staph and the highly lethal vancomycin-resistant enterococci in Victorian hospitals. Even his own Health Minister, Rob Knowles, has admitted that Victoria's health system will "collapse" in the near future. One of the many doctors who have quit that system, Australian Association of Surgeons Victorian chairman Dr. Graeme Brazenor, said recently that he did so, because the health system "had deteriorated to Third World standards in Victoria."

Business Briefs

Demographics

UN agency confirms holocaust in Africa

A report focussing on the impact of AIDS on the African population's lifespan, released on Oct. 28 by the UN Population Division (UNPD), reveals a continent-wide holocaust. The UNPD, unlike the UN Population Fund (UNFPA), is a demographic agency. The holocaust has been covered up by the UNFPA, which sponsored the 1994 Malthusian "Cairo Conference." Rather than simply making this "1998 Revision" available to and through UNFPA, the UNPD released a 40-page summary to press around the world.

The African population, reported to be 778.5 million in UNFPA's "State of the World Population 1998," less than two months ago, is reported by UNPD to be only 749 million—30 million Africans fewer! Comparing the new estimates to both UN and U.S. Census Bureau figures for 1997 and 1996, it is possible that the entire African population is now at zero growth or even falling, though the UNPD has not drawn this conclusion.

The new report zeroes in on only one cause for the drastic drop in life expectancy: AIDS. In the 29 African countries hardest hit by the disease and its co-factors combined, mortality is zooming and life expectancy is falling: from 49.2 years in the interval 1985 to 1990; to 48.5 years in 1990-95; to 47.5 years currently; and, it will fall further during 2000-2005. Some individual countries:

- In Zimbabwe, life expectancy has fallen from 52 years in 1990-95, to 44 years in 1995-2000, and it is expected to fall to 41 years in 2000-2005.

- In Botswana, life expectancy has fallen from 61 years in 1990-95, to 47 years in 1995-2000, and is projected to fall to 41 years in 2000-2005.

- In South Africa, life expectancy is expected to fall from 59 years in 1990-95, to 45 years 2005-10.

The report adds Uganda and Burundi to the list of countries whose population is now declining, which includes at least 10 African nations and more than 30 nations worldwide. And the new, drastic downward revisions of the population estimates for Nigeria and South Africa, by 15% each, raise the possi-

bility of falling populations there as well.

The UNFPA will have to cancel its "official" pronouncement of a world population of 6 billion, planned for July 1, 1999. Based on the Population Division's new, lowered, global estimate, there is no prospect of the human race reaching 6 billion by that time. Further such "shocking" reports will be expected, as long as the worldwide collapse of the physical economy is not reversed.

Corporate

Crisis causes U.S. capital spending cuts

Many corporate expansion plans in the United States are on hold, the Oct. 26 *Wall Street Journal* reported. The cutbacks have been triggered by a credit crunch and the present systemic world financial breakdown.

Motorola, Inc., for example, recently halted construction of a \$3 billion semiconductor project in the state of Virginia. Dozens of other firms are similarly abandoning plans for expansion. Already, companies such as Phelps Dodge Corp., Levi Strauss & Co. (clothing), and Western Digital Corp. have announced project cuts, and similar retrenchments are expected to multiply in the months ahead.

A survey in mid-October by the National Association of Manufacturers found that nearly 47% of its 60 board members planned to "significantly reduce" their capital outlays as a result of financial and economic turmoil around the world.

Insurance

Bush league defends Brits in Lloyd's battle

British interests are intervening into the U.S. Congress to stop the modification of U.S. securities laws, in the context of a battle between Lloyd's of London and its American Names investors, *EIR* has been told. Lloyd's, facing massive losses on its asbestos insur-

ance contracts, lured in thousands of new investors, and saddled them with the losses. Once again, the Brits have found the George Bush networks to be their dutiful servants.

The American Names Association, as part of their long-standing battle with Lloyd's, had arranged with U.S. Senators to get a modification of U.S. securities law included in the omnibus bill at the end of the recent session, according to a source. However, one of the ANA members blundered by contacting Sir George Bush, his son Texas Gov. George Bush, and Brent Scowcroft, to get them to apply pressure on behalf of the Names. The next thing you know, the source said, the British Ambassador to the United States was buttonholing Congressmen, warning that the proposed legislation would cause turmoil and interfere with treaties under negotiation. The modification was dropped.

Rep. Thomas Bliley (R-Va.) played a key role in getting the modification killed, the source said.

Banking

Bank of America 'loans' were an equity position

In October, Bank of America, America's biggest commercial bank, announced that it had taken a \$372 million loss on a loan to securities trader D.E. Shaw & Co., and had bought about \$20 billion of securities held in a Shaw fund. Like the Long-Term Capital Management hedge fund, Shaw had bet that the rates of other financial instruments would "converge," i.e., move closer, to the rates of 10- and 30-year U.S. Treasury bonds. Instead, there was a divergence and, like LTCM, Shaw lost considerable sums.

Last year, Bank of America made what it called a \$1.4 billion loan to Shaw. But, it turns out that the loan was not really a loan. The Oct. 26 issue of *Newsweek* magazine reported, "The loan terms were unusual, because rather than being at a fixed rate, the interest included half the fund's [Shaw's] profits. [Bank of America] was also obligated for half of the fund's losses. What looked like a loan was actually a huge bet on Shaw's trading strategy." What Bank of

America effectively had, was an equity position in Shaw.

Some individuals are now suing Bank of America for not telling the truth about this "loan" to Shaw. But, this also raises the question of how many commercial and investment banks have relationships like this, in which they have attempted to disguise equity stakes in speculative hedge fund firms as loans.

Further, Bank of America's purchase of \$20 billion of bonds and securities from D.E. Shaw means that it is attempting to perform a function for Shaw of the character of what Federal Reserve Chairman Alan Greenspan is attempting to do for different parts of the speculative market system as a whole: hold onto the \$20 billion in instruments, and sell them "when the market turns up." If it can't, then Bank of America may have losses far greater than \$372 million.

Political Economy

City of London 'is an overhead' cost

The City of London represents an "overhead cost," an expense on the British "real economy," writes Prof. Stephen Bush, in an open letter to the Oct. 27 London *Daily Telegraph*.

Referring to a piece in the "City Comment" column of the paper on Oct. 22, Bush states, "City Comment was wrong to suggest that '4 million people making things' contribute about the same to the 'national economic cake' as a quarter of a million people in the City." He notes, "It is an accounting fiction that the City 'produces' 20% of our national output. Much of its so-called 'output' consists of elaborate financial manipulation directed at attracting a disproportionate share of real output to itself. City folk don't spend their money on more insurance policies, bank accounts, derivatives and other financial 'products.' They buy the products of the real economy—cars, clothes, houses."

Therefore, says Professor Bush, "Financial services and much of the City do not represent output—but are overhead costs on the output of the real economy. The fact that we have a higher proportion of our labor force

engaged in financial services than any other major economy is a weakness, not a strength. Viewing Britain as an economic enterprise, we should be doing our utmost to reduce, not expand this overhead."

Southeast Asia

World Bank expert warns poverty could double

Richard Newfarmer, the World Bank's leading East Asia specialist, told an Oct. 29 seminar at Chulalongkorn University's Sasin Graduate School of Management in Thailand that the number of impoverished people could double within two years. He said that "by the year 2000, the number of people living below the poverty level in Thailand will increase from 9 million to more than 14 million, and if there are no pro-poor policies, the figure may rise further," the *Bangkok Post* reported. Some 13-14 million would be, minimally, 23% of the total Thai population—so much for the International Monetary Fund-World Bank's Asian success story.

Unfortunately, Newfarmer's poverty figures are grotesquely conservative. Taking the Philippines, Malaysia, Thailand, and Indonesia as his "crisis list" countries, he estimates that those below the poverty line will more than double, from 40 million, to 90 million by the year 2000. Yet, Indonesia alone has stated that one-half to two-thirds of its population will be living in poverty by the end of this year—i.e., 100-140 million in one country. Newfarmer's calculations are based on a worst-case estimate of 10% reduction in output and 10% worsening in income distribution—Thailand, the Philippines, and Indonesia are already past that. He also noted that school enrollment in Indonesia has dropped from 78% to 54% in the past year.

In reviewing the effects of the past year's crisis, Newfarmer said his study conservatively estimates that 23% of Thai, 45% of South Korean, and 65% of Indonesian firms are technically insolvent. Foreign investment in five key countries has collapsed to only \$13.11 billion, down from \$41.75 billion the previous year.

THE BANK OF ENGLAND confessed to its incompetence on Oct. 27, when a member of the Bank's Monetary Policy Committee, DeAnne Julius, admitted that the bank had been slow to recognize the economic collapse in Britain. "We have been a little late in recognizing that the economy has turned. We are now in a situation where we are slowing domestically."

CAMBODIA'S economy is suffering. Foreign currency dropped from \$231 million in March 1997, to \$145 million today, and its currency, the riel, has dropped from 2,500 to the dollar, to 3,800. A rice exporter before 1998, the country must import 200,000 tons this year. Even the casinos that Singapore and Malaysia built are in trouble.

JAPANESE government officials said on Oct. 29 that Japan will send 56 million yen (\$475,000) worth of relief goods to the southern Kurile Islands, which since World War II have been the subject of a border dispute and negotiations with Russia. One Japanese mission to Kunashiri, Shikotan, and Etorofu islands will deliver 140 tons of food, small generators, and fuel.

RUSSIA, after seven years of reforms and "chaos," should study the Chinese example of economics, Genady Seleznyov, chief speaker of the Russian parliament, said after talks with Chinese leaders in Beijing on Oct. 28. With its gradual development over the last two decades, and in the context of a socialist-market economy model, China has been able to achieve double-digit growth rates.

AUSTRALIAN industrial accidents kill nearly 3,000 people each year "as a result of workplace injury or disease," more than are killed in road accidents (1,766), Leigh Hubbard, secretary of the Victorian state union headquarters, said in October. He attributed the fact to "the removal of an injured worker's right to sue employers for negligence" under the Howard government's Mont Pelerin Society-dictated "industrial reform."

Food, not money, is the crisis

by Lyndon H. LaRouche, Jr.

October 30, 1998

The presently threatening global tragedy can be summed up in a few words: up to the present moment, President Bill Clinton “doesn’t know diddly about economics.” Therefore, our nation’s captain, Bill Clinton, out of his ignorance of economics seamanship, is desperately trying to save the doomed “Titanic,” when his concern ought to be saving this planet’s imperilled passengers, and himself.

Thus, when he should be focussed upon a real crisis, the immediately perilous, world-wide food crisis in Russia, and elsewhere, which is now threatening to blow up immediately, the President’s attention is gripped by a G-7 Hallowe’en fantasy spectacle, in which he is joined with Margaret Thatcher look-alike Tony Blair, and others, all in an obscene carnival, intended to muster popular support for a soon-to-be-nonexistent-in-any-case international financial system—the relevant “Titanic” of this situation. The President, with his new-found male bonding with Blair, is, thus, lured from reality, into a dream-like quest for that miraculous incantation which will make foolish people “feel better” about the crisis, even if only momentarily, even if the end result is to make everything much worse than if the G-7 had done nothing at all.

Since the series of Washington conferences he called, earlier this month, the President has fled from the very reality he had presented in his September 14th address to the New York Council on Foreign Relations. Between the time of the September 23rd surfacing of the LTCM panic, and the Social-Democratic electoral victory in Germany, the President flinched; he capitulated to his fears of those Wall Street and London powers he had enraged by his New York address, and fled into the ostensibly protective embrace of his fellow “Third Way” ideologues from western Europe. Since the beginning of October, he has been obsessed with virtually pretending that he had never said what he freely admitted to be the case in his September 14th address. Since early October, instead of facing reality, he has been



President Clinton and Prime Minister Blair in Washington, Feb. 6, 1998. "The President," writes LaRouche, "with his new-found male bonding with Blair, is, thus, lured from reality, into a dream-like quest for that miraculous incantation which will make foolish people 'feel better' about the crisis, even if only momentarily, even if the end result is to make everything much worse than if the G-7 had done nothing at all."

wasting precious time and resources, which ought to be spent on more useful activities, helping to make a monstrous crisis worse.

During this recent period, the President has joined the official fools of Britain and France, with apparent support from the new government in Germany, in seeking yet another, ultimately disastrous short-term "crisis-management" scheme and mass-media hype, all for no better purpose than a short-lived effort to deny reality for yet another few more days. Thus, we have the sillier politicians being used once again, in yet another bankrupt bankers' attempt at a short-term bail-out for their incurably bad choice of investments. Thus, all for the sake of Alan Greenspan's and Eddie George's bankers, we have another G-7 scheme to force the widows and orphans of the world, to give up their last few pennies, and also their children's blood, in a futile attempt to bail out a financial empire of the IMF, which, in any case, is already, hopelessly doomed.

Unfortunately, even those cruel, wildly hare-brained bail-out schemes, are far from the worst danger lurking within the President's recent folly.

The central ideological feature of these October developments, has been the attempt to subordinate U.S. economic and foreign policies, to a "Third-Way" bonding of the President, to what, for a moment, at least, is a London-directed, "Dick" Morris-advised, G-7 coalition with Blair, Jospin, and the newly installed German Chancellor, Gerhard Schröder. Thatcher-look-alike Blair's influence on the issues of the

present global financial crisis, is devilishly awful in its implications for even the near term. Unless the President realizes, soon, what an evil little Rumpelstiltskin Blair really is, the U.S.A. will discover, very soon, that it has been lured into the most deadly, global strategic trap of the century.

However, for the moment, shove Blair himself back into his corner. Focus on the broader strategic and technical issues posed by the presently attempted "bail-out" package itself.

1. The scheme

Look first, at what the President purports to be doing about the financial crisis itself. Call it "the scheme," or, if you prefer, "the IMF's G-7 scam."

Once again, we witness the typical feature of all similar "crisis management" schemes up till now. All current "crisis management" efforts can be reduced to an offering of financial bail-outs, which greatly increase the aggregate debts of the already monstrously insolvent debtors, but under the terms of agreements which collapse the debtor's future ability to repay. In previous such bail-out schemes, as now, the inevitable result is to drop the ability to pay the debts to much lower levels than prior to the previous crisis "just successfully managed." The present G-7 scam, has the same purpose as every bail-out swindle before it: to attempt to cover up the hopeless financial mess created by every similar bail-out scheme before.

The pattern is identical to that in the celebrated New York case of what was once called "The Great Salad Oil Swindle,"



Members of the London-directed G-7 coalition include French Prime Minister Lionel Jospin (left) and Germany's new Social Democratic Chancellor, Gerhard Schröder (right). Bill Clinton is not the only one who "doesn't know diddly about economics."

a case which I used, regularly, in my campus lectures, between 1966 and 1973, to explain how the new economic policies being launched in 1966, would blow out the financial system at some not-distant, future time.

Decades before today, back in the saner times of President Kennedy's administration, accountants who approved of such arrangements would have been rightly booted out of the profession, or even justly jailed; today, since the "cultural-paradigm shift" of 1964-1972, that has become the standard practice of the IMF and the U.S. government, while the prisons are filled with the victims of prosecutors who are as crooked as, perhaps even more crooked than the worst of the past or present Wall Street accountants.

In the aftermath of the Thatcher-Mitterrand-Bush-Gorbachev agreements of 1989-1991, there has been a recurrence of previous bail-outs of the same type as the G-7's current "trick or treat" diversion. Schemes like this, of the type launched since 1989-1991, notably including the terms dictated to Russia at the beginning of 1992, have already resulted in driving the physical economies of most nations of the world, repeatedly, either near to, or, sometimes, even beyond the breaking-point, the point at which they each have the choice of repudiating the debts, or dying in the futile effort to repay them. The lunacy of this week's G-7 declaration, shoves the world over the edge; this is the bail-out attempt which will not only fail, as inevitably as all those before it; this one could blow up the world.

Then, look at the ominous strategic implications of repeat-

ing such childish games of "crisis management" at this historical, strategic juncture.

The most difficult test for President Clinton, which will, to say the least, probably make or break the closing year of his administration, is the keystone role Russia's monstrous food crisis plays in the current, insane game being played by Britain's Blair government. For the irrationally exuberant Wall Street bankers, Brazil's is the crisis which threatens to topple them into Japan-style mass bankruptcies. It is the Russia crisis, a much smaller factor in the U.S. markets as such, which represents the more immediate, far more explosive, more deadly strategic potential. This Russia issue, together with London's cooked-up targetting of Malaysia, will hit Clinton head-on, strategically, and from both his foreign and domestic enemies, all at once, during the weeks immediately ahead.

The crux of this Russia crisis, is the fact that Greenspan's and George's bankers, and others, are currently committed to forcing Russia, and President Clinton, to the folly of "staying the course" of the so-called "reform" policy. This is the policy, based on "free trade" and "globalization," which has already nearly destroyed Russia, and numerous other nations besides. It is also destroying the United States. No sane U.S. government would ever target Malaysia in the way Washington is doing now, nor, above all, allow such a game to be played against a desperate nation which is also the world's second-ranking thermonuclear power. This is but one immediate consequence the U.S. will soon face,

unless it breaks with London and Blair on these and related matters of policy.

The present conflict, over derivatives contracts, between London and Russia, is only the most immediately ominous of the rapidly expanding crises to be unleashed by the Hallowe'en follies of the G-7 group. For Brazil, as was the case for Indonesia, the conditions associated with the IMF's demands, are comparable to, or worse than the effects imposed by the Nazi looting of war-time occupied territories. In none of these cases, such as the recently announced G-7 agreement, have any of the governments duly considered the fact, that what the IMF did to Indonesia, and what the G-7 now proposes for both Russia and Brazil, among other nations, was called "crimes against humanity" in the post-war Nuremberg Trials of the Nazis.

When such terms are dictated to states which have significant political and physical power to resist, even at great risk and the price of short-term sacrifice, the results are wars, or revolutions, or a combination of both. Proud nations so driven to despair, will, like the Biblical Samson, if they are able, pull down the pillars of the temple upon the tyrants who oppress them, rather than submit to such IMF-style sodomy. Under present world political and economic conditions, at a time when the stabilizing forces provided by perfectly sovereign nation-states are so greatly undermined by effects of "free trade" and "globalization," the present financial crisis, like the mid-Fourteenth Century bankruptcy of the Welf League's Lombard bankers, tends to set off chain-reactions like those of the "New Dark Age" of that century.

Remember: According to the Nuremberg Code, any official of government, or any relevant professional otherwise, who knew, or should have known that the policies he crafts or implements will cause such effects on persons and nations, is guilty of capital offenses against humanity, and possibly also including the charge of war-crimes, if force is used to impose such policies or practices on unwilling nations. The application of such force, under present conditions, would be sufficient to set off something, on a global scale, otherwise echoing all of the most horrifying features of the "New Dark Age," the Spanish Nazi-like war against the Netherlands, and the 1618-1648 Thirty Years War.

On this point, Clinton will either break with London on this and related issues, or he himself is likely to be sunk, and that very quickly. This is one problem which Bill Clinton could not "dialogue" his way out of. On this issue, he has no option, but to break out of "The Third Way."

Look at the strategic alternative to the deadly follies of the new G-7 "crisis management" posture. Look at the implications of a strategically urgent "Food for Peace" policy.

2. Food for Peace now, or else

Whatever is decided in the case of Russia, now, during the current weeks, will immediately set the pattern for the

world as a whole. The question is, therefore, can the President be awakened in time to turn the ship around?

Technically, the solution for Russia's financial emergency, and its far more acute food emergency in particular, is elementary. Washington must take the lead in setting up a global agreement on a long-term credit-and-trade package. To succeed, this must include conceding Russia's right to the kinds of sovereignty which the U.S.A. practiced under President Franklin Roosevelt and all his patriotic predecessors. That means conditions more or less exactly like those prevailing under the pre-1958 form of the original Bretton Woods Agreements. This will require extensive, long-term use of capital and exchange controls, target-oriented trade agreements among the principal trading partners, and extensive other regulatory measures in the same spirit and genre. The presumptions of "free trade" and "globalization" must be immediately and totally abolished, otherwise no solution is possible.

Under those strict preconditions, the successful package must feature a line of credit of not less than approximately ten years maturity, which will not only organize the *immediate and continuing* delivery of *sufficient* food supplies to Russia now, but, do that as an integral part of rebuilding that nation's agricultural and industrial potential to the profitable level at which its ability to repay its honorable debt is assured, but not gamblers' side-bets, such as financial derivatives. I shall return to treat the additional considerations later, here, below.

Notably, the present conditions in Europe are worse than those which I anticipated when I first delivered an earlier form of this same "Food for Peace" program, as a leading feature of a nationally televised U.S. Presidential campaign address, which I had then just recently delivered in Berlin, Germany, on October 12, 1988, just over ten years ago. The notable added difficulty, today as compared to 1988, is that conditions throughout all of Europe, and also the U.S.A. itself, are far, far worse than they were in 1988. Then, the proposal was made with the purpose of preventing the kinds of conditions which presently exist throughout the Americas, and throughout both the eastern and western parts of Europe. Nonetheless, although the world has changed, very much for the worse, since that address, the much neglected principles of sound economic practice have not. The same principles still apply ten years later, even under presently prevailing world conditions far worse than almost any of the existing governments would have even imagined possible ten years ago.

The point just stated must be underscored. In principle, the problem of integrating the territories of the former Soviet Union and other parts of eastern Europe, is no different in form today, than I envisaged and specified in my October 1988 "Food for Peace" statement. The only important difference, is that the conditions created by the 1989-1992 policy-dictates of Thatcher, Mitterrand, Bush, and Gorbachev, are much worse today, in both eastern and western parts of Eu-



Street vendors in Moscow. The most difficult test for President Clinton, is the role that Russia's food crisis plays in the insane game being played by Britain. Whatever is decided there, will set the pattern for the world as a whole. "The question is, therefore, can the President be awakened in time to turn the ship around?"

rope, as in the U.S.A., than I or anyone else anticipated back in October 1988. The principles of economic recovery now, are the same, even though the means required will be more strenuous. With adequate leadership from key governments, ultimate success, if painfully achieved during the initial year of operations, is virtually assured.

The "Food for Peace" package, in the form I propose it here, will provide the needed keystone for the entire architecture of a New Bretton Woods System. Now, as then, my proposal will establish a system of cooperation among a bloc of participating nation-states, which combined, will emerge immediately, inevitably, as the dominant influence on the affairs of our planet as a whole. It will be a system like that which President Franklin Roosevelt envisaged for post-war reconstruction. As I have already stressed, above, it must be premised upon a pre-ACDA (U.S. Arms Control and Disarmament Agency), virtually Gaullist conception of the perfect sanctity of national sovereignty, and upon those modes of capital controls, exchange-controls, and financial and other regulation, including the combination of a fixed-rate monetary system, and protectionist modes of trade-agreements, which proved so successful during the crucial, 1946-1958 period of post-war economic reconstruction.

As I have also noted, above, the included feature of any workable package, would be the termination of that so-called "reform"—featuring monetarist "free trade" and "globalization" conditionalities—which has systematically looted and

destroyed Russia's, and many other nations' economies, during the recent nine years. Above all, if President Clinton is to prevent himself from running his ship of state onto the rocks just ahead, he must acknowledge, openly, that it was those "free trade" and "conditionalities" policies which have created the mess Russia and its creditors face now. If he fails to say this, virtually no one, in any part of the world, will, or should believe him.

In the worst case, should the U.S. fail to turn to this alternative now, a terrible strategic condition will now rapidly develop around this planet, a situation more ominous than has existed on this planet at any earlier point during this century.

The world would be divided between chiefly two forces, the one, a self-doomed Ship of Fools called the London-steered, present set of G-7 nations against those efforts at cooperation in survival, now variously erupting or simmering among some nations, probably including China, Russia, Malaysia, and soon many others. The latter nations will almost certainly decline to join the lunatics in that tasteless Halloween spectacle otherwise known as the G-7's just-proclaimed economic mass-suicide-pact. Given existing conditions, now, and the physical-economic condition of nearly all parts of the world today, such a political state of affairs as this, means something far worse than war, even nuclear war.

That just-proclaimed G-7 proclamation implicitly invokes an assault upon every part of the planet by the proverbial "Four Horsemen of the Apocalypse." Said otherwise, as

I have already stressed, above, it is a result echoing, on a global scale, what is known as the mid-Fourteenth Century “New Dark Age,” and what historian Friedrich Schiller’s strategic studies describe as the brutish conditions of the Netherlands resistance against Hapsburg oppression, and the 1618-1648 Thirty Years War in Central Europe. Only the type of change I propose, if adopted very soon, could prevent such a holocaust of humanity as a whole.

The President must now recognize, that we have now reached the point in the ongoing world financial crisis, at which either that FDR-style program based on long-term credit agreements, is put into operation immediately, without any of Blair’s “global pre-agreements,” his “new supranational authorities” nonsense; or else the U.S.A. and western Europe will be destroyed economically, destroyed by the chain-reaction effects of failing to adopt precisely such a policy pivotted on immediate solutions for Russia’s immediate food crisis. It would be difficult to avoid repeating the warning, that the policies responsible for the recent decade of collapse in the world economy—chiefly the policies of “free trade” and “globalization,” must be scrapped, and the conditions of cooperation among effectively sovereign nation-states re-established as the indispensable foundation for any possible general economic recovery on this ruined planet.

For a standard of comparison to the present situation: Think of how foolishly stubborn the President was, for example, in refusing to admit publicly, that he had shown himself a fellow “who didn’t know diddly about economics,” when he made the virtually fatal political decision, to cave in to certain political advisors, such as perennial Presidential misadviser “Dick” Morris, who were, and remain even far less competent in economics than he is, in dropping his plans to veto the 1996 “welfare reform” legislation being pushed by Newton “Yahoo” Gingrich. He must not repeat that kind of mistake, again, in the present, more deadly situation; unfortunately, that is precisely the error he has committed in his male-bonding act with Tony Blair & Company, on the issues of the current round of the global financial crisis.

