

EUR

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Presidential candidate LaRouche unveils website
Korea, Japan resist IMF-type 'reform'
HMO policies are a crime against humanity

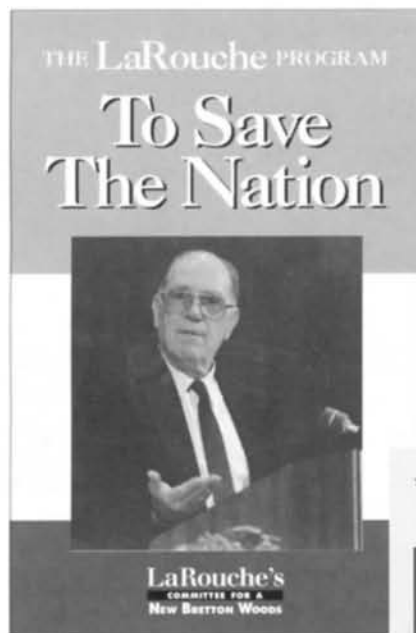
**The Queen on LaRouche:
'Shut that man's mouth!'**



LA ROUCHE

for

President



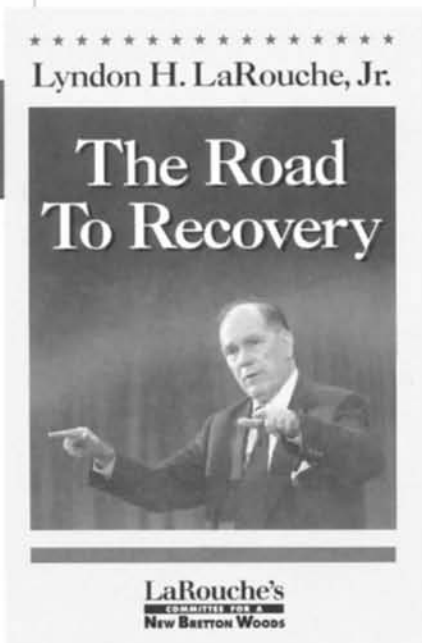
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From the Associate Editor

As we approach the middle of August, the world's top financial operatives are braced for an explosion. This is one of those crucial inflection points in the ongoing global economic and financial breakdown, comparable to the Russian debt default of last August, the near-bankruptcy of the LTCM hedge fund last October, and the secretive bailout of the Tiger Management hedge fund this June.

The oligarchs know what is coming, and are preparing for their own post-crash survival. They also know that this is the time when people will listen to Lyndon LaRouche, the man whom the oligarchy has tried, unsuccessfully, to silence for more than thirty years.

LaRouche's growing influence worldwide is reported in this issue, from the China State Council's quoting of his views in an official statement refuting the scurrilous Cox Report on alleged Chinese spying in U.S. weapons laboratories (see *International*); to the article on EIR's forecasting record in *Al-Hayat*, the world's most widely read Arabic international daily (see *Economics*).

Through EIR's website (www.larouchepub.com), we reach millions of people globally. Now, with the addition of the new website of LaRouche's Presidential campaign committee (www.larouche.com), LaRouche will be playing a hands-on role, supplying regular, up-to-the-minute comments and policy statements on world events (as well as jokes!). No other Presidential contender currently in the running can do anything close to what LaRouche will be doing. (See *National* for more on the campaign.)

This is precisely what has Buckingham Palace "increasingly alarmed," writes the British women's magazine *Take a Break* in its published death threat against LaRouche (see *International*). LaRouche's attacks on the British monarchy, the author writes, "are being spread around the globe," and are being read in places like China, the Middle East, South America, and Africa, including over the Internet. An anonymous source is quoted, to the effect that LaRouche's claims represent "the biggest threat ever to the reputation of the Queen worldwide. . . . Something has to be done."

Coming soon in EIR: a new strategic analysis by LaRouche on the ABM Treaty, and Helga Zepp-LaRouche's speech to the Schiller Institute's summer seminar in Oberwesel, Germany. Stay tuned!

Susan Welsh

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Dollar's turn to crash; Korea, Japan reject IMF-type 'reform'

by Kathy Wolfe

After two years of the "Asia crisis," it was the dollar's turn to crash on Aug. 3, falling to 113 yen, a 9.6% decline against the yen since its slide began in June, as the global financial crisis is now careening out of control. Japanese Finance Minister Kiichi Miyazawa announced on Aug. 4 that he had telephoned U.S. Treasury Secretary Lawrence Summers to tell him the dollar's drop "wasn't good," and to demand action, but he received none. His ministry said on Aug. 2 that Japan had bought more than \$37 billion in a vain attempt to support the dollar during June and July.

South Korean President Kim Dae-jung's government also said on July 30 that it would not bail out the \$15 billion which New York and London banks have loaned to the giant Daewoo conglomerate. Daewoo, Korea's second-largest firm with \$65 billion in assets and \$80 billion in debt, is trying to avoid default, which would bring down Seoul's six major banks and threaten several New York banks.

The crash of the \$12 trillion Wall Street stock market bubble is meanwhile now being predicted daily by commentators ranging from former West German Chancellor Helmut Schmidt to Tokyo's *Nihon Keizai* financial journal, and by economists including former U.S. Treasury official C. Fred Bergsten and MIT Prof. Paul Krugman. It's not just that Federal Reserve Chairman Alan Greenspan may raise interest rates at the Fed's next meeting on Aug. 25; most markets have already pre-discounted that. The problem is that at least two-thirds of the \$300 trillion *global* international debt bubble, including \$200 trillion in derivatives and other bad debt is, quite simply, held in dollars. Increasingly aware that there is nothing to back the dollar up, investors are growing leery of any dollar asset.

In an Aug. 1 column on his website entitled "A Dollar Crisis," Krugman wrote: "The dollar is doing a Wile E. Coyote and is destined to plunge as soon as investors take a hard

look at the numbers. For those without a proper cultural education, Mr. Coyote was the hapless pursuer in the Road Runner cartoons. He had the habit of running five or six steps horizontally off the edge of a cliff before looking down, realizing there was nothing but air beneath, and only then plunging to the ground." The Dow, he wrote, will plunge with it. A Federal Reserve-Treasury working group has assembled to plan against a possible dollar crash, he added.

Globalization discredited

After two years of having their own currencies and companies trashed, only to be bought up by Anglo-American foreign investors at fire-sale prices, Asian nations may have had enough. "In seminars from Seoul to Kuala Lumpur to Beijing . . . leaders of East Asia are reflecting on what has happened to them over the past two years," Japan Policy Research Institute president Chalmers Johnson wrote in the July 25 *Los Angeles Times*. They now see that London and New York hedge funds "were let loose on them, . . . [they] raped Thailand, Indonesia, and South Korea, and then turned the shivering survivors over to the IMF [International Monetary Fund]—not to help the victims, but to ensure that no Western bank was stuck with 'non-performing loans.' "

Since the \$3.5 billion August 1998 Fed bailout of New York's Long Term Capital Management hedge fund, however, Asians have taken a second look at the hedge fund/IMF system, Johnson writes. This "made East Asia's 'crony capitalism' look tame. . . . Globalization was discredited as a crooked financiers' scam." At an Asahi Newspaper conference in Tokyo on July 28-30, "the consensus was that the IMF policy in Asia has been a disaster," one observer said. (See ASEAN article, this issue.)

Something of this is behind South Korea's Kim Dae-jung government's refusal to sell off Daewoo Co.

Apparently, the IMF and the Anglo-American banks, aware that they are facing big losses in a dollar and stock market crash, were trying to launch "Asia Crisis III" (after rounds I and II in 1997 and 1998). The idea was to make some quick big money with a new round of speculation against Asian currencies and buy-outs of Asian companies.

The Daewoo crisis "was created by a string of IMF press releases on Korea, telling Kim: 'Watch it, boys, you're not restructuring as we've told you to,'" an Asian scholar told *EIR* on July 30. "The IMF economists have been complaining for months that South Korea has not sold off huge chunks of the *chaebol* [conglomerates] to Anglo-American companies."

The objective was to force Seoul to sell large slices of Daewoo, Hyundai, and Samsung, South Korea's three largest firms, to foreigners, he said. The message is, "'If you don't globalize on our terms, we'll trash you.' The Anglo-Americans want to buy Korean businesses cheap."

The gamble with Daewoo

Daewoo had borrowed much more than other Korean companies—\$80 billion in debt, against only \$65 billion in assets. When Daewoo announced on July 19 that it couldn't pay some \$6 billion in domestic loans, "the headquarters of every major foreign creditor" in London and New York began demanding all their money back, a Citibank source told *EIR*. The foreign banks demanded that all \$15 billion in foreign loans be paid first, and that Daewoo be put into bankruptcy, carved up, and sold to foreigners. Standard & Poor's rating service, Goldman Sachs investment bank, and others began issuing harshly negative reports on Daewoo. In a gamble, they demanded bankruptcy for a company big enough to bring down the global financial system.

Daewoo is still "in deep kimchi." Holding the foreign creditors off, the Kim government arranged for South Korea's four largest banks to loan Daewoo the \$6 billion to roll over its domestic loans. In exchange, the Korean banks received \$9 billion in collateral (stock in Daewoo and its subsidiaries), which the government has said domestic banks may sell as they please. Foreign banks, however, were told to wait for their money, at least until \$5.5 billion of it comes due in December.

"Foreign banks are furious," a Chase Manhattan banker told *EIR* on July 30. The *New York Times* that day went ballistic against Seoul. "The government's decision to take charge of the overhaul of Daewoo [rather than selling it off] . . . can be seen as the biggest sign of backsliding . . . against the IMF reform. . . . The support for Daewoo was a reminder of the old order . . . when government-directed lending, not market forces, determined winners and losers in the economy."

Korea has refused to sell its best companies to foreigners, the *New York Times* frothed. It especially complained that the well-publicized sales of Korea First Bank and SeoulBank to the Anglo-American Newbridge Capital and Hongkong & Shanghai Bank, have not yet been approved in fact by the

Kim government.

At this writing, the Daewoo crisis is hanging fire. On Aug. 1, the government set Daewoo management free to produce its own reorganization plan; on Aug. 3, South Korean creditors, now expanded to a group of six Korean banks, rejected Daewoo's initial draft. On Aug. 4, the Finance Ministry announced that Korean creditors have been rolling over \$10.5 billion since July 19, and the amount will snowball to \$14 billion by year's end. Daewoo has now promised to come up with a \$15 billion restructuring plan by Aug. 11.

"For the foreign banks, in most cases, there's no alternative but to negotiate. Daewoo is too big to fail," the Citibank source concluded.

Unlikely without Japan

Even this small amount of resistance in Seoul is "highly unlikely without the behind-the-scenes support of Japan," one Asia specialist told *EIR*. While neither Seoul nor Tokyo has a clue about a viable solution, anger in Japan at the brain-dead IMF system is clearly building.

Japan's Financial Revitalization Commission (FRC), for example, made a surprise announcement on July 29 that, as of Aug. 5, it is suspending the banking license of Crédit Suisse Financial Products (CSFP), the derivatives arm of the Crédit Suisse bank group, and revoking its license on Nov. 5. CSFP was caught selling illegal derivatives to Japanese banks and companies, derivatives deliberately designed to help them to lie to Tokyo authorities about their financial losses.

"CSFP's Tokyo branch as an organization evaded and obstructed investigations and offered extremely inappropriate products to clients, in view of their disclosed financial position, in large volumes and on a repeated basis," the FRC said in a statement.

On the same day, Tokyo's Financial Supervisory Agency announced suspension of some operations of Crédit Suisse's four other main units in Japan: Crédit Suisse First Boston, Crédit Suisse Trust & Banking, Crédit Suisse First Boston Securities (Japan), and Crédit Suisse Asset Management.

Finance Minister Miyazawa and officials all over Tokyo have had it with Washington's dollar mega-mismanagement. The yen's rise is forcing many Japanese companies to shut down production that a high yen makes too expensive to export, and lay off more workers. On Aug. 3, Miyazawa reported on his wake-up call to Summers. "Something must be done. . . . If necessary, we must respond," he said.

The dollar's drop "will be a disruptive factor" for Japan's economy, Japan's Economic Planning Agency chief Taichi Sakaiya told the press on Aug. 2, after the government announced that Japan's jobless rate surged to a postwar record high of 4.9% in June. The total number of unemployed hit 3.29 million, an increase of 450,000, as exporters continue to "downsize" from foreign exchange rate shock. Sakaiya pointed out that Japan had no control over the situation, which was due to the dollar's "weak trend," and that Japan must watch U.S. economic conditions carefully.

Alarm bells ring about threat of global crash

The following is a selection of international commentaries on the danger of an imminent financial explosion—including growing recognition of Lyndon LaRouche’s accuracy in forecasting such a development.

LaRouche was right

Mohammed Aref, *Al-Hayat*, London-based Arabic newspaper, July 29:

In a front-page article, Mohammed Aref, Science and Technology editor, writes that what *EIR* has been writing in recent years on the American economy was just confirmed by a report issued by the Davos World Economic Forum. The article is titled “After the Spring of NATO, Came the Summer of Hot Thoughts . . . The World’s Eyes Are Fixed on the American Gorilla.”

Aref reviews a number of articles published in the American press, an article in the *New York Times* analyzing the impact of the war in Kosovo on the image of the United States and the “terrifying technological power” it has gained since the Gulf War. Aref says that the large number of reasons the author gives for why the U.S. has become a source of envy and even hatred by many nations, make things very confused. “Is it the dramatic rise in the Dow Jones Industrial index, which was only 2,000 points earlier in the decade to 11,000 point this year? Or is it the domination of American Internet and computer programs in the every-day life of people around the world?” asks Aref.

He then explains that “the correlation between the real economic situation and the war cannot be seen anywhere but in the ‘alternative’ Western press, which believes that the war was waged in the first place due to the troubles in the economy.” He stresses that “the amazing euphoria of activity in the American economy is regarded by radical publications as the last gasp of a dying person.

“What is exciting is that the estimations of this sort which have been repeatedly emphasized in the past years in the American magazine of ‘the opposite opinion,’ *Intelligence Review*, also appeared last week in the report of the international Davos Economic Forum’s report. The Swiss institution’s report points out that the United States, like Japan ten years ago, feels as if it were sitting on top of the world. But this may be nothing other than an economic bubble that can burst at any moment.”

Aref has written numerous articles on LaRouche, *EIR* and the Schiller Institute. His newspaper is the most widely read Arabic international daily in Europe, the United States, Asia, the Middle East and North Africa. It is owned partly by Prince Khalid Bin Sultan, son of the Saudi Defense Minister.

***Greenwich Times* and *Stamford Advocate*, Connecticut, July 24, coverage of statements by *EIR* Ibero-America Intelligence Director Dennis Small in New York City and nearby Greenwich, Connecticut.**

“An executive from the Lyndon LaRouche organization said yesterday that risky trade in derivatives and rising global debt could lead to economic Armageddon. ‘If we don’t turn around policy that is now coming out of [Federal Reserve Chairman Alan] Greenspan and the International Monetary Fund and get back to a policy like FDR championed—a policy of growth—we will see a financial blowout that will make the Great Depression of the ’30s look like a picnic,’ said Dennis Small, Ibero-American editor of the LaRouche magazine *Executive Intelligence Review*.

“In an interview at *The Advocate*, Small said the New York City-based Tiger Management hedge fund was risking hundreds of billions of dollars by betting that the Japanese yen would fall, while the value of the yen has been rising in the past couple of months.

“‘What is happening now is an even bigger blowout than what happened to [Greenwich-headquartered] Long Term Capital Management in September 1998,’ Small said. . . .

“Small spoke at Greenwich Town Hall yesterday and at the United Nations Thursday to espouse LaRouche’s economic policies. The 76-year-old LaRouche, a five-time Presidential candidate, plans to seek the Democratic Presidential nomination in 2000. . . .

“Small said global trade and productivity lag far behind the growth of the world’s money supply and debt is mounting.

“‘Russia is more than \$150 billion in foreign debt that they can’t pay,’ he said. ‘The same holds for all emerging market countries. You name it. They can’t pay, Brazil, Mexico.’ Small said LaRouche proposes putting the world economy in bankruptcy protection and getting the United States to invest in a project to link China with Europe via railroads, highways, and economic development corridors. . . .”

Mahathir ridicules ‘textbook’ economists

Malaysian Prime Minister Dr. Mahathir bin Mohamad guest commentary in *Mainichi Shimbun*, Japan, Aug. 2.

“Currency control as imposed by Malaysia is not generally understood by the international financial community,” writes Mahathir. “Their criticisms are therefore based more on their textbook models than on proper examination of what Malaysia has done. To understand the measures, we took it as necessary to look at the root cause of the financial

turmoil that undermined the economy of the country.

“The Malaysian economy and finances were very sound prior to the July 1997 attack on the ringgit. We had good reserves and very little foreign debt, either by the government or the private sector. There really was no reason why the currency should have become weak. But the currency traders, in their quest for big profits, borrowed the ringgit and sold it down repeatedly, thus devaluing it greatly. This meant our wealth was halved in terms of purchasing imported goods. Inflation set in, and people found difficulty in making ends meet.

“Clearly, the country’s economy would have collapsed completely, if the currency had continued to depreciate and the share prices remained very low. To prevent this, it was imperative for the government to regain control of the exchange rate of the ringgit and to stop CLOB from destroying the Malaysian share market any further. . . . [The Singapore-based Central Limit Order Book trades in ringgit without the approval of the Malaysian stock exchange or government—ed.] To stop this outflow of the currency, the government decreed that if within one month the offshore ringgit in whatever form was not repatriated to Malaysia, it would not be allowed to be brought back at all. Effectively, this rendered offshore ringgit worthless after one month. This forced offshore ringgits to be repatriated within one month leaving nothing for the traders to borrow and manipulate.”

After elaborating on how the currency controls helped keep the Malaysian economy safe from speculative attacks and to begin recovery, Mahathir adds the following remarks: “Today, Malaysia’s economy is growing again. We believe it is due to the controls we have imposed. But our detractors disagree and point out that the economies of other East Asian countries are also recovering. They say that even without controls Malaysia would recover. We believe that the recovery of other East Asian economies is due to the currency traders stopping their manipulation of the currencies. There are several reasons why they stopped. When Malaysia imposed controls, there was a fear that the other countries might do the same if the attacks continued. Secondly, at about this time, the Long Term Capital Management fund collapsed, threatening to destabilize the financial system of the rich countries. As a result, the banks stopped lending to the hedge funds, thus stopping them from attacking and devaluing the currencies of East Asia.

“The recovery of the East Asian economies also owes a lot to the Chinese government’s decision not to devalue the yuan. Had the yuan been made freely convertible, there is no doubt that the currency traders would have attacked it and plunged China and East Asia in even worse turmoil and recession. As it is, they tried to attack Hong Kong instead, in an effort to destabilize China. The Hong Kong government departed from its laissez-faire policy and defended the stock market strongly. The attack failed but Hong Kong’s economy and its reputation have been damaged.”

Mahathir also announced in his essay that on Sept. 1, Malaysia will “celebrate one year of defying convention,” that is, one year of resistance against the International Monetary Fund and the global speculators.

Wall Street analyst: Fed is in a quandary

Henry Kaufman, a senior Wall Street analyst, interview with *EIR* on July 26.

Within the Federal Reserve, he said, there is concern about the ballooning of stock prices and what Kaufman called “a certain amount of speculative fervor in the market.” The Fed is now monitoring equity market developments much more closely than years ago.

Greenspan’s own public pronouncements indicate that “the Fed really doesn’t know what to do about it,” Kaufman continued. Greenspan claims that a credit bubble is hard to define and to recognize, and Greenspan said it’s very important how you deal with it once it bursts. But they don’t think they can do anything about it while the bubble is in process, Kaufman said, “and I think the Fed is in a quandary on that.”

Kaufman explained the quandary as follows: Any statement Greenspan makes about the bubble today, is bound to contribute to a market sell-off. Secondly, “there really is no public support for the Fed doing *anything* about the bubble.”

The Way Out of The Crisis



A 90-minute video of highlights from *EIR*'s April 21, 1999 seminar in Bonn, Germany.

Lyndon LaRouche was the keynote speaker, in a dialogue with distinguished international panelists: **Wilhelm Hankel**, professor of economics and a former banker from Germany; **Stanislav Menshikov**, a Russian economist and journalist; Schiller Institute founder **Helga Zepp-LaRouche** from Germany; **Devendra Kaushik**, professor of Central Asian Studies from India; **Qian Jing**, international affairs analyst from China; **Natalya Vitrenko**, economist and parliamentarian from Ukraine.



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For example, more individuals are in the stock market today, through mutual funds, etc., and they want to see higher stock prices. Most business leaders don't want to Fed to do anything about the stock market, because corporate profits could begin to slide, and it hurts their stock options. "And I don't think there is anyone in Congress who is supportive of doing anything meaningful about the bubble," Kaufman added.

The conundrum is, "what do you do, from a policy standpoint, to correct this?" Kaufman said that when Greenspan made his "irrational exuberance" comments several years ago, he had the opportunity to do something, which was to raise margin requirements on stocks. "He didn't do that, because the Fed and the chairman really don't believe in selective intervention in the marketplace," Kaufman explained, so now, "here we are much later, at a much higher level of prices, and there is certainly no quandary here.

"I know of no time in the post-World War II period, when so much of the economic well-being of the United States and the world, hinges on the level of American stock prices."

Kaufman said that what everyone would like, is a modest sell-off, and then prices to "go sideways" for an extended period of time, so earnings can catch up. "I've never seen that," Kaufman chuckled.

The problem is not just hedge funds, Kaufman continued, although there is a lot of focus on hedge funds—especially around LTCM last year, in fact the issue of leveraging in the financial system is much broader. Most large financial institutions—securities firms, banks, insurance companies—conduct a huge amount of proprietary trading and positioning. The extent of this leveraging "is difficult to quantify," and the accounting profession hasn't caught up with this situation.

In fact, Kaufman said, hedge funds have slowed down their leveraging, but that void has been filled by traditional financial institutions. "That doesn't make it any better, but it's under a different cover." And it brings a lot more of this activity under the umbrella of the "too big to fail" doctrine.

The risk-taking now is moving much more into the open credit market, Kaufman points out. Formerly, the risks lay much more with commercial banks, around earlier crises in the 1970s and early '80s, such as Brazil and Mexico, and the problems were much more clearly definable and discernable, "and you could put your arm around it, from a management viewpoint as a central banker."

"Now, when you get into the open credit market, like LTCM was—and is—that makes a situation much more complex," Kaufman concluded.

Germany: Judgment Day coming

Hans Tietmeyer, outgoing Bundesbank president, speech in Frankfurt on July 27.

In what was probably one of his last appearances as Bundesbank president before he leaves office at the end of August,

Tietmeyer said that if the world economy looks like it is out of the worst danger right at the moment, nobody should be complacent, since we had a similar situation exactly one year ago. Shortly after that there was the Russian crisis, then the shock waves created by the bankrupt hedge fund LTCM. The prevailing outlook at this time was, said Tietmeyer, that "the Judgment Day" seemed to be very close. Turning to European Union monetary policy, he warned against neglecting the bad experiences of the 1980s, when permanent U.S. pressure led to a series of interest rate cuts all over the world. The result was the emergence of a "bubble economy," from which Japan is still suffering up to the present day, he said.

"Interest Rates Cause Fear of Stock Market Crash," *Die Welt*, Aug. 3.

The article quotes Roland Leuschel of Banque Bruxelles Lambert, saying, "After last year's turbulences, the crash had only been postponed. Now there are many parallels to the crash year 1987."

"The Crash Is Coming in Late Summer," *Frankfurter Allgemeine Zeitung*, Aug. 4.

The article summarizes the views of various financial numerologists, such as Walter Murphy of Merrill Lynch, who are invoking the "Elliott wave theory" and "Fibonacci number chart analysis" to warn of a major downturn on the stock markets.

Denmark: IMF is destroying Russia

***Politiken*, Copenhagen daily, editorial, Aug. 2.**

The editorial attacks the policy of the International Monetary Fund in Russia, writing that the average Russian was not impressed by the new IMF loan. Russians have not been helped by the old ones, and don't expect anything out of the new one. "That the impoverishment of the people continues, with the IMF's blessing, is shown by the economic plan which Moscow has signed, in gratitude for the loan." Moscow has agreed to produce a budget surplus, by slashing public services, mostly education and health care.

Besides increasing taxes, an effective bankruptcy law is the "big mantra" in the plan. "To let fall what cannot stand is healthy, but mass layoffs without investments in new jobs will just increase the number of poor people. Capital flight is greater than investments, and the new plan does not seem to change that. Those with economic power, called the oligarchs, who were created through hundreds of years of robbing wealth from society, seemingly do not need to fear the new, old government and IMF plan. They find it easier to go after average Russians, than after the oligarchy. According to the IMF, the state should not find money to invest in new production, rather the private sector, but without a policy that promotes that. We must draw the same conclusion as a Moscow newspaper, 'Russia has great need of change, but so do its Western creditors and advisers.' "

The Atlanta murders: road rage on the information superhighway

by Jeffrey Steinberg

Day trading really does suck you in. . . . It's like video games or gambling, only you have more control this way.

—Anonymous day trader at the Falls Church, Virginia office of All-Tech, speaking to the Washington Post's Steve Mufson, May 16, 1999

On July 29, Mark O. Barton grabbed headlines worldwide, by slaughtering nine people at two day trading firms in Atlanta's trendy Buckhead section. A dozen other people were seriously injured in his shooting spree. Hours after his killing rampage, Barton took his own life, after police cornered him at a nearby gas station.

Like the Littleton, Colorado school murders on April 20, the Barton killing spree momentarily shocked the nation and the world. Beyond the particulars of the killings, Barton served as a metaphor for a culture-gone-greedy. And, just as Littleton served as a grim message that something has gone horribly wrong with our educational system, our mass-culture, and the way that children are being raised in America today, as potential desensitized "unnatural born killers," so Mark Barton's "fifteen minutes in the sun" delivered a similar warning: The "my money" culture has gone so out of control in America, that human time-bombs can be detonated by the fluctuations in the stock market.

Barton's "road rage on the information superhighway" can not be easily passed off as an isolated case of a demented man, despite the fact that Barton was certainly demented. The fact is, he was drawn to the "get rich quick" lure of day trading, the latest Wall Street fad, *because* he was obsessed with money, and addicted to the idea of making loads of it without working for it. As is often the case with such individuals, the end-result is tragedy. Unfortunately, in Barton's case, the tragedy extended beyond his own personal life.

The day trader psychotic life

Day trading is a fast-growing stock market "get rich quick" scheme, an offspring of the "Black Monday" stock market crash of 1987, and the advent of super-fast, affordable personal computers, tied to high-speed telephone lines, capable of bringing "real-time" trading to millions of average Americans, bypassing the relative regulation of the major trading floors.

Some of the pioneers of day trading present themselves as the Jacobin revolutionaries of Wall Street. All-Tech Investment Group's chief executive officer, Harvey Houtkin, in an advertisement posted on the firm's website, boasts, "Finally the barriers are coming down. For decades the brokerage community created innumerable obstacles, making it impossible for the general public to compete effectively with the market-making pro. After eight years of intensive fighting, All-Tech was instrumental in bringing down many of these barriers."

In his self-promotional book, *The SOES Bandits' Guide*, Houtkin proselytized, "With greater numbers of Electronic Day Traders, there is strength. New Electronic Day Trading is shaping the future of the financial markets for the better." In effect, Houtkin is telling the Mark Bartons of the world: "Join the 'my money' revolution."

For the managers of the day trading salons, it's clearly a good deal. Investors are required to plop down, at minimum, \$25-50,000 to open an account. They rent the use of the computers. They pay brokerage fees that could go as high as \$25 per transaction. On average, full-time day traders carry out 500 transactions per day, bringing in thousands of dollars in fees and commissions to "the house," according to a recent *New York Times* profile. Like all good gambling establishments, the day trading firms never lose money, regardless of what happens to their customers.

A May 16 *Washington Post Magazine* cover story, "Outrageous Fortune: The Day Trader Versus the Stock Market," by Steven Mufson, lionized the day trading fad, highlighting the \$100,000-a-day life of an Alexandria, Virginia, Generation X'er, Lawrence Black, who boasts that he never held a full-time job in his life, lives at his parents' home, and is independently wealthy, through his high-speed, do-it-yourself stock trading.

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Reality is a little harsher, as the *Post* did manage to note, in passing. The vast majority of day traders lose all their money, usually within weeks or months at the most. Beyond the Barton incident, there has been a small, but growing number of instances of suicides and outbursts of violent paranoia by full-time day traders. Gamblers Anonymous and other hotline services dealing with people addicted to various forms of gambling, say that there is a meteoric rise in the number of day traders calling in to their toll-free numbers.

‘Mark, we hardly knew you’

With the exception of a handful of people who knew Barton intimately, the majority of his friends and neighbors thought of him as the paragon of American middle-class virtue. He was a Boy Scout master, active in his church. Fred Herder, who was Barton’s partner in day trading at the Buckshead offices of All-Tech Investment, told *Newsweek* that Barton “was one of the nicest guys you ever met. He was religious, and he was on the phone with his kids all the time.”

That, at any rate, was Herder’s view until 3:00 p.m. on July 29, when Barton opened fire on the All-Tech trading floor, killing or injuring a dozen of his “friends.” Herder was shot in the back as he dove under his desk. He survived the shooting, but will likely be paralyzed for life.

Subsequently, police determined that Barton had shown up at All-Tech with his own personal “hit list”: fellow traders and office managers, whom he thought had conspired against him. In growing numbers, day traders are “going paranoid,” accusing fellow traders of sabotaging their computers or spying on them. It is the each-against-all Hobbesian world gone mad.

Over a several-month period in the spring of 1999, Barton lost \$400,000 at All-Tech, conducting lightning-speed day trades. In April, the manager of the All-Tech Atlanta office cut off Barton’s trading privileges, because he had run up a serious back debt to the firm, borrowing “on margin” to place his stock bets. Barton sold off almost all his personal belongings and those of his family. His second wife, who had moved out of their house and filed divorce papers, due to Barton’s addiction to day trading, agreed to take Barton and his two children from a first marriage into her apartment.

Leigh Ann Vandiver Barton’s father, E.J. Vandiver, was skeptical. He was firmly convinced that Barton had murdered his first wife, Debra, and his mother-in-law, Eloise Spivey, in September 1993. The two women had been found hacked to death in a trailer near an Alabama lake. Just prior to the double homicide, Barton had taken out a \$600,000 life insurance policy on his wife. The insurance company tried to contest the payout, knowing that police considered Barton to be the only suspect in the grisly murders. Barton claimed he had been at home with his children when the murders occurred; there were no other witnesses to his being at home, and he refused to submit to a lie-detector test. But he was never prosecuted.

Ultimately, Barton got his hands on somewhere between \$300,000 and \$450,000 of the insurance settlement, with the balance going into a trust fund for the couple’s two children.

A year later, shortly before Barton married Leigh Ann Vandiver, with whom he had been having an affair while married to Debra, a daycare worker filed a complaint with Georgia authorities that Barton’s daughter, Mychelle, had described an incident in which Barton had sexually molested her. A psychiatric evaluation of Mychelle discounted the sexual abuse charges, but concluded that she had been traumatized by the death of her mother and the suspicion that her father was responsible for the killing. The report included a prescient warning: Barton “was capable of homicidal acts and thought,” according to an account in the Aug. 9 *Newsweek*.

The insurance payout enabled Barton to “get his life in order,” at least on the surface. He married Leigh Ann Vandiver in 1995; he started up a cleaning products business (he had earned a degree in chemistry), and rented a small house in an up-scale, middle-class suburb of Atlanta. However, he soon abandoned his business to the lure of quick bucks through full-time day trading. By October 1998, things had gotten so money-stressful at the Barton home, that Leigh Ann moved out and took an apartment in a nearby town. By January 1999, according to *Newsweek*, Barton had posted an America Online biographical sketch, proclaiming that his hobbies were “guns and day trading.”

On June 10, 1999, Barton wrote a check for \$87,500 to Momentum Securities, another day trading firm, with offices across the street from All-Tech. In a matter of days, Barton’s \$87,500 was gone, and he had borrowed another \$100,000 from Momentum to keep “in the game.” The practice of borrowing money to invest in the market is referred to as margin trading.

On July 27, the manager of Momentum informed Barton that his margin debt had been called in. Once again, Barton’s trading privileges were suspended. On the spot, Barton wrote out a check to Momentum for \$50,000, retiring enough of his margin debt to have his trading account reopened.

That afternoon, Barton took his son Matthew, age 12, to his regular Boy Scout troop meeting. Late that night, Barton bludgeoned his wife to death, and hid her body in a closet so that the children would not know what had just happened within a few feet of their bedroom. On July 28, Barton returned to Momentum, only to be told that his check had bounced, and that his trading account was, once again, closed. That night, Barton murdered his two children, as they were sleeping.

The next day, Barton went to his attorney’s office, to remove his wife’s name from his will. She had already been dead for 36 hours. From there, he launched his rampage, which ended shortly after 8:00 p.m., when he put one of his guns to his temple and pulled the trigger.

The psychosis of the markets

by John Hoefle

The message suddenly popped up on the trader's screen: FidoFeast.com, the fledgling Internet dog-food delivery company, had just issued a press release stating that only three months after going public, it finally had its first customer. The trader knew he had to act fast, so he quickly bought 30,000 shares of FidoFeast, and began stalking his screen. Within a minute or two, he knew, the news he got so quickly on his special high-speed terminal would hit the Internet, and others would begin to buy. Sure enough, about four minutes after he placed his order, Fido's stock jumped up one-sixteenth of a point. "Yahoo!" the trader yelled, as he entered his sell order.

In less than five minutes, he had jumped in, jumped out, and pocketed several hundred dollars in profit. That the trader knew virtually nothing about FidoFeast.com, mattered little. Whether the company was viable or not, was irrelevant; even if it disappeared tomorrow, so what? He was not concerned with such issues. He was concerned with making money, and he had. This wasn't a long-term relationship, but a five-minute stand. Who cares about the rest?

While the above trade is, at least as far as this author knows, fictional, the process it describes takes place thousands of times a day in dozens of day-trading offices across the country, and in thousands of homes and businesses.

Day trading

According to the Electronic Traders Association, there are some 3-5,000 people who are full-time day traders, and another 225,000 people who trade part-time over the Internet, with day traders accounting for some 8-15% of the daily volume on the NASDAQ stock exchange. Since the rise of the Internet frenzy in 1995, the NASDAQ has surpassed the New York Stock Exchange in trading volume, with daily trading volume now routinely exceeding a billion shares, and much of that volume is due to trading in volatile Internet and technology stocks.

Day trading, as even many of its proponents admit, is not investing (neither is most of what is called investing these days, but we'll get to that later). Day traders typically hold a stock for a few seconds or a few minutes, taking advantage of small movements in price. To make any significant profit on changes of one-sixteenth to one-eighth of a point, the traders have to buy large blocks of shares, and to earn a living

trading full time, they have to make a lot of trades. The average day trader, according to a study by NFO Worldwide, makes about 260 trades a year, some 11 times the activity of the average on-line investor; but some traders are much more active, at times making more than 100 trades a day, according to the day-trading firm Momentum Securities.

A whole subculture has grown up around on-line trading, with Internet web sites and chat rooms devoted to stock trades, tips, discussions, and rumors. In this virtual-reality world, rumors which are not true are as good as rumors which are, as long as they make the stock move.

On-line trading has become big business, attracting even the largest brokerage firms. Individuals can trade stocks over the Internet, paying as little as \$8 a trade in commission to their broker, while really serious traders can sign up with a day-trading firm.

Day-trading firms make their money by setting up trading rooms across the country, providing banks of high-speed computers and data links. They rent these trading stations out to individuals, and charge a fee (typically \$25) for each trade. Since the more trades the customers make, the more money the firms make, some firms provide free lunches to their traders. Anyone who has been to a casino knows the drill: Keep the sucker at the table at all costs, since you only make money while he's betting.

To make money off small movements in stock, as we said, requires placing large bets. For example, take a day trader who buys a stock, and then sells it when it goes up one-sixteenth of a point (called a "teeny" in the jargon of day traders). To make one dollar of gross profit, the trader would have to buy and sell 16 shares, and to cover the \$25 commission, the trader would have to buy and sell 25 times that amount, or 400 shares. Thus, for a stock selling for \$50 a share, the trader would have to buy and sell \$20,000 of stock just to cover the commission; to get an after-commission profit of \$100, the trader would have to buy and sell \$100,000 in stock. To make a \$100 post-commission gain on a stock selling for \$100 a share, the "teeny" trader would need to buy and sell \$200,000 in stock.

But what if the trader guesses wrong, and the shares fall? On the 2,000 shares the trader would buy to make that \$100 after-commission profit on a "teeny" bump in the price, the

trader would lose \$125 if the stock dropped one-sixteenth, \$250 if it dropped one-eighth, and \$500 if it dropped one-quarter point. And, he would still have to pay the \$25 commission on the deal.

With such large dollar volumes of stock required to play the game, day traders often place bets on margin. Margin betting can be lucrative if the trader wins his bets, since it enables him to buy more stock than he would have been able to buy otherwise, but it can be deadly if he loses. On a losing bet, the trader not only loses money on the trade, but he also has to pay the margin call.

