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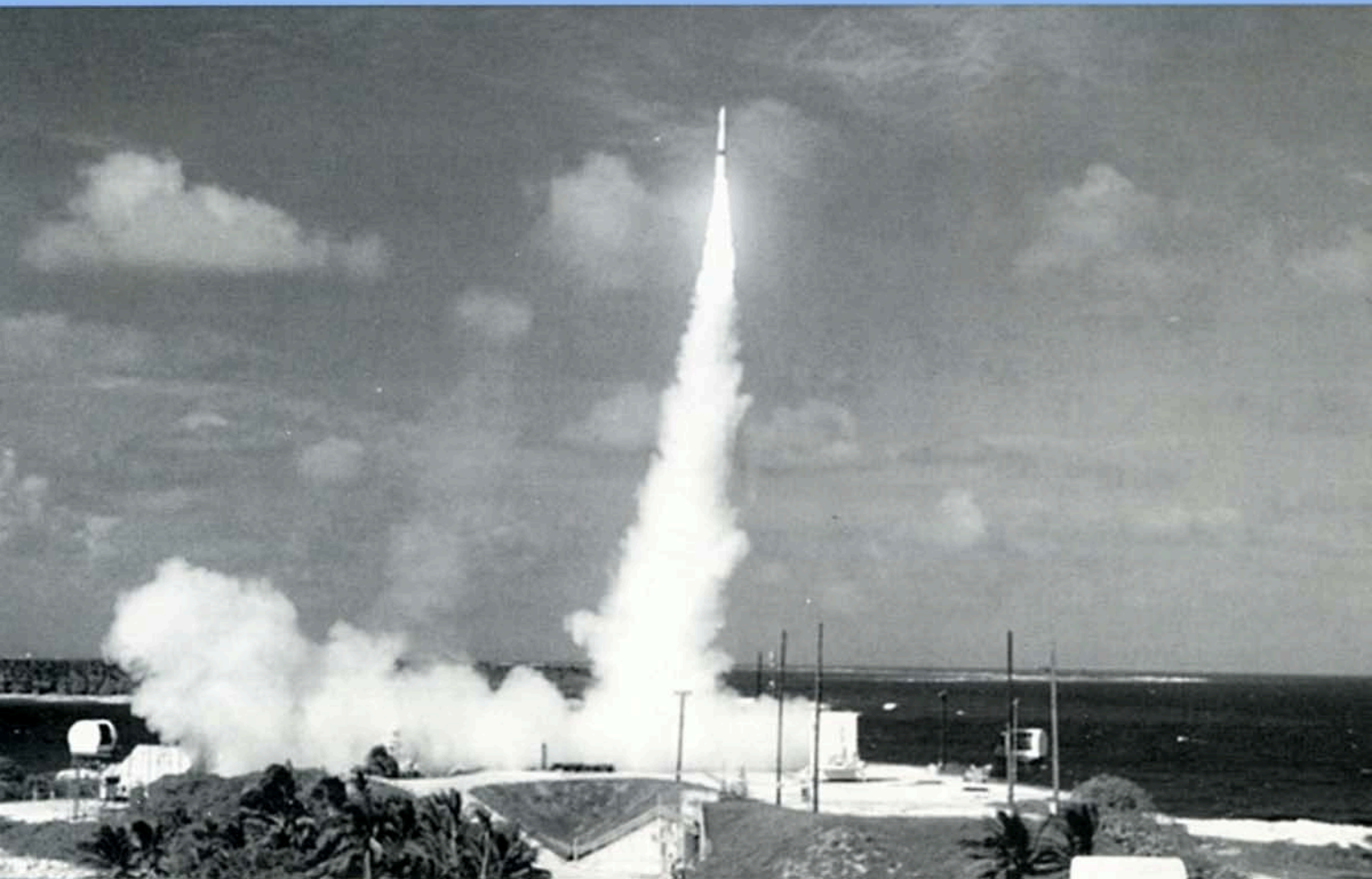
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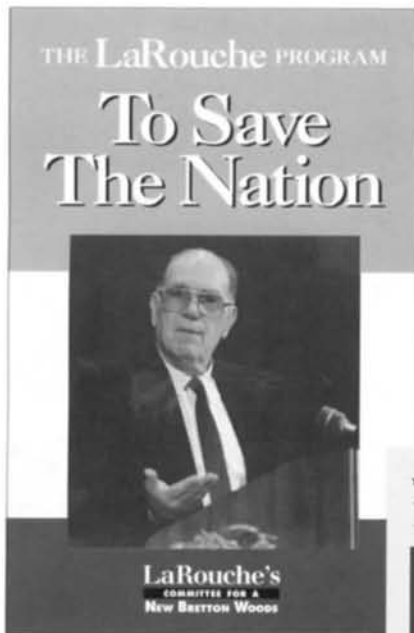
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Fraud! Sue the IMF for triple damages

**Congress revisits
the ABM treaty**



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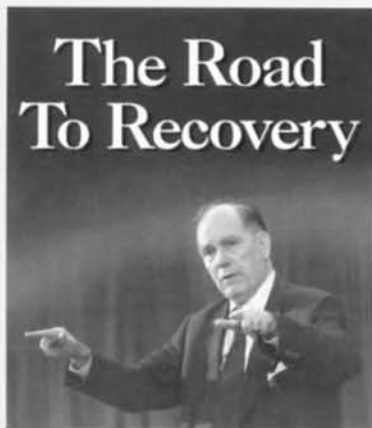
Abraham Lincoln warned you:

“You can fool some of the people all of the time,
and all of the people some of the time;
but you cannot fool all of the people all the time.”

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this time, vote LaRouche.



Lyndon H. LaRouche, Jr.



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From the Associate Editor

Some of our subscribers are calling in, worried about the headlines on massive financial losses by Crédit Suisse, Union Bank of Switzerland, or the Tiger Management hedge fund, and the imminence of a U.S. stock market crash. “Yeah, yeah, I know what LaRouche says,” they tell us. “We need a New Bretton Woods, we need the Eurasian Land-Bridge. And it would certainly be nice if Lyn could be elected President—I’m all for it. *But, where do I put my money??*”

LaRouche told you, back in November 1996. “What we’re talking about as a financial crisis,” he said, “is not anything which can be responded to by the question: ‘Where do I put my money?’ Don’t worry about where you’ll put your money! No matter where you put it, *you won’t have any*. Because money will go out of existence, at least temporarily. And, what you have, is, if you look at your credit cards and other things, and realize how many of the transfers of not only your personal credit and payments are of an electronic form—not cash, electronic money—but that the neighborhood grocery store, the gas station, and everything else, except government, the Federal government in particular, depends absolutely upon financial institutions which will *vaporize*; not go bankrupt; not be in trouble and hang around for a while for reorganization; but, *vaporize*, in effect, in the third or fourth day of an international financial crisis.”

So, get out of the speculative bubble, no matter what loss you take in doing so. Then, look at yourself in the mirror, and tell the person you see there that *now*, finally, you must move Heaven and Earth to make sure that LaRouche’s policies are implemented.

There is no simple answer, no recipe, for what must be done. That is why LaRouche writes these long, difficult, wonderful articles in *EIR* nearly every week. Read them closely—don’t look for the “bottom line.” I’ll tell you what the bottom line is: You, I, your neighbor, must *change*. The axiomatic beliefs which we carry around with us as baggage, are sending the world to hell. We have to master the scientific understanding of economics, culture, and statecraft that LaRouche has mastered. If you haven’t quite “got it” yet, don’t despair! This week’s issue is a good place to start, with “Congress Revisits the ABM Treaty,” on page 26.

Susan Welsh

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Correction: In "General Welfare Is Being Trampled by HMO Human Rights Violations," in last week's issue, it states that the HMO-managed care trade group/industry spent \$1 million to stop the Democrats' Patients' Bill of Rights. In fact, they spent close to \$100 million over the last two sessions to kill this bill.

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26 Congress revisits the ABM treaty

By Lyndon H. LaRouche, Jr.

"There has been a recent effort by some members of the U.S. Congress, to overturn Henry A. Kissinger's celebrated 1972 ABM (Anti-Ballistic-Missile) treaty. That was the Pugwash Conference-inspired treaty, between the U.S.A. and U.S.S.R., which had been intended to outlaw strategic ballistic missile defense. Unfortunately, this present effort to overturn that treaty, is, as I shall show, as ill-conceived as the treaty itself."

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By Lyndon H. LaRouche, Jr.
“Among those who are paying attention to reality, one of the two big questions of the day is, ‘Is Nuclear World War III Now Inevitable?’ My answer is, that I believe it is not inevitable; but, the danger is serious enough that serious people will ask themselves that question.”

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Edward Ray, director of security for the Denver, Colorado Public Schools, laid the danger on the line: “I want to make it real clear, . . . I . . . can’t *ever* guarantee that an incident such as Columbine, or Paducah or Springfield or Conyers, will never take place.”

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World financial crisis: the fear barometer is rising

by Lothar Komp

When the Russian government declared a debt moratorium last August, collective panic broke out among international investors. Possessing the presence of mind and clarity characteristic of a herd of buffaloes under buckshot fire, they moved international capital out of all second-class debtor countries in the world and moved it toward the supposedly “safe havens”: American, British, German, and Swiss government bonds. Under such strong demand, the yields on other bonds, whether government or corporate, shot up. This produced a sudden liquidity crunch in large parts of the world financial system, while other markets at the same time were flooded with liquidity, which provoked more distortions and caused the panic only to increase. Had the central banks not intervened at the last moment with injections of liquidity, while at the same time bailing out the speculative Long Term Capital Management (LTCM) hedge fund, the financial system would have collapsed.

Now, one of the most important barometers of fear on the markets—the interest rate difference or spread between corporate bonds and government bonds—has reached the level of last year once again. In just a few weeks, this yield spread on U.S. ten-year bonds moved from 80 to 110 basis points, which is even higher than in autumn 1998, and higher than after the outbreak of the Asia phase of the world financial crisis in summer/autumn 1997. In Europe, too, the risk premiums, which investors demand for corporate bonds (which have no state guarantees), are also at a record level. For countries like Brazil, Indonesia, or Russia, the conditions for receiving supplies of urgently needed funds have dramatically deteriorated in the recent period.

In addition, in the expectation of increasing central bank interest rates, the yield on U.S. and European government bonds has shot up sharply since the beginning of the year: In the United States, the yield on 30-year bonds went from 5.15% to 6.25%, and for ten-year Euro-denominated govern-

ment bonds, it went from 3.75% to over 5%. This increase caused a sharp drop in the value of all circulating current bonds with lower interest rates.

Both a cause and an effect of the growing fears on financial markets, is a new round of news items and rumors, about market participants in trouble.

On Aug. 7, the London *Independent* reported that the explosive increase of bond yield spreads in the last days was related to the difficulties of some big hedge fund. This created fears of a repetition of the crisis of last year, it reported. In this connection, there were reports that Goldman Sachs and Chase Manhattan had blocked their credit lines to the Tiger Fund, with \$12 billion under management. Even LTCM was again being talked about. According to market rumors picked up by the *Independent*, one big American or Swiss bank was in an emergency situation, as a result of speculative losses. In any case, the London stock and currency markets were spun around on Aug. 6 and 7, by a series of unusually large transactions. The U.S. investment bank Goldman Sachs was said to have registered losses of £200 million, on European options transactions.

On Aug. 10, rumors shocked the Zurich stock market, that the two biggest Swiss banks, UBS and Crédit Suisse, had suffered speculative losses in the billions. The transaction had reportedly been carried out on the unregulated offshore paradise of the Cayman Islands. Despite the denial by UBS—while Crédit Suisse declined to comment—the rumors persisted. And the values of the stocks of both banks plunged into the cellar.

On Aug. 11, it became known that mega-speculator George Soros had replaced his besieged Quantum Fund chief strategist Stanley Druckenmiller with a former top manager from Bankers Trust, Duncan Hennes. In this year, the Quantum Fund has already sustained losses of 11.2%, or \$700 million, especially with wrong bets that the euro would rise

and the U.S. Internet stocks would collapse in spring of 1999. Unfortunately for Soros, the Internet stocks maintained their steady rise through April, before being cut in half by August. The value of the entire portfolio managed by the Soros group, has dropped in the last 12 months from \$22 billion to \$13.2 billion.

On Aug. 12, the Zurich financial market expert Heinz Brestel reported on the consequences of the abrupt drops on the world wide bond markets: "Apparently, it has come to the first forced sales by institutional investors, which have further burdened the overall market, which would explain the sudden collapse in values on the bond markets."

Internet stocks started it

The rapid fall of the Internet stocks in the United States from May to the end of July, caused a sudden loss of value which hit numerous small and large investors. The entire market value of the 50 leading Internet stocks in the United States, reached its high-point on April 12, with a value of \$613.4 billion. On Aug. 9, they were worth only \$374.2 billion, which corresponds to a loss of \$239.2 billion. Similar "corrections" are on the horizon for the other bubbles on Wall Street.

Even the International Monetary Fund, which had been chided for its cheerful forecasts of the Asian financial situation just before the outbreak of the Asia crisis in 1998, did not want to sit back any longer, but wanted to document for posterity, that it, too, belonged at least once to those who warned of a Wall Street crash.

On July 30, the IMF, in its annual report on the U.S. economy, warned of "significant risks," especially the "danger of a substantial and abrupt fall of the U.S. stocks values." The economic activity in the United States, the report said, rested largely on the "high level of the stock market, a level that is difficult to explain." Thus, a "sharp collapse" on the stock market could cause considerable consequences for the U.S. and world economy. The longer the Federal Reserve waited to move against this, the worse the danger would become, that it would be finally forced to effect a radical interest rate increase, and thus provoke a correspondingly rapid crash on the stock market.

International Commentaries

John Plender, "The Wobbliest Month," lead editorial, London *Financial Times*, Aug. 13.

"A full-blown stock market collapse" could soon hit Wall Street, writes Plender. "For the third year in succession August is proving to be a month of extreme financial turbulence. The U.S. equity and bond markets have been nervous. The dollar looks distinctly tired after its long bull run. Meanwhile, rumors are rife that at least one investment bank has incurred big losses on its proprietary trading activities. The trouble is thought to have arisen in the interest rate swaps market, which

is going through unprecedented and stressful contortions."

Plender points to one of the most alarming signs of market nervousness: "Last weekend William McDonough, the head of the New York Federal Reserve, felt the need to tell Dow Jones Newswires that he knew of no situation that posed a systemic risk. It was the kind of central banker's denial that offers mixed comfort to nervous investors and traders."

After going through "potential horror stories," such as a sudden dollar crisis, Plender notes: "Of course, when the U.S. equity market finally collapsed in October 1987, it was none other than Alan Greenspan, the Fed chairman, who came to the rescue. Confronted with a shock that threatened the financial system, he opened the monetary sluice gates, as he did in the crisis last autumn. Can the markets rely on Greenspan coming to the rescue yet again if the collapse of a big institution poses a systemic threat or the markets take a severe tumble? It would certainly be harder for him to do so."

Plender concludes: "Stephen Lewis, chief economist of London-based Monument Derivatives, argues powerfully that the Fed cannot allow historically high swap rates to deter it from tightening credit. Otherwise, it would undermine confidence in the anti-inflationary thrust of Fed policy. Yet a full-blown stock market collapse might be another matter. Mr. Lewis also forecasts a very interesting month. He could well be right."

Felix Zulauf, head of the Switzerland-based Zulauf Asset Management, interview with the *Frankfurter Allgemeine Zeitung*, Aug. 5.

A "stock market thunder storm" is about to hit the international markets, warns Zulauf, who speaks of a sharp correction in late summer or autumn. He draws a comparison to what happened last year: "We stood at the abyss. The stability of the international financial system was in extreme danger." There was not only the near-collapse of LTCM, but also the huge mountains of bad loans in the Japanese banking system, the shattering of the foreign exchange markets, in particular between the dollar and the yen, and the threat of a massive withdrawal of Japanese capital from the United States.

Such circumstances, says Zulauf, could easily have caused the collapse of some of the most prominent banks internationally. Only the massive liquidity creation by the leading central banks moved the global financial system back from the abyss. But now, the situation on international markets has again dramatically worsened, says Zulauf. The record high U.S. current account deficit and the extremely low U.S. savings rate could trigger a stock market crash, with U.S. stocks plunging by 20% and more, in combination with a crashing U.S. bond market, driving yields of 30-year Treasuries above the 7% level, and, further, the outbreak of a "big dollar crisis." Fed Chairman Alan Greenspan is reluctant to act, because he fears renewed global financial disasters as soon as he increases interest rates. The leading stock market indices will have to face the biggest plunge. And among other things, the boom in Internet stocks will just fall apart.

LaRouche says: It's time to sue the IMF for damages

by William Engdahl

Since Thailand, the first victim of the misnamed “Asia crisis,” was forced to go to the International Monetary Fund for emergency assistance in July 1997, the IMF has pledged a total of some \$150 billion, an all-time record. The money, or at least promises of money, has gone to several countries in crisis, starting with Thailand, Indonesia, and South Korea, and widening to Russia, Ukraine, and, most recently, Brazil.

What has been the result of this unprecedented commitment of money over the past two years? Has the world economy become a safer place as a result? Have the living standards of IMF recipient countries been improved as a result? Are the future prospects for growth of these countries better as a result of their signing IMF “Structural Adjustment” agreements?

The defenders of the IMF, including Managing Director Michel Camdessus, Deputy Director Stanley Fischer, and Fischer’s close friend, U.S. Treasury Secretary Lawrence Summers, claim that the IMF has successfully intervened to stop what threatened to become a global systemic crisis, and that it now promises to steer the countries receiving its aid and advice on the path to “sustainable economic growth.”

Indeed, in an interview with the *Wall Street Journal* on Sept. 24, 1998, the day after announcement of the collapse of the Long Term Capital Management hedge fund plunged global financial markets into the worst meltdown of the post-war period, Camdessus made the chilling comment, that the Asian collapse had been “a blessing in disguise.” It has most certainly been no blessing for the millions of victims of IMF policies — so, for whom does Camdessus speak?

The IMF is ruining us all

In reality, IMF policies since July 1997 have aggravated what had been a serious short-term crisis, and have resulted in worsening the economic prospects of hundreds of millions of people around the world.

The point is clear: Despite the appropriate and unprecedented criticism of IMF policy, nothing has changed for the better. In fact, the scale of IMF damage to global real economic growth now is such that it threatens far more than the individual countries involved. It is time to end the role of the IMF in this criminal activity before it ruins us all.

U.S. economist and Presidential candidate Lyndon

LaRouche recently stated the blunt truth that the IMF is running a swindle on behalf of private banking interests. Referring to the latest developments between the IMF and Ukraine, LaRouche said: “The Ukraine government should sue the IMF and World Bank for damages resulting from following the IMF’s advice. In fact this should be a class-action suit with other nations which have been caught in the same IMF swindle. All these countries are entitled to recover costs and damages from the IMF and World Bank.”

The crime called ‘Structural Adjustment’

The astonishing fact is, that, despite the strongest attacks on IMF policy in the 55-year history of the Fund, nothing in its basic policy has changed—nothing. During the height of the crisis over the past two years, the argument was that it was too risky to change policy in the midst of the crisis. Now, when even George Soros proclaims the crisis “over,” the argument is that fundamental change is not needed: The crisis is over, and the IMF medicine is working.

Since the IMF refocused itself in 1982 to deal with the problem of collecting billions of debts from Mexico and other Ibero-American countries on the brink of default, the IMF has been incredibly inflexible in demanding the same, precise conditions, termed “Structural Adjustment,” in return for its help. The IMF conditionalities, or Structural Adjustment Programs, which a recipient victim must follow, invariably include:

- Sharp cuts in government spending. The argument is that this will help restore confidence of foreign investors in the long-term “sustainability” of government fiscal policy.
- Severe hikes in interest rates and rationing of credit to the economy. This is supposed to keep the existing foreign investors from bailing out of the victim country.
- Elimination of government subsidies, especially for food, fuel, and consumption items. This is a part of demonstrating government “fiscal responsibility” to hypothetical future foreign investors.
- Privatization of state-owned enterprises and opening of rules to facilitate foreign buy-outs of domestic privatized industry.

A country in crisis has little choice but to turn to the painful IMF cure. Failure to sign with the IMF threatens all

but the most courageous governments with being blacklisted from international credit markets for years. Indeed, attendees at the September 1998 IMF annual meeting privately reported that the greatest fear among IMF members at that meeting was that Malaysia's radical anti-IMF controls might succeed and undermine the role of the Fund as world debt policeman. Few private lenders or governments will lend to a country which has not been "certified" as behaving according to IMF conditionalities after undergoing a crisis.

Deliberate errors

Yet, the mistake often made by critics of the IMF is to naively assume that the IMF's mistakes are simply errors of mis-estimating the situation, honest errors of judgment in heat of crisis. In fact, the mistakes are not mistakes in the eyes of IMF policymakers. They are deliberate policy.

Sadly, the U.S. Treasury, which oversees the U.S. role with the Fund, bears a major share of responsibility, for failing to alter the rules of the IMF game in the past 17 years, during which time the IMF has become, in effect, the debt policeman for leading international private banks. And, the U.S. Congress did its part, when, cowed by the threat of a global financial system collapse, in October 1998, it approved an added \$17.5 billion for the IMF, and opened the way for an increase of the total IMF funds by another \$95 billion — just as the IMF coffers were in danger of being depleted.

To comprehend the criminality of IMF conditionalities and Structural Adjustment Program, imagine that the United States, or Germany, or Japan were forced to apply for IMF assistance. The relevant IMF Country Team economists would conduct a thorough review of the country and decide that the most "efficient" exports for, say, the United States, would be lumber, oil, natural gas, and other raw materials, but that whole sections of U.S. industry must be shut down — computers, aircraft, auto — because U.S. wages are far too high to be "competitive" or "sustainable" in a global economy. Since 1977 and the Italian IMF agreement, no G-7 country has applied for IMF medicine. The IMF has, instead, become in effect a weapon against the economies least able to take such medicine — emerging or once-developing countries.

'A telling audit'

A little-noted external review of the effect of IMF Enhanced Structural Adjustment Facility (ESAF) programs on least developed economies was completed in March 1998. Its conclusions on Africa were chilling. For all African countries receiving ESAF assistance in 1991-95, annual per-capita GDP growth averaged 0.0%. Developing countries outside the IMF's ESAF experienced an average of 1% per annum per-capita growth. Sub-Saharan African countries on ESAF aid had a decline of 0.3% in per-capita income over 1991-95.

According to a separate World Bank study, even under the most optimistic conditions, it will now take years for Africa to

reach levels of per-capita income seen in the early 1980s, before the IMF entered its economic management.

Invariably, the IMF Structural Adjustment, in its focus to put a victim country's fiscal and trade deficits — a common state for developing economies — onto what it considers "sustainable" levels, worsens the country's economy at severe social and economic cost, most typically inducing severe economic recession. "Of course when you need cancer surgery, you must expect some pain at first," the IMF officials would argue. The demands for slashing public spending cuts the state health and education spending, which is already woefully insufficient in every so-called emerging economy.

The broader results of IMF conditions are revealed in the above-mentioned external review's report of what happened to the once-stable economy of Zimbabwe, after it turned to the IMF in 1991 to try to "jump-start economic growth." During 1991-96, Zimbabwe's manufacturing output contracted 14%, and its real Gross Domestic Product fell 5.8%, compared to the IMF Staff Report prediction of 18% growth over the period. Nominal interest rates generally remained above 40% for the period, severely reducing private investment. Total private investment for the time declined in real terms by 9%. Private per-capita consumption fell by 37%! IMF-mandated deregulation of the labor market in Zimbabwe led to higher unemployment and lower real wages. Manufacturing employment fell by 9%, and real wages declined by 26%. Food prices under removal of government price controls rose far more than other prices, severely hitting the rural poor majority.

Zimbabwe's devolution

The IMF demanded that Zimbabwe cut non-interest budget spending by 46% to meet IMF Structural Adjustment targets. As one result, spending on health care fell from 6.4 to 4.3% of the budget. The IMF demanded cuts as well in real wages for public health sector workers, forcing many doctors to move to private sector care, collapsing the quality of public health care. One consequence was a dramatic rise — 400% — in the AIDS-related phenomenon among children known as wasting, and a fourfold rise in tuberculosis. This, at a time when the IMF well knew that an AIDS epidemic was sweeping the population.

Ask yourself if this is a matter of "poor judgment" by IMF economists, or intentional murder.

In all instances reviewed in the study of ESAF programs, IMF-mandated economic policies *worsened* the countries' debt burdens, instead of reducing them. Total external debt as a share of GDP for all ESAF countries increased from 71% of GDP in 1985 to 88% of GDP in 1995. IMF recipient countries are forced to divert resources from vital services, in order to keep up with the exploding foreign debt to international private banks, as well as with the debt to the IMF itself.

In the following pages we review several examples of the latest round of IMF macro-management and Structural

Adjustment, for the economies of Ukraine, Thailand, and Indonesia. Since applying for the IMF medicine, in Indonesia alone, there are an added 60 million people living in poverty; in South Korea, unemployment has tripled; and in Brazil, the per-capita income in Brazil is expected to fall by 6.4% this year.

Case Study: Eastern Europe

Ukraine: Destroyed by IMF 'rules of the game'

by Konstantin George

The International Monetary Fund and its mandated “rules of the game” have carved an awesome path of destruction through Ukraine, a nation of 52 million. Ukraine is the second most important industrial republic of the former Soviet Union, and the second most populous, after Russia. As Lyndon LaRouche put it, Ukraine should sue the IMF and World Bank for the damages that resulted from following the IMF’s advice, and make it a class-action suit, bringing in other nations that have similarly been wrecked by IMF conditionalities.

A few statistics show the disastrous results of Ukraine’s obedience to the IMF during this decade: Today, Ukraine’s Gross Domestic Product is about 55% of what it was in 1990, and industrial production is less than half the 1990 level. At minimum, Ukraine could claim from the IMF at least \$24 billion in damages (the difference between the 1990 GDP and the GDP as of the end of 1998).

When Ukraine became independent in 1991, it desperately needed long-term, low-interest credits from international and state lending agencies to develop its infrastructure, and to provide the physical-economic framework for domestic and foreign investment to modernize its sweeping — but in large part obsolete — civilian industrial base and agriculture.

During the last 15-20 years of the Soviet Union, Ukraine had been a victim of Soviet disinvestment in infrastructure, in non-military industry, and in agriculture. To take the energy sector as one example: The republic’s last power plant had been completed in 1977. The country’s Donbass coal mines were still producing large amounts of coal, but under technologies no longer modern in the 1950s, let alone now — a horrendous backwardness attested to by the hundreds of miners who perish in the unsafe mines every year. As for other infrastructure, the republic’s paved roads could win the *Guinness*

Book of Records prize for the most potholes per kilometer; because of the poor quality of the track bed, inter-city trains average a speed of 30-35 miles per hour.

There was a lot to do in 1991, and with Ukraine’s highly skilled, educated workforce, it could have been done easily — with the right policies. Instead, the IMF took charge. Even though Ukraine was not to receive any IMF monies, or make a formal credit agreement with the IMF until 1994, IMF actions were fatally affecting the republic from day one of independence. How so?

The fatal IMF framework

The IMF began, by going over Ukraine’s head. It reached an agreement with Russia, whereby Russia assumed control of all former Soviet liquid assets, including foreign exchange and gold reserves, in exchange for assuming responsibility for the entire former Soviet debt. On the deceptively “positive” side, Ukraine entered independence with no foreign debts. However, courtesy of the IMF, Ukraine was denied even a modest “headstart” in state foreign exchange assets.

After independence, Ukraine’s economy plummeted. During the economic free fall (during the Presidency of Leonid Kravchuk, which lasted till he lost the July 1994 elections to Leonid Kuchma), no credit agreements were reached with the IMF. Ukraine was ravaged as a victim of the IMF-rigged “rules of the game,” where any country, without countervailing international support, loses, whether or not it strikes a deal with the IMF. In those first three years of independence, the IMF relegated Ukraine to a financial pariah state. No agreement with the IMF meant an across-the-board credit cutoff, and almost zero in terms of critically needed foreign investments in the real economy.

A formal agreement was not needed to implement IMF parameters. First, by reaching formal agreements with the Yegor Gaidar government of Russia, and later with the government of Viktor Chernomyrdin, the IMF caught Ukraine in a vise. The IMF’s “price liberalization” policy in Russia, which meant hyperinflation, spilled over into Ukraine, whose initial currency was the ruble. The IMF-induced collapse of the Russian industrial economy automatically triggered the collapse of the Ukrainian industrial economy, as demand for goods from Russia, Ukraine’s main customer, shrivelled.

In those years, the wipe-out of industry meant that Ukraine was subjected to ruinous hyperinflation (which went as high as 10,000% in 1993), far higher than that which hit Russia. Citizens’ savings were eliminated — another area where reparations can be claimed against the IMF. By mid-1994, Ukraine had nothing: no currency, only an ersatz currency called the *kuponyi* (“coupon”), which depreciated with each passing week, and no state reserves. Further, the first part of what is called IMF “structural reform” had been completed, without the benefit of a formal agreement with the IMF, namely, the proliferation of a vast gray and black shadow

economy, including a flood of cheap food and consumer goods imports from eastern Europe and Turkey. Bazaars or outdoor markets had sprung up in every city and town. Millions of people had gone from normal industrial, scientific, research, and other work into their own “hustle,” a combination of buying, selling, or service-oriented moonlighting in order to survive.

From that time on, Ukraine has been trapped, and destroyed, in an IMF-directed vicious circle. When Kuchma was elected in July 1994, the first action he took was to conclude an agreement with the IMF. Since then, Ukraine has followed IMF free market and austerity conditions.

The trap is sprung

The IMF extended Ukraine credits on the strict condition that the Ukrainian budget deficit be under 3% of GDP; then, it reduced this paltry level to 2%, and further to 1%. Credits or subsidies to industry were banned, and it collapsed further. Under such conditions, the tax base steadily declined (in addition to the tax base shrinkage caused by the huge black economy), and Ukraine had to continuously cut its budget. Each cut further aggravated the decline of the tax base, necessitating further budget cuts. Because the budget deficit was linked to the size of GDP, the non-stop fall in GDP meant more budget cuts.

In terms of the class-action suit proposed by LaRouche, let us go back to the GDP of 1990, which was about \$60 billion; 3% of that GDP is \$1.8 billion. The GDP at the end of 1998 was about \$36 billion; 3% of that is \$960 million. So, through the IMF-caused loss in GDP alone, the Ukrainian budget has about \$840 million less available per year.

Under the IMF regimen, the Ukrainian budget is about \$6 billion annually. But, the damage is much worse than these figures would indicate. When IMF budget discipline began in 1994, Ukraine had almost zero in foreign debt payments. It also had no reserves. Courtesy of the IMF, as part of the conditions, Ukraine received currency reserves, in the form of IMF loans.

This, then, became the next part of the trap. Ukraine, already bankrupt in real economic terms, was being saddled with a multibillion-dollar debt. This foreign debt has now grown to \$12.5 billion, 38.7% of which is owed to the IMF and World Bank. When this part of the vicious circle started, foreign debt payments were a negligible part of the budget. Now, \$2.2 billion a year is required for servicing the foreign debt, or more than 36% of the entire budget.

Ukraine has met this IMF-imposed budget by slashing the population’s living standards. Because of IMF conditions, which include the budget straitjacket, there is \$2.45 billion owed in back wages and benefits to state employees, pensioners, students, mothers with many children, and so on. The education budget has been cut so savagely that hundreds of thousands of students no longer attend secondary schools,

because their families cannot afford the textbooks which the state no longer supplies.

Ukraine has also met these IMF conditions by creating a domestic debt market, with treasury bills, or OVDPs (like the Russian GKO). Here, at exorbitant interest rates (65% a year), the Ukrainian Finance Ministry has borrowed hard currency to help repay foreign debt. Such insanity — borrowing at 65% to pay back 12-16% loans — could not last long.

The Ukrainian debt crisis came to a head in 1998. Ukraine stopped issuing new OVDPs. In August, Ukraine had to pay back a \$450 million Eurobond and \$500 million in OVDPs. The IMF stepped in, and Ukraine narrowly averted default, but only at the price of accepting an IMF dictate to institute a 30% across-the-board cut in the 1998 budget. On this basis, on July 31, 1998, Ukraine and the IMF reached agreement on a three-year Extended Fund Facility of \$2.2 billion. Ukraine paid off the Eurobond, and prevented a global shock in the Eurobond market, and paid off its OVDPs, thus halting a chain reaction stemming from the August Russian crisis.

The debt-service noose

Another IMF trap was set in 1998. Under the on-again, off-again IMF release of tranches (IMF tranches to Ukraine had been suspended prior to July 1998, were suspended again in November 1998, and resumed in March 1999), Ukraine was forced to turn to the international markets for loans. Already in February 1998, Ukraine was paying a 16% annual interest rate for deutschmark-denominated debt. By the summer of 1998, Ukrainian Eurobonds were trading at 24%. The average minimal cost of Ukraine’s commercial foreign debt over the past two years has been 16%. Ukraine pays about \$2 billion a year in non-IMF or World Bank debt servicing on foreign debt. This means that if Ukraine were to pay “normal” rates, its debt payment burden would be roughly cut in half. So, thanks to the IMF rules, Ukraine has been forced into two levels of usury: through the domestic OVDP treasury bill market, and through usurious rates on the international markets.

The debt crisis again came to a head this summer. In June, Ukraine defaulted (though this was not declared a default) on a \$155 million loan that had been arranged in 1998 by ING Barings. The IMF precipitated this crisis by slapping a new condition on Ukraine: that it could not let foreign exchange reserves drop any further without getting IMF permission. Ukraine’s reserves had fallen from about \$1.75 billion on June 30, 1998 to about \$1.1 billion on June 30, 1999, with about \$2 billion in debt payments due in the rest of the year. The IMF was pushing for Ukraine to pay 20% cash on the ING Barings underwritten loan, and roll over the remainder in a new three-year loan. A deal, roughly along these lines, was struck, and a similar deal is being worked on for a loan brokered in 1998 by Merrill Lynch, that comes due this year.

How much longer can Ukraine walk this tightrope? With each passing month, the probability of a total crash grows. When Ukraine began to formally accept IMF conditions, it had almost no reserves, but also almost no debt. The *raison d'être* given for the IMF prescriptions was that Ukraine needed reserves. But now, its reserves are just as low as they were when it formally acquiesced to the IMF, while the foreign debt has increased by about \$12 billion, and the domestic treasury bill debt has grown from zero to about \$4 billion.

The end of this game will come; the only question is whether it will be with a bang, or a whimper.

Case Study: Southeast Asia

IMF depredations in Thailand, Indonesia

The International Monetary Fund's austerity demands ravaged the economies of Southeast Asia, as documented in the following sampling of articles from EIR.

“Thailand Heads ‘Down Mexico Way,’ ” Sept. 12, 1997.

Friday, Aug. 29, closed the darkest week so far for financial markets in Southeast Asia, as the collapse of currencies and stock markets slid to near panic levels. . . . Only four weeks earlier, on Aug. 4, the International Monetary Fund (IMF) signed a “stabilization deal” with Thailand providing up to \$20 billion for the ostensible purpose of stemming the speculative attack on the Thai economy, the most vulnerable of the former Southeast Asian “Tigers.” Touted by IMF Managing Director Michel Camdessus as the biggest IMF package since the 1994 Mexico deal, when \$50 billion supposedly “saved” Mexico, the deal, in fact, simply cannot work, just as the Mexico bailout did not work. Despite the early repayment of the loans to Mexico, collected through vicious austerity imposed on the Mexican economy and population, the bubble is back. . . .

Thailand’s Finance Minister Thanong Bidaya described the following conditions accepted by Bangkok in exchange for the emergency loan:

- \$3 billion in budget cuts, a 3% increase in the regressive Value Added Tax, from 7% to 10% (effective Aug. 16), and a mandatory “balanced budget”;
- the establishment of on-shore derivatives markets, essentially assuring the right to unrestricted speculation;
- the closing of an additional 42 of the nation’s 91 finance companies, in addition to 16 closed earlier, and the agreement to allow foreign banks to own an even higher percentage of Thai firms than the current limit of 25%;

- the privatization of more state enterprises, and an end to state subsidies to state agencies;
- a freeze on wages to the nation’s workforce.

Some of the acknowledged consequences of these conditions are: vastly increased unemployment, cancellation of at least some of the major development projects currently under way, high inflation, and further stalling of the effort to develop the interior regions of the country. . . .

The parallels [of the Mexican “bailout”] to the Thai “stabilization” package are obvious. The IMF is particularly anxious to assure two things on the financial side: first, that the billions and billions of profits made by George Soros and his fellow speculators in the run on the baht are paid when due; and, second, that the bad debt of the financial institutions is taken over by the government (i.e., the taxpayers), rather than through further foreign borrowings *before* these institutions are sold off to foreign banks. . . .

“Thailand Battles against Its First Colonization,” May 15, 1998.

Despite many painful compromises with colonial powers, Thailand always preserved its sovereign control over its land and its national economy. It is precisely this sovereignty which is now being challenged by the conditions imposed by the IMF, in return for a partial bailout of Thailand’s bankrupt financial system. The \$17.2 billion IMF package, however, is going *almost entirely* to pay massive derivatives losses to foreign speculators, who ran the attack on the baht, the Thai currency, in 1997. In exchange for bailing out the predators who destroyed Thailand, the IMF has demanded that Thailand turn over its banks, industries, infrastructure, and land to the predators themselves, for a fraction of their actual worth. . . .