We can hope, that now, as in many happier, earlier outcomes in the history of crises, victory will be “snatched from the jaws of (virtually certain) defeat,” as Lazare Carnot saved France during his period in command, 1792-1794. We must hope that somebody has the wits, guts, and stubbornness, to convince a responsible official to do what that official had been most stubbornly determined not to do. The success of such an effort can not be assured, unless a sufficient portion of our citizenry rallies to the fight now, rather than waiting until anyone could see that victory is assured. In this case, I am the most notable international public figure among those who are, or might prove qualified, on the record, to define the measures needed for ensuring a successful approach to the economic issues of the present crisis. In this matter, I have my unique capabilities and matching moral responsibilities,

just as President Clinton has his unique duties, authorities, and responsibilities as head of state.

That is what Presidents are for. Not to be manipulated by the cheap gossip of crooked pollsters, or by the Jacobin mobsters of today’s compulsively calumniating, usually lying, dirty mass media. Rather, as civil-rights leaders from the 1960s recall, Presidents and their key officials, like members of Congress, must be constantly pressured, as the elected officials of true republics should be, not by public-opinion fluff and media-hype, but by the force of reasoning embodied in statements of fact and concern for principle presented by individual citizens.

In this combination of circumstances, either I do the pushing on the needed economic strategy, with a lot of backing from concerned, responsible citizens, or both our incumbent President, his Vice-President, and this nation, are not going to continue to exist in a recognizable political form much longer. Either the President reverses course on this matter very soon, including his rejecting openly the philosophy expressed by his foolish mistake in choosing to support the 1996 “welfare reform;” or, if he lacks the wisdom to do so, the U.S. economy is going to take a deep, long dive, from which it might never recover, and this administration with it.

Hey, buddy, I am not up here just yapping for your entertainment; I am addressing you personally, as a fellow who ought to be acting as a citizen of this republic. You must act as a real U.S. citizen, not as if you were merely some dumb, useless spectator, like those poor British subjects, with no true citizenship, traditionally gathered by the Speakers’ Corner in London’s Hyde Park. You have an unshirkable, personal responsibility, as a citizen, to determine how this drama plays out; your life may depend upon it. You wish to be a spectator? Pick up that shovel!

Let each among our nation’s well-wishers beware, that they not become one of those cowardly, foolish kind of kibbitzers who limit their responsibilities to making some “positive” suggestions, and then stand back, hands behind their back, like unemployed sidewalk superintendents, waiting to see whether their nation survives, or not. Let them not be yet another of those “free-loaders,” who will not join the fight until the last opportunity to join the victory parade: “Believe me, if it works out, I will be the first to support it!” These, as Tom Paine said, “Are the times that try men’s souls.” For the United States, this is “Valley Forge” time once more; the fate of the republic is on the line. In such times, you are not permitted to be the kind of cheap kibbitzer, who has plenty of wisecracking complaints about the President’s performance in the present situation, but backs off from challenging President Clinton’s misguided opinions openly on important matters of policy, in which the President may be, temporarily, stubbornly wrong-headed.

We are not going to induce the President to do anything right about the present situation, unless you, for one, participate in an effort which succeeds in pointing out, precisely and

forcefully, where the President's current trends in economic policy-shaping are dead wrong. The President would be utterly incapable of understanding the kind of policy he should adopt on the Russia food crisis, unless he first understood where he is currently wrong in the choice of axiomatic presumptions which have prevented him from choosing a sane policy on Russia's economic disaster so far. Making little suggestions, without stating what must be corrected, is like the marriage counselor's suggesting the adoption of a mistress as a traditional solution for a marriage which has turned sour. At last, at least, the President must learn more than "diddly" about economics. You'd better succeed in helping to persuade him to choose that course, otherwise you will be too busy seeing your own miserable situation to notice the President's.

Let us now turn, next, to the nature of the cretinism shown by each and all of those governments which signed onto the recent G-7 bail-out package. After that, we shall turn to two other crucial, related topics: 1) The specifics of the pilot agreement, with Russia, emphasizing the needed, axiomatic features, required to launch the New Bretton Woods System; and 2) How a man as capable in his field as Treasury Secretary Bob Rubin, could have rationalized the recently proclaimed G-7 doctrine. The answer to the second question may surprise you, but it represents a lesson which you, as a citizen must have learned, by the next time you are due to cast a vote.

3. Costs versus overhead

Don't let such examples as Prince Philip and Tony Blair mislead you; there are actually some very intelligent, and even some sane people to be found among the other subjects of the United Kingdom, although there are no citizens permitted there. In a letter to the editor of London's notorious Hollinger Corporation rag, the *Daily Telegraph*, published on Oct. 27th, one of these more intelligent Britons, Professor Stephen Bush—apparently no kin to that bubbleheaded, former U.S. President George Bush, who was Prime Minister Margaret Thatcher's familiar in the follies of 1989-1992—made an elementary, and most relevant point, on the difference between costs of production and the expenditures, the latter necessary or not, for non-productive overhead. It is a point which President Clinton must heed, and learn, at long last.

Professor Bush was responding, with appropriate, well-informed indignation, to an hysterical rant which had been published in the *Telegraph's* Oct. 22nd "City Comment" feature. Bush replied, "'City Comment' was wrong to suggest that 'the four million people making things' contribute about the same to the 'national economic cake' as a quarter million people in the City [of London financial center]. . . . It is an accounting fiction that the City 'produces' 20 percent of our national output. Much of its so-called 'output' consists of elaborate financial manipulation directed at attracting a disproportionate share of real output to itself. . . . Financial ser-

vices and much of the City do not represent output—but are overhead costs on the output of the real economy. The fact that we have a higher proportion of our labour force engaged in services than any other economy is a weakness, not a strength. Viewing Britain as an economic enterprise, we should be doing our utmost to reduce, not expand this overhead."

That was nice. Professor Bush's reference to the distinction between productive cost and overhead expense, is an appeal to nothing other than that good sense generally practiced by successful production managements and their qualified cost accountants, up to approximately the mid-1960s. Unfortunately, since the travesty known as the first Harold Wilson government, the glory has departed the body economic in many nations, not only in the British Isles. Today's typical monetarist, or his dupe, in the British Isles, on Alan Greenspan's Wall Street, or elsewhere, does not know—probably does not care—"diddly" about the difference between production costs and overhead expenses.

According to his public utterances on the economy, neither, so far, does President Bill Clinton. In the Lotus Land of "post-industrial" utopia, otherwise known as "information society," the overhead is increased, while, in the unacknowledged, but real world, such policies result in the savaging of productive costs, while the banks, sooner, rather than later, go bankrupt as a result.

By increasing the proportional allotment to eminently dispensable, grossly redundant, or outrightly parasitical services categories, such as financial services, the overhead of the national enterprise is skyrocketed, while the investment in increase of the per-capita physical-productive powers of labor, and related production costs, is relatively collapsed. In former times, such a policy was called folly, management incompetence, and usually ended in bankruptcy proceedings. Today, it is called, perversely, "growth" in employment and of financial turnover; but, as the case of LTCM should remind us, it still leads to the same old result as before: bankruptcy.

Therefore, Professor Bush's criticism of the *Daily Telegraph*, could be summed up in a few simpler words. The *Old Testament* called it "onanism;" today's monetarists, and other illiterates misname it "economics." Recognize that the hallmark of poor Margaret Thatcher's screeching-nanny style in dottiness, was the fact that her education as Prime Minister had never reached the stage at which she was able to distinguish the difference, between manipulating mere symbols ("onanism"), and acting on the real-life objects to which the symbols were attached as mere names. In other words, economics mass-pornographer Thatcher was never observed to have recognized the difference between the mere symbols deployed to produce an all too cleverly crafted financial statement, and the physical reality which that statement misrepresented to the dupes.

On this account, Tony Blair has distinguished himself as having succeeded in his attempt to carry the political handbag

of such a symbol-minded, and dangerous fool as Thatcher. Blair's pathetic sophistry, which commonly distinguishes that pitiable pair, is a form of, quite literally, schizophrenic word-play,¹ which is called, variously, "The Third Way," "The Third Wave," "The Middle," or, more appropriately named, "Middle Earth." They are, as Professor Bush, most circumspectly, implies the writer of the relevant *Daily Telegraph* piece to be, "batty," "addle-pated," "loony," "a quack," simply "freakish," or, like the insufferable Thatcher, simply "nuts."

In the case of Mad Nanny Thatcher, her political style was to attach ill-placed moral importance, in her awfully loud and most painfully unmusical, ranting way, to her reading of financial symbols, and to attribute turpitude to anyone so rude as to focus attention on the effects her policies had on real-life people in real-life economy. Her Britain was a monetarist's version of Lewis Carroll, in which "The Red Queen" reigned, whose Parliament is an eternal tea-party, in which Thatcher played the "Mad Hatter," in which her successors, John Major and Tony Blair, have taken their turns at the part of the "Dormouse." Whether Brutish is translated either into a Hobbit's Danish, or the currently popular American Slanguage, such is the "Middle Earth" fantasy in which the part of the fictional Golem is played by the "Third Way's" Dick Morris.²

So much for the nuts; what about sane economists? What, at a minimum, must President Clinton learn about the practical, real-life definitions of economics terms such as "productive costs" and "overhead expense"? Professor Bush's retort to the *Daily Telegraph* provides a useful point of departure, for clearing up the more elementary among the points to be made here.

"Productive costs" signify the price put upon physical products which are needed to sustain the average physical-productive powers of the national labor-force as a whole, at its present, or improved operating level. This includes the costs of everything which must be provided to meet that productivity requirement, including maintenance and improvement of basic economic infrastructure. It includes the costs of materials, semi-finished products, capital goods, and so forth, for agriculture, industry, and the physical distribution of goods. It includes those costs of engineering and related technical services to production and product design. It in-

cludes the costs of services directly to physical production and physical distribution of product. It includes all of those costs of household consumption, which are required to reproduce an educated labor-force at a level of technological aptitude higher than the present level of operations.

"Expenses" signifies everything else, including the worst forms of sheer wastefulness.

With a qualification to be added here, the general definition of "productive costs," is everything bearing directly upon the entire society's physical relationship, through physical production, to nature, to the universe at large. The distinctions between kinds of productive costs, and among varieties of overhead and other expenses, are located within the area of distinction between maintaining a society's levels of both technology and productivity, at no worse than present levels, and, in the alternative, effecting coordinate advances in both technology and the physical productivity of the society's labor-force considered as a unified whole.

In competent economics, as in the scientific method of Plato and his Academy, and in all notions of culture, the concept of *change*, especially genuinely revolutionary qualities of scientific, technological, and political change, is always everything of primary importance. By "revolutionary," we should understand new discoveries of principle which have been supplied a crucial form of validation, as principles, either by rigorous methods of experimental physics, or by equivalent forms of rigor in the domains of Classical art-forms and statecraft.

In modern economy, and implicitly in inferior economic cultures, too, the emphasis is upon the increase of the per-capita physical productivity of the society's labor-force considered as an indivisible whole. Thus, on this account, we must minimize expenses; yet, there are certain kinds and rations of social expense, without which the per-capita physical productivity of the labor-force as a whole would decline, or could not be significantly improved. Thus, all applicable forms of economic science are focussed upon the functional nature of the kind of "optimization" problem thus implied.

Similarly, to maintain the potential per-capita productivity of the labor force as a whole, it is necessary to increase the real content of wages and other direct and indirect costs of production, even simply to maintain sufficient rates of increase of productivity to offset attrition. To improve productivity more significantly, the real content of per-capita wages and other per-capita direct and indirect costs, must be increased at significant rates. In such matters, if the society is well-managed, the gains in physical output per capita will increase more rapidly than the growth of the direct and indirect costs required to effect this gain in both gross and net physical output per capita. This optimization problem is multiply interconnected, functionally, to the general optimization problem identified in the preceding paragraph.

That is the core of the challenge represented by the work of applied economic science.

1. As such nominalism was described by "information theory" modeller Kenneth Colby.

2. To fill out the relevant roster of geek acts featured in the same carnival of depravities, that Morris is, notably, the cousin of the late and notorious Roy M. Cohn, and was raised in Cohn's household. Cohn was the former, Lucianne Goldberg-linked "mouthpiece" for the families of some of President Clinton's nastiest well-connected, extreme right-wing Zionist, and other Starr-crossed adversaries from today's and yesterday's New York. The same Morris is a common link of "Third Way" types among Germany, the U.S.A., and Israel. Morris's attempt to set up the President in the matter of the grand jury testimony demanded by Starr, punctuates the connections with provocative question-marks; there are too many connections to be overlooked.

In its long sweep, the history of civilization, and the pre-history of cultures, too, is defined, for introductory and general classroom purposes, by a two-by-two matrix. The first column might be titled “principles.” This would be composed of two qualities of crucial principles: physical principles, and principles of social relations governing the organization of the society’s physical relationship to the universe. The second column, would be headed “realization,” signifying the relative development of the application of the crucial principles known to that society.

The applicable, working definition of such qualities of principles is elementary. Here, we encounter the essential interrelationship between physical economy and general education within the society. In a competent educational program (admittedly of the quality which the U.S. no longer has today), the primary task of education is to guide the pupils through reliving original discoveries of principle, most emphatically physical principles and principles of composition integral to Classical art-forms. Take the simpler challenge first, that of physical principles.

It is that quality of education, from the elementary level, to the level often ironically identified as preparation for the professional mind’s “terminal degree,” which enables the pupil to identify principles not with contents of textbooks and similar sources, but, rather with the student’s own re-enactment, within the sovereign precincts of his, or her own mind, of the most generally relevant and other validated original discoveries of principle. By reliving the act of validated original discovery, contributed by — often — a named original discoverer from even centuries or more earlier, the student has relived the high points of the intellectual life of mankind to date.

At any point in human scientific progress, all of the known, and rigorously implied discoveries of physical principle available, as knowledge, to a specific society, form a knowable but unknown total number of physical-space-time “dimensions,” which can be designated by the symbolic number “n.” Unlike a crude, aprioristic form of Euclidean, or Cartesian geometry, each and all of these principles combine as interactive, as elements of a multiply-connected, or hypergeometric manifold, as Kepler first defined the Solar system, and Leibniz, Gauss, and Riemann after him. We mention this seemingly sophisticated point here, because it has a most direct, most specific, and indispensable practical bearing on the design of the needed “Food for Peace” package.

The point is, that, contrary to quacks such as the late John von Neumann, or the recently notorious case of Merton and Scholes, there is no purely mathematical, e.g., aprioristic form of physical science, or physical economy in particular. All “dimensions” in physical science are principles of an expandable, n-fold multiply-connected manifold. This works to such effects as the fact that there is a characteristic relationship, which defines the significance of any one measurable princi-

ple of action, in light of the experimentally measurable interaction of that principle with the other principles. This multiply-connected interaction defines all physical science, as intrinsically non-linear, which is to say, never linear in the infinitesimally smallest interval of action. This principle of non-linearity, so defined, is the most essential principle of all modern science, and is absolutely crucial for all understanding of how economic processes either actually work, or fail to perform adequately.

4. The unavoidable issue of method

We come now to the most crucial, and the most sophisticated point at issue. Without addressing this issue, no competent appreciation of the subject of economy in general, or of the problems posed by the current crisis, were possible. Thus, it would be damnably immoral recklessness, of any relevant professional, or official of government, to evade the subject to which we now turn, merely on the pretext of “I prefer not to go there.” The point at issue is: what principle determines whether a modern economy works, or, like the present world economy, does not? The issue is, “Doctor-economist, and you, too, Mr. President of this economy: what failure in your practice, is responsible for the fact, that all the patients in your establishment are dying?”

The issues so situated are key to the competent design of any escape from the doom implicit in the presently ongoing, downward spiral of systemic, global financial collapse. The design of a competent general form of a Food for Peace program, depends upon these same considerations. A certain amount of challenge to the reader’s mental powers, is required to understand these connections, but, more to the point, such acquired comprehension is indispensable for competent policy-shaping, under the conditions of the presently spiralling succession of functional phase-shifts in the global economy as a whole. We now proceed accordingly.

That question just posed, is one which belongs chiefly to a specific area of economic practice, the domain of long-range economic forecasting, the specialty in which I enjoy virtually unmatched success. In contrast to my successes, the general source for the crucially demonstrated, common incompetence of virtually all leading contemporary economists in the area of medium- to long-range economic forecasting, is the same axiomatic blunder of method common to the intrinsic incompetence of the work of François Quesnay, Adam Smith, David Ricardo, J.M. Keynes, Karl Marx, and John von Neumann’s ultra-simplistic notion of the application of formal solutions of sets of simultaneous linear inequalities.

The latter case, von Neumann’s, is the key to locating the source of the intrinsic incompetence of the thinking behind the catastrophic blunder of Merton and Scholes, and of nearly every leading banker, and central banker, of the world today, Alan Greenspan most notably included. The same incompetence shown by von Neumann’s entire work in economics, is the axiomatic fraud of von Neumann’s fellow radical positiv-



The President's economic advisers are apparently unable to distinguish between an economy conducted by human beings, and one by monkeys. Shown here, an engraving by Peter Breugel the Elder, "The Peddler Pillaged by Apes."

ist, Norbert Wiener, in concocting the negentropy hoax central to his information theory.

This general class of indicated blunders of most of the most popular names in today's academic economics curriculum, is key to the floundering incompetence characteristic of all but a few among those contemporary economists addressing the problem posed by the present crisis. To sum it all up, it is fairly said, that these economists have been unable to distinguish between an economy conducted by human beings, and one by monkeys. Among these are the economists who, in effect, have been attempting to make a monkey out of President Clinton, at least so in matters bearing upon the present financial crisis and the economic situation generally.

It is the cornerstone of the entirety of my relatively unique success in economic forecasting, that no species of higher apes—nor Adam Smith, Ricardo, Marx, or von Neumann—is capable of simulating, conceptually, the most characteristic trait of a successful phase of an economy's existence. My own pedagogical focus upon the most characteristic feature of Marx's incompetence, on this point, is applicable to all other cases relevant to the problems implicitly posed by President Clinton's recent, potentially catastrophic policy-blunder on the subject of the present global financial crisis.

Karl Marx's four-volume *Capital* does claim the existence of a principle of successful, anti-entropic growth in modern economy. He locates this matter under the topic of "extended reproduction." The supposed elaboration of his exposition to that effect, occupies the closing portions of his

Volume II and the opening portions of Volume III. However, Marx buries the issue of the origins of this anti-entropic performance, under a floundering heap of crude, epiphenomenological mystifications on the subject of labor, thus mimicking Smith's Invisible Hand. On this same point, all other economists rooted in the Eighteenth and Nineteenth Centuries' British East India Company's Haileybury School, are worse bunglers than Marx on this specific point. The crudest and worst of the currently influential schools of epiphenomenological mumbo-jumbo, on this account, are the dogmas of "free trade" put forward by the Mont Pelerin Society, and such appendages and fellow-travellers of that Society as the Heritage Foundation, American Enterprise Institute, and House resident economics quack-doctor Newt Gingrich.

In Marx's *Capital*, the root of the failure of his so-called "materialist method," is expressed by his pervasive evasion of the issues of "the technological composition of capitals." The same pervasive fallacy of Marx's method, is carried to extremes by the relatively cruder misconception of the specific difference between the nature of the human species and the higher apes, as offered by the perverse Friedrich Engels. Essentially, the more generally relevant issue of fact posed by Marx's exemplary blunder, is this. Under the range of ecological conditions which have existed on this planet during approximately two millions years to date, the highest potential population-density for all possible species of higher apes, combined, would not exceed several millions individuals. In short, there is no possibility, that the human species is func-

tionally definable, in terms of animal ecology, as a species of higher ape. Mankind is the only known species which has been capable of willfully increasing the potential relative population-density of its own species as a whole.

Elementary physical-economy studies show that the willful increases of our species' potential relative population-density, occur only in a characteristically anti-entropic mode. The most obvious correlative of such anti-entropic phase-shifts in characteristics of human behavior, is the effect of scientific and technological progress. Thus, the beginning of the elaboration of a science of physical economy, is the examination of the functional relationship between the human mind and nature, in these specific terms of reference.

With a friendly nod to England's Professor Bush, we can say, as a matter of first approximation, that we can measure such anti-entropic features of successful phases of economic processes, in terms of the correlation between an increase of the rate of profit of such economies as a whole, and a necessary increase of the total per-capita costs of the production which generates such a growth in net physical-economic output.

Furthermore, study of modern technology shows the direct connection between validated discoveries of physical principles, and the increase of the net productive powers of the whole labor-force, through the application of technologies derived from those physical principles. This connection is in no sense the "hand-waving" or other sort of mystical, statistical inference supplied by such as Bernard Mandeville, Adam Smith, Marx, et al. The functional connection is fully transparent, each step of the way, from the paradox which leads to an hypothetical discovery of physical principle, through the crucial-experimental validation of that physical principle, and the ensuing derivation of families of machine-tool-design principles from study of the perfected crucial, proof-of-principle experiment, including its instrumentation. It is the introduction of products and improved productive processes, each derived directly from application of families of these new machine-tool and cognate designs, which is the relevant action generating an anti-entropic form of increase of the physical-economic net increase of the per-capita productive powers of labor. So far, all transparent.

So far, so good; but, this step is only a preliminary one. What this preliminary success leaves unresolved, is two things. First: The agency of validatable individual discoveries of physical principle, and the willful development of that agency, remains to be adequately defined here. Second: The qualitative changes in the social organization of the physical-economic process, the qualitative change in such organization indispensable for the generation and implementation of discoveries of new physical principles, must also be defined. These additional challenges bring us from the domain of physical principles as such, to the expression of that same quality of individual creativity seen in the discovery of new physical principles, as principles located in the clearest form within the domain of Classical art-forms, such as Classical forms of

poetry, drama, music, and plastic arts. It is only when we recognize the two leading expressions of individual human creativity: validated discovery of new physical principles, and validated discoveries of new principles in Classical art-forms, that we have located the driving force behind the human species' unique capability for willful, anti-entropic increase of its potential relative population-density.

This, in turn, requires a demystification of the fact that the principles of creativity associated with Classical art-forms, are efficient agencies affecting the domain of physical principles. The fact, that man's per-capita power in the universe requires not only validatable new physical principles, but also validatable principles expressed by Classical art-forms, obliges us to locate the essential feature of economic processes in those qualities of the individual mind which are expressed equally by validatable discoveries of both physical and artistic principles.

Examining the common connection between these two areas of creativity, as the common expression of a single quality specific to the matured mind of an individual member of the human species, will lead us, in turn, back to that most fundamental principle of physical economy upon which competent long-range forecasting depends. That same principle is key for specifying the requirements of a general economic-recovery program and policy, under the present extraordinary global condition.

The best example of the way in which Classical-artistic principles efficiently interact with physical principles, is the case of the emergence of well-tempered Classical motivic thorough-composition (as of Mozart, Haydn, Beethoven, Brahms, et al.), rooted in the preceding discoveries of J.S. Bach, from proximate beginnings in Leonardo da Vinci's systematization of certain essential principles of Florentine *bel canto* modes of voice-training and polyphonic singing. The most essential features of that connection are summarized, as briefly as possible here, to show the relevant aspects of the interconnection between physical and other species of cultural principles, within the successful practice of modern economy.

The earliest knowledge we have of attempts to approximate what we term today a well-tempered scale, dates from the references to Pythagoras' role in connection with the notion of the "comma," and discussions of such a tempered scale from the time of Plato and his Academy. The earliest well-defined knowledge of the roots of a natural (i.e., well-tempered) scale, pertains to the principles of vocalization of Vedic-Sanskrit poetry, a subject which must be correlated with Leonardo da Vinci's treatment of this subject in respect to the Florentine Italian of Dante Alighieri, Petrarch, et al.³

3. "Natural scale," means the scale as determined by the natural characteristics of both the human singing voice and, also, the characteristics of musical hearing. The scales which might be attributed to inorganic objects, as the hoaxsters Helmholtz and Ellis did, such as metal pipes, whistles, and what not, pertain not to music, but to clatter. As demonstrated by this reporter's associates, the natural, well-tempered scale of J.S. Bach, is readily and con-

Through the development of polyphonic composition, leading from Leonardo et al., into the work of J.S. Bach, the six-voice natural division of the chest of *bel canto* singing voices, became the physical foundation upon which Bach developed a cross-voice polyphony based on a principle of multiply-connected inversions, leading into such exemplary works as his *A Musical Offering* and *The Art of the Fugue*. It was the intensive study of the implication of Bach's *A Musical Offering*, by W.A. Mozart, a discovery probably prompted by an earlier development by Joseph Haydn,⁴ which launched that revolution in musical composition known as Classical motivic thorough-composition, as typified by the revolutionary Fourth Symphony of Johannes Brahms.

Thus, while the development of Classical polyphony, is specifically a matter of experimentally demonstrated principles of composition and performance within the domain of Classical art, its characteristics are rooted in, multiply-connected with, the naturally, biologically determined physiology of both the human singing-speaking voice, and with the auditory and cognitive mental processes of hearing. Thus, while we are obliged, for obvious practical reasons, to distinguish between physical and artistic/cultural principles, we can not overlook the highly efficient way in which both domains are interconnected, including crucial economic interconnections.

Two additional points must be noted here, respecting cultural principles. First, as the case of Classical motivic thorough-composition illustrates the case, the principles of such musical composition are principles in the same sense, and with the same precision, that we use the same term for crucial-experimentally validated physical principles.⁵ Thus, the inter-

clusively reconstructed, as a well-tempered scale at C=256, by studying Bach's choral polyphony, with an eye to the range of typical well-trained chorus voices, and with regard to the function of the register-shifts within the compositional process represented. Ellis's contrary conclusions, like the counterfeit doctrine of Claudius Ptolemy earlier, are demonstrated by such physical evidence, to have been a plain, willful fraud, concocted with malicious intent.

4. Former Amadeus Quartet Primarius Norbert Brainin has identified the notion of *Motivführung* with the new method of composing a movement of a string quartet, as seen in Haydn's Opus 33 ("Russian") string quartets. Mozart references Haydn's precedence on this account in his own "Haydn quartets," but also introduces a new principle of motivic thorough-composition, derived from the studies of, most notably, Bach's *A Musical Offering*. When the latter Bach work is reexamined in the light of Bach's *The Art of the Fugue*, the genius leading from Bach and Mozart, into Beethoven's late string quartets, the method of Bachian motivic thorough-composition, becomes more transparent. The direct connection between Beethoven's revolutionary Seventh Symphony, and Brahms' further development of the new principle in Beethoven's Seventh, in Brahms' own Fourth Symphony, then becomes the most exciting, and powerful idea known in music to date. On this account, the recorded direction of Schubert's Ninth Symphony and Brahms' Fourth, by Wilhelm Furtwängler, are among the greatest legacies in known performance-history available today. See "The Case of Classical Motivic Thorough-Composition," *Executive Intelligence Review*, Sept. 4, 1998.