Like the compulsive gambler who attempts to dig himself out of a hole by placing ever larger and wilder bets, a day trader can quickly lose huge amounts of money, finding himself broke and heavily in debt.

That day trading is more a form of gambling than investing, is rather widely known, and little admitted by both financiers and regulators.

“Some argue day trading is really nothing more than speculation,” Securities and Exchange Commission Chairman Arthur Levitt noted in a speech to the National Press Club in Washington, D.C., on May 4, 1999. “Personally, I don’t think day traders are speculating because traditional speculation requires some market knowledge. They are instead gambling, which doesn’t.”

The system is nuts

While we would certainly agree with Mr. Levitt that day trading is gambling, we cannot agree with his implicit claim that “traditional speculation” is not. In fact, what the day traders are doing, is basically the same thing that Wall Street does, with a couple of major differences.

The first major difference is that Wall Street by and large places its bets with other people’s money (“OPM,” in the jargon), whereas day traders bet their own money. If a Wall Street firm bets wrong, they may “blow up” a customer or two, but the firm remains.

The second major difference is that if a big Wall Street firm gets into trouble, the Federal Reserve will bail it out.

Other than that, the only real difference between the day trader and the typical Wall Street trader is the size of the bets being placed. Day trading is just the extension of the Wall Street trading-room model down to individuals.

For proof, one need look no further than the derivatives markets. Take Chase Manhattan, for example. As of March 31, 1999, Chase Manhattan Corp. had \$361 billion of assets on its balance sheet, and \$10.7 trillion in what the Federal Deposit Insurance Corp. calls “off-balance-sheet derivatives.” That is, for every \$1 on its balance sheet, it had \$30 in side bets in the derivatives markets. The top four U.S. commercial banks (Citigroup, BankAmerica, Chase, and J.P. Morgan) had among them \$1.9 trillion in assets, and \$31 trillion in derivatives bets, or \$16 in bets for every dollar of assets.

This, presumably, is the “traditional speculation” which Mr. Levitt defends.

On a global scale, there are some \$300 trillion or more of derivatives and related financial claims outstanding, against some \$20 trillion of annual global productive activity. The financial claims, already unpayable, are growing at a rate of 70% a year or so, as current unpayable claims are constantly being rolled over into newer, larger, and more unpayable claims. At the same time, the productive end of the economy is rapidly shrinking. With every day that passes, the global financial system slides deeper into bankruptcy.

Mass psychosis

The entire world is, in fact, sliding deeper into depression every day, and as it does, the world becomes a more and more hostile place in which to live. The Kennedy vision of a world in which a rising tide of economic progress lifted all boats, has given way to a Hobbesian each-against-all world in which individuals are forced to battle each other, to avoid being thrown out of the overcrowded lifeboats.

In such an environment, it is inevitable that some people will snap: Some will kill, either themselves or others, some will more quietly go insane, some will cower, and others will turn into vicious predators.

The headlong rush into gambling, be it in the casinos, the markets, or the state lotteries (the lotteries being the poor peoples’ derivatives markets), reflect the growing level of desperation among the population. More and more people see the “big score” as the only way out.

But even the “big score” is an illusion. The lottery winners who think that they will collect that “\$1 million a year for 20 years” will never see it. The stock market winners who think their big portfolio will last are likewise deluding themselves. None of it is real, and none of it will survive the looming crash.

Perhaps the biggest myth going these days, is the myth of the “free market.” The financial markets have always been manipulated by the financial oligarchy from behind the curtain; but now, as the system nears its end, that manipulation has come increasingly out in the open. The “rescue” operation mounted by the major central banks last fall to stop the financial system from melting down was a giant manipulation of the market, transferring huge losses from the (off-)balance sheets of the big banks and hedge funds, to taxpayers and other suckers. Today, the manipulations are even larger, driving the yen this way and the euro that, in a vain attempt to paper over huge derivatives losses, to keep the system going a little while longer. Meanwhile, the oligarchy is abandoning ship, buying up control of the world’s precious metals, strategic minerals, food supplies, and other necessities of life, to increase their power in the post-crash world.

For all its horror, what happened in Atlanta is just a drop in the bucket compared to what is happening worldwide, and just a preview of what is to come, when the crash hits.

Balkans ‘reconstruction’: The case of Bosnia shows how not to do it

by Elke Fimmen

The author has been active in the Schiller Institute’s work in the Balkans since the beginning of the Serb aggression. She has travelled extensively in the region, and has spoken at conferences in Croatia and Bosnia-Herzegovina. She accompanied a delegation of U.S. state legislators to Sarajevo in 1996. She wrote this report in early June 1999.

The reconstruction in Bosnia-Herzegovina was sabotaged by supranational bureaucrats. This blunder must not be repeated in the “Marshall Plan” for Kosovo and Southeast Europe.

In the current debate over a stability package for Southeast Europe, the International Monetary Fund and the World Bank are arguing for the same approach that was applied in Bosnia-Herzegovina. These supranational institutions brag that this earlier project boasted exemplary cooperation among the “international community of nations” in the work of reconstruction.

The truth is entirely the opposite. Reconstruction has *not* occurred. Consider the following:

Three and one-half years after the end of the war, the economy of Bosnia-Herzegovina is still in disastrous condition. At least half of the population — but, more likely, 70% — is unemployed. More than half of the residential housing remains destroyed. Bosnian sources claim that only 1% of the land-mines have been cleared, so that with each new day, more people are wounded or die from exploding mines. Repair of some of the most important bridges and roads has begun, but there is no perspective that this will lead to an increase in employment, because the aid money is promoting only small projects.

Productive output is at 20% of pre-war levels. The Volkswagen plant in Sarajevo resumed its production of cars in October 1998, with 60 employees, and the event was celebrated as “the first large-scale resumption of production” since the end of the war. On top of that, between 10,000 and 15,000 Kosovo citizens sought refuge in Bosnia in December 1999, and they are being supported out of Bosnia-Herzegovina’s already-scarce aid money.

Despite the complex political framework of the December 1995 Dayton Agreement, which resulted in the country’s partition into the Croatian-Bosnian Republic and the Republika

Srpska, this abysmal record of “reconstruction” was by no means inevitable. The most important prerequisites for a rapid reconstruction, which would have relieved a considerable portion of the ethnic tensions in the country, were clearly present from the outset: a highly motivated population, skilled labor, and an infrastructure that needed only to be repaired.

But it is obvious that the World Bank, the International Monetary Fund, and the European Commission did not want the reconstruction of a stable, sovereign nation of Bosnia-Herzegovina. Instead, the leading international financial institutions insisted on pursuing their policy of restructuring and privatizing Yugoslavia, which had been interrupted by the war. It was this killer monetarist policy of Jeffrey Sachs and his ilk, that caused the economic collapse, which then accelerated the break-up of Yugoslavia, and prepared the way for the latest war.

Blunder 1: Bureaucracy instead of reconstruction

The Bosnian government estimated the cost of war damages at between \$50 and \$80 billions. The World Bank and IMF, on the other hand, set the costs at a mere \$10 to \$15 billions. In the end, \$5.1 billions of reconstruction aid was agreed upon, over a span of four years — 1995-99. But only a fraction of this sum ever has arrived in Bosnia-Herzegovina.

According to the World Bank, a mere \$3.1 billion in aid had been formally promised at the fourth donors’ conference in July 1998. Of that money, only \$1.8 billion had actually been paid out — but not actually put to work for reconstruction. Until July 1997, the grand sum of \$400 million — out of a promised \$1.8 billion — was all that was effectively available to Bosnia.

Where did the rest of the money go? Much of the reconstruction allocation was swallowed by the international bureaucracy, under the leadership of the World Bank and the European Commission. In 1996, the Refugees Minister of the Federation, Rasim Kadic, spoke of an allocation ratio at the European Commission of eight to one. In other words, for each deutschemark which flowed for reconstruction, DM 8 were spent on the Western supervisory organizations. The office of the High Representative, which is supposed to super-



Devastation in Aleksinac, Yugoslavia, May 1999. The Balkan countries need a real "Marshall Plan" of reconstruction, not the kind of penny-pinching fraud that was perpetrated against Bosnia by the International Monetary Fund and World Bank.

wise civilian reconstruction, employs 150 well-paid international bureaucrats, as well as 250 Bosnian employees.

There are at least 200 non-governmental organizations (NGOs) at work in Bosnia-Herzegovina, and before any project is begun, experts from consulting firms have handsomely skimmed the pork-barrel with their project planning and various other expertise. This, despite the fact that the Bosnian institutions responsible for energy production, water management, and transportation, already had a precise and competent overview of the damages at the end of the war, and had already presented plans and cost estimates for the necessary repairs.

In August 1997, the German weekly news magazine *Focus* reported that the water works in Sarajevo had run out of money to make urgent repairs to water mains destroyed in the war. Although this problem, together with the repair of the city's gas lines, was of the highest priority, nothing was done, because, that previous March, the European Commission had awarded an Austrian consulting firm the contract for an "analysis of the water-supply network" in Sarajevo, and the consulting firm had still not yet completed its study by August.

There is no mystery about who is responsible for this misery: the World Bank and the European Commission. In 1996, these organizations deployed so-called task forces in each sector, which were supposed to coordinate the programs of particular countries, institutions, and NGOs, and to work out priorities. These task forces work together with the re-

sponsible Bosnian ministries of the republics of partitioned Yugoslavia. The task forces for the energy-supply and coal sectors are directly subordinated to the World Bank; the World Bank, together with the European Bank for Reconstruction and Development, also oversees the roads and urban transportation sectors.

There were accusations from the outset, that the European Union (EU) was sabotaging the reconstruction with bureaucratic stalling. The EU is the largest "donor" for the project, along with the World Bank. The Austrian chief coordinator for reconstruction, Alexander Petritz, claimed in an interview with *Focus* in August 1997, that the EU had spent only DM 140 million of the DM 380 million available for 1996, "although there are enough firms willing to go to work" and waiting to begin work on specific projects. The money was instead going into the EU bureaucracy.

Christian Schwarz-Schilling, a Christian Democratic member of the German lower house of parliament, the Bundestag, writing in the German daily *Die Welt*, accused the EU of "ill intentions," and appealed for bilateral aid from Germany, so that reconstruction could finally begin to move ahead. Germany had paid between DM 340-600 million to EU headquarters in Brussels, earmarked for Bosnia. But, the head of the Cap Anamur refugee organization, Rupert Neu-deck, claimed that the EU had made only 15% of this money actually available by the spring of 1998.

In August 1998, the European Central Accounting Office accused the EU of gross incompetence. Only a fraction of the DM 2 billion paid to Brussels for the 1996-99 period, had been actually disbursed. In the decisive years 1996 and 1997, only 29% of DM 1.1 billion had flowed into reconstruction work—that is, only DM 300 million. By that time, only 6,300 homes had been repaired—just 2% of the total number of planned repairs. In the city of Gorazde, for example, 42 homes were built, instead of the planned 400. And even the homes which were built, often remained unoccupied, because they could not be connected to electricity and water supplies.

Blunder 2: Abuse of influence

Whoever controls what is or is not built, creates an entire layer of the population who are dependent on salaries from the international organizations. This controller also has the leverage to influence the political stability of the country. It is most interesting to see *which* external agencies received the EU's contracts for work on the so-called Essential Aid Program, at a volume of ECU 125 million. (The ECU is the EU currency, the euro.) One of these companies was the British firm Crown Agents, which, until recently, was directly attached to the British Crown, and which was active in many countries as a front for British intelligence services. The Crown Agents group works closely with another Crown agency, the Overseas Development Agency (ODA). This group had grabbed the supervisory function in Bosnia for the re-establishment of gas supplies (and thus also the negotiations with the Russian firm Gazprom); the net effect of its supervision was that residents of Sarajevo froze through the winter of 1996-97.

The responsible procurement agent John Lillywhite, of Sutton, England, together with his colleague Julie Wood, from a second procurement agency, Italtrend srl, headquartered in Reggio Emilia, Italy, was supposed to identify projects, organize construction contracts, and supervise the fulfillment of the contracts. Europe/Crown Agents signed on as responsible for institutions, agriculture, transportation, water systems, and sanitation; Italtrend covered health, housing construction, energy, and education. It was precisely at this point, that a decisive push in reconstruction was necessary.

But by the end of 1996, the EU had severed its relations with both of these agencies, because of alleged "irregularities." In mid-1997, British special forces units shot the known war criminal, Simo Drljaca, in Prijedor; it was then discovered that Drljaca had received handsome payments from British reconstruction funds for financing his "privatized" construction firm, Komgrad. Despite such flagrant cases of corruption, and the ostensible "severance" of relations to Crown Agents, the EU continued to pay Drljaca's former mercenary organization.

That is not the end of the story. To defend their own egregious behavior, British Foreign Minister Robin Cook and Carlos Westendorf, the High Representative of Civilian Re-

construction in Bosnia-Herzegovina, suddenly hurled wild accusations of rampant corruption against Bosnian authorities. They claimed that \$50 million of World Bank funds had disappeared. It proved impossible to substantiate the accusations—a fact which the IMF officially acknowledged in a report in August 1998. The chief purpose of the accusations had been to stir up a political storm against Bosnian President Alija Izetbegovic and his associates, and to argue that Westendorp should have veto power over Bosnian legislation. That formally sealed the political control over Bosnia-Herzegovina. Now, the country has been degraded to the status of an economically and socially unstable protectorate of foreign powers.

Blunder 3: Priority on repayment of debt

The Dayton Agreement required that Bosnia agree to pay 17% of the old debts of former Yugoslavia. At the end of 1997, the IMF reported that the total foreign debt of the country was \$4.1 billion, which corresponded to 90% of the nation's gross national product. Although a portion of this debt was restructured (naturally, at the price of additional costs and interest payments), a burden of this magnitude would suffocate any country already destroyed by war. The budget of the central government for 1998 set 57 million convertible marks, out of 183 million, for administrative expenditures, and 126 million for payment of foreign debt.

When, in July 1997, the Bosnia-Herzegovina Federation paid its share of the semi-annual \$8 million tranche of a \$680 million credit, but the Serbian side declared that it was insolvent, the World Bank threatened to freeze credit lines for the entire country, to halt ongoing projects, and to cancel new programs in transportation and schools. It was decreed that both entities had to pay their respective shares automatically to the account of the central bank. This behavior highlights the priority of the World Bank, which is supposed to be promoting reconstruction: In the only sector where there is centralized activity, the priority is repayment of debt!

The heartfelt concern which the World Bank shows for its international financial clientele, does not extend to the Bosnian population. In a paper issued in the preparation phase of the donor conference in December 1995, the World Bank demanded that debts incurred by the Bosnian government to Bosnian citizens during the war, should *not* be paid under any circumstances. This included back pay for government employees and pensions, as well as liabilities of the government to households for the loss of savings accounts at banks: "If the government began to pay off these liabilities, this could burst the budget. . . . A considerable portion of these liabilities must be written off, in part or entirely, by compensating back wages and pensions with food or other services," the World Bank declared.

In particular, credits of Bosnian banks, especially the central bank, must not be used to pay these debts to the population. "Fiscal restraint," said the World Bank, should be exercised

with respect to social services to “the poor and such as have been most affected by the war and unrest,” since “a puffed-up social budget would undermine the budgetary prudence which is indispensable for stability.”

Blunder 4: Destruction of the state’s role

Those who want to enforce such priorities, also have to prevent the state from pursuing its own economic policy, independent of foreign interests. Article II of the Dayton Agreement limits the economic responsibilities of the central government to monetary policy (which operates under a foreign-controlled currency board), foreign trade, and customs issues, as well as acceptance of foreign credits and repayment of debt. Beyond these areas, the central government has scarcely any income from taxes, because taxes are collected by the two half-republics and the cantons. The central government is simply supposed to create the legal framework, so that the “free market” can work.

Thus, the IMF preparatory document for the second donor conference on April 2, 1996 (Executive Summary, p. xxi), says: “The government’s extremely bad tax situation leaves no alternative but that of the private sector, should the current macroeconomic stability be sustained. The resources for any investments or interventions whatsoever on the part of the government are simply not available. Under these conditions, it will be the task of the creditors to take up job creation as an integral part of the reconstruction program.”

The declared ideological aim of the leading aid institutions, the IMF and the World Bank, is to continue the process of privatization which was interrupted by the war. In IMF language: “It is tempting to argue that, on account of the special conditions in Bosnia-Herzegovina, the government should have a direct role in the expansion of production by reactivating state-owned enterprises.” But the IMF strictly rejected that “tempting argument,” and, instead, insisted on the promotion of “the expansion of the service sector and light industry by private enterprises.”

Blunder 5: The currency board

Since August 1997, the chief instrument for denying the central government any independent role in reconstruction, has been the central bank, which, according to the constitution stipulated in the Dayton Agreement, is to function for at least six years as a currency board. The board is under the control of the IMF, and is led by a non-Bosnian president, who is chosen by the IMF, and who has three national deputies. It is expressly forbidden for the central bank to create money (Article VII of the constitution, Annex 4 of the Dayton Agreement). The bank may, as may any currency board, bring only that volume of money into circulation, which is covered by foreign exchange (in this case, deutschmarks). Because Bosnia has no export earnings to speak of, the main source of exchange is the money provided by the international commu-

nity, which the currency board dispenses as it sees fit. If the volume of this money contracts, which has been increasingly the case since 1997, this immediately has an impact on the amount of money circulating in the economy.

Reconstruction can work

The above analysis is not intended to spread pessimism, but rather to show how a reconstruction program should *not* be designed. What is now needed, is a grand reconstruction plan for the entire region of Southeast Europe, *without the IMF and World Bank conditionalities*. Nations must have the possibility to create their own reconstruction projects, modelled upon the German Kreditanstalt für Wiederaufbau (Bank for Reconstruction), and to create credit through a national bank for financing those projects. International aid money must be administered by the governments themselves, with an accounting for their use. Humanitarian and international organizations may play roles in an advisory capacity only, but should not have the power to dictate decisions.

ASEAN seizes opportunities in a time of crisis

by Gail G. Billington

Three major conferences took place in Southeast Asia in late July, which proceedings reflect a distinct shift leading to even closer collaboration among regional leaders in concert with what *EIR* has identified as the “Survivors’ Club” of major powers, including Russia, China, India, and Japan. The shift is driven by political fallout from the NATO bombing campaign against Yugoslavia and the lingering effects of the so-called “Asian contagion,” the financial *tsunami* that slammed ashore in the first week of July 1997, and has yet to subside.

The annual ministerial meetings of the Association of Southeast Asian Nations (ASEAN) began in Singapore on July 23, followed by the July 26 meeting of ASEAN’s foreign ministers with their 12 counterparts in the ASEAN Regional Forum (ARF), the only regional political and security forum, and concluding with the Post-Ministerial Meeting. On the sidelines, a density of bilateral meetings took place between individual foreign ministers, and among ASEAN’s combined foreign ministers and each of their ten “dialogue partners,” including China, India, Russia, the United States, the European Union (EU), Japan, South Korea, Australia, and New Zealand. Singapore Foreign Minister Shanmugan Jayakumar, who chaired the ARF meeting, welcomed Mongolia as a new

participant; Papua New Guinea is the only other member.

Flanking the ASEAN meetings, the regional and global economic crisis was featured at the July 25-28 fourth annual Langkawi International Dialogue, hosted by Malaysia, which brought together representatives of 38 developing nations, including nine heads of state and government leaders, most from central and southern Africa.

The third major conference on the economic crisis was held in Bangkok, Thailand on July 29-30 under the title, "Asia: Back to Basics?" Sponsors included Thailand's English-language daily *The Nation*, CNBC, the Kenan Institute, and iTV, along with a number of corporate sponsors, including Lion Corp., the Tourism Authority of Thailand, and Thai Airways International.

A more dangerous world situation

This year's ASEAN meetings in Singapore celebrated the achievement of the 32-year-old dream of the group's founding fathers, to unite the 10 continental and archipelagic nations of Southeast Asia: Myanmar, Thailand, Cambodia, Laos, Vietnam, Malaysia, Indonesia, Brunei, Darussalam, and the Philippines. The induction of Cambodia into ASEAN in April, after a two-year delay, finally closed the circle.

These meetings were the first major international "talk fest" since the NATO bombing campaign in Yugoslavia, and the response to that campaign came through loud and clear, exemplified at the extremes by U.S. Secretary of State Madeleine Albright's categorical defense of the campaign, on the one hand, and Chinese Foreign Minister Tang Jiaxuan's speech to the ASEAN Post-Ministerial Meeting, on the other, in which he eloquently called for a "new international political, economic, and security order" as the only way for mankind to "achieve its *beautiful* ideal of building an equal, cooperative, and prosperous world." Against which, he warned that "hegemonism, power politics, encroachment upon the sovereignty of another country, and interference in other countries' internal affairs are still affecting, and even threatening, mankind's peace" (see *EIR*, Aug. 6, 1999).

On July 26, *The Nation's* editorial encapsulated ASEAN members' concern: "After years of reluctance, ASEAN has at last come to grips with a harsh new reality in international politics: conflicts that cannot be solved regionally could end up with international intervention. Recent events in Kosovo prompted ASEAN to realize that outside military intervention is possible and could be done, with or without the approval of the United Nations."

Leading the charge to "internationalize" key regional issues, such as claims by six regional nations to the Spratly Islands in the South China Sea, and human rights (especially with regard to Myanmar), were Albright, Australia's Foreign Minister Alexander Downer, and EU Council president Finnish Foreign Minister Tarja Halonen. In the past, ASEAN has come under pressure from these powers to include them in

the rotation of the chairmanship of the ASEAN Regional Forum, a demand that the Southeast Asian nations have consistently refused. Under current circumstances, it is not surprising that during their pre-meetings, the ASEAN foreign ministers held their first-ever, ministers-only "retreat," a four-hour session to prepare for the talks to follow.

On July 26, *The Nation* reported that for the first time since the signing of the Treaty of Amity and Cooperation (TAC) in Southeast Asia in 1976, ASEAN decided at these meetings to take advantage of a mechanism written into that treaty precisely to preclude external interference, by setting up a High Council to arbitrate bilateral disputes between countries. The ASEAN foreign ministers also took the initiative to prepare a draft to move from "confidence-building measures" to "preventive diplomacy."

Albright cuts 'una brutta figura'

Albright arrived in Singapore on July 25 exuding the worst combination of the arrogance of Vice President Al Gore's performance at the ASEAN heads of state meeting in Kuala Lumpur in 1998, and the *primus inter pares* superpower belligerence of her mentor, Zbigniew Brzezinski. Declaring that even though the United States has been preoccupied with the Balkans and Europe, "no region of the world is of greater importance to U.S. interests or to the future of world stability and peace than the Asia-Pacific," she proceeded to tick off her agenda: China-Taiwan relations, stability in South Asia, the Korean peninsula, tension over the Spratlys, extracting a pledge for a peaceful transition in Indonesia and a "free and fair vote" in East Timor, human rights in Myanmar, and nuclear nonproliferation and weapons of mass destruction, which, she declared, "will remain for some time, the most important diplomatic challenge we face."

She had an additional set of "transnational issues," including terrorism, drug smuggling, trafficking of women and girls into prostitution, and, her personal bugbear, denouncing Myanmar as "a threat to regional security" because of its "failure to move toward democracy." She threatened, "I want to make clear that Rangoon [Yangon] should talk to the National League for Democracy and Aung San Suu Kyi," which, of course, assumes Aung San Suu Kyi wishes to speak to Yangon. Last but by no means least, Albright told ASEAN to stick to International Monetary Fund (IMF) economic reforms, saying, "It is vital . . . that neither those inside nor outside the region declare victory too soon. . . . The battle against corruption and cronyism must be waged on all fronts."

During the ARF meeting itself, Albright reportedly refrained from her earlier blast at Myanmar, but not so with the highly sensitive Spratly Islands disputes. "We cannot simply sit on the sidelines and watch. Nor can there be any doubt that this is an inappropriate forum for discussion of this issue," she said. Australian Foreign Minister Downer concurred in remarks at his press conference, going directly to the heart of

that which ASEAN sought to prevent: "One of the issues the ARF needs to cut its teeth on is the South China Sea issue. It is certainly the view of the Australian government that the ARF needs to be a catalyst for helping to develop ways of managing the South China Sea conflict." Subsequent to the ASEAN meetings, Downer has made similar statements about Australia's military contingency planning in the event of a UN peacekeeping mission in East Timor following the autonomy vote on Aug. 30—no doubt a most unwelcome surprise to Jakarta.

Where Albright did not tread, at least during the ARF meeting, EU President Halonen stepped in with both feet, effectively declaring an impasse in talks with Myanmar's Foreign Minister Win Aung, and warning that the EU would not lift visa sanctions against Myanmar officials, who might wish to participate in ASEAN investment "roadshows" to Europe.

The most spectacular results of the ASEAN meetings, while not anticipated by Albright, Downer, and Halonen, speak volumes about how ASEAN and its dialogue partners, Russia, China, and India, view the world in the post-Yugoslavia bombing era. China's Tang Jiaxuan declared Beijing's readiness to accede to ASEAN's Treaty of Amity and Cooperation and its 1995 agreement to establish a nuclear-weapons-free zone in the region, the Southeast Asian Nuclear Weapons Free Zone Treaty. One day later, India announced a similar intent, and Russia has signalled that it will study the possibility further. On the sidelines of the ASEAN meetings, these three emerging "strategic partners" held fruitful bilateral meetings.

Within ASEAN itself, one of the most dramatic responses came from Thailand, which has genuine cause for alarm over the explosion of illegal amphetamines production being carried out by the rebel United Wa Army in Myanmar, one of several continuing insurgencies against the central authority. But, unlike Albright, Thai Deputy Foreign Minister Sukhumbhand Paribatra refused to blame Myanmar, saying, "The call for ASEAN to intervene is based on a wrong assumption of the genesis and nature of ASEAN." Instead, Thai Foreign Minister Surin Pitsuwan proposed in the pre-meetings the need to re-think the regional Mekong River Development Project, a major transportation and energy-generation project, as a model of the type of necessary infrastructure project that would do more to raise the economic and social potentials of the poorest of the ASEAN member-states, and thereby go further toward eliminating precisely those social ills which Albright and the EU are so wont to complain about. Surin described his idea as "a mini-Marshall Plan" for the region.

The dam breaks vs. the IMF, globalization

Parallel to the ASEAN meetings in Singapore, the Malaysian government hosted the fourth annual Langkawi International Dialogue (LID) on July 25-28, which squarely ad-

ressed "new global financial architecture," and detailed the failings of IMF policy. The LID provides a forum for "South-South" discussion among developing nations. This year's meeting included nine heads of state or government leaders, mostly from central and southern Africa, among whom are several of the world's leading gold-producing nations that have suffered a price collapse below the cost of gold production thanks to the strenuous efforts of Bank of England Governor Eddie George and cronies to bail out bankrupt hedge funds.

Prime Minister Dr. Mahathir bin Mohamad delivered the keynote address on July 25, titled "Globalization Must Be Humanized," in which he laid out the need to protect nations from the ravages of the unregulated, free-market system. He said, "The first thing that everyone must admit is that a level playing field is not enough. . . . Handicaps must be given to the disadvantaged. . . . Secondly, in order to have free trade, you must regulate." Currency traders and market speculators should have high and low limits slapped on them. A tax should be imposed on all international speculators, which tax would compensate looted countries. They should be banned from offshore financial centers.

"Globalization . . . is already a fact," he said. "But . . . that does not mean that we should just sit by and watch as the predators destroy us. Those of us who believe in sharing, in prospering our neighbors; we certainly cannot just submit. Many of us still remember the days of colonial subjugation, the pain and the humiliation. . . . We must therefore work to put a human face to globalization." Malaysia's Securities Commission chairman Ali Abdul Kadir told the meeting that Malaysia will push for direct regulation of hedge funds.

The African heads of state attending the meeting included Zimbabwe's Robert Mugabe, Namibia's Dr. Sam Nujoma, Botswana's Festus G. Mogae, King Mswati III of Swaziland, Mozambique's Joaquim Alberto Chissano, Lesotho Prime Minister P.B. Mosisili, South African Vice President J. Zuma, and Seychelles Vice President James Alix Michel. Keen interest in Malaysia's selective capital controls was expressed by these leaders. President Mugabe told a press conference on the sidelines of the LID in Malaysia, "Yes we will impose currency controls where necessary." He reported that the Zimbabwe dollar has depreciated 60% because of internal and external speculation.

The team that put together Malaysia's economic recovery policy was in high demand for consultations during the meeting. Heads of state from Zimbabwe, Swaziland, and Mozambique met with the team. Malaysia's Bank Negara Deputy Governor Dr. Zeti Akhtar Aziz was to address the 300 participants on what Malaysia has done. In the course of discussions, she demanded that big and small economies participate in reform of the international financial system, including a framework for regulating capital flows.

At the LID, Thai Deputy Prime Minister and Commerce

Minister Supachai Panitchpakdi gave his most explicit endorsement yet of Malaysia's selective controls, fed by the bitter battle over the World Trade Organization Director General's post, in which the United States and much of the EU favored a Mont Pelerinite, New Zealand's Michael Moore, over Supachai's candidacy.

"Each country should try its own medicine," Supachai said, pointing out that it is "cold consolation" for the IMF to now admit it made mistakes in handling the Asian crisis. IMF aid brought controversy, crippled economic activity through tight fiscal and monetary policies, and contributed to social chaos and loss of lives in Indonesia. In the Thai case, he said that it was "inevitable" that it turned to the IMF, because of the former government's delayed action, the weakness of macro-economic policy, and the draining of \$40 billion in foreign reserves in a failed effort to save the baht peg. He added that the timing of the float of the baht on July 2, 1997 was the worst imaginable, precisely because reserves had been exhausted.

But the IMF's fiscal austerity was "harsh," especially the initially mandated 1% surplus (later scrapped). Supachai declared, "This was not only impossible, but also the direct opposite of what was needed. Thailand should have been spending to boost the economy." He also charged that double standards were in use regarding the cause of the crisis: "In the West, when banks are rescued, it is a necessity, but in Asia, it is seen as corruption and cronyism." He also renewed his call for an Asian Monetary Fund, saying, "It is unthinkable to have financiers in New York control the destiny of our economies."

Malaysia's leading daily, the *New Strait Times*, described the Langkawi Message, issued at the end of the conference, as "a strong indictment of the IMF for the failure of its one-size-fits-all bailout conditions."

Many, if not most of those attending, also belong to the British Commonwealth, and consensus was reached to bring the results of the LID discussions into the November Commonwealth Heads of Government meeting in South Africa. Following the meeting, several leaders joined Dr. Mahathir at the new capital, Putrajaya, including Sudan's President Omar Ahmad al-Bashir, Mozambique President Chissano, Lesotho Prime Minister Mosisili, Ghana Vice President Professor Mills, South African Deputy President Zuma, and Jordanian Finance Minister Dr. Michel Marto.

Re-thinking privatization, general welfare

At the July 29-30 Bangkok conference on "Asia: Back to Basics?" World Bank chief economist Joseph Stiglitz dumped cold water on any suggestion that Asia has recovered. "Most of the countries are nowhere near recovery in terms of fundamentals of output, employment, and real wages," he said. He praised China, saying that Beijing realized and acted on the need to stimulate demand, and put into place "a well-thought-out stimulus package that addressed the country's

British takeover of Asian banks is facing trouble

Several high-profile British buyouts of Asian banks have either fallen through or are on the verge of falling through, because of a nationalist backlash, the *Far Eastern Economic Review* reported in its July 15 issue. The most spectacular is Standard Chartered's plan to take over one of the oldest private banks in Thailand, Nakornthon. The deal was so rotten, and drew such broad protest throughout Thailand, that the government finally refused to approve it. Standard Chartered was putting in only about \$160 million, while the existing stockholders took a 100% loss, and the government had to cough up \$350 million — and yet Standard Chartered would get 68% ownership!

In Indonesia, Standard Chartered's much ballyhooed purchase of Bank Bali is also running into problems, while Hongkong & Shanghai Bank Corp.'s plan to buy Seoul Bank in South Korea has stalled. Thus far, only three takeovers in all of Asia have gone through since the beginning of the financial crisis in the summer of 1997: DBS of Singapore bought Thai Danu Bank, ABN Ambro bought Bank of Asia in Thailand, and Commerzbank bought Korea Exchange Bank.

The collapse of the Nakornthon deal is causing distress across the board, because the lucrative deal was to be a model for several other buyouts in the pipeline.

long-term needs at the same time that it addressed the short-term macroeconomic situation."

In his keynote address, Stiglitz advised against a rush to sell off domestic banks to foreigners, because such a step might turn out to be simply giving away domestic assets on the cheap, paving the way to restructure as a means of asset-stripping. He cited a case in South Korea, in which the Seoul government had reached a preliminary deal to sell a local bank to U.S. investors, but when the time came to settle, the U.S. side tried to talk down the price. Korea held its ground; a threat was issued that if the deal did not go through, word could be spread that Korea was dragging its feet on financial and economic reform.

Prof. Takashi Shiraishi of the Center for Southeast Asian Studies, Kyoto University, reviewed the post-World War II evolution of the Asian economies, to make the point that it would now be "folly to mix up industrial policies with cronyism and corruption and short-term efficiency in resource allocation with long-term national welfare."

British know that to destroy Colombia, Peru must be broken

by Luis Vásquez Medina and Cynthia Rush

As *EIR* reported in its Aug. 6 issue, in his first appearance before the press, Arturo Valenzuela, the newly appointed Director for Inter-American Affairs of the U.S. National Security Council (NSC), defended the proposal put forward in June by the U.S. Ambassador to the Organization of American States (OAS), which urged the formation of an “early-intervention mechanism” for any Ibero-American country where democracy “is in danger.” Valenzuela’s remarks were covered at length in the July 20 *Washington Times*.

The resolution presented to the OAS proposed that where “democracy” is allegedly threatened, a “Group of Friends” of neighboring countries and key “institutions” would be formed to intervene to “help” resolve the crisis, as occurred against Paraguay in 1996 and 1998. The idea is the brainchild of London-owned geopolitician Luigi Einaudi, also known as “Kissinger’s Kissinger for Latin America,” and of the Inter-American Dialogue (IAD), whose activities on behalf the British-American-Commonwealth (BAC) apparatus—promotion of drug legalization and smashing the institutions of the sovereign nation-state, especially the armed forces—*eir* has thoroughly documented.

Valenzuela, an asset of the IAD, was recently inserted into White House policymaking for Ibero-America, and almost immediately began organizing for the Einaudi proposal. The first target for such a regional intervention is Colombia, where the IAD’s policy is to prevent the Armed Forces from waging total warfare against the narco-terrorist FARC insurgency, and to use internationally backed “peace” negotiations to hand the country over to the drug cartels.

Absolutely related to the IAD assault on Colombia is the ferocious targetting of Peru and its President, Alberto Fujimori. The BAC doesn’t intend to allow a repeat in Colombia of the successful strategy through which Fujimori defeated the narco-terrorist Shining Path (Sendero Luminoso) and MRTA, beginning in the early 1990s. In his remarks, as reported in the *Washington Times*, Valenzuela made the astounding assertion in defense of the “preventive mechanism” proposal, “that had such a mechanism been in place at the time, it might have prevented President Alberto Fujimori’s ‘*autogolpe*’ [self-coup] that extended his own powers while curbing those of the Peruvian Congress.”

In other words, the defeat of Shining Path could have been prevented, had Luigi Einaudi’s “Group of Friends” been around in 1992! It was the 1992 Fujimori “self-coup” which put Peru and its institutions on a war footing which saved Peru from disintegration at the hands of the narco-terrorists.

Valenzuela also enunciated this criminal policy in an interview with the Argentine daily *Clarín*, on Aug. 1. There, he quoted from the letter President Clinton sent to Colombian President Andrés Pastrana a few weeks ago, in which, reflecting the White House’s dangerous acceptance of IAD policy input, Clinton had said that the hardest thing for Colombians to understand is that there can be “no military solution” to the FARC insurgency. Valenzuela argued that the FARC’s having replaced the role of the state in many parts of the country is a problem that has “been going on for many, many years,” and that eliminating the FARC militarily could not solve that “fundamental problem.” The real national security threat to the United States, he lied, is not the drug cartels’ takeover of Colombia, but rather the “drug trade.” The FARC, he said, is only “an element of support for the drug trade,” and “in that sense *only*, the war against the drug trade is also a war against the guerrillas.”

Get Peru

Ever since the beginning of this year, when President Fujimori publicly disagreed with the way in which the capitulationist Pastrana government was carrying out its so-called “peace plan” with the narco-terrorists in Colombia, the Peruvian government has become one of the main targets of the globalist oligarchy.

The chorus of attacks and slanders against the Fujimori government became particularly strident after the Peruvian President’s July 6 decision to partially withdraw his government from the jurisdiction of the Inter-American Human Rights Court. The court had previously issued a ruling demanding that Fujimori release four Chilean MRTA members who had been convicted for terrorist acts in Peru and jailed. The court claimed that the four hadn’t been given due process—they were tried by a military court—and demanded not only their release, but also payment of a \$10,000 indemnity. Fujimori’s response to this outrageous demand was, “Peru

will not release any terrorist, not a single one!" The real issue here, he said, is "whether the court operates above Peruvian sovereignty. We are a sovereign country, and the fundamental point is that no one, no entity, can give orders to the state."