Massive speculation by the hedge funds, led by British-owned mega-speculator and drug legalizer George Soros, during the first half of 1997, depleted the Bank of Thailand’s foreign reserves, forcing a free float of the baht, which was driven down by at least 50%. Speculators also sold the Bank of Thailand more than \$25 billion in forward swaps—derivatives contracts which locked the Thai government into the delivery of dollars at the pre-float rate in either three months, six months, or one year. With the “success” of the speculators in breaking the baht, they made off with a cool \$12 billion-plus profit from the swaps alone—all out of the pockets of the Thai people. This is the criminal reality of financial market “liberalization.”

All foreign debts, of course, increased automatically by 50% in local currency, while domestic markets collapsed across the board. As for the population, unemployment has skyrocketed, and a recent study found that 7 million Thais live on less than the equivalent of 60¢ per day. . . .

Two days after the Prime Minister’s explosion over the credit crunch, the Bank of Thailand announced that it will allow commercial banks to lend into arrears, meaning “lending additional amounts to contractors of non-performing

loans, without booking the new loans as non-performing.” Such loans “should not be used for refinancing purposes, and documents should be ready for inspection at all times,” according to a Bank of Thailand official. Such a [Hamiltonian] policy . . . has been publicly supported by U.S. Treasury Secretary Robert Rubin, as part of his call for a “new architecture” for the world financial system. It is definitely frowned on by the IMF.

“Indonesia’s Suharto: ‘IMF Is Not a Roaring Success,’” Feb. 27, 1998.

On Feb. 13, the same day as the Bretton Woods Committee met [in Washington], Indonesian President Suharto delivered a message to President Clinton in a phone call placed from the White House to Jakarta. According to press accounts of the private conversation, Suharto conveyed, that “the current IMF program hasn’t been a roaring success.” Suharto asked Clinton, where is the alternative, “because what you’ve got here now isn’t working.”

“Indonesia Proves Why the IMF Is Finished,” May 22, 1998.

During May 11-13, Egyptian President Hosni Mubarak hosted the G-15 summit in Cairo, bringing together leaders of, now 16, member-countries representing Ibero-America, Asia, and Africa. The focus of the meeting was a discussion among these nations of the “South,” of the international lessons to be learned from the economic and financial crisis that has wrought havoc in Asia since July 1997. Indonesian President Suharto spoke on behalf of the Asian countries present: India, Indonesia, and Malaysia.

President Suharto reported on the effect of the crisis, which, in Indonesia’s case, included a more than 75% collapse in the value of its currency, the rupiah, the catastrophic collapse of the stock market, the instantaneous bankruptcies of its banking and corporate sectors, and the disintegration of the distribution system for essential food and services throughout this island nation. The effect of the crisis, President Suharto said, has been equivalent to wiping out three decades of progress in the eradication of poverty. . . .

Indonesia entered a new phase of crisis during the week of May 4. Under the terms of its *third* IMF “reform” program in less than seven months, Indonesia has committed itself to the most rigorous timetable of compliance ever exacted by the IMF. Literally, week by week, the IMF would keep a scorecard on Jakarta’s performance. Under the first two regimes, Indonesia was repeatedly chastised by the IMF, by Group of Seven (G-7) government officials, and by the Western establishment press, in particular, for showing too much “defiance” and stubborn clinging to “the old ways.” . . . Jakarta . . . proceeded to implement the one category of measures that have been the most contentious since the first IMF program was agreed to on Halloween 1997: that is, the lifting of subsidies on essential commodities. This resulted in 25-

71% increases on a range of fuels, from cooking oil to premium gasoline, and an immediate increase of 20% in electricity rates, to be followed by similar increases in August and November. The results were absolutely, dead-on certain—a sure bet. Before the clock struck midnight on May 4, riots broke out. . . .

The events of May 4 exposed the *political* intent behind every IMF program . . . nowhere more clearly stated than by British Foreign Secretary Robin Cook, on the sidelines of the ministerial meetings of the G-7 in London on May 9. “There is a clear lesson here, which is that open financial markets require an open political system and that getting on top of the financial turbulence also requires progress on social reform and political development. That is a lesson that is applicable across the region,” he said.

. . . In October 1997, the month that Indonesia would sign its IMF-I accord, President Suharto received the UN award for poverty eradication, “In recognition of outstanding accomplishment in and commitment to the significant reduction and continued eradication of poverty in Indonesia, and for making poverty eradication an overriding theme of national development efforts.” Over 30 years, the number of people living below the poverty line had been reduced from 60% to 11%. President Suharto told the G-15 meeting that annual growth had averaged 7% per year for two decades, but, in 1998, it will collapse to -4%. Over that same time frame, the total population rose 72%, from 120 million to 184 million. The ratio of doctors rose from one doctor for 47,000 people, to one doctor per 7,000, and overall school enrollment increased from 50% to 75%, with elementary school enrollment rising to 92%. When it comes to voter participation in elections, in the legislative elections of 1997, over 90% of 125 million eligible voters went to the polls.

“Indonesia: Deadly Consequences of Taking IMF Advice,” June 5, 1998.

May 1997: The World Bank issues a report, *Indonesia: Sustaining High Growth With Equity*, praising the country, and by implication, the Suharto government, as the best example of “sustainable growth” through “outward-oriented, private-sector driven, labor-absorbing growth.”

May 1998: Indonesia is about to sit down with a team of International Monetary Fund technocrats, to lay out the terms of its *fourth* bailout in less than seven months, as the economy faces 20% or greater contraction this year. President Suharto has been “resigned” from office, on the heels of the worst riots in Jakarta, in 30 years, in which 500 people were killed and a 75-block area of the city left in flames. The private sector was been in de facto default on \$74 billion in debt for months. Unemployment could reach 20 million, more than 20% of the 90 million-person labor force. Trade has come to a halt. Inflation is running at 50%; interest rates are running at 60%, and the currency, the rupiah, has bottomed out, 74-80% lower than it was in July 1997. . . .

Overextended U.S. stock market bubble is at the breaking point

by Richard Freeman

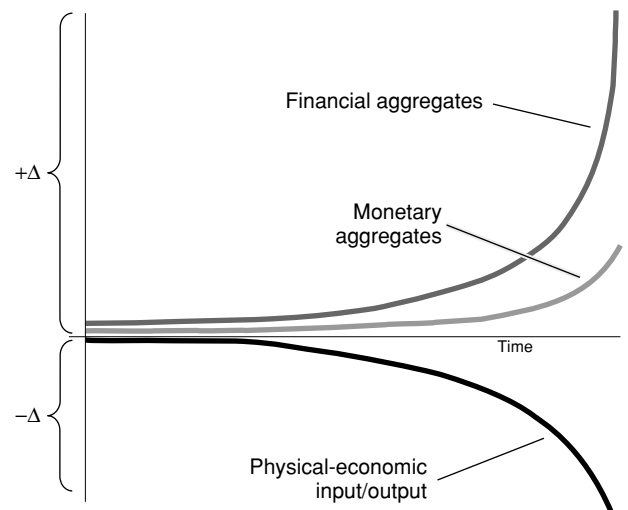
In the first half of 1999, the leverage pumped into the U.S. stock market increased to unprecedented levels. During the first six months of 1999 alone, the level of margin debt—borrowing by individual and professional investors from brokers, in order to play the stock market—grew at a compounded annual rate of 57.5%, the highest in the postwar period, and apparently greater than that which occurred during the 1920s stock buildup.

As the stock market has become more and more bloated, ever more dependent upon leverage to hold it up, the U.S. physical economy has continued to contract at a rapid rate. Two critical sectors show the problem: For the first six months of 1999 compared to the same period for 1998, shipments of American-produced two-wheel-drive tractors of greater than 100 horsepower have collapsed 35.4%, and shipments of American-produced combines and harvesters are down 47.5%. Second, comparing the first five months of 1999 to the same period for 1998, America's consumption of machine tools has fallen 39%.

Rather than being two independent processes, LaRouche's "Triple Curve," or Typical Collapse Function (**Figure 1**), shows that these trends are functionally interrelated. The speculative bubble of the United States, comprised of stocks, derivatives, and so on, which are represented by the upper curve, sucks the life out of the physical economy, forcing it to contract.

Americans view the stock market not as it really is—an instrument of their doom—but as a virtual-reality copy of the Golden Calf. During each of the last few years, Americans have spent approximately a quarter-trillion dollars on new stock purchases, either directly, or indirectly, through purchases by pension and retirement funds. Americans look for tipsters to give them hot inside information on what to buy; they spend tens of millions of dollars every year on books hawking investment strategy, and discuss how the stock market is doing, in the dentist's office, in the supermarket check-out line, and at family events. In a mad pursuit of instant success, Americans are gripped by a gambling psychosis, distorting their grasp of reality. Warn someone to pull his money out of the stock market, and he compulsively retorts,

FIGURE 1
A typical collapse function



"I can't get out now, I might miss the opportunity to make a profit tomorrow." Tell someone about the building war danger, or the disintegration of the financial system, and he will reply, "I can't think about that now; how did the market do?"

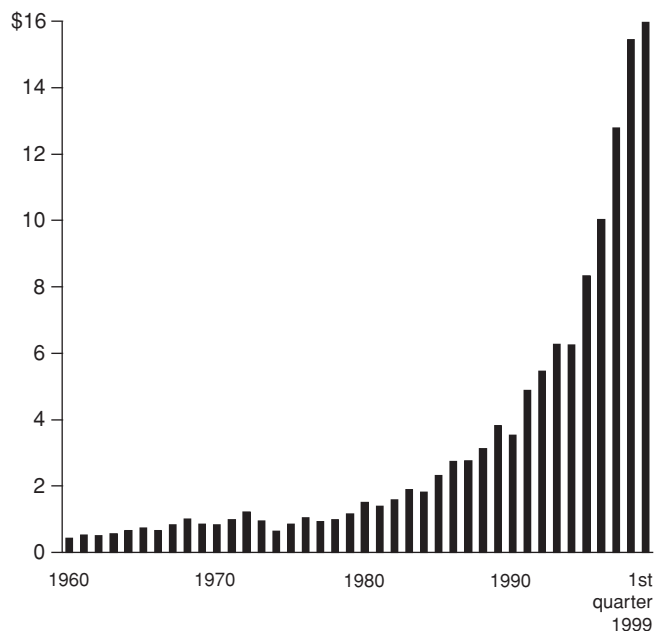
But, as in a Greek tragedy, self-imposed blindness brings on destruction.

The stock market is pyramided to a high degree by self-reinforcing leverage. It cannot be sustained at its current level, which is out of proportion both to historical standards, and relative to reality. Another financial instability, whether the cause be endemic to the stock market or an outside derivatives failure, whether it originate in the United States or abroad, will intersect this bloated market. Reverse-leverage will kick in, as leveraged positions, some with ratios as high as 500:1, come down with lightning speed. For millions there will be no saving one's nest egg at the last moment; it will be gone. The entire financial system will vaporize. The physical economy, already damaged by the speculative bubble, will crumble further.

FIGURE 2

Capitalization value of all stocks traded on U.S. stock market, 1960-99

(trillions \$)



Source: Federal Reserve Board of Governors, *Flows of Funds Accounts*, various years.

Unprecedented heights

The stock market is at an unprecedented height because of leverage. Its market value cannot be sustained at even one-third its present level. **Figure 2** shows the stock market's capitalization—the market value or share price of a U.S. company's stock, times the number of shares outstanding, for all the shares outstanding of all U.S. companies—starting in 1960. The stock market's capitalization has undergone three phases since 1960. During 1960-82, the stock market's capitalization was confined within a range, with it never exceeding \$1.6 trillion. The second phase had a buildup, reaching a peak in 1987, but falling during the stock market crash of October of that year, and then increasing at a moderate pace. The third phase, starting in 1990, has been a reckless, speculative buildup. In 1990, stock market capitalization was \$3.54 trillion. By the first quarter of 1999, it escalated to \$15.97 trillion, a 4.5-fold increase since 1990 (and a 10-fold increase since 1982).

The increase in value since 1990 has been almost entirely fictitious, i.e., backed by nothing. When little stands behind it, its fall can be quite steep—as steep as its rise during the 1990s. To determine the amount of fictitious valuation of the stock market, one can compare it to something more tangible:

Gross Domestic Product, which is a measure, albeit a poor one, of the economy's output of goods and services (as bad as GDP is as a measure of the physical economy, we will use it for the moment, for the purpose of this experiment). While the stock market rise has been dramatic since 1987, let us start with what has happened since 1990, when the rise became hyperbolic.

In 1990, the U.S. stock market's capitalization stood at \$3.54 trillion, and the value of America's GDP stood at \$5.74 trillion. By the end of the first quarter of 1999, the capitalization of the stock market was \$15.97 trillion, and the value of the GDP was \$8.81 trillion. Thus, during that interval, the stock market's capitalization swelled by \$12.43 trillion, and the value of the GDP rose by \$3.07 trillion. Of the \$12.43 trillion increment in the stock market valuation, \$3.07 trillion was covered by an increment in the GDP, i.e., 24.7% of the growth of the stock market.

That leaves \$9.36 trillion in stock market capitalization that has not been covered by growth in GDP, or 75.3% of the \$12.43 trillion increase in stock market capitalization. That means that \$3 out of every \$4 of the increase of the stock market's so-called increased valuation since 1990 has not been covered by an increase in GDP. It is hot air, fictitious.

There is a more accurate measure than GDP. As Lyndon LaRouche has stated, and *EIR* has documented since 1990, the physical economy, inclusive of infrastructure, as measured by the energy of the system, has declined at a rate of about 2% per annum. Using this more accurate standard, the entirety of the stock market's increase of valuation since 1990 is purely fictitious.

Multiply-connected leverage

The stock market's increase is based not on an increase in production, but rather a surge in leverage. It is multiply-connected, mutually self-supporting leverage that is the key to the U.S. stock market rise. There are three principal forms of leverage: 1) individuals and professional investors borrowing from brokers on margin, i.e., margin loans; 2) the leverage of stock and stock index derivatives; and 3) leveraged buy-out fund leverage, and the leverage-like features of inflated stock values to make possible corporate takeovers.

This gives us a vantage-point for viewing how the media report on the stock market. Most of the coverage of the stock market, from *Forbes* magazine to the business page of the local newspaper, is like reportage of Hollywood: with hot scoops, sensational, even salacious tales—and much of it not true. When the stock market rises, many reasons are given, each of which have a grain of truth: increased money flows from abroad, the increased use of stock index funds, and so on. But, while what has happened over the last few months can exercise an important, marginal influence in shaping the stock market, it is the fundamental, cumulative outcome of 30 years of destructive economic policies that is determining what the stock market does. The media throw

out confetti to obscure the deeper reality.

There are two principal reasons that the stock market has risen since 1982, and especially since 1990. First, it is due to the fact that the British-led oligarchical financiers have installed a post-industrial society policy, one that gutted the physical economy and shifted credit flows into the speculative financial realm. Starting with the post-industrial policy shift of the late 1960s, a number of policies were pushed through: the 1971 delinking of the dollar from the gold reserve standard; the 1975 law deregulating the brokerage and securities industry; the October 1979 imposition of the high-interest-rate regime by Federal Reserve Board Chairman Paul Volcker; the 1979 Steiger Act, which cut the top tax rate on capital gains from 49% to 28%; the Kemp-Roth Tax Act of 1981, which, among other things, created real estate tax shelters and lowered the top tax rate on capital gains to 20%; the Garn-St Germain deregulation of the commercial and savings and loan banking system, and others (see Richard Freeman, "Gambling Psychosis Propels Stock Market Toward Implosion," *EIR*, May 29, 1998). It is the effect of these acts, reinforced by similar policies or the post-industrial speculative society during the 1980s and 1990s, together with the early-1980s infusion of dirty money into the Drexel Burnham-Michael Milken junk-bond-fuelled leveraged buy-out machine, that led to the hyperbolic growth of the stock market. There was constant intervention to keep the stock market moving upward, as part of a radical 30-year restructuring of the economy.

Second, unprecedented, multiply-connected leverage fuelled the stock market, and this leverage has been growing at an increasing rate. Leverage is a term for borrowing and debt, but it is used to signify that an investor has increased his ability to purchase and control much more than he could without leverage—an increase of up to several hundred times his original capital. It is the post-industrial policy shift in the United States, conjoined to the infusion of leverage, that has fundamentally configured the state of the U.S. stock market.

Three principal types of leverage

We look at each of the three principal forms of leverage.

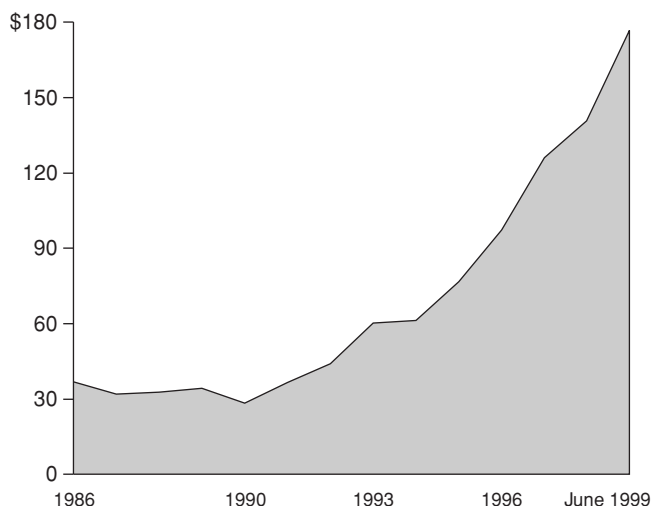
1. Official and "hidden" margin debt

Officially, this is called customer margin debt, and also broker's margin loans. It works as follows. If an individual were to buy, say, \$100,000 worth of stock, he may either buy the stock entirely with his own cash or secure a margin loan from a broker. Currently, the initial margin requirement on qualified stocks is 50%. That means that the individual may borrow, through a loan, up to \$50,000 of the stock purchase price from a broker; the broker will usually require the investor to pledge, as collateral, an amount of other stock that is equal to the \$50,000 value of the margin loan. The individual pays the other half of the \$100,000 stock purchase price out of his own cash.

FIGURE 3

Customer margin debt (brokers' margin loans), 1986-99

(billions \$)



Source: New York Stock Exchange.

The individual investor borrowing the margin loan may be an ordinary or a professional investor. Through the margin loan, the individual investor is buying stock on margin, i.e., by borrowing or leverage.

It is broker margin loans that have been growing at a phenomenal rate. Margin loans are extended by the 4-500 banks and investment firms that are members of the New York Stock Exchange, such as Merrill Lynch and A.G. Edwards. **Figure 3** shows that from 1986 through 1991, the level of broker margin loans remained in the range of \$30-40 billion. At the end of 1991, they were \$36.7 billion; at the end of 1998, they were \$140.9 billion, almost quadrupling. During this time, loans grew at a 21.7% compounded annual rate. But, they rose from \$140.9 billion at the end of December 1998, to \$176.9 billion at the end of June 1999, a compounded annual growth rate of 57.5%. The absolute level is the largest in U.S. history.

In addition, many Americans, seized by stock market fever, are buying stocks with credit cards, or borrowing against home equity or 401(k) retirement accounts.

Raymond DeVoe, Jr., an economist for Legg Mason Wood Walker stockbrokers, who has worked on Wall Street since 1949, estimated in the July 1997 issue of his newsletter, the *DeVoe Report*, that "the actual level of customers' margin debt could be two to three times the reported level." DeVoe refers to customers' margin debt, the buying of stocks using home equity loans, credit cards, etc., as the "hidden mar-

gin debt.”

If the hidden margin debt is two to three times the officially reported margin debt, and the “official margin debt” at the end of June 1999 was \$176.9 billion, then the hidden margin debt is \$354-531 billion. That amount of margin debt could contribute to stock purchases, using margin (were margin to represent 50% of the total stock purchase price), of as much as \$1,062 billion.

2. Stock-based options and futures

Stock-based derivatives, options, and futures, with a leverage that ranges up to 660:1, are potentially the most explosive. These derivatives, which were practically nonexistent in 1970s, have ballooned during the 1990s. They epitomize the stock market’s growth.

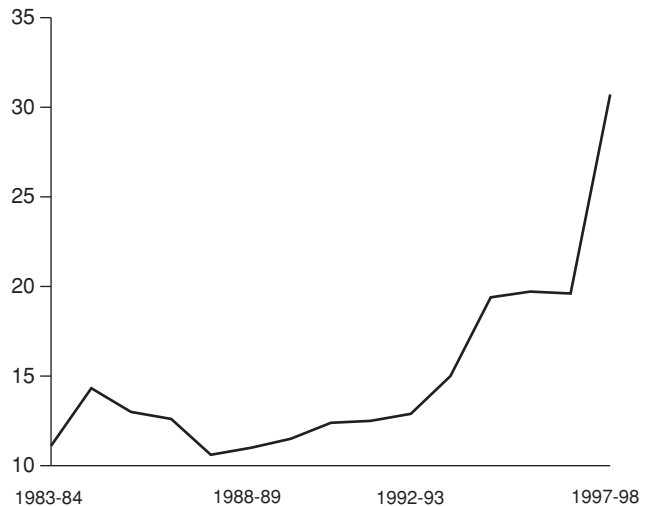
To understand how these work, let us consider the case of an option to buy the Standard & Poor’s 500 index, a basket of 500 important stocks. An option is the right, but not the obligation, to buy some financial instrument or commodity at a future date. The S&P 500 has a trading price equal to the sum of the value of the S&P 500 stocks, adjusted by some factor. So, on Aug. 4, the S&P 500 was trading at 1,305.22. Therefore, one unit of the S&P 500 index would be trading at \$1,305.22. By the same token, 1,000 units of the S&P 500 index would cost \$1,305,220 (1,000 times \$1,305.22).

Assume that one wants to buy an option for a contract of 1,000 S&P 500 index units. In the purchase of an option, one pays a premium, usually 2-3% of the value of the underlying instrument. The premium cost of an option for 1,000 units of the S&P 500 index would be 3% of \$1,305,200, or \$39,157. By paying the premium, one doesn’t yet *own* the instrument of the 1,000 units of the S&P 500 index, but, to use the words of the trade, *one controls the underlying instrument*. However, if one is a big speculator, such as George Soros, one might be able to borrow 95% of the value of the premium, and pay only 5% of the value of the premium in one’s own cash. One would be putting up 5% of \$39,157, or \$1,958, to control an underlying instrument of 1,000 units of the S&P 500 index, worth \$1,305,200. The ratio of what the investor is investing to buy the premium, to the value of the instrument he controls, i.e., the leverage, is 660:1.

Why would one buy an option on 1,000 units of the S&P 500 index? One purpose is to hedge other investments one has made. But, frequently, another purpose is to manipulate the value of the underlying S&P 500 stocks. No single investor could do this, but a group of investors buying large positions for a day or a few days, could. For example, the investors would buy option bets structured to make the S&P 500 index rise—a large number of option derivatives in that direction can sometimes produce that outcome. By pushing up the value of the S&P 500 index upward, one often thus lifts up the value of the underlying 500 stocks, or a portion of them, that make up the S&P 500. This is called “updrafting” the market. Conversely, one can push the value of the S&P 500 index down-

FIGURE 4

Volume of trading of S&P 500 future contracts, at Chicago Mercantile Exchange (millions of contracts)



Source: Commodity Futures Trading Commission.

ward, and thus push down the value of the underlying stocks. This is called “downrafting” the market. There are many variants on these scenarios, and other plays using such stock-based options and futures.

Look at the explosive growth in the volume of the trading of futures on the S&P 500 index, at the Chicago Mercantile Exchange (**Figure 4**). In the period from 1983-84 to 1991-92, there were 11-14 million future contracts traded each year on the S&P 500 index. By 1996-97, this trading volume had risen to 19.6 million contracts. Then, in 1997-98, the trading volume exploded to 30.7 million contracts, an increase of 56.6%.

Figure 5 shows the growth in the volume of options contracts traded on the S&P 500 index. Though not as explosive as the growth of futures contracts on the S&P 500 index, nevertheless, the upward trend is pronounced.

In 1997-98, there were a combined 35.7 million futures and options on the S&P 500 index, which were definitely influencing the market. But, the S&P 500 index is only one type of index. There are also futures and options on the Dow Jones 30 industrials index, and there are also many futures and options on individual stocks, such as IBM and General Electric. These are all stock-based derivatives. While no single comprehensive figure exists, *EIR* estimates that, in 1997-98, there were as many as 60 million contracts traded on stock-based derivatives. Each single stock-based derivatives contract can vary in worth, controlling underlying instru-

FIGURE 5

Volume of trading of S&P 500 option contracts, at Chicago Mercantile Exchange

(millions of contracts)

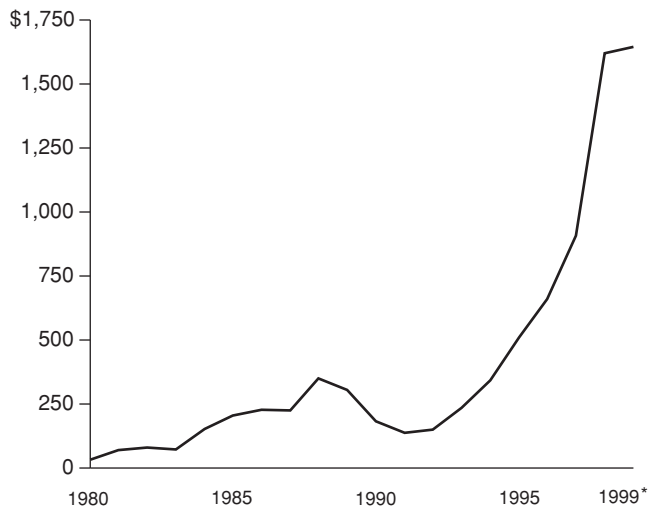


Source: Commodity Futures Trading Commission.

FIGURE 6

Mergers and acquisitions

(billions \$)



*estimated

Source: Securities Data Company.

ments worth between several tens of thousands of dollars, to millions of dollars. Therefore, there were tens of trillions of dollars worth of stocks controlled by these 60 million stock-based derivatives in 1997-98.

Stock-based derivatives can hugely manipulate the market. These carry very high levels of leverage, up to 660:1. In a reverse-leverage stock market collapse, they will affect other stocks, intensifying the depth and speed of the collapse. The effect will be devastating.

3. Leveraged buy-outs and mergers and acquisitions

One of the key instruments that has bid up the stock market is mergers and acquisitions (M&As). M&As not only drive up the stock price of the two stocks directly involved in a merger, but, frequently, all the stocks in a related industry group. For example, a General Electric takeover of an electronics company will often cause a rise in many other stocks in the electronics industry.

The M&A process raises the threshold price level of what is considered to be acceptable to take over another company, moving the overall price level upward.

The M&A/takeover can be effected entirely in cash or by borrowing a good portion of the money in the takeover. In that case, it is called a leveraged buy-out (LBO), because the takeover was effected with borrowing, i.e., leverage. When a buy-out firm carries out an LBO, it can do so by borrowing money from a bank, or by raising cash through issuing junk bonds (high-yield, high-risk bonds). When a

buy-out firm carries out an LBO for, say, \$5 billion, it may, typically, put down only \$1 billion in cash from its own treasury, and borrow the other \$4 billion. It is not known how many of mergers and acquisitions are LBOs, but one indication is the amount of junk bonds issued. In 1987, when the Drexel Burnham-Michael Milken LBOs were roaring along, the dollar volume of junk bonds issued was \$26.7 billion. In 1998, the dollar volume of junk bonds issued was \$152 billion, nearly six times that during the heyday of Milken. The main takeover firms, such as Kohlberg Kravis Roberts & Co.; Hicks, Muse; and the Apollo Investment Fund, are very active today.

But, there is a new twist to the M&A game. Instead of using borrowing outright, companies are taking over other companies, using the value of their inflated stock. As the value of stock rises, the companies hypothecate the value of the inflated stock value to take over another company, raising the value of the stock of the company that has been taken over. This sets the stage for the next phase. In many cases, inflated stock has replaced borrowing outright. In effect, it has become a new form of leverage. At the moment, the value of the stock is determined not by the productivity of the company, but rather by how many previous takeovers the company has already successfully completed. Its value is an inflated ratio of past takeovers, giving it a new, inflated value to carry out future takeovers.

Figure 6 shows the dollar value of M&A takeovers in the

United States since 1980. These takeovers have been effectuated with either old-fashioned leverage, or by the use of inflated stock. They are climbing skyward: In 1990, the value of M&As was \$182 billion; in 1995, it hit \$509 billion; in 1998, it was \$1.62 trillion. At current trends, the level in 1999 will be marginally higher.

Each new round of M&A takeovers engenders another new round. The stock market's value is no longer determined by the increased expansion of factories and farms, in increased output, and the generation of real profit. These three kinds of leverage—official and “hidden” margin debt, stock-based options and futures, and LBOs and M&As—have substituted for real economic activity in propping up the stock market. Each new instance that the City of London-Wall Street crowd leverages the market further upward, is the signal for suckers to pour in tens of billions of dollars more.

Other methods used to prop up the market

The City of London-Wall Street crowd employ other methods to rig the stock market upward. Within this overall leverage-driven bubble, financiers have smaller bubbles. Without leverage, it is doubtful that any of these smaller bubbles could be sustained, but, given the existing degree of leverage, they have thrust the stock market even higher.

Stock buy-backs: Many companies buy back their own stock. They use part of their profits, not for expansion of production, but to repurchase their own shares on the open market. For example, since 1995, IBM, one of the 30 stocks in the Dow Jones Industrial Average, has repurchased \$20 billion worth of its shares, about one-fifth of its total shares outstanding. By pulling shares out of the public's hands (making them scarcer), it has pushed the price of the stock up. Since 1995, IBM's stock has leapt from about \$47 per share, to \$122 per share on Aug 9. Since 1995, twenty-four out of the 30 firms of the Dow Jones Industrial Average have announced stock buy-back plans.

Stock index mutual funds: Stock index funds are a specific variety of mutual fund, in which the mutual fund manager does not try to actively pick stocks, but rather purchases the stocks that make up a well-known stock index—say, the stocks of the S&P 500, or the Dow Jones 30—and simply lets the stocks go up or down, which determines the performance of the fund. The idea behind the stock index fund is that, over the last few years, the stocks of the S&P 500, the Dow Jones 30, et al., were out-performing the judgment and performance of money-managers, so, the argument went, let the money-managers put the money into the S&P 500 stocks, and let them perform. The catch is that this type of mutual fund tends, by definition, to buy stocks of the biggest companies, concentrating a lot of money in the stock of these big companies, pushing the big companies' stock price up; that cycle, in turn, draws more money into the big companies' stock, etc.

TABLE 1
Stock index funds assets
(billions \$)

1994	30.7
1995	51.2
1996	93.1
1997	167.0
1998	262.3
April 1999	312.3

Source: Investment Company Institute.

(To clarify, there is a distinction between stock index mutual funds, and stock-based derivatives. In the case of a stock-based derivative, *an investor buys an option or future on a financial instrument, such as the S&P 500 stock index.* They are derivatives. In the case of a stock index mutual fund, discussed here, *the investor buys and holds all the individual stocks that make up the S&P 500 or any other stock index, to earn income from the performance of the stocks.* The dollar volume of stock-based futures and options is far larger.)

Table 1 shows the growth of the assets owned by the stock index mutual funds, which has risen rapidly. This has had a marginal, but nonetheless important effect in pushing up the stock market. Some financial press with very short-term memories, have claimed that stock index funds are running the market. This is an overstatement. In April 1999, the stock index funds had assets of \$312.3 billion, less than 2% of the \$15.97 trillion market capitalization valuation of the U.S. stock market. Much of the speculative run-up of the stock market during the 1990s occurred without the input of stock index mutual funds.

Internet stocks: The oligarchy has pushed Internet-related stocks, as heralding the new information age. A company called Internet.com publishes an index of 50 leading Internet stocks, called the ISDEX index. Among the 50 companies that comprise the ISDEX index are: Home Network, Amazon.Com, America Online, Cisco, Cybercash, Excite, E*Trade, eBay, Infoseek, Lycos, RealNetworks, and Yahoo! It does not include Microsoft, nor any of the computer-maker companies.

The ISDEX index has gyrated wildly during the course of this year. **Table 2** displays the ISDEX index's behavior, marked by key days. The index started the year at 337.00. By April 12, it had reached its apex of 664.55, nearly doubling its value from the start of the year. This represents the euphoria over Internet stocks. Between April 12 and July 1, it bounced around, but was only about 100 points down since its April 12 highpoint. Since then, especially since the last week of July, it has collapsed. It closed on Aug. 9 at 405.28, a loss of 39% since its high point.

TABLE 2

ISDEX index of 50 Internet stocks

January 1	337.01
March 1	442.40
April 1	557.75
April 12	664.55
May 3	571.08
June 1	483.82
July 1	555.66
August 9	405.28

Source: Internet.com Corp.

Almost all of the Internet stocks that make up the ISDEX index went public—i.e., sold stock to the public—only since late 1997; they have been public corporations only a short while. *EIR* has calculated that at their April 12 high point, the 50 companies that make up the ISDEX index had a market capitalization of \$613.4 billion. By Aug. 9, the market capitalization of these 50 companies was \$374.2 billion, a loss of \$239.2 billion—nearly a quarter-trillion dollars.

Still, the Internet stocks have remarkably high capitalizations for companies which earn little or no income—or are sustaining losses. The sharp drop of this sub-bubble within the stock market, may indicate a crisis that could blow out the bigger bubble.

Reverse leverage

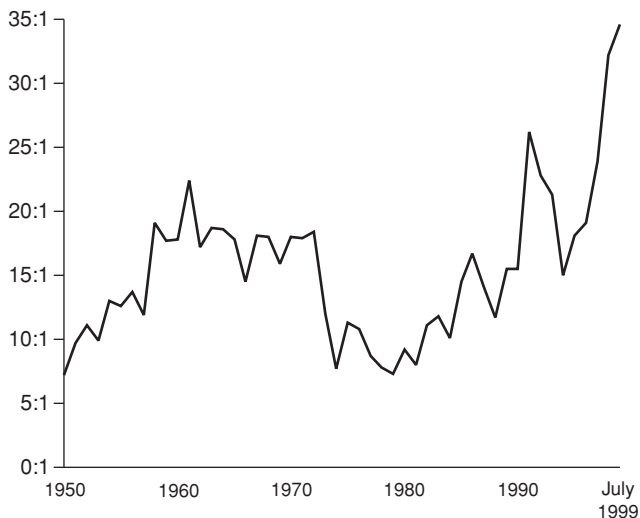
The U.S. stock market cannot be sustained at its current unprecedented heights, and the exposure of the American population to the market is enormous.

Wall Street can make no excuse that it does not know what is going on, nor can the American population. So far as is known, no Wall Street firm has made the comparison of market capitalization to the GDP or the real physical economy, as *EIR* has. (The reason as to why Wall Street has not done this can be speculated upon: Many Wall Street analysts lack the concentration span to focus on real production; or, were they to make the comparison, they might be terrified by the results.) But, the behavior of several standard Wall Street measures, though inferior in conception, nonetheless are well known, and leave no doubt that the stock market is clearly in the danger zone.

Let us take perhaps the best known measure, the price-earnings ratio for the S&P 500 stocks. It compares the price of a share of company stock to the company's earning per share. Thus, if company A's stock price is \$100 per share, and its earnings (the dividends it will pay out plus the profits it will retain for internal use) are \$10 per share, then company A's price-earnings ratio is 10:1.

Figure 7 shows that, during the 1960s, stocks had a higher price-earnings ratio, partly because of speculation; but since

FIGURE 7

Price-earnings ratio of the stocks that make up the S&P 500

Source: Standard & Poor's.

there was a more durable economy during the early part of the 1960s, the process did not go out of control. During the 1970s and 1980s, the price-earnings ratio averaged 12:1, which is about normal. In most cases, if the ratio gets to 18:1 or much higher, there is no way that the earnings stream of the company can support such a high price.

On July 30 of this year, the price-earnings ratio had reached 34.6:1. This is nearly triple the normal level of the 1970s and 1980s; it is the highest in the postwar period, and, most likely, the highest during the 20th century. The price-earnings ratios of some of the internet stocks are extremely high: America Online, 138:1; Yahoo!, 569:1; and eBay, 876:1.

In 1987, when the stock market crashed, the price-earnings ratio was around 20:1.

The stock market's speculative heights exceed that of 1929 and 1987 in every respect; it is unprecedented. As the market has gone higher, there has been a frenzy of activity to make investments. The worship of the market is making Americans crazy, distorting their grasp of economic and strategic reality.

As reverse-leverage sets in on this tremendous volume of leverage in the stock market, the plunge will be steep. This will intersect the collapse of the \$165 trillion derivatives market worldwide (which includes, but is far, far larger than the derivatives traded on the stock market). The convulsion will accelerate the biggest financial disintegration in 650 years. This will shatter illusions, producing the greatest existential crisis Americans have ever had.

The sleazy world of day trading

by Richard Freeman

On Aug. 9, the North American Securities Administrators Association (NASAA), an organization of state securities regulators, released a report based on a seven-month study of the volatile practice of day trading, which concluded that day-trading firms require closer supervision, and must do a better job of screening potential customers. It also presented a report, "An Analysis of Public Day Trading at a Retail Day Trading Firm," which showed that 70% of the day traders utilizing the firm lost money. Moreover, for the 70% of traders losing money, the risk of ruin — i.e., losing everything — was 100%.