5. See Lyndon H. LaRouche, Jr., "The Substance of Morality," *Executive Intelligence Review*, June 28, 1998. See also, LaRouche et al., "The Case of

connected combination of "n" physical principles and "m" cultural principles, defines a multiply-connected manifold "n+m."⁶ Second, what is indicated as an "n+m" manifold, is associated with a characteristic, infinitesimal rate of "non-constant curvature," which defines the trajectory of the social process (i.e., economy) as a whole.

This latter feature of the economic process, is the most crucial determinant of that economy's relative performance. It is, correspondingly, changes in that characteristic, which define the changes in the relative performance of the economy as a whole.

Although our knowledge of this sort of "n+m" manifold is not sufficiently developed in detail to permit certain kinds of estimates to be made, the impact of changes in discovered physical principle, and of related derivations of new technologies, is rather well known. On the latter account, our knowledge is sufficient to guide us in respect to estimating the relative benefit of certain types of proposed changes in the manifold, and also in respect to the implications of the application of those changes.

We must never overlook the fact, that the realization of potential advantages to be obtained from validated discoveries of physical principle, depends upon the impact of application, or lack of application of cultural principles. Use a commonplace problem in musical performance, to illustrate the connection.

At a certain level, some musical performers become accomplished in performing notes, but the combined effect of their performing all of the notes of a particular composition, leaves enormous room for improvement, before we could even consider blaming the composer for the effect of that performance. Exemplary are personally "stylized," Romantic and other misinterpretations of Classical compositions, such as a Beethoven work in which the performer demonstrates nothing so perfectly as his lack of knowledge of the conception underlying the composer's intended unity of effect.⁷

Classical Motivic Thorough-Composition," op. cit. See also, *A Manual on the Rudiments of Tuning and Registration*, Book I, John Sigerson and Kathy Wolfe, eds. (Washington, D.C.: Schiller Institute, 1992).

6. Lyndon H. LaRouche, Jr., "Russia Is Eurasia's Keystone Economy," *Executive Intelligence Review*, March 27, 1998; pp. 47-51.

7. We are taking a short-cut here, merely to identify, as briefly as possible, a point of crucial relevance to the subject of the implications of the developed human individual's cognitive action in determining the physical characteristics of economic processes. In the development of those conceptions upon which modern European civilization's revolution in economy depended, we are touching upon a notion of harmonic coherence, as it occurs in musical composition, in relation to the notion of harmony which is central to notions of trajectories of development of physical processes in general. The outstanding points of reference are the treatment of this by Plato, Kepler, Leibniz, and Gauss. In respect to motivic thorough-composition, this notion of harmonic coherence not only occurs in musical composition; this notion of Classical principles, as derived from the adducible characteristics of Classical Greek, is the "Classical idea," which shaped the use of Classical Greek models, from St. Augustine on, especially from Dante Alighieri and Petrarch on, in defining the principles of modern Classical artistic composition. The notion that any

The primary sources show, in numerous cases, that a composer such as Wolfgang Mozart or Beethoven, began a composition with a momentary flash of insight, which was subsequently elaborated as a fully developed composition. This evidence is consistent with the internal characteristic which unifies a richly elaborated work as representing a single, underlying musical conception. In motivic thorough-composition, most emphatically, the meaning of the composition is lodged within a sequence of contrapuntally ordered changes in state, each state effected in the quality of an original discovery.

The purblind, but technically proficient performer, emphasizes the interpretation of each sensuous element in a succession of states, rather than focussing the performance, as, for example, Wilhelm Furtwängler did, on the process of transition, placing the composition, in effect, as existing “between the notes.” Attack, coloration, slight rubato, and so on, bring Schubert’s Ninth Symphony to life, a seamless, constantly pulsating developmental process, from beginning to close, whereas a skilled, but less insightful conductor, brings a mere monotony to the passages where relentless tension of ongoing development surges in the composer’s and the greatest conductor’s direction. It is in that aspect of the great Classical composition, that the principle expressed as the idea of the composition lies.⁸

Classical composition, whether in music, poetry, drama, or plastic art-forms, must be purified to such a degree that any entire composition represents but one permeating idea of development throughout, is the conscience of all successful modern Classical artists. In known history, this conception was first elaborated by Plato, and is the explicitly Platonic conception underlying the entirety of the mathematical physics developed by Kepler, through his *The New Astronomy*. In physics, it is the notion of the non-linear characteristic of orbital systems central to the work of Kepler and of Gauss’s and Riemann’s entire development of his notion of multiply-connected manifolds. On Gauss’s method, see Jonathan Tennenbaum and Bruce Director, “How Gauss Determined the Orbit of Ceres,” *Fidelio*, Summer 1998. This notion of motivic thorough-composition expresses, in musical form, the principle of action characteristic of the notion of a simultaneity of eternity: in each moment of such a composition, the past and future are efficiently coexistent. Herein lies, precisely, the moral, and scientific contribution of Classical motivic thorough-composition, the secret of the unexcelled importance of this development out of the germ provided by J.S. Bach. This is truly religious music, as nothing can compete with it on this account.

8. Among the best pedagogical examples of this problem in performance, is the challenge of conducting the second movement of Franz Schubert’s Ninth Symphony. One must grasp the principle emphasized by Pablo Casals, that there is no simple strophic repetition in the performance of a great composer’s composition, but, in Casals’ words, “always variation.” An excellent example of this principle, comparable to the Schubert movement referenced, is Friedrich Schiller’s poem *Die Glocke*. Compare the sometimes brilliant musical apprehension of this Schiller poem by Romberg. View this connection in light of Schubert’s explicit adoption of Schiller’s argument, against Goethe and Reichardt, on the musical perfection of a Classical poem. See also Jenner on Brahms’ instruction on musical perfection of poetry, as cited in *A Manual on the Rudiments of Tuning and Registration*, op. cit. Excellent examples of the role of brief intervals within a composition, in defining the characteristic of the composition as a whole, include the challenge of shaping the opening interval of Beethoven’s *Eroica* with the proper differentiation of the conduc-

tor’s choice of attack, and similar problems of conducting posed by the opening attack required by the Scherzo and Finale of Schubert’s Ninth. Furtwängler’s approach to these challenges of the *Eroica* and Schubert’s Ninth, is of exemplary excellence on this point. If, in such instances, the approach chosen for the attack, fails to shape the opening interval appropriately, the entirety of the subsequent performance of that movement will not achieve the coherence intended by the composer.

9. We shall examine, in my closing rebuttal of Secretary Bob Rubin’s blunder of assumption, in defending the G-7 package, how precisely such problems of failing to correlate technical details with the relevant cultural principle, can have devastating results.

10. Contrary to the purely mythical pretense, concocted by Venice’s Paris-based Abbot Antonio Conti, the leading Leibniz-hater of the late Seventeenth and Eighteenth Centuries, Isaac Newton never developed a calculus, before, simultaneously with, or after Leibniz had issued his report of the discovery, in Paris, in 1676. Simply, Newton’s work never contained an actual calculus. The modern form of the so-called “Leibniz-Newton” controversy, is the result of Augustin Cauchy’s “limit theorem” hoax, in which Cauchy purported to show that a bowdlerized version of Leibniz’s calculus would work very well, by eliminating the most crucial, Keplerian feature of Leibniz’s calculus, that the derivative corresponds to a non-constant (non-linear) curvature in the infinitesimally small. Leibniz’s principle, is the cornerstone of the development of the principles of hypergeometry (multiply-connected manifolds) by Gauss and Riemann.

This same principle of hypergeometry, as further developed by Riemann, after Gauss, is crucial for an applied sci-

ence of physical economy. After we have taken into account all the nice considerations implicitly referenced by Professor Bush's letter, there remains one fundamental question of science, without which economics is unable to develop the kinds of predictive capabilities needed for long-range forecasting, or for methods of long-range policy-planning on which projects such as a ten-year span of revolving credit must be based, which must be employed to meet the challenges associated with the presently urgently needed Food for Peace program. Without addressing that fundamental question of science, attempted forecasting remains, as Mrs. Joan Robinson justly ridiculed the squirrely Professor Milton Friedman, an ordinary accountant's typical projections: essentially mere *post hoc ergo propter hoc* projections of no intrinsic scientific, or even elementary school quality of rational merit.¹¹ The essential issue here, is the required, accelerating rate of anti-entropic growth in scale and per-capita rates of growth of the productive powers of labor, which must be secured, to ensure the future ability to pay, upon which the needed form and scale of a system of credit depends.

On this account, the infinitesimal interval of non-linear action upon which the trajectory of the entire economic process depends, is the generation, or replication of valid physical and artistic principles, which occurs only within the sovereign confines of the cognitive (creative) processes of the individual mind. Such knowledge, by its nature, can not be transmitted as mere "information;" only scientific and economic illiterates, or quacks, could suggest that this is merely a matter of transmitting "information." Every qualified school teacher knows better than to imagine that the issue is "information."

Hence, the crucial importance of eradicating recently popularized educational policy, and replacing those mind-deadening practices, with a return to, and enhancement of the principles of Classical humanist education associated with the pre-1684 Massachusetts Bay Colony,¹² and the Humboldt-influenced reforms of U.S. secondary education by Alexander Dallas Bache.¹³ Furthermore, the entire economic policy of the U.S. in particular, must be premised on precisely such use of the methods of Classical humanist education (as distinct from the morally debased "secular humanist" policies).

In Classical humanist education, the primary and secondary pupil, and university student, learns nothing except by re-enacting, in as historically exact a replication as possible, the experience of the exact paradox, which led a discoverer of the past to generate what he established, by crucial-experimental methods, as a valid physical principle, or principle of composition of Classical art-forms.

In former times, European Classical humanist education,

11. Joan Robinson, *Economic Heresies: Some Old-Fashioned Questions in Economic Theory* (New York: Basic Books, 1971).

12. H. Graham Lowry, *How The Nation Was Won: America's Untold Story* (Washington, D.C.: Executive Intelligence Review, 1988).

13. Anton Chaitkin, "Humboldt in America," *EIR*, June 26, 1998, p. 25.

was defined by an emphasis upon both Classical Greece, strictly defined, but including the continuation of the influence of Plato's Academy up to approximately the time of Eratosthenes and Archimedes. The Homeric epics, the poem of Solon of Athens, the tragedies of Aeschylus and Sophocles, and the work of Socrates, Plato, and their collaborators, were presented to the pupils as the origins of European civilization, emerging out of roots in chiefly Greek culture's debt to Egypt and Egypt-associated Cyrenaica. For the pupil so educated, the history of ideas, especially ideas of physical and Classical-artistic principles, and related ideas and topics of statecraft, was treated as a continuation of what began in the emergence of Classical Greece. That was the functional meaning of "Classical" in education and in art, until the vulgarization of the term, by illiterates, during recent times.

The literate classroom did not teach "information." Mere "information" was for the so-called "blab schools," of such places of residence of strictly marginal labor-force, as among impoverished, downtrodden, rural Appalachian regions, whose victims were kept down, barely above the dirt-floor level of chattel slavery. The literate classroom taught ideas, in programs which emphasized the student's re-enactment, as faithfully as possible, of the original, valid discovery of physical principles and comparable principles of composition of Classical art-forms. Classical drama, Classical poetry, Classical music and voice-training, and history taught from the standpoint of re-enactment of discoveries of both physical principles and principles of Classical composition, were the content of a serious education of a person qualified to function as a citizen of a republic. Education shaped to the envisaged future employment of the student, belongs where the livestock are kept, not in the places where actual human beings are developed in their individual cognitive powers.

A literate student, does not communicate "information;" "information" is pseudo-education supplied to those strata "tracked" to become the mass of marginalized Yahoos. "Information," like today's popular mass entertainment, has been deployed as the modern successor to those "bread and circuses" policies of ancient imperial Rome, by means of which the brutalized proletarians of Rome and, later, Byzantium, were managed, and also culled.

The literate student induces another to re-enact the experience of generating the discovery of a valid principle. Such principles can not be known through the mere transmission of "information;" knowledge is limited to one's first-hand experience in generating discoveries, or rediscoveries of valid principles. A person educated to "process information received," is, by definition, cheap labor, qualified to little better than slave labor, not a qualified, productive member of a modern labor-force.

Thus, a successful economy, is one organized around education and fundamental scientific research, as these are defined by the Classical humanist modes of education we have just outlined here. In science and technology, the pivotal fea-

tures of the secondary and university curriculum, are the respective pedagogical and research laboratories, where past discoveries are re-enacted, or original new discoveries are in progress. This educational activity of the population as a whole, is integrated with the economy as a whole, through science-driver programs whose impetus is supplied by government, as the successful Kennedy space-program illustrates the case. Only such an education-centered economic policy, can generate the rates of increase of the productive powers of labor, needed to meet the challenge presented by the cumulative decay and other devastation caused by approximately thirty years of willful, moral and economic degeneration of our institutions, our enterprises, and most of our population. Only on this basis, can we, in the relatively more developed areas of the world, supply the technological and related impetus required, to meet the challenge represented by the underdevelopment of Asia, and looting of Central and South America, and the genocide against Africa, which the tradition of the former colonial powers has bestowed upon the majority of humanity today.

5. A ten-year program of credit

All economic policy-shaping today, must begin with the recognition, that money, in the form it exists today, is becoming, rapidly, virtually worthless, especially the money on the books of the most powerful financial institutions of North America, Japan, and western Europe.

The total claims on the account of worthless paper, as typified by those gamblers' side-bets called "derivatives," is many times the combined nominal Gross Domestic Product of all nations of the world—perhaps as much as \$150 trillions or more. Buddy, that is a debt no one could bail out; it must be written off as paper with no legal standing. Let party and counter-party make what trade-offs of claims as they will, and let governments referee the resulting brawl; but, not a penny of taxpayers' assets, of any nation, should be poured down that rathole. It must be written off. Perhaps \$150 trillions of that trash should be written off, in "one swell foop."

The awful crunch, which almost no one wishes to believe will happen, is coming down soon, and fast. The shock, and resulting hysteria, of being confronted with the awful reality they had wishfully assured themselves would "never be allowed to occur," is the greatest likely internal and other source of threats to national security. On this account, as well as for moral reasons, the paramount, and first concern of our Federal government, in launching the needed rescue operation, shall be to protect the proverbial "little guy," and to maintain essential employers, including essential banks, in operation.

Freeze honorable debt which can not be paid now, for future resolution, and as part of the mechanism for recycling credit. Bail out the "little guy," to the extent that we maximize the relative number of our citizens who are able to stand on

their own feet in respect to the daily routine of their economic and financial affairs.

The thing most to be feared, is the kind of greed-driven, "every man for himself" anarchy, which can engender a Hobbesian sort of more or less homicidal chaos. The spirit of the "New Deal," reawakened from a long, nightmarish slumber, will promote that sense of general solidarity within the population, which is indispensable for rapid and successful economic reconstruction.

In that moment of crisis, you must say to your fellow-citizen: "You are not going to starve. You are not going to be thrown in the street. You are not going to lack necessary medical care, or any other necessary thing a decent life requires."

"Who says?" comes the reply.

"This is not a matter of simply me to you. We, your fellow-citizens, who own this government under the Preamble of our Federal Constitution, are not going to allow that to happen to you, and you must join us in assuring that it is not allowed to happen to anyone else.

"In the meantime, we have the ability to get back into the business of producing what our nation needs."

When the time comes, you must say that, and you must mean it. On that moral principle of solidarity, in such times of crisis, under our Constitution's Preamble, the security of this nation depends absolutely. We must resolve, not to place the country ever again in the hands of moral degenerates such as the Mont Pelerin Society, the Gingriches, or the other so-called "social Darwinists." Resolve that, and mean it, or risk Hell on Earth.

We apply the same principle of justice and solidarity toward other parts of the world. We gloat over no one's suffering, and turn our back on no part of suffering humanity. That is the principle, which, if observed, can keep this planet safe from what is otherwise inevitable during the short term immediately ahead. Without such principles of solidarity in action, this planet will virtually blow up very soon. That cautionary observation should be recognized as the premise of a program of "Food for Peace."

That said, should clear the air. Thence, to the matter of the principled considerations of a "Food for Peace" program.

Principle 1: On the condition that a "geometric" rate of growth of both per-capita physical-economic output, and at least a constant positive ratio of gross to net output, can be foreseen, masses of long-term credit of indefinitely large scale, can be confidently issued, at low discount rates, to that customer (e.g., nation). This will be successful, even under the conditions that the ratio of net output is negative at the outset.

In the case of Russia today, there are four leading factors which indicate confidence in the success of such cooperation, under the type of economic reconstruction projected by the Primakov government:

Natural Monopolies: The first of these is what Russia's official language identifies as "the natural monopolies," those associated with the processing of primary mineral resources and, also, large-scale infrastructure systems in mass transport, and in power generation and distribution.

Machine-Tool Capabilities: Russia's residual capabilities in the former Soviet military-scientific industrial complex, represent one of the planet's largest existing potentials for production of advanced machine-tool-design capabilities. Under conditions of present trends of developments in China, and other relevant actually, or potentially rapidly developing nations, a massive and growing market exists for such products, a market which the combined machine-tool capabilities of the U.S.A., western Europe, and Japan could not begin to satisfy. This sector of Russia's economy is the core of that economy's ability to generate high rates of internal growth of the productive powers of labor, at rates even way above that of the former Soviet Union.

Other Industrial Capabilities: Under protectionist measures of the type formerly traditional to the U.S.A., Russia's general industrial potential can be revived, expanded, and improved, in both quality of product and rates of productivity, to provide most of the net internal requirements of Russia's population, with aid of a revived military-scientific industrial complex, now functioning as a large and growing machine-tool-design sector. A protected industrial sector, represents a large market for the machine-tool and related export industries of the U.S.A., Germany, Japan, and other nations which have been traditional leaders in export of machine-tools and related engineering services.

Basic Economic Infrastructure: As was the case in all periods of successful economic growth of the U.S.A. and Germany, for example, large-scale state-protected and regulated investments in developing basic economic infrastructure, are an absolute precondition for sustained growth of the productive powers of labor, per capita, in the nation as a whole. As in agriculture, these investments resemble preparation of the land for production and marketing of crops. The obstacle to be overcome, is the fact, that the direct pay-back for such improvements is delayed during the medium-term and initial long-term period. Nonetheless, without such improvements, the agro-industrial sector will fail to develop adequately. Meanwhile, the mobilization of labor for such projects, and the infrastructure itself, are the most important stimulants for the expansion of the market for the manufacturing and other traditional sectors

of private ownership. On condition, that adequately long-term credit is supplied at sufficiently low rates, large-scale investments in development and maintenance of basic economic infrastructure have always proven themselves to be the largest factor in the successful expansion of the economy as a whole.

Agriculture: Noting the exceptional case of Japan, and of similarly situated nations with little economically usable land-area, domestic self-sufficiency in essential food supplies is an absolute prerequisite for economic and other national security. The failures of agriculture, on this account, proved to be the Achilles' heel of the former Soviet Union. Now, the ability of Russia to bring its needed food-supplies and their prices under stable internal-market conditions and adequate volume, is crucial for Russia's ability to work its way out of the wrecked economic condition imposed upon Russia's economy, entirely, as a result of the foreign-dictated, hare-brained "reform" process of the recent eight years.

A Revolutionary Added Option: What appears to be the least habitable, very large region of Russia's territory, the frozen north, is one of the most important markets in the world. With vast natural resources, which could not be tapped efficiently without systematic and extensive development, it represents the natural economic frontier of Russia's future, and, by its impact, one of the greatest boons to all of Asia. This area's development, together with the prospective future development of the Sahara, the Gobi Desert, and so on, must be conceived as the other side of the space-program. Like the space-program, the benefits of such an Arctic development effort, will contribute far more to the world's economies in the increase of the productive powers of labor through science and technology, than in the immediate effects of the development itself. This project, combined with the space-program, should be viewed as opening the windows to a revolutionary way of thinking, and acting, about the entirety of the Solar system in which we live.

Principle 2: The failure of Russia's economy has been entirely the net result of the so-called "liberal reform" policies introduced, by direction of the G-7 powers, during the recent, approximately nine, years. To implement those destructive measures, the agents of the G-7 powers have placed, and maintained in power, a coterie of youthful bunglers and intellectual incompetents, sometimes better described as "juvenile," or, even "infantile," who have acted, in numerous instances, as mere lackeys of the U.S.-based, Bush-linked, International Republican Institute (IRI). The lunatic misman-

agement of Russia's economy by such foreign-directed virtual "carpet-baggers," has been the most prominent political factor in shaping the disaster which has befallen Russia today.

In all of this pattern, what is most notable, is the fact that the ruin of Russia's economy—including the ruin of its ability to pay foreign debts, or wages of domestic labor-force members and pensioners, has been a consistent expression of the inevitable result of a policy of "free trade" and "globalization," the self-same policy which has created the present world financial crisis, and which is collapsing and destroying the economies of the U.S.A., western Europe, and elsewhere.

Russia has now made the first steps toward a major, long-needed correction in the relations of its own policy-making to the lunatic demands by the IMF and other agents of the G-7. The foreign resistance to Russia's recent actions, by these interests, is of two types.

More simply, the first class of objection expresses the current mass insanity, otherwise called, more precisely, mass hysteria, expressed by influential circles in the U.S.A. and elsewhere, which are so far emotionally incapable of accepting the conclusive evidence, that their current, ideology-driven policies of "free trade" and "globalization" have been a colossal failure, both for the U.S.A. and most of the world besides.

The second class of objection is typified by the depraved recent outburst of former U.S. Secretary of Defense (Sir) Caspar Weinberger, and others.¹⁴ Weinberger's outburst was not only the mark of a mean-spirited, brutish, and wholly immoral man; like many of Weinberger's former fellow associates of Vice-President and President George Bush, it expressed the dropping of the mask, the coming to the surface of a long-standing, Hitler-like passion of mass-murderous hatred, which is typical of the current deployments of Bush's circles around the world today. This enmity was already the premise for the agreements among Thatcher, Mitterrand, and Bush, during the 1989-1992 period of Bush's term as President. These shameless monsters will oppose fanatically, any Russian government whose policies might prevent what Weinberger et al. so passionately desire, the obliteration of Russia, and virtually Russia's people, too.

The consequence of a continued toleration of either of those two distinguishable kinds of lunatic reactions to Russia's change of policy-direction, would be to unleash a chain-reaction upon this planet, whose outcome must reduce the

14. At a seminar on Oct. 29, 1998 at the Heritage Foundation in Washington, D.C., titled "U.S. Policy Failure in Russia," Caspar Weinberger, former CIA director James Woolsey, and Heritage Foundation Russia "experts" Ariel Cohen and Kim Holmes, declared that Russia's current crisis is its own fault, and that the Clinton administration should give no support of any sort—including food aid—to the Primakov government. Weinberger's statements are in contrast with his writings in *Forbes* magazine shortly after he left the Reagan administration, when he had the perspective that Russia's infrastructure and industry should be developed.

entire planet to the early eruption of a "New Dark Age," an eruption of "The Four Horsemen of the Apocalypse," which would doom the entirety, or nearly the entirety, of this planet, most notably western Europe and the United States.

Principle 3: The United States, in a spirit of cooperation with China, Russia, and (hopefully) many other nations, including Japan and Germany, must establish a general program of cooperation for global development, a conception of the meaning of global development echoing the intention of U.S. President Franklin Roosevelt for the post-World War II world. The New Bretton Woods system whose emergence must accompany the implementation of such an emergency agreement on credit and trade, will emerge as a by-product of agreement to the intent of partnership based upon commitment to such emergency credit and trade agreements.

The kind of agreement to be established must have an intended, initial duration of not less than ten years. The intent of the choice "ten years," is to convey the intent to reach a condition among the partners, under which a normal process of repayment of combined old and new forms of honorable debts may be confidently resumed. The point of immediate action, at which to begin the process leading toward such a happy escape from the present world crisis, would be the initiation of a Food for Peace program, initially focussed upon Russia, and designed according to the principles I have identified here.

6. Bob Rubin's misjudgment

The agreement to be reached must not be approached with the idea of spelling all the terms of a "contract," before implementation begins. Rather, the first step is action, and then new action after that. Agreement to what becomes the needed New Bretton Woods order, will be built up as a by-product of preceding joint actions. Just as a war of independence has been frequently a necessary precondition for the establishment of a sovereign nation-state and its constitution, so most good things in human relations flow from a common participation in principled action; like a good sword forged in fire, the new institutions flow from such actions. (It may be said, that one of the leading problems of nations today, is that they have too many seasoned lawyers and lawyer-like politicians, and far too few actual revolutionaries.)

This is not a pragmatic rule. It flows from an elementary consideration of principle.

The cause of the self-induced catastrophes of nations, is rooted in the implied principles associated with habituated institutions and institutionalized practices. In such a circumstance, the idea of negotiating a codified international agreement, prior to implementing the measures which should be adopted, is a contradiction in terms, a fundamental error in principle.

Here lies the root of the error in U.S. Treasury Secretary Robert Rubin's public endorsement of the recent G-7 state-

U.S. Treasury Secretary Robert Rubin, and people like him, should study the theory of the flank, as carried out by Gen. William Tecumseh Sherman (inset), Lazare Carnot, and others. Shown here is an engraving of Sherman's troops during the American Civil War, by Alexander H. Ritchie.



ment. President Clinton could not wish to have a more loyal, intelligent, and capable administrator than Bob Rubin. However, Bob is not a revolutionary, but a master of the boardroom and similar proceedings; he has not yet, at least, acquired the taste for making successful revolutions. What is required now, as a matter of principle, is a revolution.

Bob Rubin, and people like him, should begin a crash program of strategic studies of the principle of the flank, beginning with the definitions of this principle by General William Tecumseh Sherman, the campaigns and doctrines of Lazare Carnot, the policies of Scharnhorst, and elaborated in the practice of the senior Helmut von Moltke, and by German Chief of Staff Alfred Graf von Schlieffen. The point? Buddy, we are at war in a certain form of expression, and we must think like the greatest commanders in war in approaching the choices of strategy and tactics for this occasion.