Especially since mid-July, the traditional international mouthpieces of the BAC, like the *New York Times*, the *Washington Post*, the London *Economist*, and others, have stepped up their attacks against Peru. Threats have ranged from economic blackmail, to hints that Peru needs the kind of treatment that the one-worldists meted out to Panama in 1990. The June 10 issue of the *Economist* referred to Fujimori as an "outlaw."

In recent weeks, "Mr. Iran-Contra," Elliott Abrams, has gotten on the Peru case. A thug for Project Democracy's secret, parallel government who served in the Reagan-Bush administration as Assistant Secretary for Inter-American Affairs, "right-winger" Abrams shares the "liberal" Dialogue's outlook on Ibero-America, and has worked particularly with Luigi Einaudi, to go after Fujimori. In fact, Abrams and Einaudi testified before the Foreign Operations subcommittee of the Senate Appropriations Committee on May 12, to demand a cut-off of aid to the anti-drug unit of Peru's National Intelligence Service (SIN), because of the SIN's alleged "human rights violations" and "death squad" activity. This, despite the fact that U.S. Ambassador in Peru, Dennis Jett, refuted these charges against the anti-drug unit.

In an Aug. 1 interview with CNN, Abrams charged that Peru is the "only obstacle" to full democracy in the entire continent. Abrams likened Fujimori to former Chilean dictator Augusto Pinochet, and likened Vladimiro Montesinos of the SIN, who is an adviser to Fujimori, to Panama's Manuel Noriega. Fujimori immediately shot back that Abrams, who was convicted for his role in illegally channeling funds to the drug-running Nicaraguan "Contras" in the 1980s, "lacks the moral authority" to attack the Peruvian government. Because of that illegal activity, Fujimori recalled, Abrams was investigated and had his lawyer's license suspended.

Isn't it a contradiction, he continued, that Abrams today runs something called the Center for Ethics and Public Policy? Ethics? "I have the impression that [Abrams] has rather an interventionist mentality toward Latin America," he said, adding with some sarcasm that Abrams's description of the Peruvian government as a threat to democracy is surprising. "Did Abrams believe that Shining Path was a threat to democracy? He complains about the loss of life in the war against terrorism in Peru, but never mentioned that there have been greater losses among the terrorists. The most recent example is the capture of [Shining Path leader] 'Feliciano,'" concluded the Peruvian President.

Fujimori was right on the mark in pointing to Abrams's moral degeneracy. Not only was he up to his neck in the illegal diversion of funds to the Nicaraguan Contras, for which he was indicted, but those same drug-trafficking Contras played a role in the Colombian cocaine trade by facilitating the early

1980s introduction of lethal crack cocaine into many major U.S. cities. (See *EIR's Special Report*, "Would a President Bob Dole Prosecute Drug Super-Kingpin George Bush?" September 1996.) Abrams is also the lawyer for Baruch Ivcher, an Israeli citizen whose TV program in Lima was shut down after he used it as a forum for narco-terrorist propaganda against the government. Abrams and the IAD are lobbying on Ivcher's behalf, against Fujimori's "authoritarianism."

Fujimori's tough response enraged Abrams. In an Aug. 4 interview with Lima's Radio Cadena de Noticias, Abrams threatened to overthrow the Peruvian President, boasting of his own role in getting "hundreds" of U.S. Congressmen and Senators to "change" policy toward Peru, and especially toward the SIN, whose anti-drug unit received U.S. funding. But the real issue, he went on, is support for democracy "against individuals like Noriega or Fujimori, who think they are the state, and think they can do whatever they please. And when a government becomes a dictatorship, becomes authoritarian, it is very important that its neighbors, the United States and Latin countries through the OAS, *do something*" (emphasis added). Abrams said that there is "great fear in Washington of the future of democracy in the Andean nations," lumping Fujimori in with Venezuela's tin-pot dictator Hugo Chávez, as a "threat" to the Andean region.

Economic warfare brandished

At the same time, as was insinuated by the London *Economist* and declared outright by Javier Silva Ruete, a former Finance Minister who is the Inter-American Dialogue's man in Peru, Fujimori's "insolence" in rejecting the Inter-American Court's ruling was going to be punished with a total withdrawal of capital from the country. Silva Ruete, who is currently the chief economic adviser to Lima Mayor Alberto Andrade, a challenger to Fujimori in the next Presidential elections in Peru, defined the program that the opposition would bring to those elections, which is nothing short of full-scale globalism. Silva Ruete argued that the phenomenon of globalization, "from which no country can escape," is a two-sided coin, where the economic side represents absolute free trade, and the other side, a total juridical and institutional opening, which he defined as democracy. "I can't manage globalization if I tried to only manage the economic part; It also has to be globalist institutionally and juridically," intoned Silva. That is, "reform" national institutions out of existence.

Thus, economic strangulation, through cut-offs in credit lines that have in fact already begun, would be the decisive means of breaking Peru's tough stance against narco-terrorism. The country is highly vulnerable, because it is already in the throes of a major economic recession as a result of global financial disintegration. London's *Financial Times* identified Peru's banking system as one of three in Ibero-America most likely to collapse.

Senate agriculture hearings show policy crisis as well as farm crisis

by Marcia Merry Baker and Suzanne Rose

During the last week of the Congressional session, the Senate Agriculture, Nutrition and Forestry Committee held hearings on Aug. 3-5, on the "U.S. Farm Income Crisis," taking testimony from Agriculture Secretary Dan Glickman, who had asked for the hearing, and others on how bad the U.S. farm economy is, and what should be done. The hearings accompanied floor votes on what kind of emergency farm aid should be authorized, which was being worked out as of the recess deadline. Vice President Al Gore also got into the act on Aug. 3, holding a press conference simultaneous with the Senate hearing, to "talk farm talk," which served as a stunt to affront Committee Chairman Richard Lugar (R-Ind.), who has been opposing immediate farm aid (see box on Gore).

An observer noted after the first Senate hearing on Aug. 3, that the Democrats are in denial, and the Republicans are in virtual reality.

The denial is not about the extent of the farm crisis. Almost all the Democratic Senators from the leading farm states, and also some of their Republican state and local lawmakers as well, are very clear on that point, and have been presenting stark facts, figures, and stories, including at press conferences the previous week. But they still do not acknowledge, at least publicly, that there is an *overall economic breakdown crisis* in the United States outside the farm sector, and also a global physical economic crash.

Moreover, those insisting on emergency farm aid have so far not stressed even the fact that the public food supply is at stake. Instead, appeals and references are made to saving a "rural lifestyle," or "being fair" and contributing to farm state "quality of life."

In reality, the breakdown process in agriculture, and also manufacturing, infrastructure (look at the water and power crises), health care, and other basic necessities, is accelerating so fast in the United States and abroad, that nothing should be taken for granted about a future functioning economy.

EIR prepared testimony to this effect, entitled "It's a Crash! Take 'Chapter 11 Reorganization Approach' for Nations for Post-Crash Economic Survival." Submitted Aug. 3, it will appear in the written record of the hearing (see excerpts below).

Don't blame 'overproduction'

One of the key points *EIR's* testimony stressed, is that "overproduction" of farm commodities (grains, livestock, etc.) is *not* the cause of the current collapse in price to farmers. Secretary Glickman repeated this myth, attributing low prices "to the fourth year of record worldwide crop production." **Tables 1 and 2** show, for total grains output, that overall, per-capita grain production is declining in the world.

Thus, mythical supply-and-demand "market forces" are not at work. What's causing the record low farm product prices is, in part, the global financial crisis reaching the point where former customer-nations are unable to buy. Millions of people are going hungry, as their nations are also producing less.

And also, there is the domination of the domestic and international food chain by cartels of commodity companies that imperiously pay farmers as little as they choose, and charge consumers as much as they like.

The traditional U.S. policy of *parity* has been being laid aside over time since the 1950s, and as of the 1996 "Freedom to Farm Law," was eliminated altogether. (If that law itself is nullified, however, the 1949 standing parity policy will resume.)

On July 31, a radio broadcast for farm states was made by President Clinton on the need not only for immediate farm aid, but also to look again at the 1996 Freedom to Farm Act. On Aug. 3, Secretary Glickman described the administration's view of emergency measures, as *not parity*, but a patchwork including increasing direct payments to farmers, restoring the farmer-owned grain reserve, conservation incentives, and additional food aid initiatives.

On July 27, the Senate held a hearing on the implications of consolidation of control in the food markets by a select few commodities companies. Instead of reviewing the need to restore parity pricing, a defense of the prerogatives of the cartel companies was provided in testimony by Department of Justice Anti-Trust Division head Joel Klein, who approved the mega-merger of Cargill and Continental Grain in July. Klein said that "concentration" of private power (over the public good) is no longer an issue; rather, "efficiency" is the issue (see box on anti-trust hearing).

The virtual reality view at the Aug. 3 hearing was represented by Sen. Peter G. Fitzgerald (R-Ill.). He noted that the more emergency funds Congress has given farmers, the more their income has gone down. He concluded that government assistance could be keeping people in business who shouldn't be in business.

Senator Lugar concurred, and brought in an expert, Dr. J.B. Penn from the Sparks Companies, Inc. consulting group, to defend the return to big corporate farming, i.e., neo-plantation agriculture, and to oppose farm aid. Penn praised the 374,000 farm operations that produce almost all U.S. agricultural output, and wrote off traditional family farmers.

Penn's study was done for a cartel-serving outfit called the Coalition for a Competitive Food and Agriculture System. Using graphs, Penn asserted that U.S. farm income is strong, the balance sheet is solid, land prices are holding, and there is little evidence of the excesses of the 1980s. The core of the farm sector is 374,000 farms which produce most of the food, he said. They continue to increase their output, despite the oversupply in world markets, which are depressing prices, because they are more efficient, and can produce below cost. This sector will continue to make money, and produce more, whereas the other farmers, many of whose livelihood is not dependent on farming—the polite way to say that they and their families are working night and day away from the farm, in order to subsidize their loss of income from farming—are

not surviving, and shouldn't be "saved." Penn said that U.S. agriculture policy should be directed toward the first group, and as for the others, the Darwinian survival of the fittest should prevail. He said, if we just want to keep population in rural America, that is not a farm policy question. Lawmakers have no obligation to "make these people whole," he said.

Reality of the farm crisis

On Aug. 3, Sen. Kent Conrad (D-N.D.) noted that if you eliminate from calculation the flow of government payments, farm income has been in a free fall since 1996, when the Freedom to Farm (i.e., Freedom to Fail) bill was enacted, from \$46 billion, to \$27 billion projected for 1999. He said that if we look at prices when adjusted for inflation, they are the lowest in 53 years. We will lose 20-30% of the North Dakota farms over the next 18 months, he said.

In Iowa, the state agriculture commissioner projects losing 6,000 farmers this year, or one-third of all family farms in the state.

Moreover, Secretary Glickman noted at the Aug. 3 hearing that farmers all around the world are in trouble—a significant change of view from his much-promoted U.S. "agenda" for the World Trade Organization November meeting, where he has singled out European farmers as being oversubsidized. In opposition to the outlook in Senator Conrad's draft legislation "FITE," which blames European farm-

Gore backs Cargill: 'Don't worry who owns the ships'

On Aug. 3, Al Gore spoke at a press conference on Capitol Hill, where he called on Congress to support emergency aid to farmers. "I have been out there meeting with farmers, spending the night with them, talking with them in coffee shops. I had a two-hour roundtable session with 15 farmers in Cedar Rapids a couple of weeks ago. I've talked with farmers in California, in Minnesota, all over the country," he said.

In fact, in Iowa, Gore *defended the cartels against farmers*. On July 14, facing a panel of 15 farmers in Cedar Rapids, he was confronted over the issue of cartel control of food, and ruinously low farm commodity prices. At the event, at Kirkwood Community College, Gore conspicuously wore black cowboy boots, and leaned back in his chair, assuming an intent listening pose.

Dick Baker, of Keokuk County, pointed his finger at Gore, saying, "When we out here see a company like Car-

gill buy out Continental, and no repercussions coming out of Washington, D.C., and this new company will control 50 to 60% of grain handling in the U.S. and the world," this is a threat. "The anti-trust laws are on the books."

Gore replied that it's more complex than that. "I agree anti-trust laws need to be enforced. You need to look out for the producers. But, if you get the merger issue to the point where you think that is the be-all and end-all to the problems, you're missing something there.

"When you've got countries like India that used to be major customers but are now competitors, it doesn't make any difference who owns the ships. When your markets are reduced because of the economic crisis in Asia," it has an impact.

Gore reminded the farmers that his was the vote that broke the Senate tie, and got Federal ethanol support through (whose major beneficiaries have been Archer Daniels Midland and Cargill).

Gore also said that fast-track free-trade policies must be pushed through. "We've got to put labor and human relations issues into the discussions to protect American values," he said. "But we have to expand our markets and eliminate foreign protectionism."

ers, Glickman said, “Every farmer in every country is doing terribly. Their prices are in the tank.” Senator Harkin agreed that U.S. farmers can’t export their way out of the problem. “Other countries want food self-sufficiency,” he said.

It’s a crash! EIR tells Senate panel

EIR News Service submitted testimony for the record for hearings held on Aug. 3-5, by the U.S. Senate Agriculture, Nutrition, and Forestry Committee, on the U.S. Farm Income Crisis. Edited excerpts appear here. The full testimony, entitled “Nations Must Take a ‘Chapter 11 Bankruptcy Reorganization’ Approach for Post-Crash Economic Survival,” prepared by EIR Economics Editor Marcia Merry Baker, is available at eirns@larouchepub.com.

At present, whole communities, counties, and states in the U.S. farm belt are in crisis. The same situation exists in other leading agriculture regions of the world.

But, look again. Not just agriculture, but across the board, trade, production, and consumption are contracting at accelerating rates, here and around the world.

What we face is a world-scale *crash*. This is not a single-sector, nor single-state, nor lone-nation crisis, but a global financial-economic breakdown. Understanding this is the basis for taking the right action.

Look at the basic question of food. As of the late 1990s, world food output is inadequate to the point of malnutrition for 840 million people (the conservative estimate of the United Nations Food and Agriculture Organization, October 1998). Take grains as a marker. The annual world output of grains has declined, per capita, over the 1990s, from 748 pounds a year, to 682 pounds expected in 1999. Total annual world grain output has never gone above 2 billion tons, and is falling year to year (Tables 1 and 2).

(The commonly heard line that somehow “overproduction” of grains and food is behind today’s low farm commod-

TABLE 2
Decline in world grain output per capita, 1990s

Year	Total grain (millions metric tons)		Population (billions)	Per capita (metric tons)
	Produced	Stocks		
1990	1,780	352	5.279	0.34
1991	1,711	339	5.423	0.32
1992	1,794	383	5.480	0.33
1993	1,729	346	5.555	0.31
1994	1,781	318	5.610	0.32
1995	1,730	260	5.688	0.31
1996	1,893	303	5.772	0.33
1997	1,906	333	5.847	0.33
1998	1,877	330	5.927	0.32
1999	1,858*	315	6.003**	0.31

* UN FAO estimate, June 1999
** Estimated

Sources: UN Food and Agriculture Organization, U.S. Bureau of the Census.

ity prices is just an untruth—either from stupidity, or deliberate lying.)

We start with a few indicative headline developments to make the point of the “crash.” Then we address the collapse process behind this, from the vantage point of the “Big Picture,” and what to do about it.

It should also be noted from the outset, that the menace of such mega-mergers as Cargill-Continental, is not merely that they are big and bad, but rather that they are blatant power-grabs for commodities and hard assets, for the cartels’ *post-crash* control.

We urgently require not just farm “safety-net” action in the United States, but history-making intervention to save nations and peoples.

Current indicators of global economic contraction

United States: During the 18 months since January 1998, the U.S. manufacturing workforce has lost 487,000 jobs. During 1998, some 265,000 manufacturing jobs disappeared. Over just the first six months of this year, 222,000 have gone, with 35,000 lost in June alone.

The machinery and equipment manufacturing sector is contracting drastically. On July 7, the world’s biggest mining equipment maker, Harnischfeger Industries, which also makes huge paper-mill machines and earth-moving machines, filed for Chapter 11 bankruptcy.

Caterpillar, the world’s largest maker of heavy construction and earth-moving equipment, reported that its orders and sales are down to the extent that profits fell 36.5% from the second-quarter of 1998 to the present, and future prospects are worse still.

Deere & Co., the world’s largest farm machinery builder,

TABLE 1
Decline in world grain production, 1997-99

(million metric tons)

World output	1997	1998	1999
Wheat	613	595	579
Coarse grains	905	905	891
Rice	387	382	387
Total	1,905	1,882	1,858

Source: UN Food and Agriculture Organization, June 1999.

is imposing extended work furloughs, and expects 1999 farm equipment sales to drop at least 18-20% from last year. The New Holland farm machinery factory in Grand Island, Nebraska began laying off nearly all of its 630 employees in the first week in July, because sales are so low.

Europe: In Germany, the workforce involved in machine tools, construction, and other basic sectors is declining at a disastrous rate, as exports and domestic orders plunge.

Eastern Europe: Steel output in the nine countries of eastern Europe fell up to 30% in just the first six months of this year, compared to 1998.

Ibero-America: Defaults and crises are hitting all basic sectors of the economy, to the point of mass shutdown. In **Mexico**, the physical-economic functioning of the nation is breaking down. Consumption of food staples (tortillas, oils, beans, and dairy) fell by 20% from the first quarter of 1998 to 1999. The flagship companies of all sectors are at the brink of going under: Altos Hornos de México S.A., the country's largest steelmaker; Grupo Dina, Mexico's largest bus and truck maker; Bufete Industrial S.A., one of the country's largest construction firms, which specializes in oil rigs and electric power stations; and Grupo Tribasa S.A., Mexico's second-largest construction firm.

Asia: Daewoo, the giant South Korean conglomerate, is on the brink of bankruptcy, and cannot continue without special measures. Employing 140,000 people, this company's condition exemplifies the general situation throughout Asia, with the notable exception of China.

In Japan, orders for Japanese machine tools—the world's biggest supplier—are crashing. According to preliminary figures published by the Japan Machine-Tool Builders Association on June 21, new orders received by Japan's machine-tool industry in June 1999 were down 34.5%, compared to the year before. This directly reflects the plunge in economic activity in Japan and globally. Within Japan, from March 1998 to March 1999, domestic orders for machine tools fell 44% from the electrical engineering sector, fell 31% from the auto building sector, and fell 38% from the machine tool sector itself.

In Indonesia, the fourth most populous nation in the world, there has been a tripling of poverty rates in just 12 months, because of the global financial breakdown, and the austerity approach of the International Monetary Fund (IMF).

Africa: The entire continent is in turmoil, with lack of infrastructure, food production systems, and economic activity on the scale of genocide.

Russia: Over the 1990s, industrial and agriculture activity fell by more than *half* during the years of IMF "shock therapy" and "free (i.e., looting) markets" approach. The country lost 4.5 million people because of higher death rates during this period, falling from over 150 millions down to 147 millions. Then, beginning in October, this devolution process was suspended under the Primakov government, when economic-restoration measures were taken. But now what?

Understanding the collapse process

Figure 1, a graphic of a national economic collapse process, shows what led to today's economic breakdown crisis. (Compare that to **Figure 2**, which shows what the "triple curve" should look like for a healthy economy.) This is the now well-known "Triple Curve, A Typical Collapse Function," first released in late 1995 at a seminar in Rome, by economist Lyndon H. LaRouche, to depict and forewarn of the imminence and inevitability of a crash, if emergency intervention to stop the processes leading in that direction were not taken. No such heading-off actions were taken. As of the late 1990s, we entered the collapse phase that LaRouche had forecast.

As the figure shows, beginning around the 1960s, the disparities in the three curves grew to the blow-out point of today. The "triple curve" relationships illustrate that as financial valuations of all kinds increase (the top curve, referring to ballooning share values, debt pyramids, derivatives, futures, and similar speculative assets), and monetary valuations also increase (the middle curve—currency inflation, and so on), at the same time, and as part of the same process, the conditions of the physical economy *decrease* (bottom curve of falling economic inputs and outputs). Barring a policy intervention to put a stop to this disparity, there will be a shock-wave phase reached of financial blowout and physical collapse.

The bubble pops

Since 1997, and the outbreak of what was wrongly called the "Asian flu," waves of financial disintegration are under way. Bubbles of all kinds of unpayable financial obligations—inflated stock share values, national debts, deriva-

FIGURE 1
A typical collapse function

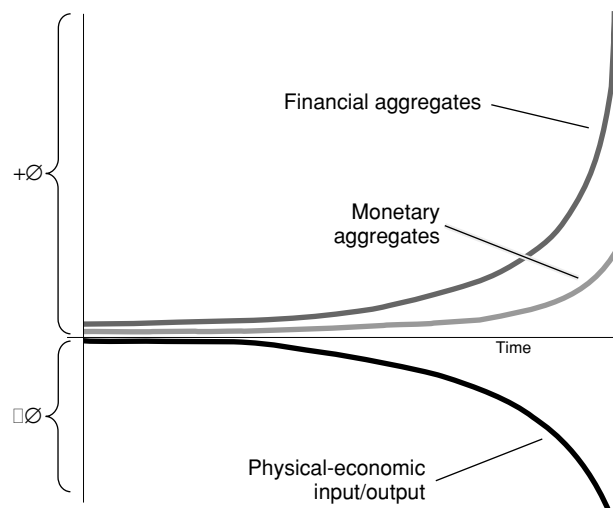
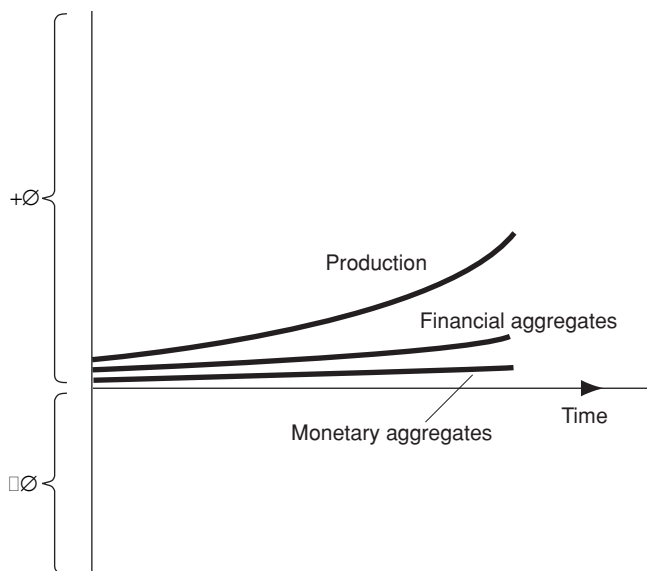


FIGURE 2

Normal triple curve for a healthy economy



tives, and so on, have been bursting. In Asia in 1997, in Russia in 1998, and now Brazil in 1999—and so on.

These bubbles were fostered by the globalization policies imposed during the recent years of the IMF era. It will go down in history as the “*casino mondiale*” period—outclassing even the Tulip Bubble, the Mississippi Bubble, and the other historical examples of mass insanity. In recent years, whole nations and peoples have been bled dry by demands to make good on the escalating unpayable debt claims. Now the financial pyramids are tumbling down.

For some years, what has been required is a cooperative, international “Chapter 11” bankruptcy reorganization approach to freeze or cancel debt, in the interests of saving national economies—instead of saving globalist speculators.

Instead of this, Federal Reserve Chairman Alan Greenspan, and his counterparts abroad, are pursuing a hyperinflation policy that is making way for a cosmic crash. Much of the public is allowing this to happen, because they themselves are caught up in all kinds of gambling fever about making a killing on the markets.

U.S. economy a bust, not a boom

Look at what happened to the United States economy over the past 30 years. Since about the mid-1960s, as more and more investments went into speculative and non-economy building purposes (stock inflation, futures, mergers and acquisitions, real estate speculation, currency speculation, junk bonds, and then post-1987 derivatives), the condition of the U.S. infrastructure, manufacturing, farms, and household

consumption and production, has declined—approximately at about the rate of 2% a year, or *by half* since the 1960s.

Under the policies of the past 30 years of “post-industrialism”—deregulation, privatization, speculation, free trade, and globalization—the U.S. economy has been hollowed out to the breakdown point.

Here are some examples related to agriculture:

- In the 1960s, one could still raise a family by farming, with only a part-time off-farm job, if any. Today, farm income has plunged below the point of survival. In Iowa, farm income this year is expected to fall by 30%. In 1997, farm income in North Dakota fell more than 90% in one year. Iowa’s Agriculture Secretary Patty Judge estimates that 6,000 farmers will be lost in the state this year. This situation is repeated throughout the farm belt.

- Rail, electricity, and other rural infrastructure was still being kept up as of the 1960s. But after deregulation, the rail density and rolling stock collapsed to the point that Iowa, for example, lost one-third of all its rail grid in the 1980s. Union Pacific and other lines are not able to reliably move grain and other goods.

- The U.S. job profile has deteriorated to where manufacturing and related productive work (infrastructure, construction, and necessary medical and other services) is now under 20% of the workforce, whereas in the 1960s, it was still 45% of the workforce. People are now engaged in multiple part-time jobs in retail, services, and all kinds of non-productive activity, amounting to “overhead” to the economy.

- The United States is now import-dependent for essentials ranging from footwear, to slab steel, to appliances, to fruits and vegetables, etc.

- In the agriculture inputs sectors—for example, U.S. farm equipment—employment, output, and sales of machinery are plunging. From March 1998 to March 1999, U.S. shipments of two-wheel-drive tractors (above 100 horsepower) fell more than 35%; shipments of four-wheel-drive fell more than 40%; and combines fell 49%.

Emergency policies required

What is required are national economy-building measures. In agriculture, specific policies are:

1. Institute traditional parity policy for agriculture and other vital commodities. Call it a “floor price,” or “deficiency payment” system, or any other name, but the parity policy needs to be restored.

2. Adopt safety-net measures for the short term, including any and all kinds of appropriate measures to preserve and restore family-farm-based agriculture. This requires moratoria on foreclosures and rescheduling of debts.

3. Dump the 1996 “Freedom to Farm Act,” the North American Free Trade Agreement, and all forms of “free markets”-based domestic and foreign policies. Stop the “hedge” and “futures” gimmicks and con games.

4. Increase domestic output again of basic food and fiber

Whom can you trust at Anti-Trust?

At a U.S. Senate Agriculture Committee Hearing on concentration in agriculture on July 27, Assistant Attorney General Joel Klein defended agricultural cartels' commodity control as "efficient." This hearing was one of a series of Congressional hearings and forums held to investigate the crisis in agriculture caused by collapsing prices. The crisis can only be attributed to the ongoing collapse of the world financial bubble, and the cartelization of the markets which accompanies free trade and speculative binges.

The Senate was responding to the growing demand by farmers for anti-trust action. The first anti-trust laws, the Sherman and Clayton Acts, which prohibit the monopolization of markets, were put into effect in 1903. But it was not until Franklin Roosevelt's New Deal in 1933, that a separate, Anti-Trust division was established in the Justice Department. Klein has been the head of the division since 1996.

Klein was questioned in particular about the Justice Department's approval of the recent merger of grain giants Continental and Cargill. Witnesses besides Klein included Michael Dunn, Undersecretary for Compliance with the Grain Inspection and Packers and Stockyard Act division (GIPSA), and Jim Baker, Administrator for GIPSA at the U.S. Department of Agriculture. Sens. Tom Harkin (D-Iowa), Robert Kerrey (D-Neb.), Patrick Leahy (D-Vt.), and Kent Conrad (D-N.D.) demanded enforcement of anti-trust laws in agriculture, citing intensifying consolidation in grain handling and food buying and processing, which is leading to record profits for agri-business, while producer prices collapse. Harkin said that hog producers in his area only have one buyer. Conrad said that four meatpackers now control 80% of slaughter.

In response to demands for more vigorous enforcement, Klein placed himself squarely on the side of the cartels, arguing that concentration was not the only criterion for applying the law, but that whether a merger created more "efficiency" in the marketplace was also relevant.

This novel interpretation of the law was challenged by Harkin. "Do anti-trust laws mandate you have to take efficiency into account?" he asked.

"There are business-driven concerns that may lead to mergers to make us more efficient and competitive," replied Klein. If we lose farmers in the process, he said, that is not a concern related to the enforcement of anti-trust laws, but a "quality of life issue." "Quality of life" is sociobabble that the cartel interests use to dismiss concerns about loss of producers who produce food to feed people.

Conrad presented charts depicting the dramatic producer price collapse since the implementation of the 1996 "Freedom to Farm" bill, which eliminated government price support payments, only to leave farmers at the mercy of the cartels. "We will lose 30% of the farmers in North Dakota in the next 12-24 months," he said. "The corn prices have dropped below the cost of production, so questions of concentration are more urgent." Conrad cited an editorial in the *Bismarck Tribune*, "Justice Department Plays Games with the Grain Trust," which says that anti-trust officials have failed to aggressively deal with concentration, especially in the case of the Continental-Cargill merger.

Klein's reply would have made Goebbels blush. He said that Conrad was wrong, that the price decline in agriculture had nothing to do with concentration. His evidence was a nominalist interpretation of one of the Senator's graphs which showed a producer price peak in 1996, and rapid descent in the ensuing five years. You see, Klein said, the price has gone down, but there has been no increase in mergers since 1996. What Klein ignored, is that the Conservative Revolution's Freedom to Farm bill was enacted in 1996, removing government price supports to farmers, leaving prices at the mercy of the cartel-controlled markets. — *Suzanne Rose*

supplies, ranging from fruits and vegetables, to cotton to other staples. Extend low-interest credit to farmers. Restore traditional governmental agricultural extension services to further high-tech farming, not peddle low-tech hokum.

5. Launch large-scale infrastructure improvements — repairs and maintenance, and expansion of rail, water, power generation, and other utilities. Use advanced technologies, including nuclear-powered desalination of water, and magnetically levitated trains, and so on. Upgrade and expand the water-borne bulk hauling systems.

6. Break up the commodities cartels, with anti-trust action. Action, not more studies is what is needed.

Strategic foreign policy overall

1. The United States should confer and collaborate with a number of strategic nations — China, Japan, Russia, and other European, South American, Asian, and African nations — on nation-serving measures, including stable, pegged currencies, mutual-interest trade (not free trade), mutual-interest capital flows, not speculation, and so on.

This kind of collaboration is especially called for in light of emergency reconstruction and food needs for the Balkans region, and in Africa and other locations. Many national leaders have signalled that they would welcome this approach.

2. The United States must support collaboration on constructing the priority infrastructure projects around the world, including collaboration on the highest-technology machine tool development, and R&D in energy wave chemistry, biology, and all manner of scientific advances and applications.

Of special strategic priority is the grand Eurasian Land-Bridge (the “New Silk Road”) of rail-based development corridors from China and Japan to Europe. Aspects are already under way on this 21st-century effort, which is in the historical tradition of the build-up of the United States itself.

The LaRouche factor

The global crisis points up the need to mobilize the expertise to turn around the collapsing economy here, and worldwide. Among the most qualified to enlist in solving the crisis, is economist Lyndon LaRouche, who is known for accurately predicting the nature and timing of the current collapse process, and for addressing what needs to be done to pull out of

this catastrophe. In late 1998, former President of Mexico José López Portillo advised, “It is now necessary for the world to listen to the wise words of Lyndon LaRouche.”

LaRouche has called for a “New Bretton Woods” round of nation-to-nation collaboration on a new world financial system to serve national economic interests, not speculation. His 1999 strategic document, *The Road to Recovery*, gives the approach that can work.

Post-crash power grabs

On the enemy side of humanity, there are those who are blatantly moving for controlling positions in the “post-crash” world. The merger of Cargill and Continental Grain typifies the degree of control now exerted over the entire food chain by a small number of international cartels. This is not mere greed and money, this is a power grab.

Knowing full well about the disintegration of the global financial system, financial circles interconnected with the power bloc best described as the “BAC” — for British-American-Commonwealth associations, centered in London — have been positioning themselves for making a killing out of the growing chaos. They have controlling interests in the world supply-chains of food, fuel, and minerals, and the supply of other vital commodities and services.

This is dramatically apparent in the agriculture and food systems here and abroad. Cartels of biotech and commodities concerns are acting to control seeds, breeding stock, and agrobio-technologies, through sweeping measures protecting “intellectual property rights,” which measures they demand to be enforced by the World Trade Organization. More than two-thirds of the top 20 food and agriculture companies of the world are BAC-controlled.

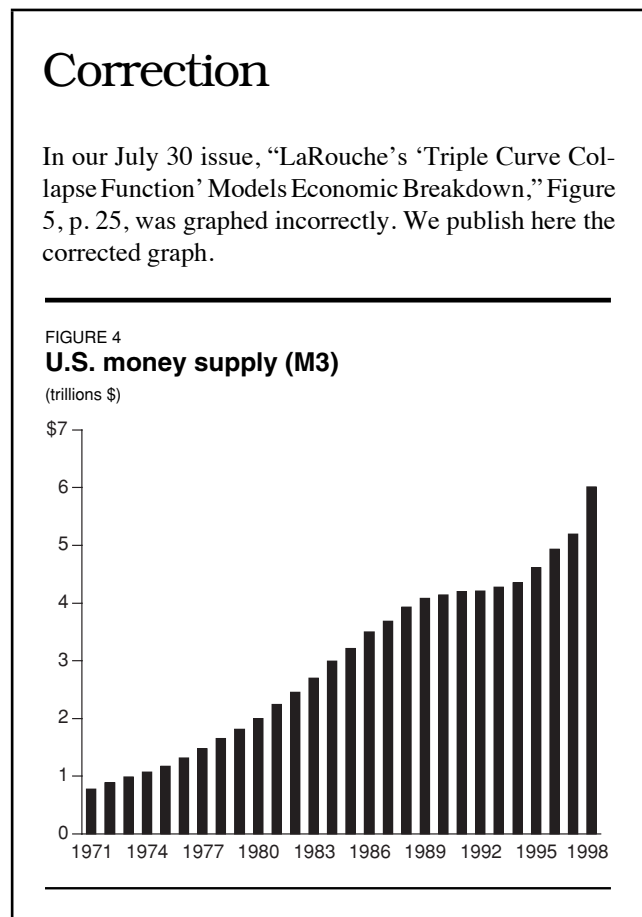
Stop the ‘business as usual’ thinking

Whatever the disagreements or questions that may exist regarding the “crash” picture here presented, the important point for lawmakers and citizens alike, is to reflect on how we came to this crisis, and reject any fall-back on the wrong-headedness that brought us to this point in the first place.

For example, one continues to hear the argument that more “foreign markets” and “free trade” will save the day for U.S. agriculture. Bunk! This line comes from one of two places: either from the same commodities cartel interests acting to undermine economic activity both here and around the globe, or from people who might mean well, but have not stopped to think lately.

The reality is that, world “markets” are blowing out, as entire nations and economies are being destroyed. The so-called level playing field is impossible, because, look again, the playing field just went vertical! Nation-saving emergency measures are required. Globalization must be stopped, not increased.

The above are the need-to-know essentials for intervening at this crucial time in history.



General welfare is being trampled by HMO human rights violations

by Linda Everett

On July 31, Democratic Presidential pre-candidate Lyndon LaRouche released a campaign statement that called for making it an “imprisonable offense for HMOs and the individuals heading them, to carry out medical policies which result in death and further suffering for individuals who are sick. It is a crime against humanity to immunize such criminals against civil suits.”

Yet, with only a few exceptions, the Republican majority in Congress, led by Conservative Revolution fanatics and driven by the managed care industry itself, appears intent on closing the 106th session of Congress by *expanding* the ability of managed care and health maintenance organizations (HMOs) to carry out murderous policies.

We report here briefly on the current battle for patients’ rights in Congress. Following this, we present documentation on how the system of managed care is itself a threat to the public good, and how, at every level, clear patterns are evident that its policies are harming and killing entire classes of the citizenry. Finally, we show how a 1974 Federal law now provides complete immunity for insurers, managed care plans, and HMOs.

With this, we hope to demonstrate that managed care—which is in fact a policy of *managed death*—must be scrapped, and that the United States must be returned to a health care delivery system serving the needs of a growing nation.

Background to the current crisis

The recent period of free-market-driven privatization and deregulation globally is characterized in the United States by the era of “managed care”—which has nothing to do with health insurance or the delivery of health services. Americans have been told that managed care, delivered by a health maintenance organization, or any variety of plans offered by managed care plans and insurers, helps save the nation billions of dollars in health care costs, by eliminating “unnecessary” tests, hospital visits, and other treatments. The enrollee’s primary care physician is often the “gatekeeper,” who has been offered financial incentives to deny services and limit access to expensive specialists and tests. The plans derive profits by denying medical treatment and contravening physicians’

expert opinion about what is medically necessary.