The press conference at which the report was released came less than two weeks after the July 29 rampage by Mark Barton, a mentally unstable day trader in Atlanta who killed nine people working at day-trading firms, his wife, two children, and himself. Reportedly, Barton built up losses of more than \$400,000 in day trading. The firms that Barton traded at, and carried out the killings at, All-Tech and Momentum Securities, are featured in the NASAA report.

David Schellenberg, chief of licensing at the Massachusetts Securities Division and chair of the NASAA task force on day trading which released the report, stated, "Day trading isn't investing, it's at best speculating. Most traders will lose all of their money." Peter Hildreth, president of NASAA, said, "We found problems at all the firms we examined." The problems involved marketing, suitability, loan arrangements, supervision, and traders trading with other people's money. Hildreth said that marketing by day-trading firms is often "irresponsible and predatory," and frequently amounts to "hucksterism."

In the United States, there are 62 day-trading firms with 287 branch offices. According to the Electronic Traders Association, there are 3-5,000 people who are full-time day traders, and another 225,000 who trade part time over the Internet, with day traders accounting for 8-15% of the daily volume of the NASDAQ stock exchange.

The NASAA report makes clear that some of the day-trading firms are like gambling dens, and that some of the operators who run day-trading firms are bottom fishing, looting the individuals who are lured in. There are several abusive practices outlined, but the NASAA report avoids the most compelling point: that day trading is just an outgrowth of the speculative financial system that dominates America, of which the derivatives market and the mainstream stock mar-

ket are the two most important examples. The day traders exemplify the lower-level character of a human being who, driven by a compulsive belief that he can make it big in a "new lifestyle" of money-making, enters the lower end of the stock market-gambling food chain. A small percentage of day traders of a certain type, have success; most are bankrupted within less than two months.

Day traders attempt to make profits on small changes in the prices of stocks. They are known as day traders because they close out their positions by the end of each day. For example, let us take a day trader who makes a trade in which he buys Stock A at 20 1/16, and sells it at 20 2/16. He has made 1/16 of a dollar, or 6.25¢. To make \$1 in trading, he must trade 16 shares of Stock A. The fee charged by a day trading firm to allow the trader to make the trade is often \$25 per trade. So, the trader must trade 400 shares (16×25) to cover the \$25 fee he must pay to the day trading firm, just for using its facilities. If he wishes to make \$25 in profit, he must earn \$50. This requires the trader to purchase 800 shares of Stock A, at a purchase cost of \$1,605, just for the trader to make a \$25 profit for himself.

For the day trader to earn \$250 for the day, he would have to make 10 successful such trades, and avoid any unsuccessful trade (or something equivalent to that). The odds of that happening are very small.

The day-trading company furnishes the day trader with space in an office, a terminal, on-line trading connections to an electronic commerce network, and usually, a few days of trading courses, which frequently involve trading strategies. Some firms provide traders with computer software so that the trader can trade from home.

The average day trader, according to a study by NFO Worldwide, makes about 260 trades a year, some 11 times more than 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.

Most day traders lose money

Most day traders are taken to the cleaners.

The day-trading firms charge fees for permitting the day trader to make a trade, usually in the range of \$15-25 per trade. The person who becomes a day trader usually puts up \$30-75,000 to start with, to become a day trader with a firm. The trading and other fees that the trading firm assesses, begin eating into the trader's capital.

The firm that the NASAA study selected for study was All-Tech Investment Group, of Montvale, New Jersey. All-Tech is one of the biggest day-trading firms, with 23 offices in 15 states. The study assessed the effect of trading and other fee charges at All-Tech. It reported, "This initial analysis covered all trading in the 30 accounts (4,339 trades), over trading periods of between 1-10 months. . . . The average account was open four months, [and] had a . . . cost/equity

ratio of 56%. . . . The annualized cost/equity ratio measures the amount of profit required on average equity [i.e., the capital the trader has], *just to pay transaction costs and break even*. Few traders can absorb transaction costs of 56% per annum and be profitable on a consistent basis” (emphasis added). Whether a trader calculates the cost/equity ratio, he certainly feels it.

The study started by scrutinizing a sampling of the records of 30 accounts traded at All-Tech, but after sorting out individuals who held more than one account, it focussed on 26 accounts. Of the 26 accounts, it found that 18, or 70%, lost money. Of the eight accounts that were profitable, it found that five accounts were traded in such a manner (largely depending on one trade to make a lot of profit) that they ran the risk of ruin. Thus, only three of the 26 accounts analyzed met the investment criteria to be profitable over the medium term. This represented just 11.5% of the total accounts.

However, of the 70% of the All-Tech accounts analyzed that lost money, the crucial point is that all of them ran the “risk of ruin,” that is, of losing every penny in every one of the accounts. The study concluded, “In fact, this study shows that 70% of the public traders analyzed will not only lose money, but almost certainly lose everything they invest.”

NASAA reported that in the case of one firm, Block Trading of Massachusetts, according to testimony by a former branch manager of the company, 67 of the 68 accounts in a branch office lost money.

A national survey of the profits/losses of all the accounts of all day-trading firms, does not exist, almost exclusively because the day-trading firms will not allow such a survey. But, it is probably a conservative estimate to say that 50-70% of all day-trading accounts fail; they usually fail within two months.

The abuses

How does someone get attracted to day trading? Consider one come-on placed on the website of All-Tech: “Electronic Day Trading appeals to executives, *victims of downsizing or layoffs, retirees, graduating college students* and anyone who recognizes the unlimited earnings potential and quality of life which an Electronic Day Trader may achieve. Trading allows people to work a 6½ trading day, to take vacations on demand, and to leave for the day on a whim.”

Thus, the day trading firms try to bring in retirees, victims of layoffs, and college students, who usually have no knowledge of the risks involved. Even traders who have years of experience can build up big losses in a volatile market. Novices, who may be given a two-day training course, have little chance of surviving — and that’s before the various fees which consume 56% of their capital. Yet, the come-on makes it sound like day trading is a successful life, where you have little authority over you, where you can call the shots on when you work, and so on.

State regulatory authorities have documented instances in which day-trading firms, recognizing that individuals are

below the income and net worth levels that would make them suitable candidates for day trading, have simply doctored the application forms. For example, Massachusetts authorities brought a case against a company based in that state, Landmark Securities. A manager of a branch of the firm allegedly misreported information on an account application. The manager reported the income of an individual signing up to be a day trader to be \$25,000, when it was actually \$15,000. The net worth was reported as \$50,000, when it was only \$10-15,000. The manager checked the box that the individual had investment experience, when the individual had none. Before signing up an individual, according to National Association of Securities Dealers rules, an investment firm must determine beforehand if an individual is a suitable candidate for the investment being offered, because it may be too risky. With a non-suitable individual, this firm simply misrepresented the individual’s financial status, and signed him up anyway.

The NASAA, in another study entitled “Day Trading Project Group Report: Findings and Recommendations,” also released on Aug. 9, reported that many day traders take out margin loans in order to increase their trading earning returns. However, it is a commonplace occurrence, the NASAA report says, for a day trader to incur a loss that exceeds the pledged equity in his margin account. The day trader receives a margin call, to put more funds into his account, restoring it to an acceptable level. Were the day trader not to meet the margin call, by Securities and Exchange Commission regulations, the account is closed. At this point, the day trading firm would lose an account — an account on which it could charge fees.

So, the NASAA report documents, day-trading firms arrange for day traders who cannot meet their margin call to borrow from “third parties.” However, as the NASAA report identifies, some of the “third parties” from whom loans are arranged may not legally be permitted to make such loans. In the case of Landmark Securities, it arranged overnight loans that typically charged a daily interest rate of 0.1%, or 36.5% annualized. The NASAA report calls this a usurious loan, and states, “Massachusetts law prohibits the making of loans with interest rates in excess of 20%.” By arranging loans with such high interest rates, the day trader is thrown deeper into debt. The day trader is hit coming and going.

The NASAA Analysis of Public Day Trading study notes that while most experienced traders stay with rising positions for a few days, and cut their losses as quickly as possible, the day traders at All-Tech did the opposite, holding losing positions too long, and selling too quickly out of rising positions. Led by their desire to make money quickly, and end up on Easy Street, instead, they end up on Skid Row.

The supposedly ‘smart investor’

While NASAA quite accurately dissects the dark and sleazy day-trading practices, it also obfuscates a fundamental reality. As well, it makes an unexpected admission.

In “Day Trading Project: Findings and Recommenda-

tions,” the NASAA states, “The very existence of an industry devoted to offering day trading of stocks is paradoxical. For those who wish to speculate, futures and options provide much greater leverage than stocks. . . . Futures and options [i.e., derivatives] also provide the ability to speculate on the direction of the market, rather than on the price of individual stocks. *In short, futures and options may be more effective speculative trading vehicles than stocks*” (emphasis added).

This is a rare, and damning piece of candor. The NASAA report labels day trading as “gambling”; and, it counsels that futures and options are “more effective speculative trading vehicles.” By NASAA’s own admission, options and futures are a more effective form of gambling. *EIR* has long charged that dealing in such instruments is gambling.

But, NASAA puts great stress on what it sees as a fundamental distinction between day trading and “mainstream” stock investing. It dons high moral tone against day trading. The NASAA report cites a 1985 article in *Forbes* magazine, which states:

“If you could make good money with short-term approaches, there would lots of visible folks who had done so.

“Take a look at John Train’s book, *The Money Masters*. One thing you will see in common among the big successes — is that they bought stocks to hold for several years or longer.”

The claim that holding stocks longer is a more stable strategy, is certainly accurate. But, look at the man cited as an

authority. John Train is part of the filthiest, most illegal part of the intelligence apparatus on Wall Street. He coordinated dirty activities against Lyndon LaRouche, as a leader of the Federal, state, and private multi-agency “Get LaRouche” task force. He is hardly an exemplar of moral rectitude.

While some of the specific day-trader practices may not go on, in that form, at bigger Wall Street firms, many practices of large firms are cumulatively far worse. The proprietary trading desks of firms ranging from J.P. Morgan to Citigroup Salomon Smith Barney to Goldman Sachs, carry on day trades with powerful computers that dwarf whatever the average day trader does. Using derivatives, they can often guarantee the outcome of a successful trade. If they fail, as did Long Term Capital Management in September 1998, the Federal Reserve Board will intervene to ensure that they are saved.

Most important of all, day-trading activity is simply the outgrowth of the ongoing stock market bubble, which is run and manipulated by “mainstream” Wall Street. No day-trading company could exist for one second, if the Wall Street bubble were not functioning.

Day trading is simply a lower-level vehicle for financially reducing to poverty an investor caught up in the compulsive drive to make something for nothing. It reflects the gambling psychosis that has gripped America. Its abuses should be strongly addressed, but the cause for those abuses lies at a higher level.

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New World Trade Organization chief Michael Moore: a danger to mankind

by Michael O. Billington

At the end of July, the World Trade Organization (WTO) announced that it had finally reached a compromise solution for the appointment of a new director general, after five months of acrimonious wrangling. The outgoing director, Renato Ruggiero, ended his term of office on April 30. The normal procedures called for the selection of a replacement by consensus of the 134 WTO member-nations by March 31. By the end of 1998, the choices had been narrowed down to New Zealand's Michael Moore, a former Trade Minister and (briefly) Prime Minister from New Zealand's Labour Party, and Dr. Supachai Panitchpakdi, the current Deputy Prime Minister and Minister of Commerce of Thailand. The March 31 deadline passed without having reached a consensus, however, and a series of new deadlines were set and similarly abandoned, as the contest turned into a fight pitting the majority of Asian and other developing sector nations, supporting Supachai, against the United States and most European Union (EU) nations, who backed Moore. Accusations of bribery, threats, and intimidation by both sides filled the world press for months, posing the fight as a power play by the United States against the Third World, and against Asia in particular.

Finally, a deal proposed by Australia's then-Deputy Prime Minister and Trade Minister Tim Fischer was accepted by both sides, calling for Moore and Supachai to each serve one three-year term, with Moore taking the first shift. While this may appear to be a fair solution, it is easily shown that Moore is a leading spokesman for the most dangerous and psychotic forces in the world today. Moore will be leading the WTO through the emerging global financial collapse as part of a policy faction intent on imposing de-industrialization and killer austerity measures worldwide, using the powers of the International Monetary Fund (IMF), the WTO, and related institutions that serve the bankrupt international financial cartels.

The WTO, which replaced the General Agreement on Tariffs and Trade (GATT) in 1995, was originally envisioned, by some of those who created the IMF in the 1940s, as a "world government" body with powers to impose trade and related policies over and above the sovereign rights of member nations. Opposition to such a breach of sovereignty pre-

vented the establishment of the WTO at that time, and the GATT was adopted in its stead. But in the wake of the Thatcherite speculative binge of the late 1980s and 1990s, known as "globalization," the nationalist resistance to the WTO was broken down. Over its early years, the institution took measures to increase its power to reduce or eliminate tariffs and other protectionist policies under the threat of sanctions, while attempting to link environmental and labor policies to trade issues, as a cover for undermining independent industrial development by member-nations.

With the emergence of the current financial crisis in 1997, there has been mounting opposition worldwide to the assault on national currencies by the hedge funds and other global speculators, and to the genocidal conditions imposed by the IMF in exchange for minimal debt relief. In response to this opposition, the British-American-Commonwealth (BAC) banking cartels have been increasingly concerned with keeping the international institutions like the IMF and the WTO firmly under their control. The British-inspired NATO war against Serbia, which ignored the United Nations and existing international law in order to impose their will by force on a sovereign member-nation, demonstrated the attempt to marginalize the UN, or force it to condone such criminal activity by the BAC cabal. In a similar if less overtly violent manner, when Dr. Supachai Panitchpakdi appeared to be on course to take over as head of the WTO, the BAC operatives took frantic measures, determined to put in one of their own by any means necessary.

A 'process of disinformation'

Dr. Supachai himself told the press in May that he had been subjected to a "process of disinformation produced at the time when I was in the lead, and I thought . . . I was able to bring consensus around my candidacy." He reported that anonymous faxes had been distributed worldwide alleging that he had offered leading WTO positions to various countries in exchange for their votes. He referred to the fact that President Clinton had pledged that, although the United States was supporting Moore, it would not block a consensus in support of Dr. Supachai's candidacy. However, Dr. Supachai

concluded, "the only interpretation that we have is that the U.S. blocked my candidacy."

The *Australian Financial Review* reported in May that U.S. Deputy Assistant Secretary of State for East Asia and Pacific Ralph L. Boyce had been "alluding to possible trade favors [for Thailand] if Supachai did the decent thing," meaning, to step down in favor of Moore. Other sources reported that the United States had flown groups of African representatives to Geneva in order to win their votes. In the middle of June, Dr. Supachai declared that the campaign had become "a matter of principle. . . . I am fighting not to gain this position only, but to maintain the position of the WTO, which is becoming more important than my position. . . . In the beginning it seemed to be only the position that mattered, but now it seems to be a fight on the grounds of principle and a definite lack of transparency and consistency in the whole process."

Michael Moore and Al Gore

What are the policies of these respective candidates? Although the press coverage has seldom diverged from the official line that both candidates were eminently qualified and differed in policy only in degree rather than substance, the facts are otherwise.

Michael Moore was one of the principal actors in the transformation of New Zealand, once a nation with one of the highest standards of living in the world, into the dysfunctional wreck that it is today. He could well be characterized as an earlier version of today's Al Gore, openly professing radical environmentalism, rabid anti-industrial dogma, the elimination of the sovereign rights of nations in favor of one-world government, and the coercion of labor into "corporatist" structures to self-administer the de-industrialization of the nation.

As New Zealand's Minister of External Relations and Trade between 1984 and 1990, Moore played a leading role in the Uruguay Round of GATT negotiations, spearheading the drive to eliminate any food self-sufficiency policies of sovereign nations, in the name of free trade. Oblivious to mounting hunger worldwide, Moore declared that the only agricultural problem was overproduction, and that "the world is awash with an oversupply of red meat." He considered his role in forcing through new rules against food self-sufficiency in GATT to be his "greatest moment in politics," and bragged that "the intellectual battle on agriculture is won. Nobody now talks of food security."

Moore authored a book in 1984 titled *The Added Value Economy*, which espouses similar New Age lunacies as Al Gore's infamous Unabomber-like diatribe, *Earth in the Balance: Ecology and the Human Spirit*. "We are in the post-industrial economy," Moore wrote. "During the industrial age, chief inputs were steel, energy, paper and sweat. In the post-industrial age—the information age—the chief inputs are ideas, knowledge, information, and intellectual property." He raved against the "primitive, pathetic attitude that the pro-

ductive sector must be supported." This is the man now leading the would-be international police-force on trade, which bodes ill for any developing nation which aspires to creating a modern industrial economy.

Moore also proudly trumpeted his hatred of the sovereign nation-state. "Governments are becoming less meaningful as a global economy develops," he asserted. Moore, who earlier served as an executive for the youth wing of the Socialist International, is also a member of the Parliamentarians for Global Action, an institution committed to transforming the United Nations into a world government.

It must be noted that in the 1990s, Moore's Labour Party went still further in the destruction of New Zealand. Beginning in 1994, his party portrayed itself as New Labour, which later served as a model for British Prime Minister Tony Blair's policies in England. The New Zealand economy was turned over to a team representing London's Mont Pelerin Society, subjecting the nation to vast deregulation, privatization, a currency float, and deadly cuts in health, education, law enforcement, and other social services. The result is an estimated 32% unemployment and partial unemployment, where it was once near zero, a several-weeks-long power failure in the nation's capital city of Auckland in February-March 1998 due to the incompetent privatized power industry, a notorious and deadly collapse in essential health care capacity, skyrocket-

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eting debt, and similar horror stories characterizing a failed nation. (See Allen Douglas, "Al Gore's New Zealand Model: 'Reinventing' Corruption, Genocide," *EIR*, Jan. 15, 1999; and for the full story, *EIR*, June 13, 1997, pp. 18-33.)

Dr. Supachai

Thailand's Dr. Supachai, in comparison with Moore, represents basic sanity and a deep concern for the unfolding human disaster resulting from the failure of the existing IMF-centered international financial system. Although as Deputy Prime Minister he has supported his government's agreements with the IMF, he has not been silent about the utter failure and destructiveness wrought by the IMF dictates upon Thailand and other nations. Long identified as the leading spokesman for a production-oriented faction within the Thai government (as opposed to a more IMF-friendly faction centered in the Ministry of Finance), Dr. Supachai took aim at the IMF in a speech at the Langkawi International Dialogue in late July, sponsored by the Malaysian government and keynoted by Prime Minister Datuk Seri Dr. Mahathir bin Mohamad.

Dr. Supachai described the IMF-imposed conditions as the "direct opposite of what was needed," and added that the IMF's subsequent admission that it had made mistakes was "cold consolation." He described how the IMF's supposed "aid" had not only crippled economic activity, but contributed to social chaos and loss of life, especially in Indonesia. He ridiculed the orchestrated slanders of Asian governments: "In the West, when banks are rescued, it is a necessity, but in Asia, it is seen as corruption and cronyism," he said.

Most worrying to the BAC cabal is Dr. Supachai's public endorsement of neighboring Malaysia's historic decision on Sept. 1, 1998 to imposed selective capital controls and a fixed rate for its currency, the ringgit, a policy which has successfully demonstrated the efficacy of sovereign measures of defense against the crimes of the mega-speculators and the IMF. Beyond that, Dr. Supachai has added his voice to the call for new monetary institutions, representing the interests of all nations. "It is unthinkable to have financiers in New York control the destiny of our economies," he told the African and Asian leaders gathered at the Langkawi meeting. He has announced that he will renew a proposal for the establishment of a new Asian funding facility at the UNCTAD meeting scheduled for Bangkok in February 2000, saying that it is now clear that the IMF could not come up with the necessary solutions to the current crisis.

Dr. Supachai has also been outspoken in opposition to the effort, championed by Moore, to use the powers of enforcement vested in the WTO in regard to trade policy to infringe on national sovereignty regarding labor and environmental issues. A top official of Dr. Supachai's Ministry of Commerce announced in June that Thailand will reject proposals from several Western nations to raise labor issues at the upcoming WTO meeting in Seattle. Member-nations defeated a similar

effort in 1997, insisting that labor issues belong in the International Labor Organization (ILO), but the recent G-8 meeting of leading industrialized countries in Hungary revived the issue. The utter failure of the G-8 nations to even consider the necessary "new architecture" of the world financial system more than demonstrates the hypocrisy of those who profess concern over the conditions of labor in the developing nations.

The role of the WTO

The two most crucial issues confronting the WTO at this time, in the view of the BAC interests who control it, are those of preventing a nationalist backlash against the free trade looting of depression-wracked economies, and the question of China's admission into the WTO. On the first issue, it must be viewed as a warning that the same person who brokered the "compromise" which gave Moore the leadership of the WTO for the crucial years immediately ahead, Australia's recently resigned Deputy Prime Minister Fischer has also released a 45-page study calling for massive new cuts of 50% and more in agricultural, industrial, and service sector tariffs. His prediction of an increase in the world economy by more than \$400 billion per year by such measures is a transparent effort to boost the global speculative bubble at the expense of real production and international investment in such real production in the developing sector.

On the issue of China, the WTO has for years served as the main tool for the BAC effort to force China to relinquish its controls and protective policies, by insisting that China enter the WTO under the rules governing developed nations rather than the less stringent rules for developing nations. China has repeatedly shown that it would rather stay out of the WTO than subject itself to the measures which compromised its sovereignty. China's insistence on the right to sustain high rates of industrial and infrastructure development with a stable currency is crucial not only to China itself, but also to the hopes for recovery in the other nations of Asia.

The China issue also exemplifies the factional division within the Clinton administration. It appeared almost certain that President Clinton's commitment to building strong U.S. ties with China would lead to an agreement on China's WTO entry during Premier Zhu Rongji's visit to the United States in April. However, the anti-China policies of the Gore/Albright nexus within the administration managed to scuttle the deal, perhaps believing that China would back down and accept further concessions under the pressure of the high-publicity visit.

Dr. Supachai's close relationship with the Chinese leadership is certainly another reason for the heavy-handed measures taken to undermine his candidacy as WTO chief. With the BAC's Moore in charge, China, and all nations concerned with the general welfare of their citizens, must be all the more dedicated to replacing the entire IMF-WTO apparatus with the necessary new world monetary system proposed repeatedly by *EIR* founder Lyndon LaRouche.

Milk deregulation turns industry sour

“Competition” reforms are forcing out farmers and other small producers, eliminating more jobs.

Australia's dairy industry is bracing itself for the biggest shock in its history, when the state of Victoria, which accounts for 60% of national milk production and has the largest dairy industry in the country, deregulates its milk supply network next July. As of then, the entire eastern seaboard milk-supply system will be deregulated, and up to one-quarter of all dairy farmers will be forced out of business, because of a drop in average farm income of \$33,000 per year.

Of the three major dairy processors in Australia (the co-operative Dairy Farmers, National Foods, and the Italian Parmalat-owned Pauls Ltd.), only two are expected to survive, and about 1,000 workers in the Queensland dairy industry are expected to lose their jobs. Ironically, this savage triage is being caused by deregulation policies which are being imposed in the name of “competition,” under the direction of the National Competition Council (NCC).

Not only is the NCC killing off competitors, but its policies are causing sharp increases in prices for consumers. When Queensland deregulated its milk supply last April, prices leapt 6¢ per liter, from \$1.17 to \$1.23. This caused a public outcry, particularly because deregulation was sold to the public as a way to lower prices, the same way in which deregulation, privatization, and free trade have also been sold to a public which apparently believes that milk comes from the supermarket. In this case, it is the big three supermarkets (Coles, Franklins, and Woolworths/Safeway) which are skimming the cream off the top of the

milk, by pocketing the price increase.

To cope with their losses from deregulation, dairy farmers are lobbying the federal government for a \$1.2 billion compensation package, paid for by a suggested 10¢ excise tax on every liter of milk. But, in general, the inevitable price rises flowing from deregulation won't benefit farmers, as New South Wales (N.S.W.) Dairy Farmers President Reg Smith told the July 2 *Courier-Mail*: “Milk could rise to \$1.30 or \$1.40 per liter regardless of what the poor old farmer gets for it.”

The entire reform agenda relating to the dairy industry is being driven by “globalization,” the demand to drive down production costs in order to become “internationally competitive.” Even New Zealand, which, despite leading the world in the implementation of economic rationalist policies under the direction of the British Crown's Mont Pelerin Society, has heretofore spared its large dairy industry from the real cutting reforms, is now planning radical changes.

New Zealand's Food, Fibre and Bio-Security Minister John Luxton has pushed through a dairy industry deregulation program that will create a huge dairy co-operative that will be the country's single largest company, but which will, according to the *Australian Financial Review's* Rob Hosking, “sound the death knell of a way of life that has been ailing for more than a decade—the family farm.” Australian deregulation, particularly in Victoria under Mont Pelerin pin-up boy Premier Jeff Kennett, is being done in conjunction with New Zealand, with whose Mont Pelerin-

controlled government Kennett maintains close ties.

The dairy industry is just one area in which the NCC has created havoc, all in the name of “competition.” Transportation, power generation, and even newspaper shops have all been overhauled, inevitably resulting in massive job losses, and industry dominance by a small group of large, often multinational players. For a brief period in 1998, the political backlash against “competition” policies helped fuel the rise of the economic nationalist, anti-globalization Pauline Hanson's One Nation party, which caused governments to ease back on the pace of reform. The (perhaps) temporary hiatus of One Nation, since a relatively poor showing in the Oct. 3, 1998 elections, has spurred the NCC on again.

It has also inspired the NCC to greater heights of lunacy. Its latest target is water, and water infrastructure. The NCC has ordered financial penalties against the Queensland government for its “anti-competitive” plans to build dams in cotton-growing areas of the state, which the NCC attacked as “economically and ecologically unsustainable.” It has even hit the Boonah Shire in Queensland with a 1,000% increase in water charges, as user-pays charges on a dam that was built in 1959.

The rabidly anti-industry Australian Conservation Foundation, the green movement's umbrella organization which Prince Philip personally founded in 1963, applauded the NCC's anti-dams policy as a “vindication” of its position. And, this marriage of ecology and economy gets worse: N.S.W. officials have begun using satellite and aerial photography to spy on farmers to ensure that they do not, by using dams, trap more than their allotted 10% of the rainfall on their properties.

Congress revisits the ABM treaty

by Lyndon H. LaRouche, Jr.

August 2, 1999

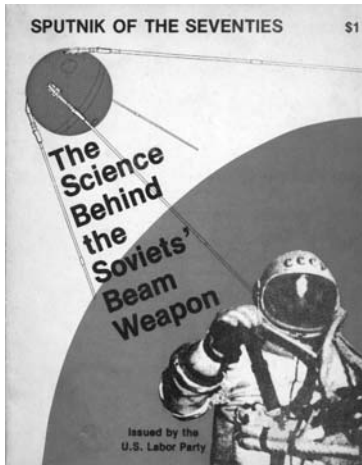
There has been a recent effort by some members of the U.S. Congress, to overturn Henry A. Kissinger's celebrated 1972 ABM (Anti-Ballistic-Missile) treaty.¹ That was the Pugwash Conference-inspired treaty, between the U.S.A. and U.S.S.R., which had been intended to outlaw strategic ballistic missile defense.² Unfortunately, this present effort to overturn that treaty, is, as I shall show, as ill-conceived as the treaty itself.

That recent effort should remind us of a thoroughly muddled approach to strategic defense, which had been proposed by the Heritage Foundation's Lt.-Gen. (ret.) Daniel Graham, during the early 1980s. Graham, campaigning vigorously and widely as an enraged opponent of both *EIR*'s Lyndon LaRouche and Lawrence Livermore Laboratory's Dr. Edward Teller, had based his own views on ballistic-missile defense, on the model presented in the science-fiction-inspired publication

1. On June 7, Rep. David McIntosh (R-Ind.) and ten co-sponsors introduced a bill to prohibit the expenditure of funds to comply with the ABM Treaty. The premise of the bill is that since one of the signatories to the treaty, the Soviet Union, no longer exists, the treaty itself is no longer legally binding. On Aug. 5, Rep. David Vitter (R-La.) sponsored an amendment to the Commerce, Justice, State Department and the Judiciary appropriations bill, which prohibits the expenditure of funds to implement a Sept. 26, 1997 agreement among the United States, Russia, Belarus, Ukraine, and Kazakstan, which, Vitter said, changes the signatories to the ABM Treaty and expands its scope to disallow more missile defense systems. Vitter argued that since this agreement has not been ratified by the Senate, it has no standing in law and the Clinton Administration should be prevented from implementing it. The Senate also held hearings in April and May to examine the legal status of the ABM Treaty and its impact on arms limitation and missile defense efforts.

2. Either unilaterally, or bilaterally. The treaty is officially designated "The Treaty Between the United States of America and the Union of Soviet Socialist Republics on the Limitation of Anti-Ballistic Missile Systems." See Leo Szilard, "How to Live with the Bomb and Survive: The Possibility of a Pax Russo-Americana in the Long-Range Rocket Stage of the So-Called Atomic Stalemate," Report of the Second, Quebec, Pugwash Conference of March 2, 1958.

LaRouche addresses a conference in Washington, D.C. on his conception of strategic anti-ballistic missile defense, April 13, 1983. Shown here are pamphlets issued by the LaRouche movement. "Sputnik of the Seventies," 1977, was the first major salvo in LaRouche's campaign for beam-weapon defense.



The National Democratic Policy Committee's 1982 pamphlet was used by NDPC candidates for office running in the Democratic Party primaries between 1982 and 1984, in which they consistently gained 20-40% of the vote, organizing for strategic defense.

High Frontier.³ In its present form, the Congressmen's attempted revival of the spoon-bending spirit of *High Frontier*, will glean only bitterly over-ripe fruit.

Nonetheless, the present efforts to overturn the 1972 ABM treaty, pose interesting, and even extremely important questions to our memories. Where were the Congress's present sponsors of ABM on the evening of March 23, 1983, when President Ronald Reagan announced his Strategic Defense Initiative (SDI)? What did they think, then, of the attacks on SDI, during that evening and the days immediately following? What position did the Republican National Committee take on SDI for the period leading into the Federal 1984 general elections?⁴ Why was virtually the entirety of the world's press, excepting *EIR*, taken by surprise by President

3. Lyndon H. LaRouche, Jr., "The Psycho-Sexual Impotence of Gen. Daniel Graham," *EIR*, Oct. 13, 1983.

4. While the 1984 Republican Party platform did not explicitly reject President Reagan's SDI, it downplayed the importance of the President's bold initiative, based on this author's earlier proposals and back-channel efforts. And, under the influence of people like James Baker III, Reagan himself downplayed the issue until late in his re-election campaign. Republican Party opponents of the SDI, notably the friends of Henry Kissinger, repeatedly warned President Reagan that, if he made ballistic-missile defense a campaign theme of prominence, he would risk losing the elections to Walter Mondale. Finally, on Oct. 21, 1984, in his second campaign debate with Mondale, Reagan revived the SDI theme, including his offer of joint development and deployment of a ballistic-missile defense shield with the Soviet Union.

Reagan's upholding of SDI at Reykjavik, in October 1986? When properly compared with the excellent original design for what President Ronald Reagan's March 23, 1983 address defined as SDI, these recent attempts from the Miniver Cheevys of the Republican-controlled Congress, for launching an ABM program now, are, as I shall show here, worse than absurd: historically, scientifically, and strategically.

I speak now from the included authority of my personal role in the original design of the proposal which led to the President's promulgation of his March 23, 1983 proposal. Today, the only standpoint from which the lessons of the SDI proposal can be competently understood, is to situate the issues, then and now, with regard to the contrast between my own initiating role in that affair, and the opposing role of the Heritage Foundation. It was the persisting, corrosive efforts of those opponents, which had, by mid-1983, substantially wrecked the original proposal, and, after that, ultimately transformed President Reagan's excellent initiative into a farce.

Then, as now, the technological crux of this issue was, and is, that, contrary to the simplistic views of Graham et al., the use of interceptor rockets, or other so-called "kinetic energy" systems, does not represent an effective means of defense against a strategic thermonuclear-ballistic-missile attack. Today, sixteen years later, the self-bankrupted economy of the U.S.A. no longer has the scientific or economic capability, which it either had, or could have developed then, of launching the kind of strategic defense option, based upon

“new physical principles,” which could have been developed under the 1982-1983 version of my original proposal.

As I detailed the evidence then, so, still today, to propose an ABM defense based on “kinetic energy” interception, as General Graham’s Heritage Foundation did, is either an act of consummate military-policy stupidity, a willful political fraud, or both.

The SDI, then and now

SDI, as proposed in March 23, 1983, was a policy designed for its time. As appropriate as the initiative was then, that time has passed, and there have been crucial intervening events. The dissolution of both the Warsaw Pact and the Soviet Union, illustrates the distinction to be made. Since the developments of the period from the October 1987 Wall Street crash, to the collapse of the Berlin Wall in 1989, and, even more so, the later onset of the global financial meltdown presently in progress, the world as a whole has entered a new phase. Meanwhile, the world of 1982-1984, has, unfortunately, bequeathed us its follies, but the lost opportunities of the early Reagan years have also, unfortunately, passed us by.

The past is the past; but, as it is with the greatest tragedies put on the Classical stage, as in the concluding scene of Shakespeare’s *Hamlet*, the lessons which we should have learned from the preceding experience, are still urgent lessons, to be applied to the new, rapidly changing state of affairs today.⁵ The past is still the past, but the issue of SDI, back during the early 1980s, is also one of the keys for understanding the awesome strategic implications of a global financial meltdown now in progress. All these things considered, it falls, perhaps uniquely, to me, to show those strategic, policy-shaping connections.

With those historical distinctions, and the currently ongoing global financial meltdown taken into account, it is now past time that the relevant present members of the U.S. Congress, and others, come to, at minimum, a competent understanding of those still continuing historical and strategic issues left over from the original SDI proposal. Those members of the Congress will be incapable of such comprehension, until they have first examined the crucial points of difference between what President Reagan actually said, on March 23, 1983, and what was done in the abused name of SDI, under the post-March 23rd influence of those opponents of SDI who were rallied around both the Heritage Foundation and then-Federal Reserve Chairman Paul Volcker.

It must therefore be emphasized, that although President Reagan’s original, March 23, 1983, public announcement of SDI *included* exactly the policy for which I had campaigned since a celebrated, two-day public conference, which I convened in Washington to that purpose, in mid-February 1982, the President’s announcement—which allowed for inclusion of possible alternatives to “new physical principles”—also

5. See box.

left a security door unlocked, through which the Heritage Foundation wrecking-crew deployed to bring in the shifts in policy which ultimately wrecked the SDI project as a whole.

That wrecking-campaign did not begin on the evening of March 23, 1983; it had begun, no later than the Summer of 1982, when former DIA chief Lt.-Gen. (ret.) Daniel Graham had surfaced his campaign, first against me, and, soon after that, also against Dr. Edward Teller. In both instances, Graham was deployed in the effort to prevent adoption of that policy which was to become, if only briefly, the SDI.

What misguided members of the Congress have lately proposed to revive, is little different from the same scientific and strategic incompetence exhibited in the Heritage Foundation’s efforts to wreck President Reagan’s original SDI policy. The latter’s pre-March 1983 efforts had been chiefly in the form of the lying campaigns of personal defamation, by General Graham and others, against me and Edward Teller, both during the second half of 1982. The later phase of the Heritage Foundation’s campaign was escalated after March 1983, with the hatred more tightly focussed against me.

Today, as then, respecting current Congressional efforts to revive ABM, and many other recent and earlier follies of our Congress, we must also see our poor Congress as a victim of maliciously orchestrated public opinion!

One of the great difficulties which prevent the U.S. from adopting competent policies these days, is the tragic influence of Walter Lippmann’s cult of that witch-goddess called public opinion, especially its influence on the public behavior of incumbent and aspiring occupants of high Federal offices. Most among today’s such elected officials, when confronted with the choice, would rather defend their political careers, than adopt a just decision. In that case, they tend to limit their adopted public positions, sometimes even contrary to their own private knowledge, to appeals to the sloganized prejudices of ignorant public opinion. So, they will rarely risk their careers, for the sake of truthful relevant knowledge respecting the matter at issue. The current popularity of the immoral cult of “political triangulation,” illustrates my point absolutely.

Worse! Public opinion in the U.S.A. and western Europe today, is far more ignorant of reality, less able to respond to events rationally, than thirty years ago, even sixteen years ago. Indeed, as today’s widespread obsession with compulsive gambling on financial markets, typifies this problem, the majority of popular opinion today is much less oriented to the principle of physical reality taken as a whole, to what used to be called “common sense,” than during most of the sweep of previous U.S. history to date. If the citizens today can justly blame government for much of what they suffer, they should also blame themselves even more. Directly, or indirectly, most of the injustice and other pain suffered by the public, is the result of their own insistence on keeping expressed opinions bite-sized—or, even byte-sized—and simple, such that they ignore, often wishfully, the actual consequences which

From *Hamlet*: 'Let me speak to th' yet unknowing world'

Enter Fortinbras, with the Ambassadors with Drum, Colours, and Attendants.

Fortinbras: Where is this sight?

Horatio: What is it you would see?
If aught of woe or wonder, cease your search.

Fortinbras: This quarry cries on havoc. O proud Death,
What feast is toward in thine eternal cell
That thou so many princes at a shot
So bloodily hast struck?