War, in its most general expression, that is, with or without actual war-fighting, is the imposition of a principle by force of action. One does not establish the principle before the action, but as a consequence of it. The characteristic of such warfare, is the principle of action demonstrated at Arbela, by Alexander the Great, and by Sherman's *tour-de-force* in flanking, in his march through Alabama and Georgia, the action of a "hammer," which pulverized the enemy on Grant's anvil.

In republican forms of warfare, as typified by the international practice in leadership of Benjamin Franklin, the principle is to choose those opportunities of terrain and situation presented, by means of which to outwit the enemy, exploiting, as Sherman stressed, some relevant defect of the enemy's blockheaded mind, as Frederick the Great did to a vastly superior Austrian force at Leuthen, and as the Confederate commanders were defeated by Sherman because they were his intellectual inferiors. That battle of the minds, is warfare at its best, least bloody, and most noble, as General MacArthur demonstrated this most excellently in his Pacific command, where he was obliged to defeat not only Japan's commanders, but also the Pacific policy of Winston Churchill, and a certain high-ranking faction of those in the Navy who mistook unnecessary battles, and casualties caused and incurred as bloody military glory.

Who is the enemy? Well, Sir Caspar Weinberger, for one. As European civilization emerged from the downfall of feudal traditions, from about 1714's accession of George I to the newly created throne of the United Kingdom, until the present day, the principal strategic conflict on this planet has been between two versions of capitalism, the one typified by the American System of political-economy, and the other, the chief opponent of the American System, the British monarchy. In this long struggle for survival of what was wrought in

Benjamin Franklin's Philadelphia, the U.S. patriot has been beset not only by foreign adversaries, but also by those influential portions of our own population, who have consented to be agents of influence of the British monarchy, as exemplified by the case of Sir Caspar Weinberger.

In this continuing global struggle between the two most powerful economic models of today's world—the American versus the British model—the gravest threat to the U.S.A. itself, has been the British reliance upon corrupting the U.S.A. through the influence of “free trade” and related policies. For systemic philosophical reasons inhering implicitly in the doctrine of “free trade,” the United States could not continue to survive but for recurrence of those periods, including the Civil War, in which the corrosive influence of “free trade” was defeated and the American tradition of Franklin, Hamilton, the Careys, and List re-established. The most recent return to American principles, was under the leadership of Franklin Roosevelt as President.

The entirety of the present world-wide financial and economic crisis, and most of the political conflicts among nations today, are a reflection of the efforts, by London and fellow-travellers such as Sir Henry Kissinger and Sir Caspar “Cap the Knife” Weinberger, to impose London-concocted “free trade” and “globalization” policies upon the U.S.A., China, Malaysia, Russia, and the states of Central and South America. Thus, our U.S. strategy must never be degraded to the brutish sport of the professional football field or the Roman imperial arena. We fight for principle, and we select opportunities for action, especially preferring flanking actions, in which the relative strength of an emerging community of principle is developed. We must put aside the infantile, macho's delusion, that it is the governments of nations which are our allies, and recognize, instead, that it is principles which must be the basis for our policy, our strategy.

When possible, attack by surprise. When possible, attack the flank, preferably with emphasis upon the psychological flank. Let these flanking actions be pre-emptive actions, not mass-masturbatory exercises in diplomacy, as by Sir Henry Kissinger at al. The Old Regime has failed. In its moment of weakness, we must make a revolution, in this case the re-enactment of the American Revolution, as by such exemplars as Franklin, Washington, John Quincy Adams, Abraham Lincoln, and Franklin Roosevelt. The United States is still a great power, with powerful friends. Don't lead our forces into the swamp of G-7 lunacies; take pre-emptive action, often ad hoc, with appropriate partners. Establish the principle on which the New Bretton Woods will be based, before marching onto the diplomatic battlefield, in search of agreements with regimes which are already doomed. Robert Rubin must learn—quickly—to think as a revolutionary, to think as a soldier drafted from civilian life in the mummy room of the boardroom museums, to fight as a soldier.

Naturally, the mummies, being mummies, keep jabbering about an expected early recovery.

U.S. announces food aid to Russia

by Marcia Merry Baker

On Nov. 4, President Bill Clinton announced that the United States was committed to providing food aid to Russia, and that arrangements were being made, pending final agreements, for a preliminary package of food shipments, including grains, and special relief commodities.

On the same day, Russian First Deputy Prime Minister Yuri Maslyukov said that food stocks in Russia have fallen to levels sufficient for only two or three more weeks.

The initial U.S. aid package is valued at around \$500 million, and is to consist of 100,000 tons of donated provisions to be distributed by private organizations to the most needy in Russia (especially the elderly and orphans); and some 3 million metric tons of grain and grain products (1.5 million tons of wheat donated by the U.S. government, and 1.5 million tons of grain bought by the Russians with a U.S. loan).

A relief package of this size is a modest start, but part of its benefit will be timeliness. President Clinton stated on Nov. 4, “This program will help sustain Russians through a serious food shortage this winter. We will be prepared to consider additional assistance if necessary.”

The go-ahead for the aid package awaits a U.S.–Russian agreement on certain terms, which reportedly concern U.S. demands that Russia make sure that the food will reach the people in need (and not be diverted in any way for wrongful gain); and secondly, that Russia *not* apply customs duties nor other taxes on incoming agriculture commodities from the United States.

This latter proviso may seem simple, when it concerns the incoming 3 million tons of U.S. grain, and the 100,000 tons of humanitarian products, but it is not at all straightforward when it comes to potential shipments of U.S. meat and certain other commodities.

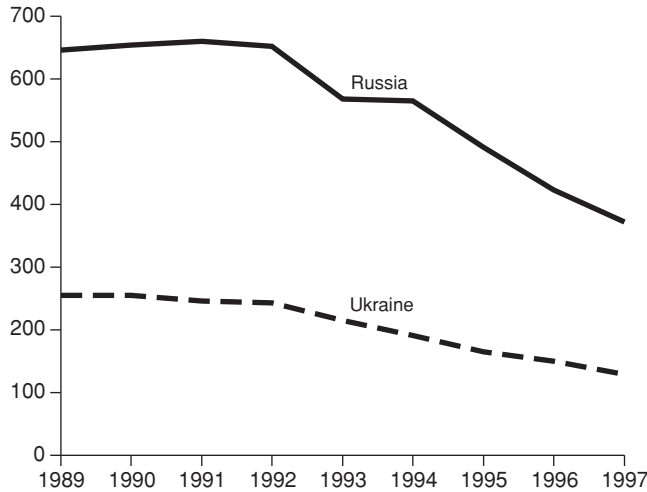
Over the entire 1990s so-called “reform” period, begun under the George Bush/Margaret Thatcher demands for shock therapy and “free markets,” foreign commodities cartels (IBP, ConAgra, Tysons, etc.) dumped food onto Russia, especially poultry. Russian domestic meat output was devastated. Russians call U.S. chicken quarter imports, “Bush legs,” for this reason. Now, Russia is asking for aid to rebuild its livestock sector, and agriculture productivity generally. Therefore, “Bush legs” are unwelcome.

Figures 1-3 show how, over the 1990s, national inventories of livestock fell drastically in Russia and Ukraine. The estimated quantity of poultry (chickens and all fowl) in Russia, dropped by 46% during 1991-97; the number of hogs

FIGURE 1

Numbers of poultry in Russia and Ukraine as of Jan. 1, 1989-97

(million head)



Source: USDA, from statistical yearbooks of Russia and Ukraine.

dropped 50%; and, the number of cattle dropped 39%. Ukraine saw similar declines.

Now the U.S. Department of Agriculture is reportedly conducting negotiations with Moscow officials, outside the direct grain humanitarian aid package, to attempt to set up a credit package to “jump-start” renewed shipping of U.S. Bush-legs to Russia. The food cartels are insistent on this, but not for any benefit of U.S. farmers, whose prices for meat and grains are at 30-year lows. The commodities monopolies are attempting to re-assert their rigged patterns of “free” trade. As of 1997, fully 40% of U.S. chicken leg exports went to Russia—adding up to profiteering by the meat cartel. After Aug. 17, these shipments stopped, along with almost all other food imports into Russia.

The question now posed in meeting the needs of the nation of Russia is, will a new, “Food for Peace” policy—in mutual interests of U.S. farmers and public, and Russia and other nations, be forged—rather than an attempted re-run of the “Bush leg”-acy?

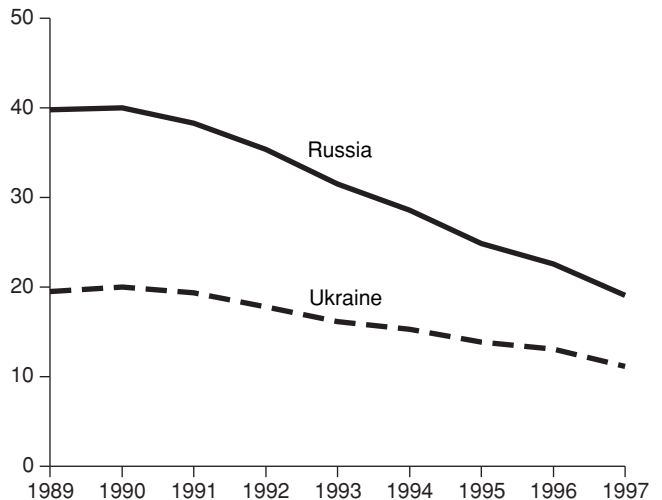
There is no disputing the urgency and scale of food and agriculture assistance required for Russia—a nation of 147 million people—and other former Soviet bloc locations.

On Nov. 4, U.S. Agriculture Secretary Dan Glickman and other officials elaborated on the aid questions, and the severity of the need. “This is obviously not only a food aid and food assistance issue but it also is a very significant foreign policy issue as well,” Glickman said. “There are a lot of people in government who are interested in the political and economic stability of Russia.” Glickman referred to the disastrous 1998 Russian crop year, saying, the grain harvest is projected at “just 52 million metric tons—the country’s worst harvest in

FIGURE 2

Number of hogs in Russia and Ukraine as of Jan. 1 1989-97

(million head)

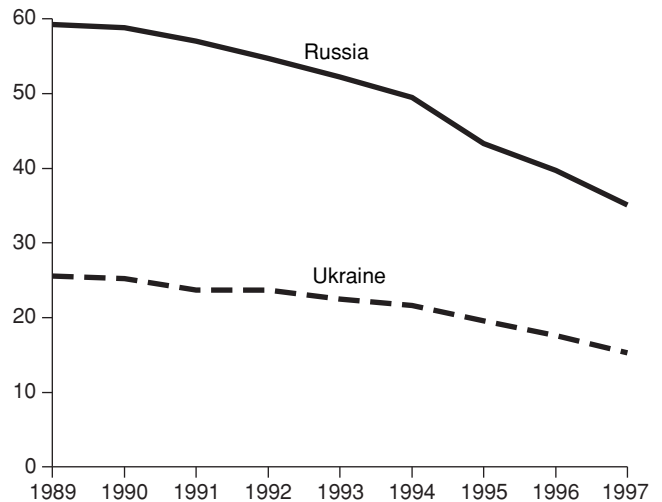


Source: USDA, from statistical yearbooks of Russia and Ukraine.

FIGURE 3

Number of cattle in Russia and Ukraine as of Jan. 1, 1989-97

(million head)



Source: USDA, from statistical yearbooks of Russia and Ukraine.

50 years.” He said that some livestock feed mixture may also be included in the donated wheat portion of the package; and that other specific products were still be negotiated, including meat. Glickman said that the grain could arrive in Russia sometime in December, if the U.S.-Russian agreement is reached soon.

Ecuador-Peru peace accords threaten national sovereignty

by Luis Vásquez Medina

The negotiations that ended with the signing of border demarcation agreements between Peru and Ecuador in Brasilia, the capital of Brazil, on Oct. 26, constitute an attack on the sovereignty of both signator countries, and represent an ominous advance of the concept of supranationality in “solving” regional conflicts. Apart from the agreements on trade and navigation, and the provocative concession of one square kilometer of Peruvian land to Ecuador, there are three characteristics that could turn the whole process imposed by the four guarantor countries of the 1942 Rio Protocol — with U.S. diplomat and Kissinger pupil Luigi Einaudi at the head — into a tremendous political, and even military, conflagration, involving the two nations and, possibly, the entire region.

First, it sets a precedent for supranational criteria, completely controlled by globalist British interests, as a means of settling regional conflicts in the continent.

Second, it creates — for the first time in Ibero-America — areas of restricted national sovereignty, under the euphemism of “ecology parks,” to serve as buffers between nations.

Third, the agreements initiate a process of dismantling of the armed forces of both Ecuador and Peru, which has been one of London and Wall Street’s strategic objectives for more than a decade.

The ‘spirit of Williamsburg’

The way in which the Peruvian-Ecuadoran peace negotiations have been carried out completely confirms the warnings made by Lyndon LaRouche in his Nov. 15, 1995 document entitled “The Blunder in U.S. National Security Policy.” In this study, LaRouche refutes all the conclusions of the report “United States Security Strategy in the Americas,” published by the Office of International Security Affairs of the U.S. Defense Department (DOD), a report which served as the

basis for the proposals that the United States brought to the first meeting of the Defense Ministers of the Americas, held in July 1995 in Williamsburg, Virginia.

In the first pages of his prophetic document, LaRouche wrote: “If the resolution of a border dispute is taken out of the sovereign hands of the nation-state parties by some supranational or other external agency, the disputed area becomes a region of ‘extra-territoriality,’ in which terrorist/separatist operations thrive.” LaRouche added: “The DOD’s approach to internationally-assisted ‘conflict resolution’ in such border disputes feeds into the successful spread of international terrorist operations.”

The globalist orientation has been so evident throughout the negotiation process between Peru and Ecuador, that Peruvian Gen. Walter Ledesma (ret.), a prominent advocate of the globalist thesis, boasted before a Lima television channel: “Here, the spirit of Williamsburg has been fulfilled, which from now on will be the form in which all of Latin America’s problems will be resolved.”

In fact, the entire procedure accepted by Ecuador’s new President, Jamil Mahuad (an advocate of British liberalism and free trade), and by the pragmatic and misguided President Alberto Fujimori of Peru, has been a blow to every constitutional and institutional provision in both countries. Not only has the Rio de Janeiro Protocol — which blocked the granting of arbiter status to the guarantor countries — itself been violated, but the very national legislatures of the two countries have been reduced to merely decorative entities. Those national institutions were forced to approve *beforehand*, the final version of the guarantees, the equivalent of extending a “blank check” to the globalist diplomacy conducted by Luigi Einaudi, who is today a prominent member of the pro-drug-legalization Inter-American Dialogue.

Further, the two nations' Congresses were bullied into giving that approval within a peremptory 24-hour period. Such an insult to the two countries' national sovereignties was well described by Peruvian Congresswoman Beatriz Merino, who said during the debate: "What would happen if someone were to ask the U.S. Congress to hand over to four other countries of the region, within two days, the right to set its border with Mexico? We know where that person would be sent."

Prince Philip's ecology parks

Just as *EIR* charged, the creation of ecology parks was a British gambit that Einaudi and his main ally among the guarantors, Brazilian President Sir Fernando Henrique Cardoso, insisted on introducing into the "solution" to the Peru-Ecuador border dispute. The first intent of the British was to establish a single "binational" ecology park on the border, and this was proposed by Sir Cardoso up to the last moment. Although two parks were eventually established, one on each side of the border in the disputed zone, their size, location, and characteristics make them nothing more than a disguised form of binational park, with the loss of sovereignty to both nations.

First, a military presence by the respective states is prohib-

ited in these parks. Second, the "free right of transit" for the Ashauara tribe was established on the border separating the two parks; the arrangement is the equivalent of creating a "third ethnic nation" between Peru and Ecuador. This has been one of the long-term goals of Conservation International, a non-governmental organization (NGO) directly dependent on Great Britain's Prince Philip, to convert the disputed zone into an ethnic reserve, outside the national sovereignty of either Ecuador or Peru.

As Peruvian diplomat Arias Shreiber put it, "Such parks have automatically increased the danger of separatism, of terrorism, and of drug trafficking in the region, even more so when the guarantors take care to specify that the studies and management of said parks should be given to some specialized 'national or international' NGO." This opens up the possibility that some agency of Prince Philip's will finally ensconce itself in these strategic border regions.

There is another element of great interest for the British: The agreement clears the way for handing over the so-called "gold belt" (the zone of ecology parks possesses enormous gold reserves) to the huge mineral cartels of the British Commonwealth. Incredible though it may seem, these designs were openly proclaimed by Peru's own Foreign Relations Minister, Fernando De Trazegnies, who in 1995, was a lawyer

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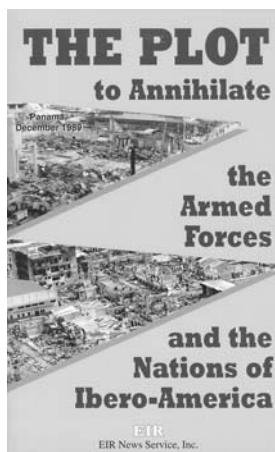
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—James Zackrisson, *Defense Force Quarterly*

for Newmont Mining, a mineral firm linked to drug-legalization advocate George Soros. At the time, De Trazegnies proposed in a newspaper article to establish supranational arbitration over the Peru-Ecuador conflict, arguing that the most that Peru would lose would be a few kilometers of “inhospitable terrain,” in exchange for winning “the confidence of foreign investors.”

De Trazegnies’s nomination as Foreign Minister violated Peruvian law, given that just one day before his nomination he was still the plenipotentiary ambassador of the Sovereign Military Order of Malta, which has status as a state and which therefore made him technically a foreign citizen inside Peru. De Trazegnies, who spent two years in Europe reclaiming his title as Count de las Lagunas, was also president of the Peruvian Foundation for the Conservation of Nature, today known as the Nature Foundation, a principal recipient of funds from Prince Philip’s World Wide Fund for Nature (WWF). It was the networks of the WWF, through Conservation International, the Nature Conservancy, and the International Union for the Conservation of Nature, that originally proposed the creation of an ecology park in the Condor Mountain Range, between Peru and Ecuador, to transform it into a “binational park.” These groups then put the proposal into Luigi Einaudi’s bag of negotiating points. *EIR* first exposed those plans in “The ‘Parks for Peace’ Ploy for Bloody Border Wars,” in its Aug. 22, 1997 issue.

The demilitarization of Peru and Ecuador

The final objective of this process is the dismantling of the armies of Peru and Ecuador, an old dream of London and its one-worldist agencies, such as the Inter-American Dialogue. Such proposals now appear to have been taken up by both Fujimori and Manhuad. The latter recently revealed that the guarantors had successfully pressured Fujimori into removing Peruvian Gen. Nicolás Hermoza from his position as general commander of the Peruvian Armed Forces, precisely because he opposed the idea of a binational park and of demilitarization.

The speeches of both Presidents at the signing of the Brasilia agreement, were in effect announcements that the era of demilitarization had arrived in both their countries. Fujimori laid the blame for Peruvian poverty on military expenditures, and committed himself to henceforth deploying all funding from armaments into “social expenditures.” Mahuad went so far as to say that “the peace agreements are the best measure for fiscal austerity” in his country. The dismantling of the armed forces will lead to a very delicate situation for the two nation-states involved. As General Hermoza warned in his farewell speech, the “threat of narco-terrorist subversion is not over in the country.”

Far from bringing peace, the agreements recently signed under “the spirit of Williamsburg,” have lit the fuse on a huge social powder keg in the Peruvian Amazon, and specifically in the border region of Loreto. There, on the

same day that the Presidents were signing the accords in Brasilia, an enraged mob in the city of Iquitos, capital of Loreto province, broke through police barricades and burned several public offices, including the headquarters of the regional government. They nearly lynched Peruvian Interior Minister Gen. José Villanueva Ruestas, whose car ran over and killed two individuals while trying to escape the mob. There were three other deaths, the result of shots fired by security forces to try to stop the riot. In the midst of this chaos, which may well have been manipulated by narco-subversives, the courthouse of Loreto was burned, along with thousands of court documents and evidence against drug traffickers in the region.

Loreto has been a region where various separatist efforts have been historically manipulated, and which today is under the ideological control of Spanish priest Joaquín García, the so-called “Samuel Ruiz” of Peru—a reference to the leader of the Zapatista insurgency in Mexico. García heads the so-called Center of Theological Studies of the Amazon, the biggest publishing house in Peru’s Amazon region, and also controls the Historic Museum of Iquitos and the Departmental Library. Throughout the recent months, García has been the mouthpiece for what he considers the “rights” of Peruvian Amazon ethnic nations in the peace process.

Investigate Israeli spying on Iraq

by Muriel Mirak-Weissbach

The international press, as usual, started working overtime in late October to create the climate for a new crisis between the United Nations and Saddam Hussein, as soon as it was made known that the Iraqi Parliament had endorsed the decision, by the Iraqi Revolutionary Command Council on Nov. 2, to terminate cooperation with the United Nations inspection teams. The same international press made every effort, apparently, to ignore or, more precisely, to black out, the most significant event in Iraq related to this decision, which was a bombshell speech delivered to Parliament by Deputy Prime Minister Dr. Tariq Aziz, just prior to its vote on the issue.

Dr. Aziz presented evidence that Israeli intelligence agents had penetrated Iraq, under the aegis of the United Nations Special Commission (UNSCOM). The revelations made by Dr. Aziz have turned the tables on the entire cat-and-mouse game which the UN has been playing with Iraq since 1991, and have placed on the agenda of the “international community” the following, most pertinent question: If Israel

has indeed been using the UNSCOM as its Trojan horse, to penetrate top agents into Iraq and spy on the country's military and technological capabilities, then does this not mean, that the so-called "evidence" of alleged Iraqi violations of the UN weapons ban, has been being planted by the same spies? When is Israel going to be submitted to official investigation, for its spying on sovereign nations, and doing so through the good graces of the UN? When, once such investigations have been duly completed, will sanctions be levied against Israel, for espionage of this sort?

Aziz was not generic in his allegations; he was quite specific. According to accounts carried in the Arabic press, he reported that at least three UNSCOM inspectors were Israeli intelligence officers, who had entered the country with false passports. The names he gave (transliterated from Arabic) were: Col. Roneed Hahan Haduri, who works in the Iraqi section of Israeli military intelligence; Col. Naseen Shamai, who works in the Arab Affairs Office of the Mossad; and Jedian Deliail Shamoni, who works for Israeli military intelligence. Another name Dr. Aziz mentioned was that of Col. Friedman Jakov Rikson, an expert on nuclear affairs in Israeli military intelligence. All of them entered the country with false identities, and under the cover of UNSCOM.

It is not known, when these Israeli intelligence agents were active inside Iraq, nor is it known, how and when the Iraqis discovered them. What is known, to corroborate Aziz's revelations, is that at least two UNSCOM officials had to leave the country, because of their espionage activities. The most clamorous case was that of weapons inspector Scott Ritter. Following complaints by the Iraqi government of Ritter's espionage activities, he left the country in September. As a cover for his escape, Ritter claimed that he was resigning, in protest over alleged softness on the part of the Clinton administration, vis-à-vis Iraq! The real story, is a different one.

Ritter's admissions

In an interview with the Israeli daily *Ha'aretz* on Sept. 28, 1998, Ritter spilled the beans on Israel's caper with UNSCOM. He virtually admitted that all the "intelligence" on alleged Iraq weapons violations had come from Israel. Ritter went so far as to say, that the Israelis had been more forthcoming with such "information" than even the U.S. Central Intelligence Agency. And, he said that the FBI was investigating him for alleged espionage in favor of Israel. His story is that the CIA told the FBI to open an investigation, in an effort to discredit him. Ritter told *Ha'aretz* as well, of his several visits to Israel, with the full approval of UNSCOM director Rolf Ekeus.

"From 1994 to 1998, I was there a lot," Ritter told *Ha'aretz*, referring to his visits to Israel. "I can honestly say . . . that if it weren't for Israel, the Special Commission would not have been able to carry out the anti-concealment effort." He also said he thought the reason the CIA wanted the FBI to

investigate him had to do with petty rivalries, since UNSCOM had a better working relationship with Israeli officials than with the Americans. Ritter, of course, swore that he had not accepted a shekel for his services. "I didn't receive any money from Israel," he said, "I got a shake of the hand, a pat on the back."

Exactly one month later, the news was carried by a few enterprising wire services in the region, about another UNSCOM agent, caught in the act of spying. This time, it was a technician of Chilean nationality working as part of the 120-person UN inspections team, named Julio Minos. He was expelled from Iraq on Oct. 26, after having been caught photographing sensitive military installations. Instead of being arrested, and brought to justice, Minos was whisked out of the country aboard a UN plane, and sent to safety in Bahrain, according to Nils Carlstrom, the head of the UNSCOM unit in Baghdad. Carlstrom added, that Minos was the second UNSCOM official to have been expelled within two weeks; on Oct. 12, a U.S. arms inspector was kicked out, after having photographed a missile site, with a private camera.

Economic warfare against Iraq

Thus, the repeated protests by the Iraqi government increasingly over the past months, that the UNSCOM operation is nothing but a cover for espionage, have nothing to do with "paranoia" or "propaganda." These are the facts. It is also a fact, that the man heading UNSCOM since July 1, 1997, Richard William Butler, is a British intelligence officer, decorated by the Queen, coordinating in tandem with the Israeli Mossad and military intelligence, the entire project aimed at destroying Iraq's economy, and ensuring that it never be capable of emerging as a modern nation with advanced science and technology. It has been Butler, who has carefully leaked his observations to the press—not reported to the UN Security Council—that Iraq had violated this or that weapons ban. It was Butler who told the press Iraq had chemical warheads ready to go. It was Butler who told the *New York Times* that Iraq had biological weapons poised to strike Israel, and that they could "blow away Tel Aviv." It was Butler who briefed a group of 45 American Jewish leaders that there were 45 Iraqi warheads that could not be accounted for. Through such and similar interventions, Butler has calculated the means to set off crises between the UN and Iraq, and has succeeded twice since taking over last year, always coinciding with the periodic reviews by the UN Security Council, of the status of Iraqi weapons inspections.