Since 1973, when Congress authorized the first Federal subsidies to HMOs, cutting health care costs and expanding health care coverage have been the pretext for taking down the formerly highly regarded U.S. health care system. Now, 44 million Americans—more than ever before—are uninsured. Moreover, managed care has created a new and growing class of about 30 million underinsured people, who, although they are “covered” by such plans, are routinely denied the services ordered by their doctors.

Managed care is a monstrous looting operation, aimed at diverting the \$1 trillion the nation spends annually on health care, into the coffers of the Wall Street and London-based financier oligarchy. In the Medicare program alone, the Inspector General of the U.S. Department of Health and Human Services found that managed care plans had grossly, wittingly, and artificially inflated their annual administrative costs to Medicare for years, by \$3-4 billion.

Managed care plans systematically destroy vital health care delivery infrastructure, thereby causing further deprivation of medical services. Managed care’s pervasive practice of underpaying, not paying, or delaying payment to hospitals that provide approved services, is driving many hospitals to the brink of closure, or past that brink. These HMO policies are a major reason why, according to Moody’s Investors Service, not-for-profit hospitals will suffer more bankruptcies and defaults over the next few years, because they are unable to make bond payments and are forced to seek relief from creditors.

In this “booming” economy, a state-of-the-art community hospital in the heart of Virginia’s Hunt Country, for example, which has the third-highest percentile of insured residents in the country, is facing closure or takeover, because managed care plans refuse to pay for hospital services. It has already closed a vitally needed counseling center, because of \$10 million in unpaid debt from managed care plans.

In New York, it is routine for plans to contract with the state to provide services to prisoners or Medicaid recipients; take the premiums and skip town; or declare bankruptcy, paying as little as 25¢ on the dollar of what they owe hospitals and doctors for their services. Then, as in dozens of other

states, state government agencies must pick up the pieces. One plan alone, Blue Cross Blue Shield, owes Maryland hospitals \$155 million for three years of services. Moody's states that "no hospital, including larger systems, is immune to the fiscal pressures currently affecting the industry."

Managed care is also cited as central to "a major downsizing" — one that rivals the cutbacks of the early 1980s — which "is under way in the hospital industry," with hospitals of all sizes slashing their staff to stay afloat" (*Modern Healthcare*, December 1998). The crisis is causing some regions' hospital-to-population bed ratios to collapse to pre-World War II levels (see Richard Freeman, "If You Get Sick, Will You Have a Hospital?" *EIR*, June 18, 1999). The impact on patient care is no less dramatic (see Linda Everett, "Managed Care and Nursing: Back to the 19th Century," *EIR*, June 18, 1999). Three patients died in 1997 at one acute care Kaiser HMO hospital alone, after it reduced its emergency room to stand-by status and closed its other area emergency rooms completely.

HMO and managed care enrollment grew from about 6 million in 1980, to 140 million today. By some estimates, as many as 85% of the U.S. public and private insured population

is enrolled in some form of managed care, as are 95% of all employer-sponsored plans.

The issues before Congress

A 1974 Federal law known as ERISA (Employee Retirement Income Security Act), which exempts employee benefit plans from state regulations, is being systematically misused by group managed care plans and HMOs, in order to protect their operators from liability when their wrongful denial of care results in harming patients. The Senate Democrats' Patients' Bill of Rights would have lifted the ERISA exemption, making such plans legally accountable for their actions by making it possible for patients to sue them. But, on July 15, with the exception of Republican Sens. John Chaffee (R.I.) and Peter Fitzgerald (Ill.), the Republican majority killed the Democrats' bill and replaced it with their own HMO Protection Act (see Linda Everett, "Senate GOP backs HMOs, Defeats Patients' Rights," *EIR*, July 30, 1999). Sen. Don Nickles (R-Okla.) and the Conservative Revolution's Sen. Phil Gramm (R-Tex.) continually rant the HMO industry's line: that allowing doctors to decide what is medically necessary care would drive up health care costs.¹

But, the cost of this HMO regime to the nation, and to its workforce, is too high. For example, when an HMO did not respond appropriately to one enrollee's neurological emergency, the worker — and breadwinner for his family — was left with total permanent quadriplegia (*Pappas v. U.S. Healthcare*).

The battle to protect patients' lives is currently in the House of Representatives, where the Democrats' Patients' Bill of Rights (H.R. 358), sponsored by Reps. John Dingell (D-Mich.) and Richard Gephardt (D-Mo.), along with Charlie Norwood (R-Ga.) and Greg Ganske (R-Iowa), is an open revolt against the Republican Party leadership's protection of HMOs. Democrats have also proposed bills that allow patients or their families to sue HMO plans under various circumstances. The day before Congress recessed in August,

LaRouche: Stop HMOs' crimes against humanity

In a statement issued on July 31, Democratic Presidential pre-candidate Lyndon LaRouche called for a popular campaign against those U.S. congressmen who are protecting HMOs from being held responsible for any crimes they commit against participants in their health plans. "My campaign is going to develop a list of those who are defending the HMOs," LaRouche said. "It should be an imprisonable offense for HMOs, and the individuals heading them, to carry out medical practices which result in death and further suffering for those who are sick. It is a crime against humanity to immunize such criminals against civil suits. Yet that is precisely what the Republicans in the Senate did, and others are threatening to do in the House."

LaRouche said, "The head of an HMO organization should be personally liable for damage caused by his organization's cost-cutting and other practices. Such an individual is worse than a drunken driver. . . . I've been warning against the HMOs' Nazi-style practices for years now — and now it is becoming crystal-clear. To defend the General Welfare clause of the U.S. Constitution, to defend the Constitution itself, the HMOs have got to be stopped."

1. Senators who protected the HMOs and their human rights violations were: Spencer Abraham (Mich.), Wayne Allard (Colo.), John Ashcroft (Mo.), Robert Bennett (Ut.), Christopher Bond (Mo.), Sam Brownback (Kan.), Jim Bunning (Ky.), Conrad Burns (Mont.), Ben Campbell (Colo.), Thad Cochran (Miss.), Susan Collins (Me.), Paul Coverdell (Ga.), Larry Craig (Id.), Michael Crapo (Id.), Mike DeWine (Oh.), Pete Domenici (N.M.), Michael Enzi (Wyo.), Bill Frist (Tenn.), Slade Gorton (Wash.), Phil Gramm (Tex.), Rod Grams (Minn.), Charles Grassley (Iowa), Judd Gregg (N.H.), Chuck Hagel (Neb.), Orrin Hatch (Ut.), Jesse Helms (N.C.), Tim Hutchinson (Ark.), K.B. Hutchison (Tex.), Daniel Inouye (D-Hi.), Jim Jeffords (Vt.), Jon Kyl (Ariz.), Trent Lott (Miss.), Richard Lugar (Ind.), Connie Mack (Fla.), John McCain (Ariz.), Mitch McConnell (Ky.), Frank Murkowski (Ak.), Don Nickles (Okla.), Pat Roberts (Kan.), William Roth (Del.), Rick Santorum (Pa.), Jeff Sessions (Ala.), Richard Shelby (Ala.), Bob Smith (N.H.), Gordon Smith (Ore.), Olympia Snowe (Me.), Arlen Specter (Pa.), Ted Stevens (Ak.), Craig Thomas (Wyo.); Fred Thompson (Tenn.), Strom Thurmond (S.C.), George Voinovich (Oh.), and John Warner (Va.).

these Congressmen produced as-yet unpublished, bipartisan compromise legislation that would secure 160 million Americans harmed by plans, the right to sue their HMOs.

House Speaker Dennis Hastert (R-Ill.) has consistently blocked any and all action on any bill that includes a right-to-sue provision. He is being assisted by other Republican members who reportedly oppose any such provisions, including Rep. Tom DeLay of Texas, the Conservative Revolution's Dick Arney (Tex.), Bill Thomas (Calif.), and House Education and Workforce Committee Chairman William F. Goodling (Pa.). Rep. John Boehner (Ohio) led GOP attempts to defuse support for HMO lawsuits with a package of eight bills offered by Reps. Kay Granger (Tex.), Fred Upton (Mich.), Sue Kelly (N.Y.), Don Sherwood (Pa.), Patrick Toomey (Pa.), Ernest Fletcher (Ky.), and James Talent (Mo.).

Meanwhile, Hastert wants to bring the Senate GOP-passed bill to the House floor for a vote—knowing, as the George Washington University School of Public Health emphasizes—that the bill gives HMOs more rights than ever.

Crimes against the most vulnerable

HMOs and managed care plans are setting health care policy nationally, determining who gets what, if any, treatment, based on a genocidal interpretation of what is “medically necessary care.” As the international financial crisis intensifies, HMOs are in an end-game strategy, increasing their denials for services and payments alike. A July 1999 Kaiser Family Foundation-Harvard University School of Public Health survey found that 86% of doctors and 82% of nurses say managed care decreased their patients' ability to see medical specialists; 83% of doctors and 85% of nurses say managed care decreased the amount of time they spent with their patients; and 72% of doctors and 78% of nurses say managed care decreased the quality of care for people who are sick. Nine out of ten doctors say their patients' plans denied them services in last two years. Some 61% of doctors said that each week, they see plans denying prescriptions for medication. Between one-third and two-thirds of doctors say that health plans' denial of drugs, hospital stays, tests, or referrals to specialists or mental health services, have caused adverse health consequences for patients.

Crude statistics or actuarial tables of mortality rates resulting from managed care policies are not yet available, but on every level, there are clear patterns that those practices are demonstrably harming and killing entire categories of Americans—the most vulnerable aged, indigent, mentally ill, disabled, and children, among them. As the Kaiser Commission on Medicaid notes, low-income Americans have a greater need for health care, are more likely to be in poor health, have more disabling conditions, and have higher mortality rates than higher-income Americans. Yet, “fiscally responsible” state leaders slashed hundreds of thousands of indigent people from eligibility for Medicaid—the Federal-state insurance

program for 42 million low-income Americans—as Pennsylvania Governor Tom Ridge did in May 1996. People with mental, physical, or developmental disabilities make up 16%, or about 6 million, of non-elderly Medicaid enrollees, and account for 37% of total Medicaid expenditures, due to their extensive and complex long-term acute care needs. Just as Hitler targeted Germany's most vulnerable citizens, so these enrollees were targeted by “fiscal conservatives”—and the results were devastating, when 36 states were told that they must enroll in some form of managed care plans.

Target: the mentally ill

A 1997 Federal review by the Health Care Financing Administration of Montana's Medicaid program for its mentally ill beneficiaries found that, after a managed care plan took over, the number of inpatient days dropped by 96%, residential services dropped 85%, partial hospitalization visits dropped 45%, intensive outpatient services dropped 25%, and outpatient visits dropped 76%. The plan denied most of the doctors' authorization for treatment, and denied doctors' payments for services provided. States couldn't or didn't monitor plans, or worse, signed contracts with the HMOs that gave them total authority to decide what treatment was needed, and what was covered. The plans had the right to disenroll mental patients who were “disruptive”—yet, the primary symptom of someone who is psychotic, is disruptive, bizarre, and delusional behavior! Hundreds of thousands of mentally ill people who were eliminated from treatment which the Medicaid programs paid the HMOs to provide, ended up on the streets, in prison, or dead.

A survey of the Massachusetts Department of Mental Health Medicaid program found that, after the state contracted with a for-profit managed care company, Massachusetts Behavioral Health Partnership (MBHP), for its acute care Medicaid mental health patients, 52% of the clinicians said that at least one of their clients was put in life-threatening danger (suicide) due to premature hospital discharge by MBHP. That adds up to at least 2,600 of the 30,000 acute care patients whom MBHP is charged with caring for. Some 64% of the clinicians said that several thousand patients were sent to different hospitals each time they were hospitalized; 55% said that several thousand patients were bounced from one hospital to another in the middle of their hospital stay; and 51% said that thousands more patients were sent to hospitals so far away that their families could not visit. The state contract allowed MBHP—which has since been purchased by Columbia HCA, the largest for-profit hospital cartel in the country (and now under investigation by the Federal government)—to make \$8 million in bonuses if it produced “efficiencies” in care.

ERISA-protected employee managed care plans promise mental health services, but systematically block access to care. The result: distraught HMO patients who are repeatedly

denied treatment, and who frequently commit suicide. Among known HMO suicides are Richard Clarke of Haverhill, Massachusetts, and Nitai Moscovitch, 16, of Brookfield, Connecticut. The pattern of denied treatment is so systemic, that the American Psychological Association has initiated several lawsuits nationally against scores of managed care organizations.

Target: the physically disabled

Individuals in Medicaid's mandatory managed care plans face continual life-threatening crises, since they are being denied the basic, yet complex, specialized medical care and medications that their lives depend upon to control chronic conditions. Meanwhile, others cannot even get basic medical examinations, because none of the HMO doctors have offices that are accessible by wheelchair. The crisis is no less serious for those 17.6 million Americans with disabilities who are in the workplace.

Case study: Michelle Leasure, 37, mother of three, has significant disabilities because of an auto accident and systemic lupus. She is employed by a Baltimore-based, non-profit agency that switched to Prudential HMO. Leasure has no control over her bowels, and wears a colostomy bag to contain her waste. Maryland's law requires that insurers cover 100% of all supplies used for an ostomy (the surgical opening into the abdomen that allows waste to pass through into a disposable pouch), but Prudential denied the supplies. The HMO told the patient to reuse each disposable ostomy bag for five days: "When at work, wash the bags out in the public restrooms and walk [she uses a wheelchair!] to the sink [with her ostomy exposed], and finish washing the feces out into the sink, then reattach it to your flange." For the three months that Prudential denied her ostomy supplies, she couldn't work, and was forced to live in her bathtub. Leasure told *EIR*, "The HMO realizes that I am an expense. If they deny care long enough, I will die."

In the year with Prudential, Leasure suffered two strokes and three nursing home stays. Despite excruciating pain for six months, the HMO denied surgery to readjust Leasure's neural implant, which releases medication into her spine to relieve chronic pain. Then it agreed to surgery, but refused to let doctors test the device. So, her stabilized implant is now useless. The day after surgery, the HMO approved fixing it—but not the \$10,000 surgery needed to do so, nor the morphine pump that doctors ordered to ease her constant pain. The HMO took a year to approve bone graft surgery to save Leasure's foot. Now, it is too late, and physicians say they will have to amputate.

The HMO is protected by ERISA.

Target: children

Approximately one-third of all U.S. children are in managed care plans. Yet the National Association of Children's

Hospitals found that HMO and MCO financial disincentives and cost-cutting policies are associated with a decline in the pediatric specialty care that children need: "Children with complex health care needs face special problems. . . . Preventive care, such as urological testing for children with *spina bifida*, can prevent one of the leading causes of death for children with this condition." Yet, health policy experts found that plans do not routinely cover urological tests "that could save these children from death."

According to the State of Minnesota's Service Delivery Standards for its Project for People with Disabilities, "Children require comprehensive services to promote physical, emotional, and intellectual growth and development. Unlike adults, for whom the goal of treatment is to return the patient to his/her pre-disorder condition, children need uninterrupted progress in their development. . . . At the end of treatment, children should not return to 'normal' but, rather, arrive at a more advanced level of development. Disruption of developmental patterns during childhood may result in long-term consequences that can present themselves in adulthood."

In New York, 40% of pediatricians in a major Medicaid HMO could not even give an appointment for an 18-month-old child needing an immunization. Children's hospitals nationally, which treat the most severely ill and disabled children, provide almost all of the care for Medicaid children in managed care. But, these hospitals must fight HMOs' denial of treatment—while trying to collect the near \$1 billion HMOs owe them for services the hospitals and doctors do provide. There are hundreds of cases, like that of Madison Scott of California, who was born with a correctable eye condition, retinopathy, but because his HMO failed to authorize care when she needed it, the child is now blind.

Case study: Ethan Bedrick, born with severe cerebral palsy, required physical therapy to prevent muscle contractions. In 1993, when he was 14 months old, his insurer cut off his physical therapy. The plan's doctor, with no knowledge of the disease, and with no exam or consultation with Ethan's physicians, concluded that the therapy would not result in "significant progress" for him. A 1996 ruling found that the decision had been arbitrary and capricious. The judge noted that "the implication that walking by age five . . . would not be 'significant progress' for this unfortunate child is simply revolting." The suit was eliminated under ERISA. (*Bedrick v. Travelers Insurance Company*.)

Target: heart disease patients

This disease is the major cause of death in the United States (900,000 deaths yearly), and the pattern of HMO managed care treatment shows higher death rates than under traditional care. These plans consign enrollees who require coronary-artery bypass graft or CABG (pronounced "cabbage"), to "discount" hospitals that compete for HMO business by

stripping down services. When Good Samaritan Hospital in Los Angeles set about in 1986 to offer cut-rate, assembly-line open-heart surgery in order to attract HMO and Medicare/Medicaid business, mortality rates increased. Good Samaritan's heart cases soared from 250 in 1985 to 1,300 in 1989 and 1990, the peak years when the hospital offered big discounts to managed care firms, in exchange for volume referrals of patients. But, data from the Health Care Financing Administration, the Federal monitoring agency, found that the mortality rate went up as well during that period. In fiscal 1989, the HCFA found 6.7% of the hospital's Medicare CABG patients died on-site or within 30 days of discharge. So, as business grew, the mortality rate climbed even higher. In fiscal 1990, it was 8.2%—one percentage point above what HCFA says is the expected range for the hospital's patient profile. Between 1991 and 1993, Good Samaritan's 30-day mortality rate for Medicare cases jumped up to 10.4%. Under scrutiny, the rate has since been lowered. But, court papers filed in a class action suit against Kaiser Permanente, one of the nation's largest HMOs, show the HMO plotting equally ruthless policies to achieve its fiscal goals of "a drastic reduction in total costs" of care.

The Regional Resources Management Director instructed Kaiser managers in a 1995 seminar: "We need to get from 300 [hospital days per 1,000 patients] to 180 days and do it in less than two years. . . . We're basically on-line to getting 180 days by 1996." How do you cut hospital days in half in one year? The manager spelled it out: Kaiser was dumping its chest pain protocols—which saved lives by early identification of heart attacks—because it "tripled our hospital days."

Target: the elderly

HMOs have been bilking enrollees in Medicare, the Federal health insurance plan for 40 million older and disabled Americans, for decades (see Linda Everett, "Plan to Privatize Medicare Is Defeated," *EIR*, April 9, 1999), using it as their personal cash cow, and then dumping 1 million enrollees when they couldn't milk it any longer. In 1993, five Medicare patients filed a class action lawsuit against the Federal agency that oversees Medicare, because their Medicare HMO, Family Health Plan (FHP), had denied services that resulted in their sustaining several serious impairments, including the loss of a leg by a 71-year-old woman, Grigoria Grijalva (*Grijalva v. Shalala*). The U.S. Circuit Court of Appeals (Arizona) ruled in August 1998 that Medicare HMOs which deny patients treatment and their right to a timely appeals process, are violating patients' due process rights as guaranteed by the Fifth Amendment of the U.S. Constitution.

The Medicare Rights Center, a national not-for-profit organization in New York, fields about 50,000 calls from Medicare patients each year. Nearly one-half of the cases involve instances in which HMOs willfully deny medically necessary

services, medical equipment, emergency care, specialist care, surgical procedures, and home health care that are all clearly covered by Medicare.

The crisis is compounded for disabled older Americans. In December 1998, the U.S. District Court for Western Texas upheld efforts by patients of Humana Gold Plus, the Medicare HMO plan of Humana Health Plan of Texas, and Pacificare of Texas's Secure Horizons, among others, to sue the plans for limiting or withholding their care in order to reduce costs. The patients, all of whom suffer chronic disabilities, such as heart disease and pulmonary disease, said their disabilities required substantial time, treatment, and expense—but that the HMOs' doctors were motivated by the plans' financial incentives to stay below a set number of referrals to specialists, hospitalizations, and tests. The court found that the HMOs' financial controls had served to motivate discrimina-

Physicians relate HMO gallery of horrors

A July 1999 Kaiser Family Foundation-Harvard University survey randomly selected verbatim accounts from doctors of the most recent event in which managed care plans denied their patients care. Here are a few:

- HMO had no vascular surgeon available, delaying care for diabetic patient, leading to leg amputation.
- HMO doctor denied patient with bowel obstruction a colonoscopy because it was too expensive; patient died.
- Plan refused breast biopsy; patient had breast cancer.
- Plan refused chemotherapy for a patient with recurrent cancer.
- Medicaid HMO plan refused colonoscopy, missed cancer.
- HMO's clinic and emergency room ignored a 35-year-old man's back pain and neurological symptoms for six months; HMO denied him a referral to a neurosurgeon. Patient became paralyzed from chest down due to spinal tumor.
- Patient in septic shock, needed ventilator support in intensive care unit. HMO denied ICU care.
- Alcoholic HMO patient requiring detox stabilization was kicked out of hospital, killed himself on the same day.
- Patient did not meet HMO's hospital admission criteria; when finally admitted, her pulseless leg had to be amputated.

tion against patients with disabilities, a violation of the Americans With Disabilities Act (*Zamora-Quezada v. HealthTexas, et al.*).

The ERISA incentive to deny care

Enacted in 1974 to provide uniform Federal regulation of employee pension and welfare plans, ERISA preempts all state laws that relate to employee benefit plans, including health benefit plans. When wrongfully denied care, individuals in ERISA-protected HMOs or managed care plans can only sue for the actual costs of the benefit denied, which is why it is “economically rational for insurers” to wittingly plan and enforce policies that deny treatment—no matter what their consequence. You may be permanently injured because your HMO wrongfully denied a diagnostic test of your spine; but, under ERISA, all you can sue for in court, is the cost of the test—not your lifelong medical costs due to the disability, and not your lost earnings from decades of unemployability that resulted from the HMO’s action!

ERISA-protected group plans are completely immune to state regulations concerning medical negligence, breach of contract, wrongful death, etc. No other industry in the nation has such immunities. Congress, when it passed ERISA to protect employees, never intended the law to be used as a weapon against those employees at the very time they or their families needed protection the most.

The Democrats’ Patients’ Bill of Rights, Rep. Charles Norwood’s (R-Ga.) original plan, and Rep. Greg Ganske’s (R-Iowa) proposal would, under various conditions, remove the ERISA shield, and would put HMOs and managed care plans back under state venue, making them liable, like any health insurance company, under existing state laws, thereby providing a state with cause of action. Sen. John Chaffee’s (R-R.I.) proposal allows patients to sue HMOs in Federal court, thereby creating a Federal cause of action; but this measure failed in the Senate.

The states of Texas, Georgia, Louisiana, and Missouri have also passed specific laws that apply to suing HMOs and other plans, providing protections in a variety of ways. Also, according to the National Conference of State Legislatures, a dozen states have passed another aspect of patient protection legislation over the last three years, dealing with what is known as “hold harmless” clauses. It works this way: The most egregious HMO and managed care plan contracts with physicians state that the plan has the right to override a physician’s medical treatment decision, and that the plan holds the right to define what is “medically necessary” care, which they can change at any time, according to their profit margins; but, the contract explicitly states that the *physicians* hold full risk of liability for the plan’s health care decisions—i.e., the plans are “held harmless” against suits! Now, states are banning such clauses, declaring, in effect, that managed care plans are indeed responsible and

liable for the effects of their treatment decisions, although the states do not always explicitly spell out what legal remedies patients have in these cases.

The American Association of Health Plans, the managed care trade group, spent over \$1 million to defeat the Patients’ Bill of Rights. They, and the Republican majority, claim falsely that allowing suits against HMOs would drive up health costs, causing employers to cut insurance benefits, and causing more families to be uninsured. But, HMOs were *already* raising premiums up to 58% in 1998—*before* the issue became politically hot—and they’re still raising rates in 1999, even though no legislation has yet been enacted.

In Texas, home to two of the most vociferous opponents to letting patients sue HMOs, Sen. Phil Gramm and Rep. Dick Armey, only three cases against health plans have been filed since that state passed legislation—over Gov. George W. Bush’s opposition—that allowed such suits in 1997. As these few cases show, employers and their workers who are denied care are already paying a high human price for managed care.

Case study: A woman died after her HMO refused to authorize cancer treatment. Her husband sued the HMO, claiming it caused her death by refusing to authorize treatment. The court found that his claim was preempted by ERISA (*Turner v. Fallon Community Health Plan*).

Case study: A woman’s deterioration of her facial bones due to osteoporosis, prevented her from eating. Her doctors needed to replace her facial bone with bones from her hip. Her medical plan, which fully covers all medical conditions but dental-related ones, denied the surgery, claiming that the problem was “dental.” She had no claim under ERISA (*Udom v. Department Store Division of Dayton Hudson Corp.*).

Case study: A woman, injured in an auto accident, was transferred to four different hospitals in three days by her HMO, which based its action on the availability of providers participating in her plan at those facilities. As a result of transfers and delays in treatment, she sustained irreversible nerve damage. The court found that ERISA preempted her negligence claims (*Dearmas v. Av-Med, Inc.*).

Case study: A physician ordered a pregnant woman hospitalized because of her history of problems during pregnancy. Her employer’s health plan denied it, but authorized home nursing care during the day, but no monitoring at night. While she slept, the fetus went into distress and died. The judge, although disturbed by the insurer’s focus on cost, had to eliminate the claim for damages, because of ERISA (*Corcoran v. United Healthcare Inc.*).

Case study: A heart patient treated for angina was assured by an HMO that he could continue treatment with his cardiologist. But, once enrolled, the HMO’s primary doctor refused to refer him to his former cardiologist. The patient died six weeks later, the day before the HMO authorized a visit (*Nealy v. U.S. Healthcare*).

Soros's friends legalize drug 'shooting gallery'

Addicts will soon legally inject heroin in New South Wales, thanks to media baron Kerry Packer and George Soros.

New South Wales (N.S.W.) Premier Bob Carr announced on July 27 that he had approved a trial of an official heroin injection room, or "shooting gallery," as his government's response to the June Drug Summit, an all-party pow-wow which he had called to address the state's burgeoning drug crisis. This 18-month trial will give Australia's largest state, which is also the principal gateway for the drugs flowing into Australia, the most liberal drug laws in the country, and will, as well, set a pattern which other states have announced they will follow.

Along with the shooting gallery, N.S.W. will run a trial "caution policy," where first-time offenders possessing less than 0.5 grams of heroin or cocaine, and 15 grams of cannabis, will not be criminally charged if the offender agrees to compulsory assessment and treatment. N.S.W. opposition leader Kerry Chikarovski attacked the new policy, saying, "I am still concerned about the message sent to children that injecting drugs can be seen as safe in any way."

In order to soften the expected political outcry against his government aiding and abetting heroin use, Carr has arranged for the trial to be administered by the Catholic Church's Sisters of Charity, a religious order based at St. Vincent's Hospital in Sydney. The church's involvement is unfortunately not surprising: It was one of three denominations that earlier this year sponsored an illegal shooting gallery in Sydney's seedy King's Cross district, and St. Vincent's board has approved this latest shooting gallery, to be set up in the same district. Addition-

ally, the head of St. Vincent's Drug and Alcohol Services, Dr. Alex Wodak, is the president of the Australian Drug Law Reform Foundation, and the country's foremost advocate of the George Soros-funded Drug Policy Foundation's "harm minimization" policies—another word for legalization; Wodak is also a beneficiary of Soros awards and money.

Ironically, in 1996, when Victorian Premier Jeff Kennett attempted to legalize dope in his state, whilst the Catholic Church generally supported his stance, it was Wodak's counterpart at Melbourne's St. Vincent's Hospital, Dr. Joseph Santamaria, who led the successful fight against it, together with the Citizens Electoral Council, Lyndon LaRouche's associates.

But a look at St. Vincent's Sydney board of directors, which approved the Sisters of Charity's involvement in the trial, sheds light on the real forces behind the push to legalize drugs. Dominating the board is Mrs. Ros Packer, the wife of Australia's richest man, Kerry Packer. Packer's media outlets, Channel 9 and *The Bulletin*, have campaigned to legalize dope, while Packer himself was named by the 1983 Royal Commission investigating the Ship Painters and Dockers Union as "The Goanna," a codename for the Mr. Big of organized crime, who was alleged to be involved in pornography, tax evasion, corporate fraud, racketeering, murder, and drugs. Packer even admitted to being the Goanna, but, before any findings could be made, Prime Minister Bob Hawke, shut down the investigation.

Since that time, Packer's wealth has skyrocketed from \$100 million,

to over \$6.3 billion. He has interests in Australia's two largest casinos—Sydney's Star City and Melbourne's Crown, the latter of which he totally controls—both of which have been implicated in drug-money laundering. He also boasts the friendship of former Prime Minister Bob Hawke, current PM John Howard, and N.S.W. Premier Bob Carr. Before entering politics, Carr was a scribe with Packer's *Bulletin* magazine, and a big player in the Packer organization, and it was Carr's lieutenant, John Della Bosca, who rammed the heroin trial through the June Drug Summit. Della Bosca is the former state secretary of the N.S.W. branch of the Australian Labor Party, which has long been known to be in Packer's pocket. Rounding off Packer's involvement in the go-ahead of the shooting gallery, St. Vincent's Hospital sought "ethical counsel" before its approval, from the Rev. Dr. Gerald Gleeson, the son of Gerry Gleeson, the former head of the state Premier's Department under another Packer political stooge, Neville Wran. Gleeson's other son, Damien, is St. Vincent's PR man.

The state of New South Wales has taken the point for the dope lobby, and others, such as pro-dope Victorian Premier Jeff Kennett and Australian Capital Territory Premier Kate Carnell, have announced that they will follow suit with their own legal heroin injecting rooms.

Prime Minister Howard, meanwhile, has sharply criticized the states' rush to push heroin. During a mid-July trip to Washington, Howard met with Gen. Barry McCaffrey (ret.), director of the White House Office of National Drug Policy, who denounced the Australian drive for legal injection rooms as "pouring alcohol into an alcoholic." McCaffrey accepted Howard's invitation to visit Australia in November.

Business Briefs

Natural Gas

Italy, Libya pipeline may extend to Greece

A 600 kilometer gas pipeline will be built between Libya and Italy, the Italian daily *Corriere della Sera* reported on July 28. The agreement between the two countries was signed in 1996, but the final announcement was made on July 27, by the Italian national oil company, ENI.

When complete, in the year 2003, the companies will start pumping natural gas from a gas field 180 meters under the sea off the shores of Libya, in a project that will cost \$5.5 billion. The project will produce 10 billion cubic meters of gas annually, 2 billion of which will be destined for Libya, and 8 billion for export via Italy.

The new chairman of ENI, former World Trade Organization head Renato Ruggiero, announced a second project to extend the pipeline to Greece and Albania. "We will give energy also for the reconstruction of the Balkans," he said in an interview. Ruggiero also mentioned another project to connect Croatia to the Italian pipeline network, through Ravenna. "There is also the idea of an oil pipeline from Constanza, on the Black Sea, to Trieste, serving the whole northern part of Serbia and the Balkans," he said.

The Americas

U.S. seeks to link electricity grids

As U.S. cities swelter, electricity spot market prices zoom to as high as \$8,000 per megawatt-hour, and utilities cut off power to customers, U.S. Energy Secretary Bill Richardson proposed a study to find the best methods for expanding cross-border transmission lines between the United States and its southern neighbors, at the Hemispheric Energy Ministers meeting in New Orleans in July. The study, which will cost \$430,000, will be paid for by the World Bank, with a \$50,000 contribution from the U.S. Department of

Energy, the Aug. 1 *Houston Chronicle* reported.

The energy ministers from 34 nations at the conference showcased the takeover of government utilities by the private sector, and called for more private investment. Who these "private investors" will be was indicated by representatives of the George Bush-affiliated Enron Corp. Enron Chairman Ken Lay said that the firm is interested in participating in a huge pipeline project in Venezuela that would link six gas-producing areas. Lay downplayed political risks in Venezuela, saying that the upheaval set off by the election of Hugo Chávez as President doesn't mean there won't be stability, in the long run.

Enron has had problems in other developing countries, which balked at "foreign investment" when it became clear that Enron would control the price of the energy produced, in many cases making it unaffordable to the local population.

South America

Financial crisis shakes up Mercosur

A crisis has erupted in Mercosur, the common market of the Southern Cone, as financial disintegration in Brazil and Argentina has led to suspension of trade talks between the two powerhouses of the four-member trade bloc (Uruguay and Paraguay are the other two members). Pressured by industrial and business groups, which are in desperate straits as a result of global economic breakdown, both countries have adopted protectionist measures which violate Mercosur's regulations for free trade among the member states.

Brazil unilaterally called off trade negotiations in July, after Argentina imposed tariffs on several Brazilian imports. The crisis is being portrayed in some media as the "death" of Mercosur. The July 28 *Wall Street Journal* headlined its coverage, "Brazil Tie to Argentina at Breaking Point."

Not unrelated is Brazil's angry reaction to Argentine President Carlos Menem's insane proposal to join NATO, and rumors that

Argentina would lead a multi-national intervention into Colombia. Menem's NATO proposal caused a "storm" at Brazil's Foreign Ministry, according to Argentina's *Pagina 12*. Argentina's Industry Ministry blames anglophile Foreign Minister Guido Di Tella for provoking Brazil with the NATO/Colombia discussion, to which Di Tella condescendingly replied that, of course, "We wouldn't act [on the Colombia situation] without hearing from Brazil."

Brazil's Foreign Ministry called for an emergency meeting of Mercosur's leaders, which was scheduled for Montevideo on Aug. 4. In the meantime, both governments are exchanging barbed accusations, and Menem's trip to Brazil in August has been cancelled. A Brazilian official said that Argentina's placing restrictions on imports of Brazilian textiles, leather, steel, automobiles, and shoes, was "the straw that broke the camel's back." Di Tella responded that the devaluation of the Brazilian currency, the real, last January, was itself a protectionist measure. Since January, trade between the two countries has declined by 30% compared to the same period in 1998.

Sudan

China-, Malaysia-led projects advance

China has completed a major oil project in Sudan. After a year of work, the China National Petroleum Corp. and its subsidiary, China Petroleum Engineering Construction Corp., have finished an oil field, a pipeline, and an oil refinery, Xinhua reported on July 26. The Muglad oil field has an output of 150,000 barrels per day, or an annual capacity of 7.5-10 million tons. The pipeline, 1,506 kilometers long, goes from Heglid in southern Sudan to Port Sudan on the Red Sea. The oil refinery processes 2.5 million tons per year.

The project signals an important step forward in the cooperation between China and Sudan, which is already very good. It also is considered a breakthrough for China, in expanding its overseas oil markets.

Sudan's ties with Malaysia are also im-

proving. During the 4th Langkawi International Dialogue meeting on July 26, the two countries initiated negotiations for a joint-venture rail project in Sudan. Sudanese Foreign Minister Ali Nimeri reported on a meeting between Malaysian Prime Minister Dr. Mahathir bin Mohamad and Lt. Gen. Omar Hassan Ahmad. Asked the scale of the project, Nimeri said, "Sudan is a vast country. If you take the pipeline now, which we have built, it is 1,600 km, the longest in Africa." (The Malaysian news agency Bernama pointed out that Sudan is the largest country in Africa.) Ali said Sudan is also interested in Malaysian investments in air links, communications, and the oil industry.

Petroleum

Iraqi oil exports grow; ties with India improve

Iraq expects to become the second largest exporter of crude oil by 2000, according to Iraqi Oil Minister Amir Mohammad Rashid, in a statement published by the Iraqi News Agency on July 28. Iraq is second only to Saudi Arabia, Rashid said, and Iraq will continue to increase its output capacities, to 3.5 million barrels per day (mbd) over the next year, up from the current 2.2 mbd. Iraq is allowed to export \$5.2 billion worth of oil every six months according to the UN oil-for-food program. The country has been allowed to purchase some spare parts, worth \$300 million, to repair its oil industry, which was smashed by the sanctions.

On July 29, Indian Oil Minister V.K. Ramamurthy announced that India will grant a \$25 million loan to Iraq. He was on a visit to Baghdad as head of a 40-person delegation for the 13th session of the joint economic and trade commission. The minister said that he was aware of the fact that the loan is contrary to the UN sanctions resolution, but that India would never allow a friend like Iraq to suffer. "India is deeply concerned about the situation in Iraq," he said, adding that the Indian government will offer Iraq "all the political, material, and moral support" it needs to rid itself of UN sanctions. The loan, to be paid back in two

years, will enable Iraq to purchase 1,000 buses from India. The loan is the first of its kind, in nine years of UN sanctions.

Ramamurthy had said the day before that India is interested in developing an oil field in southern Iraq (in the North Rumeila field), as well as a new project in Iraq's western desert. India's state company, the Oil and Natural Gas Corp. Ltd., is reportedly discussing with Iraq the development of 100 wells in the country's vast Tuba oil field.

Meanwhile, according to well-placed sources, Iran's oil machinery imports are increasingly at the mercy of British, Canadian, and Australian middlemen who control the import of American oil-drilling and -exploration equipment into Iran. These companies cannot trade directly with Iran because of the sanctions regime. The British, however, have reestablished diplomatic ties. Through this mediation, the price of machinery is increased 35%, and British-linked Iranian businessmen who import the goods also jack up the price.