Ambassador: The sight is dismal;
And our affairs from England come too late.
The ears are senseless that should give us hearing
To tell him his commandment is fulfilled,
That Rosencrantz and Guildenstern are dead.
Where should we have our thanks?

Horatio: Not from his mouth,
Had it th' ability of life to thank you.
He never gave commandment for their death.
But since, so jump upon this bloody question,
You from the Polack wars, and you from England,
Are here arrived, give order that these bodies
High on a stage be placèd to the view,
And let me speak to th' yet unknowing world

How these things came about. So shall you hear
Of carnal, bloody, and unnatural acts,
Of accidental judgments, casual slaughters,
Of deaths put on by cunning and forced cause,
And, in this upshot, purposes mistook
Fall'n on th' inventors' heads. All this can I
Truly deliver.

Fortinbras: Let us haste to hear it,
And call the noblest to the audience.
For me, with sorrow I embrace my fortune.
I have some rights of memory in this kingdom,
Which now to claim my vantage doth invite me.

Horatio: Of that I shall have also cause to speak,
And from his mouth whose voice will draw on more.
But let this same be presently performed,
Even while men's minds are wild, lest more mischance
On plots and errors happen.

Fortinbras: Let four captains
Bear Hamlet like a soldier to the stage,
For he was likely, had he been put on,
To have proved most royal; and for his passage
The soldiers' music and the rite of war
Speak loudly for him.
Take up the bodies. Such a sight as this
Becomes the field, but here shows much amiss.
Go, bid the soldiers shoot.

Exeunt marching; after the which a peal of ordnance are shot off.

Finis

— Act V, Scene ii

their own simple-minded, often mass-media orchestrated, popular passions are bringing upon themselves.

Typical of that kind of widespread lack of even simple common sense, is the housewife, for example, who might say, "I don't have to worry about what happens to the farmers; I get my milk from the supermarket." Until now, outside small circles of actually thinking people, prevailing popular opinion, as defined by the perverse Walter Lippmann, has rarely paused to consider even the simplest degree of truth about any important matters.

In the typical case, a foolish citizen will seek to justify his political behavior by stressing his or her personal choice of motives for the relevant action. The foolish citizens are so much in love with their own small-minded personal motives, their so-called "personal feelings," that they—especially the "baby boomer" and still younger generations—customarily ignore entirely the consequences of the policies their motives are bringing upon themselves. They give way to their wildly irrational "personal feelings," as compulsive gamblers do.

So, for reason of just such simple-minded cupidity as that,

today's fool bankrupts the farmer who produces the fool's food, just as another greedy fool slaughtered the goose which thereupon ceased to lay the golden eggs.

After conceding that that is the awful situation presented by the political behavior of most of our citizens, this nation must, nonetheless, survive. It will not survive, unless many of its citizens and elected officials are prompted to change their present ways. Happily, much of the public afflicted with that sort of populist style in ignorant opinion, could be induced to think. However, to do this, they need a good, Socratic sort of "kick start," to get their rarely-used, rusty thinking powers back into motion. Politicians who lack both the "guts" and sense of honesty required, to give the public mind that needed jolt, will usually perform no good service for our nation, certainly not under the conditions defined by the global financial meltdown currently in progress.

Therefore, today, it is one of the more typical of the tragic results of recent trends in public opinion, that the issues of SDI, and related matters, are buried under massive heaps of popular and official ignorance of history, of science in gen-

eral, and of economics and strategy in particular.

The SDI itself has become a thing of the past; but, the issues underlying the original design of that policy, are the world's leading strategic realities of today's global financial apocalypse. So, if the members of the Congress, or others, are to understand the SDI then, or the lessons we must learn from that experience for the urgent issues of today, the public official, and the citizenry more generally, must junk their present opinions, in favor of acquiring some actual knowledge of the relevant background. They must do this, even if acquiring that knowledge subjects them to an unaccustomed experience of serious thinking. They must begin to think again, in more than byte-sized chunks. If only to spite the increasing illiteracy cultivated by the usually lying mass media, and in spite of the depravity of current trends in public and higher education, our political figures and ordinary citizens need, urgently, the "kick start," to start them thinking, again.

I shall now preface this report's assessment of the U.S.'s current strategic situation, with a brief summary of the relevant essential, deeper background, on the history of nuclear-weapons policy, which must first be brought to the surface, if one is to understand the present-day outcome of the 1980s SDI experience.

What must be emphasized, in summarizing the significance of SDI as such, with respect to both the past, and the present situation, is, that, except for some broad sympathy for President Reagan's proposal to find a way to end the reign of thermonuclear "revenge weapons," the majority of the U.S. public had no understanding of any of the relevant facts. Most had little desire to correct their terrible ignorance of a matter which was, then and now, of a literally life-and-death importance for all of them. That was the political problem which so greatly burdened the effort to carry out the SDI proposal back then. That ignorance is the political problem which, disguised as a different issue, threatens to send the U.S.A. plunging into a tragic end today.

1. Nuclear-weapons policy: a summary

As I have already conceded just above, the popular ignorance on these subjects, then and now, is explainable; but explainable is not excusable. The issues which came to the surface in the 1980s Heritage Foundation and other efforts to defeat the SDI, were poorly understood even among better informed layers of the general public, but they were not new issues. There was nothing involved which a truly well-informed and intelligent citizenry could not have understood, at the price of a modest personal effort to think. Similarly, ignorance is no excuse for that strategic folly of that conceited, and false popular opinion, which has misled the world into the presently ongoing, globalized financial meltdown.

The issue of strategic defense, then and now, was never nuclear weapons as such; it was, and remains, *nuclear-weapons policy*. It is not nuclear weapons as such, which were the principal problem to be addressed by SDI. I repeat: the principal danger to be overcome, came from the adopted nuclear-weapons policy, not the mere existence of nuclear weapons as such.

Until the member of Congress, or the citizen generally, has grasped the fundamental difference between "nuclear weapons" as such, and the "nuclear weapons policy" adopted by the U.S.A. shortly after the death of President Franklin Roosevelt, neither Congressman nor ordinary citizen has any competent opinion on the current or recent strategic policy-issues. Therefore, in this introductory summary portion of this report, I emphasize the crucial, rarely understood difference in practical significance, separating the terms "nuclear weapons" and "nuclear-weapons policy."

Now, still, as sixteen years ago, there could be no competently informed understanding of the strategic problems involved, unless we traced the history, not of nuclear weapons, but of nuclear-weapons policy, back to its beginning, in 1913. At that time, decades before any actual nuclear weapon existed, leading Fabian Society official, and utopian science-fiction novelist, H.G. Wells, first published his formal, non-fictional proposal to develop and use nuclear weapons. In other words, it was the chicken, "nuclear-weapons policy," not the egg, the nuclear weapon, which came first.

Then, and ever afterward, Wells based his proposal upon the already-known principle of nuclear fission, proposing as his nuclear-weapons policy, the development and future use of nuclear-fission weapons. He proposed to develop and use such weapons, as means so terrifying, that nations would submit to world government, rather than risk the horror of such war.⁶ In other words, Wells' science-fiction-based, nuclear-weapons policy, was the development, deployment, and use of such weapons, *to bring world government into being*.

Wells' utopian form of nuclear-weapons policy was later adopted in full by Bertrand Russell. Russell was the British author of the operation, targeting Albert Einstein's signing of a letter, which prompted the U.S. war-time crash program for developing fission weapons.⁷ People who are not familiar with those, and closely related historical facts bearing on the continuing history of that nuclear-weapons policy, have no competence in shaping strategic and related military policies of the U.S.A. today.

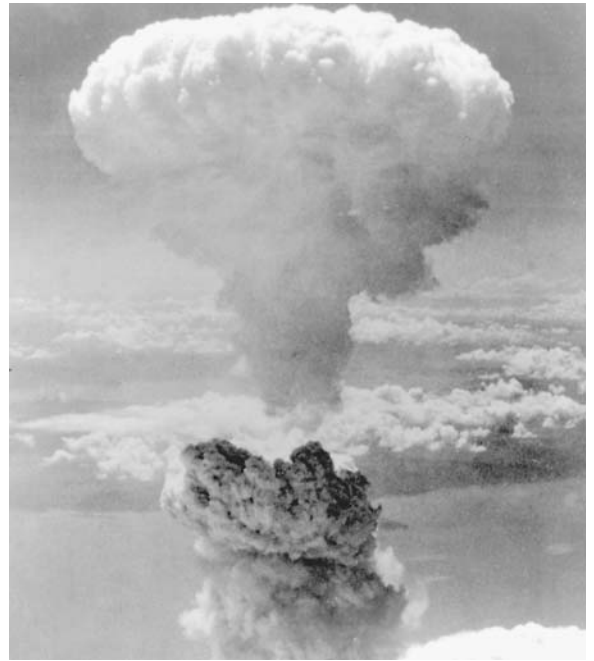
With the untimely death of President Franklin Roosevelt, London's financier oligarchy and London's Wall Street cronies, quickly took over President Truman. The usually dupli-

6. H.G. Wells, *The World Set Free* (London: Macmillan, 1914).

7. Lyndon H. LaRouche, Jr., *How Bertrand Russell Became an Evil Man, Fidelio*, Fall 1994. Passim. For the Spanish edition, see *Como se volvió malvado Bertrand Russell* (Washington, D.C.: Executive Intelligence Review, 1998).



Left to right: Bertrand Russell; H.G. Wells; the atomic bomb exploded over Nagasaki, Japan, Aug. 8, 1945. "The essential objective of the original SDI proposal," writes LaRouche, "was to turn back, and then eradicate the foolish and evil nuclear-weapons policy introduced by Wells and Russell."



itous Henry A. Kissinger, exuding his usual bile, but also what was, for him, unaccustomed accuracy and frankness, later commented on this fact of the post-Roosevelt transformation in U.S. policy, in his May 10, 1982 keynote address at the British Foreign Office's Chatham House.⁸ As Kissinger reported, after the death of Roosevelt, Churchill's policies took over U.S. policy-shaping; and, Roosevelt's adherence to the patriotic tradition of the U.S.A., was rudely pushed aside.

Russell's policy for eliminating the sovereignty of all nation-states, and establishing world government through nuclear-terror weapons, was introduced to U.S. practice as President Truman's folly: the decision to drop two nuclear-fission bombs upon the civilian population of an already defeated Japan. The report, that dropping those bombs "saved a million American lives," was simply an outright lie, which was later enshrined as a myth. General MacArthur, aided by a most effective naval blockade, had already won the war; London's policy was to force the U.S.A. to hasten to drop those bombs before Japan's military reluctantly bent, under the pressures of that blockade, to the Emperor Hirohito's willful agreement, negotiated through Vatican channels, on Japan's terms of surrender.⁹

8. Henry A. Kissinger, "Reflections on a Partnership: British and American Attitudes to Postwar Foreign Policy, Address in Commemoration of the Bicentenary of the Office of Foreign Secretary," May 10, 1982, Royal Institute of International Affairs (Chatham House), London. Excerpts are published in *EIR*, Sept. 22, 1995, p. 33.

9. On the role of OSS's Max Corvo and the Vatican Secretariat of State's Office of Extraordinary Affairs, see Lyndon H. LaRouche, Jr., "We Are at the End of an Epoch," speech to a conference in Germany on Dec. 2, 1995,

Until President Truman's decision to drop the U.S.'s only existing, two nuclear-fission bombs on Hiroshima and Nagasaki, nuclear weapons were simply nuclear weapons. It was Truman's folly of August 1945, which instituted the present nuclear-weapons policy in all its evolutions, from that date to the present.

The core of my own 1979-1986 policy on strategic ballistic missile defense was that reflected in President Reagan's March 23, 1983 address. The immediate purpose, was to free the United States, and the world, from what President Reagan properly identified as the tyranny of "revenge weapons." The essential objective of the original SDI proposal, was to turn back, and then eradicate the foolish and evil nuclear-weapons policy introduced by Wells and Russell. Those of a different opinion, who thought the solution would be to control, or even eliminate nuclear weapons, rather than eradicate a bad nuclear-weapons policy, were utopian fools; these fools ignored the simple fact, that the issue was never actually nuclear weapons as such. The real target to be destroyed, was, rather, a utopian form of reigning nuclear-weapons policy.

The purpose of SDI was never some dark scheme to win war over the Soviet Union, but, after decades of enduring the nightmare of nuclear terror, to begin eradicating the causes of the danger of such war at their political root. Otherwise,

EIR, Jan. 1, 1996. See also, Paul Goldstein, "Patriot Reveals Secrets of World War II," and "In Memoriam: Max Corvo," *EIR*, July 22, 1994. As Niccolò Machiavelli warns, in his commentaries on the ten books of Livy, when an adversary is defeated and cornered, no competent military leader will continue the attack, as foolish President Harry Truman did.

why should the President have proposed that the U.S.A. and Soviet Union share one another's relevant new technologies?

My own intention, as aptly expressed in a public statement by Dr. Edward Teller, in late 1982, was to use these new technologies, not only to develop an effective strategic ballistic-missile defense, but also to facilitate those economic and related purposes corresponding to what Teller named "the common aims of mankind," for the benefit of the world at large.¹⁰

Those of a contrary opinion, who proposed to ban, or regulate nuclear-weapons as such, were of two types: either what are sometimes called "honest fools," who refused to think clearly; or, in the alternative, really perverse persons, of nasty utopian motives, motives of the same general type expressed by Wells' and Russell's scheme.

To the present day, very few in the general public, or the Congress, understand the profound difference between nuclear weapons and the sort of nuclear-weapons policy which has dominated U.S. strategic thinking since August 1945. Therefore, only a few are prepared to judge the importance of the SDI policy back in 1983. Those who do not see through the fraud of the Wells-Russell nuclear-weapons-policy game, must necessarily mistake the game they are induced to play, for the reality from which the passion for "winning the game" distracts them.

So, often, these days, what appear otherwise to be mature, sane adults, are lured into the functionally insane, escapist's fantasy-life, especially when they are under sustained stress, such as the stress induced by fear of nuclear weapons. The victims of such fantasies flee from the reality they can not endure psychologically, into the supposed magic of the rules of some made-up children's game, such as nuclear-weapons policy. In the grip of that fantasy, they become unable to recognize the difference between responding appropriately to reality, and playing games controlled by minds which have been driven by their anxieties, into flights from reality.

So, from Hiroshima onward, the hegemonic Anglo-American strategic doctrine, was the Russell dogma of nuclear-weapons, as nothing other than a scheme to establish world government under joint domination by London and London's Wall Street cronies.¹¹ This was the proposal for a

10. Edward Teller, speech to the National Press Club, Washington, D.C., Oct. 27, 1982. "By cooperation with those who are willing fully to cooperate, we can improve the very horrible way of life in the Third World. We can, by using technology, create a situation where the reasons for war will diminish and keep diminishing. If our allies and we cooperate both in making a stronger defense, and bringing about the origin of real peace, the pursuit of the common aims of mankind, at least in the free part of the world, then in the end, even in the Soviet Union, where tyranny was endemic—and here I include Czarist Russia for centuries—even in that part of the world that in its history has never experienced anything like freedom, even there I think a change of thinking may occur."

11. The term generally used in official circles, to identify the British monarchy's assets inside the Wall Street establishment, is "British-American-Canadian (B.A.C.)." While this phenomenon has roots in still earlier periods of

"preventive nuclear war" option, against the Soviet Union, which Russell set forth publicly in the September 1946 issue of his own mouthpiece, *The Bulletin of the Atomic Scientists*, a policy which Russell continued to insist he "never regretted," even many years later. In circles of leading U.S. military professionals, this British doctrine was referred to as "utopian," in contrast to that pre-1946 U.S. military doctrine of World War II army commanders typified by Douglas MacArthur, known, by contrast, as "traditionalist."

The next step toward what became Kissinger's 1972 ABM treaty, came about two years after the death of Soviet General Secretary Josef Stalin. Nikita Khrushchev, in 1955, when he had consolidated his position in power for the time being, opened a process of reconciliation of the Soviet Union with peace-loving preventive-nuclear-warrior Bertrand Russell, establishing this direct connection through four Khrushchev representatives sent to a 1955 conference of Russell's World Parliamentarians for World Government.¹² This Khrushchev-Russell connection led to the establishment of the series of Pugwash Conferences, most notably the Second Pugwash Conference, of 1958, held in Quebec, where Russell lackey Leo Szilard set forth the "Dr. Strangelove" doctrine to which "Pugwashee" Henry Kissinger, like Wall Street's McGeorge Bundy and John J. McCloy, would thereafter devote his life's work.¹³

It was Szilard's address at Quebec, which defined the policy embodied in Kissinger's 1972 ABM treaty. In short, Szilard hailed the proliferation of delivery of thermonuclear warheads by intercontinental missiles, as the potential guarantor of world government. Szilard's qualification was, that the development of effective anti-ballistic missile strategic defense must be outlawed, by agreement among the principal thermonuclear powers—i.e., the U.S.A., the United Kingdom, and the Soviet Union. It was Szilard's proposal to ban

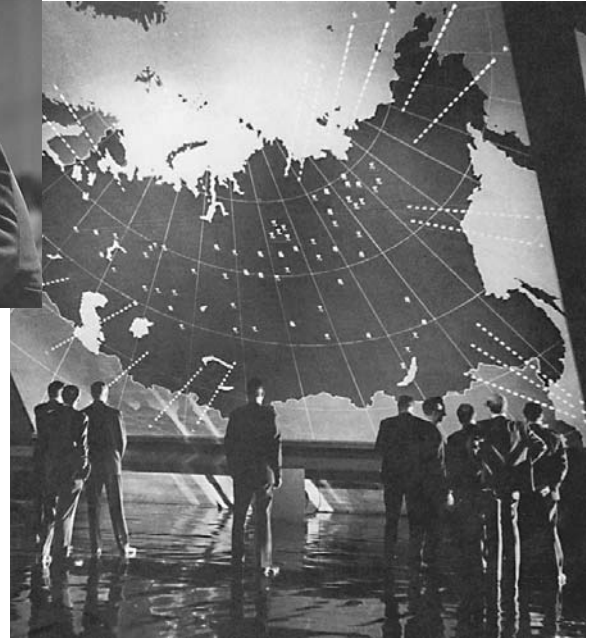
history, the massive penetration of U.S. political-intelligence institutions by the British monarchy, dates, in its present form, from the reign of President Theodore Roosevelt. Under Truman, this crew consolidated a predominant position in the post-World War II U.S. political-intelligence establishment, an influence which had already multiplied during and immediately following the 1938 launching of U.S. preparations to enter World War II on the side of Britain.

12. On April 8, 1983, this author initiated a formal inquiry before the U.S. Senate into Henry Kissinger's breaches of national security. This was transmitted in a letter to Vice-President of the United States and President of the Senate George Bush, and was formally received by four Senate committees with jurisdiction over the matter: the Intelligence Committee, the Armed Services Committee, the Foreign Relations Committee, and the Judiciary Committee. See Lyndon H. LaRouche, Jr., "Investigations into Indicated Withholding of Information Vital to U.S. National Security by Former U.S. National Security Adviser Kissinger," *EIR*, May 3, 1983. On the Pugwash Conferences and the World Association of Parliamentarians for World Government, see L. Talionis, "The Pugwash Papers," *EIR*, June 7, 1983; and "Wells et al. in Their Own Words," *EIR*, Dec. 17, 1997.

13. Szilard, op. cit. See Lyndon H. LaRouche, Jr., "Of What Is Leo Szilard Guilty?" *EIR*, July 1, 1994; *How Bertrand Russell Became an Evil Man*, op. cit.



Leo Szilard, Henry Kissinger, and a scene from the film Dr. Strangelove. Szilard set forth the “Dr. Strangelove” doctrine in 1955, to which Kissinger would thereafter devote his life’s work. “It was Szilard’s proposal to ban effective strategic ballistic missile defense,” writes LaRouche, “which has, preponderantly, shaped the strategic doctrine of the U.S.A. and NATO, especially from the assassination of President Kennedy, up to the present time.”



effective strategic ballistic missile defense, which has, preponderantly, shaped the strategic doctrine of the U.S.A. and NATO, especially from the assassination of President Kennedy, up to the present time.

It was Szilard’s coupling of his support for flotillas of intercontinental, thermonuclear ballistic missiles, with his proposed ban on the development of effective forms of defense against strategic ballistic-missile barrages, which demonstrates, most strikingly, the fundamental difference between nuclear weapons as such, and what has been the consistently underlying, characteristically “orbital” dynamic in the evolution of the utopian nuclear-weapons policy, and related strategic policy of the U.S.A., since August 1945, up to the present time.

After the assassination of President Kennedy, the preponderance of victory for the utopian policy, fell into the hands of Russell, the Warren Commission’s John J. McCloy, Kissinger, and other “world government” and “globaloney” fanatics. This victory was accomplished during the developments from the Cuba Missiles Crisis of 1962 through the Kennedy assassination, just over a year later. With that assassination, the utopians had won out over the patriotic military and other “traditionalists.” The Bundy-McNamara meat-grinder of folly, known as “the Vietnam War,” then served to gut the residual moral, intellectual, and political strength of the traditionalists among the ranks of career officers.

Those traditionalists were down, but not yet out. The military tradition of Sylvanus Thayer’s West Point was not to be eradicated so quickly. Despite the growing influence of the Pugwashees, their professed opponents, the traditionalists,

continued to work on designs intended to free the U.S. and the world from the utopian fantasies of Wells and Russell. That tradition, although a minority view, was still at work, when I came in, to develop a proposed solution to this strategic problem, during the second half of the 1970s.

2. How the SDI was designed

My strategic outlook, which was first broadly defined in my own mind during the closing year of my World War II military service in Asia, happened to coincide with President Franklin Roosevelt’s strategic policy for a post-war world. I did not know of this policy of Roosevelt’s at that time; for me, it was simply the natural American way of thinking about the part the U.S.A. should play in the post-war world.

Indeed, if one traces the remarkable intellectual development of Franklin Roosevelt, his intensive education in the legacy of the American System, during the early phases of his fight against poliomyelitis, it should not be considered astonishing, that the views of a patriotic American President and a simple soldier should coincide to the degree in which my own views and those of that war-time President did coincide at that time.

From my personal background, and my concern that the end of World War II should not lead to another general war somewhere down the line, I had come to certain broad conclusions about how the post-war world must be shaped. Thus, as I discovered later, I came to virtually the same conclusions Roosevelt had already embodied in his intended post-war

strategy: 1) Bring to an end what Roosevelt condemned as “British Eighteenth-Century methods,” the Adam Smith “free trade” dogma, and replace that with our own, directly contrary, protectionist methods of the American system; 2) Eradicate Portuguese, Dutch, British, and French imperialism, and their legacies, and recognize liberated former colonies as sovereign nation-states and partners; 3) Use U.S. power and influence to make modern technology available to all among the newly liberated regions of the world. These three points of policy were the views I shared with my fellow-soldiers, and also Indian patriots, in early 1946 Calcutta.

The paradigm for my view of U.S. post-war policy, was the liberation and vigorous economic development of British India. In India, in early 1946, I found a usually less elaborated, but kindred view on such matters among a large portion of the soldiers with whom I was serving there. To round out what continues to be this crucial point of strategic analysis, still today, it is fair to say, that mine was, and is a view typical of what Kissinger, in 1982, pointed toward as what he hated: *the intellectual tradition of the American Revolution, an American tradition diametrically opposite to the Churchillian tradition of the British monarchy.*

Later, back in Boston, in early 1947, when the debate over the utopian “Baruch Plan” was raging, I adopted the view that that debate itself was a piece of folly. My personal advocacy, at that time, was, that, instead of that foolish debate over the so-called “Baruch Plan,” nuclear technology must be directed to generation of power needed for the development of new nations such as the India, especially the southern regions of that subcontinent, whose rapid economic development per capita, depended exactly on the kind of high-density power-sources defined by nuclear fission. That, I stated publicly in a debate which occurred at that time. Since that time, that has been the paradigm of my proposed U.S. foreign policy on all issues.

Still later in that process, I came to learn more and more of President Roosevelt’s kindred intentions. That increasingly well-informed outlook, has been the center of all my policies, since my rise to a role of some significance in political life began, about thirty-odd years ago. In the course of time, especially as my original scientific discoveries in economics shaped the post-1952 cultivation of my views on many subject-matters, this American intellectual tradition, which Kissinger hates with such ardor, ceased to be merely my adopted custom, and was remolded, with some important changes, in accord with fully worked-out proofs of principle replacing mere custom. That outlook, so remolded, is a central pivot from which I have never deviated since, and never shall.

This outlook provided the continuing foundation for the work leading into the August 1979 elaboration of my first proposal for strategic ballistic-missile defense. That proposal was incorporated as a “plank” of my campaign for the Democratic Party’s 1980 Presidential nomination. That led, as the

history of this is summarily reported in earlier published locations, to the SDI.

That “plank” reflected an intersection with “traditionalist” military and scientific circles of the Americas, western Europe, and elsewhere, during the 1977-1983 interval. From them, I learned, far better, how to define the problem for which they, in turn, had so far been unable to define a solution. Our collaboration found thus a point of intersection, a point of common interest in collaboration.

The result of these discussions, as some leading European and other military professionals congratulated me: my solution had, implicitly, put the traditionalist military back into the realm of shaping genuine strategy, once again—if only, as it turned out, temporarily. My virtual, forcible removal from the scene, by the “secret government” circles of Kissinger and Bush, during the late 1980s and early 1990s, ended that earlier phase of my political life, a development which coincided, more or less exactly, with the ending of the then-current phase of world history.

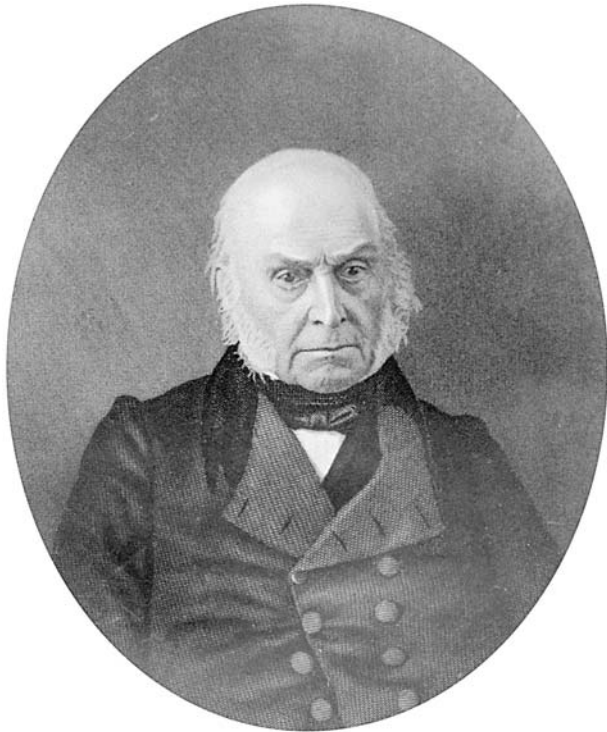
The connection of my work to the emergence of the SDI itself, has been documented in earlier locations. I limit myself here, first, to the concept as I developed it, over the interval 1977-1983, and, second, to the lessons of that for today’s strategic situation.

1977: The community of principle

For this purpose, my starting-point of reference for defining the solution to the paradox of nuclear-weapons policy, in mid-1977, was U.S. Secretary of State John Quincy Adams’ letter to President James Monroe, elaborating the grounds on which the government of the U.S.A. must reject British Minister Canning’s proposal for a U.S.A.-U.K. alliance against Prince Metternich’s Holy Alliance.

This rejected proposal had come up then, in the discussion of the possible means for exclusion of the predatory Holy Alliance powers from the Americas. The Benthamite British Foreign Office had exploited these concerns on the side of the U.S. government, in Canning’s effort to lure the Monroe government into a well-crafted British strategic trap.

Adams’ warning to the President had emphasized, that between the United States and the British monarchy, no community of principle existed. Adams warned, that the U.S. Navy must not degrade itself morally to the pathetic status of “an American cock-boat in the wake of a British man o’war” in the waters of Central and South America. Although the U.S. of 1823 might lack the means to enforce its policy of defending the emerging independent states of the Americas from British tyranny, it must not forswear its intent to so act at such appropriate future times it might have the material means to enforce the doctrine of shared “community of principle” on behalf of the Americas as a whole. The result of Adams’ counsel was the same 1823 Monroe Doctrine later solemnized as the Rio Treaty, and, also, later, savagely betrayed in the case of the 1982 British provocation and conduct



John Quincy Adams. "My starting-point of reference for defining the solution to the paradox of nuclear-weapons policy, in mid-1977," LaRouche writes, "was U.S. Secretary of State John Quincy Adams' letter to President James Monroe, elaborating the grounds on which the government of the U.S.A. must reject British Minister Canning's proposal for a U.S.A.-U.K. alliance against Prince Metternich's Holy Alliance."

of war against the U.S.A.'s Rio Treaty-partner Argentina.¹⁴

How many American citizens today are so illiterate in the history, and fundamental principles of the American War of Independence, the Federal Constitution, the War of 1812, and the repeated efforts of the British monarchy to destroy us, over the 1815-1865 interval, that they do not understand what Adams meant, when Adams wrote, that the United States and the British monarchy shared no "community of principle"? How many have graduated from secondary schools, or even university, without efficient knowledge of those foundations upon which even the competent exercise of even merely bare-

14. The pivotal issue of that war was Argentina's lawful claim to those Malvinas Islands which had been acknowledged territory of Argentina at the time the Monroe Doctrine of 1823 was promulgated. In fact, during the War of 1812, it had been the U.S. Navy which had restored Argentina to possession of that its former territory. Britain had seized the Malvinas, in an act of piracy, during the 1830s, and had engaged in a hideous operation of "ethnic cleansing" against the inhabitants of those islands. Under the Rio treaty, as affirming the Monroe Doctrine, the Malvinas was the legitimate territory of Argentina. The issue in 1982 was, would the U.S. degrade itself to support the British monarchy in this matter? Sir Caspar Weinberger's honors at the hand of Queen Elizabeth II were, after all, in acknowledgment of such services to the British Empire as Weinberger performed in the Malvinas War.

bones citizenship depends?

What U.S. lawyer is so illiterate in his craft, that he does not know the uncompromisable, axiomatic differences, between the fundamental principles of U.S. constitutional law, and British law? What American lawyer is so illiterate in his craft, such as Republican Representative Henry Hyde, that he could say such nonsense before the Senate, as to trace U.S. law to that tract in defense of feudal anarchy called the *Magna Carta*,¹⁵ or argue that U.S. constitutional law has its *principled* roots in English Common Law,¹⁶ or to argue that the perverted and subversive rules of a typically capricious British parliamentary coup d'état, ought to be applied to the attempted impeachment of a U.S. President?¹⁷ What must be said of those accomplices of Representative Hyde, who sought to degrade the processes of attempted impeachment, to the moral and legal standard of Jeffreys' Seventeenth-Century common whore's court?¹⁸ These distinctions are not mere technicalities

15. Rep. Henry Hyde (R-Ill.), Senate impeachment proceedings, Jan. 16, 1999. The barons of England stripped the King of England of the power to act in the interest of national sovereignty. The Wars of the Roses was but one of the horrors which pre-Henry VII England was to suffer, because of the effects of that law of baronial anarchy called the *Magna Carta*.

16. Hyde spoke in opposition to the U.S. constitutional principle of "life, liberty, and the pursuit of happiness," as adopted by the U.S. 1776 Declaration of Independence, from Leibniz's attack on John Locke's pro-slavery doctrine of "life, liberty, and property." This notion of "life, liberty, and pursuit of happiness," is Leibniz's defense of the founding principle of the modern sovereign nation-state, the notion of the *commonwealth*, or the *general welfare*. This feature of the Preamble of the Federal Constitution, is the fundamental principle in law, on which all competent reading of the intent of the Constitution as a whole is premised.

17. As a result of the repeated counter-revolutionary insurgencies of the European landed aristocracies and financial oligarchies against the new institution of the sovereign nation-state, no durable sovereign nation-state of a truly republican form was established in western Europe, to the present date. Instead, persistently recurring republican efforts forced the ruling oligarchical power to make increasing concessions to democratization of those relics of feudalism known as parliaments. The inherent susceptibility of parliaments to legalized forms of parliamentary coups d'état, makes the existence of any parliamentary government the lawful prey of higher forces of state power acting through the permanent state bureaucracy. That is precisely the nature of what former Speaker of the House Newt Gingrich proclaimed the parliamentary style of "neo-Jacobin" coup d'état, which his Conservative Revolution mob intended to use to destroy the constitutional form of the U.S. government.

18. This was the same Justice Jeffreys, lifted from notoriety in a London whore's court, to be ennobled for services to the English monarchy, as the Lord Jeffreys of the Bloody Assizes: a suitable model for Henry Hyde's performance. The most common fraud uttered in the misused name of constitutional law, in today's U.S., is the lie which asserts that the foundations of U.S. law are rooted in the doctrines of John Locke. The case of the sharp opposition between the U.S. Federal Constitution, and the perverse parody known as the Constitution of the British Foreign Office asset, the Confederate States of America (CSA), exposes the lie. The key to the CSA's constitution is pure and simple Locke, such that the contrast between the two warring systems shows most clearly, that what agrees with the one constitution could not possibly agree with the other. However, the currently ongoing "conservative revolution" in the U.S.A. is rooted, most piggishly, in a radically positivist reading of Locke, which, by its very nature, tends toward a more british

of pedantry; these involve fundamental principles of U.S. law and morality, principles won and defended repeatedly at the price of blood and suffering of American patriots.

To understand the principles upon which I premised my design of a policy of strategic ballistic-missile defense, one must grasp first the notion of that fundamental strategic interest of the state, which is implied in Adams' reference to the notion of a community of principle. The following series of paragraphs, summarizing that notion, set the preconditions for the way in which a strategic ballistic-missile defense must be crafted in law and practice.

As I have emphasized, on the subject of community of principle, in 1977 and since, the implied fundamental strategic interest of the U.S. republic has always been, and will always be, to associate itself with a community of perfectly sovereign nation-state republics, a community of such states sharing certain specific principles of natural law in common. The characteristic feature of such a community of principle, is defined by what our Federal Constitution identifies as "the general welfare" of the people and also their posterity. This means, that the authority of the state itself can be premised upon, and conditioned by nothing other than its role as the faithful and indispensable servant of that general welfare.

This does not mean a state subject to a current majority opinion, since the state must resist any current opinion which does an injustice either to some part of the existing population, or its posterity. Since that posterity can not vote or hold office, the state must defend the general welfare of that posterity with a degree of emphasis overcoming any contrary passing whims of a current adult majority. It is a state based, thus, on a principle of law, rather than the inherently capricious, merely democratic opinion held by even a majority among some men.

This notion of a community of principle, as based upon, and derived from the central principle of the general welfare, implies that the fundamental, long-range interest of the United States, in particular, is to establish a more or less global community, based upon cooperating, but each perfectly sovereign, individual nation-state republics. The defense of a persisting effort to create the conditions which bring such a community of principle into being, has always been, and remains, the best hope for securing the general welfare of our own nation, its population, and their posterity. That long-range objective, must be the underlying guide for defining the strategic interest of our republic under all circumstances.

Accordingly, our military and related policies must never seek to impose by force, or other overreaching means, those conditions of internal life we might desire to introduce into other nations. Instead of dictating conduct within other nations, we must always defend the preconditions which foster

form of fascist tyranny than existed under the Nazi judicial system. Hyde's pleading in the impeachment proceedings was essentially that of an ideological slave to Locke's doctrine.

the possible future emergence of a community of principle. Thus, the military and related strategic policies of our republic, must always be premised on realizing that outcome of any conflict, military or other.¹⁹ It is consistent with the Augustinian doctrine of justified warfare, that winning the *historical outcome* of any unavoidable and justified warfare — winning the peace, not winning the war in any other sense, must always be the objective of our military policy and related strategic doctrines.

To see how this has been defined by the history of extended European civilization — since ancient pre-Classical Greece, and to understand properly why the United States, to the present day, shares no community of moral principle with the British monarchy, we must first consider, at least summarily, the history of the modern state.

The origin of the modern state

This notion of a sovereign nation-state ruled by a principle of the general welfare, did not drop from the skies. It was the outgrowth of a long struggle within extended European civilization.²⁰ From the time of the ministries of Jesus Christ and his Apostles, as typified by the work of John and Paul, this struggle was elaborated chiefly through the Christian adoption of Classical Greek culture, as the latter is typified by Plato. The Classical Greek culture is the alternative better suited to man, as Christianity defines man, than Christianity's principal adversary, the neo-Babylonian form of the pagan Roman Empire and the latter's modern legacy of so-called Romanticism. Thus, every advance in European civilization since the Roman legionnaires' murder of Archimedes of Syracuse, has been a reflection of a fresh upsurge of the Greek Classical tradition, either in its specifically Christian, such as Augustinian expression, or as expressed by the beneficial collaboration between Charlemagne and the Baghdad Caliphate of Haroun al Rashid.

The characteristic of this struggle against the neo-Babylonian legacy of pagan Rome, produced the first form of a modern sovereign nation-state, one based on the principle of the general welfare,²¹ in the late-Fifteenth-Century reform of France under King Louis XI. This was echoed by the reign of the great reformer, Henry VII, in England, and by other echoes of the great ecumenical Council of Florence, such as the role of Isabella I of Spain in sponsoring a student of Nicholas of Cusa's circles, Christopher Columbus, in verifying a scien-

19. This was Leibniz's reading of the lessons of the 1648 Treaty of Westphalia, in opposition to the alternate reading of that treaty-law circulating in, for example, the late-Seventeenth-Century court of Prussia's Great Elector.