With the revelations made by Dr. Aziz, there is no excuse for any government to tolerate the continuing provocations organized by the British and Israel, through UNSCOM, provocations that are part of a broader policy to ignite chaos through confrontation in the region. Benjamin Netanyahu's Israel must be stopped, before it—indeed, a nuclear power which is not subjected to any controls, conventions, or international agreements—blows up the world.

Kyrgyzstan: Despite difficulties, some old dreams are coming true

Dr. Apas Jumagulov has been the Ambassador of Kyrgyzstan, in Bonn, Germany, since early 1998. Educated in Moscow, Dr. Jumagulov is a geological engineer, with a specialty in petrochemicals and natural gas, who has headed up research work, and has administered oil and gas facilities. Between 1993 and 1998, he was Prime Minister of the Kyrgyz Republic, which gained its independence in 1991.



Dr. Apas Jumagulov

Dr. Jumagulov has published more than 50 scientific works, and has received numerous awards, among them, the State Prize for Science and Technology. In 1994, he was given an honorable title for merit in industry. He is an honorary member of the International Engineering Academy, of the East-West Academy of the City of Bruchsal in the Federal German Republic, and honorary professor of the Kyrgyz State National University and the Kyrgyz State Pedagogical Institute.

In his interview, which he gave to EIR in September, Dr. Jumagulov outlines the difficulties encountered and progress made by the Kyrgyz Republic since independence, following the break-up of the Soviet Union. Dr. Jumagulov identifies some of the problems encountered in the process of transformation to a market economy, which, he emphasizes, must include a "social welfare system for the population." How difficult such a transformation is, under conditions of the current International Monetary Fund system, emerges from his remarks. The impact of the Russian financial crisis and of continuing warfare in Afghanistan, is also explained. Most encouraging is Dr. Jumagulov's assessment of the progress being made in the construction of national transportation networks, which will integrate Kyrgyzstan into the Eurasian continental network of the new Silk Roads.

EIR: Your Excellency, you are celebrating the seventh anniversary of independence and the fifth anniversary of your

national currency. What is your opinion about the financial and economic situation in Kyrgyzstan?

Jumagulov: The financial and economic situation in the Republic has been going through an upsurge. This is the conclusion of many independent experts. The Republic has, during the last three years, made great achievements in macroeconomic stabilization and restructuring the economy according to market-oriented principles, and the economy has been growing. In 1996, the Gross Domestic Product increased by 7.1%, as compared with the previous year, and 1998 has already passed last year's figure by 10.4%. You get the same picture if you look at other important figures of leading industrial branches. For instance, in 1996, the growth of industrial production was 8.8% and, in 1997, 20.4%. The growth of agricultural production was 0.6%, while, in 1997, it grew by 10.7%. Inflation has fallen by 50%, to an annual rate of 14.5%.

This means that, as a result of the economic reforms in the first phase, market mechanisms have begun to operate. Until recently, there was a decline of production (between 1991 and 1995 by more than 50%), and our main task was to get out of the abyss we were falling into. In fact, it was a question of survival, and we stood the test. But now, we have another task before us: We have to consolidate the achievements and to proceed faster along this path. Our new, young government has every chance of succeeding. In 1997, bank reserves increased, the nominal exchange rate remained stable, and interest rates fell considerably. Following the reforms in the real economy, progress has also been made in the financial and monetary sector, which has been subject to structural transformation; a budget reform has taken place.

In collaboration with specialists from the International Monetary Fund and the World Bank, a program has been drawn up on economic policy for the period 1998-2000. Rigorously adhering to the fulfillment of the program, the Republic will reach a stable level of irreversible market-economic development in all spheres of economic activity. It is important to accomplish this serious development policy in a qualified, skilled, and persistent way. Strategy and tactics have already been decided upon. There is no way back. Creating a market economy, with a social welfare system for the population, is the only way forward.

EIR: The breakup of the U.S.S.R. has had many negative implications for Kyrgyzstan, above all hyperinflation, the breakdown of important production relations and the distribution system, and the end to financial support for the energy sector and other branches. This led to a dramatic decrease of industrial production, by about 25% between 1992 and 1994. It was, indeed, in a difficult situation that Kyrgyzstan was trying to accomplish the transformation to a free-market economy. Could you, for instance, tell us how privatization was pursued?

Jumagulov: You are right. Kyrgyzstan did indeed experience hard times, with devastating hyperinflation, and the collapse of the economy as a result of the breakdown of economic and other relations. Wages and pensions were not paid for five to six months. It was in this period, in December 1993, that I once again, after three years, led the Government of the Kyrgyz Republic and, as far as I can remember, it was in that year of 1993 that inflation reached 1,366% and the decline in production exceeded 26%. But, thanks to the measures which were taken, it was possible to alleviate the situation.

The main task was to pursue the transition to a free market economy boldly and deliberately. We liberalized prices for an absolute majority of products; we liberalized foreign trade, removing duties on exports and establishing a single tariff of only 10% on imports, excluding excise duty products, of which there were 12-13. Subsequently, even their number decreased.

At the same time, we carried out a systematic privatization plan. So far, 6,400 objects have been denationalized and privatized in the Republic, including 88.2% in industry, 57.3% in building and construction, 97.2% in trade and public catering, and 100% in the consumer service sector. In total, the share of denationalized and privatized companies is 63.8%. In the beginning, I have to admit, the privatized companies did not bring the expected results and there was a lot of disappointment in this respect, and, of course, a lot of criticism. The not-so-nice word *prikhvatizatsiya* [a Russian pun on *privatizatsiya*, or “privatization,” meaning “grabbing”] was invented. Maybe, in some places this kind of *prikhvatizatsiya* did occur during the first phase of the process, but, generally speaking, one can say, that privatization was accomplished in the general interest.

Gradually, the privatized companies started to operate in a better way. Tough measures were taken regarding supervision, transparency, and law enforcement. Here, too, the firmness and steadfastness of President Askar Akayev was of great help.

We have, during this time, gone through a number of phases. In the first phase (1991-93), the legal foundations were laid for denationalization and privatization and the corresponding organizational structure was created, the State Property Fund, and, of course, a lot of experience and skills were assimilated. In this period, the so-called small-scale privatization was being pursued, above all comprising trade and

consumer service, small and medium-sized companies, and collective and state-owned farms. There was also extensive privatization of apartments, using a coupon system.

In the second phase (1994-95), we saw substantial changes in legislation and in staff organization. Corrections of mistakes and violations were made. Reorganizations of medium-sized and large companies in the productive sector, i.e., industry, transportation, construction, and other branches, were accomplished, through procedures of auctioning out, in open competition, stocks in state-owned companies. Another novelty was in the field of state-owned property management, introducing an institution of state representatives in contractual associations.

The main attribute of the current third phase, starting in 1996, consists in the creation of a concept of the reorganization of basic industry — in the mining, telecommunications, electric power, and oil and gas sectors, as well as in the tourism industry and others — and its confirmation by the government and approval by Parliament. This process has only been started.

Which were the negative elements, errors, and mistakes? They occurred, mainly, in the first period and, to a certain extent, up to the second half of 1994, until the elaboration of legislative acts and documents took place. Thereafter, with more public participation, there was more openness and fewer errors were made.

1. One of the most serious errors, perhaps, was that the State-Property Fund was given too extensive rights. It had the right to make its own decisions, without first having received approval from the government. This was a big mistake, which was later, maybe too late, corrected.

2. At the beginning of the third period, the elaboration of a business concept was delayed, resulting in a slow pace of the privatization of large basic industries.

3. Many companies and other objects were sold at prices considerably lower than their book value. We are convinced that this was the correct policy, but as a result of the lack of openness in every specific case, there were various kinds of false interpretations, particularly from the opposition, which, in turn, created an atmosphere of nervousness and some time was lost. That is why these companies show a low level of productivity.

4. There were some problems with the local authorities, concerning the fields of responsibility in the privatization process.

5. There was a certain passivity on the part of various industrial ministries. In a word, there were errors of a non-essential character, which have been corrected. But despite great difficulties and its substantial complexity, the privatization was, in our opinion, accomplished successfully. Our task now lies in the field of management. We think, that in order to achieve this aim, the structural transformation of the economy must, first of all, be pursued by implementing a corporative form of management, awaiting further reorganization of pri-

vativated companies, together with liquidation through a bankruptcy procedure of unprofitable companies and other measures.

EIR: As part of its transition program, the IMF demanded a reduction of budget expenditures, which had implications for the social sector, including health care and medical services. On Aug. 20, Minister of Labor Imankadyr Rysaliyev announced that the government is planning further reductions of budget spending for the social sector by about 80 million som [\$4 million]. If one bears in mind, that Kyrgyzstan has a highly qualified workforce, which depends on a well-equipped social sector and education, etc., one must wonder why austerity measures have to be made here, instead of further developing this sector?

Jumagulov: As far as I know, the IMF always gives qualified recommendations, starting from the means the Republic has at its disposal and what they can be used for. But it is up to the Republic's government to decide where to direct this money, and where, strictly speaking, one must tighten the belt. It is absolutely as a last resort, as a rule, that austerity measures have to be made at the expense of the social sector. In this case, I think, it is a question of reducing some social services that can be dispensed with, or the kinds of social benefits paid to wealthier layers of the population. For instance, you can, in a differentiated way, raise tariffs on electricity, and target aid to poor, disabled, and elderly people.

I agree with you, that it is not appropriate to make cuts in the social sector. It is necessary to further develop it and raise the competence of its employees. But this can be carried out at the expense of the employers, and not always at the expense of the state.

EIR: Kyrgyzstan has concluded trade agreements, agreements on economic cooperation with various countries in the region, among them a customs agreement with Kazakstan and Belarus, an economic union with Kazakstan and Uzbekistan, and the creation of an organization for economic cooperation, EKO. What is the main purpose of this cooperation?

Jumagulov: The main goal of this cooperation is an economic space, a market. A market where you can sell products and raw materials, and, at a reasonable price, purchase raw materials and finished products for your own market. It also means markets for the development of small and medium-sized business, all without taking away from relations with other states and nations.

EIR: Kyrgyzstan is strategically situated along the historical Silk Road, both to the north and to the south. The Kyrgyz government is planning to construct roads and other kinds of communication links. Could you, please, say something about these plans? In what way do the planned projects connect the country to the Eurasian bridge between China and Europe? How will these infrastructure projects be financed?

Jumagulov: Communication between the northern and the southern regions of the Republic is carried out by railway, which, rounding the Tian Shan Mountains in the west, goes through the territories of Kazakstan, Uzbekistan, Tajikistan, the densely populated regions of the Fergana Valley, and is 1,200 kilometers long. An old dream of the Kyrgyz people has been to connect the north and the south by railway. This dream has started to come true. The total length of the railway is about 360 kilometers. This year, we have started to build its first segment, with a length of 145 kilometers. The railway goes through mountain regions with rich supplies of coal and other minerals, and this is also where Kyrgyzstan's large water power resources are concentrated.

In order to successfully implement this aim, the urgent necessity of connecting this link with the railway system of the P.R.C. arose. This could be done, building a link from the Kazarman village (or at any place along the north-south route) up to the Chinese border, for example, up to the village of Torugart. From Torugart to the large city Kashi, in China, is only 130-150 kilometers and, in the immediate future, the railway connection of Kashi will be ready. Then, our Republic will be connected to the eastern regions of the P.R.C., right up to Shanghai, and, through Uzbekistan and the other countries, to the European countries, including Germany. For Europe, the shortest way to China will be opened. Moreover, this means a lot of construction works (railway tracks, bridges and tunnels, hydro-electric power plants, mining enterprises, and many other infrastructural objects). Uzbekistan and China are interested in the realization of these projects, in addition to Kyrgyzstan. The project is supported by the Asian Development Bank. We invite everyone interested in large-scale business, to take part in the project.

EIR: The majority of foreign investments into Kyrgyzstan go into the mining industry, the extraction of raw materials and minerals, above all gold. Some large projects and joint-stock companies have, during the last few years, been initiated, for example in Kumtor, Jeru, and Taldybulak. Could you, please, say something more about this? There was, in May, a terrible accident at the Kumtor enterprise, which evoked sentiments of strong resistance within the country. How did this happen?

Jumagulov: Kyrgyzstan is rich in gold. The three mentioned deposits had all been thoroughly prospected over a long period. But there are other places, where indications of gold have been discovered, which demand proper attention. If they are explored, they will probably turn out to have great future prospects, with large deposits. They have, so far, only been superficially explored.

Kyrgyzstan is rich not only in gold: Next to the Kumtor gold deposit, there are prospected supplies of tin, tungsten, and gold, to which a good road, and an electricity transmission line, have been built. The only thing to do is to start exploitation. A small factory has also been built, which after the break-

Communication between the northern and the southern regions of the Republic is carried out by railway. An old dream of the Kyrgyz people has been to connect the north and the south by railway. This dream has started to come true.

up of the former U.S.S.R., is waiting for investments. We have, for the moment, not enough means to finance this. Kyrgyzstan is also rich in other mineral and raw-material resources: rare mineral elements, antimony, mercury and other non-ferrous metals. Kyrgyzstan has great prospects in the field of oil and gas, and also building materials like facing bricks.

Concerning the accident of the vehicle carrying cyanide in Barskaun, it was, no doubt, an unpleasant and extremely serious accident. But one must avoid turning it into a tragedy, and even taking political advantage of it. Yes, it was a serious accident, of a kind that must be excluded in the future. As far as I know, the management of Cameco has taken measures to prevent such accidents in the future. It occurred because of bad discipline, lack of responsibility among those responsible for cyanide transportation, and absence of monitoring, and, one might add, the negligence of the Cameco management to take these kinds of security measures in any case. These measures should already have been taken.

The deposit should be exploited with the same intensity as in 1997. It is a unique, high-performing project, which was realized in very short time. It is necessary to learn a lesson from the mistakes, and not let it happen again, and continue to work.

EIR: The financial and economic crisis, spreading over Russia, threatens the whole global economy. What is the immediate impact of the Russian crisis on the Central-Asian republics, and above all on Kyrgyzstan?

Jumagulov: The financial crisis which has seized Russia will have a direct impact on the Central Asian republics, including Kyrgyzstan, and, if adequate measures are not taken, it will, indeed, have serious implications. Now, measures are being taken by the government to alleviate the consequences of the Russian crisis, but it is, probably, impossible to do so completely. Of Kyrgyzstan's total foreign trade turnover, according to the results of the first half of 1998, 53.8% took place within the CIS [Commonwealth of Independent States], with Russia accounting for more than half of it. The situation in Russia has always had an impact on the economic climate of Kyrgyzstan, and economic animation in Russia has always implied increased well-being for us. Therefore, we always pay great attention to how things develop in Russia and take what measures are feasible.

What kind of measures we now are taking, demands a more detailed discussion. We have, indeed, got into a difficult situation, due to the unpredictability, duration, and depth of the Russian crisis, but I do not have any doubts, that Russia, its government, and parliament, will get the strength to overcome this ailment, even though it will be difficult to improve the situation within a couple of months. Russia has an enormous potential and, I think, will, in the next six months, get the necessary strength to overcome this crisis. Let us only hope that the political ambitions of the leaders of the Russian opposition parties may calm down first, because they constitute a destabilizing factor for the economy of Russia and elsewhere.

EIR: At the same time, the crisis in Afghanistan has sharpened, in connection with the recent offensive acts of the Taliban. What are the implications for the security of Kyrgyzstan? What were the topics of discussion and what agreements were concluded during the meeting between President A. Akayev and Gen. N. Bordyuzha, head of the border defense of the Russian Federation [named Secretary of the Russian Security Council in September 1998].

Jumagulov: The civil war in Afghanistan, is, of course, a matter of great concern to us. All parties would gain from peace in Afghanistan. Last year, during a session at the UN, Kyrgyz President A. Akayev proposed that a conference on Afghanistan be held in Bishkek, with the participation of all interested countries. This idea was supported by the international community and by our neighbors. We are working in that direction.

Kyrgyzstan has signed, and is also conforming to, the International Convention on Refugees. In Kyrgyzstan, the number of refugees from various regions is rising. The state, being itself in a difficult situation, is giving aid to the refugees, providing a minimal subsistence level for them.

Kyrgyz and CIS peace-keeping forces are stationed along the border on Afghanistan, but problems are immense. Drug-trafficking is increasing every year, from the warring Afghanistan to Tajikistan, and, through Kyrgyzstan, farther into the European countries. We are very well aware of this serious situation, and are, in collaboration with the international community, taking resolute actions against the dissemination of this evil. But, much remains to be done to prevent this plague from becoming a common phenomenon here, and to stop its spreading into Europe. We have to raise substantial barriers

and try to get at the root of it, and stop the production where it takes place. While drug-traffickers in the past were caught with raw opium, now, it is not unusual for them to try to transport heroin. This means, that underground laboratories are already operating somewhere.

The situation in Afghanistan has become aggravated by Taliban aggression, which also requires full attention from all countries in the region. Despite announcements from the Taliban leader, Mullah Muhammad Omar, that they have no intentions to leave the borders of Afghanistan and intervene in the internal affairs of Iran or the countries of Central Asia that neighbor Afghanistan, their advances to the borders with Tajikistan and other countries, is a matter of great concern for these states. There have been phone calls between Kazakhstan's President N. Nazarbayev and the Presidents of Kyrgyzstan, Uzbekistan, and Tajikistan. The heads of the four Central Asian countries expressed great concern about what is going on in Afghanistan, and the intensified war activities of the Taliban. The foreign ministers of these states have met in Tashkent. President A. Akayev has had extensive discussions in Cholpon-Ata with the Director of the Federal Service of the Russian Federation's border forces, Gen.-Col. N. Bordyuzha, on a number of issues concerning the interrelations between the two countries, including the situation along the border on Afghanistan.

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'Serbian withdrawal' from Kosova is a fraud

by Umberto Pascali

On Oct. 27, NATO decided to suspend the threat of air strikes against Serb military targets in Kosova and Serbia. The official reason was that Serbia's Slobodan Milosevic had complied with the terms of the NATO ultimatum: to withdraw from Kosova the troops that devastated the region for seven months. Oct. 27 was the final deadline of the thrice-extended ultimatum given to Milosevic. About 4,100 Serbian troops "withdrew," nobody officially knows to where, but 25,000—15,000 military and 10,000 from the infamous Special Police—remained. It is not known how many men from the vicious paramilitary "Greater Serbian" gangs are active at the moment, although some local reports say that the number has increased. These gangs are mostly recruited from other areas of former Yugoslavia, according to a centuries-old plan to "colonize" Kosova by expelling the ethnic Albanians.

The whole situation appears confused and paradoxical. As is often the case concerning negotiations with Milosevic, everything ends up contrary to what had been officially agreed upon, especially when Milosevic is named the guarantor of the deal. Moreover, as senior Balkan officials remarked, the negotiations between U.S. envoy Richard Holbrooke and Milosevic were conducted with a "total lack of transparency." The details and strategic outline of the deal they concluded is not publicly known.

The secret war

Sources that have dealt directly with the Balkan nightmare over the last terrible decade have told *EIR* that one of the main sources of confusion is the naive interpretation of Milosevic's strategy that seems to dominate Western media and Balkan scholars. What is often overlooked is Milosevic's source of power, which comes from the Western circles that inherited the old French-British Entente Cordiale, and the Serbian intelligence capability. This capability, and propensity for provocations and dirty tricks, is in evidence not just in the outright genocide, but in the manipulation of the ideological weaknesses of the "dominated populations." This applies in particular to Kosova. After all, the initiator of modern Serbian intelligence, at the beginning of this century, was Colonel Apis, who engineered, on behalf of his masters in London and Paris, the assassination of Archduke Franz Ferdinand of Austria on

June 28, 1914 in Sarajevo, the event that triggered World War I.

As if to prove the point, on Oct. 29, a French official, Maj. Pierre-Henri Bunel, was arrested and admitted to having delivered secret NATO documents to Serbia, including *the map of the planned NATO air-strike targets in Kosova and Serbia*. According to French sources, the arrest was the consequence of strong pressure from U.S. agencies. An attempt is being made to present Bunel as a “naive” official driven by “humanitarian reasons” and “Serbian sympathies.” But there is little doubt that the official was—also according to high French military officers—“one of the most brilliant intelligence officers,” who held sensitive positions in the General Staff of the French contingent in the elite Rapid Deployment Force. For an undisclosed special mission in Bosnia, he received the highest French medal, the Légion d’Honneur.

EIR earlier reported the recent case of another French officer, Maj. Hervé Gourmellon, who passed a large number of military secrets to Bosnian Serb war criminal Radovan Karadzic, including the plans for his arrest. Gourmellon’s activities led to the cancellation of the long-prepared secret mission to capture Karadzic. Similar was the case of the British Maj. Milos Stankovic, the right-hand man and interpreter for the British head of the NATO forces in Bosnia, Sir Gen. Michael Rose.

Even Associated Press pointed out that “the French government has long has been considered as being sympathetic to the Serbs. It is a relationship dating to World War I, when France along with Britain helped set up an independent Yugoslavia after the Ottoman Empire collapsed.”

Serbian intelligence is specialized—also thanks to its training by British psychological warfare operatives—in profiling ethnic groups and in creating provocateurs. Serbian forces were caught brutalizing Kosovars last February, disguised as members of the Kosova Liberation Army (UCK). As a Balkan expert remarked recently, “The selling of the ideology of Greater Albania to Kosova militant elements is the most dangerous and—for him—productive strategies Milosevic could employ; it gives him the alibi of ‘war against the extremists’ and maintains a situation of chaos in which he thrives.”

The Kosovars protest

This is the backdrop of the NATO “Kosova deal” with Milosevic. The ethnic Albanians, the Kosovars, who were not part of the negotiations, objected vociferously that they did not agree, and begged the West not to cancel the air strikes against the aggressor’s military machine. On Oct. 29, the KIC, the main press agency for the Kosovars, close to ethnic Albanian leader Ibrahim Rugova, wrote, “Who for God’s sake is speaking of withdrawal of Serbian troops? . . . After Milosevic ordered the withdrawal of 4,100 troops, Brussels [NATO] and Washington were relieved, just as [was] Bel-

grade. . . . The bottom line is that Kosova remains a heavily militarized area. Milosevic has been allowed to keep the same number of Serb police (10,000) and more military troops (15,000) than he actually had committed here in Kosova to perpetuate his military occupation. . . . The 25,000 Serb troops are unwanted by Albanians because they killed, destroyed their villages and towns. . . . They are seen as nothing more than part of a hostile force trying to perpetuate occupation and neo-colonial rule. . . . The issue is that Milosevic has created a *fait accompli* through sheer force and Byzantine diplomacy, outsmarting the West for the hundredth time or so.”

The KIC published this appeal, while the elected representative of the Kosovars, Rugova, is being targetted by a vicious attack by both the promoters of a Greater Serbia, and of a Greater Albania. This convergence of apparently opposite forces reportedly dates back to complicities between the intelligence services of Albania’s late communist dictator, Enver Hoxha, and Serbian intelligence.

Milosevic’s crimes

In vain, the representatives of the Kosovars reminded the West that Milosevic has been personally responsible not only for the most recent genocide, but for almost ten years of police oppression in Kosova. In fact, in 1989, it was Milosevic who put Kosova under military siege, brutally depriving the region of the extensive autonomy that it had enjoyed within Yugoslavia, and making it part of Serbia. In an hysterically chauvinistic speech near the Kosova capital of Pristina, Milosevic announced that the Yugoslavian socialism of Josip Broz Tito was to become a Greater Serbian nationalistic socialism, and that this “new” Serbia would become the dominating entity in Yugoslavia.

In a shameless endorsement of the theory and practice of the “Clash of Civilizations,” Milosevic signalled to East and West that he was the “defender” of “civilization” against the “Muslim threat.”

Using the poisonous jingoism he had injected in the Serb population, Milosevic conducted a faction-fight inside the ruling League of Communists, smashing any “feeble-hearted” leader who could not swallow the social chauvinist shift. It is considered paradoxical, but indeed it is entirely lawful, that Milosevic was endorsed not only by the most rabid pan-Slavic, pan-Orthodox factions in eastern Europe, but also by the British elite, the International Monetary Fund and World Bank, and Kissinger Associates, of which Milosevic was a protégé since his early career as a banker.

Unfortunately, the decision not to launch air strikes was not difficult to foresee. Contrary to previous NATO or UN operations, this time Russia posed a clear—even “arrogant” and “provocative,” according to insiders—veto to any bombing. This position is a reaction to the IMF/World Bank diktats, which are creating a backlash in Moscow, including on the issue of the Balkans.

More mysteries over Swissair Flight 111

by Dean Andromidas

During the night of Oct. 11 and early morning hours of Oct. 12, the main offices of Swissair, in the Zurich, Switzerland suburb of Kloten, were broken into. The burglars took documents and money. Although similar break-ins had recently occurred in the neighborhood, the Swiss financial daily *Neue Zürcher Zeitung* reported that the criminals were in fact looking for documents concerning the Sept. 2 crash of Swissair Flight 111 off the coast of Nova Scotia, in which 229 people were killed.

EIR (see the Oct. 16 issue, p. 57) detailed the possibility that Flight 111 had been the target of sabotage or an explosive device, a device that could have only been placed by an agency with sophisticated capabilities, such as a state intelligence service. The fact that Richard Tomlinson, the runaway former MI6 agent, had been booked on the aircraft, could have been the motivation for British intelligence agencies to have targeted the aircraft.

Tomlinson, who is said to be in hiding in Switzerland, had been invited to the United States by NBC News for an exclusive interview, and had been booked to return to Switzerland on the ill-fated flight. But, he never boarded the Swissair flight because he was immediately deported when he tried to enter the United States.

Swissair Flight 111 crashed in Canadian waters a few hours after it took off from New York bound for Geneva, Switzerland, as it was attempting an emergency landing at Halifax International Airport.

Strangely enough, the *Neue Zürcher Zeitung* report was not published until Oct. 22, a week after the break-ins occurred.

Even more disturbing, was the publication of a death notice, also on Oct. 22, in a small regional Swiss daily called *Der Bund*, regarding Guido Hirni, who was killed when the helicopter he was flying in crashed on Oct. 13. Hirni was one of the chief inspectors of the Swiss Federal Office for Investigation of Air Accidents. Hirni had been widely quoted, and frequently seen on Swiss television news reports, giving official statements on the crash investigation of Swissair Flight 111.