Finance

British greed jeopardizes success, warns columnist

"Loot—Why Are the British So Greedy?" reads the headline of a two-page feature in the London *Sunday Times*, accompanied by a picture showing a euphoric lunatic taking a bath in zillions of coins. The piece is an extract from a book, *The National Wealth*, by Dominic Hobson, and presents numerous examples of how British managers and other British "fat cats" are making their millions and billions of pounds. In this "massive anatomy of the nation at the end of the 20th century," Hobson states, "greed is good and helped to make Britain rich, but many of today's fat cats and City [of London] millionaires have become so excessively grasping that they endanger our success."

The new and old rich in Britain "are not great leaders of men," Hobson writes. Instead, the very secrets of their standard of living are, first, "impudence," and second, "ignorance."

BEIJING, China's capital, is suffering an extraordinary heat wave. But unlike the sorry state of things in the United States, where the heat has resulted cutbacks in usage and rolling brown- and black-outs, Beijing has met the demand, because over the past two years, it has increased capacity to the city by an extraordinary 30%, Chinese government TV reported on July 30.

SOUTH AFRICA'S twelve public service unions, led by the South African Democratic Teachers Union, have begun a general strike for a 10% wage increase, the London *Daily Telegraph* reported on July 31. The government is offering 6.3% for most civil service workers.

'UKRAINE is very close to default," Elfie Siegl wrote, in the German daily *Frankfurter Allgemeine Zeitung* on July 28. Deputy Prime Minister Sergei Tyhytko declared at a recent cabinet meeting that Ukraine is now "on the verge of financial collapse." Most firms are in catastrophic shape, with total corporate debt at roughly \$60 billion, almost double Ukraine's GDP for 1998.

COMPAQ Computer Corp., headquartered in Houston, Texas, announced 6-8,000 layoffs as a result of a price war among manufacturers in business computers, the July 29 *Houston Chronicle* reported. The layoffs come on top of 17,000 layoffs announced last year when Compaq acquired Digital Equipment Corp.

RUSSIA has closed down its Molo-dyozhnaya research station in Antarctica, because of "a sharp decline in the funding of the Russian Antarctic Expedition," an official of the Russian Weather Forecasting Service told Interfax on July 22.

IRAN AND RUSSIA are considering economic agreements and contracts amounting to \$8 billion. Talks in Moscow in late July focussed on cooperation in exploration and exploitation of mines and natural resources, and possible joint ventures.

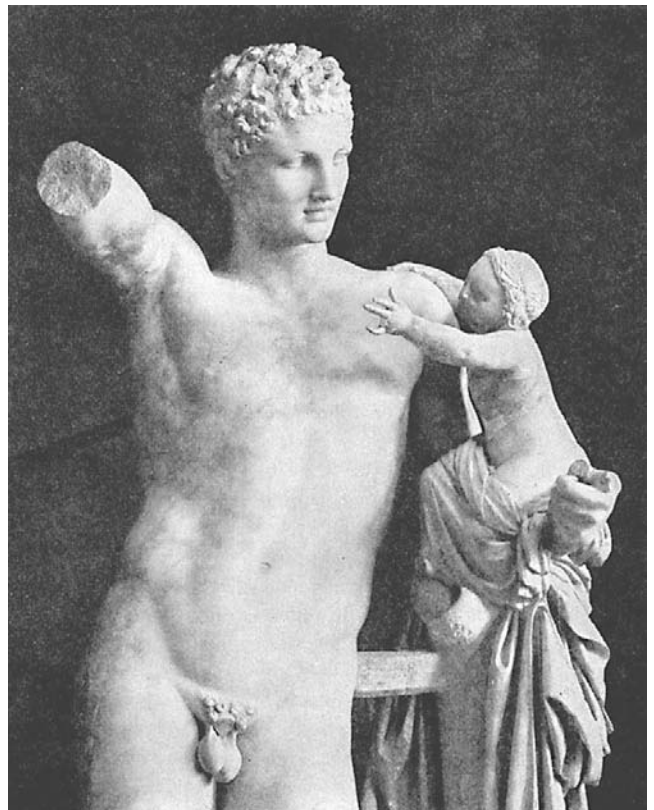
Let instruments sing as the human voice does

At the Schiller Institute's annual summer conference in Oberwesel, Germany on July 24-25, more than 250 people participated in a wide-ranging discussion of political, scientific, and cultural issues. In last week's EIR, we published Lyndon LaRouche's keynote address. What follows is an edited transcript of a conference panel on the topic, "Bel Canto—Instruments Must Sing as Vox Humana." The speakers were musicians Anno Hellenbroich (who also moderated the panel), Arturo Sacchetti, Giampiero Del Santi, Natalia Kotsioubinskaia, and Liliana Gorini. (Unfortunately, we have to leave the musical examples to the reader's imagination, but we hope the importance of the text will be clear even without them.)

Opening remarks: Anno Hellenbroich

The title of this session, "Musical Instruments as *Vox Humana*," gives an idea of what we would like to say. I would like to welcome our eminent guests and musicians from Italy, first of all, organist and conductor Arturo Sacchetti; oboist Giampiero Del Santi, whom you heard yesterday; and pianist Natalia Kotsioubinskaia.

To make understandable what we are talking about, we can only do so, not by speaking too much about our topic, but by combining our talks with elements of demonstration. Therefore, we have chosen for this afternoon a pedagogical path in four steps: After my introduction, Maestro Sacchetti will give an idea of the project he is leading in Busseto, the hometown of Giuseppe Verdi — and not only leading in Italy, because the project has a worldwide significance — which will come to fruition two years from now; it will be a world historical moment, and he will give us an idea of what it is. Then, we will hear, through examples by Giampiero Del Santi and



Sculpture by the Classical Greek sculptor Praxiteles of Hermes with the infant Dionysus. The genius of the work is that it portrays an idea in mid-motion.

Natalia Kotsioubinskaia from two arias, how you can have a better approach to the instrument as *vox humana*, if you play at the lower, Verdi tuning. Third, we will hear Liliana Gorini present, with an example from a Brahms song, the aspect of coloration in the soprano voice, and in *Lieder*, which means to give the right color, in addition to the right register shift,



A scene from the Cantoria of Luca Della Robbia. “What Scopas and Praxiteles did in capturing an idea in mid-motion, here Luca della Robbia tries in stone: the idea of singing.”

and how this is needed for a musical representation of a song. And, finally, we want to give you one example from our work on Bach’s *St. John Passion*, so that you can see the miracles that the composer had written, but are very difficult to discover, and we will try to do it step by step, to see what musicians have to do to learn it.

In other words, we are confronted by a paradox. Take the Bach chorale, which we will later sing. Here we have a sheet of paper with these black notes, and the question is: What actually did the composer mean when he put down these notes? Because, only in very rare instances is the composer still alive. We had one example last night, but usually, with the Classical compositions which we have and which we play,

the composer is dead, so we cannot ask him.

How we can derive the musical idea of this composition? I remind you of the observation made by Helga Zepp-LaRouche about Maupertuis, when he proposed vivisection, to dissect criminals, in order to see how a criminal mind works—that is how far Illuminism went. If you apply the same wrong and perverted idea to music, you can say, “Dissect a dead singer and find out how a singer has sung.” Is this workable? No. So, we have to find a different approach in developing a concept, an understanding, from the history of the development of artistic ideas.

We started with the Florentine Renaissance, and looked at the picture of Luca della Robbia’s *Cantoria*. Lyndon LaRouche mentioned as one problem, as one of the solutions to the paradox, what Greek sculptors Scopas and Praxiteles did when they tried to develop, in stone, an idea in mid-motion.

In this work of Luca della Robbia, at the beginning of the Florentine Renaissance, if you look closely you can see these children singing *bel canto*. What Scopas and Praxiteles did in capturing an idea in mid-motion, here Luca della Robbia tries in stone: the idea of singing. It’s fantastic! Look at the way the mouth is shaped: It’s the round sound of *bel canto*. We can say, yes, there was discussion at that time to develop a round sound. You can see how the head is shaped, you can see that they are singing, not shouting, and you can also see that the tone is coming through the nose, through the frontal sinuses. Imagine the person who composed this, what they were thinking and discussing: How can a *bel canto* voice be trained?

Della Robbia’s carving also shows a little child singing. You can see that he started singing already at a very early age—and we saw the same last night, with Sacchetti’s little boy, Eugenio,

playing the violin. Here we learned something: to approach music from this standpoint of pedagogy. We have to convey this to people.

Now, Leonardo da Vinci, in the opening of his treatise on painting, has this fantastic idea, to say: I assign music for the presentation of the invisible. I think this is a fantastic idea, *the representation of the invisible*.

So, they were looking into how an idea can be transmitted, so that the person who listens can understand this beauty, in the way we heard, for instance, this morning, how Felix Mendelssohn described this process of beauty in his duet *Sonntagmorgen*.

To make one point very clear, in reflection of what we are



Maestro Sacchetti addresses the music panel in Oberwesel, July 25, 1999. On his right is Anno Hellenbroich, and on his left is Liliana Gorini.

discussing, and what Lyndon LaRouche said yesterday, and in one of the quotes he had in his article on “Prometheus and Europe” [EIR, July 23, 1999], when he said that all renaissances start by replicating the notions of those ideas which were formed during Plato’s Academy, during the Classical period. But the essential point Lyn makes, is that in the ideal that is formed in the notion of the Greek Classics or Plato’s Academy, the idea rises above the differences of spoken and written languages, and this empowers Classical musical compositions, since J.S. Bach, with a degree of immediate pre-science of universality, which is not achieved in any other non-Classical medium.

And then, you come to the actual hard work of what the musicians start to learn: The actual communication of ideas, including the artistic conceptions, occurs as if directly “from mind to mind,” not as information embodied within some transmitted literal message, but it is the image of an idea existing in one mind, generated, and thus reproduced, within another mind, which is scientific and artistic communication of principled ideas. Therefore, he writes, “Artistry — and true scientific thinking — lies within the developed capacity to see, and also to cause others to see, an idea of this quality, as such, in its non-verbal, non-literal form, as an idea in its own right.” Therefore, Lyn comments, can we understand how the composer, having this notion of a creative idea in his mind, how he then orders the notes, the words, in a way to transmit this otherwise unspeakable event for the artistic insight? That

should be the guideline for all the examples we will present to you.

And I think there is no better witness than Rostal, the teacher of Norbert Brainin [former first violinist of the legendary Amadeus Quartet]. And we have a witness, Hartmut Cramer, who heard Brainin reporting about the teaching of Rostal, where Rostal said on one occasion: “*Die Finger sind wie Esel: die tun alles was du ihnen sagst*” (“Fingers are like donkeys, they do everything you tell them to do”). So, this is an image of what an artist knows: Everything you do mechanically makes sense only if the original idea is coming from the mind, and not the technical side, if you do not concentrate on the technical aspect.

Now, we come to our first speaker: Arturo Sacchetti, organist, choir and orchestra conductor, former artistic director of Vatican Radio, has been very active in all music fields for the last 50 years. His concert career included 2,300 concerts as choir and orchestra director, organist, cembalist, and pianist. He not only recorded 150 LPs and CDs, and performed more than once, including for the Schiller Institute, Bach’s complete organ works, but also on many other occasions he played the works of Buxtehude, Mozart, and many others. Recently, he was made director of the Perosi Festival in Tortona, where we [of the Schiller Institute] had the honor last year of participating in the general rehearsal, and we saw some of the heavy battles Sacchetti had to fight with the brass section over the question of lowering the orchestra tuning.

Last year, he was made Academician of the Royal Philharmonic Academy of Bologna. He is now preparing the performance of a Verdi opera in the Verdi tuning in Busseto, in the year 2001.

Arturo Sacchetti: the tuning battle

I think many in the audience know about this problem of tuning. I would like to summarize it very briefly. History left us with musical compositions, expressed in scores. Unfortunately, these scores do not indicate exactly the tuning for voices and instruments. Over the course of centuries, tuning underwent many oscillations. Safe reference points are represented by the existence of restored historical instruments. In the course of this century, we watched a recovery of historical tuning for the Renaissance, baroque, and *galante* literature. At the beginning of the century, specialized musicians started to use original instruments, or copies of them, accompanying human voices, in the lower tuning. This did not happen for the Ottocento, the 19th-century music, which includes Verdi, and which produced a lot of very important music—symphonic, chamber music, and, obviously, opera.

It is obvious that all modern performances falsify the meaning of these compositions, because they are performed at a higher tuning. Verdi himself had complained about the very high tuning. In Naples in 1884, Verdi would not authorize the performance of his opera *La Forza del Destino*, because the orchestra was tuned too high. His firm stand was emphasized in a by now-famous letter to the Music Commission of the Italian government of 1884, saying that high tuning creates problems for singers and for music.

Soon, an historical event will take place. On Jan. 30, 1901, Verdi died; in the year 2001, will be the 100th anniversary of his death. And, this fashionable event has already unleashed many initiatives to celebrate Verdi. It is obvious from what I said, that a revival of his operas will convey a false idea, unless they are played at the tuning he wanted. For this reason, we worked out a project, which will be presented very soon, to celebrate Verdi in 2001 in his own town of Busseto, in order to propose the performance of Verdi operas at A=430 Hz, both for instruments and for voices. This revival will be fundamental to rediscover the vocal and instrumental sound of Verdi. You will hear some musical examples before I present the project. I would like to remind you that there are historical instruments of the Baroque period tuned to A=415; Mozart instruments to A=423; Beethoven, A=432; Verdi A=430-435; our century, A=440, but in musical practice now, up to A=456 Hz.

Now, we will listen to an example of the differences between these tunings before I present the project.

Liliana Gorini: We will perform now the same selection from Verdi's *Aida*, performed first by soprano Antonella Ba-

naudi at the conference on Verdi's tuning held in the Casa Barezzi in Busseto in February 1997, and attended then by Maestro Sacchetti, tenor Carlo Bergonzi, baritone Piero Cappuccilli, and Mr. LaRouche. We do not have Antonella Banaudi here today, so you will have to settle for me. But the idea we want to convey today, since we have the pleasure of having the first oboe of Sacchetti's orchestra, Giampiero Del Santi, here, is that you should be able to hear how the oboe is used by Verdi as a human singing voice, in this case an imitation of the soprano voice singing with it. You will hear the difference of color both in the oboe and in the voice in the high tuning, and in the natural, Verdi tuning. We start with the high tuning, the piano at A=442, and then we move to Gruendler's piano, strictly tuned to C=256, A=430.

[Giampiero Del Santi tunes his oboe to a high-tuned piano, and then performs the oboe solo introducing *Aida* in the recitativo and "Oh cieli azzurri" aria. The same is then done on a low-tuned piano. Del Santi then tunes his oboe lower by changing the mouthpiece, and performs the same at A=430. It becomes clear how the oboe and soprano voice sound smoother and more lyrical, and the soprano, Liliana Gorini, does not need to shift registers on the F of "O patria mia."]

Gorini: We continue with the second example, which is by Ponchielli, a composer of the time of Verdi—and this is now for oboe and piano—and you will understand the question of color of the voice and the instrument: Now it is the oboe which is singing alone, as a singer. They chose Ponchielli's because it has this melodic operatic aspect, and is based on a real soprano aria, from Donizetti's opera *La Favorita*.

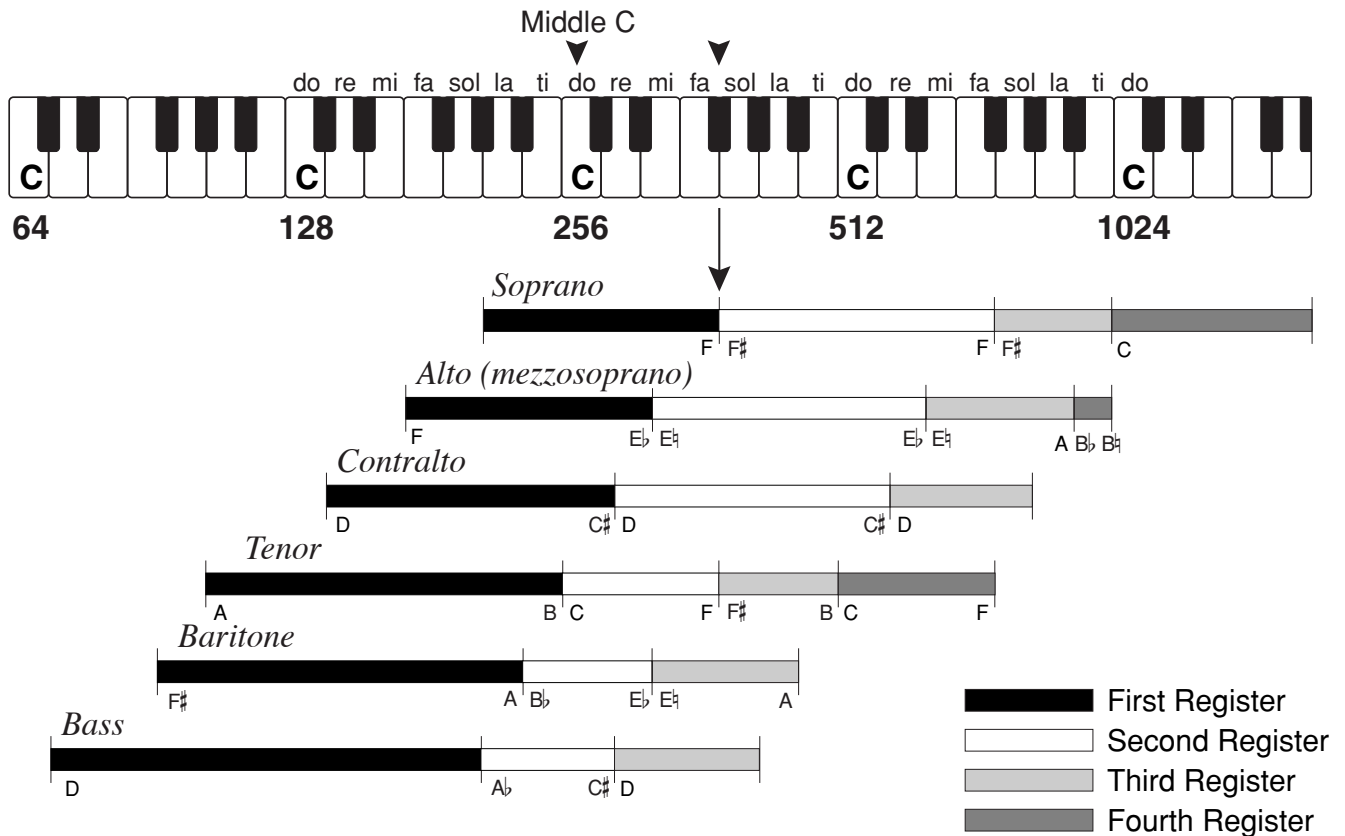
[Del Santi plays the oboe at A=456 to show how Ponchielli's sonata for oboe and piano sounds completely different in three different tunings: At A=456, the oboe does not sound at all like a human voice, but just strained; at A=442, this time with piano accompaniment, it already sounds different. But, only on the third attempt, with a piano tuned to C=256 (A=430), does the oboe really imitate the soprano voice and its color.]

Gorini: This sonata for piano and oboe is made from a real soprano aria from Donizetti's *La Favorita*. So, what you could hear is a coloratura soprano.

Sacchetti: After this example, I think the difference between the high tuning and the Verdi tuning will be clear to you. The real problem to solve, to go back to the Verdi tuning of A=430 Hz, is the question of musical instruments. Only when musical instruments will be able to keep this kind of tuning, will voices (both solo and choral voices) be able to sing in this way. What is certain, is that it is not possible to go quickly from a very high tuning to a low tuning of A=430 Hz. Both the string instruments, which are used to a certain tension of their strings, and the wind instruments, which need a special mouthpiece in order to adapt to this tuning, have to change, and the best solution is to use copies of the instruments of Verdi's time.

FIGURE 1

The six species of the human voice, and their registers



We are not yet in a condition to use this low tuning, because we lack the instruments. This is a path we have to start to go on now. But, the most important feature, is to explain to musicians why is it much better to use this tuning, rather than the high tuning they are used to. With Verdi's low tuning, these are the advantages: First of all, the color changes, because high tuning makes all the sounds very brilliant and rough. And when I speak of color, I mean the color of the instruments, and also of the voices. The fusion between instruments is a very difficult achievement for an orchestra conductor, like myself, and it becomes almost impossible with the high tuning.

High tuning also speeds up the tempo, and influences the dynamics as well. As concerns the human voice, it is obvious from the chart you published in the music manual [*A Manual on the Rudiments of Tuning and Registration, Book I* (Washington, D.C.: Schiller Institute, 1992)], that with high tuning, all register shifts, which are fundamental for *bel canto*, are misplaced (Figure 1). This happens because composers, particularly those who specialized in vocal repertoire, knew the

human voice and its natural register shifts perfectly well. In composing their works, they took particular care to avoid having certain difficult *fiorituras* [embellishments] straddle a register shift. At this moment, we are in a transition phase, a passage from high tuning to an attempt to recover the original, Classical tuning. The first problem we are faced with, is how to get the modern instruments we already have, to adapt to this lower tuning.

I would like to play at this point a CD which is the first example of this attempt. This is the performance of Lorenzo Perosi's *Mosè* that we did last year in the Cathedral of Tortona, at A=435-437, which was a transitional compromise. We adopted this tuning in order to allow the solo voices—four baritones, two tenors, two basses, and one soprano—to have a natural vocal extension. The work was composed in 1900, when the tuning was A=437. In the orchestral introduction, you will notice the smoothness of the orchestra, despite the fact that we have not yet reached the low tuning we want.

[Sacchetti plays the beginning of the CD until the oboe

solo, the oboeist being Giampiero Del Santi, on a very vocal part, and thereafter, the entrance of the four-voice choir.]

The Busseto project

I would like to discuss briefly at this point the Busseto project, for the Verdi celebration for the year 2001. This project has been inspired by Mr. Lyndon LaRouche, and his book *A Manual on Tuning and Registration*, which in Italian appeared as *Canto e Diapason*, and which demonstrates the question of tuning in relation to each of the four voices. The Busseto project aims at recovering Verdi's operas, performing them at A=432. It is a rigorous project, because the idea is to create a stock of instruments which are strictly tuned to A=430. This stock of instruments will be put at the disposal of young musicians who come to Busseto to learn how to play at the Verdi tuning, in a kind of permanent master-class.

The instrumental part of the master-class will be to teach instrumentalists, and also conductors. After a period of studying and practicing this tuning, instrumentalists will be joined by singers of the *bel canto* academy of Maestro Carlo Bergonzi, who has been holding regular *bel canto* master-classes in Busseto for many years. With this joint experience, we will be able to prepare and perform Verdi operas which are connected to Busseto for particular reasons: the opera *I Due Foscari*, composed in Busseto in the Casa Barezzi; the opera *Giovanna di Guzmán*, which is the Italian version of the *Vespri Siciliani*, the only opera that was originally performed in the Parma opera theater and in the Emilia region, where Busseto is located. Also, some performances of operas composed by Verdi after 1880, which is the time when Verdi fought to lower the tuning: *Simon Boccanegra* and *Otello*.

This is the Verdi project which aims at creating, for the first time in history, a permanent orchestra tuned to A=430. This orchestra shall be joined by solo and choral voices in the performance of Verdi works.

This project will unleash a lot of polemics. Mainly because a part of the international music world supports the high tuning, without any scientific motivation, but stating that voices should adapt to the tuning of the instruments. The results of their performances are not coherent with the music world of the time of the composers. Therefore, not only works of Verdi, but all vocal, instrumental, chamber, and oratorio works of the 19th century do not correspond to the will of the composers.

The most famous singers endorsed our campaign to go back to the Verdi tuning. There have been many cases in which famous singers have summoned the first oboeist [who gives the orchestra the tuning pitch] to their dressing room, telling him or her: If you do not lower the tuning, I will not sing tonight. With this Busseto project, we aim at achieving performances which respect scientifically, musically, and from the standpoint of interpretation, the creativity and the intent of the composers.

Anno Hellenbroich: Thank you very much Arturo, thank you very much Giampiero Del Santi. I think what Sacchetti described is very real, many of us experienced the polemics when you propose such a project. For example, when we published *A Manual on Tuning and Registration* in 1992, there was a review in the *New York Times* which was completely hysterical around this issue. This is something in the center of our cultural fight, and we fully support what Arturo described, and some of us want to be there in one and a half years when the Verdi opera will first be performed. Now, I would like to move to the third step of our presentation, and this is a short presentation by Liliana Gorini on the question of musical color, using the example of Brahms's *Lied* "Mainacht."

Gorini: the 'color of the voices'

This question of coloration has been emphasized often in the recent writing of LaRouche, one of his most beautiful is "Prometheus and Europe," which I advise you to read, because you will understand much better than in this presentation what we are trying to do, particularly on the connection between poetry and music. But, also Bergonzi and Cappuccilli, at the press conferences in Italy to announce the release of *Canto e Diapason*, said that the question of the Verdi tuning is very important, because the high tuning changes not only the register shifts, but also the "color of the voices."

Since there may be some confusion about what this means, I want to give a small example to show that the question of color of the voice goes beyond the register shift. A composer, as Leonardo da Vinci said, is also a painter: He uses colors, as he uses register shifts, in a conscious way. This is particularly clear not only in opera, but even more in a *Lied*, because it is a direct reflection of the poetry, of the human language which has by itself colors and shifts. For example, Dante, in his *De Vulgari Eloquentia*, speaks of "diesis" (sharps) in poetry. So, when you start to learn a song, you have to have all of this in mind: music, poetry, and painting, too.

I chose Brahms's "Mainacht," because I was inspired by the great German alto Gertrude Pitzinger, whom I had the pleasure of working with on this song. She told me, "Before you start the song, do not even start the first note. Think about the image and the painting, and think about this while the piano is playing the introduction." Brahms, in this case, is not just a composer, but a painter, too. I will sing the beginning of the song, and I marked on the score, blue for the dark colors and red for the light colors, and as you will see, in the beginning it does not correspond to a register shift. I will sing it first as it is meant by Brahms, and then again in a lighter color, to show that you can change color consciously when you sing.

[She sings the first page of the song.] Marian Anderson,

who performed this song beautifully, obviously does a better dark color than I. But, if you want, you can also do it lighter than that, in what Maestro José Briano used to call an *innocente* sound, a white sound. [She sings it white, opening all vowels and giving less support to the voice.]

On the following page you do have a change of color which corresponds to a register shift up to the third register (head voice), on F-sharp and G, and then goes back to the dark color on the part — which even Lotte Lehmann explains in her book on *Lieder*, when, after watching a couple of doves singing their delight (like a flute), the singer continues, “But I go away seeking darker shadows,” which does go down to the first register (chest voice) and is also darker. In this case, color and registration do correspond.

Now, this is a poem by Hoelty, who lived before Schiller, and in this case, as in most cases of poetry, there is a literal meaning, and there is a meaning which goes beyond the literal meaning. Great singers see this, such as Lotte Lehmann; in her book about *Lieder*, she writes that you have to go beyond the description of nature (the moonlight, the bushes, the doves) and understand the metaphor hidden in the poetry and the music together. And, in order to communicate this idea to the audience, you have to use what Leonardo indicated in his treatise on the human voice, “De Vocie,” as the use of vowels and their color.

In Leonardo’s drawings for the treatise, there are vowels which are darker, and vowels which are brighter. In the first strophe of this poem, dark vowels such as “u,” “oe,” and “o” predominate, while in the last strophe, which is a hopeful image, you have a predominance of more open and lighter vowels such as “e” and “a” (like *lächendes Bild*, smiling image, or *Seele*, soul), and what Brahms does, is he puts this more hopeful and lighter color in the piano accompaniment too, which moves more. [She sings the last strophe of the *Lied*.]

To conclude, I want to emphasize the connection between music and politics, because the musicians, composers, and poets who have been mentioned here, in many cases were also political figures. In the case of Verdi, he was not only a composer, but he was also a member of the Italian Senate and a builder of the Italian nation, and he based many of his operas on political subjects. For example, one of his most political operas, *Simon Boccanegra*, is based on a letter by Petrarca, who himself was not only a poet but also a diplomat, and who invited Italy to follow its mission of developing the seas rather than fighting each other domestically, as happened between Genoa and Venice at the time of Petrarca. Other compositions are based on Schiller. Verdi himself writes that he was taught by Dante, Petrarca, Shakespeare, and Schiller. As Steve Meyer has shown in his work on Moses Mendelssohn [*Fidelio*, Summer 1999], poets and musicians and philosophers built the German nation. That’s why for us, culture, in this sense, is the best way of doing politics, because it does build a nation of citizens. Thank you.

Hellenbroich on the ‘St. John Passion’

Editor’s note: *The final presentation, by Anno Hellenbroich, was on Bach’s St. John Passion. Because of the extensive interplay between the speaker and the performers, which is difficult to follow on the written page, we publish only a short excerpt of Hellenbroich’s remarks.*

We come to the final part of this pedagogical approach to understand better the complexity of the question, and we use a road which is very true historically, and to show you why, I will read to you a short sentence from the letters of Carl Philipp Emmanuel Bach to the future biographer of his father, Johann Sebastian Bach, namely Johann Nikolaus

The campaign to lower the tuning pitch

More than a decade ago, on April 9, 1988 at the Schiller Institute’s conference “Music and Classical Aesthetics” at the Casa Verdi in Milan, Italy, an international campaign was launched to restore the original pitch used by all Classical composers from Bach through Brahms and Verdi. This lower tuning, at middle C=256 Hertz, is grounded in the physical laws which God has written into the universe, by His creation of the human singing voice.

The campaign was originally inspired by Lyndon H. LaRouche, Jr., whose collaborators, led by Italian soprano Liliana Gorini, uncovered the historical evidence that Giuseppe Verdi, Italy’s greatest composer and nation-builder, had in 1884 demanded a *ceiling* for pitch at a diapason of A=432, based upon C=256. They showed that Verdi had gotten the Italian government to pass a decree to this effect, by demanding: “Why should the note called A in Paris or Milan become a B-flat in Rome?”

At the April 1988 Milan conference, the great Italian baritone Piero Cappuccilli made history, demonstrating the superiority of the lower “Verdi A.” Singing Verdi’s “O de’ verd’anni miei” from *Ernani*, and “Il balen” from *Trovatore*, first at the low C=256 pitch, and then at modern high pitch, he made clear which was “the natural voice,” as he put it. Verdi’s tuning gave the far more natural tone.

The musical proof of the principle was simple. Schiller Institute researchers discovered that the C scale itself was created during the 15th-century Florentine Golden Renais-

Forkel, which he wrote in January 1775, more than 200 years ago.

“His students had to start studying the pure thorough bass in four parts; he then proceeded to chorales. In the exercises, he at first set the basses himself and made the pupils invent only the alto and tenor parts. By degrees, he let them also set the basses. Omitting the thorough bass and the introduction to chorales is without any doubt the best method to learn composition, as far as harmony is concerned.”

Therefore, we have chosen as an example, one of the chorales of Bach’s *St. John Passion*, No. 26, to show one aspect, and the aspect we would like to show was formulated by Lyndon LaRouche in a memorandum at the end of March, when he said that all instrumental performers must practice *bel canto* vocalization and singing as a prerequisite for competent instrumental practice and performance. Instrumental-

ists must sing the relevant *bel canto* singing voice in that registration in their mind, and oblige the instrument to perform *vox humana* in that sense. Instrumental music is for monkeys and electronic devices, not for people, Lyn says. For string instruments, this involves the challenge of using fingering and bowing to create appropriate *bel canto* forms of singing voice registration. The problems of virtually impossible or remote fingering positions can be addressed only through appropriate methods of bowing. The human singing voice, with its appropriate singing voice registration, must sing in the mind, while the performer obliges his or her instrument, including the keyboard instruments, to sing accordingly.

Now I would like to ask the instrumentalists to come here and also the chorus, so that we can briefly present to you the examples which we would like to perform. . . .

sance, based on a program of teaching all children to sing *bel canto*, as they are taught to read and write, at ages 5-10. The Florentines found that the average child at that age had a *register shift* at what is today known as F-sharp, and so they built the musical scale to fall half below, and half above, that inflection point. A scale so derived starts on C=256 Hz, for which the A is between 430 and 432 Hz.

Maestro Cappuccilli showed that Verdi intended the *poetry* of his arias to be colored in a precise way by these vocal registers, which are retained in adult voices, such that some words must fall below, and some above, the singer’s register shift. When the pitch is raised above C=256, the poetry ends up in the wrong place.

A Schiller Institute petition

In July 1988, two Italian Senators announced in Rome at a Schiller Institute press conference, a bill to make A=432 mandatory at state institutions. Passage was sabotaged by the Italian Communist Party, but the Schiller Institute began to circulate the bill as a public “Petition to Lower the Standard Pitch,” and thousands of the world’s leading singers have signed it.

Signators include Dame Joan Sutherland (soprano), Carlo Bergonzi (tenor), Piero Cappuccilli, Luciano Pavarotti (tenor), Placido Domingo (tenor), Sherrill Milnes (baritone), Christa Ludwig (mezzo), Giuseppe di Stefano (tenor), Elly Ameling (soprano), Birgit Nilsson (soprano), Dietrich Fischer-Dieskau (baritone), Cornelius Reid (leading vocal textbook author), and conductor Sir Richard Bonyge, to name a few.

In Cremona, Italy, in November 1988, violinist Dr. Norbert Brainin, founder and primarius of the legendary Amadeus Quartet, added leading instrumentalists to the campaign to lower the pitch when he tuned down his price-

less Stradivarius violin and demonstrated the superiority of the C=256 tuning for fine strings, in a presentation at the Cremona International Institute for Violinmaking. In Munich, Germany, in December 1988, Dr. Brainin in concert demonstrated Bach’s Violin Sonata No. 1 at both C=256 and A=440.

In New York, in January 1990, Conductor Anthony Morss led the Lubo Opera in the Schiller Institute’s full-length performance of Beethoven’s *Fidelio* at C=256, at Lincoln Center with original instruments.

In January 1991, the Schiller Institute published the ground-breaking book *A Manual on Tuning and Registration, Book I*, which spells out the musical proof for the theory advanced in Milan. Using more than 300 examples from original scores of Mozart, Verdi, and other masters, the book documents that all Classical vocal music must be performed at C=256.

On April 8, 1993, at Carnegie Hall’s Weill Recital Hall in New York, the era’s leading *bel canto* tenor, Carlo Bergonzi, presented a public master-class to demonstrate the examples in the Schiller Institute’s *Manual on Tuning*. Excerpts from a dozen arias were demonstrated first at the scientific “Verdi pitch” of C=256 (A=432), and then at the 1993 “New York” pitch which Steinway & Sons had just raised officially to A=442. “Within a few years, opera itself might even vanish,” Bergonzi warned the 230 singers and voice teachers in the audience.

On April 8, 1993, America’s leading singer, Marian Anderson, also passed away. Since that day, the Schiller Institute has organized dozens of “Marian Anderson Memorial Concerts” at the C=256 pitch across the United States and in Europe, as a drive to educate citizens in large numbers about the science of Classical music.

—Kathy Wolfe

British magazine publishes death threat vs. LaRouche

by Mark Burdman

High-level circles in the British oligarchy have planted an article in a widely read British women's magazine, the which is an unmistakable death threat against Lyndon LaRouche, a candidate for the Democratic Party nomination for the American Presidency and the founder of *EIR*. Best estimates are that the article, which appeared in the tabloid women's magazine *Take a Break*, was planted by Britain's MI6 secret service and/or senior advisers to Queen Elizabeth II at Buckingham Palace.

In its Aug. 5 edition, *Take a Break* published an article under the banner headline, "Shut This Man's Mouth," with a large photo of LaRouche appearing next to these words. Written by one Katie Fraser, the piece characterized LaRouche as "dangerous," and claimed that Buckingham Palace has become "increasingly alarmed" at the fact that exposés by LaRouche-associated publications about the British monarchy, such as the alleged royal family's involvement in the death of Princess Diana, "are being spread around the globe," and are being read in places like China, the Middle East, South America, and Africa, thanks to their circulation, including over the Internet.

Fraser quoted an unnamed commentator, declaring that LaRouche's claims represent "the biggest threat ever to the reputation of the Queen worldwide. . . . Something has to be done." Another commentator asserted: "It is vital to protect the Queen as a symbol of decency in a sometimes wicked world. She is a figurehead for all that is good about Britain. *That must be protected at all costs*" (emphasis added).

Fraser claimed that "until recently, the British establishment has ignored" LaRouche's claims, "hoping they would fade quietly away. But they have not faded away. In fact, they are continuing to grow like a virus. Now the question is: Can they be ignored any longer? . . . Politicians and commentators

alike are waiting to see what course of action the Queen's advisers are likely to recommend."

The author emphasized that this is all the more serious, because "LaRouche commands a big following in the U.S., where he will be standing for President next year."

Fraser concluded: "*Take a Break* says it's time that Lyndon LaRouche was told to shut his evil mouth once and for all."

A well-connected British source reacted to the article by commenting: "These people are out for blood." He described the article as a "trial balloon," a "flier," and a "reconnaissance in force," by elements in the British monarchy structure and/or Prime Minister Tony Blair's office, who set the article into motion, in order to see what reaction it brings. If the "test" works, then what can be expected, is a "big attack." He said that running such an inflammatory piece through a women's magazine was "a flank attack" by the relevant British elites, who were upset because LaRouche and his publications have "struck home" and are having a significant global effect.