20. Compare my argument here, as in my relevant earlier published locations, with that of international law expert Professor von der Heydte's text on the birth of the modern nation-state: Friedrich A. Freiherr von der Heydte, *Die Geburtsstunde des souveränen Staates* (Regensburg: Druck und Verlag Josef Habbel, 1952).

21. Otherwise termed a *commonwealth*.

tifically devised map of the world constructed by Cusa's associate Paolo Toscanelli. This new conception of the sovereign nation-state, rooted in the Greek Classical tradition and in Christianity, defines the non-trivial usage of the term "republican," a usage which harks back to memories of Solon's republican reform at Athens, and to memories of the ancient constitutions of the old Ionian city-state republics.

Although this form of the modern European state was specifically Christian in origin, its law was defined in Platonic, ecumenical terms, as Philo of Alexandria, as Cardinal Nicholas of Cusa, Gottfried Leibniz, and as both Gotthold Lessing and the Orthodox Jew Moses Mendelssohn commonly defined such an ecumenical principle. In matters of law, particularities of faith must yield to the principle of Reason. Thus, on such a premise, and only such a premise of ecumenical reason, can there be a peace of faiths among peoples of differing monotheistic faiths.²² Only under the protection of a principle of ecumenical universal Reason in law, can persons of differing religious faiths live peacefully together on the same planet.

Unfortunately, with the victory of Venice over the League of Cambrai, the feudal reaction, led by Venice, nearly succeeded in turning Europe back to a form of feudalism consistent with the legacy of pagan Rome. Hence, the bestiality of the outburst of Venice-orchestrated religious wars, which dominated Europe after the defeat of the League of Cambrai. This Venice-orchestrated religious warfare, reigned as a recurring pestilence, until the wisdom of France's Henri IV was realized, belatedly, in the 1648 Treaty of Westphalia.

In the deadly aftermath of the assassination of France's Henri IV, and, later, during and following Venice's orchestration of what became the Thirty Years War in Central Europe, the republicans of Europe looked to the sparsely populated Americas, where, in echo of the ancient Greek colonies set up in Magna Graecia, they might build up republics whose existence would turn the tide in favor of the republican cause within Europe itself. Such currents are found in the emergence of republican currents in the Spanish Americas, as in North American colonization. Most typical of Seventeenth-Century republican colonization are the Massachusetts Bay Colony from the period prior to the accession of the bloody tyrant William of Orange, and the Commonwealth of Pennsylvania.

Later, with the triumph of William of Orange's and Marlborough's faction over the English patriots, and especially after the accession of William of Orange's choice, George I, to occupy the newly constituted throne of the British monarchy, the build-up of the English-speaking colonies in North America, was accelerated to the effect leading into the 1776 U.S. Declaration of Independence.

22. Whether the individual professes a specifically religious faith or not, the principle of universality of Reason in the universe defines the meaning of law as implicitly monotheistic. Both polytheistic and merely customary, or ethical faiths are hostile to such a rational notion of law.

Again, later, during the middle to latter part of the Eighteenth Century, a renaissance of the republican influence in Europe was built up around the legacies of Leibniz and Bach, as typified by the collaboration of such followers of Leibniz and Bach as Lessing and Moses Mendelssohn in Germany and Austria, around the Oratorian teaching-order in France, and reflected also in the Leibniz legacy persisting inside the United Kingdom itself. This new resurgence of the Classical Greek tradition, against Eighteenth-Century Romanticism, reinvigorated the process of organizing the struggle for "civil and religious liberty" in the Americas, as also within continental Europe.²³ It was the strategic shift caused by this Classical-Greek-based renaissance in mid-Eighteenth-Century Europe, which made possible the successful struggle for independence, and the new Federal Constitution inside the U.S.A.

The related great debt of the United States to those European republicans who made the U.S. possible, is the key to proper understanding and application of what Adams defined as a "community of principle." It was my understanding of the indicated nature of these connections between the Americas and Europe, upon which I premised my 1977-1982 design for a strategic ballistic-missile defense.

The establishment of the United States as a Federal constitutional republic, has been, in and of itself, a magnificent historical exception within the modern history of the world. However, contrary to the doctrine of such influential perverts as President Theodore Roosevelt's favorite historian, Frederick Jackson Turner, this exceptional achievement was not a peculiar secretion of the biological inhabitants of the U.S.A. It was chiefly a benefit bestowed on our continent by the noblest currents of old Europe, who made it possible that Benjamin Franklin's noble enterprise might succeed. This success was promoted thus, in order to produce the new nation whose example and influence might tilt the balance in world affairs, to enable republics of this kind to supersede the feudalistic relics then ruling over the peoples of Europe. Thus, it was the best in Europe which made our achievement possible, an achievement which belongs as much to those Europeans, in particular, as it does to our nation's population.

That defines our proper destiny, and, so defines our most fundamental national self-interest. This nation is a good which has been entrusted to us. Our true identity as a nation, and therefore our truest interest, too, lies in what we as a nation must bring to the rest of the world, especially to the extended European civilization whose noblest persons made our existence possible. Our identity lies in our mission, that of acting to bring into being that community of principle for which we were created as a republic. Our self-interest as a nation, lies in that mission; and the meaning of the life of each of us, lies in what each of us gives, or fails to contribute to the

23. The allusion is to Percy Shelley's thesis, in his *In Defence of Poetry* essay.

future realization of that mission.

Whenever we assemble to define a proper defense of the strategic interest of our republic, it is the comprehension of that self-interest in the success of our nation's mission, which must override every other consideration in shaping that policy, in shaping our conduct in that matter.

It was also necessary that we, applying that same principle of mission, define, clearly, the nature of not only what might appear temporarily to be immediate strategic adversaries, but also that which was and is our republic's permanent adversary, the financier-oligarchical power associated, since George I, with the present British monarchy.

Exit Clausewitz

About this same time, in 1977, as my occupation with the subject of a community of principle, I began fussing with Clausewitz's German text. I found myself increasingly displeased with his *On War*.

There is a specific defect in Clausewitz's famous, posthumously published work, relative to what we can now show, with certainty, was the actual model represented by Clausewitz's far greater predecessor, and mentor, Gerhard Scharnhorst. I soon concluded, that the famous aphorism, "War is politics continued by other means," is not only ambiguous, but, in fact, false.

This fallacy reflects, in fact, Clausewitz's circumstances, after the death of Scharnhorst, and under the mood of pessimism radiating from the post-1815 Prussian monarchy's reactionary court. Unlike that depraved Metternich admirer G.W.F. Hegel, and Hegel's lackey-like advocacy of the reactionary Carlsbad Decrees of 1819, Clausewitz shows no sign of the widespread political corruption of that time, but appears to have sought to avoid further conflict with, rather than explicitly condone the court of his ungrateful monarch. It might be said, on this point, that he became only less the former self he had been during the heroic, Classical period marked by the Prussian reformers' work of the time preceding and accompanying the Liberation Wars.

These qualifications duly considered, his posthumously published *On War* erred conspicuously and crucially, in the degree that that work implicitly allowed the military to be defined as the servant of the will of the merely given state, rather than recognizing that both the military and the highest offices of the state itself must be subordinated to certain, definite, clear principles — i.e., republican principles. These principles, typified by our President Abraham Lincoln's role in a time of great crisis of the nation, its military officer-corps, and the government itself, are themselves higher moral, higher political authority in matters of both peace and war, than any customary, accidental, or other incumbent state authority. A modern nation-state, as defined according to a principle of law — i.e., the general welfare — places that principle of natural, rather than merely positive law — higher than the state

itself. Lincoln's Gettysburg Address, which binds the people (e.g., "by the people") to serve the principle of the general welfare (e.g., "for the people," including all posterity), typifies that higher authority in natural law binding, delimiting the authority of any existing government.²⁴

To understand what Clausewitz's seeming ambiguity reflects as a lesson for us today, consider briefly, the experience of the German people, between Napoleon's crushing of the Prussian military forces, in 1806, at Jena-Auerstadt, and Metternich's Carlsbad Decrees of 1819.

After Jena-Auerstadt, Prussian power was humbled, crushed by Napoleon's tyranny. The poet Goethe professed his demoralization by Napoleon's victory. A few German leaders, mostly either collaborators or allies of the recently deceased Friedrich Schiller, were of a different bent: Freiherr vom Stein, Scharnhorst, Wilhelm von Humboldt, and Schiller's in-law von Wolzogen, typify this. These Prussian reformers, chiefly in the orbit of Schiller's influence, crafted the war-plan which, with a significant contributing role by Clausewitz, doomed Napoleon's tyranny.²⁵ In the German Liberation Wars of 1812-1813, against Napoleon, there was a great upsurge of German volunteers, often volunteers inspired by Schiller's influence, providing the forces through which the German forces under Scharnhorst's leadership were capable of falling upon the retreating Bonaparte, and crushing him before he could reach France (and there raise a new army).

Then, during 1814-1815, Germany was betrayed at Vienna. In 1819, Schiller's writings were significantly banned by the Carlsbad Decrees. Germany's greatest statesman, Freiherr vom Stein, was sent into internal exile by a shamelessly ungrateful monarchy. Most of the leading reformers enjoyed similar expressions of the ingratitude of a wretched Prussian monarch. The Prussian reaction, reaching a peak in the wake of Metternich's Carlsbad Decrees, swept Germany with waves of embittered sense of betrayal of the German people, including betrayal by the very Prussian monarchy which had been rescued by the reformers.

Then, and there, in this Metternichean, Hegelian reaction, the seeds of that later German Conservative Revolution, leading into Hitler, were planted. Germany's soul was scarred, not fatally, but severely; the ulcerating wound then inflicted by the anti-republican, oligarchical brutishness of the British influence and Metternich's Holy Alliance, has never been fully healed.

It was not the Prussian monarchy which had saved Germany from Napoleon's tyranny; it was the Prussian reformers who saved the ungrateful monarch, despite himself. It was the republican spirit of the reformers, a spirit which the monarch

24. If we had a decent Federal Court today, that Court would bind the government itself to meet that requirement in all ways pertaining to law.

25. Helga Zepp-LaRouche, "Friedrich Schiller and the Liberation Wars," *EIR*, Dec. 4, 1998.

abhorred, which had given Germany the means to save itself, when lackey Hegel's adored monarchy had failed so miserably.

The lesson so typified, should warn us against tolerating the teaching of that often fatal folly, that perfidious, stoical, oligarchical, sophistical, all too Roman, so Romantic pseudo-principle, so-called *reason of state*, lurking, a perfidy often unrecognized, among the professed students of Clausewitz's *On War*.

As the German military was to discover from its experience under Hitler, the question of the military and related strategy of the state, can not be securely defined with indifference to the political character of that state itself. So, when leaders of the German officer-corps took the foolish vacation from continuing responsibility, which left the cabal of Britain's Montagu Norman, New York's Harriman, Hjalmar Schacht, Schroeder's bank, and von Papen, free to push President Hindenburg into putting "that corporal" Hitler, whom Hindenburg personally despised, into the Chancellorship, the German military command had failed. For this, the enervating effect of "reason of state," was partially to blame. Similarly, in allowing Hitler to assassinate von Schleicher, in 1934, the German military command completed the tragically fatal mistake which led it to its own self-destruction across the battlefields of North Africa and Europe, and to Hitler's slaughter of the core of the leading patriots of Germany, with British preference for Hitler at even that late time, in the abattoir of July 1944.

Does this mean military coups should prevent such catastrophes as that? Rather, it means that those who are the shapers of both the military and other state institutions, whether in or out of government, must be always alert, to ensure that, through their combined efforts as the elders of the nation, the character of the state authority does not develop into a form which is inimicable to the ability of the nation to defend its true strategic interest competently, whether by military or other means. Unlike the German military leadership of 1933-1934, so, the Prussian reformers of 1806-1813 did act, setting thus an heroic example of true statesmanship, acting for the benefit of all European civilization, during a time of crisis of civilization, when the Prussian monarch himself had failed as monarch and man.

The issue of likely, even putatively necessary, i.e., revolutionary, coups against legal authority arises, chiefly, when the republican elders of the nation, who should have been "watching the store," fail to take those precautionary measures of policy-shaping which prevent coups, by making them strategically unnecessary. A republican military policy can work consistently only under the condition that the higher authority, the state, is itself either republican, or induced, even against its will, to act as if it were truly republican.

Those who do not ensure that the state is, at least in effect, republican in character, and in the choice of its leading offi-

cial, are not truly serious about the republic's defense. The avoidance of that moral responsibility under the sophist's pretext of "reason of state," is as foolish, and ultimately as immoral, as it is pompous. Instead, we must require, by whatever means we might find, that the state itself be self-controlled by the efficient comprehension of, and service to republican principle, just as the Preamble of the U.S. Federal Constitution makes the state itself subservient to the principle of "the general welfare."²⁶

Conceded, that a republican military officer-corps, such as that of the great plebeian Scharnhorst, or the plebeian Lazare Carnot for France, must often endure the defense of its nation, despite a most unsuitable character of its current form of its government, or that government's incumbent chief magistrate. In such circumstances, patriots do what they must do. However, the fact that such burdens must sometimes be endured, apparently with no remedy close at hand, does not license anyone to make a principle out of the existence of such immoral incongruities.

There is a lesson to be learned on this account, even by anti-Communists, from Soviet history.

The case of V.I. Lenin's role in the Russian Revolutions of 1917, typifies a likely revolutionary, extreme situation of the same form which I have, in fact, just described. The adoption, during the last decades of the Soviet system, of the "anti-voluntarist" views of Plekhanov et al., not only falsified Lenin's actual role in 1917 on crucial points, but aided, as a destructive ideology, in crippling the Soviet bureaucracy in ways which led directly to its own doom.

As matters turned out, the mid-1982 designation of Yuri Andropov as successor to the failing Leonid Brezhnev, has shown itself to have been the probable moment—the point of no return—at which the Soviet system became more or less hopelessly doomed, at which the state had lost the capability of reforming itself in the specific way its own survival required.²⁷

In effect, there were no new Lenins in place in the 1980s Soviet leadership. The comparison of the failed performances of both the failed Soviet leadership of the 1980s, the failure of leadership among certain of Germany's military leaders, in the events of 1933-1934, and Lenin's peculiar success in the unfolding process of 1917, points directly to the ever-lurking, potentially fatal folly of the dogma of *reason of state*.

First, then, to the case of Lenin.

26. This problem is otherwise expressed as the error of substituting what is termed a body of "basic law," for a principled form of constitution such as the original U.S. Federal Constitution of 1789. The former expresses a parliamentary system's compromises, "a state with some included properties of democratic concessions." The second is a state whose law is everywhere subordinated by a single, unifying republican principle, as the Preamble of the U.S. Federal Constitution expresses this quality.

27. E.g., contrary to the "perestroika" circus of General Secretary Gorbachev.

With the assassination of France's Jaurès, the so-called "Zimmerwald" resolution against that coming World War which Britain's Edward VII had pre-designed, became effectively a dead letter. From approximately that time, Lenin, consistently, single-mindedly, and accurately, foresaw that the Czarist system's commitment to the folly of war against Germany, would produce the situation in which, for "reasons of state," every Czarist, liberal reformer, and socialist force would march toward its own political doom, in the course of the ensuing series of war-time events. That was exactly the way things turned out.

That was Lenin's precisely correct, and unique personal assessment of that vulnerable flank which that war had opened against the entirety of the then-existing political system of Russia as a whole. That case deserves to be considered as among the classic lessons of the follies of submitting to the dogma of *reason of state*, then, or as the relevant German military leaders failed in late January 1933, or, again, in the deadly events of the Summer of 1934. It was on account of submission to the fictitious principle that the already lost war could not be stopped by a unilateral sovereign decision of the state, that all of Lenin's opponents and rivals were foredoomed to fail in that situation, just as the relevant German military leaders of January 1933 and Summer 1934 failed to act according to the crucial evidence in hand.

Lenin's insistence on concentrating on the crucial flank of all his opponents and Bolshevik rivals combined, their unwillingness to break absolutely, and unconditionally, from the continuation of the war with Germany, was decisive for the outcome. Just so, the failure of the German military leaders to secure the continuation of the von Schleicher chancellorship of January 1933 with the same ruthless determination Lenin had shown in the case of war-wracked Russia, contrasts the success of the successful commander who rises above "reason of state," to the tragic failure of that otherwise capable commander who seeks the right outcome, but seeks this within the bounds of an erring formalist's confidence in the notion of *reason of state*. The latter fails tragically, as Shakespeare's Hamlet does, by taking submission to the customary higher, but failed authority, either in the name of custom, or whatever else, as the context within which the outcome must be situated.²⁸

28. Failure to recognize the passion with which Lenin governed himself by his choice of the "voluntarist principle" in history, has blinded many Soviet and other analysts to both the implication of triple agent Parvus's role, and to the implicitly certain fact that Lenin knew the essential features of the roles of Parvus, Radek, and German gold Reichsmarks in Radek's pocket, in delivering Lenin back to revolutionary Russia. Lenin used those who thought they were using him, as a commander uses the peculiarities of the terrain where he chooses to engage. Parvus, whose British patronage dates from no later than London of the 1890s, was, in the proximate period, an asset of both Vickers and of the same London-directed, Saloniki-based B'nai B'rith International which, together with such figures as Giuseppe Volpi di Misurata and Vladimir Jabotinsky, launched the Young Turk coup d'état in Turkey. As such, he was laundered, by the British, into the German intelligence



V.I. Lenin's ruthless determination in war-wracked Russia "contrasts the success of the successful commander who rises above 'reason of state,' to the tragic failure of that otherwise capable commander who seeks the right outcome, but seeks this within the bounds of an erring formalist's confidence in the notion of reason of state."

Lenin's apparent stroke of strategic genius on this matter, did not occur accidentally. To understand this lesson from history, it is sufficient to examine closely the significance of Lenin's open break with Plekhanov over the issue of "voluntarism."

Although Lenin was, formally, a doctrinaire philosophical materialist in one respect, he was, at the same time, an impassioned revolutionary, a man dedicated to shaping history by introducing a perceived opportunity for revolutionary change in the axioms governing the unfolding of a lawful social process. Thus, where Plekhanov sought a revolution through what formalist social-democratic apologists defined as a lawful pulsation within a deductively defined existing system, Lenin, as the social-democrats ever afterward accused him, won by "cheating," by "breaking the rules of historicity," by changing the rules—by perpetrating the crime of "voluntarism." Lenin defined the strategic qualities of his political character, thus, in that open break with Plekhanov, Karl Kautsky, et al., approximately a decade and a half before the Bolshevik coup d'état. During the intervening years, follow-

service's employ, and so on and so forth. For Lenin, who knew the moral character of both Parvus and Radek very well, they were part of the terrain which he used for his own purposes.

ing that break with Plekhanov, Lenin forged the development of his own personality according to the principle to which he came in the course of that break.

The problem so posed, is identical to a pair of analogous similar problems, both also crucial to the issues posed by the SDI, which we shall examine summarily, below. One such, precisely analogous case, comes from physical science. A second, also fully analogous one, comes from studying of similarly contrasted views on the subject of the military principle of successful flanking operations.

On the subject of the first such analogy, we shall consider, below, the case of the kind of scientific mind which generates a validatable sort of genuine discovery of a new universal physical principle. This is paradigmatic for the “voluntarism” of which Lenin’s Bolshevik and other socialist detractors accused him.

In the second analogy, we shall examine cases of the type of that military professional, who has mastered the details of Hannibal’s demolition of the Roman forces at Cannae, but, who, like the Austrian commander who, commanding superior forces, followed precisely the school-book principles adduced from Cannae, and was routed by a Frederick II, commanding far weaker forces, who outflanked the Austrians twice in the same day, at Leuthen. The Austrian commander had copied the classroom lesson; Frederick, however, grasped the true principle of the flank involved.

In all three comparisons, those of a successful Lenin and the failed German military leaders, those of the creative and formalist scientist, and the creative versus formalist commander, a single principle prevails. In each of the successful cases of the anti-formalist, the relevant person is never confused about the absolute difference between the laws of the universe and the currently conventional notion of “the proper, currently approved way of doing things.” The first plays by the discoverable laws of the universe; the second, the relatively psycho-sexually impotent personality, as I accused General Danny Graham — at least the Graham who had emerged from the demoralizing experience of his intelligence failure in the period preceding the celebrated Vietnam “Tet Offensive,” plays by the presumably fixed, merely learned “rules of the game.” Such was the implication of the gaping doctrinal flaw embedded so famously in much of the popular reading of Clausewitz’s *On War*.

Ultimately, there is no remedy for that error of principle, other than to specify, that the present-day possibility of a secure peace, demands that the world must be made to become dominated by dedication to fostering a concert of allied sovereign nation-state republics, allowing nothing which approximates world-government, or other disguises for revived empires of the past, nothing which permits so-called supranational authorities to exert hegemonic influence in world affairs.

Wars and genuine revolutionary upheavals, tend to be the crucial breaking-points in real-life history, for precisely the

reason just identified. Sometimes, wars occur because of capricious behavior by some authority exploiting the belief of the credulous in bare *reason of state*. Better said, such cases are the exception which merely proves the rule. In general, wars and revolutions are likely to erupt when the established order, like the tragic Hamlet, either persists in failing to correct a potentially fatal flaw in the existing ordering of affairs, or where a similar state of affairs affects relations among states. At such points of crisis, some of the implied axioms of the existing ordering of affairs must either be abandoned, or obliterated in more dramatically forceful ways.

The folly of the G-7 governments, in insisting, so foolishly, on upholding, or at the least perpetuating the presently disintegrating IMF monetary and financial order, is a most extreme case of this Classically tragic type. Since the system will not bend to reality, it will be broken, crushed by the inexorable higher authority of reality itself.

At such points of crisis, the only qualified leadership is one which has the insight, and personal commitment to action, needed, to eradicate the relevant habituated notions of *reason of state*. In an extreme crisis, this change will occur for the better, or, lacking that happier outcome, it will occur very much for the worse, even the worst, as happened in Germany as a result of those who had had the means to act to prevent Hitler’s consolidation of power, but who failed to do so in a timely fashion. In a time of crisis, leaders who do not think in the terms I have just described, soon become, like Hamlet, or Czar Nicholas II, no leaders at all. In the latter case, under the pressure of escalating crises, they will be toppled, one after the other, as it is said, like ten-pins.

With those political considerations as the underlying axioms adopted, the design for a suitable strategic ballistic missile defense was a matter of fitting technical criteria to a system based upon these political axioms. In such a situation, there is no solution within the bounds of established standards of conduct. One must go outside the domain of hide-bound custom, to introduce a revolutionary new principle to the situation. Such was the set of principles, including physical and other principles, upon which my design was premised. Dr. Teller’s referenced remarks of late October 1982 pointed in the same direction, as did the initiative presented by President Reagan on March 23, 1983.

But, then, tragically, President Reagan, by subsequently capitulating to the pressures to repeat Hamlet’s part, on a real-life stage, failed heroically, Classically, in his last great part, which he played as an actor on the stage of real history. I would not have failed in that situation. I might have been killed by the Anglo-American “secret government” establishment, for what I would have done, but I would not have failed to leave something on which my successors could have built. I would not have allowed myself to come to such a Hamlet-like, tragic end.

Had President Reagan not made those tragic compromises with the Heritage Foundation and others, the political prob-

lem which remained, would have been how to deal with the infuriated opposition which any such design would, and did provoke from a nominal ally, the British monarchy.

3. British ally, British foe

To locate the source of the continuing, 1776-1999 conflict of fundamental interest, between the United States as a republic and the British monarchy in its present neo-Venetian form, the matter must be viewed on the level of problems inhering, axiomatically, in implications of the British notion of *raison of state*. That means, a British monarchical state resting upon the type of financier oligarchy which Venice had established in the Netherlands and England, since the time of Paolo Sarpi.

Contrary to the childish babble in some circles, the currently reigning Queen of England is no mere figurehead, but the most empowered single political and financial authority on this planet today. Accordingly, history has come presently to that revolutionary state of existential crisis in world affairs, at which the world must now promptly choose an early replacement for the present global political and financial hegemony of British monarchy²⁹ and its Blair government (or some alternate means of virtual nullification of the global power of that monarchy). If not, in the alternative, the world as a whole shall be plunged soon into a form of global chaos beyond the imagination of nearly all persons living today.

The presently advanced state of the ongoing world financial crisis, has brought the world as a whole, thus, to the point, that the nations now choose, between the continuation of the presently overreaching, supranational political and financial power of the present British monarchy, and those alternate arrangements which are indispensable for the continuation of anything resembling civilized life on this planet at large.

I must warn you, that if that world, at this critical stage, prefers this Queen to some suitable alternate arrangement of international power, it will get Hitlers, or even worse. As the presently ongoing global financial meltdown proceeds, something must break; things simply can not go on this way. The rapidly onrushing break in the global financial and political situation, whichever form, wars or revolutions, it takes, will be fundamental, and, for better or worse, revolutionary.

If the world is to avoid a plunge, very soon, into a horrible new dark age, certain radical changes must be made now. In place of the presently predominant, neo-Babylonian, Romantic, utopian tyrannies of world government and Blair's and Vice-President Gore's irrationalist "globaloney," a community of principle among perfectly sovereign nation-state republics must define a new standard of law in international relations. This must be a set of relations rooted in an ecumenical principle consistent with Reason. It must be a principle

29. Admittedly, the U.S.A. is the principal, if rapidly fading military power, but, usually, it is "British brains" which control "American muscle."

which defines each man and woman as, in both principle and practice, equally made in the image of the Creator of this universe. That is the anti-oligarchical, anti-Roman principle of Christianity upon which the entire achievement of extended European civilization has been premised, and that civilization will now survive, or become dust, as it chooses to uphold that principle now, or not.

In this required new ordering of the relations among nations, no overt or camouflaged form of imperial authority can be allowed to rule over the relations among states. No utopian, or kindred concoction of the merely positive law can be tolerated. Nothing less natural, less universal, than a principle of natural law, can be tolerated on this account. The agency to be employed for enforcement of such a law, lies in the integument of the community of principle itself. That is to say, that the international authority lies solely in the circumstance, that the members of that community have been brought to recognize the imperative of submitting themselves to that constitutional principle of deliberation, an imperative rooted in the acknowledged fundamental common interest of each and all.

Therefore, the design for such a community, must not be the form of "world government" implicit in the satanic dogma of Kissinger's proclaimed British god, Thomas Hobbes,³⁰ or as implicit in Immanuel Kant's and G.W.F. Hegel's common and perverse notions of "negation of the negation."³¹ Instead of such mechanistic rubbish, a community of principle must be premised upon bringing forth the innate goodness within individual human nature, the same principle which Leibniz named "life, liberty, and the pursuit of happiness." It must be the rallying of nations to recognize their absolutely positive, rather than the ever-foolish utopian's merely negative common interest in such a community of perfectly sovereign nation-state republics, and, also, in the great power for good which such a community among leading nations represents.

No authority other than that should be desired, or allowed. If the members of that community do not recognize that ecumenical principle to be in their common interest, they will not obey it, and then, in that case, terrible war is once again possible, perhaps even inevitable. If fools were to appoint a special authority as "jailer" of nations, to enforce such a principle, the "jailer" himself would be the cause of warfare, against himself if against no other.

Therefore, it is the definition of the fundamental strategic interest of our republic, to wage a continuing struggle to bring a true republican community of principle into being. From the beginning of our struggle for independence, it was implicitly

30. E.g., Kissinger's May 10, 1982 Chatham House address.

31. E.g., Immanuel Kant, "The Dialectic of Practical Reason," in *The Critique of Practical Reason* (1788) (Indianapolis and New York: The Liberal Arts Press, Inc., division of Bobbs-Merrill Co., Inc., 1956 edition). The same notion of Kant's was copied by Hegel, and also turned up as the psychological dogma of Sigmund Freud.

clear from the global circumstances in which our republic came into being, that, sooner or later, such a community must emerge, as at least the dominant political-economic feature of our planet. It is upon exactly that perception, that the competent design of a strategic ballistic-missile defense depended. I relied upon that principled outlook in addressing that threat which I had recognized as the utopian's use of its nuclear-weapons policy as the pathway to imperial world government.

The essence of effective strategic defense, with or without nuclear weapons, lies in a purely political decision, the selection of some predeterminable political-economic outcome of the conflict. Even if a nation believes it has already won the military engagement, if the nation has chosen the wrong political-economic outcome, as a foolish NATO has done in the case of its recent war upon Yugoslavia, it will have lost that war to the forces of attrition which its folly has unleashed.

Thus, the design of weapons and other military means must be determined according to that notion of a preselected political outcome. It is in this purely political-economic aspect of the matter, that the relatively greatest risk of a military catastrophe lies, as is already visible in the case of the failure of the victorious parties to launch an all-inclusive economic reconstruction of the war-ruined Balkans region today. It is within those types of considerations, that the essence of the design of an effective strategic ballistic missile defense lies.

So, according to this principle of political outcome, the United States betrayed itself, perhaps even irreparably, by rallying, under those Confederacy buffs, Presidents Theodore Roosevelt and Woodrow Wilson, to commit itself, in advance, to support the British monarchy's launching of World War I. It had better served the U.S. interest, had Germany been allowed to win that war, as it would have done but for U.S. intervention. With such a crushing defeat for the British Empire, the United States would have assumed the role of *primus inter pares* within an emerging new, global arrangement among nations. In fact, without the successful British corruption of the U.S. government, into precommitments to support Edward VII's plan for launching that war, the British would not have dared to begin that war.

However, in the case of the World War II alliance, the considerations were qualitatively different. Those circumstances of the late 1930s, left the U.S. no acceptable choice, but to accept the horribly difficult alliance with Britain for World War II.

When a nation is faced with a justified war which it must fight, or even a threat of such a war, that present conflict exists, whether one had wished it to come into being, or not. To deal with the paradoxes of this sort, as they arise from time to time, we must define the notions of "adversary" and "ally" in two perspectives: the deeper, longer-term level of principle, and the immediate level of an unavoidable historical contingency arising in the shorter term. Unless one understands the connections and differences between these two levels, the busi-

ness of defining enemy and ally would sometimes appear to exclude any consideration of deeper political principles, an exclusion which may lead to even the costliest sort of consequent error.

The chosen outcome for which we prepare against the danger of war, and choice of methods and weapons to match, must flow from the conception of that connection between republican principle and choice of strategy. Sometimes, in the struggles to discover, and to secure the adoption of such excellent national strategies, the actual course taken to that purpose will lead us through complicated routes. Such as been our national experience through the century now ending.

The myth of Wallis Simpson

Such was the contradictory quality of the circumstances leading into the emergence of the perilously difficult alliance between Franklin Roosevelt's U.S.A., and Winston Churchill's British monarchy, during the period preceding and accompanying World War II. Exactly how difficult that 1938-1945 alliance was, can not be appreciated unless we first acknowledge the very ugly truth imperfectly concealed behind the diversionary excitement aroused over the matter of Edward VIII's liaison with his later bride, Wallis Simpson.³²

The crucial fact of this century's history is, that for specifically British reasons, until a time proximate to Edward VIII's abdication, the British monarchy was determined to keep the U.S.A. out of what became World War II. They had intended, on this account, to leave Britain's temporary asset, Adolf Hitler, to do pretty much as he chose—if temporarily—on the continent of Europe. The obvious intention of these heirs of Lord Palmerston's doctrine, was to pounce on a Germany hopefully to be greatly weakened by war with the Soviet Union.³³

The British monarchy foresaw, accurately, that a U.S. involvement in a second general war on the continent of Europe, would lead to a post-war situation in which the power of the U.S.A. would be vastly increased, at least relative to that of the shabby British Empire of the 1920s and 1930s, and also absolutely. The monarchy desired the mutual ruin of both Germany and the Soviet Union, above all other immediate goals, but had a most impassioned concern that this be arranged in such a manner that the British Empire would be better situated after such a war, to undertake its longer-range aim, of ending the existence of the U.S. republic, of recapturing (i.e., recolonizing) the U.S. as a de facto member of what is called today the British Commonwealth.

The British monarchical establishment as a whole could

32. The comparison of the abdication of Edward VIII, to the case of the current heir-apparent's relationship to Camilla Parker-Bowles, implicitly poses the right questions about the Wallis Simpson case.

33. Lord Palmerston: "Britain has no permanent allies, only permanent interests."

have had few illusions about Hitler himself. In fact, in the greater part, they had created that monster and put him into power in Germany. He was, in that degree, their *Golem*. In such matters, one must never lose sight of Lord Palmerston's principle. It was their intent, like Churchill's intent for his (and, it is plausibly said, Prime Minister Tony Blair's) beloved Benito Mussolini, to use Hitler, and, then, to use him up. The soiled role of Edward VIII was, whatever Edward's personal sentiments in the matter, a matter of playing his assigned part for the intended purpose.

Then, on second thoughts, the monarchy decided it dare not risk the likely outcome of a Hitler victory in the coming war. What if Hitler's victory in the east were to give him hegemony in Eurasia generally? Britain could not forget, that but for the arrival of U.S. military forces in France at a most critical moment in World War I, Germany's offensive would have assuredly effected a crushing defeat upon combined French and British forces. Thus, on second thought, the monarchy reluctantly dumped the Edward VIII stained by the all-too-apparent, pro-Hitler orientation, to seek an alliance with the hated and feared U.S.A. So, for the sake of that alliance, it discreetly buried its soiled royal pro-Hitler linen under the celebrated "the woman I love" side-show.³⁴

So, the British-American-Canadian package for World War II was pasted together. The Wehrmacht defeat of both French and British expeditionary forces, removed nearly all further hesitation, by the British establishment, for accepting, however resentfully, a dominant U.S. role in the further conduct of the war. The precaution was, as the Churchill-Roosevelt conflicts of the war-time period reflected this, that Churchill et al. intended to beat Roosevelt, after the war, through aid of Wall Street's Trojan Horse inside the U.S. bastion.

The reasons the British monarchy not only put Hitler into power in Germany, but intended, for a time, to condone Hitler's free hand in continental Europe, reflect the depth of the British monarchy's accurate sense, that the traditional republican interests of the U.S.A., and the British monarchy's own special interests, could not coexist indefinitely on the same planet: as Henry Kissinger emphasized, in his May 10, 1982 London address. No competent strategic defense of the U.S.A. could be defined without clear recognition of that continuing nature of that ultimately mortal conflict between the respective two powers. So, the principle of the two levels of conflict, in the matter of foe turned ally, and ally turned foe, exhibited itself most plainly.

34. The literature of Brigadier Dr. John Rawlings Rees's London Tavistock Institute records relevant references to the case of the flight of Rudolf Hess, on a mission assigned to him by Adolf Hitler personally, to contact British circles formerly associated with the pro-Hitler perspective of Edward VIII. From the Tavistock record, Churchill's reported words, "He came too late," have great verisimilitude. No one who knows the history, believes that Hess actually committed suicide—voluntarily—in Spandau Prison.

Kissinger was right on one point, it was a simpering sentiment which ever suggested, that the British monarchy—or, for that matter, Henry Kissinger himself—was ever a natural ally of the United States. Throughout our existence, to the present date, the British monarchy, as a continuation of the legacy of William of Orange and the United Kingdom's George I, has always been the principal long-term threat to the existence of the U.S.A. as a constitutional Federal republic. The case of Edward VII's guilty orchestration of what became World War I,³⁵ is a perfect distillation of the unending conflict between the American patriots and the British monarchy, from the accession of George I to the present day. Only very ignorant people, or twisted personalities, could ever think differently in this matter.³⁶

For the purpose of defining a strategic defense of the most vital interest of our republic, the reason for this conflict must be clearly understood in light of the most salient features of the history of the past nearly three centuries. For our purposes here, a few crucial highlights excerpted from the coverage provided in earlier locations suffices. I point out as much as is absolutely indispensable to lay the ground for getting to the crucial points lying just ahead.

Since 1782

Look at the history of U.S.-British relations as if in a lapsed-time cinematographic imagery. Take as the starting-point, British Prime Minister Lord Shelburne's not-so-secret provisional peace-treaties of 1782, with the governments of both the U.S.A. and France, and trace the principal twists and turns in that relationship since. View this cinematographic, also kaleidoscopic image, in respect to the principal twists and turns in the relationship, since Shelburne placed his Golem, Jeremy Bentham, in charge of the British Foreign Office. Trace the ensuing process through the decades of Bentham's protégé and successor Lord Palmerston, through and beyond the point of former U.S. Secretary of State Henry Kissinger's shameless public adulation of Bentham's Foreign Office tradition, at Chatham House, two hundred years later, in 1982.

Shelburne, Bentham, and their successors recognized the

35. World War I's U.S. Secretary Lansing, of "German war-guilt" fame, was nothing but an out-and-out liar. To the buzzards belong the spoils! What better than that might one expect of the notorious liberal idealist, U.S. President, and White House Ku Klux Klan buff Woodrow Wilson.