It is not known whether Hirni was himself involved in the investigation, but it is known that the Canadian authorities have refused to allow Swiss investigators assigned to the

probe to speak to anyone about the investigation, including their superiors in the Swiss government.

MI6 spies in Swiss banks

On Oct. 11, an interview with Tomlinson appeared in *Sunday Business*, a British weekly. In the interview, Tomlinson repeated his charge that British intelligence has an aggressive policy of spying on its European allies, particularly in economics and banking.

Tomlinson told *Sunday Business* that, according to the official mission “requirements” of MI6 drafted by Britain’s joint intelligence committee, which coordinates the activities of all of the British government’s intelligence agencies, that the major task of MI6 in Europe is economic and commercial espionage.

Tomlinson told *Sunday Business*, “When I saw the requirements, I was astounded. Many of the countries in there are supposed to be allies, especially our European partners. It is listed alphabetically, and includes France, Germany, Italy, Spain, and Switzerland.”

The article reported the allegation that MI6 has spies in the Union Bank of Switzerland, which is the country’s largest bank.

In the above-cited article, *EIR* reported Tomlinson’s earlier revelation that an MI6 agent had been placed in the Bundesbank, Germany’s central bank, in 1986, and had continued to operate there to the present.

Public-private integration

Sunday Business pointed out the fact that it is quite normal for senior British intelligence officers to become board members of leading British banks and corporations, enabling the intelligence services to utilize the capacities of the private sector, while the latter regularly benefits from the resources of the intelligence agencies. The arrangement thus substantially blurs the divide between the role of the British state and the British private sector—free market pretensions notwithstanding.

Tomlinson revealed that Britain’s Midland Bank, one of the largest in the City of London, is called the “listening bank,” and is wholly an asset of MI6. Also, the Royal Bank of Scotland is utilized extensively for British intelligence operations. MI6 regularly transfers secret information to British banks and other corporations.

Tomlinson revealed to *Sunday Business* that he turned over secret information received from MI6’s spy at the Bundesbank to several British commercial and merchant banks, including Midland Bank and the Royal Bank of Scotland.

This integration between the secret services and the private sector is so close that secret reports, code-named CX reports, which are drafted by MI6 for other intelligence agencies such as Britain’s domestic security service, MI5, are routinely transferred to designated liaison officers at banks and other private institutions.

'Rice Wars' terror in Uganda, Rwanda

by Linda de Hoyos

Uganda is heading for "a holocaust, for carnage, for total destruction," unless the Western powers—especially the United States—adopts a policy of supporting the emergence of democratic institutions in Uganda, warns Michael Mabikke, the general secretary of the Young Democrats of Uganda, in the accompanying interview. The reason for this dire prediction is that Ugandan President Yoweri Museveni, by moving toward an entrenched dictatorship organized around his own person, is fast destroying in Uganda all capabilities for a peaceful transfer of power within the country.

Mabikke speaks for those courageous political leaders in Uganda, including Paul Ssemogerere, chairman of the national Democratic Party, and Cecilia Ogwal, chairman of the Interim Executive Council of the Ugandan Peoples Congress, who insist that only through non-violent political work can a government come to exist in Uganda that is capable of addressing the needs of its people, whose life expectancy and living standards otherwise continue to fall. In answer to a demand from one section of the Ugandan Peoples Congress that Museveni must be overthrown through a violent coup, Ogwal declared: "They are warmongers. They are not in touch with the realities in Uganda. I stand by my statement that we are for peaceful change of government. . . . Nothing will divert us from peaceful struggle for democracy."

Unfortunately, for those leaders in Uganda who seek to put a definitive end to the politics of violence that has wracked this pivot country of East and Central Africa for the last 32 years, the current policy of the United States does not support their efforts.

Instead, under the aegis of Susan Rice, Assistant Secretary of State for African Affairs, John Prendergast at the U.S. National Security Council, and their mutual mentor, Roger Winter of the U.S. Committee for Refugees, the policy of the United States toward Uganda has been full-throttled support for Museveni. Ignored is the fact that Museveni has outlawed all activities of political parties; ignored is the fact that insurgencies are springing up like mushrooms in violent protest to the dictator's rule; ignored are the realities of arbitrary arrests, detentions, torturings, beatings, vote fraud, rampant corruption, and nepotism—the usual accompaniments to brutal dictatorial rule. All these considerations have been pushed aside at the U.S. State Department and its environs, in service to a policy to *use* Museveni's willingness

to deploy his army—his only remaining base of power—on behalf of the financial interests of primarily British Commonwealth financial diktats and the geopolitical goals of Israel.

In short, war is the policy coming from Rice et al., for Uganda and its satellite Rwanda.

Since August, Museveni's armies, along with his Rwandan allies, have launched two separate invasions: one against Sudan, in alliance with the Sudanese People's Liberation Army of John Garang; and against the Democratic Republic of Congo—the two-front war that this magazine had warned since January was in the making.

What is overlooked completely in the Western press reporting of these wars is the fact that, *since these wars are not in the interests of the people of either Uganda or Rwanda itself, the prosecution of the war has necessitated a drastic increase in the violence perpetrated against the citizens of both countries.*

Concentration camps in Rwanda

The Rwandan army, under Defense Minister Paul Kagame, former head of intelligence of Museveni's National Resistance Army, moved across the border into the Congo on Aug. 2. Simultaneously, it has now been reported by the Center for the Struggle against Impunity and Injustice in Rwanda, the Rwandan army launched a campaign of terror in northwestern Rwanda in the districts of Ruhengeri and Gisenyi to force the largely Hutu inhabitants of the area into concentration camps. According to the Brussels-based Center, eyewitnesses who have since escaped from Rwanda to Nairobi, have reported large-scale massacres carried out by the Rwandan Patriotic Army over Aug. 2-3 and again on Oct. 2 in the Ruhengeri district bordering Congo.

It further appears that the Rwandan army has adopted the tactics used against insurgency by the brutal Burundian Tutsi military, by which the military surrounds a village, demands that all assemble, kills those who try to escape the dragnet, and then marches the rest into concentration camps, where there is no food, no clean water, no sanitation, no medical services. In Rwanda, such camps now exist in the communes of Nyarutovu, Gatonde, Ndusu, Nyamutera, and Cyabingo in Ruhengeri; and in the commune of Giciye in Gisenyi. The death rates at such camps are very high; such camps in Burundi in 1997 produced the biggest typhoid epidemic since World War II, according to the World Health Organization.

Such camps also exist in Northern Uganda, under the name of "protected villages," where people, caught in the deadly crossfire between the rebel Lord's Resistance Army and the Ugandan army, are brought without any means of subsistence.

The Associated Press on Oct. 29 corroborated the Center's report on the camps in Rwanda, saying that upwards of 400,000 people were now internally displaced in northwest

Rwanda, creating fears of a “humanitarian catastrophe.” International relief agencies, AP reported, have been prevented by the Rwandan government from going into the camps, since their personnel might be able to meet with witnesses to the killings that had taken place during the military operations.

Crackdowns in Uganda

In Uganda, the Museveni regime drastically tightened its dictatorship in July, using a campaign against terrorism as its foil, one month before the Ugandan invasion of Congo and one month before the terror-bombings of the U.S. embassies in Nairobi, Kenya, and Dar Es Salaam, Tanzania.

In the beginning of July, Minister of Internal Affairs Maj. Tom Butime announced to Parliament a new law to be passed designating all members of the insurgent Lord’s Resistance Army (LRA) and the Allied Democratic Forces as “terrorists.” “We shall now handle those terrorists fast, fairly, and firmly,” he said. “Under this law, once you’re arrested on suspicion of being a terrorist, *the onus is upon the suspect to prove that he is not one*” (emphasis added).

The government went into action. On July 4, the military swept up 4,000 in Gulu municipality in Northern Uganda, in search of collaborators with the LRA. Only 32 were eventually taken to military barracks for questioning, of which seven were detained. By mid-July, the newspapers were reporting deaths and torturings in jail among those who had been picked up in sweeps like the one in Gulu. On July 16, two suspects Michael Opolot and Sam Ogwang were reportedly tortured to death in jail in Kumi District. Regional police commander Raphael Makokha made no attempt to deny the incident, but said, “It happened and it is a very sensitive issue.” He said there would be a police review of the matter, but in fact, such operations are not carried out by local police, but by the Internal Security Organization (ISO) of the Museveni national government.

By July 22, the government-supported newspaper *New Vision* could report in a single day: Museveni’s rejection of cease-fire or negotiation with any insurgent group; the arbitrary arrest of 40 Asians of Kashmiri and Sri Lankan origin; the announcement of trial for treason for members of the rebel West Nile Front Group who had been taken; the burning down of 69 homes in Kembuzi, Kiboga district, because they had been put on a forest reserve; and the blocking of a rally by the Uganda Young Democrats at the Catholic Social Center in Mbarara district (see interview).

Simultaneously, ISO raids were carried out against Muslims, coming under suspicion for terrorist activity, which Museveni claims is sponsored by Sudan. On Aug. 17, the Amir of Uganda Sheikh Abdul Hakim Sekimpi held a press conference on behalf of the Muslim community: “We express our disappointment and dismay over the constant arrests of our people without any clear accusation against them. While some are arrested after midnight, others have been picked from taxis on the road. . . . As we talk, more than 50 Muslims

have never been produced in courts of law and yet abductions still continue.”

The arbitrary arrests of Muslims in Uganda had begun in April, but escalated after Butime’s pronouncement. On Oct. 27, Ogen Kevin Oliro, correspondent for the *Monitor*, reported on the case of Abdul Kadir, a 14-year-old boy who was arrested as part of a sweep of 20 Somalis carried out in mid-September by the Ugandan ISO, along with personnel from the U.S. FBI. The arrests, according to the report in the *Washington Post*, had “foiled” a terror-bomb attack on the U.S. embassy in Kampala. But subsequently, all those detained were released. “They had all been falsely accused of ‘terrorism’ in a wild-goose chase into which Uganda security operatives misled America’s FBI.”

But the 14-year-old Abdul Kadir was overlooked. For the next month, according to the *Monitor* report, Kadir was put under continuous torture by the ISO agents: “Sometimes he couldn’t tell whether it was day or night. His confinement room was dark most of the time. Every day his captors beat him up, until they reduced him to a near skeleton—moving, but no longer human. Then his captors thought of a novel idea. How about making their prey play ‘the Batman’? So they would hang him upside down, dangling by the legs—just like bats do. They did this every day, depending on their mood,” reported Oliro.

Three days after Oliro’s report appeared in the *Monitor*, he was seriously injured by unknown assailants who attacked him on the street.

As indicated by the Young Democrats’ general secretary Mabikke, the extra-legal campaign against “suspected terrorists” has been accompanied by a crackdown on political parties. After a conference of the African Development Foundation at which Democratic Party Chairman Paul Ssemogerere spoke, the Foundation was summarily closed by the Museveni government, on charges that it was functioning as a political party, when Article 269 of the Museveni constitution prohibits any party from engaging in any political activity. Attempts by the Young Democrats to hold educational forums on civil rights were shut down by AK-47-toting ISO operatives acting on “orders from above.”

As stated by Cecilia Ogwal in September, “There is an unprecedented level of panic which has gripped the government of Uganda. Every day scores of ordinary citizens are being bundled up and taken to unauthorized places for detention. . . . We are convinced that the cause of the incessant insecurity is due to the intransigence of the NRM, which revolves around the Machiavellian principle that minority rule feeds and thrives on instability and conspiracy. By this philosophy, Mr. Museveni, having lost an election in 1980, had to wage war in order to come to power. He has maintained his rule by more wars.” And in this mission, it is hard to avoid the conclusion that Museveni has the strong support of Susan Rice and the gang now in control of U.S. policy toward Africa.

The U.S. must support democracy in Uganda

Mr. Mabikke is the general secretary of the Young Democrats, the youth wing of the Democratic Party of Uganda. He was interviewed by Linda de Hoyos in Washington, D.C., on Oct. 22.

EIR: How long have you been the secretary general of the Uganda Young Democrats, and what are its purposes and aims?

Mabikke: I have been in this post for three years; I am one of the founding members of this organization, and have held this post since its inception.

The Uganda Young Democrats are a national network of Young Ugandans who promote the principles of democracy and fundamental human rights. They are opposed to the ruling National Resistance Movement in many fundamental ways. They believe that Uganda should be governed differently. The Uganda Young Democrats believe in the principles of pluralistic democracy, which is opposed to the ruling government, which is a disguised dictatorship.

EIR: The Young Democrats involves people from the age of 20 to about what age?

Mabikke: The Young Democrats are comprised of the age group mainly from about 18 years, to as old as 40. Membership is varied. We boast of a network of 50,000 members all over the country comprised of all walks of life, all categories of Ugandans. We have lawyers amongst us, we have students, we have market vendors, taxi drivers, we have farmers, we have youth from all walks of life.

EIR: Are you associated with any political party?

Mabikke: The Young Democrats are a youth affiliate of the Democratic Party of Uganda; we are very proud to enjoy a parent-son relationship, because the Democratic Party is the mother party. We especially uphold the principles and policies of the Democratic Party of Uganda.

EIR: And the Democratic Party is a national party, is that correct?

Mabikke: Yes, it was founded in 1954, to champion democracy under the banner of truth and justice.

EIR: What policies would the Young Democrats want to see changed inside Uganda, from those policies of the current

government of Yoweri Museveni?

Mabikke: One, we believe that Ugandans deserve better than they have experienced under the ruling National Resistance Movement. Today, there is in place a closed system, a dictatorship really, being perpetrated by greedy and selfish elements in the Movement.

We also believe that the state should conduct social welfare programs — people-centered programs, like investment in people, investment in houses, investment in education, investment in clean water and sanitation, investment in infrastructure. But, unfortunately, you realize that nearly 44% of Uganda's budget is spent on acquisition of military hardware. We believe that there must be a different prioritization, which the leaders of the country apparently do not see. They have all their priorities wrong. There is rampant corruption, of course. A lot of revenues which should have gone to uplift the living standards of the people, instead end up in the pockets of a very few individuals.

We see a lot of belligerence on the part of the government; we are not keeping a peaceful neighborhood. You realize that Uganda is involved in all the conflicts with its neighbors. In Kenya, we have had problems; we have had problems with Sudan, they are ongoing; now we have problems in the Democratic Republic of Congo, where Uganda is accused of aggression. We believe that the state should pursue a more peaceful and more neighborly policy.

We fundamentally believe that the actual aim of any government should be the improvement of the people's social and economic welfare. We should be talking of that agenda and nothing else.

EIR: The founding of Young Democrats: Do you see a difference between the younger generation that is coming up in Uganda and its elders?

Mabikke: Yes, of course, there is a very big difference. One, we were born at a different time; the experiences and approaches are different. You know young people are normally energetic; young people are normally result-oriented, and they would like to see things done a little quicker. There is a difference in approach, and that is why at times, people refer to us as radicals, because we say things the older generation may not say, and we do things a little faster than they do.

EIR: Your efforts to organize this year have met with some resistance from the Yoweri Museveni government. In May, you had a major meeting in Kampala with the Africa Development Foundation, the Konrad Adenauer Stiftung; could you tell us what has happened with your efforts to organize?

Mabikke: First of all, you should keep in the background that, right from its inception, the Young Democrats were met with a very hostile reception from state functionaries. The state has built a political machinery which is quite repressive, and they are all out to gag alternative opinions. This machinery is comprised of Local Council chairmen of the National

Resistance Movement, Resident District Commissioners, the judiciary agents, and ministers. Right from 1995, many Young Democrats have been persecuted, and many have been arbitrarily arrested and are languishing up to this day in prisons all over the country.

The Young Democrats are engaged in a new phase of democratic organizing in the country. This has not gone down well with the status quo; they are all out to stop it. In May, we started a series of workshops around the theme of Democracy and Human Rights. These were civic activities to educate Ugandans on their human rights and democratic principles and civic responsibilities. These workshops were organized for the four regions of the country — north, east, central, and west. But unfortunately, we only held one successful one, and that was in Gulu in the north. All the others, we were halted by government functionaries — these were Resident District Commissioners and police — on the pretext that they had received orders from *above* to disperse the meeting. We have protested these actions, which are a violation of our human right to peaceful assembly.

The Young Democrats are not armed; they believe in non-violence, but it is unfortunate that the *state* is using violent means to quell peaceful assemblies and civic activities.

EIR: They came into the meetings and physically dispersed them?

Mabikke: Yes, they beat people. In the meeting in Tororo, the police came in armed with batons, with AK-47s, with live ammunition, all out to kill. So many participants sustained injuries from police beatings. In Kozi, the police did not come with batons, they came with riot gear like tear gas and live ammunition. Our investigations later showed that they had orders to shoot on sight some of the participants, so they can be used as examples. If you are wondering why Museveni has failed to quell armed rebellion in the north, then see how his state is turning guns on innocent and peaceful civilians assembled to deliberate on the future of their country.

EIR: Is it true that activities of the political parties are banned in Uganda?

Mabikke: Yes, Article 269 of the new Ugandan constitution proscribes political activities. Political parties, according to this Article, are only supposed to exist in name, but not in function. Parties are prohibited from holding party delegate conferences, so they cannot give a mandate to their leaders. It prohibits parties from holding public rallies. Article 269 prohibits parties from sponsoring candidates, which means the parties cannot recruit, and neither can they front candidates. The parties are not allowed to open up branches, which means that the parties are prohibited from recruiting membership and recruiting upcoming leaders. For our part, we think this Article is obnoxious, and we are using all means to ensure that it is revoked.

EIR: There is a national referendum on the existence of political parties upcoming?

Mabikke: Yes, the new Ugandan Constitution provides that three years after the sitting Parliament, Ugandans will hold a referendum to determine which political system they wish to adopt. Of course, the Movement system, which they call no party, but which we think of as an exceptive system, was in the Constitution, and Ugandans therefore are supposed to choose between the Movement and the political parties.

We, in opposition, are completely opposed to the referendum, and we have already made our stand clear that we are not going to participate, we are going to boycott the referendum, on the following grounds: The referendum will be an infringement on human rights, because you cannot cast a ballot on a basic right. On the other hand, the ground is already unlevelled, because the Movement campaign already has its structures intact, and they already have huge resources — which is public money — at their disposal. And, of course, with all this intimidation, the process is being rigged from the start. We believe that the referendum is useless, unnecessary, and a wasteful process.

When Mr. Museveni came in [in 1986], he told us that he was a transition, a temporary arrangement. But, unfortunately, by political developments, like the referendum, like the Presidential elections held three years ago, all indicate that he seeks to make the National Resistance Movement a permanent feature on Uganda's political landscape. We in the opposition have already made a stand not to participate in the forthcoming referendum, and we are calling upon the international community to support this stand and to apply pressure on the National Resistance Movement not to proceed with this process, because it is an infringement on the rights of the individual.

EIR: What has been the result of this crackdown on democratic parties in the country?

Mabikke: One thing is for sure: Those who are fighting for a democratic process are gaining ground every day in Uganda. Going by the previous local council elections, there were a substantial number of leaders who professed to be democrats and who sailed through. The government is now trying to hold the growing strength of the democratic forces in the country, but we think that this is a waste of time. We are determined to continue with the eye-opening role, the more the local population realizes the truth, the more they turn away from the Movement, and join the democratic forces. So, despite these problems, we think there is positive motion, because it is earning us support, because everybody is asking, "Why can't these fellows be given a chance to say something? Why can't we hear an alternative view?" The repression acts to enable the democratic forces to open the eyes of those who could not see, and in a way assisting us to prepare this phase of democracy.

EIR: Is it also the case that insurgencies are on the increase in Uganda—the people who have decided to take up arms against the government?

Mabikke: Of course, we are worried, the number of rebel groups mushrooming in the country is much greater than the number of democratic forces. This is because all avenues to resolve fundamental differences and problems in the country peacefully and amicably have been closed. There is no room for reconciliation. Museveni talks about “*crushing*” the opposition, “*crushing* the rebels,” and we are afraid that there are many more Ugandans right now who are planning to pick up arms as the most practical way of doing away with this repressive regime. But we are encouraging the non-violent democratic struggle.

EIR: If you could, would the Democratic Party and the Young Democrats open up negotiations with these insurgencies?

Mabikke: Yes. You remember in 1996, the Young Democrats were involved in a Presidential campaign, a fight for human rights and democracy, and a campaign for reconciliation. Our candidate, who was Dr. Paul Ssemogerere, preached reconciliation, and he said that if he had been elected President, he would have invited rebel leader Joseph Kony to the table to negotiate a peaceful way out of the rebellion. So far, the government and the UPDF [Ugandan Popular Defense Forces] have tried for 12 years to put down a rebellion [in northern Uganda]. Military means have failed, and for us, it is only peaceful and meaningful dialogue which can sort out these problems. We further believe that to prevent the rebel groups from emerging every day, the only way is to open up, to have a valid alternative and as many political views as possible.

EIR: Shifting to the region for a moment, there were strong voices raised in the Ugandan Parliament against the deployment of Ugandan troops to the Congo. How do you think the Ugandan people view this deployment of troops to war in Congo?

Mabikke: Ugandans are concerned about the deteriorating situation in the region, not only in Congo, but with our neighbor. Our country and our President is accused of aggression, and Ugandans are worried that a lot of money—a lot of money—is being spent in acquiring sophisticated ammunition and military weapons, at the expense of uplifting the standard of living of Ugandans.

About 68% of all Ugandans live in *absolute poverty*. Most people have no medicine; most of the roads have been run down; many students study not in schools, but under trees, and many people cannot afford the fees to send their children to school; many people do without salt, or sugar, and many do without a meal or so a day. Ugandans are concerned that not only is it wrong to antagonize our neighbors, but it is also

costly in social and economic terms to the country.

EIR: What would you want to tell Americans specifically about your country?

Mabikke: Our major concern is the hypocrisy, the hypocrisy of the Western world—especially from the United States and the United Kingdom. These are supposed to be the defenders of human rights and democracy all over the world, but unfortunately, they keep a blind eye to some of the most undemocratic excesses in the world, especially in Africa, at the expense of their national interests. The urge for Americans and British to promote democracy in Africa is superseded by their own interests, and we are completely baffled by the hypocrisy.

Our call right now to countries, is to support the emergence of democratic institutions, because we think that they will not gain by consolidating a one-man dictatorship. Once they support the emergence of democratic institutions, once they support democratic forces all over the world, especially in Africa, we believe that then they will be ensuring a better future, not only for the people of Uganda or Africa, but for the whole world.

EIR: Do you have any specific message for the United States government?

Mabikke: Our call to the U.S. government should be that despite the fact that they enjoy diplomatic relations with the government in Uganda, the United States should signal that it supports the democratic process. Secondly, having seen the problem of Uganda and the danger we are sliding into, they should come in and make a stand on the forthcoming referendum, because it is an infringement on the rights of people. And, because they are the world’s policeman on democracy, it is imperative for the U.S. government to point to out to Museveni very clearly the dangers of going ahead with this referendum.

EIR: What dangers are you referring to exactly?

Mabikke: What we are seeing in Uganda in the coming years is the consolidation of an individual, the consolidation of a dictatorship, the entrenchment of very oppressive one-party machinery. For us, the danger is this: The future cannot be certain with this system, because in the event that Museveni, for instance, died, I think the country would sink into chaos. Museveni is now the only individual in the country. If we could promote democratic institutions, the emergence of alternative power centers, then we can look to a peaceful power transfer. If you consolidate a system like Museveni’s, which is a dictatorship, then at best, all you are looking forward to is a holocaust, is carnage, and total destruction. We are of the view that the time is now for those who say they love peace and democracy to support the emergence of alternative power centers in Uganda, by putting pressure on Museveni to ensure that he opens up to other political players.

International Intelligence

Indonesian lawmakers hold special session

Indonesia's the People's Consultative Assembly (MPR) scheduled a special legislative session for Nov. 10-13, to debate new laws governing political parties, elections and the composition of the electoral body and the lower house of the legislature, in preparation for legislative elections in spring 1999. Since the ouster of President Suharto, scores of new parties have been created; 50 of these organizations not currently represented in the MPR plan to hold major protests against the special session.

According to sources in the Indonesian military (Abri), these organizations, operating under the umbrella of the National Front, an association of retired generals, officials, and former ruling Golkar leaders, may be planning rallies of 20,000 at the Parliament itself, with supporting rallies of students in major cities, including Medan, Lampung, Bandung, Yogyakarta, Surabaya and Ujung Pandang.

Abri Commander General Wiranto warned on Oct. 30 that Abri will protect the MPR session against "any effort aimed at aborting it," adding that protests are "no longer a demonstration but a show of force and anarchy which violated the law."

Spy Pollard rages over failed bid for freedom

Jonathan Pollard, the Israeli spy who is serving a life sentence in the United States, flew into a rage against Israeli Defense Minister Yitzhak Mordechai, accusing him of sabotaging the campaign to have Pollard sent to Israel, as part of the Wye River peace negotiations. During an interview with Israel's Channel 2 television, Pollard ranted: "General Mordechai, for two years you have done everything in your power to avoid the issue of Jonathan Pollard. For two years you have disgraced the uniform you wear and you have betrayed the oath you took to your country. You've betrayed an agent in the field in the most disgraceful and unaccept-

able way any officer could possibly do, by stabbing your own prime minister in the back during the recent negotiations at Wye. . . . I worked for you. You are responsible for me."

Meanwhile, according to the London *Times*, the deputy head of the Shin Bet, Israel Hasson, passed a security report to Netanyahu hours after Wye River Accords were signed, warning that "a newly formed Jewish underground may try to bomb Muslim holy shrines or assassinate Arab or Israeli leaders in an effort to stop troops withdrawing from the West Bank." The report urged Netanyahu and Mordechai, in particular, to wear bullet-proof vests at all times. The report noted that the gravest danger from the new Jewish underground was a threat to blow up the Al Aqsa mosque on the Temple Mount in Jerusalem. The report compared the new Jewish underground to the Greater Israel fanatics that assassinated and maimed a number of Palestinian mayors on the West Bank during the 1970s.

U.S.-Thai efforts seek Cambodian reconciliation

U.S. Assistant Secretary of State for Asia and the Pacific Stanley Roth and Thai Deputy Foreign Minister Sukhumbhand Paribatra met in Singapore, and agreed to pressure the losers in Cambodia's elections, Prince Norodom Ranariddh and Sam Rainsy, to return to home and form a government with Prime Minister Hun Sen. Both Ranariddh and Rainsy are backed by the misnamed National Endowment for Democracy (NED), which is helping them hold up the formation of a government, after 90% of eligible voters went to the polls. Hun Sen won 42% of the vote.