British elites prepare for 'post-crash' world

The appearance of this violent diatribe is a further sign that leading elements in the British establishment are becoming unnerved, as the world hurtles toward general financial disintegration. As we have previously reported, British strategic planners have set in motion something called "Operation Surety," for the imposition of emergency powers in the United Kingdom, involving the domestic, large-scale deployment of military forces, to deal with civil unrest and disorders in the months to come. This is being done, in anticipation that the late-summer, early-autumn period will witness new shocks to the financial system. Peter Nove, the

Police Commissioner of the City of London, warned in a late-July press conference, that Britain is on the eve of a new era of large-scale violence.

Preparing for a “post-crash world,” senior elements in the British establishment obviously believe that they cannot tolerate an individual such as LaRouche, whose proposals for a “New Bretton Woods” bankruptcy reorganization of the world economy would threaten the hegemonic financial/banking power of the City of London and the Queen’s Commonwealth. This is especially so, given the awareness in the British establishment, as the *Take a Break* article repeatedly and explicitly acknowledges, that LaRouche’s global credibility and influence are growing.

In a time of advanced social, economic, and political turmoil, the continued existence of an institution like the British monarchy must come into question. After all, the monarchy has never really recovered from the undermining of its influence, that occurred in the wake of Princess Diana’s death.

One well-placed American source told *EIR* that recent private polls conducted on behalf of the monarchy revealed that a large majority of Britons still believe that there was a conspiracy to murder Princess Diana. This, the source added, is deeply disturbing, because it had been anticipated, in the royal court, that such sentiment would fade over time. This has not happened, even among the types of people who read *Take a Break*, who represent the backbone of support for the Queen.

It is lawful, that figures in and around the monarchy are feeling very touchy. A leading establishment expert on British royalty told this reporter on Aug. 4, that “the chances are only 50-50, that the monarchy will survive in Britain. Anything uncomplimentary that people believe in, is just another nail in the coffin for the monarchy. To put it another way, anything that rocks the boat is immensely dangerous to the monarchy. LaRouche should think very carefully about what he is doing. The Queen is still one of the most powerful figures in the world, but that might not be true forever.” This source estimated that the *Take a Break* article was, in one way or another, motivated by the circle of older-generation advisers to the Queen, centered around the Lord Chamberlain, Lord Camoys. Another source suggested that Camoys and the Queen’s “Personal Secretary, Sir Robert Fellowes,” were likely involved in motivating the *Take a Break* article.

Indeed, the *Take a Break* smear contained absurd misrepresentations of LaRouche and *EIR*’s coverage of the monarchy, and the death of Princess Diana. The article claimed that LaRouche accuses the Queen of running a drug cartel, called “Dope, Inc.,” and of ordering the murders of Princess Diana and President John F. Kennedy. In fact, LaRouche, in 1978, commissioned a book-length study of the worldwide drug trade, entitled *Dope, Inc., Britain’s Opium War Against the United States*, which presented extensive evidence of the City of London’s role in the drug trade dating back to the 19th-century Opium Wars. *EIR* has also provided extensive cover-

age of the unanswered questions surrounding the wrongful death of Princess Diana, questions that remain unanswered to this day.

The royals and the occult

Take a Break is published by the Bauer Publishing House, with international headquarters in Hamburg. Over the past couple of decades, Bauer has found itself involved in a number of murky activities, through publications such as the German edition of *Playboy* magazine, and a “literary” magazine called *Transatlantik*. Two decades ago, individuals associated with the latter publication were caught in strange operations against LaRouche and his associates.

The editor of *Take a Break* is John Dale, formerly a senior commentator at the right-wing London *Daily Mail* tabloid. After the appearance of the “Shut This Man’s Mouth” piece, Dale was contacted by this correspondent, whereupon he lied that *Take a Break* had tried to reach LaRouche’s offices before going to print. He then hung up the phone, refusing further discussion.

Dale has, in his career, run special operations on behalf of the royal family, and, obviously, has served as a mouthpiece for a segment of the royals’ apparatus. In 1986, he authored a book, *The Prince and the Paranormal: The Psychic Bloodline of the Royal Family*. At the time of its publication, it was billed as an attack on Prince Charles, because he en-



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gages in odd beliefs and practices that are inappropriate to a future monarch and future head of the Church of England. But, in truth, the book was a promotional for the occult traditions and practices of the British royal family over the past century and a half.

Dale documented the fact that British royals have engaged in occult, “paranormal” practices such as spiritualism (using mediums, through séances, to speak to the dead), faith healing, magic, homeopathic and other “alternative” medicines, and the like, since the time of Queen Victoria. Through a certain form of genetic transmission, and through the recent influence of such royal family figures as Lord “Dickie” Mountbatten, these “psychic” proclivities were passed on to Prince Charles, who, according to Dale, “must be congratulated for displaying the guts to speak out where others have remained silent.”

Dale showed that this practice of the occult by royalty is very much part of the mythos purveyed by the would-be inhabitants of Mount Olympus. He cited the view of one practitioner of spiritualism, the late King Paul of Greece, the uncle of Prince Philip, that spiritualism is a positive practice, in the tradition of “the famed Delphic Oracle of Greece.”

Dale’s book amounts to an extended legitimation of the occult and related practices. He repeatedly uses adjectives like “respectable,” “reputable,” “brave,” and so on, to refer to practitioners of spiritualism and other forms of the occult. The ultimate point then becomes that Prince Charles is only the latest, in a long and noble (literally) tradition. Dale’s book must be seen as one expression of the activities of the “Occult Bureau” of MI6.

One of Britain’s more astute social-psychology experts told *EIR* on Aug. 3, that a book like Dale’s has the real object of reinforcing the aura of magic and magical powers around the royal family. He said: “Such books seek to prove that royalty has special powers. It’s a variant on the notion of the ‘divine right of kings.’ The message is: ‘Royalty is not the same as the rest of us.’ It’s a means of giving legitimation for royalty, with a special status, to portray them as wizards, with extraordinary powers. It’s a way of creating what I call the ‘super-other,’ making the royals into a deity.”

It is not surprising, that *EIR* has received a report from Britain, that recent editions of *Take a Break* ran columns by a psychic, who purports to have “communicated with Princess Diana.” The articles included Diana’s comments “from beyond the grave,” in which she asked the readers to accept that her death was an “accident,” and that they should ignore stories alleging that she was murdered.

LaRouche campaign responds

Inclusively, the *Take a Break* article represents an intolerable act of British interference in the American Presidential campaign. On Aug. 2, his campaign vehicle, LaRouche’s Committee for a New Bretton Woods, was quick to respond, with a statement issued in Washington by Debra Hanania-

Freeman, national spokeswoman for LaRouche. Freeman said: “After consulting with security experts familiar with the modus operandi of British intelligence networks, we are treating the piece as a cover for an MI6 order, probably with direct backing from someone in the royal household, to assassinate Lyndon LaRouche. . . . The inflammatory article . . . reflects a growing hysteria around Buckingham Palace, over the growing global influence of LaRouche’s ideas and his continuing exposé of the British oligarchy. . . . The appearance of such a highly politicized piece, that is so violent in tone, taken together with John Dale’s background, signals that this crowd is out for blood.”

Freeman said that representatives of LaRouche’s Presidential campaign were in the process of contacting the appropriate authorities about the threat against the candidate. “We are also passing the information on to the White House,” Freeman added, “so they can assess whether the article also constitutes a threat to the security of President Clinton.”

Al Fayed: ‘J’accuse!’

by Jeffrey Steinberg

The inaugural issue of *Talk* magazine, which grabbed international headlines with its exclusive interview of First Lady Hillary Clinton, has stirred up another hornet’s nest. In an interview in the same issue, Mohamed Al Fayed, the owner of Harrods department store and the father of the late Dodi Fayed, accuses Prince Philip, the Queen of England’s Royal Consort, of having ordered the murder of his son and Princess Diana.

The article, by Gerald Posner, makes light of Al Fayed’s naming of Prince Philip and MI6, but quotes him at length. Posner reports, “Al Fayed’s rhetoric soars to fantastic heights when naming the names he thinks are behind the [murder] scheme: ‘Prince Philip is the one responsible for giving the order. He is very racist . . . and I’m sure he is a Nazi sympathizer. Also, Robert Fellowes [the Queen’s private secretary and Diana’s brother-in-law] was key. He is the Rasputin of the British monarchy.’ ”

Plausible denial

Posner went on for several pages, about his “own” findings. “I concluded my own investigation of the French probe this spring and found no credible evidence whatsoever confirming Al Fayed’s beliefs. But what I did discover will not, regrettably, close the case for Al Fayed and his fellow conspiracy theorists.”

In fact, Posner’s “repudiation” of Al Fayed’s charges

highlighted all of the unanswered questions that ensure that the wrongful deaths of Princess Diana, Dodi Fayed, and Henri Paul will never be a “closed case,” until they are resolved.

Posner’s “investigation” pointed to: The failure of the French to locate the white Fiat Uno that collided with the Mercedes carrying Diana and Dodi; the failure to save Diana’s life by getting her promptly to a hospital; the failure of the French to control the initial crime scene; the French pathologist’s failure to secure the blood sample of driver Henri Paul, who was also killed in the crash; and the French disdain for the British and their resentment at putting such an effort into what they wanted to write off as a case of drunk driving.

Touting his access to U.S. government secrets, Posner reported, “The cornerstone of Al Fayed’s theory is that intelligence agents are responsible for the death of his son and Princess Diana. My investigation yielded no evidence of such activity—but that doesn’t mean that there weren’t some spooks sniffing around.” Indeed, Posner reported that the U.S. National Security Agency had conducted extensive electronic surveillance of Princess Diana, including conversations between the Princess and her close friend Lucia Flecha de Lima, the wife of the former Brazilian ambassador to the United States. The NSA is battling in Federal court to block disclosure of the contents of their 1,000 pages of Diana material. And, of course, a group of self-described “former CIA agents,” including Oswald LeWinter, attempted to extract \$20 million from the Harrods owner, by peddling counterfeit CIA documents, claiming that MI6 and the Mossad colluded to engineer the fatal Paris car crash shortly after midnight on Aug. 31, 1997.

And, in another shocker, Posner claimed that his sources in the U.S. intelligence services say that, in the hours before the Mercedes entered the Place de l’Alma tunnel, driver Henri Paul was closeted with a security officer from the Direction Générale de la Sécurité Extérieure, the French equivalent of the American CIA.

Posner recently gained notoriety by authoring a book on the assassination of President John F. Kennedy, which endorsed the findings of the Warren Commission. He earlier penned a similar whitewash of the assassination of Rev. Martin Luther King, Jr.

Media frenzy

Despite Posner’s efforts to throw cold water on Al Fayed’s charges against Prince Philip, the latter’s accusations spread instantly. On Aug. 3, the *New York Post*, owned by British media mogul Rupert Murdoch, gave prominent coverage to Al Fayed’s charges in the Page Six column, under the banner headline “Philip Killed Di & Dodi: Al Fayed.” The New York daily reported: “Queen Elizabeth’s husband is a cold-blooded killer who ordered the murders of Princess Diana and Dodi Fayed, Fayed’s billionaire dad has charged.”

The *Post* noted, “The bizarre charge . . . is the first time Al Fayed has named names in his claim that Di and Dodi’s death in a high-speed car crash were not a tragic accident. . . . The grieving father vows to expose Philip and his henchmen at any cost.”

The next day, the British tabloid press chimed in, further spreading the word that Al Fayed has “named the names.”

Typical of the coverage was the Aug. 4 edition of the London *Express*, which had two-inch headlines, “Fayed Accuses Philip,” with the subheaded, “Outrage as Harrods Boss Says ‘Nazi’ Prince Had Diana Killed.” While referring to the Al Fayed charges as “conspiracy theories,” provoking “outrage” among the royals, the article quoted extensively from Al Fayed’s interview with *Talk*, including Al Fayed’s confident observation that “the people are too smart. They know there is more to the death of Diana than they have been told.”

The *Express* got a comment from a spokesman for Buckingham Palace: “It is our policy, if an article is clearly wrong, not to dignify it with a comment. We will not be providing a follow-up to that particular article.” Tory Member of Parliament and longtime Al Fayed basher Gerald Howarth (who put forward a parliamentary question in May 1999, demanding to know Al Fayed’s relationship to Lyndon LaRouche and ex-MI6 officer Richard Tomlinson) told the paper, “I think the time has come when he should go back to Egypt. It is particularly so when he is so disparaging of our royal family.”

The *Daily Sport* ran the headline, “Sensational Claim by Harrod’s Boss: Prince Philip Had Di and Dodi Bumped Off—It’s Ridiculous, Says Palace.” Another Buckingham Palace spokesman was quoted in this article, saying, “It is quite clearly ridiculous to suggest Prince Philip would be involved in anything like this.”

The *Daily Star*, another tabloid, carried the banner, “Philip ‘Had Di and Dodi Murdered.’ ” In words nearly identical to the *Take a Break* attack on LaRouche, the *Daily Star* quoted a “royal insider” saying: “It’s about time Al Fayed shut up. He can think what he wants to himself, but he should not accuse people of such terrible things with no evidence. How does he think Diana’s sons feel when he says that their grandfather killed their mother?”

The Aug. 5 German daily *Bild Zeitung* also gave front-page coverage to the *Talk* magazine interview, hinting that Queen Elizabeth II might move to have Al Fayed expelled from Britain because of his accusations against her husband.

In short, tens of millions of Britons, Germans, and Americans know that the name of Prince Philip has been publicly identified as the author of the assassination of Princess Diana. Recent polls, taken in England, reveal that a majority of Britons believe that Diana was murdered, and do not believe the official propaganda put forward by the establishment press. And, that knowledge makes the Windsors and their courtiers most uneasy.

'Civil society' NGOs set up to overthrow Serbia's Milosevic

by Edward Spannaus

At a July 29 hearing on "Prospects for Democracy in Yugoslavia" held by the European Affairs Subcommittee of the Senate Foreign Relations Committee, a U.S. State Department representative described in detail the efforts being made by the U.S. government to overthrow Serbian leader Slobodan Milosevic, using non-governmental organizations (NGOs) and other means.

Special envoy Robert Gelbard first reiterated that the United States will provide no reconstruction assistance to Serbia. "Helping to rebuild Serbia's roads and bridges would funnel money directly into the pockets of Milosevic and his friends, prolonging the current regime and denying Serbia any hope of a brighter future," he said. "We must keep Milosevic isolated."

Gelbard—who is certainly not the originator of these programs—said that, in the past two years, the United States has spent \$16.5 million on "programs in support of Serbian democratization." This, he said, has been through agencies such as the U.S. Agency for International Development (USAID), and through U.S. NGOs such as the National Democratic Institute (NDI), the International Republican Institute (IRI), and the National Endowment for Democracy (NED).

"I am working closely with the National Endowment family, including IRI and NDI, to explore the best ways to help the Serbian opposition and, crucially, to encourage all opposition groups to work together. The consensus among the experts is that opposition parties will be best served if we provide them with technical assistance and first-class political advice, the kinds that may seem commonplace to us but represent a whole different way of thinking to them."

Gelbard also cited the work of the AFL-CIO's Solidarity Center, which, he said, "has done good work with independent unions in Serbia and with our support is now readying a new program for interaction." He also put great emphasis on the "independent media," in regard to which he said that the United States is completing a "ring around Serbia" involving the Voice of America, Radio Free Europe, and other news programs, and that USAID is working to strengthen the independent news media inside Serbia.

The 'democracy promotion business'

The irony is that these programs, which in this case are being expressly used to overthrow Milosevic, are the same programs which USAID and the State Department use in countries whose governments the United States is supposedly assisting in a friendly manner, such as Russia.

USAID and similar programs have built up NGOs, and also use local government organizations in eastern Europe and Russia, as a way of bypassing the central governments, and of trying to buy support for unpopular austerity and privatization "reform" programs. In the name of "democracy," elected governments and parliaments are circumvented by Western-funded NGOs, which have been bribed to build support for so-called "market reforms" (see "The Fraud of 'Democratic Reforms,'" *EIR*, Aug. 6, 1999).

At a House hearing on U.S. aid to Russia on June 9, the State Department's coordinator for aid to the Newly Independent States, William Taylor, described this as a "bottom-up" approach, and said that U.S. assistance is designed to support "the expansion of lasting constituencies for reform." He gave the example of Ukraine, saying, "We have redirected our programs in Ukraine away from the central government toward pilot regions where we will work with the private sector."

Taylor said that, in both Ukraine and Russia, "our programs have focussed on mobilizing popular support for change and working with reformist regions."

"Our NGO programs," Taylor said, "have generally yielded successes. The number of NGOs in Russia, particularly in the regions, has grown dramatically. There are now over 65,000 registered NGOs in Russia; 54 USAID-supported NGO Resource Centers have directly supported thousands of NGOs across Russia through small grants and training."

At the House hearing, Harvard University's Prof. Marshall Goldman, who possesses an ill-deserved reputation as an expert on Russian economics, also urged that U.S. aid programs in Russia target the regions against Moscow—which he put in terms of supporting "those regions that promise to be the most vigorous in fighting the mafia and holding down corruption." Goldman added, "We should emphasize that entirely, and get out of Moscow."

Goldman said that the focus should be to build up "diversity of point of view." His model? "Do what George Soros did in his program in eastern Europe. Supply copiers or supply printing facilities. We worry, or have to worry, about undue interference in domestic politics, but we can apply the AID program by giving equipment and let as many people use that as possible."

The "best aid work has come from the private sector," Goldman said. The example he gave of the "impressive new businesses": McDonald's, which now has 49 restaurants in Russia.

Another witness at the House hearing was Paula Dobrian-

sky of the New York Council on Foreign Relations, who admitted that U.S. policies toward Russia have contributed to “the unprecedented growth of both anti-Americanism and anti-democratic sentiments,” and that most Russians “blame the United States for allegedly seeking to inflict misery and humiliation on the Russian people.” Nevertheless, Dobriansky’s proposal was for more of the same. We should *not* get out of the “democracy promotion business,” she argued, but rather, U.S. aid should be targeted to build up NGOs and reform-minded local leaders. She proposed that “the bulk of American aid to Russia should be slated for such pivotal tasks as democratic institution-building, the fostering of the rule of law, and various institutions of civil society.” She proposed that most of the funds go to Russian NGOs, and that U.S. aid should rely more on organizations like the NED.

In fact, this is almost identical to the approach being taken in Yugoslavia—but there, the objective of overthrowing the existing government is openly declared.

U.S. policy shift on Croatia

In Croatia, where the government of Franjo Tudjman has gone after George Soros’s Open Society Institute, U.S. policy has apparently shifted to target the government. OSI spokesman John Fox was also featured at the Senate hearing, and he described what has been done in Croatia “just in the past year with an activist U.S. Ambassador and a complete change of policy toward the opposition there.”

“One year ago, the policy changed,” Fox said. “Resources went in, NGOs were brought in. The IRI-NDI program was stepped up. Ambassador Montgomery has taken a very hands-on approach there, and much more active attention to the [war crimes] tribunal—a variety of aspects to this. But it was good, old-fashioned basic baseball democratization: campaign assistance; they’ve worked with that coalition, whipping them into shape, providing resources.”

Infrastructure is humanitarian

At the Senate hearing, a contrary voice was presented by Father Irinej Dobrijevic, of the Office of External Affairs of the Serbian Orthodox Church, who is based in the United States.

Father Dobrijevic challenged Sen. Joseph Biden (D-Del.) and others on the notion that some distinction can be made between “humanitarian” aid and rebuilding infrastructure. He asked, “Of what use is it for a hospital to receive medical commodities, to receive food and bedding and so on, and not have electricity, not have running water?” He also noted that people who need to cross a river to get to work, can’t earn a living if they can’t get to work.

“This is part of breaking that vicious cycle,” Father Dobrijevic said. “This is why I see the need for economic assistance. Infrastructure is intrinsically tied to the question of humanitarian aid, and the question of rebuilding Serbia.”

Sen. George Voinovich (R-Ohio) asked about the view expressed by some people, that if the infrastructure is not rebuilt, this will accelerate the demise of Milosevic. “Quite the contrary,” Father Dobrijevic answered. “I would disagree. I think it would so clearly demoralize the people that they would not be able to rise up against him. You can’t starve someone into submission.”

Failure of Afghan talks signals new war danger

by Ramtanu Maitra and
Muriel Mirak-Weissbach

The two-day talks among the warring Afghan factions, under UN supervision, in Tashkent, Uzbekistan on July 19-20, yielded nothing. What became evident is that the Taliban, who control about 90% of Afghanistan, and the Northern Alliance, led by Ahmed Shah Massoud and whose militia controls about 5% of Afghanistan, are preparing for yet another major clash, and it is not unlikely that some new elements may be joining the fight.

The talks were held at the behest of the six countries that border Afghanistan—China, Iran, Pakistan, Tajikistan, Turkmenistan, and Uzbekistan. (The talks go under the name of the “6+2” formula, because, in addition to the six neighboring countries, Russia and the United States are also involved.) But, unlike earlier Afghan talks, which had also failed, this round drew the attention of many because of the developments taking place around Central Asia. In the United States, Sen. Sam Brownback (R-Kan.), in his Silk Road Strategy Act, S. 579, urged lawmakers to assist “regional military cooperation among the countries of the South Caucasus and Central Asia through programs such as the Central Asia Battalion and the Partnership for Peace” of NATO. His initiative, though ostensibly favorable to development of the Silk Road, is a not-so-veiled proposal for NATO intervention into the volatile region. Any such intervention, whether directly by NATO, perhaps through Turkey in cooperation with Israel, would set the region afire. Russia has let it be known that NATO expansion into the Caucasus and Central Asia is considered a “red line”; if it is crossed, a major strategic confrontation will be on the agenda. At the same time that Brownback was peddling his wares to the Senate, developments in Iran, Uzbekistan, and Afghanistan seem indicative of a new pattern which is being woven—one that would have NATO embroidered boldly on the weave.

A British geopolitical thrust

In July, clashes broke out in Iran between the reform faction supportive of President Seyyed Mohammad Khatami, and the entrenched conservative clerical faction controlling the judiciary and law enforcement apparatus, clashes which provocateurs escalated into violent conflict. At the same time, the Turkish government intervened politically, voicing support for protests which it said could bring down the Iranian regime. And, simultaneously, Turkish planes bombed sites inside Iran, claiming that the Iranians were hosting Kurdish Workers Party terrorists. Evidence that the provocateur elements inside the Iranian student movement had close association with British-linked “human rights” groups based in the United States, pointed to the obvious: that the events in Tehran, as well as the Turkish military provocations, were part of a broader, British-backed geopolitical thrust, to destabilize the entire region (see *EIR*, July 23, 1999, p. 71).

The failure of the Afghan talks must be seen in this context. Significantly, London and Washington—at least the White House—have differing viewpoints on how to handle the Afghan war. The United States, as mentioned, is party to the 6+2 process, whereas Britain is conspicuously absent. Washington has recently imposed sanctions on the Taliban pseudo-government in Afghanistan, on grounds that the Taliban continues to harbor terrorist Osama bin Laden. Bin Laden is a Saudi national and a British asset, whose name stands for a network of former Afghan mujahideen, now deployed as roving terrorists. The Taliban is also largely a British creation, specifically of the circles of Lord Nicholas Bethell et al. (see *EIR*, April 12, 1996, pp. 43-48), together with elements of the British-backed and Mossad-infested Pakistani Inter-Services Intelligence. The support for Taliban insurgents by these outside forces has aimed at keeping the Afghan war going, so as to prevent realization of vital infrastructure development in the country, which would finally link it up to the Eurasian Land-Bridge, the new Silk Road across Eurasia. Pakistani interests, as well as the U.S.-Saudi oil group UNOCAL, have put their money behind the Taliban insurgents, ostensibly to seize political control over the country, and then to run an oil pipeline down through the country from Turkmenistan into Pakistan. The focus on this route is motivated by a commitment to keep Iran out of any such pipeline projects.

As for Iran, its entire foreign policy thrust over the past eight years, and increasingly under the Presidency of Khatami, has been defined by the economics of the Silk Road, and Iran’s geostrategic role in it. The current Iranian leadership is eager to reestablish normal relations with the West, including the United States, albeit in a careful, gradual process which would not upset the internal political balance. Iran is thus open to functioning as a bridge to Central Asia, and is therefore eager to help hammer out a diplomatic solution to the Afghan war, which continues to sabotage peaceful development.

At the same time, Iran is adamantly opposed to any foreign military presence in the region, emphatically, that of NATO or its proxies; for Tehran, as for Moscow, any intervention into Azerbaijan, for example, via Turkey, would trigger dramatic upheavals.

Washington now appears to have decided to openly disassociate itself from the Taliban, indeed, to slap sanctions on the regime, until such time as Bin Laden is handed over. Iran, Uzbekistan, and other Central Asian countries, have also openly opposed the Taliban, with the exception of Pakistan.

NATO aims

Bin Laden has also been identified as the main culprit in the Kashmir fiasco, the crisis which broke out when so-called freedom fighters entered Indian territory from Kashmir, a crisis which took many lives and resolved nothing. In reality, the “Afghan mujahideen” were the “fighting porters” (porters carrying weapons), while the majority of actual fighters or intruders into Indian territory were Pakistani regulars.

At the same time, those orchestrating this charade also consider it instrumental, to set up an “invasion” of Afghanistan, perhaps by NATO-allied forces, on the pretext of getting rid of “Islamic fundamentalists.” Their plan, through such schemes, is to expand NATO eastward, and to get strategic control over resource-rich Central Asia. This would pose a direct, strategic threat to both China and Russia, as well as to India—the three most powerful countries in the region.

However, this is not widely understood in New Delhi, where the euphoria of “American support,” which allowed India to hit back at the Islamic extremists and Pakistan during the Kashmir crisis, is acting as blinkers. The British lobby is actively camouflaging the broader picture hidden behind the turmoil in Iran: the threat of an attack on Afghanistan and the complex developments surrounding Turkey, Uzbekistan, Tajikistan, and Iran. In other words, New Delhi has not comprehended the danger of lending support to “liberal democrats” and the “Tajik nationalists,” such as Massoud, in the present context.

For the full picture, the Uzbek and Turkish developments need to be taken into account. Uzbekistan’s virulent protests against Russia’s stated intent to set up a permanent base in Tajikistan, and its decision to strengthen military cooperation with Azerbaijan and Georgia, is indicative of President Islam Karimov’s desire to get rid of the “Tajik problem.”

Turkey, NATO’s cat’s-paw, also has deep-seated links with Israel and Britain. This makes Turkey perhaps the most ominous, and active player in the region. Turkey’s interest in Central Asia, like Iran’s, is no secret, although it is of a different nature. Turkey has been cast as the wrecker, in a vast destabilizing process across the Caucasus and Central Asia, whereas Iran’s thrust has been shaped by urgent economic self-interest: to develop transportation and pipeline infrastructure throughout the region, so as to develop the immense

economic potentials of the newly independent Central Asian republics.

The failure of the Afghan talks at this time was a nail hammered deep into the Taliban's coffin, in the sense that it has been isolated internationally, and punished by the United States. However, the Taliban remains a virulent, aggressive military force. Unless the major powers, the United States, China, and Russia, agree on a peaceful solution to the conflict, Afghanistan may again be engulfed in yet another war.

Conference advances India-Central Asia ties

by EIR Staff

Schiller Institute representatives Ramtanu Maitra and Michael Liebig participated in a conference in New Delhi, on July 28-29, whose purpose was to strengthen the ties of the "survivors' club" centered around Russia, China, and India, as the world undergoes an economic and finance crash. The meeting was opened by Prime Minister Atal Behari Vajpayee. It was sponsored by the Maulana Azad Institute of Asian Studies of Calcutta on the topic of Indian-Central Asian relations, and with special emphasis on the contribution by the late Russian Orientalist Babajan Gafurov.

Conference participants included some 20 scholars from the Central Asian republics; a Russian delegation, led by the head of the Moscow Oriental Institute, Professor Rybakov; a Chinese delegation, led by Prof. Ma Jiali, who chaired one of the seminar's sessions; some 40 Indian scholars, led by Prof. Devendra Kaushik, chairman of the Maulana Azad Institute, who, in April, had addressed *EIR*'s strategic seminar in Bonn-Bad Godesberg (see *EIR*, May 7, 1999); and Hrant Khachatryan, a newly elected member of Armenia's Parliament and longtime Schiller Institute collaborator. Michael Liebig presented a paper to the seminar on "NATO, the 'Eurasian Triangle,' and the Caucasus/Central Asia Region." The conference proceedings, which are to be published as a book, include a paper by the Schiller Institute's founder Helga Zepp-LaRouche, on the Eurasian Land-Bridge and what is becoming known as the "China-Russia-India strategic triangle."

The conference demonstrated, in its own way, the major improvement in Sino-Indian relations over the past months. Chinese and Indian participants discussed in public the possibility of intelligence cooperation between China and India, and road connections crossing the Himalayas that would linking Central Asia and India through China.

The conference also showed the reality of the emergence of the India-Russia-China triangle on the world political

plane, as well as in the Caucasus/Central Asia region. This is all the more significant, as India is currently being intensely wooed by the very same British-American-Commonwealth oligarchy which had screamed and yelled about India's nuclear tests in May 1998.

In this context, even more light was shed on the high degree of credibility that Lyndon LaRouche, the Schiller Institute, and *EIR* enjoy, on both analytical and programmatic matters.

'Many silk roads'

The first day of the conference took place at the Indian Parliament, where Prime Minister Vajpayee delivered the inaugural address, focussing on the "geo-cultural space," uniting South Asia and Central Asia, "criss-crossed" by "many silk roads," in political, economic, cultural, and religious terms. Maitra and Liebig were introduced to the Indian Prime Minister as "the representatives of the Schiller Institute." With particular warmth, Vajpayee greeted the Chinese delegation. The conference was also addressed by the Indian Education Minister Dr. Joshi; the Secretary of the Ministry of External Affairs, N. Dayal; and the Chief Minister of Jammu and Kashmir, Faruk Abdullah. The second day of the conference, held at Jawaharlal Nehru University, was filled with lectures, among them from the Schiller Institute, and marked by intense debate.

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China State Council document cites LaRouche criticism of Cox Report

by William Jones

On July 15, the Information Office of the State Council of the Chinese government, the highest Chinese government organ chaired by Premier Zhu Rongji, issued a detailed response to the numerous allegations of illicit technology transfers to China that were raised in the much-hyped report of the Cox Committee, a U.S. Congressional committee, chaired by Rep. Christopher Cox (R-Calif.), that was constituted to investigate such allegations. In its response, the State Council's Information Office referenced the harsh comments made by *EIR* founder Lyndon LaRouche on the Cox Report on May 28.

Shortly after the May 25 public release of the Cox Report, LaRouche issued a statement which was widely covered by the Xinhua News Agency and other Chinese media. The State Council Information Office states the following: "Lyndon H. LaRouche, founder of the *Executive Intelligence Review*, said in a statement published on June 2 that the Cox Report was a fraud. Its accusation of the so-called Chinese 'theft of nuclear secrets' was sheer fabrication. The fraud of the Cox Report is 'a reflection of the kind of scientific illiteracy' of its writers. LaRouche said that the so-called 'nuclear secrets' were easily obtainable from the Internet, but the Cox Committee spent a great sum of money in investigating these false charges, which was simply 'too ridiculous.' LaRouche went on to point out that the clear purpose of the Cox Committee was to undermine U.S.-China relations."

The Cox Report specifically targets the scientific cooperation begun with China in 1979, a cooperation which has been of great benefit to both the United States and to China, and which has helped engender a greater degree of understanding between the two countries. According to the Cox Report, however, "P.R.C. [People's Republic of China] scientists have used their extensive laboratory-to-laboratory interactions with the United States to gain information from U.S. scientists on common problems, solutions to nuclear weapons physics, and solutions to engineering problems." One of the unspoken assumptions of the report is that the Chinese scientists had to somehow rely on espionage in order to resolve technical problems which they faced. Such an assumption is an affront to the Chinese, and it was tackled head-on in Beijing's initial response to the Cox Committee allegations.

In a statement on May 31, Foreign Ministry spokeswoman Zhao Qizheng dealt directly with these assumptions: "China is a large country with a long history of civilization. The Chinese nation is an industrious and ingenious nation. China has always relied on its own efforts to handle its own affairs. Never did China in the past, nor does it at present, nor will it in the future, base its development of sophisticated national defense technology related to national security and interests on the 'theft' of technology from other countries. China relies on its own forces to independently develop its national defense technology. This is a basic principle in which China has persisted."

Specifically, the Cox Report alleges that China had acquired information on U.S. satellite technology during the course of an investigation of a failed launch of a private U.S. satellite by a Chinese Long March rocket. The Cox Committee claims that the international committee assigned to investigate the failure of the Long March rocket, pointed Chinese investigators in the direction of the problem, thereby giving them restricted information gathered from their investigation. This claim, however, has been adamantly denied both by the Chinese government and by the international committee responsible for the investigation. The Chinese authorities had also conducted their separate investigation, which led to the discovery of the problem.

The Cox Report also claims that Beijing acquired the ability to modernize their nuclear capabilities through espionage acquired by Chinese visitors to U.S. national laboratories. As was pointed out by the Chinese government, in a very public press demonstration, which LaRouche had also noted in his statement, the "secret information" that the Cox Report claimed to have been stolen, was indeed available on the Internet for all those with access to a personal computer.

Science cooperation under the gun

"What is most malicious about the Cox Report," the State Council report says, "is that it links China's policies and guidelines for developing science and technology, the research institutes and their staff engaging in bilateral scientific and technological exchanges, the business agencies and their staff engaging in economic and trade exchanges, the official and non-official Chinese representative offices and

their staff in the United States, American Chinese and Chinese students in America with the so-called espionage activities. This is typical racial discrimination, and a deadly insult to the Chinese nation. It marks the reappearance of McCarthyism, active in the United States during the 1950s, and reflects the aberrant personality of some American politicians hostile to China's development and [who are] becoming powerful."

This aspect of the campaign launched by the Cox Report was also of concern to President Bill Clinton. On July 29, in appointing Prof. Chang Lin Tien, an engineer and the former Chancellor of the University of California at Berkeley, to the National Science Board, President Clinton addressed this issue. "Asian-Pacific American scientists have long made major contributions to our country, to our national security, and to our unmatched scientific enterprise. That is why it is intolerable that the patriotism of Asian-Pacific American scientists be questioned in the wake of recent allegations of espionage at one of our national laboratories. Security matters are of the highest priority in my administration, but history has shown the damage to the lives of our citizens and to our society that results from the destructive grip of prejudice, suspicion, and discrimination. Racism and stereotyping have no place in our One America in the 21st century."

The State Council report noted the many areas in which U.S.-China science cooperation has been implemented. "On Jan. 31, 1979, China and the United States signed an inter-governmental agreement on scientific and technological cooperation. The efforts made by the two countries over the past two decades have enabled this cooperation to reach a considerable scale. Up to now, cooperative protocols signed by related departments of the two countries have covered 33 fields, including education, agriculture, space, atmosphere, ocean fishing, medicine and health, earthquake prediction, environmental protection, water resources, energy efficiency, and renewable energy."

The Cox Report also targetted scientific projects encompassed in the "863 Program," a program of accelerated medium- to long-term scientific R&D launched by the Chinese government in 1986 as a springboard for rapid economic growth and to raise living standards. In its response, the State Council notes that the 863 Program "is a strategic policy-decision made by the nation to use its own intellectual, financial, and material resources to independently develop science and technology in order to narrow the gap with foreign advanced scientific and technical level and accelerate its own national economic development."

"The Cox Report intentionally distorts the research projects included in the 863 Program," the State Council report says. "For instance, the gene research plan which was clearly designed for the development of new medicines, it is said, 'could have biological warfare application.' The plan for developing a high-temperature gas-cooled reactor by Tsinghua University is a basic research project for the devel-

opment of the civilian use of nuclear energy, but it is said to 'aid in the development of nuclear weapons.' This cannot but show people how skilled Cox and others are at fabricating lies."

Given that the Chinese strategy for developing their economy, entitled "Revitalizing the Economy through Science and Technology," is focussed on rapid improvement of science and technology capabilities in order to foster economic growth, any sabotage attempts are rightfully seen as a threat to their national security.

U.S. scientists weigh in

The Cox Committee recommendations are opposed by a growing number of U.S. scientists and engineers employed at the national labs. In a forum at the National Academy of Sciences on Aug. 2, scientists and officials from the national labs and from other scientific institutions expressed their views on the "espionage" hoax. In particular, they were concerned that imposition of the restrictive measures which the Cox Committee is proposing on the exchange of foreign scientists at the national labs, and the atmosphere of growing McCarthyite hysteria, ironically, itself constitutes a grave danger to U.S. national security.

On May 21, in a statement on "Scientific Openness and National Security," the presidents of the U.S. National Academy of Sciences, the National Academy of Engineering, and the Institute of Medicine expressed growing concern over the Cox Report's proposed restrictions on foreign visitors at the national labs. "Such restrictions could harm our U.S. national interests by impeding scientific progress, weaken the nation's role as a key player in the international scientific community, and endanger international cooperative activities that bolster our national security and well-being by addressing such issues as nuclear safety and environmental cleanup," they said.