36. Add to the same pattern as the cases of Edward VIII and Rudolf Hess, Hitler's holding back the German columns at Dunkirk long enough for Britain to escape abject and total defeat right then and there. When we consider the change from the von Schlieffen Plan of World War I, which the Wehrmacht devised to outflank British and French commitments to refight the preceding war, the plan had been consciously designed for the purpose of ensuring a crushing and total defeat of both the French and British forces. Hitler's holding back the divisions long enough to allow the Dunkirk evacuation, like Hermann Goering's strategically foolish shift to the bombing of London's civilian population, both express Hitler's wish to bring back the pro-Hitler, anti-U.S.A. policies of Edward VIII's mid-1930s, in preparation for Barbarossa.

new United States for what it actually was, as the creation, in North America, of a new kind of republic, which had been created by the republican forces of all Europe, and intended by them to become the flanking development which would bring to an end the subjection of Europe to the feudal legacy of the pagan Roman Empire. The British monarchy's Venice-style establishment recognized the very existence of the United States, accurately, as a mortal sort of threat to the continuation of oligarchic control over the governments of Europe. The entire thrust of the parallel and sometimes intersecting policies of both the British monarchy and the forces associated with Habsburg Chancellors von Kaunitz and Metternich, was to destroy France, break the ties between France and the U.S.A., isolate and crush the U.S.A. itself, and demoralize and crush that vast pro-American political, scientific, and cultural networks in Europe, which had been rallied, during the 1770s, around the cause and symbol of the American War for Independence.

This meant to crush the legacies of not only Leibniz and Bach, but also of those spokesmen of the new Greek-Classical renaissance, which was centered around the circles of Gottfried Lessing and Moses Mendelssohn.

The Bentham-orchestrated Jacobin Terror in France, the insurgency of the Romantic movement fostered by Napoleon Bonaparte's tyranny, and the triumph of the temporarily allied forces of the British Empire and Holy Alliance at the close of 1815, seemed to assure London and Metternich, that the hated American Revolution and its former global influence were soon doomed. The British monarchy then felt free to put Palmerstonian skids under its former ally and rival, Metternich's Holy Alliance, and to move on to crush the American republic and its remaining influence at leisure.

According to the gloating letters of London-directed, treasonous New York banker, and Democratic Party king-maker August Belmont, the consolidation of the preparation for the London-directed insurrection of the Confederacy, under treasonous U.S. Presidents Polk, Pierce, and Buchanan, poised the dagger for the death-blow to the Union.³⁷

The Lincoln-led victory of 1865, and the 1861-1876 rise of the U.S.A. to the position of the world's most technologically advanced and powerful agro-industrial economy, was a terrible shock to London. The rallying of the national economies of Germany, Russia, Japan, and other nations, including

37. For example, there is this famous extract from Belmont's letter to a Southern business associate on the eve of Southern secession: "New York, in such a catastrophe, would cut loose from the puritanical East and without linking our fortunes with our kind, but somewhat exacting Southern friends, she would open her magnificent port to the commerce of the world." As an independent city-state, New York would become to the Americas "what Venice was once on the sluggish lagoons of the small Adriatic." Quoted in David Black, *The King of Fifth Avenue: The Fortunes of August Belmont* (New York: The Dial Press, 1981), pp. 199-200. See also, Anton Chaitkin, *Treason in America: From Aaron Burr to Averell Harriman* (Washington: Executive Intelligence Review, 1999), pp. 163-259.

the patriots of Central and South America, around the model of the American System of agro-industrial development, fostered an emerging, increasingly powerful bloc of nation-states. If this continued, the emerging trends for collaboration of states emulating the American model, pointed to a mortal threat to the continued existence of the British Empire. The British called this a "geopolitical threat," as madman Zbigniew Brzezinski sees an analogous potential today. For that reason, Britain mobilized to put the actual and potential Eurasian partners of the United States at one another's throats, as Edward VII did in organizing World War I among a sick France and Edward VII's own two foolish royal nephews.

Under the leadership of Britain's Edward VII, both as Prince of Wales and later King, British forces struck. The orchestration of the Dreyfus case, the 1898 Fashoda affair in France, and the prompting of the first Sino-Japanese war, typify the preceding actions leading into London's consolidation of the position of its asset, Theodore Roosevelt, in the U.S.A., and the creation of that Entente Cordiale which was the center-piece of Edward's drive toward World War I.

Edward, his bankers (such as Cassel), and his Fabians moved chiefly along three lines: 1) Set France and Russia against Germany, to break up the threat of the trans-Eurasian economic cooperation typified by the Trans-Siberian and Berlin-Baghdad railway project; 2) Break the Emperor of Japan from the U.S.A., by aid of the 1894-1895 first Sino-Japanese War, the subsequent conquest of Korea, and the Russo-Japanese war; 3) Use a British-controlled alliance of Wall Street bankers, such as Cassel's Harriman, and offspring of the Confederacy, such as Theodore Roosevelt, Woodrow Wilson, and also Cassel's, Schiff's, and Warburg's creation of the Federal Reserve System with the backing of Teddy and Woody, to orchestrate that political coup d'état inside the U.S.A., all of which was enabled by the directing role by the Henry Street Settlement House's Emma Goldman in the assassination of President William McKinley.

For Edward VII and his heirs, the possibility of successfully deploying France and Russia for a coordinated assault upon Germany, depended crucially on bringing the U.S. into the British camp for this operation. Wall Street's hired thug, "trust-buster" Theodore Roosevelt, led in operations breaking up the power of those U.S. economic and political forces which were bastions of the Lincoln heritage. The long-standing relations to Alexander II and his followers in Russia, and to the scientific, Classical-cultural, and industrial forces associated with Rathenau and Siemens in Germany,³⁸ were systematically savaged with leading aid from London's assets, the Confederacy buffs Teddy Roosevelt and Woodrow Wilson. Without the arrival of U.S. troops into France, the German military would have then crushed both the French and

38. As part of the same post-World War I pattern of continuing British interest, Walther Rathenau, the son of a leading U.S. collaborator, and a key figure behind the Rapallo Treaty, was assassinated.

British forces there.

Thus, U.S. power saved the British monarchy and Empire, but at the price of increasing the relative economic power of the U.S.A. to an enormous degree, even through that economic mobilization of the U.S. launched to support the British monarchy's World War I adventure. As Britain moved forward, now in the 1930s, in its orchestrating of a second general war on the European continent, it now abhorred the idea that U.S. involvement in Britain's support, again, risked a U.S. rising to even greater relative power world-wide, a humiliating prospect for the British oligarchy. Thus, the case of the abdication of Edward VIII. Thus, the extremely difficult character of the alliance between the U.S.A. and the British monarchy, during World War II. It was a most troublesomely difficult alliance, with Winston Churchill and Franklin Roosevelt at odds at nearly every step.

Bertrand Russell's well-known expostulation of sheer British oligarchical hatred against the United States,³⁹ should be placed in the column parallel to documentation of Russell's expressed hatred of industrial society, his joining with H.G. Wells, in supporting Wells' *The Open Conspiracy*,⁴⁰ during the late 1920s, and Russell's and Wells' co-authorship of what became the utopian form of Anglo-American nuclear-weapons policy. This is to be matched with the recent documentation of the point that present British Prime Minister Tony Blair's Ramsay MacDonald-like, Bruening-like, "Third Way" ideology, is a product of Blair's emulation of the Italian fascist dictator Benito Mussolini.⁴¹ This hatred of what the United States represents and typifies, is the essence of the burning passions of the present British monarchy.

Never let the funny accents fool you; the British oligarchs are essentially "Oxbridge" Venetians under their skin. Their method is, accordingly, that of the mask and the stiletto, in the Venetian tradition which fastened its grip on the mentally unstable Henry VIII, the grip of Paolo Sarpi over the circles of Francis Bacon and Thomas Hobbes, and the purely Venetian legacy of William of Orange, Lord Shelburne, Jeremy Ben-

39. See Carol White, *The New Dark Ages Conspiracy: Britain's Plot to Destroy Civilization* (New York: The New Benjamin Franklin House Publishing Company, 1980), pp. 73-74. In *The Problem of China* (New York: The Century Company, 1922), Russell wrote: "What is Americanism? 'Clean living, clean thinking, and pep!' I think an American would reply. This means, in practice, the substitution of tidiness for art, cleanliness for beauty, moralizing for philosophy, prostitution for concubines (as being easier to conceal), and a general air of being fearfully busy. . . ."

40. H.G. Wells, *The Open Conspiracy: Blueprints for a World Revolution* (London: Victor Gollancz, 1928).

41. See Mike Diboll, "The Duce of Downing Street: Where Mussolini Led, Blair Follows," *The Times*, Aug. 6, 1999. "Young Tony is a disciple of Il Duce," Diboll writes. "The Prime Minister has more than a whiff of Mussolini about him. . . . The two are close ideological cousins. The idea of the Third Way was Mussolini's—and he also acquired a reputation as a great war leader by occupying Albania. . . . As Blair amasses sycophantic accolades, the tragedy that was Mussolini's New Rome is being repeated as the Blairite farce in New Britain."

tham, Lord Palmerston, and the present monarchy. Theirs are the methods of the Iagos of this world; they seek to conquer their intended victims by pretending to be the confidant of both, while setting both, simultaneously, into mortal combat with one another.

They took possession of a foolish President Harry Truman, by the nuclear-weapons policy which they foisted upon him, and by setting the U.S.A. and the Soviet Union against one another. They set up a political marketplace of the fools in the U.S. Congress, and could not wait until Franklin Roosevelt's body was cold, to launch a virulent campaign to defame him and seek to destroy everything he had accomplished. They did all this, on behalf of the anti-Roosevelt legacy of Winston Churchill, and in order to regain their control over world finance and politics, through playing the U.S.A. and the Soviet Union against one another, Iago style.

On one occasion, in the Balkans, London and its French stooges, played Yugoslavia's Milosevic against Germany and President Clinton. Later, the same British changed sides abruptly, using the foolish U.S. Secretary of State, the Senator Jesse Helms-sponsored, consummate boor and thug Madeleine Albright, to get the U.S.A. into a war against London's former asset Milosevic. They do this all the time. These are their habitual Venetian methods; meanwhile, foolish Americans embroil themselves in debates, over which side we shall take in a battle between two fools who have been set upon one another by typical British diplomacy. The recent folly of silly George W. Bush's difficulty in deciding which side of the Taiwan straits he should be bombing, is typical of the way in which British diplomacy conducts its briskly profitable political traffic in leading American fools.

Which side are these British diplomats really on? Never forget, that Palmerston put it frankly; they have no permanent allies, only permanent interests. Their interest is to play everyone against everyone else. American and other fools then ask themselves; "Which side are we taking?"

What are the self-esteemed, permanent interests to which Palmerston referred? British interest is simply, to control a system which dominates the world as it may suit the monarchy's pleasure to do so. Once, in the days of Shelburne's puppet Gibbon, its pleasure was to create an empire for Baring's bank and the British East India Company, a realm modelled upon the pagan Roman Empire. Now, since the end of the last century, its pleasure is a world government—e.g., "globalization"—constituted according to the pleasure of the British monarchy's financier oligarchy.

If we of the United States, accept world government, or, as it is otherwise known, "globalization," we are doomed as a nation, and that would please the British monarchy greatly.

Thus, the Churchill-Roosevelt alliance was a very difficult alliance. The alliance was understood, among the cleverest people on both sides, to have been purely temporary.

Yes, it is true. During 1982-1983, I took pains to keep the door open to the United Kingdom. I did this, not because I

had become soft on the British monarchy, but simply because it was the right thing to do, morally and practically. When you are committed to defeating an adversary's enterprise, always offer him a decent way out, as Machiavelli read the books of Livy. The object is not to kill populations which happen to be one's adversaries, but, rather, to redeem them, just because they are human beings.

To win, or to avoid wars: Tolerate no folly, but also perpetrate no injustice. Never make the error of adopting a vengeful policy, and never allow the impression that one might be harboring a vengeful policy, to provoke an actual or prospective adversary to harden his resistance to one's proposed change in relations. Never act as despicable rogues such as Tony Blair and Secretary Albright do. Never cease to offer an actual or prospective adversary a truly just alternative to continued conflict.

The enemy is not the population of the United Kingdom. To say the least, many among them are no worse as individuals than what we can meet at the local supermarket here in the U.S.A. itself. Many are no worse, many certainly better persons than that nasty Secretary Albright or her patron Zbigniew Brzezinski; let us keep a clear head in such matters. The enemy is that Venice-style imperial system now centered around the current British monarchy. That system is committed to destroying our republic; that system must be dismantled. That system is our republic's, and all humanity's current principal adversary on this planet. Understand, that it is wicked, or even simply foolish systems, not persons as persons, which are the enemies to be crushed. One must hope that as few actual persons as possible might get in the line of fire.

4. The principle of the flank

Since my purpose here is to address a new strategic setting, there is no need to burden this present report with a fulsome repetition of what I detailed in locations published approximately two decades ago. I have documented my 1979-1983 approach to strategic ballistic-missile defense, in earlier published works. I limit myself now to defining the principles involved, then and now, as these bear upon the tasks immediately before us here.

In my proposed design of a policy of strategic ballistic-missile defense initiative, earlier, and in addressing the new problems which confront us today, my use of the term "flank" has a distinct significance. The proper use of that term, as I shall describe my use of it here, provides the most efficient way of getting to the heart of the conceptions involved.

My use of the term "flank," respecting military and other applications, always points to the use of intellectual means in the ordering of deploying of force, other than the raw blunt power itself, to gain some meaningful kind of victory over what may even be a more powerful raw force. This may in-

clude a tactic or strategy of retreat, or either extending or concentrating one's forces, as may be suited to the circumstances and occasion. With that general restriction applied to all cases, the term may be used to designate either of two quite distinct, but nonetheless analogous and related meanings.

In its lesser sense, I would use the term as it usually points to the military, or analogous application of what might be otherwise recognized as the essence of the hunter's stalking of his prey. This meaning points to the hunter's utilizing the perceivable advantages from exploitation of both the terrain and the stalker's knowledge of the intended prey's habits and capabilities, both to outwit that prey, and to bring the relationship of hunter and prey into a relatively helpless position for the latter.

I would include certain U.S. documented tactics of World War II Japan forces in the jungles of Burma, including the use of sharpened-bamboo "panji traps," as an example of such tactics. Any "country boy" raised on a diet of successful pursuit of prey, has a more or less obvious kind of ready disposition for using, and devising flanking tactics for military applications.

In the higher sense, as in the case of Hannibal's outwitting the Roman commanders at Cannae, or Frederick the Great's victory over the Austrians at Leuthen, my emphasis is upon a certain quality of superiority of the mind of one commander over that of his opponent, such as that of Soviet Marshal Zhukov over that of corporal, and supreme commander, Adolf Hitler, at Stalingrad.

This latter intellectual superiority, may include that commander's use of built-in advantages in the quality of the training of the forces commanded, especially those of the commissioned and non-commissioned officers. The education and training of the officer-corps according to Scharnhorst's and Moltke's known principle, referred to as *Auftragstaktik*, is a relevant example of such training.⁴² My use of the term may also include the commander's use of some quality inhering in relatively untrained troops, or in the way those recruits are trained, assigned, and deployed, as Lazare Carnot did during the period 1792-1794, to similar net effect. It is in that sense, of the intellectual superiority of the conception and employed principles used by one commander and his relevant subordinates, over an opponent, that the term "flank" is to be applied to my 1979-1983 design for a policy of strategic ballistic-missile defense.

For my special purposes here, this second use of the term always signifies *strategic flank*. For this application, the example of the original SDI policy, the term "strategic flank" is applied on three distinct levels, simultaneously.

42. The effects of this training of the Prussian officer-corps, is to be seen in Moltke's account of the conduct of the German forces in the Franco-Prussian war against "Old Moltke." See Helmuth Graf von Moltke, *The Franco-Prussian War of 1870-1871* (English edition of 1907), Introduction by Michael Howard (London: Greenhill, 1992).

On the relatively simplest level, this signified the use of a principle of scientific method, in this case a Riemannian⁴³ notion of applicable physical principle, a policy of always applying physical principles *qualitatively* superior to those represented by the targets, to overwhelm *the purpose* of the strategic ballistic-missile attack as a whole (rather than individual opposing missiles, one by one). This exploited the inherent potential advantage of the defense, as Lazare Carnot and Gerhard Scharnhorst, for example, developed this principle, and as Czar Alexander I of Russia successfully adopted this advantage of the defense for the War of 1812, as proposed by von Wolzogen with the accord of the other relevant Prussian military advisors to the Czar.

On a higher level, the purpose of my design of strategic ballistic-missile defense, was to deliver a decisive political defeat to the Wells-Russell form of nuclear-weapons policy.

On the highest level, the object was to defeat the global strategic political motive, of the British monarchy, et al., which the Wells-Russell nuclear-weapons policy had been designed to serve.

All three levels were defined and elaborated according to a single principle, as I had defined this principle from the standpoint of my original, 1948-1952, contributions to Gottfried Leibniz's science of physical economy. I turn your attention, now, to the following, concise review of immediately relevant features of those combined discoveries.

The LaRouche-Riemann Method

Consider the way in which that three-fold, strategic flanking action applies as a model for addressing the implications of the world's present financial apocalypse. To understand those three, combined implications reflected in President Reagan's original SDI proposal of March 23, 1983, it should be recalled, from my sundry earlier reports published during the recent thirty years, that my original discoveries in the science of physical economy occurred in the following sequence.

The initial prompting of my work on this project, was my recognition, that Professor Norbert Wiener's "information theory" dogma was a parody of the same fundamental fallacy on which Immanuel Kant had based the entirety of his celebrated *Critiques*. On the foundation which had been provided by my adolescent formulation of my argument, ten years earlier, against such attacks on Leibniz's *Monadology*, as Kant's echoing of Voltaire, et al., I chose to take up the role of scientific and technological progress in determining the growth of physical productivity of labor in economy. This served me as the empirical standpoint of reference, for my proposed refutation of Wiener, and also the related work of John von

Neumann. For that reason, it was required, that as I had been confronted with Kant's argument years earlier, that I take into account human creativity in its more general sense, not only scientific creativity as such.

On the side of science and technology, I had emphasized, first of all, the role of technological progress in increasing mankind's power, per capita, over nature. I had included, secondly, the role of the design of proof-of-principle experiments, in providing the explicit link between the discovery of a validated universal physical principle, and the derivation of new, more powerful technologies from those physical principles. I had included emphasis on the impossibility of defining a principle of life in mechanistic terms of reference, for which purpose I had referenced, chiefly, the problems posed by Nicholas Rashevsky's definitions of mathematical biophysics. Finally, I had required a central role for the function of Classical-artistic creativity in defining those qualities of mental processes, the power of cognition expressed in terms of Classical artistic forms of metaphor, otherwise known as both the artistic and physical-scientific expressions of cognition.

The resulting conceptual fusion of physical science with Classical art, had posed the problem, which, in 1952, led me back to reconsidering the work of Riemann, his 1854 habilitation dissertation, most notably. By applying Riemann's notion of a multiply-connected manifold to my preceding discoveries, respecting the interconnection of physical and artistic principles, I transformed Riemann's notion of multiply-connected manifolds, to include both validated universal physical principles, and the validatable universal principles of composition of Classical art-forms, in both plastic and non-plastic media. In this way, I formulated the resulting method for a science of physical economy, known today as the LaRouche-Riemann method.

The following several paragraphs are technical, but the points which they identify are indispensable at this juncture.

The unique, characteristic feature of this set of discoveries, is defined as follows. The human action which generates increases in the effective net productive powers of labor, as measured in physical, rather than monetary terms, is the individual cognitive action which generates a validatable, original or replicated discovery of some universal principle. The locus of that action within the economic process as a whole is, in effect, in Riemannian terms, a change in the characteristic relative "curvature" of *economic physical-space-time* in that locality, and, implicitly, in the process as a whole.

That is the role of a realized discovery of principle, in driving the entire system into a transformation from correspondence to a Riemann type of manifold "n," into one of order "n+1." This transformation expresses an intrinsically non-linear form of action, primary for the considered system of development as a whole process. This non-linear characteristic displaces, and excludes, axiomatically, all "action at a distance" and kindred species of linearization

43. I.e., the notion of the ordering of a series of successively higher Riemannian ("multiply-connected") manifolds, as defined by Riemann's celebrated 1854 habilitation dissertation: *Über die Hypothesen, welche der Geometrie zu Grunde liegen*.

of causal relations.

As applied to physical science as such, this kind of Gauss-Riemann manifold has the characteristic features of a mathematical physics derived from the discoveries of Johannes Kepler and Gottfried Leibniz, in absolute opposition to the qualitatively inferior, intrinsically linear, anti-Kepler, anti-Leibniz, mathematical physics of a Galileo, Descartes, Newton, Leonhard Euler, Lagrange, Cauchy, Clausius, Kelvin, et al. It is therefore contrary to the inferior manner in which the putative fundamental theorem of the calculus, for example, is commonly mistaught today, as an axiomatically linear mathematics, in the generally accepted, reductionist, contemporary classroom practice, of secondary schools and universities.

At first impression, this, admittedly, may all seem to be very complicated to many readers. Nonetheless, the issues separating the intrinsically linear mathematics of today's typical classroom, from the intrinsically non-linear mathematics of any non-reductionist, competent physics, are actually so elementary in nature, that any competently educated secondary-school pupil, could fully and accurately understand the issues involved. These differences were more readily recognized, during those former times when emphasis on pedagogical-experimental laboratory methods predominated over mere formalist mathematics, in the secondary and university science curriculum.

The issues are made clearer for the layman, and others, by emphasizing the following point.

That characteristic of human behavior, which demonstrates to the physical scientist, the absolute superiority of the human species over all inferior forms of life, such as the higher apes, is the ability of the human species to generate those validatable discoveries of universal physical principle, by means of which the uniquely human form of willful increase of our species' absolute power in, and over the universe, is achieved.

Each such discovery, if realized for physical-economic and related practice, means a change in the mathematical type of Riemannian manifold which describes the gain in increase of mankind's mastery over nature. It is the action by means of which mankind generates and replicates such validatable discoveries of universal principle, whose effect is then to be recognized as the form of human action we must measure, rather than the simply physical action of the individual person as such.

The form of action to be recognized, is the role of cognition by individual persons, in generating those validatable discoveries of universal principle.⁴⁴ It is the effect of that

44. It should be recognized, that, although my inclusion of universal Classical-artistic principles with universal physical principles, in defining the form of the physical-economic manifold, is unique to my discoveries, that Riemann himself was thinking in such a direction, as the first among his posthumously published "metaphysical" papers, the commentary on Herbart, indicates.

change, which is to be studied and measured, as an effect reflecting a change in characteristic Riemannian curvature of the affected physical process.

Such discoveries, employed to this effect, may be seen as *out-flanking, functionally, qualitatively, and therefore axiomatically, the limitations inhering in the state of knowledge prior to each such discovery.*

To round out this specialist's, but indispensable interpolation, note the following point.

The basis for all of my discoveries, and their applications, since 1948-1952, has been the recognition that the connection between two real phenomena observed, is never the straight-line, linear connection which yesterday afternoon's financial accountant, or Federal Reserve Chairman Alan Greenspan, or the fanatical fool gambling in the day-trader's bucket-shop, or Leonhard Euler, for example, wrongly presumed to be the case. Rather, the truthful representation of so-called "causal connections" lies in the efficiency of the manifest power of individual human cognition, to increase mankind's power in, and over the universe. This is the same thing as that which *Genesis* 1 identifies as man and woman each made in the image of the Creator.

When mankind proves, for example, that a certain discovered universal physical principle is valid, what has been demonstrated, is that the universe has been predesigned, in effect, in such a fashion, that the universe is compelled to obey those powers of individual cognition, the which are responsible for generating the discovery of that new principle. *This shows, that there is a corresponding approximation of congruence between the way in which real cause-and-effect relations function in the real universe, and the way in which, contrary to Kant, the cognitive power of the knowable, Platonic form of synthesis of discovery of validatable principle, which is secreted by the human individual mind, has been designed by the Creator of this universe.*

Once we accept the notion that the elementary expression of universal lawfulness of the universe, is expressed as regular curvature, rather the accepting the popular delusion of some people, to the effect that the straight line is the shortest distance between two points, we can begin to understand actually the universe in which we act.

The best among ancient Greeks, especially Plato, and other ancients understood this principle.⁴⁵ Unfortunately, the inherently decadent culture of the ancient Roman Empire, whose Napoleonic and other legacies of Romanticism still pollute modern civilization, did not.

45. I emphasize the evidence implicit in the construction of ancient solar-astronomical calendars, based upon normalization of observed regular angular displacement in observed celestial motion. I.e., the notion of universal law as premised upon regular curvature, rather than straight-line action. Since Kepler, and implicitly even in related ancient applications of notions of conic functions in general, the notion that universal curved action may be both regular and yet not of constant curvature.

Kepler's notion, that the universe is organized according to a form of curvature which is regular, but not constant, and Leibniz's further development of that notion, laid the basis for the notions of the Gauss-Riemann manifold. In such a manifold, as I have applied that conception for the science of physical economy, all significant action by mankind, including validatable discovery of universal physical principles, is expressed for mathematical and like imagery, as a perceived change in the characteristic curvature of elementary forms of human action. This has the form of a change in relevant choice of manifold, a change in the characteristic attributable to "choice" of economic physical space-time.

To express the characteristic of the progress of human scientific knowledge, from ancient to present times, the name for that principle of change in knowledge so generated, is known to Classicists by the name of *Reason*. That signifies, specifically, the principle of Socratic Reason.

From those fundamental considerations of modern science, we have the following.

In relatively incompetent notions of the definition of mathematical physics, for example, it is assumed that there is a deductive form of relationship between one observed sense-phenomenon, that of individual human physical action, and the second observed phenomenon, which latter apparently represents the immediate result of that observed action. The attempt to represent the connection between two such phenomena by a deductive mathematical scheme, such as accounting practice, is an intrinsically false representation of the way in which real-life, physical-economic processes actually function.

This error was, for example, the root of the intrinsic absurdity of the proposals submitted by the Heritage Foundation's General Graham. This is also the intrinsic absurdity, not coincidentally, of all of the explicitly immoral, pagan religious dogma on which the economic and social theories of the Heritage Foundation's controllers, the Mont Pelerin Society of the late Friedrich von Hayek, Professor Milton Friedman, and Britain's screechy Margaret Thatcher, are based.⁴⁶

The immediately foregoing, unavoidable interpolation now completed, the reader should find the concluding remainder of this report to be, relatively speaking, "duck soup."⁴⁷

It was on the basis of that, my own, original and continuing development of the applications of this method, combined with some of my relatively unique initial efforts at long-range physical-economic forecasting, that I was encouraged, during

46. See von Hayek's exposition of the founding of the Mont Pelerin Society on the pro-satanic premises of Bernard de Mandeville's *The Fable of the Bees: Private Vices, Public Virtues*. The latter anti-moral dogma is the actual origin of the British dogma of the "Invisible Hand." It is therefore impossible to be a follower of the Mont Pelerin Society's, and Vice-President Al Gore's explicitly perverted notion of freedom, and also be a moral person.

47. This remark dates the author, as having been reared in a time when the remains of yesterday evening's roast duck dinner, occasioned the cook's observation: "As easy as duck soup."

the late 1970s, to attack the problems of defining an effective mode for developing a strategic ballistic-missile defense.

This applies not only to the case of discoveries of validatable universal physical principles. As I have emphasized in other published locations, this also applies to validatable forms of universal principles of Classical artistic composition.

The latter are defined, uniquely, by examining the prompting of a second mind to replicate the act of discovery of a validatable discovery of a universal physical principle, as experienced previously by another mind. It is the mirroring of such a cognitive experience by the first mind, in the experiencing of the prior same discovery by a second mind, which renders the cognitive processes of the human mind cognizable. This mirroring process may be extended to the domain of social relations as such, by focussing upon the functional role of social relations in the application of a universal physical principle to the domain of physical-economic practice. Thus, directly contrary to Kant's, and other Romantics' radically, axiomatically irrationalist dogma for aesthetics, universal principles of social relations may be adduced and defined in a rational way.⁴⁸

Thus, the domain of human practice may be described in Riemannian terms as a compound manifold of n universal physical principles interacting according to m principles in the form of universal principles of Classical artistic composition. By defining the relationships within that combined manifold in task-oriented physical-economic terms of man's increase of physical power to exist, per capita, in and over the universe, the notion of universal *Reason* may be expressed in terms suited to treatment of such tasks as the three-fold mission which I assigned to strategic ballistic-missile defense.

In the present instance, we have shifted focus from the earlier mission of strategic ballistic-missile defense as such, to a related problem, defense against the global threat represented by the presently descending global financial apocalypse.

ABM then

Back during the late 1970s and early 1980s, my technical argument respecting the required design of a ballistic missile defense, was (and remains) that no system of interception relying entirely upon so-called "kinetic principles," could be designed, which would not be more costly than the supersaturating of any such defense with more assaulting objects.⁴⁹ This

48. This includes not only Kant's *Critique of Judgment* (London: Macmillan, 1931), but also the Nineteenth-Century Romantic dogma of Savigny, which dictates an hermetic separation of *Naturwissenschaft* (scientific reason) from *Geisteswissenschaft* (psychology, law, art). In other words, the irrationalist dogma of "art for art's sake."

49. Such objects included not only nuclear warheads, but also diversionary objects which the defense can not distinguish efficiently from nuclear warheads.

shortfall in cost-effectiveness, was not merely of a financial, but of a physical nature. Therefore, only a strategic ballistic-missile defense based upon what the language of the 1972 ABM treaty identified as the category of “new physical principles,” could provide a basis for an effective mode of strategic ballistic-missile defense.

Although my categorical prescriptions did include indications of types of “new physical principles” to be considered, I did not rely upon any such specific principle. Instead, I demanded a continuing “crash program,” as that language is implied by the experience of the Manhattan Project and the best features of the “crash” program to put a man on the Moon. We must have such a “crash program” in the domain of “new physical principles” in general, a program which would be tasked to yield proof-of-principle types of experimental designs in support of principles to be considered.

Despite the fact, that this would be the only cost-effective defense, it would have the form of an enormously costly, initial capital outlay for development, unless we took efficiently into account, and exploited, the offsetting “economic spin-offs” of “crash programs” such as the Kennedy “crash program” for placing a man on the Moon.

During the 1985-1986 interval, along that line of long-range policy-planning, I extended that proposal in the form of subsuming such a “crash program” basis for developing a strategic ballistic-missile defense, under the form of a forty-year “crash” form of space-program, whose mission of orientation would be the placing of a permanent quasi-self-supporting, scientific colony on Mars, after an intervening period of developments spanning an estimated forty years.⁵⁰ By designing the “crash program” development of strategic defense, and also such a space program, to emphasize a high rate of utilization of Earth-bound applications of technology by-products, the expenditure for the combined strategic defense and space programs would return a very large net (physical) profit to the U.S. economy, and to humanity generally.

In the past, most emphatically in the course of the development of the modern European form of sovereign nation-state, since the Fifteenth Century, this same approach has defined the essential role of the state’s fostering of basic economic infrastructure, as the indispensable driver for relatively rapid rates of expansion of the per capita rates of growth of national income and productivity of affected national economies.

50. This involved the initial correction to the then-existing space program, of using the Sanger model of scramjet-rocket, piggy-back configuration for drastically reducing the cost of moving a pound of payload into a position in Earth-geostationary orbit. It incorporated the pioneering work of the late Krafft Ehrlicke, for developing automatic production facilities on the Moon, as an essential source of supply of high-weight components, both for powered space-flight between Earth- and Mars-orbit, and for the constructions which would descend from Mars-orbit to the surface of Mars. For a video summary of the 1986 proposal, see Lyndon H. LaRouche, Jr., *The Woman on Mars* (1988 LaRouche Democratic Presidential nomination campaign broadcast TV production).

As a result of my discoveries in the science of physical economy, I proposed to use such exemplary cases of “crash” science-driver programs, as models of reference for the extension of what modern European civilization had done in the field of basic economic infrastructure, to a new definition of a mission-orientation for fostering high rates of growth of national economies. I proposed that national economies, and indeed the world economy, should be driven forward by mission-oriented, science-driver forms of “crash programs.”

I went further, as I did in the case of both my proposed policies for strategic ballistic-missile defense, and a redefined space-exploration mission, to pin-point three categorical frontiers of science to open, this time in a coordinated way: 1) Extend the frontiers of astrophysics by aid of complexes of very-large-array “telescopes” placed at relevant distances from our electromagnetically very noisy Sun, focussing upon such included, exceptionally anomalous objects as fast-rotating binary systems and the Crab Nebula, studying the widest extremes of the spectrum;⁵¹ 2) Drive into the remote regions of microphysics, going beyond thermonuclear fusion into the domain of search for controllably exploitable features of so-called “matter/anti-matter” reactions as a new order of energy-source; 3) Truly non-linear approaches to biophysics, extended beyond the pioneering by Vernadsky et al. The work in the three extremities, must be coordinated, in such a way, that the necessary notion of universality of physical principle throughout the combined domains of astrophysics, microphysics, and biophysics, is constantly kept under scrutiny.

The fact was, during the 1970s and early 1980s, that there existed a range of target-areas within such a proposed science-driver approach, within which applicable features of the desired form of economically efficient strategic ballistic-missile defense could be defined. Rather than seek “gimmicks,” as the unfortunate General Graham suggested, we required a genuine science-driver form of “crash program,” on no lesser scale, but, rather, a much greater scale than the Manhattan Project. The project would more than pay for the costs of the development of the ballistic-missile defense.

If that approach had been undertaken, as President Reagan had outlined the SDI in his March 23, 1983 address, and if the Soviet Union, in particular, had accepted that offer, the world would be out of the woods, so to speak, today. The second greatest, perhaps the greatest opportunity for human-

51. Both sets of targets were recommended to me first, by a leading astronomer, and second by a leading nuclear physicist. The latter pointed out a special point of interest about the already-selected choice of the Crab Nebula: the detection of concentrations of so-called cosmic-ray showers from that area. During the same period, there was a relevant proposal put to some associates at Lawrence Livermore on the indicated role of polarized thermonuclear fusion in generating the Solar System’s characteristic periodic table from within a mass of material spun off, according to Kepler’s principles, during an earlier, fast-spinning phase of the Sun’s existence.

ity during this century, was blown away when Soviet General Secretary Yuri Andropov summarily rejected that offer, without even exploratory negotiations. As I warned at the time, Andropov's rejection of the offer would, implicitly, ensure the economic collapse of the Warsaw Pact system, within about five years. It happened exactly that way, as some today may recall.

Foolish U.S.A.! Foolish Soviet Union! In looking back, today, at the follies of all those who rejected President Reagan's initiative out of hand, one thinks of the fable of that fisherman, who threw away a pearl of greater price than the entire wealth of the impoverished people of his island. There have been other, comparable follies of the government and people of the U.S.A. during the recent several decades.

In thinking back, to what should be our causes for deep regrets on such accounts, must we not ask ourselves, what terrible follies in our own, habituated mental behavior, must have prompted us—whether in the U.S.A., western Europe, or the former Soviet Union, to participate in such awfully tragic missing of crucial opportunities?

Have we, since then, up to the present day, taken any significant steps which might have prevented us from repeating similarly tragic errors of political behavior in the present and future times? One must think of the way in which the plainly avoidable, global financial apocalypse of today came about, step by implicitly foreseeable step, over the course of the recent three decades.

We must ask ourselves: Does such persistingly tragic behavior not demonstrate, that our peoples, at least our leading institutions, and the majority among our populations, too, have lost their connections to the quality of moral fitness to survive? Is there still the chance, that our institutions and our people, might change their ways in time to save us from the monstrous crisis now in the process of descending upon this planet as a whole?

Does this not show, that within our leading institutions, and the majority of our own population—in other words, within ourselves, there exists a menace far worse than any mere thermonuclear weaponry? How shall we outflank that worst of all foes, the enemy within our own populations' intrinsically tragic, Hamlet-like, habituated way of thinking and acting, in even the seemingly simple matters of their intrinsically cowardly and greedy everyday personal lives?

The principle of the flank

The principle of the strategic flank might be described in various ways. Most of the relatively competent sorts of conventional ways in which professionals have described this are cumbersome ones. The cleanest, most direct way, least clouded with loose ends, is provided by the referenced LaRouche-Riemann method. Here, in this method, the strategic principles applicable to scientific, military, and political applications of the flanking principle become one and the same.

In this report thus far, I have indicated the common basis, and relevance of the latter such definitions, and that in which I believe, hopefully, will prove an adequate way. In conclusion, one task remains, the task of emphasizing that point which most people fail to grasp, essentially because they, like Shakespeare's self-doomed Hamlet, do not wish to even attempt to grasp it. The time has come in which they must find the willingness to grasp this point; their lives, and that of our nation, as our children, too, may depend upon such willingness to change.

In the customary course of things, the objective of learning new ways, is limited to discovering some more successful, but relatively fixed, habits of practice. Since such ancient Greek thinkers as Heraclitus and Plato, persons wiser than the typical, putatively well-educated citizen of today, we should have come to understand that confidence in any particular set of habits, even an excellent new one, may become a fatal error. Rather than being lured into the potential trap, of relying on learning a relatively fixed body of knowledge, the essential thing is to come to know how to develop revolutionary new qualities of knowledge, especially at the point previously established knowledge breaks down in face of reality. In short, the essential requirement for long-term survival and continuing progress, is to learn, and rely upon, constantly, an appropriate method of changing oneself, of changing, even radically, one's accustomed opinion.

In the domain of science, the willingness to confront the fact of a manifest fallacy in existing doctrine, is the essence of scientific progress, and therefore is the most fundamental definition of science itself. In other words, for the wise person, for the wise society, nothing is constant, but change. There is no viable science, but a science which changes itself accordingly, and repeatedly so. The willingness to discover a new principle, and to act under its governance, is the way strategic flanking characterizes the victories of viable science.