U.S. Rep. Dana Rohrabacher (R-Calif.) who has acted as NED's standard-bearer against Cambodians' mandate, immediately shot off a public letter to Roth denouncing "actions by the Department of State, especially your bureau, to undermine efforts by the House to promote democracy and bring rampant human rights violators such as Hun Sen to justice." Rohrabacher said there's no

problem in his effort to remove the elected Prime Minister in Cambodia, since "the Cambodian people voted for parties and not for individual PM candidates. There is no reason that [Hun Sen's Cambodian People's Party] CPP must be wedded to Hun Sen."

Meanwhile, the economic hardships are further aggravated, in no small part, because aid sanctions continue and investments are declining, pending the formation of a government—which is being stonewalled by Ranariddh, Rainsy, and Rohrabacher. Sok Hach, economic adviser to the Ministry of Economics and Finance told the *Khmer News* of Oct. 16 that Cambodia had been immune to the Asian crisis, and even the sanctions on aid and investment were tolerable, but the enormous cost of the election, forced on them by the international community, and the cost of integrating the surrendered Khmer Rouge troops, had forced them to print money, threatening a collapse.

Brits scale down some overseas missions

According to the Oct. 25 issue of Papua New Guinea's *The National*, Great Britain has revealed plans to close down 30 of its embassies, high commissions, and consulates, in a bid to save money; missions will remain open in areas deemed to be too "sensitive." Diplomatic missions likely to go include Port Moresby (Papua New Guinea), Aden (Yemen), Casablanca (Morocco), Chiang Mai (Thailand), Cleveland (U.S.), Kuching (Malaysia), Pusan (South Korea), Seville (Spain), Adelaide (Australia), Alexandria (Egypt), Brisbane (Australia), Lyons (France), Managua (Nicaragua), Tegucigalpa (Honduras), Bonn (Germany), Florence and Naples (Italy), Nuku'alofa (Tonga), Vila (Vanuatu), and Ulan Bator (Mongolia).

More interesting are the areas reportedly deemed by the Foreign and Commonwealth Office as "too sensitive" to close. These include Amsterdam, Ho Chi Minh City, Geneva, Marseilles, Auckland (New Zealand), Durban (South Africa), Lahore (Pakistan), and Vatican City. Foreign Minister Robin Cook has already revealed that Britain's pri-

SOUTH KOREAN President Kim Dae-Jung will visit mainland China on Nov. 11-15 November, according to an Oct. 27 statement from his office. He will then attend the APEC meeting in Malaysia, and stop off in Hong Kong on Nov. 19 on his way home. His agenda includes the Asian economic crisis, the situation in North Korea, and regional security cooperation.

NIGERIAN PUBLISHER Lawrence C. Fejokwu has founded a new magazine, *NUSA*. The maiden issue, released in May, included *EIR*'s interviews with prominent Nigerians, all working on the transition to civilian government. The cover of second issue (October) shows a photo of President Clinton and the new head of state, Gen. Abdulsalam Abubakar, and includes *EIR*'s analysis of the myth of the "emerging markets."

THE ISRAELI KNESSET Constitution Justice and Law Committee passed a bill for early elections out of committee on Oct. 27. The bill can now read before the entire Knesset (parliament). If it passes, new elections could be held as early as March 1999.

TWO TALIBAN DRUG smugglers were apprehended in Iran's northeastern Province of Khorasan, on Oct. 25. According to the Public Relations Office of the Narcotic Campaign Headquarters, they were carrying 2,250 kg of heroin. The two confessed that they had been sent by the Taliban, which has decided to continue distribution of narcotics, particularly heroin.

AUSTRALIA'S Ansett Airline has announced that it will install syringe disposal bins in the lavatories of its airplanes, in response to the increasing use of IV drugs on its flights. Ansett officials claim the move is a safety precaution, to protect cleaning crews who had been finding used syringes. They also claim that they made the move in consultation with the Los Angeles-based International Airline Medical Advisory Council.

ority is to increase its missions in eastern and central Europe, the former communist nations around the Caspian Sea, and in China and Brazil, all areas where the Empire has high hopes of free-market looting operations.

'Ecstasy' pushes fight Thai police drug raids

Bangkok law enforcement officials seized over 2 million doses of the deadly hallucinogen "Ecstasy" during one week in October. The seizures were larger than the combined seizures over the past three years. There was at least one serious fire, leaving one dead and seven wounded. The Narcotics Control Board opened a new branch of the National Narcotics Operation Center near the Myanmar border, and announced that local producers in Myanmar, led by a "Dutch Chinese chemist," have obtained expensive laboratory equipment needed to manufacture high-quality Ecstasy, which will soon flood the market.

Gen. Chetta Thanajaro, who just stepped down as the Army chief, and is a likely future political leader, was put in charge of narcotics suppression as adviser on security affairs to Deputy Prime Minister Maj. Gen. Sanan Kachornprasart. Chetta has good relations with the Myanmar government.

Vatican asks to be part of talks on Jerusalem

Fearing that Israel's Netanyahu government will make official its de facto annexation of Jerusalem, when talks on the final status begin, the Vatican reiterated its call for "special international status" for Jerusalem's holy places. According to a report in the *Jordan Times* on Oct. 28, the Vatican asked the Palestinians and Israel, which both claim East Jerusalem as their capital, to welcome the assistance of the international community to formulate "a final status for the Holy City that takes into account the concerns and hopes of the faithful." The Vatican statement termed Jerusalem "a universal symbol of

brotherhood and peace," and called on Christians, Jews, and Muslims to cooperate to make the city "a place of meeting and reconciliation" as the millennium approaches.

With the approach of the year 2000, the Vatican said all should strive to "guarantee the sacred character and universal cultural heritage" of the city. The statement was issued at the end of a two-day symposium organized by Jerusalem's Latin Patriarchate, in which three cardinals, 30 bishops, Jerusalem Latin Patriarch Michel Sabbah, Coptic Christians, and Protestants participated.

On Oct. 25, the Vatican requested to be involved in the Israeli-Palestinian talks on Jerusalem. "The Holy See believes that it's important for its representative to sit at the negotiating table to make sure that they are fair, and that no aspect of the problems will be forgotten," Vatican Foreign Minister Jean-Louis Tauran said.

Cárdenas's PRD party holds pro-drug forum

The government of Mexico's Federal District, dominated by Cuauhtémoc Cárdenas's Revolutionary Democratic Party (PRD) sponsored a "First Ibero-American Youth Conference" in Mexico City in mid-October, in which the consumption and legalization of drugs were openly promoted. One speaker, a Spaniard named Escotado, argued, "What must be done is to overturn prohibition and establish a system which does less damage than prohibition." He advocated starting with local "pilot projects" which could be scaled up or shut down "if the indicators are negative."

Escotado boasted that in certain autonomous areas in Spain, such as Catalonia and Andalucia, heroin instead of methadone is provided to those who ask for it. "Heroin today is cheaper than beer, not only in Spain, but also in France, Holland, or Germany. The Turkish connection worked very well, also the Irani connection. And then there is import of opium and morphine base from the Far East, through the new chaos stemming from the disintegration of the U.S.S.R."

Mid-term elections: President Clinton has no more excuses

by Debra Hanania Freeman

Over Labor Day weekend, as the most intense period leading to the November general elections was getting into gear, things were looking very bad. The assault on the Presidency had intensified way beyond what anyone, either inside or outside Washington, had anticipated.

Sen. Joseph Lieberman (D-Conn.), long considered an ally of the President, had just delivered a vicious personal attack on the President on the floor of the U.S. Senate. The speech was given live national coverage. Within hours, leading Democrats, including House Minority Leader Richard Gephardt (Mo.), Sens. Daniel Moynihan (N.Y.) and Robert Kerrey (Neb.), and another so-called "friend" of the President, Rep. Jim Moran (Va.), joined Lieberman in his treachery. Maryland's Democratic Gov. Parris Glendening, who was involved in a tough reelection campaign, announced that he was withdrawing an invitation he had extended to the President to come to Maryland. Rumors were flying that a high-level delegation of Democrats was preparing to visit the White House to urge President Clinton to resign "for the good of the Democratic Party."

Jump ahead to Nov. 3, Election Day. Despite two months of increasingly arrogant assertions by Republican leaders that the elections were sure to increase the Republican majority in both houses of the Congress by wide margins, early returns indicated that nothing of the sort was occurring. When the dust settled, and the final returns were tallied, the results seemed startling. With the entire House of Representatives, one-third of the Senate, and 36 gubernatorial seats up for grabs, not only did the Republicans make no significant gains, but they suffered some important losses.

The partisan breakdown in the Senate of 55 Republicans and 45 Democrats was unchanged. And, while Gingrich had bragged that Republicans would substantially widen their fragile 11-seat edge in the House, Democrats defied months

of dire predictions and picked up at least five seats. But, of far greater significance than those discrete numbers, Democratic candidates won impressive victories in what were considered crucial races around the country.

Gray Davis, the Lieutenant Governor of California, defeated Dan Lungren, the Republican Attorney General, to become the first Democrat to be elected California's governor in 16 years. In what had been viewed as an excruciatingly close race in that state, Democratic incumbent Sen. Barbara Boxer scored a solid victory over State Treasurer Matt Fong.

The biggest upset of the day was the ouster of Sen. Alfonse D'Amato (R-N.Y.), who as chairman of the Senate Banking Committee, was responsible for particularly vicious attacks on both the President and the First Lady. In another major upset, John Edwards, a Democratic trial lawyer who has never held public office, defeated North Carolina's Sen. Lauch Faircloth, who, along with North Carolina's Jesse Helms, engineered the installation of attack dog Kenneth Starr as Independent Counsel.

In South Carolina, Sen. Fritz Hollings held his seat despite a challenge from Republican Bob Inglis, who gave up his Congressional seat to run. And, Jim Hodges, a former Democratic state representative, ousted Gov. David Beasley, considered a rising star in the GOP and chairman of the Republican Governors Association.

In Alabama, a state everyone wrote off as Republican turf, Lt. Gov. Don Siegelman toppled incumbent Republican Gov. Fob James, Jr. In a race to replace Gov. Zell Miller of Georgia, Roy Barnes, a Democratic state legislator, defeated Republican Guy Millner. Iowa elected a Democratic governor for the first time in 32 years, and, in Maryland, Parris Glendening, following a rapid reversal of his Labor Day rantings, won a solid victory over Phil Gramm protégé Ellen Sauerbrey that was spurred by a much-better-than-expected voter turnout.

And, finally, Democrats picked up several state legislative chambers and seats. Expanding their majority for the second election cycle in a row, Democrats captured the New Hampshire, Washington, and Wisconsin Senates, and the North Carolina, Washington, and Indiana Houses.

As political analysts scrambled for explanations, Democratic Party leaders, including many who just months ago were distancing themselves from the President, declared the elections to be a repudiation of Starr and the GOP impeachment drive. The Democratic National Committee claimed that it had made history, with “the biggest sixth-year election victory for either party in 176 years.” (The last time a President’s party won House seats in a sixth-year election — i.e., the midpoint of his second term — was 1822.)

Republicans badly shaken

Meanwhile, badly shaken Republicans turned on each other. Gingrich, who had vowed to transform the 1998 elections into a public outcry for Bill Clinton’s impeachment, scrambled to change the subject. In what was called an astonishing statement, Gingrich said, “Republicans have never been particularly fixated on the issue of impeachment.” By Nov. 4, House Appropriations Committee Chairman Bob Livingston (R-La.), who has made no secret of his intention to challenge Gingrich for the Speaker’s seat, had already placed a phone call to Gingrich, suggesting that Gingrich could “save face” by stepping down.

Many are now openly calling for changes in the GOP leadership, and a parade of others are now testing the waters for possible leadership races. And, in a surprise press conference on Nov. 5, House Judiciary Committee Chairman Henry Hyde (R-Ill.) announced what amounted to a major scaling down of the impeachment inquiry against the President. Hyde said his panel would meet and call just one witness — Independent Counsel Starr — for two days of questioning beginning on Nov. 19. Hyde’s announcement indicated an abandonment of previous plans to take testimony from all the central players in Starr’s X-rated soap opera, including Vernon Jordan, Betty Currie, Monica Lewinsky, and the President himself. Many Republicans are hysterical at the prospect, saying that a Starr appearance on Capitol Hill would be a total spectacle, with the Independent Counsel, who may be the most hated man in America, forced to defend his indefensible four-year multi-million-dollar witch-hunt. Either way, Hyde’s announcement of the truncated schedule is being called a dramatic concession to public demands for a resolution of the Lewinsky scandal, which is the message *both* parties took from the surprising election results.

Americans to Save the Presidency

And, that was indeed the obvious message. But, only a few, well-placed, honest individuals close to the situation have been prepared to publicly characterize what changed between Labor Day and Election Day.

No one can deny that the election results represent a decisive repudiation of the Starr-Gingrich gang. But, the largely unspoken truth, is that the Nov. 3 vote constituted an equally decisive repudiation of what Lyndon LaRouche called the “deviant Democrats” — those Third Way, Dick Morris followers, who had joined in the attacks on the President, while abandoning the traditional base of the Democratic Party.

The fact is that what accounted for the “historic” Democratic victory was the mobilization of the very people, largely labor and minorities, that the New Democrats have recommended abandoning in favor of the so-called “swing,” suburban voters. What spurred that mobilization? Over the Labor Day weekend, during an international conference of the Schiller Institute, Lyndon LaRouche’s wife, Helga Zepp-LaRouche met with a group of current and former elected officials from across the nation. It was at that meeting that Americans to Save the Presidency was born.

Rep. Harold James, the chairman of the Pennsylvania Legislative Black Caucus, and one of the initiators of Americans to Save the Presidency, reflected on the election results, “My commendations to the Schiller Institute, and to Helga Zepp-LaRouche. I think the election results had a lot to do with the mobilization started by the Schiller Institute, with the petition of Americans to Save the Presidency, and our coming to the defense of President Clinton when *no one else* would take that leadership, and then, our targetting of those Democrats calling for the President’s resignation. . . . It was this mobilization that was responsible for the Democratic surprise, by taking leadership and rallying the community with the Americans to Save the Presidency; this is what helped motivate a lot of our voters, both in the African-American community, other minorities, and with labor, to get our people out at the polls. The fact that we challenged those Democrats who attacked Clinton, and took leadership in mobilizing the real vote of the Democratic Party was thanks to this initiative. The coalition that came together . . . has to be developed further now, because we mobilized and successfully got people out to vote, but now, we have to increase that participation.”

James’s views have been echoed by many others. Ironically, the victory has actually increased the pressure on the President. Now, with the impeachment forces forced to retreat, the President has no excuse not to act aggressively on the mandate first delivered by the Americans to Save the Presidency initiative: to address the break-up of the bankrupt global financial system. It is in the coming days that President Clinton faces his greatest challenge. How he will respond to that challenge is an open question. But, there is no question, that the only way for President Clinton to avoid a strategic catastrophe is to tell the American people the truth about the economy and the financial system and, in the tradition of Franklin Delano Roosevelt, to take decisive action. An important first step would be to formally accept the assistance offered him by American statesman and economist, Lyndon LaRouche.

Will Starr bring indictments in Kathleen Willey probe?

by Edward Spannaus

Rumors are rife that Kenneth Starr is about to issue indictments out of his grand jury now meeting in Alexandria, Virginia, which will center around charges of obstruction of justice and witness-tampering in the Kathleen Willey case. Should Starr be reckless enough to do this, it will provide an unwelcome glimpse into one aspect of the seamy underside of Starr's \$50 million attack on the Presidency.

An investigation by *EIR* indicates that there is much, much more than meets the eye, in the story of how Kathleen Willey came to be a cooperating witness with Starr's investigation.

The public probably best knows Willey from the highly publicized CBS "60 Minutes" interview with her broadcast last March 15. In front of a huge national audience, the former Virginia Democratic Party fundraiser and White House volunteer charged that she had been the victim of a sexual assault by President Clinton in 1993.

Willey had testified on the same subject to Kenneth Starr's grand jury only a few days earlier. However, her account has been disputed by a number of sources, and it now appears that several of the witnesses with conflicting stories are now being targeted by Starr in his continuing grand jury investigation in the Eastern District of Virginia.

Willey witnesses targeted

In Starr's investigation, as with many Federal prosecutors, "obstruction of justice" means anything which impedes the prosecutor's case: If a witness does not tell the story that the prosecutor wants to hear—even if the prosecutor's preferred version of events is at variance with the facts and the truth—that witness becomes the target. This is what happened in Arkansas to Susan McDougal and to many others, including Sarah Hawkins and Stephen Smith, who themselves were harassed and threatened with indictment if they refused to lie in the service of Starr's unrelenting crusade against the President.

According to some sources, Starr is preparing indictments of at least two witnesses who contradict Willey's story, and, according to a recent *Washington Post* article, Starr is looking into whether the President's failure to turn over White House correspondence from Willey, in response to a subpoena in the Paula Jones case, constitutes obstruction of justice.

One target is Julie Hiatt Steele, who has flatly contradicted the story told by her former friend Willey. The Nov. 1 *New York Times* reported that not only have Steele and her brother and daughter been summoned before Starr's grand jury, but also her lawyer and her accountant. Starr has subpoenaed Steele's bank records and her credit history, and FBI agents working for Starr have questioned her neighbors and tracked down friends across the country.

Steele was a long-time friend of Willey and her late husband. In March 1997, at Willey's urgent request, Steele had falsely confirmed to *Newsweek's* Michael Isikoff, Willey's story that President Clinton had groped her in 1993. However, Steele later thought the better of it, and told Isikoff in July that Willey had asked her to lie about the incident and about Willey's reaction to it. Isikoff went ahead and wrote the story anyway.

In January 1998, Steele provided an affidavit for President Clinton's lawyers, stating that Willey had asked her to lie. Then in March, FBI agents appeared at her door. "I don't think they believed me," Steele said. "They wanted to believe Kathleen." In June, she was subpoenaed by Starr, and in August she received a letter telling her that her status had changed from that of being a witness to being a subject of Starr's investigation. At the end of October, Steele's daughter was hauled before Starr's Alexandria grand jury and questioned for six hours.

Still another target is Democratic fundraiser Nathan Landow, whom Willey claims tried to influence her to give a false account of the alleged incident. The *Washington Post* says that Starr's prosecutors have called "witnesses tied to unrelated business and political dealings by Landow in an effort to find previous incidents of intimidation or witness-tampering." Landow, as was Willey's late husband, is much closer to Al Gore than to Bill Clinton; a former chairman of the Maryland Democratic Party, Landow was instrumental in financing Gore's bid for the Presidency in 1988.

Starr is also said to be investigating Willey's claims that she was menaced last January by a stranger who appeared near her home in Richmond, Virginia, who knew that her car had been vandalized in October and that her cat had disappeared.

In his September report to the Congress, Starr cited the

Willey incident as one of the matters still under investigation. But what Starr did not mention in his report, was that one of his star witnesses, Linda Tripp, also contradicts Willey's account. In her many appearances before Starr's grand jury, Linda Tripp repeatedly stated that the 1993 incident had not occurred the way that Willey described it. Tripp said that Willey had carried out a "flirtatious" relationship with the President and that she was trying to get him alone, and that she would often dress seductively to attract Clinton's attention. Tripp described Willey as happy and excited after the alleged incident, and that Willey hoped to carry the relationship with Clinton further after her husband's death. Tripp was adamant that Willey was not a victim of sexual harassment.

Beyond that, Willey herself contradicts her current story. In her deposition in the Paula Jones case in January, Willey testified that she had told Clinton that "we were having a financial crisis and my husband had asked me to sign a note for a large amount of money."

But, when she was questioned about the events of that day during a 1995 deposition in another case, Willey testified that she had not had *any* conversations with anyone in Washington about her financial troubles. And in sworn answers to written interrogatories in 1995, Willey stated that she "did not talk with anyone at the White House about the money, the paper, or the threats."

Moreover, Willey maintained a friendly relationship with Bill Clinton long after the alleged incident, which she now claims left her feeling angry and betrayed. Two days after the alleged sexual advances, she phoned for Clinton and left a message, the note of which said: "Kathleen Willey—she called this morning and said you could call her anytime." In September 1995, Willey invited Clinton to an engagement party for her daughter—hardly the way one would respond to a sexual predator. Most of the handwritten notes, up through late 1997, are signed: "Fondly, Kathleen."

But, other things were going on in Willey's life during the 1993-97 period, which may shed light on how Willey became a protected witness for Kenneth Starr.

Willey's legal problems

Up until early 1997, it appears, Willey had never claimed to anyone that the President had groped her or sexually assaulted her. The first known surfacing of her new story is the anonymous call she made to Paula Jones's lawyers in January 1997, saying that something similar had happened to her, as supposedly happened to Paula Jones. Although the caller did not give her name, she gave enough identifying information, such as that her husband had committed suicide the same day, so that Jones's former lawyers have no doubt that it was Willey.

The background is as follows. Her husband, Edward Willey, Jr., was a Richmond real estate and zoning lawyer; his own father had been a powerful figure in the Democratic Party and the Virginia State Senate for many years. In the late 1980s,

Edward Willey, Jr. came under Federal and state investigation for suspicion of bribery and corruption in connection with local zoning matters.

The Willeys also failed to pay Federal taxes for five or six years. In 1993, faced with IRS tax liens of more than \$500,000, Ed Willey took \$274,000 from a condemnation trust fund being held for clients, and used the funds to pay the IRS. The funds were being held for a Richmond produce dealer, Anthony Lanasa, and Lanasa's sister.

Kathleen Willey later testified that her husband told her that the people involved were "not nice people," that he had been threatened, that he could go to jail, and that they both faced the threat of bodily harm. In desperation, they both signed a promissory note on Nov. 15, 1993, promising to pay the full amount two weeks later. On the due date, on Nov. 30, 1993, Ed Willey's body was found in a wooded area, adjudged a suicide.

Willey started calling Lanasa's lawyer in the middle of the night, blaming him for her husband's suicide; eventually an arrest warrant was issued for Kathleen Willey on harassment charges.

EIR has learned that the attorney who was appointed the receiver over the client files in Willey's law office, met with agents of both the FBI and the Virginia State Police in connection with the estate. This suggests that there was a law-enforcement investigative interest in Willey's affairs still at the time of his death.

The creditors subsequently sued Kathleen Willey for the full amount of the promissory note which she had signed, and she was ultimately held liable for it by Virginia's highest court. The case against Willey was still active in late 1997.

Lanasa and his sister say that Kathleen Willey still owes them \$400,000, and that she has not paid any of the money. "I ain't got a nickel yet," Lanasa is quoted as saying. "She did everything she can to evade me, and she knows she owed it. She had a life insurance policy [and] she gave it to her kids so she wouldn't have to pay me."

According to court papers, what happened was this: To avoid having her share of the proceeds from the life insurance policy attached by creditors, Willey "disclaimed" the benefits, which then went to her children—who are using the funds to support her. Lanasa and his sister claimed that this was a fraudulent transfer of funds, but, in a strange ruling, the Virginia Supreme Court held that it was lawful.

Time magazine reported in March that Starr had given Willey immunity from prosecution, which "may help protect her from prosecution in connection with any financial or tax improprieties." This also suggests that Willey was still facing an IRS investigation or other legal problems, arising out of either involvement in her husband's dealings, or relating to the transfer of the insurance proceeds. This sort of vulnerability could have been a powerful incentive to induce Willey to change her story and to become a witness for Kenneth Starr against the President.

Rising drumbeat for Clinton to name LaRouche economic adviser

by Marianna Wertz

Demands are intensifying around the world, for President Clinton to tell the truth about the global financial crisis, and bring in Lyndon LaRouche to advise him on the necessary steps to avert an otherwise certain meltdown in the coming period. While international bankers and their media hounds are busily trying to brainwash people into believing the “crisis is over,” saner forces are publicly supporting the Schiller Institute’s Open Letter to President Clinton (see *EIR*, Oct. 16, p. 72), demanding that he appoint LaRouche as his economic adviser.

More than 20,000 citizens around the world have now added their names to this Open Letter, as have hundreds of sitting and former state legislators, nearly a dozen former U.S. Congressmen, and parliamentarians from five continents. An ambitious goal of 500,000 signatures by Thanksgiving Day has been set.

Following two International Days of Action, on Oct. 13 and Oct. 20, in which thousands worldwide signed the Open Letter and joined in rallies in its support, on Oct. 23, Schiller Institute founder Helga Zepp-LaRouche called for a third Day of Action, and a general escalation in the effort, leading up to the Nov. 3 mid-term Congressional elections. “I think we are in a truly revolutionary situation,” Zepp-LaRouche said, referring to the deepening global financial crisis and its effects on whole nations. It is therefore incumbent on the LaRouche political movement, she said, to “assert leadership, to give people a clear sense of which direction to move.”

The third International Day of Action, on Nov. 2, focused on shaping the growing ferment for a solution to the crisis, into the kind of mass political movement that can force Clinton to bring in LaRouche. A second focus of the rallies, demonstrations, and other action was the looming food crisis in Russia. As Zepp-LaRouche directed, “We have to address the extremely dangerous situation of starvation and freezing in Russia,” with a competent “Food for Peace” approach (see “Food, Not Money, Is the Crisis,” our *Feature* in this issue.)

An important indication of the growth in influence of LaRouche’s ideas, and of support for him, as the global

crisis intensifies, is the number of publications which have devoted space to informing their readers of LaRouche’s policies, and, increasingly, supporting them editorially. In recent weeks, LaRouche’s writings have been featured in prominent journals in Mexico, Brazil, the Dominican Republic, Russia, the United Kingdom, Georgia, Poland, Denmark, Malaysia, Taiwan, and the United States (see *Documentation* and p. 12).