"[Department of Energy] national laboratories necessarily engage not only in classified military work but also in basic scientific research and educational programs, as well as technology transfer activities that stimulate scientific innovations and important new applications of technology," the officials noted. "Many of the foreign scientists who visit U.S. national laboratories come by invitation because they bring new knowledge and expertise. Bringing a range of scientific expertise into these settings—from the United States and abroad—is essential for maintaining the intellectual vitality and quality of these laboratories and for sustaining their capacity to attract and retain promising young talent."

More significantly, the statement continues, "An unnecessarily restrictive environment also generates hostility and is likely to exaggerate concern about the intentions of others." Beating the war drums about Chinese "hostile intent" may well engender the very phenomenon that Cox claims to fear. His attempts to whip up hysteria about a new "yellow peril" should be a cause of concern for those interested in U.S. national security.

British-French alliance on Africa

The days of the Anglo-French “inter-imperialist rivalry” are definitively gone.

British Foreign Secretary Robin Cook and French Foreign Minister Hubert Védrine met in London on July 27, and, according to Agence France Presse, decided to “strengthen their cooperation in Africa.” Great Britain and France, a statement released by the two foreign ministers said, “have a common vision of promoting positive change and respect for human rights, democracy, and the rule of law in Africa.”

In March of this year, the two foreign ministers had travelled together to Ghana and the Ivory Coast, and then presided over a meeting of all French and British ambassadors posted to African countries, to solidify a cooperative agreement signed in December 1998 between British and French intelligence. In remarks to that unprecedented gathering, British Foreign Secretary Cook stated that Britain and France have “common objectives” in Africa.

Cook sounded the death knell on any illusions that an “inter-imperialistic rivalry” might be the cause of the cataclysms seen in east and west Africa over the last decade. “Let us be frank. Britain and France have not always been the closest of partners in Africa. In the last century we regarded each other as rivals. Often our actions were prompted by the habits of competition rather than the spirit of cooperation. But we are now on the threshold of a new century. In that era, nations will not be able to secure their national interests alone,” he said.

The alliance was officially signed on Dec. 4, 1998, at the British-French summit in Saint-Malo, France. The final communiqué listed the following

points of implementation:

“Intensify information exchange on the situation in Africa, between capitals and local Embassies, in particular on countries where one or other partner is not represented;

“Explore the scope for co-location of French/British Embassies in Africa;

“Organize joint Anglo/French Africa Heads of Mission conferences at a sub-regional level;

“Prepare meetings between their respective ministers and joint visits by their Foreign Ministers to Africa.

“Furthermore, the United Kingdom and France will pursue joint cooperation to promote sub-regional integration, in particular between networks of anglophone and francophone countries.

“Finally, the United Kingdom and France will experiment in two African countries where one is not represented the possibility of acting on behalf of the other.”

The official purpose of the Anglo-French cooperation pact is cited as working toward stability, development, and democracy in Africa. On the ground, however, one sure purpose is to guarantee that President Clinton’s American Partnership with Africa is never realized—that is, that the United States through fostering true cooperation with African countries would gain a toehold in the continent heretofore seen as the preserve of European powers.

While the aim is to keep out American foreign investment and trade, the two have agreed on mutual investment in their own former colonies. French investors are moving strongly into South Africa. France is today Sudan’s

third-largest trading partner, and, wanting no competition from the United States, is not interested in the improvement of U.S.-Sudanese diplomatic relations. Even more to the point for those who believed that the conflagration in the Great Lakes region was an Anglo-American operation against France, France has more investment in the British Commonwealth stronghold of Uganda, than it did in francophone Zaire at the point of the outbreak of the 1996 Congo war. French media consistently put out the line that the war against President Mobutu was an imperialist policy of the United States, citing as proof the early financial backing given to then-rebel Laurent Kabila by America Mineral Fields—without mentioning that AMF is a Canadian, that is, British Commonwealth company, not American!

British and French intelligence also cooperated in the war against Liberia run by Charles Taylor beginning in 1989, which destroyed the country that had been the sole commitment of the United States in Africa. Taylor launched his operations against Liberia from the francophone bastion of the Ivory Coast, and was propagandistically boosted by the British Broadcasting Corp. He also had help from certain U.S. circles; he first had to “escape” from a Boston jail before he could launch his war.

In fact, the surest way to keep the United States out of the African domain, is to encourage the U.S. State Department to take the lead in fomenting a policy of war toward Africa, which the British and French intelligence services contrive to do through complicit channels in the United States, which reach as high as U.S. Assistant Secretary of State for African Affairs Susan Rice, a protégé of the Royal Institute for International Affairs.

Germany faces an autumn of discontent

The Schröder government's support has shrunk to one-third of the electorate.

The coalition government of Social Democrats and Greens is now approaching a situation which may bring about a change of government, only one year after the last election. A stock market crash would instantly expose the government's economic incompetence, but its fall could also be triggered by a series of election defeats.

In September, there will be elections in four of the 16 German states—Brandenburg and Saarland (Sept. 5), Thuringia (Sept. 12), and Saxony (Sept. 19). In addition, municipal elections will be held on Sept. 12 in North Rhine-Westphalia, the biggest state, with 20% of the electorate. In recent weeks, opinion polls have shown the government coalition falling behind the Christian Democratic-Free Democratic coalition by 10% or more. Had there been national elections in the last two or three months, this government would have been voted out and replaced either by a new CDU-FDP coalition, or a “Grand Coalition” of the Christian Democrats and Social Democrats.

The latter option is what the majority of voters prefer. Two-thirds of the electorate are opposed to the government. And more than one-third, which is about the same number as supports the government, will abstain from voting at all. This includes many voters who regret that they voted against the CDU and liberal FDP government last September, because the new government has not performed any better. But, many of these voters will return to the Christian Democrats only if the party states a clear commitment to seek a Grand Coalition with the Social Democrats.

This is a summer of deep discon-

tent, not unlike last year, before the CDU government of Chancellor Helmut Kohl was voted out. And, Schröder's government faces even worse problems than Kohl's did, because labor, in particular, expected the Social Democrats to do more against unemployment. Over the last three quarters, the red-green government has done nothing to lower the jobless rate. At the end of July, 4 million Germans were without a regular job, which is only slightly better than a year ago.

During the first half of 1999, there has been a net loss of 260,000 jobs, mostly in special government programs that are limited to a maximum of 12 months. About the same number of jobs will be lost during the second and fourth quarters of this year, because the special programs which the Kohl government increased massively during the spring and summer of 1998, thereby creating 600,000 jobs, are now expiring. The red-green government not only did not continue these programs, but it also wants to cut more than 9 billion deutschemarks from the Labor Ministry's fiscal year 2000 budget, which will be at the expense of funding for special job-creation programs.

Meanwhile, more industrial jobs are being lost, as a result of the Asian and Russian crises of 1998, which have collapsed exports. All of this means that official unemployment will head toward 5 million by late autumn.

Social Democratic Chancellor Gerhard Schröder has contributed to discrediting his government, by unmasking himself as a man of the banks rather than of labor. In an interview with the Aug. 2 issue of the weekly *Der Spiegel*, Schröder said of the

abrupt defection of Finance Minister Oskar Lafontaine in March, that Lafontaine's demise invalidated “concessions, which had better not been made,” when his government was formed, in October 1998. The one “concession” that Schröder specifically raised, was: “I always viewed the conflict with the Bundesbank [the German central bank] as nonsensical. In Germany, you cannot win that one, as you cannot win a Kulturkampf,” referring to the conflict which Chancellor Bismarck lost to the Catholic Church on the education issue 110 years ago.

What Schröder meant, was that he never shared the views of those Social Democrats who proposed things like a tax on speculation, or more political control of the central bank. As Finance Minister, Lafontaine had never proposed a real alternative to the bankers' monetarism; rather, he stressed that his views were identical with those of former U.S. Federal Reserve Chairman Paul Volcker.

But, proposals counter to some monetarist policies have come from Social Democrats, many of whom are roused by the programmatic campaigns of the LaRouche movement in Germany. And, there are prominent individuals, such as former Chancellor Helmut Schmidt, who do not share LaRouche's views but feel compelled to address the ferment these views are creating. In an Aug. 1 interview with *Welt am Sonntag*, Schmidt attacked the “Wall Street psychopaths” who are obsessed with speculation, and who would inevitably cause what Schmidt calls a considerable stock market “correction” on Wall Street—a crash, in plain language.

Many who oppose Schröder's pro-banks line will recall that what Schmidt said, has been said by LaRouche a thousand times before. The autumn of discontent may feature some unexpected developments.

International Intelligence

Pastrana clashes with McCaffrey on FARC

U.S. director of the Office of National Drug Control Policy Gen. Barry McCaffrey (ret.) stirred up a hornet's nest during his July 26-28 trip to Colombia, where he repeatedly denounced the FARC and ELN terrorists as a cartel of "narco-guerrillas," and insisted that they are using their control over the so-called "demilitarized zone" in Colombia's south to traffic in cocaine.

Immediately after McCaffrey left, President Andrés Pastrana told foreign media that the FARC are *not* narco-traffickers, because "I don't negotiate with drug traffickers." He temporized: "There is no evidence at this point that the FARC are drug traffickers. They collect fees from the narcos." He added later that "there are only 10,000 hectares of coca in the 42,000 square kilometers" of DMZ territory.

During a special briefing at the White House on Aug. 2, McCaffrey said that Secretary of State Madeleine Albright, Attorney General Janet Reno, Secretary of Defense William Cohen, "and all of us involved in this, will have to reevaluate a dynamic situation that is going in the wrong direction." It is important to "support the peace process," he said, and he acknowledged that Pastrana "has an economy with 20% unemployment." Then he quoted estimates that the narco-guerrillas are receiving between \$215-600 million in drug money annually, arguing that the "FARC and the ELN, the paramilitaries, have been there for the last ten years, but their money came from extortion, kidnapping, murders, bank robberies, blowing up the pipeline system. You throw in \$600 million in drug money, it *changes the equation*."

Asked about President Pastrana's insistence that the FARC are not narco-terrorists, McCaffrey replied, "The money is providing enormous amounts of lethal weaponry. . . . That's the problem, it's drug-related money, and it's tied directly to coca production and heroin. . . . Getting involved in a debate over whether we call them narco-guerrillas or whatever, is irrelevant to me. I think the police, the army, and judges and prosecutors are terrified that as many as

2,000 of these armed insurgents will show up in a *nationwide, coordinated offensive* against democratic institutions. That's a problem."

Polish journal on 'Candidate LaRouche'

Two major articles on Lyndon LaRouche appeared in *Kurier Zwiazkowy*, a weekly run by Poland's Sierpien '80 trade union. The first, "LaRouche's Critics Admit He Was Right," was based on the Schiller Institute's Polish-language newsletter, quoting "financial experts" who now acknowledge what LaRouche has been saying for years, that the whole global financial system is so fragile that it was brought to near-meltdown last September.

The second article, "Candidate Lyndon LaRouche," includes prominent Nebraska attorney and former state legislator John DeCamp's endorsement letter (published in *EIR*, June 25, 1999). *Kurier's* short introduction presents LaRouche's proposal to introduce a New Bretton Woods monetary system as an alternative to the International Monetary Fund system, which LaRouche, says *Kurier*, blames for the present financial crisis. The introduction underscores that many Americans think that a choice between Al Gore and George Bush is not a real choice, since the victory of either one will do nothing to solve the global crisis, making DeCamp's initiative in endorsing LaRouche all the more important, says the weekly.

Kurier Zwiazkowy is distributed free inside many companies all over the country, and delivered to all government institutions. It is also available on the Internet.

Italian terrorist ran weapons to Kosovo's UCK

Italian police have arrested an entire organized crime ring, one of whose leading members is "former" Prima Linea terrorist Francesco Gorla, according to a report in *Corriere della Sera* on July 28. In the last year, the gang has carried out violent robberies, killing policemen and civilians. Gorla,

who had belonged to Prima Linea, a bloody left-wing terrorist group that was active along with the Red Brigades in the 1970s and 1980s, was extradited from Spain in 1997, but was soon released from Italian prison on a legal technicality. A weapons cache used by the Gorla gang included machine guns, bazookas, and even land mines, which *Corriere* characterized as weapons belonging to "the same ring" that supplies the Kosovo Liberation Army (UCK) through Italy, Croatia, and Bosnia.

Gorla was arrested while leaving his safehouse, in the apartment of Rita Sanvittore, the Green environment commissioner for the city of Cusano Milanino. While wire-tapped conversations between the two show that they had an intimate relationship, it is not known whether Sanvittore was aware of all of Gorla's activities. A police photo from the 1970s shows Sanvittore taking part in an anti-missiles protest, which was, in fact, exposed by *EIR* as part of a NATO plan called "Operation Nightmare."

The red terrorism-UCK connection emerging from the arrests throws new light on the assassination of Italian government official Massimo D'Antona last April, which was claimed by the Red Brigades, in the midst of Italian government efforts to block the NATO war against Serbia.

Brits 'find' Mt. Sinai in Saudi Arabia

British intelligence has accelerated plans to destabilize Saudi Arabia through claims that Mount Sinai, where Moses received the Ten Commandments, is in Saudi territory, and that, therefore, the Saudi mountain is a Jewish religious site. While the claim has existed for a couple of years, it has suddenly resurfaced in *Biblical Review*, on the eve of King Fahd's formal abdication, and has added an element of instability in the Saudi Kingdom. *Biblical Review*, the British archeological monthly which first pushed the Temple Mount provocation against Islam's third holiest site in Jerusalem, features the "discovery" in its August issue.

According to coverage in the London *Daily Telegraph* on Aug. 1, the champion

GEORGE ROBERTSON, Britain's Defense Secretary, was confirmed as NATO Secretary General to replace Javier Solana on Aug. 4. He will take office in the fall. The post had been offered to German Defense Minister Rudolph Scharping who turned it down. Robertson was then nominated by Prime Minister Tony Blair, who hopes to consolidate British policy for NATO to take unilateral "out-of-area" actions, as well as provocative NATO area expansion.

TAJIKISTAN'S Defense Minister, Col. Gen. Sherali Khayrulloev, told the July 16 issue of the Russian military journal *Nezavisimoye Voyennoye*, that military cooperation among the Commonwealth of Independent States "is a necessary factor in maintaining security and stability both within the Commonwealth framework and throughout the world," because, "it can avert attempts on the part of one state or another or a certain military bloc to claim the right of dominance in the world."

MALANJE, ANGOLA has three to four people dying of starvation every day. This central highland city is under siege by Jonas Savimbi's UNITA rebels. In addition, some 130,000 people have come in from the countryside, which UNITA now controls. The city has been without regular relief supplies since January.

IRANIAN AZERI separatists, the National Liberation Front of Azerbaijan, issued an inflammatory statement from its headquarters in Baku, Azerbaijan on July 27 calling the 19th-century treaties that divided Azerbaijan "illegal, and foisted on us by force." The statement was part of the Front's efforts to increase tensions between Iran and Azerbaijan.

EAST TIMOR voter registration concluded successfully on Aug. 4, with roughly 380,000 people of an estimated 400,000 eligible voters registered under UN auspices. East Timorese are set to vote on Aug. 30 on its status with respect to Indonesia.

of the hoax is former Royal Air Force pilot Lawrence Kyl, who has the strong backing of the Canon of Chichester Cathedral, Roy Porter. According to Kyl and Porter, "Mount Sinai" is in northwestern Saudi Arabia, not in the Sinai Desert, as had been, by tradition, assumed. And, as it turns out, Mount Sinai is just a few miles from the headquarters of the Saudi air-defense system established to protect the Kingdom from Israeli attack.

Kyl has been conducting "covert archeology" at the site, with Anglican support. He says that he has been "warned off" continuing his covert studies by the Israeli Mossad.

Barak agrees to implement Wye accord

The pace of diplomatic activity to bring about peace in the Middle East region was intense in the last week of July. On July 29, Israeli Prime Minister Ehud Barak met with Egyptian President Hosni Mubarak for the second time in that month, in Alexandria. Following the meeting, Barak announced that he planned to fully implement the Wye Plantation accords with the Palestinians. Earlier, Barak had proposed that the Wye talks be subsumed under final status negotiations, a position firmly rejected by the Palestinian Authority. Barak said that the Wye agreement would be implemented as soon as Israel and the Palestinian Authority created a joint commission that had been agreed to at the July 27 meeting between Barak and Palestinian Authority President Yasser Arafat.

Both Barak and Arafat then separately spoke by phone with President Clinton—Barak for 20 minutes and Arafat for 45 minutes, with Arafat urging the U.S. President to intercede to make sure that Israel honored the Wye deal. Arafat also spoke to Jordan's King Abdullah by phone, updating him on the meeting with Barak.

And, in another sign of peace opportunities for the region, the new express train linking Amman, Jordan to Damascus, Syria began its inaugural trip. On July 26, the Syria-Jordan joint commission met in Amman,

with Syrian Prime Minister Mahmud Zohbi heading the Syrian delegation. Syria also recently released the first group of Jordanian prisoners, another part of the political and commercial deals recently struck between the two neighbors.

Immediately after the July 26 funeral in Morocco for King Hassan II, Jordan's King Abdullah flew to Damascus, carrying a message from Israeli Prime Minister Barak, proposing that peace talks between the two countries commence. The head of the Syrian general staff has recently written that any peace between Israel and Syria must begin with the full withdrawal of Israeli forces from the Golan Heights.

India, Pakistan try to ease Kashmir tensions

India and Pakistan discussed steps to ease tension along the 740 kilometer Line of Control in Kashmir on July 27. The Directors General of Military Operations (DGMO) of the two sides discussed "confidence-building measures" which could be undertaken to de-escalate tension. Their interaction reportedly assumes importance in light of a recent Pakistani troop build-up of roughly two brigades in the area of Kargil, in Indian Kashmir, and the intermittent artillery exchanges between the two sides.

Briefing the media on July 26, the Indian DGMO, Lt. Gen. N.C. Vuj, indicated that the Pakistani refusal to abide by an understanding not to construct new defenses in a 1 kilometer band on either side of the Line, was mainly responsible for the continuing tensions after the months-long fighting in the Kargil area had died down. He said that the two sides required a fresh understanding to de-escalate military tensions.

On July 27, General Vuj declared that Indian territory is completely free from Pakistani intruders along the entire Line of Control. "These intruders have now been evicted, and the Indian territory is free from Pakistani presence," he declared. He pointed out that Pakistan had pulled out most of its remaining troops on July 17, but its forces had retained three pockets in the combat zone.

It's time for every sane citizen to turn to LaRouche

by Our Special Correspondent

The multimillion-dollar campaign warchests of Presidential hopefuls George W. Bush, Al Gore, and Bill Bradley have done little to gloss over the fact that none of these so-called front-runners have the qualities required to guide the nation during even the best of times, let alone during a period of grave crises as we face today.

Over the course of one mid-summer week, these three stumbled through this early phase of the year 2000 drive for the Presidency with one gaffe after another.

First, former basketball great Bill Bradley attempted to “charm” dumbfounded audiences by announcing that he was the “uncandidate”; Bradley spent the week asserting that he was a candidate “with all the charisma of a figure in Madame Tussaud’s Wax Museum.”

Not to be outdone, Al Gore proved himself much more the ghoul than the former U.S. Senator from New Jersey, winning the *Washington Post*’s coveted “Mortifying Moment Award” during a campaign swing through Rochester, New Hampshire (Rochester is well-known as the birthplace of Lyndon LaRouche, the third leading Democrat in the Presidential race). New Hampshire podiatrist John Dinella recounted running into the Vice President at a Democratic event. “He entered and dutifully made his way around the room, shaking hands with anyone who seemed remotely interested. I decided to make a joke. There are more French Canadians in Rochester than any other ethnic group. When he shook my hand I said, ‘Would you like a good line for a speech in Rochester?’ He said, ‘Sure.’ I said, ‘Ich bin ein French Canadian.’ With a very puzzled look he continued to shake my hand as he solemnly intoned, ‘Ich . . . bin . . . ein . . . French . . . Canadian.’ He clearly had no idea what I was talking about. When he started the speech that way, all the blood drained from my head.”

Later on the same week, the *Washington Post*’s Al Kamen was pondering why Gore hasn’t figured out that his campaign is dead. “Ponder no more!” says Kamen. “The answer comes

to us from the world of forensic medicine.”

“First, there’s *rigor mortis*, literally the stiffness of death. . . . Gore has long been a medical marvel for exhibiting the condition while still alive.

“Then there’s *livor mortis*, the pooling and settling of the blood. . . .

“The third condition—the one most clearly afflicting his campaign—is known in the forensic trade as *algor mortis*. This refers to the cooling of a body after death, which occurs at about 2° Fahrenheit an hour.”

‘Sorry, folks, wrong country’

But it was George W. Bush, former drunk, former cocaine addict, but still the son of America’s last dyslexic President, who scared people to death. After the flap caused by Taiwan’s outgoing President Lee Teng-hui, President Clinton firmly reasserted America’s adherence to a “One China” policy. The President intimated that he would even consider the use of force, if necessary, to keep Taiwan in line. When George W. was asked to comment, he quickly replied that he would most certainly be willing to bomb Beijing if necessary!

Sources inside the Bush camp said the sirens that Bush the Younger set off were ear-shattering, with calls coming from Dad, Uncle Prescott, and heaven knows who else! Within hours, the correction came. “Sorry, folks, wrong country.”

It is little wonder that, at least in circles where sanity is still held in high regard, the LaRouche campaign is increasingly becoming a rallying point among those citizens who can’t help but recognize the undeniable signs that the nation is about to sink into an unprecedented crisis.

On Aug. 2, in a statement announcing the official launching of LaRouche’s campaign website, Debra Hanania-Freeman, his national spokeswoman, explained, “The world is being plunged into the worst economic depression of the century. The world financial system is hopelessly bankrupt, and

nothing can be done to save it. Lyndon LaRouche is the only visible candidate of either party who is committed to returning the United States to the kind of monetary and financial policies which have been proven to work. They are the kind of policies that President Roosevelt intended to carry out at the end of World War II, and which he undoubtedly would have carried out, were it not for his untimely death.

“LaRouche’s record proves that he not only commands a unique competence to design the right policies for this time of crisis, but that his commitment to actually implement those policies cannot be shaken. Indeed, the fact that LaRouche faced a political frame-up and subsequent imprisonment for his refusal to bend to the demands of his enemies in the financial oligarchy, made him a virtual folk hero to whole sections of the U.S. population. Today, he enjoys a broad base of support among those traditional constituencies of the Democratic Party, particularly minorities and trade unionists.”

Freeman said that the launch of the website would be a big boost to the campaign’s ability to keep in touch with the core constituencies that already support LaRouche and to reach out and expand.

In fact, within days of the opening of the website, cam-

paign activists from Rome, Georgia to Casper, Wyoming had already started to generate media coverage for the campaign. Freeman commented, “We’ve found that having local representatives who are persistent, is an excellent antidote to the ‘media blackout’ that everybody complains about!”

Freeman showed a photo from the *Rome News-Tribune* that showed Neal Couch, a local campaign volunteer, organizing at a table that prominently displayed LaRouche campaign posters demonstrating Mr. LaRouche’s “Triple Curve, A Typical Collapse Function” (a pedagogical tool to help people understand why the global economy is collapsing), under the headline, “The Truth about the Economy. . . . A Vote for LaRouche Is a Vote for Yourself and Our Nation.” She said that it was just one of many examples, with a lot more to come.

“We hadn’t even finished sending out press announcements on the launch of the website. Within just a few days, over 2,000 ‘hits’ had been recorded!” she said.

Educating campaign supporters

Meanwhile, speaking tours by leading members of the LaRouche movement that began in mid-July, with the stated intent of educating campaign supporters to become leaders of

Presidential candidate LaRouche unveils website

Debra Hanania-Freeman, national spokeswoman for Lyndon H. LaRouche, Jr., a candidate for the Democratic Party’s year 2000 Presidential nomination, announced the official launch of Mr. LaRouche’s campaign website (<http://www.larouchecampaign.org>) in a statement released on July 30.

“We are very excited to finally have the website up and running. As most people know, Lyndon LaRouche announced his candidacy for the Democratic Party nomination during the summer of 1997. Today, the Federal Election Commission recognizes Mr. LaRouche, now in his sixth run for the Democratic Party nomination, as one of the three leading contenders for the Democratic nomination (along with Vice President Gore, and former U.S. Sen. Bill Bradley of New Jersey).

“Since Lyndon LaRouche announced his candidacy, campaign volunteers have blanketed the nation with thousands of books, pamphlets, and leaflets issued by the candidate, including the pamphlets ‘LaRouche’s Program to Rebuild the Balkans—And the World’ and ‘LaRouche’s Economics IQ Test’; two full-length books authored by the candidate, *The LaRouche Program to Save the Nation* and *The Road to Recovery*; and various other items. These publications, and other items, are now on the website,

along with a section of campaign humor.

“Now, the world is being plunged into the worst economic depression of the century. The world financial system is hopelessly bankrupt and nothing can be done to save it. LaRouche is the only visible candidate of either party, who is committed to returning the United States to the kind of monetary and financial policies which have been proven to work. They are the kind of policies that President Roosevelt intended to carry out at the end of World War II, and which he undoubtedly would have carried out, were it not for his untimely death.

“LaRouche’s record proves that he not only commands a unique competence to design the right policies for this time of crisis, but that his commitment to actually implement those policies cannot be shaken. Indeed, the fact that LaRouche faced a political frame-up and subsequent imprisonment, for his refusal to bend to the demands of his enemies in the financial oligarchy, made him a virtual folk hero to whole sections of the U.S. population. Today, he enjoys a broad base of support among those traditional constituencies of the Democratic Party, particularly minorities and trade unionists.

“The launch of the web site will greatly enhance the campaign’s ability to keep these layers supplied with Mr. LaRouche’s latest policy interventions and provide them with the ammunition they need in this drive to further mobilize the core constituencies of the Democratic Party, to first win the nomination, and then, to make LaRouche President of the United States.”

their nation, continued. Events that featured in-depth discussions of the LaRouche strategic studies that have been printed in recent issues *EIR* occurred in Houston, Texas; Las Vegas, Nevada; Falls Church, Virginia; and Los Angeles and Oakland, California. Similar meetings had already occurred in Maryland, New York, and New Jersey. More events are scheduled to occur.

No wonder the British Crown is becoming unhinged! An article that the LaRouche campaign has called a “savage and violent attack” appeared in a leading British women’s magazine on Aug. 5, arguing that the rapid growth of LaRouche’s influence constituted a serious threat to the British monarchy itself, and demanded in the headline, that Prime Minister Tony Blair and others move to “Shut This Man’s Mouth.” The attack is viewed by experts as a serious threat to the Presidential candidate’s life (see *International* lead).

U.S. politics torn in petty civil wars

by Michele Steinberg

With the greatest financial and strategic dangers in history unfolding in the immediate future, and with a cultural collapse in the United States, where enraged workers or enraged students are committing mass murders on nearly a weekly basis, the nation is faced with a complete leadership vacuum, except for the Presidential campaign of Lyndon LaRouche.

LaRouche’s strategic study, “How to Save a Dying U.S.A.” (*EIR*, July 16), warned of this state of affairs. He said: “Today’s new threat of apocalyptic times, should impel us to examine, and to revive, once again, that lately neglected capability and wont of the human mind, by means of which the level of the human condition had been moved upward and forward, despite even the darkest among intervening periods of calamity. . . . We have come into a time when the only basis for an optimistic outlook, is the fact, that history — and what we know of pre-history — shows us, beyond doubt, that there is something essentially good within human nature. Indeed, this is rightly recognized as *a divine spark of goodness*. . . . It is this spark of goodness, which has brought about the great steps of progress in the human condition, even despite the relatively ‘dark’ ages, which have struck all or large areas of this planet at one or another past time.”

Dull and dullard

According to *U.S. News and World Report* magazine on July 19, LaRouche is wrong about the dignity of the human mind, because Americans are scared off by “too much intelligence” in their Presidential candidates. Author Roger Simon makes a convincing case that the crop of Presidential candi-

dates is stupid, beginning with George W. Bush, the fruit of the poison tree. But Simon doesn’t know the human mind, and like most of the Wall Street- and British-controlled media types, he is conditioned to leave LaRouche out of the picture.

“Is It Wrong To Call Him George Dubya Bush? He’s No Genius, but Presidents Often Aren’t” is Simon’s headline. (Dubya is Texas-talk for W, Bush’s middle initial.) Simon writes, “Is Dubya Dumb? Is George Bush not the sharpest knife in the drawer? We know he doesn’t know Slovakia from Slovenia, Greeks from ‘Grecians,’ or that there is no ‘standard’ version of the Ten Commandments,” but, “How bright do you have to be to be President?”

Cute. But Americans aren’t as stupid as the editors of *U.S. News and World Report* would like to think. Former Texas Agriculture Commissioner Jim Hightower (D) told Simon, “Let’s face it, Gore vs. Bush is going to be a race between Dull and Dullard.” There is a tidal wave of resistance rising within the electorate to such a scenario, and pressure for changes will intensify as the LaRouche campaign, and the global financial crisis, move into the “hot phase.”

Catch a falling star

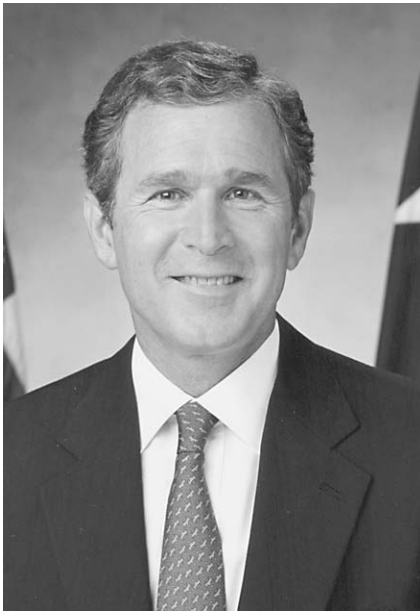
Al Gore’s campaign is reeling, but the fact that it is not closed down presents a danger to the nation, because of his ability to sabotage policies inside the Clinton administration.

On Aug. 5, Gore’s Chief of Staff Ronald Klain resigned from the campaign, for a lucrative law firm job. But, he is reportedly not the only top Gore staffer looking for a private career future. Gone are the days (just a few months ago!) when the Gore loyalists were claiming that there would be a “third Clinton Presidency.” Now, resumés are clogging the information highway, according to many Washington reports.

Bill Bradley has them “sleeping in the aisles,” according to Democrats who heard him speak at the Indianapolis meeting of National Conference of State Legislators. But, in the crucial state of New York, the latest poll shows Bradley *beating* Bush by seven percentage points, 46% to 39%, even though the same poll has Gore still ahead of Bradley among Democrats. In the general election, that poll has Gore only two points ahead of Bush, 45% to 43%.

Gore has nothing but growing problems. In California, the Democratic Party, which was planning to ride into the year 2000 elections in the Congress and state legislature after its stunning gubernatorial victory in 1998, is reportedly in fierce debate about dumping Gore because of his lack of appeal, especially among Hispanic voters, who show an unusually high percentage favoring Bush. Democrats criticize Gore for going to California only for raising funds and not for political events, according to columnist Robert Novak.

Gore is also losing out on the campaign funding front to both Bradley and Bush in the high-tech telecommunications and computer industry belt in “Silicon Valley” California. The Clinton-Gore campaign *heavily* depended on this sector in 1996. But, today, Bradley’s campaign has reported well more than \$408,000 in contributions from this area, Bush’s



Left to right: George W. Bush (“not the sharpest knife in the drawer”); Al Gore, Jr. (his campaign staffers are heading for the hills); Bill Bradley (he has them “sleeping in the aisles”).

money machine has about \$350,000, and Gore is trailing, with about \$242,000.

Wall Street, which was Gore’s other big ace in the hole, is hedging — as much as it does in finances. Maurice Greenberg, head of AIG insurance, was reported to be one of the Gore “kingmakers,” who attended several of the Wall Street fundraising meetings for Gore. But, it turns out, Greenberg is listed as a member of Bush’s “Pioneer’s Club,” meaning that he is one of 420 other bigwigs who have each sucked in more than \$100,000 to Bush’s campaign.

In Hollywood, “big stars” are endorsing Bradley, leaving “Big Al” with only a few Clinton “leftovers.” The Hollywood endorsements are considered crucial for Gore’s campaign money, which he needs to survive — since he has no political support among voters and grassroots Democrats, and labor is balking at endorsing him because of his fanatical support of free trade and the North American Free Trade Agreement.

The latest of those to turn on Gore is in Washington, D.C., where the *Washington Post* dedicated a seven-part series, backed up with several full-page features, to George W. Bush. This “family album” puff piece in the so-called liberal flagship newspaper has left Gore dumbfounded.

But, Bush’s fight for the nomination in the Republican Party is beginning to look like an ugly slugfest. In addition, one of the biggest threats to Bush’s election could come from the Reform Party of H. Ross Perot, which is now in the hands of former wrestler, Minnesota Gov. Jesse Ventura. If the Reform Party fields a conservative candidate, George W. will be seriously hurt. On Aug. 5, details emerged that a powerful faction inside the Reform Party wants Republican Patrick Buchanan to be their Presidential candidate, a spot that brings with it a \$12 million war chest and ballot status in all 50 states

for the November 2000 general elections. Buchanan has angrily rejected the offer, saying that the report of the Reform Party drafting him is a dirty trick designed to hurt his showing in the Aug. 14 Iowa Republican straw poll, where the GOP campaigns are scrambling to buy up votes for \$25 apiece.

Charges and counter-charges are flying among the Republicans of criminal vote buying, money laundering, and other Federal Election Commission violations. Bush’s campaign, for example, cancelled an alleged scheme to have six GOP “big bucks” contributors pay for the straw poll by giving “soft money” through the Iowa Republican Party. And, Steve Forbes’s campaign has denied allegations by unspecified accusers, that he was trying to hire voters through a temporary employment agency.

Given such reports, the Iowa straw poll looks like a replay of the Roman Empire’s famous popular vote, “Give us Barabbas!”

And, if Gore is the “most corrupt politician never elected President,” George W. Bush is certainly the runner-up.

Bush is the only candidate among 12 declared Democratic and Republican candidates who *refused* to answer whether he had ever used cocaine, according to the Aug. 5 *New York Daily News*. He says that he will not “trash mouth” and reply to rumors in this campaign. He is also the only candidate about whom it was reported that he and his “frat” brothers used a red-hot wire clothes hanger to “brand” the symbol of their fraternity on the hides of the fraternity recruits they were hazing.

There’s no question that without Al Gore, Bush would not stand a chance. The sooner that Americans realize that *a vote for Gore is a vote for Bush*, the closer our nation is to ensuring its survival.

Campaign manager Tony Coelho: Al Gore's kindred spirit in avarice

by Scott Thompson

On Feb. 24-26, 1999, Vice President Al Gore, Jr. dra-gooned world leaders to attend an "International Conference on Fighting Corruption and Safeguarding Integrity Among Judicial and Security Officials." As *EIR* pointed out in a White Paper at the time, this was highly ironic, because "Vice President Al Gore may go down in the history books as the most corrupt politician never elected President."



Tony Coelho

Yet, on May 13, Gore wallowed even deeper into political corruption, when he named the "rehabilitated" former Democratic House Whip, Tony Coelho—a man who had to drop out of Congress in mid-term 1989 to avoid total disgrace and a possible jail sentence—to be his campaign chairman. The appointment of Coelho, who has sleaze still dripping from his rehabilitated teflon exterior, is about par for the course for Al Gore, Jr.

Don't forget that, as Vice President, Gore forged a partnership with Roy Cohn clansman Dick Morris, to convince President Clinton, against his own better judgment, not to veto the Gingrich crowd's welfare-to-work bill, one of the few pieces of the Conservative Revolution's "Contract on America" that actually made it into law. The net effect of the Gore-Morris partnership? The Republicans retained control over the House and Senate for two more years, even as President Clinton won re-election in 1996. As you will read below, Tony Coelho was not far removed from the process that handed the GOP control of the House on a silver platter.

Gore's corruption

That Gore would choose to "bond" with yet another corrupt political hack, following his earlier collusion with sexual pervert Morris, should not come as a surprise to readers of *EIR*. As we have documented, Gore's own track record of

corruption is second to none:

- According to *New York Times* author James Risen, in a Nov. 23, 1998 article entitled "Gore Rejected CIA Evidence of Russian Corruption": "The Vice President did not want to hear allegations that Mr. [Viktor] Chernomyrdin was corrupt and was not interested . . . in intelligence reports on the matter." Risen wrote that one secret CIA report that went to Vice President Gore, that contained what was considered "conclusive evidence" that the former Russian Prime Minister had pocketed some \$5 billion in graft, was returned by the Vice President to the agency with a "barnyard epithet scrawled across the cover." Since then, Risen says, all reports on the subject of Chernomyrdin's corruption stay *inside* the CIA.