In military and other political affairs, the essence of the matter is to change, as Shakespeare's Hamlet fatally refused to accept the imperative of changing, even when his life and that of the kingdom of Denmark depended upon it.

Change, so conceived, signifies recognizing that a principle governing a continuing, revolutionary process of discovering and acting according to validatable new discoveries of universal principle, in both science and those matters exemplified by Classical artistic composition, is the substance of knowledge. As the cited case of Frederick the Great's victory over the Austrian commander at Leuthen illustrates the point, it is the fact that a person confidently focussed upon a principle of change, as primary, will defeat the best armed, best educated exponent of a fixed, formal body of knowledge, which constitutes the principle of the strategic flank.

That applies to the case of the original offer of the SDI. That will determine whether the present world-wide form of civilization survives the presently onrushing global financial apocalypse, or not.

For further reading

LaRouche strategic studies

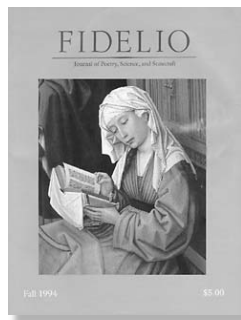
The following is a selected chronological listing of mainly recent articles by Lyndon LaRouche, Jr. and associates, dealing with the SDI and related topics. See the end of this box for information on how to order.



LaRouche, "The Psycho-Sexual Impotence of Gen. Daniel Graham," *EIR*, Vol. 10, No. 40, Oct. 13, 1983. A profile of the Heritage Foundation's Danny Graham, who steered many patriots away from supporting the original conception of SDI, as authored by LaRouche and accepted by President Reagan. **\$12**

LaRouche, "LaRouche Tells Why Moscow Declared Him a 'Casus Belli,'" *EIR*, Vol. 20, No. 13, March 26, 1993. The real history of the SDI: an audiotaped presentation delivered by LaRouche, who was then a political prisoner, to a private seminar in Germany. **\$12**

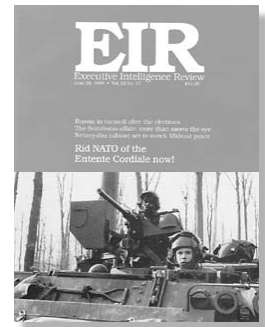
LaRouche, "How Bertrand Russell Became an Evil Man," *Fidelio*, Vol. 3, No. 3, Fall 1994. The author locates his fight against the one-world dictatorship of the United Nations, as the end-phase of a 600-year war between the Council of Florence and the oligarchical Venetian Party, of which Russell was the leading representative in the Twentieth Century. **\$9**



LaRouche, "Space: The Ultimate Money Frontier," *EIR*, Vol. 24, No. 9, Feb. 23, 1996. "Although space exploration lies as much outside the domain of military expenditure as within," LaRouche writes, "the mid-1950s 'moth-balling' of a Huntsville capability for putting a satellite into orbit, typifies the ugly reality of our Hobbesian age." **\$12**



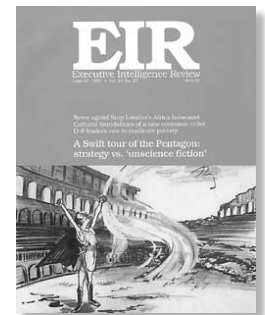
LaRouche, "Now, Rid NATO of the Entente Cordiale!" *EIR*, Vol. 24, No. 27, June 28, 1996. "In net effect," LaRouche writes, "NATO has ceased to serve any vital strategic interest of the United States, and, its degenerated nature has made it, in fact, an instrument employed by forces working against our vital interests." **\$12**



LaRouche, "SDI: The Technical Side of 'Grand Strategy,'" *EIR*, Vol. 23, No. 29, July 19, 1996. The crucial strategic issues surrounding the 1982-83 debate on what became known as the SDI. LaRouche writes that "the making of the strategic policy of the United States, follows, still, today, the same pathway, predominantly, as did those who fumbled the issue of SDI a dozen years ago." **\$12**

LaRouche, "Today's Nuclear Balance of Power: The Wells of Doom," *EIR*, Vol. 24, Dec. 19, 1997. A diagnosis of the diseases spread throughout the United States by British oligarchical publicist H.G. Wells. **\$12**

LaRouche, "A Swift Tour of the Pentagon: Strategy vs. 'Unscience Fiction,'" *EIR*, Vol. 24, No. 27, June 27, 1997. In order to understand the bankruptcy of U.S. military policy today, and to replace it with a true, civilized notion of strategy, it is necessary to go back to the 1982-86 factional debates over the SDI. These were a reflection of the traditional controversy, between the patriotic and Tory-Anglophile currents within our conflicted nation. **\$12**



Michael Liebig and Jonathan Tennenbaum, "The history of LaRouche's comprehensive SDI policy," *EIR*, Vol. 25, No. 32, Aug. 14, 1998. **\$12**

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Is World War III coming?

by Lyndon H. LaRouche, Jr.

Democratic Presidential pre-candidate Lyndon H. LaRouche, Jr. issued the following statement on Aug. 11.

Among those who are paying attention to reality, one of the two big questions of the day is, "Is Nuclear World War III Now Inevitable?" My answer is, that I believe it is not inevitable; but, the danger is serious enough that serious people will ask themselves that question.

The drive toward a nuclear world war comes from the British monarchy, as the policies of the current Prime Minister and 1931 Ramsay MacDonald look-alike Tony Blair typify this impulse. However, although the British monarchy is by far the world's dominant financial power, and also the world's presently leading political power, the thrust for war depends upon that monarchy's ability to push the world's leading military power, the U.S.A., into adopting London's current geopolitical adventurism.

It is from this standpoint, that we must understand the significance of madman Zbigniew Brzezinski's current policies, which are more or less identical to those of Brzezinski crony and U.S. Secretary of State Madeleine Albright. For maniacs such as Blair, Brzezinski, and Albright, the orchestration of the recent war against Yugoslavia was only the prelude to a nuclear confrontation with Russia, in Transcaucasia and Central Asia more widely. Blair, Brzezinski, Albright et al., are depending upon their belief that this drive toward a nuclear confrontation with Russia is a strategic bluff, to which they are confident that Russia will back down. London's attempt to orchestrate a nuclear attack on India, by London-controlled assets in the Pakistan military, is part of the same post-Balkan-War thrust. There, in brief, lies the risk of an actual nuclear World War III.

What these nuclear maniacs, such as Blair, Brzezinski, and Albright, assume, is that Russia could not win such a war. They have asked themselves the wrong question. Perhaps Russia has no hope of winning such a war; but, perhaps the U.S.A. has no hope of winning it, either. Even if the U.S.A.

might appear to secure a victory in such a showdown, just as the famous King Pyrrhus defeated the Romans in one battle, perhaps the U.S.A. would not long outlive the end of such a military confrontation.

Go back to 1905, where we may find a comparable case. Recall the discussions between the two cousins, Kaiser Wilhelm of Germany and Czar Nicholas of Russia, discussing the need to spoil their uncle's, King Edward VII's, clear intent to push them into war against one another. When the two cousins failed to prevent the British from manipulating them into war against one another, the result was that both lost the war, and the Czar lost more than that.

The British monarchy's use of its assets in Turkey, to orchestrate a post-Balkans spread of warfare throughout Transcaucasia, and into Central Asia beyond that, has already erupted into open warfare in the north Caucasus, and threatens to pull fools in NATO into military deployments against Russia, in both Transcaucasia and in Central Asia. This would constitute a threat to the very continued existence of a Russia which is still a thermonuclear power. Russia's warfare capability would then go on alert status.

When one presents a chosen adversary with an absolutely hopeless situation, that adversary may find itself impelled to strike back in absolute desperation. As every qualified military professional since Machiavelli knows, what NATO is implicitly threatening to do, creates precisely the kind of military situation, in which the unthinkable may become the inevitable. When the fires of hatred are stoked to the highest possible degree in the passions of the intended military victim, all ordinary strategic and diplomatic calculations, especially the calculations of madly desperate fools such as Blair, Brzezinski, and Albright, are no longer controlling. There lies the short-term risk of an actual, early outbreak of nuclear war-fighting.

Now, look at another crucial element of the same strategic equation: the current world economic situation.

It is an open, repeatedly verified fact, that, since 1989, the

U.S.A. and NATO as a whole, have lost the ability to conduct regular warfare. The chief reason is economic. As in “Desert Storm,” and as is shown in the resumed war on Iraq, and the recent war against Yugoslavia, NATO is not capable of fighting war to win with military force on the ground. The very adoption of the lunacy of “Air-Land Battle 2000” by the U.S.A. attests less to what the U.S. military forces can do, than what they have lost the capability of doing.

In the war against Yugoslavia, NATO did not fight war; indeed, both NATO and the President of the U.S.A. insisted, that this was a punishment expedition, not an actual war. What NATO’s bombing attacks did, was to destroy the economy of most of the nations bordering the Danube east of Vienna. Once the British monarchy prevailed upon President Clinton to abandon the reconstruction perspective he had announced earlier, that entire region of southeastern Europe has been transformed into a bloody mass of attrition which will soon destroy, chain-reaction style, the entire economy of both northern and western Europe.

To assess the larger strategic realities in which the Blair-driven search for nuclear confrontation with Russia is situated, the war-threat becomes more immediately ominous than would be implied by the facts I have referenced thus far. We must take into account the strategic military implications of the presently onrushing meltdown of the world’s financial system, including that of the U.S. economy.

Significantly, the British state apparatus (representing a much higher level than lackey Tony Blair) has announced a special security program, named “Operation Surety,” to go into effect, beginning September 9, 1999. This operation is designed to anticipate a deadly social crisis’s eruption under the conditions of the world financial meltdown expected for the interval between September 9, 1999 and the close of the year. No one I know — and I do have many high-level sources in various parts of the world — can give me a definite date, other than “soon, perhaps next week, perhaps October,” for the expected date of the chain-reaction collapse of the world’s financial system. However, that kind of collapse, of a kind far worse than October 1929, is already onrushing; it is not something which could happen; it is something which, in fact, is already happening.

The intervention of the effects of this world financial collapse into the present strategic situation, automatically and immediately changes all of the determining parameters of the worldwide strategic situation. No existing government could last long enough to carry out a pro-warfare posture effectively under such circumstances.

Notable is the situation in Russia itself. Whatever else may happen there, and there are many possibilities, virtually all extremely dramatic ones, the present situation in Russia is not to be expected to last past the end of September, if that long.

Were I President of the U.S.A., I would know how to deal with this mess. Given the very advanced state of sundry

presently ongoing world crises, I could not guarantee success, but I am the only figure who might have a chance of success.

Yeltsin coup in Russia increases war danger

by Konstantin George

On the morning of Aug. 9, Russian President Boris Yeltsin issued a decree, firing Prime Minister Sergei Stepashin and dismissing the cabinet. In a statement from the Presidential Press Office, as carried by Itar-TASS, Yeltsin named Vladimir Putin, who has been head of the Federal Security Service (FSB, the successor of the domestic KGB) since July 1998, as Acting Prime Minister. The appointment of Putin was a transparent coup by the Yeltsin family and its friends among Russian financial oligarchs and the allied Western financial oligarchy, intended to thwart the orderly constitutional transition of Russia to the post-Yeltsin era through State Duma (lower house of Parliament) elections on Dec. 19, and Presidential elections six months later.

The events which rocked Moscow mirror similar moves toward extra-constitutional political shifts, or coups, being taken by the British oligarchy at home. Calculating from the standpoint of a post-financial-crash world, these oligarchical circles are positioning themselves to assure absolute power, through emergency measures, like those contemplated in “Operation Surety,” a plan for military rule inside the United Kingdom itself.

Putin’s closest ties are to former Prime Minister Viktor Chernomyrdin, the notorious Russian cohort of U.S. Vice President Al Gore, the City of London crowd, and British-allied financial interests on the European continent — whose perspective is to weaken Russia for coming decades, while they exploit its raw materials and run the country as a Third World colony — and Anatoli Chubais, the most notorious International Monetary Fund henchman of post-Soviet Russia. These connections are lawful, because the coup is a brazen attempt to keep the IMF comprador layer in place at all costs.

‘He thanked me — and fired me’

The dismissal came right after a morning meeting in the Kremlin between Yeltsin and Stepashin, who had just returned from Dagestan. He had been sent to that Caucasus republic over the weekend by Yeltsin, ostensibly because of the escalating crisis there.

The news of Stepashin’s ouster broke shortly after 8 a.m. Central European Time (10 a.m. Moscow time). Russian TV showed a somber-faced Stepashin addressing his outgoing

cabinet as follows: “This morning I visited the President and he signed a decree on my resignation. He thanked me—and fired me.” Confirming that he was angry over his dismissal, Stepashin said: “I expressed my position concerning the resignation to Boris Nikolayevich, but, this is his right. I told the President that I have been, am, and will remain with him until the end.”

Stepashin’s dismissal is the first step in an obvious maneuver by Yeltsin to postpone the Duma elections. Aug. 9 was to have been the day when Stepashin was to formally announce Dec. 19 as the date of the elections. What Yeltsin said later that day on TV could not mask the fact that an unconstitutional coup had been launched.

Yeltsin’s decision to sack Stepashin was made on Aug. 5, when he informed Putin of his coming appointment as Prime Minister. What triggered the decision, was the merger, in early August, of Moscow Mayor Yuri Luzhkov’s Otechestvo (Fatherland) Movement, with the All-Russia Movement, led by Tatarstan President Mintimer Shaimaiyev, and which has the support of most of Russia’s 89 governors. Stepashin had refused to take a hostile position against this powerful electoral alliance, and, in the interest of national reconciliation, had even put out feelers to it, thus angering Yeltsin.

Signals were abundant in the Russian media in the days before Aug. 9, that a coup was brewing. The weekly *Argumenty i Fakti* on Aug. 3 published a column, entitled “A Plot Against Stepashin,” saying that the Kremlin had demanded that Stepashin take steps against Luzhkov and others, but that “Stepashin does not have the strength to do this,” and that Yeltsin’s Chief of Staff, Aleksandr Voloshin, was pushing for Stepashin’s ouster. On Aug. 4, Interfax said that the creation of the new electoral alliance had “shattered” Stepashin’s position: “More and more often can the Presidential administration be heard complaining that Stepashin proved weaker than he seemed to be, and that by his desire not to quarrel with any of the current political and business figures, he demonstrates excessive flexibility.” The article named Putin as one possible successor to Stepashin.

On Aug. 6, *Moscow Times*, in an article entitled “The [Yeltsin] Family Has Few Legal Options Left,” stressed that the new electoral alliance had further isolated Yeltsin, the “family,” and allied tycoons including Boris Berezovsky and Roman Abramovich. The paper warned that after the dismissal on Aug. 5 of *Kommersant* editor Shakirov (after the paper was taken over by Berezovsky), Stepashin could be next. “Stepashin has reportedly disappointed his backers by being too weak. Various names are being bandied about as possible replacements, and some media have focussed on FSB Director Vladimir Putin—a tough customer who might be described as a Yuri Andropov for energetic young reformers,” the article said.

Yeltsin’s Aug. 9 statement that the Duma elections will proceed, does not mean very much. He said: “Esteemed citizens of Russia, today I signed the decree on elections to the

State Duma. They will take place on Dec. 19. Exactly on schedule as it is provided for by the Constitution and the law.” Then, Yeltsin proclaimed that Putin is his choice to succeed him as President of Russia: “Next year, for the first time in the country’s history, the first President of Russia will hand over power to a newly elected President. *Whatever the case, he will be your President*, esteemed citizens of Russia, who will have won in the course of clean, honest elections. I thank you for your attention” (emphasis added).

As one leading Russian military expert commented on Aug. 10, Yeltsin dumping Stepashin for Putin “makes no sense if he is interested in free and fair elections.” The military source explained: “Declaring Putin as his appointed successor as President is a non-starter; it guarantees that Putin will get 1-2% of the vote.” This expert’s reading is,

LaRouche on Russia’s ‘coup from above’ in 1998

After an earlier palace coup in the Yeltsin entourage, Lyndon LaRouche wrote an article titled “Russia: A Coup From Above,” published in EIR, April 3, 1998. Here are excerpts.

On the morning of March 23, 1998, international news dispatches from Moscow featured the announcement of an ongoing purge of the Russian government of Prime Minister Viktor Chernomyrdin, ordered by President Boris Yeltsin. . . . Our task here, is to provide the reader an appropriate insight into the strategic circumstances in which this coup from above has occurred. . . .

Coup in Russia? The historically literate mind recalls images of the famous 1905 and 1917 revolutions. The first of these was triggered by the combination of a London-orchestrated, international financial crisis of 1905-1907, and the impact of the Russo-Japanese War. The second, was the reflection of economic disaster, combined with large, useless losses of peasant soldiers in the foolish continuation of Russia’s hopeless war against Germany. In both cases, the confluence of a social and economic crisis, intersected a general loss of confidence in the potential usefulness of a discredited government. Given, a spectrum of previously established nuclei of revolutionary political institutions, and a seemingly endless worsening of combined social, economic, and political crises under the existing government, mass-based revolutionary ferment was likely.

There are analogous leading features in Russia’s situation now. . . .

that “elections are not on the table. They’re not an option for the kleptocracy at the top. The reality is, we’re going into a revolution. There is mass support in Russia now for a change in economic policy, but people hope it will come through the ballot box. The people behind Yeltsin have something else in mind.”

A pretext for ‘rule by decree’

Yeltsin asked the State Duma to approve Putin as Prime Minister, at its scheduled Aug. 16 session, and Duma Speaker Gennadi Seleznyov indicated that that would happen. This would deprive Yeltsin of an immediate pretext to dissolve the Duma and rule by decree. Only if the Duma were to reject a Putin nomination three times could he dissolve the body.

But, there are other ways in which the crisis could be

precipitated. As the military expert said: “I’m expecting new provocations. It wouldn’t surprise me if there is a decision taken to bury Lenin this weekend, before the vote in the Duma to confirm Putin. This would create the basis for dissolving Parliament and ruling by decree. It would create a confrontation with the Communists and nationalists, who would be accused of destabilizing the country, and who would refuse to confirm Putin. We would then hear the appeals for law and order. I see more provocations, to destabilize the situation, and then establish rule by decree in Russia.”

He stressed that “the Kremlin is desperate to keep power. Otherwise, they will lose their money and their freedom. They’re fighting for their damned lives and money.”

In his first speech to the cabinet as Acting Prime Minister, Putin told them that they would keep their posts, but he used

Those sundry revolutionaries of those past periods, from Marx through the social-democrats and Bolsheviks of 1917-1923, were victims of fundamental errors of assumption respecting the nature of man, history, and society. Those are not minor errors, but axiomatic errors, errors otherwise described as “crucial,” or fundamental. . . . The crucial errors in their understanding, we must reject; but they were not half as misguided, or ignorant, as those foolish statesmen, who approach the present global situation with the delusion that the immediate weeks and months ahead are not a revolutionary interval of history, in the strictest sense of that term.

This is most clearly relevant in face of the presently onrushing revolutionary crisis in Russia today. It is crucial, that President Clinton and his policy advisors (among others) recognize, that whatever comes out of the months immediately before us, it will be a revolutionary change of some kind. At this moment, the prospect of a revolutionary change—of one sort, or another—inside Russia, is an agenda-item of high priority. . . .

Russia’s intellectual crisis

This issue of the truth about the French Revolution, is an essential part of the key to solving Russia’s most crippling intellectual crisis: the fact, that it has yet to undertake the needed scope and depth of rational review of the roots for what is popularly identified by many as “the failure of Soviet Communism.” Under Gorbachev, Russia leaped, blindly, out of the ship of Soviet Communism, into the most radically decadent slum of so-called “western” economy, and that with the combined zeal and awkwardness of a drunken sailor storming the bed of a common prostitute. One should not be astonished by the relevant result.

On the other side, we have national economies, such as those of the United States and Germany, which had

previously accomplished virtual “economic miracles,” until the late 1960s, through investment in development of infrastructure, and in energy- and capital-intense scientific and technological progress. Now, both are destroying themselves with the same monetarist carpetbagging tricks of “mergers and acquisitions” which have looted the remains of former Soviet national resources and capital improvements of Russia. At present, this has gone almost to the point that national extinction of Germany and the U.S.A. is now already visible, on the horizon a few years ahead.

If Russia does not change suddenly, it is doomed, and that very soon. If it attempts to change, without participation in early agreement to the appropriate, revolutionary “New Bretton Woods” system, Russia might survive as a national identity in the long run, but at the price of a terrible sacrifice in the medium-term. . . .

The coup from above will not succeed in even the relatively short-term. Symptomatic responses will not still the mounting disquiet. The actual source of energy for the political instability, must be addressed, directly. The heart of the solution is to recognize the real enemy. Since he is bankrupt, in fact, we have but to put him through the obvious, sensible, liquidation in bankruptcy, by means of which we may rid ourselves of that cause of our affliction, that parasite, once, and, hopefully, for all.

Those changes are the choice of revolution which must be made. If we fail to take that option, then we are doomed to other kinds of revolutions none of our nations were likely to survive. What we are seeing in the circumstances behind Russia’s recent coup from above, is the shudder of leaves at the edge of the oncoming storm. That storm will devastate us all, unless we quench, very, very soon, the religious fervor of that present lunatic majority among the policy-shaping set.

Prince Philip is 'hoist with his own petar'

Britain's Royal Consort Prince Philip's racism is nothing new, of course, but it seems that some among the British elites have decided to make an issue of it, as the accompanying cartoon by Steve Bell, published in the *Guardian* newspaper on Aug. 13, vividly demonstrates. (From left to right, the caricatures are of Conservative Party chairman William Hague, former Prime Minister John Major, former Prime Minister Margaret Thatcher, and His Royal Highness Prince Philip.)

On Aug. 10, Buckingham Palace was forced to apologize for a racist remark made by Prince Philip. According to the *London Times*, "The Duke of Edinburgh made his fastest public apology yet yesterday, after he made an insulting joke during a factory tour. The Duke pointed at an old-fashioned fuse-box at the Racal-MESL factory near Edinburgh and said it looked as if it had been 'put in by an Indian.'"

Within 2 hours and 14 minutes of Prince Philip's statement, Buckingham Palace issued the following announce-



ment: "The Duke of Edinburgh regrets any offence which may have been caused by remarks he is reported making earlier today. With hindsight he accepts that what were intended as lighthearted comments were inappropriate."

the special police unit jargon, that "everyone stays put." Continuing in a not so civil tone, he said, "Sergei Vladimirovich [Stepashin] and I are military servicemen, and we obey orders." Asked by journalists whether he would run for President next year, Putin replied, "I will."

Escalation in the Caucasus

The firing of Stepashin was closely linked with the interaction of the Caucasus crisis and the Russian internal political situation. The first ten days of August have witnessed a grave escalation of the war in the Caucasus republic of Dagestan. This was precipitated when bands of armed, British-controlled Wahhabite Islamic fanatics, of various ethnic origins, including Chechen, Dagestani, Arab, and Afghan, entered Dagestan from Chechen territory and took up positions in the mountains.

The question now is, how will the Dagestan crisis be exploited for unconstitutional moves in Russia as a whole. On the same day as the Yeltsin-Putin coup, the Wahhabite insurgents made the following proclamation: "We, the Muslims of Dagestan, officially declare the restoration of independence to the Islamic state of Dagestan." The declaration called on

"all Muslims" to help Dagestan get rid of Russian "occupants." The insurgents, adding yet another provocation, called on Chechen terrorist Shamil Basayev to head up their "state."

The first signs that the Putin government could use Dagestan as the pretext for police measures in Russia proper, were visible on Aug. 10, when the Moscow police said that they were beefing up security in the capital because of outbreaks of violence in the North Caucasus. Police were also reported to be taking control over key transportation and communications centers, such as train stations. Putin, in his first statement on the Dagestan crisis, announced that he would restore "order and discipline" to Dagestan. "We are facing the emergence of mass terror on Russia's southern border. . . . The situation in Dagestan will return to normal within a week and a half to two weeks," he said.

No serious observer agrees with his assessment, because there there are up to 2,000 Wahhabites lodged in the remote mountainous areas of Dagestan. They have come under heavy bombardment from Russian artillery and helicopter gunships, but even if, by some miracle, they were to be driven from Dagestan within two weeks, they would simply fall back to Chechen territory, regroup, and re-enter Dagestan.

Stepashin's response to the crisis had been tough, but measured, although there were problems with combat proficiency in some Russian units. Through Aug. 7-8, Stepashin had reiterated his stance that, while Russia would proceed with force to crush the Wahhabite armed groups, he would "not make the same mistake twice" and engage in indiscriminate action against Chechnya. This was a clear reference to his co-responsibility for the December 1994 decision to invade Chechnya. Stepashin was also sending a clear signal that he agreed with Chechen President Aslan Maskhadov, who had declared, correctly, that he and the Chechen government had had nothing to do with the armed incursions into Dagestan.

In short, Stepashin's inclination was to target what he called "bandits" in remote mountainous areas, but to avoid another Chechen-type quagmire. For this reason, Stepashin was in Dagestan on Aug. 8, working with Gen. Anatoli Kvashnin, Chief of the General Staff and Gen. Col. Ovchinnikov, Commander of Russia's Interior Troops, on how to proceed.

Oil and NATO

But, the Dagestan crisis has another dimension, of far greater strategic consequence. Dagestan is the Russian Federation's Caucasus republic through which Caspian Sea oil pipelines run. It is also the republic that links Russia to Azerbaijan, which, since the dissolution of the Soviet Union, has been an independent republic.

In the words of one British specialist on the Caucasus, "The real prize is Azerbaijan." He explained: "That's where the oil wealth is. If Dagestan falls to the rebels, Azerbaijan is just over the border. The Lezgin ethnic group is on both sides of the Dagestan-Azeri border, and they could be expected to make their claims. There are various options that would become possible. What would happen, in any case, is that Azerbaijan couldn't defend itself, and it would call on NATO for protection. If that happens, NATO will come in, in some form, likely predominantly Turkish forces. [Azeri President] Heidar Aliyev has already asked for NATO help."

Since the beginning of this year, Aliyev, a wholly owned British asset, and cohort of Al Gore, has openly asked NATO, the United States, or Turkey, to establish military bases on its soil. Although no firm plans have been announced, U.S. Defense Secretary William Cohen, during a recent visit to neighboring Georgia, reiterated NATO's willingness to allow such Caucasus republics to join the alliance. Such an extension of NATO, Moscow has made known, constitutes a "red line" which dare not be crossed.

Were this insane option to be pursued, by British geopolitical maniacs of the likes of Zbigniew Brzezinski, there is no doubt that Russia would perceive a NATO move as a threat to the existence of Russia itself. As Lyndon LaRouche warned in a campaign statement on Aug. 12, this could become the trigger for thermonuclear confrontation.

The southern Eurasian potential

British monarchic interests are intent on destroying the growing potential for the entire belt of southern Eurasia—extending from the Balkans and extending through the Caucasus, the Caspian Sea region, and onward across the South Asian Subcontinent into Southeast Asia—to become a beehive of cooperative infrastructure development. This potential was highlighted in EIR's January 1997 Special Report, "The Eurasian Land-Bridge: The 'New Silk Road'—Locomotive for Worldwide Economic Development." Here we present excerpts from that report.

Practically unnoticed by most Western commentators outside of LaRouche and EIR, the concept of reviving the old Silk Road has become the focus of a profound strategic shift in the relations among the nations of southern, central, and eastern Asia. Although the process of reordering the strategic map of Eurasia was first set into motion by the collapse of the Soviet Union, the growing momentum toward regional cooperation and development around a policy for a New Silk Road has so far been centered on China and Iran. That policy is drawing support from an ever larger circle of nations of the region—including Turkey, the Central Asian nations, Russia, Pakistan, and India. The growing momentum behind the New Silk Road land-bridge development policy opens the way toward gradually overcoming the countless conflicts and hot spots in this part of the world, and realizing the common economic interests of the nations and peoples through concrete projects. Above all, *speed* is of the utmost importance in realizing the promise of the New Silk Road: Concrete, positive developments must be achieved as soon as possible, in order to reduce and finally eliminate the potentials for geopolitical manipulation and sabotage from the side of London and its allies. . . .

The rail development, agreements, and mutual understandings between Iran and Turkey, with the encouragement of China and some other states, point to a potentially very far-reaching shift from an earlier, aggressive competition for influence in Central Asia and elsewhere, toward a consensus in favor of long-term cooperation. Numerous transport and energy projects are on the table, or have already been launched, reaching out from Iran eastward to Pakistan and India (see below), and northward through the Caucasus and Central Asia to Russia. Iranian Foreign Minister Ali Akbar Velayati provided the following interesting formulation of his government's policy: "We cannot have a peaceful country in a region plagued by instability, and we cannot have a rich country in a region of poverty."

Besides railroad projects, the most important cooperative projects under discussion so far are directed at utilizing the enormous resources of oil and natural gas in the Persian Gulf and Caspian Sea region. . . .

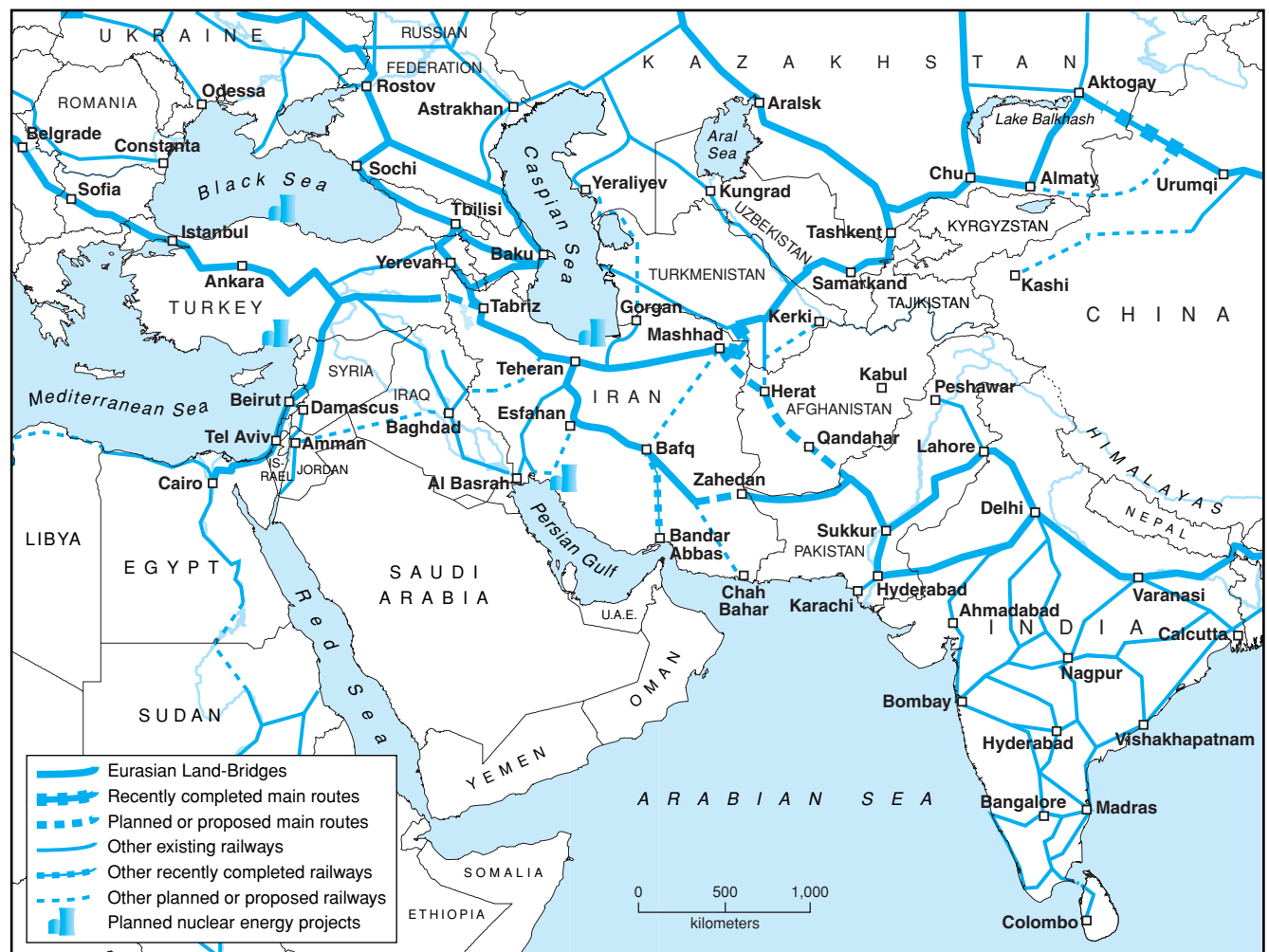
On the horizon of this complex process of negotiations and projects, are the outlines of a future *Eurasian pipeline network*. Such a network would transport oil and gas from the Caspian Sea/Persian Gulf region, not only to Europe (including Ukraine and European Russia), but also eastward, to Pakistan, India, China, and Japan. At the same time, however, the Eurasian-wide network could permit a more economical exploitation of other oil and gas reserves, including those in Siberia, giving them access to the fast-growing markets in Southern Asia.

Exactly this sort of idea is being strongly promoted by China, Japan, and other East Asian countries, sometimes in the form of a "Pan-Asia Continental Energy Bridge," which would consist of oil and gas pipelines linking China, Central

Asia, Russia, the Middle East, Japan, and South Korea. This topic was brought up during the May 1996 "Eurasian Land-Bridge" conference in Beijing. . . . As noted there, the available petroleum sources in the eastern part of China are already being depleted by that country's rapidly growing energy consumption. Although large reserves exist in northwest China, these require much greater investment.

For the newly independent nations of Kazakstan and the Central Asian republics Turkmenistan, Uzbekistan, Tajikistan, and Kyrgyzstan, the New Silk Road is synonymous with hope for the future. Covering an area approximately twice as large as all the countries of the European Union combined, and strategically located between China, Russia, and Europe, this vast region is endowed with a rich historical-cultural tradition, a multi-ethnic population of some 53 million, and some of the largest deposits of oil and gas, strategic metals, and other mineral resources in the world. It also has some serious problems. . . .

FIGURE 1
Southwest Asia: rail routes and nuclear energy projects



The economic crisis in Central Asia includes many aspects typical also of the situation in other parts of the former U.S.S.R.: breakdown of agriculture due to lack of machinery and replacement parts, formerly supplied from other areas of the U.S.S.R.; breakdown of industrial production, for similar reasons; lack of supplies of crucial materials; loss of former markets. These problems have taken on particularly monstrous proportions in Kazakstan and the Central Asian republics.

The situation in the Central Asia is also complicated by the intervention of foreign interests, who are grabbing for control over oil, gas, and the other, vast mineral resources of the region. The struggles over petroleum resources and pipeline routes around the Caspian Sea area are already well

known. On another front, the Japanese Chromium Corporation has bought a controlling interest in Kazchrom, which has the second-richest chromium deposits in the world and produced 97% of the chromium consumption of the Soviet Union. Many more examples could be given. There is a great danger, that the entire region will fall back into the destructive chaos of the British-orchestrated "Great Game" at the beginning of the century.

Today, only the rapid development of the Eurasian infrastructure corridors, can effectively overcome the present crisis, and provide the means to tap the enormous economic potential of the region. Indeed, Kazakstan and the Central Asian republics occupy a central position within the entire system of transcontinental corridors.

FIGURE 2
Central Asia rivers, canals, water diversion projects, and irrigation areas



Pentagon, GOP push Korean missile crisis, as Clinton asks for calm

by Our Special Correspondent

The same Anglo-Israeli-aligned right-wing networks in the Pentagon and U.S. Congress who are pressing for a new Cold War with China, are determined to provoke an international crisis if North Korea conducts a missile test soon, despite the Clinton administration's appeals for calm.

House International Relations Committee Chairman Benjamin Gilman (R-N.Y.) and Senate Foreign Relations Committee Chairman Jesse Helms (R-N.C.), abetted by a network of "leakers" inside the Pentagon and elsewhere in the intelligence community, are acting to exacerbate U.S.-China relations, already terribly strained by the U.S. bombing of the Chinese Embassy in Belgrade; the Cox Report, accusing China of stealing missile secrets from U.S. weapons labs; and other "Yellow Peril" publicity stunts.

Beyond the steady stream of "classified" leaks from the Defense Intelligence Agency and the CIA to the *Washington Times* and to the Gilman and Helms circles in Congress, elements inside the Clinton administration itself are playing into the climate of confrontation around the upcoming North Korean missile test.

Cohen in Seoul

During a recent tour of Japan and South Korea, U.S. Defense Secretary William Cohen contributed to the crisis atmosphere by issuing a series of statements that, not surprisingly, provoked an immediate reaction from the North Korean government. De facto, some of Cohen's remarks contradicted recent policy statements from the President's circles, and even from the U.S. State Department.

In Seoul on July 29, at a joint news conference with Secretary Cohen, South Korean Defense Minister Cho Sung-tae announced that "Secretary Cohen and I agreed to mobilize all available means" if North Korea goes ahead with a Taepodong 2 missile launch, which Pyongyang seems likely to do between Aug. 15 and Sept. 9. Asked whether and what kind of military measures he was considering in the event of a launch, Cohen refused to rule out a military action by the United States. He said that there would be "a number of negative consequences" which "it would not be appropriate for me to spell out in advance. . . . There would certainly be diplomatic and economic consequences, and beyond that, we would have to reserve our judgment . . . of what might be an

appropriate response." He added: "No one can predict the consequences of what might happen in the event of a missile launch."