Taking to the streets

The main feature of the LaRouche movement’s activities, however, has been old-style street rallies, stirring up popular support for the Open Letter to President Clinton. In dozens of major cities across the United States, Europe, and Ibero-America, hundreds of activists and volunteers have manned literature tables to collect signatures and raise funds for publication costs. A sampling of reports from the Nov. 2 Day of Action gives the flavor of this:

- In New York City, 14 people led a rally outside the Chrysler Building, with signs including “Save Clinton, Appoint LaRouche, Fire Greenspan.” With the bullhorn in use throughout the day, 550 pamphlets containing the appeal were distributed, \$200 was raised, and 75 signatures were obtained. Later, in midtown Manhattan, organizers intersected an appearance by First Lady Hillary Clinton at the Service Employees (SEIU) union hall. Raising their banner that read “Clinton, Exonerate LaRouche,” organizers made sure the First Lady saw it, while others signed up 42 SEIU members on the Open Letter.

- In Philadelphia, seven activists rallied for three hours across from the City Hall, collecting 119 signatures on the Appeal to the President, raising funds and distributing hundreds of pieces of literature.

- In Wilmington, Delaware, three activists joined together for a downtown rally, where 104 signatures were collected. They then went door to door at a union hall, where the local president signed the appeal and took 100 pamphlets for distribution to his membership. At an AFL-CIO Get Out the Vote rally in Wilmington the same day, organizers encountered widespread support for LaRouche, collecting

23 more signatures.

- In Los Angeles, 13 activists held a Day of Action rally at the downtown Federal Building, getting the best response yet. With continuous bullhorn briefings on the economic collapse, people were lining up to sign the appeal. The general activation level of the LaRouche machine in California has risen in tandem with the Days of Action: Between Oct. 30 and Nov. 2, twenty-two volunteers joined full-time organizers for several hours of petitioning and fundraising at sites throughout the state.

- In Washington, D.C., the Day of Action was carried out in front of the Mayor's office at 1 Judiciary Square. Nine activists gathered dozens of signatures during the lunch hour. The event had been noted in the *Washington Times* that day, with the short announcement, "LaRouche Rally: The Schiller Institute rallies to urge President Clinton to appoint Lyndon LaRouche as his economics advisor and to support Mr. LaRouche's initiative to send food to Russia."

- A rush-hour candlelight vigil was held in Arlington, Virginia, at the East Falls Church metro station.

- In Houston, a car caravan, decorated with hot pink streamers and day-glow posters that read "Election Day Message to President Clinton: Jail Ken Starr, Appoint LaRouche," started out at the University of Houston campus, then went to a shopping center, where the bullhorn filled the breezeway with chants.

Similar activity was carried out throughout the United States, and in several major cities in Europe as well. In Germany, rallies in the country's heartland called for LaRouche's New Bretton Woods and for Germany to remain an "industrial country"—in opposition to the recently announced policy of the new red-green government. In Paris, activists rallied downtown at the Ecole Militaire and along other busy thoroughfares.

Town hall meetings

In addition to one-on-one organizing on the street, supporters of the Appeal to the President have held dozens of town hall meetings over the past two months, rallying thousands of citizens to take leadership, and giving an in-depth picture of the nature of the global financial crisis and LaRouche's proposed solutions.

One recent such town hall meeting gives an indication of the quality of these events:

More than 150 citizens attended the Oct. 29 Cleveland town hall meeting to "Save the Presidency," organized by the Schiller Institute, and hosted by the New Bethlehem Baptist Church. The audience, which included labor leaders, ministers, community activists, church members, and LaRouche supporters, heard guest-of-honor Pennsylvania State Rep. Harold James (D-Phila.) endorse the "Appeal to President Clinton to appoint Lyndon LaRouche as one of his economic advisers, to deal with the economic emergency

now facing the nation." James is chairman of the Pennsylvania Legislative Black Caucus.

Also addressing the event were Ohio State Rep. C.J. Prentiss, who was running for State Senate in the Nov. 3 election; prominent civil rights attorney Stanley Tolliver (see *Documentation*); LaRouche spokesman Phil Valenti; and Dr. Michael Thompson, pastor of the New Bethlehem Church.

Representative James discussed his endorsement of the Appeal to Clinton:

"His track record as an economic forecaster is second to none," James said of LaRouche. "More than this, he has put forward viable solutions, like his plan for a New Bretton Woods monetary system. He has devoted his life to studying history, including the economic policies of our forebears, like Abraham Lincoln, Frederick Douglass, and Franklin D. Roosevelt. At the age of 76 years, Lyndon LaRouche qualifies as a senior statesman of our country. President Clinton needs the benefit of his wisdom in this unprecedented crisis facing our nation."

Documentation

Prominent Cleveland attorney backs appeal

On Oct. 20, Cleveland attorney Stanley E. Tolliver, Sr. issued an open letter to Clinton.

Tolliver was elected to three consecutive terms on the Cleveland Board of Education, serving as a Board member during 1981-93, longer than any African-American in the history of the district. He was elected twice as board president, in 1987 and 1990. A former president of the National Conference of Black Lawyers, Tolliver also served as legal counsel to Dr. Martin Luther King, Jr., and the Southern Christian Leadership Conference, and was the only African-American attorney involved in the defense of the Kent State 25.

He is also a trained opera singer, having graduated in 1948 from the Baldwin Wallace College Conservatory of Music. He will be performing in December in a tribute to Paul Robeson on the occasion of the 100th anniversary of Robeson's birth. His open letter reads:

How fitting and proper it is, that African-Americans should be in the forefront of the battle to save the Presidency of the United States. As a result of our unique experience in this country, we are particularly qualified to recognize a political lynching when we see it.

Make no mistake—the target of the political lynch mob led by Newt Gingrich, Ken "Porno" Starr, Pat Robertson, Richard Mellon Scaife, and other Republican ringleaders, is not just President Clinton, but also the institution of the

Presidency itself. What we are witnessing is nothing less than an attempted coup d'état, or overthrowing of the elected government of the United States, remembering that House Speaker Newt Gingrich is next in line to the United States President after Al Gore.

But there is another reason why the institution of the Presidency must be strengthened right now. President Clinton has himself acknowledged that our nation is facing the "biggest financial challenge in 50 years." From Asia, to Russia, to Brazil, to the ultra-rich 'hedge funds' of Wall Street, the global financial system is in the process of disintegration, and only the President of the United States has the power to lead the world out of this crisis, the way Franklin D. Roosevelt did in his time.

I am convinced that President Clinton needs the economic advice of Lyndon LaRouche to deal with this emergency, and I am joining with Pennsylvania Legislative Black Caucus chairman Rep. Harold James and other leaders, to appeal to President Clinton to appoint Mr. LaRouche as an economic adviser. . . .

Mr. LaRouche accurately forecast today's financial crisis, when almost everyone else was predicting that the stock market would boom forever. He has put forward solutions, based on the successful precedent of FDR.

I hope, for all our sakes, that the President will listen to him.

Buckeye Review says: Appoint LaRouche

*The Oct. 21 editorial in the African-American Youngstown, Ohio weekly, the **Buckeye Review**, carried the title: "Appoint LaRouche as Clinton Economic Adviser."*

How fitting and proper it is, that African-Americans should be in the forefront of the battle to save the Presidency of the United States. As a result of our unique experiences in this country, we are particularly qualified to recognize a political lynching when we see it. . . .

But there is another reason why the institution of the Presidency must be strengthened right now. President Clinton has himself acknowledged that our nation is facing the "biggest financial challenge in 50 years." From Asia, to Russia, to Brazil, to the ultra-rich "hedge funds" of Wall Street, the global financial system is in the process of disintegration, and only the President of the United States has the power to lead the world out of this crisis, the way Franklin D. Roosevelt did in his time.

In many ways, the financial crisis today is much worse than the 1930s. FDR just had to deal with a stock market crash. President Clinton also has to deal with the collapse of the \$140 trillion financial derivatives market, which is seven times bigger than all U.S. stock markets combined!

Therefore, we support the appeal to President Clinton to appoint Lyndon LaRouche as economic adviser to his administration, as appeal which has been endorsed by Pennsylvania Legislative Black Caucus Chairman Rep. Harold

James and other elected officials.

We support National Black Leadership Roundtable president, the Hon. Walter E. Fauntroy, who recently called on President Clinton to establish "a new Bretton Woods System like that suggested by the 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 infrastructure, at the same time that we establish an economic community of principle, consistent with Roosevelt's 'Good Neighbor' policy."

African-Americans and working people generally, have little problem recognizing that today's so-called "economic prosperity" is skin-deep, especially when most people are working two or three jobs just to survive, with low pay and little or no benefits, while good industrial jobs flee to Mexico, where workers are exploited at a dollar an hour wages or less; or where forced prison labor, sometimes incarcerated in private, for-profit prisons, replaces union-scale jobs at pennies an hour.

Mr. LaRouche accurately forecast today's financial crisis, when almost everyone else was predicting that the stock market boom would last forever. He has put forward solutions, based on the successful precedent of FDR.

We hope, for all our sakes, that the President will listen to him.

Oklahoma daily endorses call

*The **Cushing Daily Citizen**, in Oklahoma, published an editorial on Oct. 28, endorsing the call to President Clinton. An excerpt follows:*

Viewpoint

Time to Listen to LaRouche?

In the current economic picture, if any one person could be saying "I told you so," it's economist and sometimes Presidential candidate Lyndon LaRouche.

You remember him? He's the guy that ran for President in the Democratic primary a few times—even branded by the more conventional in the party and at one time taken to task by the feds—LaRouche later coming out on top and surviving as one in the know about world economic systems.

And he's consistently forecast the ups and downs of the national and world economy. He was the first to warn of troubles coming in the Asian economy.

LaRouche has been enough out front on such matters, that more and more are agreeing with an appeal from his wife to President Clinton—that LaRouche should be named an advisor.

Given his record, that's a good idea.

[The article quotes six paragraphs from the Schiller Institute's Appeal to the President. It then concludes:]

There has not been a response from the White House but editorial writers from various sized newspapers, wrote last week about the appeal and said it merits consideration.

National News

London Times hails Bush family as new dynasty

The *Sunday Times* of London on Nov. 2, lyingly compared the family of former President George Bush to the Kennedys—especially Bush's two politician sons Texas Gov. George W. Bush and Jeb Bush. The *Times* headlines its profile "Bush Clan Claims the Kennedy Crown," comparing Gov. George Bush (who won reelection on Nov. 3) and Jeb Bush (who won his bid to become Governor of Florida) to brothers John and Robert Kennedy, crowing that "the Kennedy family, the closest America gets to royalty, is about to be replaced as the country's most formidable dynasty this week."

Former President George Bush and his wife Barbara "are relishing their imminent restoration as America's First Family after a deeply resented defeat in 1992." Governor Bush's re-election in Texas "will greatly enhance his chances of winning the presidency in 2000."

Hence, a key "significant result" of the midterm election in the U.S. "is likely to be the foundation of a new political empire. Not since Jack and Bobby Kennedy took Washington by storm in the 1960s has a pair of brothers scaled such heights. George Jr. [sic] is being hailed as a Republican JFK."

Far from being "royalty"—and certainly never knighted as was George Bush—the Kennedys' anti-British policies led to their murders in 1963 and 1968.

Federal court upholds negligence suit vs. HMO

In a groundbreaking decision, a U.S. District Court in Connecticut ruled on Oct. 27 that patients can sue health maintenance organizations (HMOs) for medical negligence. The suit was filed by the family of Nitai Moscovitch, 16, against Physicians Health Services. Moscovitch was hospitalized in July 1995 after two suicide attempts. The HMO said that the hospitalization was not necessary, and that the teen's behavior was manipulative, not life-threatening. After a week of hospitalization, the Physicians Health Ser-

vices insisted that Moscovitch be transferred to a drug treatment program. On the day that he was transferred, Moscovitch killed himself.

The family sued the HMO in Connecticut Superior Court for failing to provide a proper standard of care. The HMO appealed to Federal court to stop the suit, claiming protection from such lawsuits under the Employee Retirement Income Security Act. Congress had passed ERISA in 1974 to assure uniform Federal protection in employee pension and benefit plans (including medical benefits), by preempting state laws relating to them.

However, in the Moscovitch case, U.S. Circuit Judge Christopher Dronney found that the suit was not about denial of benefits or what benefits the plan covered (all of which are protected under ERISA), but rather focussed on the quality of care dictated by the HMO. Dronney sent the case back to state court for trial, where the HMO will be held accountable for its actions.

The Clinton administration's Patients Bill of Rights Act would have allowed malpractice suits against ERISA-shielded HMOs, wherever states allowed them; the Republican-controlled Congress banned all debate on the bill.

Witness against Espy turns on prosecution

One of the government's chief witnesses in the trial of former Agriculture Secretary Mike Espy testified that he had been badgered by independent counsel Donald Smaltz into becoming a witness against Espy. Lobbyist Richard Douglas, a former Department of Agriculture (USDA) official in the Reagan administration, said that he had agreed to become a "puppet" for Smaltz only after suffering three and a half years of "storm-trooper" tactics from Smaltz's office.

"God knows, if I had \$30 million, I could find dirt on you, sir," Douglas told Smaltz during one heated exchange. Douglas, who pled guilty to one charge against him, was supposed to be a key witness against Espy. Instead, Douglas testified: "I knew they wanted Mike, and by giving them Mike, I could get off the hook."

Douglas has admitted giving Espy numerous gifts, including tickets to sports events, but under cross-examination by Espy's attorney, Douglas said he made the gifts because the two had been friends since college days, not because of any official act by Espy.

Douglas said that he thought Espy was being held to a higher standard because he was the first African-American to head the USDA. He testified that he thinks the prosecution has gone too far, and declared: "Hell, if they were going to lock up Mike for going to a football game or tennis match, they could lock up a lot of people in this town."

Florida prison inmates perform full opera

Fifty inmates, captured by the power of beautiful song, have over the past ten years formed the Inmates' Opera Club of Dade Correctional Institute, a maximum-security state prison, in Florida City, according to a story in the *Boston Globe* in October. The club began with a handful of inmates watching opera videotapes brought in by the prison librarian, Rolando Valdez, who then began giving Saturday night classes on the operas, bringing the Opera Club into existence. The inmates began to sing choruses.

The inmates are now sufficiently trained to present a full opera twice each year—their current production is *Cavalleria Rusticana*—with the public invited. This year for the first time, the Miami-Dade County Cultural Affairs Council gave the Opera Club a \$3,500 grant. Outside artists have provided voice lessons to the inmates, allowing them to add solo arias to their choral repertoire. Most of the inmate-singers are serving long sentences, including life terms. Some call their practice room "the holy room."

At Virginia's Staunton Correctional Center, the six-month-old Staunton Classical Chorus hopes that the program of its first full concert, in December, will be brought to the attention of the Florida Opera Club, to open communication through *bel canto* singing. As one of the initiators of the Staunton chorus quipped, after reading the account of the Florida club, "I guess this means we're still Sammy Sosa, for now!"

The role of Executive Intelligence Review

“It is only *EIR*, read increasingly by officials and agencies of the Mexican government, as well as by Mexico’s most important businessmen, given its strategic importance,” wrote *Excelsior*’s veteran columnist José Neme Salum on Nov. 3, which has reported on the proposals of Malaysia’s Dr. Mahathir, and their support from inside Japan.

Neme wrote this in the context of discussing Dr. Mahathir’s actions against globalization, noting that the modern version of Hamlet’s dilemma, is “to be a heretic or a colonial subject.” Individuals like Dr. Mahathir have chosen not to be actors in a new tragedy, Neme added, and now proclaim to the world, “it is better to be a heretic than a colonial subject.” The sane people of the world have to agree with Mahathir, he continued, and this is why he has recently received the support of Noburu Hatakeyama, president of Japan’s JETRO, and also of Japan’s Deputy Finance Minister, Eisuke Sakakibara.

José Neme’s de facto endorsement of *EIR*, whose writings, especially those by Lyndon LaRouche, he cites regularly, is right on the mark. *EIR* is the only international journal which publishes, and even promotes, the views of those government officials, professionals, political leaders, and others internationally, who are committed to replacing the murderous and bankrupt international financial system with a new just world economic order. In effect, *EIR* is the informal point of coordination for those forces who are fighting for economic justice.

It is extremely doubtful that a statesman, or policymaker, could make a competent judgment on what is happening on international financial policy (among other areas) without reading *EIR*. Who but readers of *EIR* know about the thinking that has gone into the proposals coming from the Russian government? Who but readers of *EIR* know about the debate on reestablishing national controls and projects for economic reconstruction which has been going on throughout Asia, from Malaysia, to Thailand, to China and Japan? Who but readers of *EIR* know about the thinking among the Mexican and Brazilian elite toward reviving the Hamiltonian tradition?

Most importantly, of course, no leading thinker would have the benefit of the thinking of the world’s foremost economist, Lyndon LaRouche, unless he or she were regularly reading *EIR*.

And how does this apply to the United States? someone will undoubtedly ask. LaRouche may be popular in these other nations, but here in the United States, he’s still under a significant pall, thanks to the legal persecution against him, and the blackout policy of the news media.

Such a question reflects some very false axioms about the relationship of the United States to the rest of the world. No matter what the stock market is doing today, we are in the same boat as the rest of the world! That boat is sinking, due to the effect of disastrous financial and economic policies over the past 30 years—and the United States needs to study the alternatives to the decaying system just as seriously as do statesmen from other nations.

EIR represents the thinking of the post-globalization world, the world of nation-states collaborating to rebuild their physical economies, and to conquer new frontiers of science and technology. The United States will either shift policy to be a part of that world, or it is virtually assured that the entire planet is going to sink into the hell of a New Dark Age.

There are policy circles in the United States which recognize, more quietly than José Neme, the importance of *EIR* and its founding editor. In Washington, D.C., as well as other major capitals around the world, LaRouche’s evaluation is considered a significant factor in the political environment and decision-making process. Over the past year, this has become increasingly the case—despite fervent wishes that it were not so.

One might hope for Americans and others to show the honesty of a José Neme, but in the meantime, the necessity for expanding the readership of *EIR* becomes more and more urgent. Spread the word and the magazine. If your leaders are not reading *EIR*, they don’t know what’s happening, and they won’t make the necessary policy changes. These days, that’s dangerous indeed.

SEE LAROUCHE ON CABLE TV

All programs are *The LaRouche Connection* unless otherwise noted. (*) Call station for times.

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Thursdays—10:30 p.m.

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- NEWTOWN/NEW MILFORD
Charter Ch. 21
Thursdays—9:30 p.m.

DISTRICT OF COLUMBIA

- WASHINGTON—DCTV
Ch. 25
Sundays—2 p.m.

ILLINOIS

- CHICAGO—CAN Ch. 21*
(no shows until Nov.)
- SPRINGFIELD—Ch. 4
Wednesdays—5:30 p.m.

IOWA

- DES MOINES—TCI Ch. 15
1st Wednesdays—8:30 p.m.
Following Sat.—3 p.m.
- WATERLOO—TCI Ch. 15
Mondays—11 a.m.

KANSAS

- SALINA—CATV Ch. 6*

KENTUCKY

- LOUISVILLE—Ch. 70/18
Fridays—2 p.m.

LOUISIANA

- ORLEANS—Cox Ch. 8
Mon.—1 a.m.; Wed.—7 a.m.
Thu.—11 p.m.; 12 Midnite
Sun.—4 a.m.
- OUACHITA PARRISH—Ch. 38
Tuesdays—6:30 a.m.

MARYLAND

- ANNE ARUNDEL—Ch. 20
Fri. & Sat.—11 p.m.
- BALTIMORE—BCAC Ch. 5
Wednesdays—4 p.m. & 8 p.m.
- MONTGOMERY—MCTV Ch. 49
Fridays—7 p.m.
- PRINCE GEORGES—Ch. 15
Mondays—10:30 p.m.
- W. HOWARD COUNTY—Ch. 6
Monday thru Sunday—
1:30 a.m., 11:30 a.m.,
4 p.m., 8:30 p.m.

MASSACHUSETTS

- BOSTON—BNN Ch. 3
Saturdays—12 Noon
- WORCESTER—WCCA Ch. 13
Wed., Nov. 18: 9:30 p.m.
Thu., Nov. 19: 11 a.m.

MICHIGAN

- CANTON TOWNSHIP
MediaOne Ch. 18: Thu.—6 p.m.
- DEARBORN HEIGHTS
MediaOne Ch. 18: Thu.—6 p.m.
- GRAND RAPIDS—GRTV Ch. 50
Fridays—1 p.m.
- PLYMOUTH
MediaOne Ch. 18: Thu.—6 p.m.

MINNESOTA

- DULUTH—PACT Ch. 24
Thu.—10 p.m.; Sat.—12 Noon
- MINNEAPOLIS—MTN Ch. 32
Wednesdays—8:30 p.m.
- MINNEAPOLIS (NW burbs)
NW Community TV Ch. 35
Thursdays—10 p.m.
Fri.: 4 a.m., 10 a.m., 4 p.m.
- ST. LOUIS PARK—Ch. 33
Friday through Monday
3 p.m., 11 p.m., 7 a.m.
- ST. PAUL—Ch. 33
Sundays—10 p.m.
- ST. PAUL (NE burbs)*
Suburban Community Ch. 15

MISSOURI

- ST. LOUIS—Ch. 22
Wednesdays—5 p.m.

NEVADA

- CARSON CITY
Community Access—Ch. 10
Fri., 10 pm; Sat., 3 pm

RENO/SPARKS

- CONN. Ch. 30; TCI Ch. 16
Wednesdays—5 p.m.

NEW JERSEY

- MONTVALE/MAHWAH—Ch. 27
Wednesdays—5:30 p.m.

NEW YORK

- BROOKHAVEN (E. Suffolk)
Cablevision Ch. 1/99
Wednesdays—9:30 p.m.
- BROOKLYN—BCAT
Time/Warner Ch. 35
Cablevision Ch. 68
Sundays—9 a.m.
- HUDSON VALLEY—Ch. 6
2nd Sun. monthly—1:30 p.m.
- ILION—T/W Ch. 10
Saturdays—12:30 p.m.
- IRONDEQUOIT—Ch. 15
Mon. & Thurs.—7 p.m.
- ITHACA—Pegasys Ch. 57
Mondays—8 pm
Thursdays—9:30 pm
Saturdays—4 p.m.
- JOHNSTOWN—Ch. 7
Tuesdays—4 p.m.
- MANHATTAN—MNN Ch. 34
Sun., Nov. 15: 9 a.m.
- NASSAU—Ch. 80
Wednesdays—7 p.m.
- OSSINING—Ch. 19S/6
Wednesdays—3 p.m.
- PEEKSKILL—Ch. 32N/6
Wednesdays—3 p.m.
- POUGHKEEPSIE—Ch. 28
1st & 2nd Fridays—4 p.m.
- RIVERHEAD—Peconic Ch. 27
Thursdays—12 Midnight
- ROCHESTER—GRC Ch. 15
Fri.—11 p.m.; Sun.—11 a.m.
- ROCKLAND—T/W Ch. 27
Wednesdays—5:30 p.m.
- SCHENECTADY—SACC Ch. 16
Tuesdays—10 p.m.
- STATEN ISL.—CTV Ch. 24
Wed.—11 p.m.; Sat.—3 a.m.
- SUFFOLK, L.I.—Ch. 25
2nd & 4th Mondays—10 p.m.
- SYRACUSE—T/W Ch. 3
Fridays—4 p.m.
- SYRACUSE (burbs)
T/W Ch. 12—Sat.: 9 p.m.
- UTICA—Harron Ch. 3
Thursdays—6 p.m.
- WATERTOWN—T/W
Tues. between Noon & 5 p.m.
- WEBSTER—WCA-TV Ch. 12
Wednesdays—8:30 p.m.
- WEST SENECA—Ch. 68
Thursdays—10:30 p.m.
- YONKERS—Ch. 37
Saturdays—3:30 p.m.

YORKTOWN—Ch. 34

- Thursdays—3 p.m.

OHIO

- COLUMBUS—Access Ch. 21
(call station for times)
- OBERLIN—Ch. 9
Tuesdays—7 p.m.

OREGON

- CORVALLIS/ALBANY
Public Access Ch. 99
Tuesdays—1 p.m.
- PORTLAND—Access
Tuesdays—6 p.m. (Ch. 27)
Thursdays—3 p.m. (Ch. 33)

TEXAS

- AUSTIN—ACT Ch. 10*
- EL PASO—Paragon Ch. 15
Wednesdays—5 p.m.
- HOUSTON—Access Houston
Mon., Nov. 16: 5-7 p.m.
Sat., Nov. 21: 6-7 p.m.
Mon., Nov. 23: 5-7 p.m.
Wed., Nov. 25: 5-6 p.m.
Sat., Nov. 28: 6-7 p.m.

UTAH

- GLENWOOD, Etc.—SCAT-TV
Channels 26, 29, 37, 38, 98
Sundays—about 9 p.m.

VIRGINIA

- ARLINGTON—ACT Ch. 33
Sun.—1 pm; Mon.—6:30 pm
Wednesdays—12 Noon
- CHESTERFIELD—Ch. 6
Tuesdays—5 p.m.
- FAIRFAX—FCAC Ch. 10
Thursdays—12 Noon
Thu.—7 p.m.; Sat.—10 a.m.
- LOUDOUN—Cablevision Ch. 59
Thursdays—10:30 a.m.;
12:30 p.m.; 2:30 p.m.;
4:30 p.m.; 7:30 p.m.; 10:30 p.m.
- ROANOKE COUNTY—Cox Ch. 9
Thursdays—2 p.m.

WASHINGTON

- KING COUNTY—Ch. 29
Mondays—9:30 a.m.
- SPOKANE—Cox Ch. 25
Wednesdays—6 p.m.
- TRI-CITIES—TCI Ch. 13
Mon.—12 Noon; Wed.—6 p.m.
Thursdays—8:30 p.m.

WISCONSIN

- KENOSHA—T/W Ch. 21
Mondays—1:30 p.m.
- OSHKOSH—Ch. 10
Fridays—11:00 p.m.
- WAUSAU—Marcus Ch. 10
Fri.—10 p.m.; Sat.—5:30 p.m.

WYOMING

- GILLETTE—Ch. 36
Thursdays—5 p.m.

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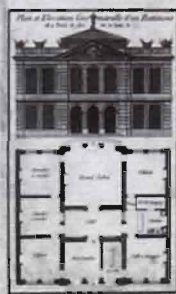
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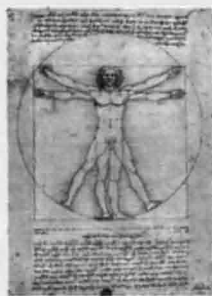
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