- Although Attorney General Janet Reno cleared Gore of wrongdoing in the 1996 campaign financing probe, at least one of Gore's closest financial allies has recently pleaded guilty to campaign finance violations (he was ordered to pay \$80,000 and put in 500 hours of community service). Howard Glicken, a key fundraiser for Gore's 1988 Presidential campaign who later raised \$2 million for the 1996 Clinton-Gore campaign, admitted that he solicited illegal foreign contributions for the 1992 Senate campaigns.

But Glicken's corruption runs far deeper: His Florida precious metals company, Metalbanc, was prosecuted as part of the Drug Enforcement Administration's "Operation Polar Cap" in 1991, for laundering the drug proceeds of the Medellín Cartel. Glicken avoided a long jail sentence by striking a deal with prosecutors that sent his partner, Harry Falk, to prison for 27 years. On May 5, 1997, Falk told the *Wall Street Journal* that Glicken had used Metalbanc to launder funds into Gore's 1988 Presidential campaign.

And, on it goes. (See "Gore's Record of Corruption," in the *New Federalist* pamphlet, "The Pure Evil of Al Gore.")

Now, having appointed Coelho to be his campaign manager, Gore has found a kindred spirit in graft, whom he hopes will help him raise \$55 million for his Presidential election bid.

In Coelho's last dealings with politics, when he showed his old hand at raising bushels of money, he was the chief outside adviser to the Democratic National Committee in

1994, when a Newt Gingrich led the Republican Party into the majority in both houses of Congress, on the strength of their now-discredited “Contract on America.” Somehow, even though Coelho ran the strategy and tactics for this campaign debacle, down to such details as to where President Clinton would intervene, he managed to escape blame for one of the worst campaign disasters that has hit the Democratic Party in this century.

PACs, not people

Tony Coelho became a Democratic member of the House of Representatives from California on Jan. 3, 1979. Perhaps more than most other politicians of his age within the Congress, he helped destroy the FDR/JFK constituency base of the Democratic Party, by helping to build a money-making juggernaut that made politics a business. In 1981, having already shown that he could raise money from a stone, Coelho, though still a freshman Congressman, was head of the Democratic Congressional Campaign Committee (DCCC), where he pledged to more than double the amount of fundraising, from \$2 million in the 1980 campaign, to \$5 million in the 1982 mid-term elections.

As a result of President Jimmy Carter, who had been hand-picked by Trilateral Commission Executive Director Zbigniew Brzezinski as a puppet for the Wall Street and Boston Brahmin elite, the Democratic Party was already on the ropes, rapidly losing its traditional constituencies among the poor, farmers, labor, and entrepreneurial business. Further, Carter’s Attorney General, Benjamin Civiletti, worked with the “permanent bureaucracy” in the Department of Justice—i.e., employing such “white collar crime” stings as Abscam, Brilab, Pendorf—to further break up the traditional Democratic Party constituency machines.

Under these conditions, few objected to Coelho’s siren song that, in order to hold on to power in the Congress, it was essential to match “Viguerie’s Piggery” of Republican fundraising practices. Coelho unabashedly called political fundraising a “business,” and he focussed heavily upon the emerging political action committees (PACs)—not people, who had been the heart and soul of the Democratic Party. And, it was not just any PACs, but, rather the hot, new money PACs—e.g., savings and loans, junk bond salesmen, Hollywood, commercial real estate interests—that were attracted by Coelho’s way of “doing business.”

When *Wall Street Journal* writer Brooks Jackson, who wrote a biography of Coelho entitled *Honest Graft*, asked him whether all the money that passed through his hands didn’t compromise lawmakers, Coelho agreed: “If you are spending all your time calling up different people that you’re involved with, that are friends of yours, that you have to raise \$50,000, you all of a sudden in your mind, you’re in effect saying, ‘I’m not going to go out and develop this new housing bill that may get the realtors . . . upset.’ . . . I think that the process buys you out.”

Salvage operations

Apart from raising money from PACs and introducing the Democratic Party to the use of “soft money” contributions, Coelho ran a political “salvage operation” in 1986 to rescue those, such as House Banking Committee Chairman Fernand St Germain (D-R.I.), who had been caught in the new game of so-called “honest graft.”

It was St Germain who, with Sen. Jake Garn (R-Utah), sponsored the Depository Institutions Act, signed on Oct.

If you are spending all your time calling up different people that you’re involved with, that are friends of yours, that you have to raise \$50,000, you all of a sudden in your mind, you’re in effect saying, ‘I’m not going to go out and develop this new housing bill that may get the realtors . . . upset.’ . . . I think that the process buys you out.

—Tony Coelho

12, 1982 by President Ronald Reagan, which deregulated the entire banking industry. One feature of the Garn-St Germain Act was that, whereas previously S&Ls had been restricted by law from lending/investing more than 20% of their assets into commercial real estate, although, as a rule they never invested more than 5%—now all restrictions were lifted. In the end, as hundreds of vacant skyscrapers filled the skylines of U.S. cities, this bill would cost U.S. taxpayers more than \$500 billion to rescue and re-organize the S&Ls.

By 1986, as the S&L crisis was just beginning to hit, St Germain was in trouble, not so much for the disastrous deregulation of banking, but because he had been caught in a pig trough of “honest graft.” Through special deals with realtors and S&L owners, St Germain had amassed five pancake houses worth almost \$300,000 each, and several condominiums. As Jackson points out in *Honest Graft*: “After that, he lived a jet-set life, golfing in the winter in St. Petersburg and in the summer at Newport. In both places he bought waterfront condominium apartments at bargain prices from savings and loan associations that were foreclosing on developers.”

When Republicans made an issue of the deluxe high life that had turned the working-class chairman of the House Banking Committee into a millionaire overnight, it was Coelho who came to St Germain’s rescue. And, after St Germain won reelection in the 1986 campaign, micro-managed by Coelho, the House voted to keep him as House Banking chairman,

while the ethics committee cleared him of having misused his office for personal gain.

Meanwhile, the U.S. taxpayer picked up the \$500 billion tab for St Germain's real crime: deregulating the banking industry.

Drexel Burnham Lambert

During the 1986 campaign, Coelho's DCCC was one of the largest recipients of Drexel Burnham Lambert's \$253,500 in political contributions that year, as the firm itself was facing one indictment after another for "insider trading" and its "junk bond" leveraged buyouts (LBOs). Between September 1985 and December 1986, Drexel gave \$100,000 to the DCCC and \$8,000 to Coelho's own political action committee, the Valley Education Fund.

According to *Honest Graft*, the relationship between Coelho and the firm raised several questions: Drexel's "star financier Michael Milken, who had become one of the wealthiest men in the United States through dealings with men like [Ivan] Boesky, would eventually be hauled before a House subcommittee to explain some of the methods that helped him amass his wealth. He would invoke his Fifth Amendment right to remain silent. But Coelho would stick by his friends at Drexel through thick and thin; just weeks before Milken pleaded the Fifth, Coelho said at a Drexel-sponsored conference in Los Angeles: 'I am here tonight to show my respect

and admiration for Michael Milken, my very good friend. . . . He is constantly thinking about what can be done to make this a better world.' Coelho accepted a \$2,000 speaking fee for the event."

Even after the indictment of Milken and others from Drexel Burnham Lambert, Coelho would accept two more honoraria for speeches on behalf of the firm. And, as the fourth-largest recipient of honoraria in Congress, Coelho (receiving some \$80,000 per year in honoraria and speakers fees) would call his personal home: "The house that honoraria bought."

Other crimes and misdemeanors

Coelho ran from the ethics committee and U.S. Justice Department, when he was Democratic Whip in 1989, for many good reasons.

For one thing, it was disclosed that he had overdrawn his checking account with the House Bank by writing more than \$319,000 worth of bad checks, which was more than three times his annual salary. However, even though writing a bad check for \$100 is a felony in Washington, Rep. Newt Gingrich (R-Ga.), who targetted then-Speaker of the House Jim Wright (D-Tex.), forcing him to retire on ethics charges, seems to have formed a "non-aggression pact" with Coelho, because they both held damning evidence for the ethics committee against one another. However, Coelho knew that with his record, he would eventually be pilloried by the Republicans, and he left the position of House Whip in mid-term, hoping all the investigations in Washington would die down.

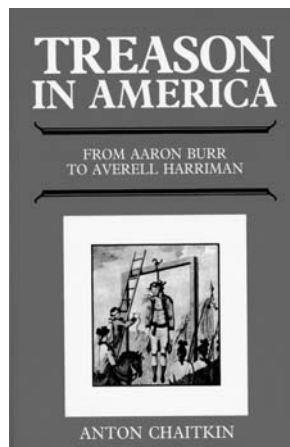
Coelho was hired by the president of an old-line Wall Street firm, Wertheim Schroeder Investment Services Inc., because he had played the game of "honest graft." Coelho boasted to the *New Republic*: "The president of this bank decided after reading *Honest Graft* that he wanted me to come to work here. . . . Yes, there are some criticisms. . . . But the book also says I'm very strong, that I go for the bottom line and make things happen. And, that's what you need in an investment bank. . . . What he found in *Honest Graft* that he was most excited about was not just that I asked for money, but that I had managerial skills. And my work here has made me very successful."

Since joining the Gore campaign, Coelho has refused to name his client list at Wertheim Schroeder. However, it is known that the reason he rose to become its president and CEO, is that within a few short years he built its portfolio from \$700 million to \$5 billion, largely by garnering investments of pension funds. Coelho also made a fortune by joining a multitude of boards; that list, he has likewise failed to disclose. However, as the 1994 election debacle demonstrated, he was not afraid to be a "senior adviser" to the Democratic National Committee, while remaining in business on Wall Street.

Clearly, with Tony Coelho, Al Gore has met a kindred spirit for avarice.

Treason in America

From Aaron Burr To Averell Harriman



By Anton Chaitkin

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Starr off the hook in Scaife 'payola' scandal

by Edward Spannaus

As could be expected, John Shaheen, the former Justice Department official who was hand-picked by independent counsel Kenneth Starr to conduct an investigation into allegations of witness-tampering involving Starr's key Whitewater witness David Hale, has concluded that no one should be prosecuted. Shaheen had headed the Justice Department's Office of Professional Responsibility (OPR) for more than 20 years; during his tenure, the OPR was notorious for its cover-ups of DOJ prosecutorial misconduct.

The Shaheen probe was launched after various journalistic investigations had showed that Hale—who was the only witness who gave testimony linking Bill Clinton to the 1980s "Whitewater" real estate deals—was meeting with operatives of the Richard Mellon Scaife-bankrolled *American Spectator's* "Arkansas Project" during the same period in which Hale was a Federally protected witness for the Whitewater independent counsel.

After the stories about the payments to Hale surfaced, more than a year ago, the Justice Department allowed Starr to select his own investigator to probe the allegations. In May 1998, Starr picked Shaheen—a sure indication that a cover-up would be the end result.

Using a Federal grand jury in Fort Smith, Arkansas—to which Scaife himself was summoned last September—Shaheen claims to have contacted more than 160 persons, and to have taken testimony from many of them. He then prepared a 168-page report, which is being kept secret. On July 28, Starr's office issued a statement announcing the conclusion of the Shaheen investigation, and the decision not to prosecute.

Significantly, the statement released by Starr's office does not say that no wrong-doing was found. It states that "many of the allegations, suggestions and insinuations regarding the tendering and receipt of things of value [by Hale] were shown to be unsubstantiated, or, in some cases, untrue." The statement is careful not to say that *all* of the allegations were unsubstantiated, which can only lead to the conclusion that, in fact, *some* of the allegations *were* substantiated.

Additionally, the Starr statement says that no prosecution will be brought because "there is *insufficient* credible evidence to show that a thing of value was provided or received with the criminal intent defined by any of the applicable statutes." Again, the statement doesn't say that money and/or

other gratuities were not given to Hale out of the Scaife funds, but only that Shaheen determined that there was no "criminal intent." Since the notion of criminal intent pertains to the state of mind of the perpetrator, it is naturally a very elastic concept—which prosecutors can stretch or shrink depending on their whims.

The Arkansas Project

Had the Shaheen probe been competently pursued, it would have shown that Kenneth Starr was a "plant" from the beginning, and that Starr was placed in his position as independent counsel by the same circle of people who were responsible for creating the Whitewater and Paula Jones cases in the first place.

The central figure in all of this is Theodore Olson, Starr's longtime friend and former law partner, who is also closely associated with both Starr and with Judge David Sentelle (the judge who heads the three-judge panel that appointed Starr), in many endeavors financed by Richard Mellon Scaife, including the mis-named Federalist Society.

Already in late 1993, Olson was representing David Hale, and he was also the lawyer for the *American Spectator's* tax-exempt Educational Foundation and its Arkansas Project—which was organized at meetings in Olson's law office.

It was the *American Spectator*—the British-linked monthly magazine financed by the Anglophilic Mellon Scaife—that launched the "Troopergate" sex scandals against the President at the end of 1993. Those articles mentioned a woman named "Paula." Largely at the instigation and encouragement of the London *Sunday Telegraph's* Ambrose Evans-Pritchard, himself closely linked to the *American Spectator*, Paula Jones was located and induced to file a sexual harassment suit against President Clinton. At the time, Pritchard described the Paula Jones suit as a "ticking time bomb" under the Presidency.

Through illegal collusion between Federalist Society-linked lawyers working both with Paula Jones's lawyers and Starr's office, Starr was eventually able to contrive a pretext (i.e., alleged obstruction of justice and perjury) for taking over the Paula Jones case and for opening his Monica Lewinsky investigation. As a result of that illegal collusion, which also involved Linda Tripp and her illegal tapes (for which Tripp is now being prosecuted), Starr set a trap for the President in his Paula Jones case deposition on Jan. 17, 1998. This became the basis for Starr's "impeachment" referral to Congress.

The Scaife-Olson nexus—which provided the funds for the Arkansas Project and for the payments to Hale, and which also deployed the operatives who regularly met with Hale while he was the independent counsel's witness—is what should have been the target of investigation. Had it been, there would have been plenty of crimes, including conspiracy, for Shaheen to prosecute.

Tax cut bill passes Senate

The Senate took three days to pass its version of the \$792 billion tax-cut bill that passed the House the previous week. Instead of a broad-based 10% tax rate cut, the Senate version reduces the 15% tax-rate bracket to 14%, and increases the bottom bracket's income ceiling. It also reduces the estate tax, eliminates the so-called marriage penalty, and exempts from taxation, the first \$1,000 of long-term capital gains.

Finance Committee Chairman William V. Roth (R-Del.), the architect of the legislation, and co-author of the disastrous Kemp-Roth tax cuts of the 1980s which fuelled speculation, told the Senate on July 28 that the economy is "booming," and that Congress miscalculated what government revenues would be during the budget-balancing efforts of 1997. He argued that because of this unexpected windfall, the government must return the extra money expected to pour into its coffers to taxpayers, in the form of tax cuts.

Patrick Moynihan (D-N.Y.) answered Roth's argument by putting it into an ideological perspective. He said the debate "is far less a debate on taxes than a debate on economic and budget policy and the large understanding of the role of government in our society." He said that the GOP argument "goes back to the 1970s when a number of theorists on the conservative wing of the Republican Party determined that it was not going to be possible for the Federal government ever to be controlled in its size as long as it had the revenues to sustain, or even to increase, that size." Growing fiscal deficits, therefore, became attractive, he said, "because they could be used to reduce the size of government itself."

The GOP bore out Moynihan's ar-

gument by rejecting numerous Democratic attempts to make the bill address general welfare issues, such as Social Security, the minimum wage, the farm income crisis, and the effects of the 1997 Balanced Budget Act on Medicare-related health care services. The final vote on the bill was 57-43, with two Democrats, Robert Torricelli (N.J.) and Bob Kerrey (Neb.), voting for it.

The GOP strategy now is to take the bill to conference before the August recess, but to withhold it from a final vote in both Houses until September. The GOP hopes that by using appropriations bills as leverage, they will be able to force President Clinton to sign the bill. He has said he would veto it.

Normal trade with China backed by House

On July 27, the House turned back yet another resolution that attempted to withdraw China's normal trade relations status with the United States, which President Clinton had renewed in June. The leading backers of the resolution included Frank Wolf (R-Va.), Dana Rohrabacher (R-Calif.), and Nancy Pelosi (D-Calif.), who have been sponsoring the effort for the last several years. Joining them, were pro-labor Democrats, such as David Bonior (D-Mich.), who are foolishly misguided on China human rights issues. The vote of 170-260 was only four votes closer than last year, despite the media campaign against China as a result of the fabricated nuclear spying charges.

In the debate, House Ways and Means Committee Chairman Bill Archer (R-Tex.) said that while the problems between the United States and

China should not be minimized, "We should respect the significance of each and resolve to improve the situation. We should certainly not take steps that would cause relations to deteriorate even further, for America, for China, and for the entire world in the future." Ranking Ways and Means Committee member Charles Rangel (D-N.Y.) said, "There is a lot of hypocrisy in terms of America's ability to monitor [human rights and labor conditions] all over the world and, at the same time, to ignore many of the inequities that exist in our own country," such as the 1.8 million people locked up in American jails.

Gun control issue refuses to die

The juvenile justice bill headed into a contentious conference, after the Senate and the House voted to appoint members of a conference committee on the bill on July 28 and 30, respectively. In appointing conferees, both bodies also addressed the gun control issue.

The Senate debate began with a cloture vote on the bill, but not before Bob Smith (I-N.H.) had defended the House bill for bringing "back morals into the school" and for focussing on "the cultural problems that face us." He complained that what the Senate was doing by substituting the Senate language for that of the House (a routine procedure), was to "substitute gun control for a very good bill that focuses on the cultural and moral problems in our schools." Smith, however, lost the cloture vote 77-22.

Two days later, the House voted to instruct its conferees to insist on including measures to require background checks at gun shows. The mo-

tion, by John Conyers (D-Mich.), also instructed conferees to finish the conference report before the August recess, "so that Congress can pass reasonable gun safety measures before children return to school."

Conyers's motion did not generate the rancor that accompanied the debate in June, however. In fact, the only real concern was the time limitation. Judiciary Committee Chairman Henry Hyde (R-Ill.) noted the difficulties of trying to hold conference committee meetings during the last week before the summer recess. The interruptions that voting on the numerous spending bills that will come to the floor would cause, "might be enough to prevent us from finishing within a week," he said.

Cambodia loses aid, in Rohrabacher bill

On July 29, the House passed by voice vote an amendment to the Foreign Operations Appropriations bill, sponsored by Dana Rohrabacher (R-Calif.), that deleted all U.S. aid to Cambodia. Rohrabacher, in motivating support for his amendment, outrageously charged Cambodian Prime Minister Hun Sen with having been a "brigade commander" under Pol Pot, "who was up to his elbows in blood during the Pol Pot massacres." He cited reports from Amnesty International and George Soros's Human Rights Watch describing "rampant abuses" and corruption by the government of Hun Sen. "Unfortunately," he said, "the inclusion of Prince Norodom Ranariddh and his Funcinpec Party in a coalition led by Hun Sen has not reduced this corruption."

In opposing the amendment, Tony Hall (D-Ohio) focussed on the poverty that he had witnessed during a

visit to Cambodia last April. He reported that four out of five people cannot read, and that their level of hunger and malnutrition is among the highest in the world. "All that is required of us, today," he said, "is to affirm that humanitarian aid still means educating young children so that they can escape the poverty they were born into." He ridiculed Rohrabacher's claims of having visited Cambodia himself, saying that "the Pol Pot legacy lives on, and [Rohrabacher] wants to keep them this way."

Two other amendments were added to the bill dealing with funding for abortion activities. One, sponsored by Chris Smith (R-N.J.), prohibits funding to any foreign organization that promotes abortion, and the other, sponsored by James Greenwood (R-Pa.), prohibits funding for population planning activities unless the organization applying for the funds certifies that the funds will not be used to lobby for abortion. The amendments were both highly partisan and are likely to draw veto threats.

Republicans push to finish spending bills

The GOP leadership of both Houses has been setting a feverish pace to act on as many of the 13 spending bills as possible before the August recess. The GOP leadership is trying to prove they deserve to remain in control of Congress by doing something they have never yet succeeded in doing since they became the majority in 1995: pass all 13 spending bills and have them signed into law before the end of the fiscal year on Sept. 30.

The largest obstacle the Republicans face, is the budget caps imposed by the 1997 Balanced Budget Act. The

fiscal hawks in the Republican Party are insisting that the caps must be maintained at all costs, by both Congress and the White House. GOP moderates, however, are more concerned about writing bills that can be passed, and are agitating for increases in the caps. Members of the Appropriations committees, meanwhile, are resorting to more creative means to pass out bills.

The Commerce, Justice, State and the Judiciary spending bill passed by the House Appropriations Committee on June 30 is a case in point. The committee, faced with a Supreme Court ruling that essentially requires the Commerce Department to do two different censuses next year, one that is a full enumeration, and the other that uses sampling techniques, decided to designate \$1.7 billion for the Census Bureau as emergency funding, thereby getting around the budget caps.

House Minority Leader Richard Gephardt (D-Mo.) ridiculed the notion of calling the census an "emergency," and said that doing such things "destroys the credibility of the budget."

Other spending bills contain funding levels that are drawing veto threats from the White House. On July 30, the House brought a Foreign Operations bill to the floor that is \$2 billion less than the Clinton administration's request. The Veterans Affairs-Housing and Urban Development Appropriations bill zeros out the Americorps service program and reduces the NASA budget by \$900 million below the administration's request. The Republicans assuaged some Democratic anger by adding \$700 million for veterans' medical care, but in the zero-sum game of budgetary politics, they took it from the allocation for the Labor-Health and Human Services-Education bill, which is traditionally the most difficult to pass.

National News

NASA to take up Allais' experiment

NASA released a notification in *Space Science News* on Aug. 5, that two NASA researchers, David Noever and Ron Koczor of the Marshall Space Flight Center, have been tasked to check "some hard-to-believe measurements reported 50 years ago by Nobel Laureate Maurice Allais," concerning gravity and anomalous results with the Foucault Pendulum.

"The bottom line," said Noever, "is this: It's unlikely, but Allais could have stumbled onto something important. So, rather than debate a set of 50-year-old measurements, we're going to roll up our sleeves and try to detect Allais' signal directly."

The team plans to observe the Aug. 11 solar eclipse with a high precision gravimeter. "If Allais' disturbance is real, and if it has something to do with gravity, then we will be able to measure it to 10 significant digits," says Noever.

21st Century Science & Technology magazine published Allais' paper "Should the Laws of Gravitation Be Reconsidered?" in its Fall 1998 issue.

Poverty increases due to welfare 'reform'

The same day that President Clinton addressed a Chicago conference of the Welfare to Work Partnership on Aug. 2, the Washington-based Urban Institute released the first national survey of those who have left welfare. The study, "Families Who Left Welfare: Who Are They and How Are They Doing?," looks at recipients who left between 1995-97; the welfare reform law passed in 1996, but cuts began to be implemented as early as 1994, with the Conservative Revolution's takeover in Congress.

The 50-page Urban Institute study found that, of the 35% of welfare recipients now working, most work in service jobs in the low-wage labor market, averaging \$6.61/hour. Welfare leavers who are single mothers have jobs similar to those of other low-income mothers, but the latter are more

likely to have employer-sponsored health insurance; two-thirds of welfare leavers do not have insurance from their employer. More than one-quarter work night jobs. One-third to one-half of leavers report serious problems in being able to provide food. Almost 20% report problems paying rent.

The *Post* report on the study adds a note: "But critics say the real moment of judgment will come later, when the strong economy weakens, when the easier cases have already left the rolls and only the difficult ones remain, or when the last term limits kick in for most states, about three years from now."

Meanwhile, on Aug. 2, Al Gore boasted that Federal agencies have hired 14,028 welfare recipients, exceeding the goal of 10,000. Most of the jobs are low-level work, and close to 4,000 are only temporary positions to work on the Year 2000 Census, which could grow to 10,000. The *Washington Post* noted that the jobs became available "after a round of budget and staff cuts that had helped reduce the number of clerical and other entry-level jobs at Federal agencies."

In Congress, Sen. Paul Wellstone (D-Minn.) slammed the "reform," saying that "the welfare rolls are down 40%, but poverty is barely down." He added that there are "about 675,000 low-income citizens who have now been cut off medical assistance because of the welfare bill," and that there's a "precipitous decline of participation in the Food Stamp Program." Wellstone planned to bring amendments to the floor in early August to 1) require the U.S. government to track families that have left the welfare rolls, and 2) mandate that the Department of Agriculture report to Congress on the state of the Food Stamp and assistance to Women, Infants and Children (WIC) programs.

U.S. ignored arrest of terror suspects in Sudan

U.S. officials knew that Sudan had rushed to apprehend the terrorists suspected to be responsible for the Aug. 7, 1998 bombings of U.S. embassies in Dar Es Salaam, Tanzania and Nairobi, Kenya, according to revelations by the *New York Times* on July 30. The Sudanese government arrested two suspects entering the country from Nairobi, and carrying false Pakistani passports. American

officials were notified of the arrests, but disdained the Sudanese offer to help with the investigation, and did nothing. The *New York Times* reports: "Sudanese officials have said the United States had been notified that the two suspects were in custody, and American law enforcement officials have confirmed the account."

Nonetheless, the United States went ahead and launched a "retaliatory" bombing against the Al-Shifa pharmaceutical plant in Khartoum, provoking an angry Sudan to release the suspects, who were sent to Pakistan.

Export rules threaten satellite industry

New national export restrictions, put in place in the wake of hysteria over China's alleged theft of U.S. satellite technology, are threatening the more than \$30 billion U.S. satellite industry. The Aug. 1 *New York Times* headlined its coverage of the issue that day, "Export Rules Are Said To Be a Threat to Satellite Industry."

On March 15, export licenses were shifted from the Commerce Department to the State Department, as commercial communications satellites became "munitions," in terms of export controls. (It should be recalled that it was the *New York Times* that started the anti-China hysteria last spring that led to the change.)

The U.S. satellite industry employs hundreds of thousands of people, and had an \$11.5 billion trade surplus last year. "If the State Department does not change the way it does export licensing, the U.S., which has dominated commercial space, will lose position and it will have an effect for a decade," Dr. Richard Aubrecht, vice chairman of Moog, Inc., was quoted by the *Times*. His company, which supplies parts for satellites, has already lost business.

On July 16, Lockheed Martin Corp. received a letter from the Société Européenne des Satellites, saying that its urgent need for a television broadcasting satellite made it impossible to wait for Lockheed to obtain the needed permit. The situation is so absurd, that Lockheed needed a license to send defective parts it had imported, back to a German manufacturer. The article relates how

contracts from consortia that include Chinese partners are being lost because of license delays.

Neo-cons trying to muscle in on the Reform Party

Garry Wills, in a syndicated column in the *New York Post* on Aug. 1, reported on the side-shows at the previous week's Reform Party convention, where some of party founder Ross Perot's people were shut out of the leadership, and replaced by allies of former professional wrestler, Minnesota Gov. Jesse Ventura.

Wills reported that John O'Sullivan, former editor of *National Review* and now the director of Margaret Thatcher's New Atlantic Initiative, has been pressing for a neo-conservative candidate to be picked by the Reform Party, in order to create a power base for the Conservative Revolution outside of the Republican Party. Wills also reported that supporters of Pat Buchanan, who is currently seeking the Republican nomination, were out in force, and that Buchanan and Ventura had recently met, and, presumably discussed a possible Reform Party nomination of Buchanan for President. The big attraction, as Wills noted, is the Reform Party's automatic ballot status in all 50 states, plus a guaranteed \$12 million in Federal Election Commission funding, based on the fact that Perot's previous candidacies had won more than 5% of the vote.

Goldin vows to fight NASA deep budget cuts

NASA Administrator Dan Goldin, who has spent the past five years trying to prove to the White House that under Al Gore's "reinventing government" insanity, the space agency could do more with less and less money, made an about-face on July 27, and vowed that he would fight deep cuts in the FY2000 NASA budget that were passed on July 26 by the House Committee on Appropriations.

The House committee passed a NASA budget of \$12.3 billion, which is \$1.325 bil-

lion less than the White House had requested (an 11% cut), which itself was a \$100 million cut from the current budget. The committee cancelled the Space Infrared Telescope Facility, which, after the Chandra observatory which was launched in July, is the fourth and last of NASA's great observatories. Smaller science missions would be cancelled, as well as the \$150 million plans for upgrading Shuttle safety. Future unmanned Mars missions would be scrapped, and other projects, delayed.

An angry Goldin told the press: "NASA employees get up every day to achieve what most think is impossible. They have risen to the challenge of smaller budgets. And this is the reward the NASA team gets? Not only is this cut devastating to NASA's programs, it is a knife in the heart of employee morale. . . . NASA continues to deliver amazing scientific discoveries and reach new heights of exploration. To many Americans, NASA is a cornerstone of our national pride. But there is nothing to be proud of in this budget."

Rabbis defend Muslim anti-terror appointee

Los Angeles Jewish leaders, many of them rabbis, blasted the decision of Rep. Richard Gephardt (D-Mo.) to withdraw his appointment of a Muslim, Salam Al-Marayati, from the National Commission on Terrorism, after an hysterical explosion from the Zionist Organization of America (ZOA), the Conference of Presidents of Major American Jewish Organizations, and the Anti-Defamation League of B'nai B'rith. Many Jewish leaders in Los Angeles hurried to defend Al-Marayati, who is well known for his dialogues with the Jewish community. Al-Marayati's wife Laila was recently appointed by President Clinton to the U.S. Commission on International Religious Freedom.

The editor of the *Jewish Journal* was quoted in the *Los Angeles Times* asserting that the ZOA speaks only for a small minority of American Jews. California's largest black newspaper, the *Los Angeles Sentinel*, ran an editorial headlined: "Gephardt Caves In to Pressure from the ZOA." A late-July meeting to address Gephardt's action was held at the Los Angeles Islamic Center and was attended by 26 rabbis.

PRESIDENT CLINTON will be going to India after its fall election. Assistant Secretary of State for South Asian Affairs Karl Inderfurth announced on July 28 that "the purpose of the President's travel is to set the stage for ensuring a stronger relationship with the region."

LINDA TRIPP was indicted on July 30, by a Maryland grand jury, on one count of illegal interception of a telephone conversation, and on a second count of illegally disclosing the contents of that conversation, to *Newsweek*. The interception count involves the taping of a phone conversation on Dec. 22, 1997, after her lawyer had told her that taping calls was illegal in Maryland. Tripp had begun taping the calls at the urging of New York spook stringer and literary agent Lucianne Goldberg.

A BALTIMORE POLICE officer, Louis Hopson returned to work on July 26, after being suspended without pay for three years. Hopson, an 18-year police veteran, was targeted for his outspoken criticism of racism in the police department. Last December, the U.S. Equal Employment Opportunity Commission had ruled in Hopson's favor concerning charges of racially motivated punishment of black officers.

VIRGINIA PRISONS Director Ron Angelone retaliated against a minimum security prisoner by sending him to the state's Red Onion Supermax prison, after the inmate had embarrassed him, according to the *Richmond Times-Dispatch* of July 29. The inmate had corrected Angelone's assertion that cold air rises and hot air sinks. Angelone's action is proof that the Supermax prisons are intended for cruel punishment.

LOS ANGELES COUNTY'S new jobs are mostly "substantially below-average wages" (\$25,000), according to a study reported by the *Los Angeles Times* on July 26. "Los Angeles County's job base has been increasingly shifting toward the lower end," the study asserts.

Editorial

LaRouche's leadership: now more than ever

We have reached the point—with the turbulence on currency and stock markets worldwide, the NASDAQ “corrections” of recent weeks, the admissions that a major hedge fund, Tiger Management, nearly went belly-up in June—where even many foolish people now recognize the undeniable signs that the entire global financial system is coming every day closer to a melt-down. Now, think back to what LaRouche had to say in April and May of this year, in the pages of this magazine. Think about LaRouche’s assessment of the June crisis. Read the recent *EIR* strategic analyses. Don’t say you weren’t told what was about to happen!

The City of London-centered financial oligarchy, in its own way, has been signalling that they, too, recognize that LaRouche has been right. This was the significance of a recent, widely publicized Hongkong & Shanghai Banking Corp. report, warning of the speculative asset “bubble.” This was the significance of Bank of England Governor Eddie George’s theft of the gold reserves of his own bank, on behalf of his buddies in the British monarchy and the City of London. That story was reported, in full, in the pages of *EIR*, and nowhere else.

This is why the British government is putting “Operation Surety” in place, to deal with the prospect of widespread social chaos, in the immediate post-crash reality—not because they fear the “Millennium Bug,” as media cover-stories would have it.

And, most of all, this is why the British oligarchy ordered the issuance of an article in the ladies’ tea-and-doilies magazine *Take a Break*, calling for the assassination of LaRouche, which we report on, at length, in this issue.

The question we pose as a challenge to our readers is this: What more do you need to see, to decide who represents qualified leadership for this time of crisis? As a subscriber to, or reader of *EIR*, you are more qualified than the vast majority of your fellow citizens, to answer that question.

The deeper challenge for you, as readers of *EIR*, is to spread the word. Master the ideas, convey them to your friends, your neighbors, your loved ones. Regardless of your political affiliation, the fact is: The global

financial system is coming crashing down. No one can say exactly on what date that will occur, but occur it will. The world’s leading central bankers know it, and are on a full-time scramble to prevent the bubble from blowing out. There is no longer any rhyme or reason to the wild gyrations of the stock markets, of the world currency trade, the day-by-day fluctuations.

At some point, soon, governments of the world, led by the United States, will be confronted with the reality that the present system, the post-Bretton Woods system, needs to be put through a bankruptcy reorganization, and replaced by a sane system, reflecting the best features of the 1944-57 original Bretton Woods model. At that moment, do you wish to leave the future of the human race in the hands of Federal Reserve Chairman Alan Greenspan or Treasury Secretary Lawrence Summers, to advise the President on what to do? Not if you want a future for your children and grandchildren!

Prepare now, become part of a growing public voice, demanding real solutions, drawn from the rich history of America’s great economic achievements.

The financial oligarchy, along with a handful of “smart” investors, have been preparing for this reality—the evaporation of the paper wealth—for many months. *EIR* first reported two years ago that the “old” City of London and continental money was moving out of the asset bubble and buying up the strategic raw material and physical asset wealth of the planet, faster than you can say “Jump!” These moves are quietly accelerating today, and this, in turn, is probably behind the recent uptick in the euro and the yen. After all, continental Europe and Japan have been “trailing behind” the United States in the asset-stripping and outsourcing of the physical productive capacities. There is more high-quality industrial economy to buy up, and the oligarchy is doing just that.

You won’t read about any of this in the pages of the daily financial press. Just here, in *EIR*. Nor will you find the kind of clear-headed solutions, posed by Lyndon LaRouche, anywhere else, but in the pages of *EIR*, or on our Internet website www.larouchepub.com. That is your advantage. Make the most of it.

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 ~IRONDEQUOIT—Ch. 15
 Mon. & Thurs.—7 p.m.
 ~THACA—Pegasys Ch. 78
 Mon.—8 pm; Thu.—9:30 pm
 Saturdays—4 p.m.
 ~JOHNSTOWN—Ch. 7
 Tuesdays—4 p.m.
 ~MANHATTAN—MNN
 T/W Ch. 34; RCN Ch. 109
 Sun., Aug. 22: 9 a.m.
 Sun., Sep. 5, 19: 9 a.m.
 ~N. CHAUTAUQUA COUNTY
 Gateway Access Ch. 12
 Fridays—7:30 p.m.
 ~ONEIDA—PAC Ch. 10
 Thursdays—10 p.m.
 ~OSSINING—Ch. 19/16
 Wednesdays—3 p.m.
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 Thursdays—12 Midnight
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 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)
- RHODE ISLAND**
 ~E. PROVIDENCE—Cox Ch. 18
 Sundays—12 Noon
- TEXAS**
 ~AUSTIN—ACT Ch. 10/16
 Sat., 8:14: 12 pm (16)
 Tue., 8:17: 2:30 pm (10)
 Thu., 8:19: 10 pm (10)
 Fri., 8:20: 10 pm (10)
 Sat., 8:21: 2:30 pm (10)
 ~EL PASO—Paragon Ch. 15
 Wednesdays—5 p.m.
 ~HOUSTON—Access Houston
 (No shows Aug. 8 - Sep. 8)
- UTAH**
 ~GLENWOOD, Etc.—SCAT-TV
 Channels 26, 29, 37, 38, 98
 Sundays—about 9 p.m.
- VIRGINIA**
 ~ALEXANDRIA—Jones Ch. 10*
 ~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
 Tuesdays—12 Noon
 Thursdays—7 p.m.
 Saturdays—10 a.m.
 ~LOUDOUN—Cablevision Ch. 59
 Thursdays—7:30 p.m. & 10 p.m.
 ~P.W. COUNTY—Jones Ch. 3
 Mondays—6 p.m.
 ~ROANOKE COUNTY—Cox Ch. 9
 Thursdays—2 p.m.
 ~SALEM—Adelphia Ch. 13
 Thursdays—2 p.m.
- WASHINGTON**
 ~KING COUNTY—Ch. 29
 Mondays—11:30 a.m.
 ~SPOKANE—Cox Ch. 25
 Wednesdays—6 p.m.
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