Cohen's statement "was precisely aimed at finding a pretext to ignite a war," the Pyongyang Korean Central News Agency quoted a North Korean Foreign Ministry spokesman as saying on Aug. 4, an unusual citation of any American official by name. "Whether we test-fire a satellite or a missile is a legitimate, independent right to be exercised by a sovereign state."

Some in the Pentagon argue that even if North Korea only tries to orbit a satellite, as they did on Aug. 31, 1998, it shows that Pyongyang has the booster thrust to launch an ICBM to hit the U.S. mainland, and must be stopped.

The Congressional GOP kooks are also targetting South Korea and China as well, as an interview with Gilman's office made clear on Aug. 3. South Korean President Kim Dae-jung is defying the International Monetary Fund (IMF) by bailing out Daewoo Co. and other South Korean firms, instead of selling them to foreigners, and insisting on his "Sunshine" policy of détente with the North, a Gilman aide said on Aug. 3. "So, increasingly, no one is listening to Kim on Capitol Hill."

Kim, Clinton seek peace

South Korea's President Kim Dae-jung is directly asking for China's help to cool the crisis, a variety of sources report. President Kim told Cohen on July 29 in Seoul that the best thing to do is to "enlist support from China, North Korea's closest ally, and [from] Russia," to convince Pyongyang not to launch a missile, Seoul's *Chosun Daily* reported on July 29.

North Korean leader "Kim Jong-il may go to China before the launch date and the Chinese may actually be able to head the launch off," one source said on Aug. 3.

The Clinton administration's approach has been to ask for calm. President Clinton's personal friend Prof. James Laney, who was U.S. Ambassador to South Korea during 1993-97, told a Washington press conference sponsored by the New York Council on Foreign Relations on July 27, that a North Korean missile test should not be seen as an "apocalyptic event." He added that it is important to stand by President Clinton's 1994 Agreed Framework peace agreement with

Pyongyang, in any case, because “that stands as the major bulwark against the return to the kind of possible military confrontation that we were heading toward in 1994.”

“If the North Koreans test, we shouldn’t cut off our nose to spite our face,” State Department spokesman James Rubin said on Aug. 2, adding that the administration intends to continue with the Clinton 1994 Framework Accord with Pyongyang whether or not they launch. “The agreed framework is a very important instrument that benefits the security of the United States and the countries in the region,” Rubin said. “And we would intend and want to see that program and agreement continued, even if we have problems and serious concerns about the missiles.” Rubin said that the 1994 Framework Accord has played a “critical role” in preventing North Korea from developing nuclear capability, and hence it is in U.S. national interest.

Pentagon provokes Japan

Some elements inside the Pentagon seem intent on inciting public hysteria in Japan, in particular, through provocative leaks to the Tokyo media. Tokyo’s *Sankei News* on Aug. 2 ran an article citing photographic information, “clearly confirmed by U.S. intelligence satellite reconnaissance,” about the details of North Korea fuelling up its missile for launch.

“North Korea is improving and expanding facilities at its ballistic missile launch base on the east coast, . . . constructing facilities for storing and injecting liquid fuel and oxidizing agents inside the compound of the launch base,” *Sankei* reported. North Korea is also “building a pipeline linking the launch pad to the two facilities under construction. . . . The construction of the two facilities and the pipeline was clearly confirmed by U.S. intelligence satellite reconnaissance,” the newspaper quoted U.S. and Japanese defense sources as saying.

Meanwhile, Japan’s Defense Agency has been given “U.S. military data” to prepare an estimate of damage if Tokyo were struck by a North Korean missile, Japan’s *Mainichi* newspaper reported on Aug. 1. After North Korea’s August 1998 test, the Defense Agency formed an “Emergency Response Committee” to study the threat of a North Korean attack on Japan, the newspaper said. “Using U.S. military data, the committee forecast that a missile carrying a biological warhead could kill or sicken up to 120,000 people if it struck central Tokyo.”

Thatcherites: Break Korea

As for the right-wing Republicans in the U.S. House and Senate, they, too would like to break Korea, South and North alike, to ensure that Korea is never unified as a “second Japan,” which they see as a threat to their geopolitical notions of “American” Asian interests.

Asked about the relationship between the North Korea missile crisis and the Daewoo Corp. crisis, in which South Korea’s Kim Dae-jung government has been refusing to bail

out foreign banks or sell companies to foreigners, an aide to Gilman said that he wants to break both South Korea’s economy, and Kim’s policy of détente with the North, for good. “Kim Dae-jung is still calling for his ‘Sunshine’ policy toward the North,” he said, and President Kim “has been using the big *chaebol* [conglomerates]—like Hyundai and Daewoo [which carry on large-scale trade with the North]—as intermediaries for his Sunshine policy, and so he’s been protecting and babying the big *chaebol*, just like he’s babying North Korea.”

Asked if he agreed with recent *New York Times* charges that President Kim is undermining the IMF reform by protecting the *chaebol* from foreign takeovers, Gilman’s aide said, “Yes, and the point is: Kim’s bailout of Daewoo shows that the IMF reforms are stalled, and the missile launch shows his North Korea policy is a failure. So, increasingly, no one is listening to Kim on the Hill. . . .

“The South Koreans don’t understand that this is no longer about the safety of Seoul and the 37,000 Americans there. North Korea is about to show it can hit the U.S. with the next missile launch—so this is about the safety and security of 3.5 million Americans in Seattle.”

If North Korea does launch and the Clinton administration tries to maintain relations, the Gilman crowd plans to go over the President’s head to rip up the 1994 accord with Pyongyang. After any launch, “We will move to get tough with the administration and force them to turn the aid ships around right away,” Gilman’s aide said, referring to the famine relief for the North. “Congressman Gilman will mark up his H.R. 1835, the ‘North Korea Threat Reduction Act,’ ” which cancels most of the existing 1994 Framework peace accord with North Korea, “and move it to the House and Senate” for a vote, he stated.

The bill’s “official title is ‘A Bill to Impose Conditions on Assistance for North Korea,’ and it does,” the aide said, including:

- Codification of sanctions: “We took the language straight from the Helms-Burton Act on Cuba, and we’ve written it into law, that the administration can’t lift current trade sanctions on North Korea without obtaining a new act of Congress. The big carrot Clinton has had on the table is, the lifting of sanctions against North Korea, which the administration can do right now of their own accord.”

- Conditions on food aid: “We are demanding ‘no-notice’ challenge inspections and food aid monitors to go wherever the food is with Korean speaking monitors,” which North Korea will never accept, thus cutting off food aid to the country.

- Restrictions on delivery of fuel.
- A freeze on nuclear components.

“All these could be enacted into law by October, but we can also pass immediate amendments to get the administration to turn the aid ships around right away,” Gilman’s assistant said.

Chávez's Jacobin Constituent Assembly moves forward in Venezuela

by David Ramonet

The International Monetary Fund's Jacobin revolution in Venezuela took a huge leap forward in late July, after President Hugo Chávez Frías succeeded in placing nearly every individual of his choice on his "National Constituent Assembly." But Chávez's stunning victory is not solely due to the popular support he enjoys, or even to the political machinery backed by the state, but is also due to the cowardice and ineptitude of the opposition, which practically abandoned the battlefield and adapted to the rules set by Chávez. He who fails to fight, is guaranteed to lose.

In the first place, both traditional parties — the social democratic Acción Democrática and the Christian Democratic COPEI — as well as the Proyecto Venezuela party of the leading Presidential candidate who had opposed Chávez, Henrique Salas Romer, all agreed to participate in the election of an illegitimate and illegal Constituent Assembly. That Assembly was convoked by a referendum which was passed by a mere 36% of the electorate. None of the opposition parties opposed the referendum. Later, to their shame, none of these parties offered any official candidates to the Assembly, concluding ahead of time that the electorate would reject anyone identified with them. When it was already obvious that the electoral process was entirely under the President's control, no one dared to take any effective measures to stop him.

In the face of this clinical cowardice, the first thing the Assembly did upon being seated, was to proclaim itself the sole political power in Venezuela, above the standing constitutional powers. It is now moving to dismantle all of the nation's institutions, creating in Venezuela a replica of the disintegration today taking apart neighboring Colombia.

To emphasize the disastrous regional and strategic implications of the Chávez revolution, the government has just announced, through Foreign Minister José Vicente Rangel, that it plans to hold direct bilateral "negotiations" with the FARC-ELN narco-terrorists in Colombia. Venezuela will hold "talks with whoever has the power," said Rangel, in an open slam at the Colombian government, and at the sovereignty of that country.

The Chávez Constituent Assembly

With a 53% abstention of the registered voters (some 80% of the voting-age population), 128 of the members of the

National Constituent Assembly (NCA) were elected on July 25, of whom 123 were practically personally chosen by Chávez. The other three members of various organized indigenous groups who make up the 131 NCA members, were elected in an ad hoc assembly, despite the strong opposition of various organizations which complained of the manipulation involved in that election.

Chávez used every state resource at his disposal to guarantee that the only candidates known to the expectant Venezuelan electorate would be his personal candidates. Thus, among the more than 1,000 aspirants, the only ones who were fully identified were Chávez's 123 candidates.

The President's candidates accompanied him everywhere, throughout the campaign — and even before the formal campaign was launched. They enjoyed the advantage of official television and radio propaganda, for which purpose President Chávez initiated official programs, "Up Front with the President" on television, and "Hello President" on radio. Personnel from the national Armed Forces even took charge of running campaign appearances, with spokesmen from the opposition denouncing the fact that soldiers were distributing Chávez propaganda, to which the President reacted indignantly.

Chávez has learned how to channel the legitimate discontent of the population against traditional political leaders, in particular against those who have chained Venezuela to the moribund globalization policies of the IMF, such as former President Carlos Andrés Pérez. Chávez has directed Venezuelans' considerable fury against these politicians, identifying them with the country's political and social institutions, and thereby distracting the electorate's attention from the financial crisis and economic depression that has been caused by these same globalization policies and institutions. However, Chávez's no longer demonizes the IMF, and he calls for the help of pirates, such as global speculator, drug legalization advocate, and British-controlled George Soros, to come and "invest" in Venezuela.

All power to the soviet

The National Constituent Assembly was installed one week after the elections, and the "Chavista" majority named Luis Miquilena as the Assembly's president. Miquilena is the

octogenarian leftist politician viewed by Chávez politically, as “like a father.” Three days later, the “Chavista” majority approved the internal guidelines of the NCA, which begin by proclaiming the NCA as above all institutional powers, including the executive, legislative, and judiciary branches of government, despite the explicit mandate of the referendum which convoked the NCA, which denies it such a nature and which charged it solely and exclusively with drafting a new Constitution.

As was foreseen, Chávez was the first to publicly support the NCA’s statement. After it was installed, Chávez appeared before its delegates to “offer to resign the Presidency should they so desire,” to present his proposal for a “Bolivarian Constitution,” and to ask them to declare a national emergency. From their position of absolute power, the NCA’s leaders answered that they would declare the emergency sought by Chávez, and did this without even discussing the issue with the entire Assembly, something which was apparently considered superfluous. Based on this emergency, they are prepared to fire “corrupt” judges as well as any state governors who are disaffected with Chávez.

It was not necessary to dissolve the National Congress: the legislators declared themselves “in recess,” in effect dissolving themselves, and went home, leaving a delegated commission behind to “collaborate” with Chávez’s Assembly, as necessary.

A histrionic moment

If it weren’t for the drama, one could say that under Chávez, Venezuela is experiencing not an historic moment, but a histrionic one. Three days after the Constituent Assembly elections, Chávez celebrated his 45th birthday with a mass meeting in the middle of Caracas. There, Chávez announced that on Aug. 5, he would be presenting the NCA with his personal plan for a constitution, and he gave the NCA delegates three months to approve it. He set Nov. 7 as the date for holding a referendum to approve the constitution, and Dec. 12 as the date for electing new legislative and judicial authorities. On Jan. 1, 2000, he said, “the Fifth Republic will be born.”

Among other of Chávez’s histrionics, he said that he was happy to be “a barefoot guy,” and reminded his listeners that it was only 12 years ago that he put shoes on his feet for the first time.

But, he did not say that those were different times. Now, Chávez is visited by Giovanni Scutaro, an internationally famous fashion designer from Caracas. Chávez changes his clothes three times a day, and any one of these outfits carries a price equal to what any “barefoot guy” might earn in a year in Venezuela. Chávez, upon becoming Venezuela’s President-elect, asked Scutaro to be his adviser, according to Scutaro himself, “in the name of the miracle of rejuvenation that he had achieved with CAP [Carlos Andrés Pérez] ten years earlier, by designing his now renowned shirt-jackets,” according

to the newspaper *El Universal* of May 11.

International fashion is one of the activities promoted by Chavez’s Foreign Minister Rangel. On July 20, for example, the historic headquarters of the Foreign Ministry, known as the “Yellow House,” was decorated in gala fashion to sponsor an event, “Fashion and Music in the Yellow House,” organized by Rangel’s wife, Ana Avalos de Rangel, and by Osmel Sousa, president of the Miss Venezuela organization (owned by the Rockefellers’ favorite magnate, Gustavo Cisneros). It attracted the participation of all the glitterati of Venezuela’s fashion world.

Profile of a demagogue

On the evening of July 25, in the company of his wife Marisabel, President Chávez came out on the balcony of the Presidential palace, now baptized as “the balcony of the people,” in what everyone compared to the famous appearances of Argentina’s Domingo Peron and his *Evita*. As is his custom on these occasions, he cited the Bible and *El Oráculo del Guerrero*, (“The Oracle of the Warrior”) to ask for “humility with the defeated” from his followers.

El Oráculo del Guerrero is an esoteric book which Chávez is never without. It was written by Lucas Estrella Shultz, a Chilean doctor who converted to Zen Buddhism, and is now dedicated to Tui Na.

“Jump from the precipice. Risk everything and take off. Although everything out there tells you you will die, try it. The hand of the Almighty will pick you up at the last minute. Feel the horror seize upon you during the fall. But do not doubt. If you do, you will die. Be confident that nothing will happen to you. And land softly,” is one of the passages in the book.

There is no more apt description of what is going on with the Venezuelan economy, and the speech with which Chávez seeks to convince Venezuelans to go along with a repeat of the same globalist model that already sank the banking system once before, and has kept the productive apparatus prostrate since then.

In a speech inaugurating the Fifty-Fifth Assembly of Venezuela’s Federation of Chambers of Industry and Commerce, two days following the NCA elections, Chávez explained that, thanks “to the results of the Assembly, confidence will be generated” among investors. And thanks to “the seriousness of our commitment, Venezuela is once again having an impact on the markets.” And, in fact, the *Wall Street Journal* has positively reported on Chávez’s new Constituent Assembly, assuring its readers that it will not negatively affect the activities of usury in Venezuela.

With income increasingly concentrated among 3% of the Venezuelan population, and a level of unemployment which has already reached the so-called “informal economy,” it remains to be seen whether three months will be enough time to hold the pieces of the disintegrating Venezuelan economy together.

India shows a keen interest in Central Asian affairs

by Ramtanu Maitra

After years of virtual silence on Central Asia policy, in July, India issued an important statement bringing developments in Central Asia into the center of its foreign policy decision-making process. At a two-day international conference to commemorate the 90th anniversary of the birth of the late Tajik Academician Babajan Gafurov, on July 28-29 in New Delhi, Prime Minister Atal Behari Vajpayee assured more than a dozen academics and experts from Central Asia and a large number of delegates from China, Russia, and India, that New Delhi “must do much more to realize the full potential of this rich geo-cultural family, of which we were and we will continue to be members.”

On the dias were the Chairman of the Maulana Azad Institute of Asian Studies of Calcutta, Dr. Devendra Kaushik; the Director of the Institute of Oriental Studies, Moscow, Dr. R. Rybakov; and Union Minister for Human Resource Development, Dr. Murli Manohar Joshi.

Prime Minister Vajpayee reminded the large audience at the inauguration of the conference that “if countries of South Asia and Central Asia have to once again journey along the path of prosperity and happiness, they must take the route of peace, friendship, and cooperation.”

Need for peace, friendship, and cooperation

It is only natural that the Indian Prime Minister chose this occasion to emphasize the necessity for “peace, friendship, and cooperation.” Since last fall, militants had infiltrated into Indian Kashmir from Pakistan, carrying the flag of Islamic *jihad*, to wage irregular warfare against the Indian Army. Their objective was to capture territory and spread terrorism and militancy eastward. As the conference progressed, it became evident that the security of Central Asia, and the adjoining areas of India, Russia, China, and Pakistan, was foremost in the minds of most of the delegates.

While a number of Central Asian delegates focussed on Academician Gafurov, his life and works, their fear of mounting threats to Central Asia, from within and outside the region, was evident whenever they spoke. Indian academics and Central Asian scholars expressed similar opinions, insisting that “the concept of sovereignty must be complemented by the

concept of a country’s international responsibility before the global community for maintaining the existence of the seats of terrorism.” One Uzbek scholar pointed out that while his country seeks peace and stability in Central Asia, it is “not indifferent to the situation in neighboring Tajikistan and Afghanistan, the Indian state of Jammu and Kashmir, and Chechnya.” He also noted that “the sad and tragic experience of terrorism accumulated on the Indian territories of Jammu and Kashmir has spread, yielding frightening fruit in Tajikistan and Chechnya.”

At the end of the conference, Chief Minister of Jammu and Kashmir Dr. Farooq Abdullah returned to the same theme. He told the Central Asian delegates that the Islam which is now preached across the Central Asian countries and Afghanistan and Pakistan, is not the Islam he or any devout Muslim knows. This is political Islam, and it can be defeated only through the combined efforts of like-minded Muslims of the entire region. He turned to the Chinese delegates and said that, today, India is the victim of this form of fundamentalism, but the days are not far away when China, as well, will be a victim. Seeking cooperation from the Chinese delegates, he said that roads between India and China should now be opened up, no matter who owns which part of the disputed territory. Such interaction between India and China, he said, is extremely urgent to fight the terrorism that is haunting his land.

Among the Central Asian delegates, the other common themes addressed were the rapid development of the multi-party nature of social and political structures, the secular character of society, and “the synthesis of the moral foundations of the Islamic culture.” They made it clear that the emergence of extremism in their respective countries is not a result of the nation’s and society’s development.

These phenomena—extremism and terrorism—are alien to the spiritual culture of the regional people. Rather, these phenomena have “emerged in our country as a result of the activities by special services of a number of unfriendly states, as well as cross-border terrorism and extremism,” said Uzbek scholar Abdulkhafiz Jalalov, Director of the I. Murninov Philosophy and Law Institute, Academy of Sciences, Republic

of Uzbekistan. The delegates were categorical in pointing out that the Afghan war of the 1980s, following the Soviet invasion, had been the single most important reason why the region is presently burdened with this menace. At the same time, the Central Asian delegates seemed confused about the way “democracy” is taking root in that region. They conveyed clearly that, while they welcomed the multi-party system, the same multi-party system is a hindrance in addressing many key issues.

A retired Indian Brigadier, Mulk Raj Anand, speaking on terrorism and violence, focussed on a different angle. He claimed, citing instances, that “a terrorist of today is not a patriot—no intellectual motivated by a cause.” The terrorist of today is a mercenary ready to kill for self-fulfillment and, hence, he pointed out, terrorism cannot be confined any longer within a geographical boundary. “It is like a virus that can go anywhere,” he said.

Growing threats of separatism

Although a number of participants did not agree with Brigadier Anand’s views, it is a fact that a large number of intruders who had crossed the Line of Control in Kashmir, and were identified as mujahideen, were indeed paid mercenaries and criminal elements from various Arab and Maghreb countries. Most of the fighting was done by the Pakistani Army regulars who had donned the mujahideen garb in order to mislead the media and give the appearance that the Pakistani Army was not directly involved in the infiltration. Incidentally, these mercenaries are still active in Kashmir, and those who have returned are only the Pakistani Army regulars, who were called back by Islamabad.

One Indian academic from Aligarh Muslim University, Prof. Mansura Haidar, pointed out that a similar proxy war is going on within Central Asia. This war, conducted by “mischief-makers, has been waged through the incitement of ethnic groups highlighting such issues as multi-lingualism.” She said that these “mischief-makers” are in the process of exploiting historical misunderstandings between the Tajiks and the Uzbeks, in the hope that these nations will indulge in full-fledged internal wars.

Prof. Xu Tao of the China Institute of Contemporary International Relations (CICIR) pointed out that there is practically no difference between the Central Asian nations, China, India, and Russia. Following the collapse of the Soviet Union, both Russia and Central Asia have been plunged into severe economic problems. China is also encountering many problems that arose out of economic reforms. Under the circumstances, all the countries in the region require stability. He said that while this is the basic requirement, Islamic extremism has raised its ugly head, posing problems to all, including China and Russia. He said Wahhabism has been exported to Uzbekistan and Kyrgyzstan, but this form of sectarian Islam has also established its roots in China’s Xinjiang province. The situation has become more serious since the Kosovo crisis.

Now, separatism has been given a shot in the arm and is expected to spread, Professor Xu said.

Giving an overview of the geographical location and the bilateral relationships in the region, Prof. Yang Shu, Director of the Institute of Central Asian Studies of Lanzhou University in Lanzhou, China, said that the Central Asian nations have adopted a common foreign policy. The Western nations and Japan have little contact with these countries, but Central Asia had been Russia’s traditional sphere of influence. The weakening of Russia materially, however, has also weakened its influence over Central Asia.

China, another large neighbor, has maintained contacts with Central Asia for 2,000 years. Since the collapse of the Soviet Union, China has made active efforts to enhance its relationship with the Central Asian nations. In 1996, China, Russia, Kazakstan, Kyrgyzstan, and Tajikistan signed an agreement to strengthen military trust and reduce military forces along the borders. This agreement has greatly contributed to, and guaranteed regional security. But the economic trade between China and Central Asia has not grown at a satisfactory rate. He said that the Second Eurasian Continental Bridge has not produced the desired effect. In 1998, trade across the Altai Mountains pass was only 2.63 million tons, and it is time that China, Central Asia, and other concerned countries increase their efforts to make more substantial, profitable use of the New Silk Road.

Professor Yang noted that as soon as the Central Asian nations had become independent in the early part of this decade, Islamic nations had begun to strengthen their already-existing links with these nations. Unfortunately, the Economic Cooperation Organization, formed in 1992 by Turkey, Iran, Pakistan, and five newly independent Central Asian countries—Kazakstan, Kyrgyzstan, Turkmenistan, Tajikistan, and Uzbekistan—has not produced any marked effect.

Added threats

Broader strategic threats, due to the growing vulnerability of the Central Asian nations and weakening of Russia, were brought up on the second day by the Schiller Institute delegate, Michael Liebig. In his paper on “NATO, the Emerging ‘Eurasian Triangle’ and the Caucasus/Central Asia Region,” he pointed out that the North Atlantic Treaty Organization’s air war against Serbia was to demonstrate the following:

- Russia, internally exhausted by the International Monetary Fund (IMF)-dictated so-called economic “reform” policies, no longer had a decisive say on the Balkans;
- China could no longer expect that it would be accepted, within the framework of the UN Security Council, as a global strategic partner;
- A strategically weakened continental western Europe, Germany and France, in particular, was “taught a lesson,” and the whole affair exhibited that western Europe lacked the political and military-strategic strength to oppose geopolitical

designs emanating from within the Anglo-American establishment.

- The air war, which brought economic and infrastructural destruction to Serbia, was also designed to close the gap between NATO in western-central Europe, and NATO member Turkey, which has special military ties with Israel. In other words, the Serbian invasion was also designed to establish a land corridor connecting the European Atlantic coast to the Caucasus/Central Asia region.

The last point, Liebig said, is not simply a geopolitical hypothesis. Former U.S. National Security Adviser Zbigniew Brzezinski, a geopolitician in the British mold, has described the Caucasus/Central Asian region in his book, *The Grand Chessboard*, as the “Eurasian Balkans,” indicative of the operational policy of the British-American-Commonwealth (BAC) power group. Liebig claimed that, in some areas of the Caucasus/Caspian Sea region, “indirect” politico-military intrusion of the United States, Turkey, Britain, and/or NATO is already occurring. Both Azerbaijan and Georgia, he pointed out, are calling for their republics to “join NATO,” “to establish U.S. or Turkish bases,” or “to bring in NATO or U.S. peace-keeping forces.” This is happening despite the fact that Russia has told the United States and its European NATO allies that any attempt by NATO to expand, and incorporate, directly or indirectly, any of the former Soviet republics, would constitute a “red line” not to be crossed. Liebig said, the word “any” includes the Baltic republics, Estonia, Latvia, and Lithuania, and the Caucasus republics of Georgia, Armenia, and Azerbaijan.

How will the U.S. define its role?

Liebig cautioned that neither NATO nor the United States can be viewed as monolithic entities, and that the core of the problem lies in how the United States will ultimately define its role as the world’s sole superpower. The new NATO strategy has been under intense discussion since January 1998. Threats to all the Central Asian countries will grow significantly if Washington caves in to the BAC power group within the establishment, which is pushing for a neo-imperial definition of America’s superpower role.

These developments, nonetheless, have now created concerns in the “Eurasian Triangle,” which consists of the region located between the apexes on which sit Russia, China, and India—three populous and powerful nations. Liebig warned that, if the new alliance takes the form of an “Euro-Atlantic” power bloc, which challenges the “Eurasian” bloc to a new Cold War, the situation will get out of hand. It is, therefore, of prime necessity that a “geopolitical counter-design” be activated.

The political-strategic and military cooperation in Eurasia among China, Russia, and India, needs a sound economic basis. Liebig pointed out that, in this context, the most important element is the economic development of the Eurasian Land-Bridge, or the New Silk Road, which the Schiller Insti-

tute and Lyndon LaRouche have been promoting since the early 1990s. The Eurasian Triangle will work best when it adopts the Eurasian Land-Bridge, which would provide the region a source for long-term economic benefits and regional stability.

The Eurasian Triangle must also act quickly, in the context of the manifold crises globally which are leading the present financial system to a massive and devastating collapse. None of the institutions, such as the IMF or the G-7 governments and their central banks, Liebig pointed out, have been able to restabilize the highly unstable financial system. He warned that the global financial-economic crisis has a dangerous strategic dynamic, in which there exists the possibility of the economic-financial crisis becoming a military-strategic crisis.

How China views the situation

Chinese foreign policy expert Prof. Ma Jiali of CICIR, in his paper “Geostrategic Situation in, and Big Powers’ Policies in Central Asia,” pointed out that he is certain that “relevant big powers will intensify their rivalry in the region, and, being poor and weak, the Central Asian countries could hardly resist foreign influences.”

Professor Ma said that while Russia will try to exercise its influence over Central Asia, the United States will also try its best to foster favorable sentiment. In order to deal with this situation, he suggested that the Central Asian nations should adopt an all-directional diplomacy. First, they must balance their policies toward Russia and the United States. Second, they must move quickly to develop good relations with all other countries.

Agreeing fully with Liebig’s analysis of events, Professor Ma noted that the United States began to focus more on Central Asia after realizing its strategic position in Europe this year. He said that the United States has always considered Central Asia to be a very important area, and, by making use of NATO expansion, the United States is making a bold attempt to move into Central Asia. This policy was helped by the growing “westward inclination” of the Central Asian nations.

Professor Ma made it clear that China will nonetheless maintain good relations with the Central Asian nations. The annual summit meeting among China, Russia, and the five Central Asian nations, which began in 1996 and has occurred every year since, has set the stage for achieving regional peace and stability. Professor Ma assured the audience that China will build its future relationship with the regional countries based on trust and mutual dependence. This will involve economic and trade cooperation in fields such as communications, transportation, and oil and gas exploration. At the same time, China and India have shown a common desire to weaken the influence of fundamentalism in the area, and this itself should form the basis for a common bond among the Central Asian nations, India, China, and Russia.

U.S. State Dept. blocked FBI-Sudan cooperation on embassy bombings

by Linda de Hoyos

The U.S. State Department thwarted an investigation into two suspects in the Aug. 7, 1998, bombing of the U.S. embassies in Dar es Salaam, Tanzania and Nairobi, Kenya, which had killed more than 250 people, including 12 Americans, according to reports from MSNBC news filed on July 29.

MSNBC international editor Michael Moran reported that on Aug. 8, 1998, one day after the bombing, authorities in Sudan arrested two men they considered suspects in the Nairobi bomb-attack. The two were arrested as they stepped off a Kenyan Airways flight direct from Nairobi, because they were holding fake Pakistani passports. The Sudan government immediately informed the United States government that it was holding two suspects in the bombing, and invited U.S. law enforcement officials to Sudan in order to interrogate the two. But, according to Moran, the FBI's attempts to take up the offer and carry out the investigation in Sudan, were blocked by the U.S. State Department.

Instead, on Aug. 20, 1998, without warning or even an official protest lodged against Sudan on the U.S. embassy bombings, U.S. cruise missiles demolished the Al-Shifa pharmaceutical plant in Khartoum, Sudan, on the basis of reports—now understood to be false—that the plant was financially linked to the Saudi alleged terrorist Osama bin Laden, and that it was producing chemical weapons.

Moran cited as sources for his story two unnamed “senior law enforcement officials,” diplomatic sources, and confirming documents. “The law enforcement officials said that evidence suggested that the two men held in Sudan were directly linked to the Nairobi bombing and that they had intimate knowledge of the alleged guerrilla chief Osama bin Laden. Nonetheless, these officials said, the State Department refused to allow an FBI team to travel to the Sudanese capital, Khartoum, to discuss apprehending the suspects.”

Moran noted that a “U.S. source close to the investigation” of the two bombings, said that “there was evidence that they [the two arrested suspects] knew a great deal about the bin Laden organization and about its future plans. That is what really has the FBI fuming.”

According to Moran, the State Department blocked the

investigation because it said Sudan was on the list of state sponsors of terrorism. “The rationale was weak and it was in my view, unconscionable,” said the senior law enforcement official. “State simply would not let us even discuss the issue with the Sudanese.”

Even before the embassy bombings, as Moran noted, the Sudan government had been offering to work with the United States *against* terrorism. Sudan's Ambassador to the United States Mahdi Ibrahim Mohammed stated in a press conference on Sept. 2 that in May 1998, “I delivered a formal letter to a senior official of the Federal Bureau of Investigation, offering to establish a joint effort between our external security bureau to combat international terrorism. We thought our offer of cooperation with U.S. law enforcement officials would be welcomed. But after conferring with the administration, the FBI politely refused our offer.”

When such offers of help went so far as to include the arrest of suspects in a terror-bombing aimed at the United States, the offer was still refused on the advice of the State Department, where U.S. Assistant Secretary of State for African Affairs Susan Rice, with her sponsor, Secretary of State Madeleine Albright, continue to pursue a policy of total war against Sudan concocted from London and Tel Aviv.

White House spokesman David Leavy on July 30 denied the Moran story, saying that “no one at the White House knows anything” about the FBI being blocked by another government agency in its efforts to investigate. State Department spokesman Philip Reeker further protested that the Moran story was “fundamentally inaccurate,” and then said that the State Department and the FBI have had a cooperative relationship on the issue of the bombings and attitude toward Sudan “all along.”

But Reeker's claim is contradicted by the fact that soon after the Aug. 20, 1998 U.S. bombing of the Al-Shifa plant, FBI Director Louis Freeh publicly aired his consternation over the attack, stating that the FBI had never been consulted on the intelligence concerning the plant or the attack, which was carried out purportedly in response to the bombings of the U.S. embassies which were under FBI investigation.

Washington disputes

That Moran was given his story, along with corroborating documents, by senior law enforcement officials, is but one indication of the continuing brawl within the U.S. intelligence community on the issue of U.S. relations to Sudan and the proper line of investigation on terrorism. The U.S. bombing of the Al-Shifa plant is considered to be one of the most controversial foreign policy actions taken by the Clinton administration.

On the one side, since November 1997, U.S. policy toward Sudan has been held hostage at the State Department by Rice and the gang that put the unqualified Oxford graduate into that post, including Roger Winter, executive director of the U.S. Committee for Refugees; Rep. Donald Payne (D-N.J.),

a member of the House subcommittees on Africa and Human Rights and International Operations; and Secretary of State Albright. The policy has been war with Khartoum, under any pretext or guise.

In the course of 1998, the bombing of the Al-Shifa plant, combined with the continuing military failure of the British- and U.S.-backed Sudanese People's Liberation Army of John Garang, has forced an open debate on the entire policy.

Soon after the Al-Shifa bombing, the *Los Angeles Times* and the *New York Times* aired stories that showed that the evidence used to motivate the bombing was not only inconclusive but false, and that U.S. relations with Sudan had continually fallen victim to false intelligence reports.

No evidence has been put forward to prove that the Al-Shifa plant was involved in producing chemical weapons. On Aug. 29, the *New York Times* reported that the evidence on the plant had "proven to be inaccurate, misleading, or open to question." On Aug. 30, it was reported that Germany's Ambassador to Sudan, Werner Daum, had cabled his Foreign Ministry to say that "one can't, even if one wants to, describe the Al-Shifa firm as a chemical factory."

U.S. officials had claimed that the Al-Shifa plant produced no commercial products. But as the *Los Angeles Times* reported Sept. 1, 1998, "The [U.S.] officials did not believe that the plant actually produced such medicines, because they saw no evidence of such an output when they accessed an Internet website for it. Websites for five other pharmaceutical plants in Sudan listed the medicines produced at those plants." In fact, the United Nations itself had cleared the Al-Shifa plant for export of medicines to Iraq as part of the UN's food-for-fuel program with Iraq.

The allegations that bin Laden was a co-financier of the Al-Shifa plant also turned out to be completely false. In acknowledgment of this fact, in May, the Clinton administration unfroze the assets of the plant's owner, Saudi businessman Salah Idris.

Investigation blocked

Calls by the Sudan government for a United Nations investigation into the plant, given the United States military attack on Sudanese soil, were blocked. And when former President Jimmy Carter called for a U.S. probe into the Al-Shifa plant and the bombing in September 1998, he was publicly reprimanded by U.S. National Security Adviser Sandy Berger, who claimed that there was "no doubt that it also produced EMPTA," a precursor compound for chemical weapons.

A month after the U.S. bombing of the plant, a *New York Times* story indicated that the mistaken intelligence about the Al-Shifa plant was part of a pattern of falsified intelligence concerning Sudan. "In January 1996," the *Times* reported, "the CIA formally withdrew more than 100 of its intelligence reports on the Sudan after concluding that their source was a fabricator. The reports, many of which dealt with terrorist

threats against Americans in the Sudan, were withdrawn within weeks of decisions to pull American diplomats and spies out of the Sudan because of the dangerous political conditions there."

In short, the false reports had been used to justify the withdrawal of U.S. Ambassador Tim Carney and most of the embassy staff from Sudan. However, once the reports were concluded to be false, *the policy was not reversed*.

This raises the question as to whether the intelligence is being produced to justify a policy *ex post facto*. This is the question also raised in the May 20 editorial page commentary in the *Wall Street Journal* by former CIA station chief in Khartoum Milt Bearden, who retired from the Agency in 1994 after 30 years. The soil sample containing EMPTA allegedly taken from the plant, which is the sole remaining evidence left standing, was taken by an Egyptian agent, reported Bearden, who then asks: "Does it make sense for the sole remaining superpower to attack a small African nation, without warning, based solely on unconfirmed evidence provided by an agent of a third country?" And, a country which at the time was in conflict with Sudan?

"There is an immutable Washington reality," concluded Bearden. "When bad things happen abroad, the immediate choices narrow to intelligence failure or policy failure. Intelligence failure is preferred. But it won't play out this time." Chastising the administration for failing to own up to its mistake and thus damaging its credibility internationally, Bearden noted that the "the questions about El-Shifa will not go away."

Now they have come up again right at the anniversary of the bombing of the U.S. embassies in Nairobi and Dar es Salaam, and just as the United States is making a highly publicized bid once again to apprehend Osama bin Laden from his presumed redoubt in Afghanistan.

On July 30, one day after the Moran story broke, the SPLA of Garang charged that the Sudan government had bombed the villages of Kaaya and Lainya in Western Equatoria province with chemical weapons. The charges were further aired by the Norwegian Peoples Aid (NPA), which was renounced by the Norwegian government for its open partisanship toward the SPLA, and was exposed by *EIR* for involvement in gun-running to Garang. The NPA and SPLA demanded a full UN investigation on-site. In contrast to its refusal to investigate the Al-Shifa plant as per the requests of the Sudan government, the UN has complied, sending a medical team over to the alleged chemical target. It is of course Garang's sponsors, including British Deputy Speaker of the House of Lords Baroness Caroline Cox of Christian Solidarity International, who have played a key role in fabricating and circulating fake stories on Sudan.

It would appear that despite the known falsification, the policy against Sudan remains intact in Washington, a policy whose consequences have made a debacle of U.S. policy in all of East and Central Africa.

International Intelligence

China reaffirms right to sovereign defense

Chinese Defense Minister Chi Haotian used the opportunity to underline the role of the People's Liberation Army in defending Chinese sovereignty, at an Aug. 1 reception, celebrating the 72nd anniversary of the PLA's founding, to which all the diplomatic military attachés in Beijing had been invited. "The PLA stands ready and prepared to defend the country's sovereignty and territorial integrity at any time and will firmly smash any attempts to split the motherland," Chi said. History has proven that "the PLA is an ever-victorious, invincible revolutionary army and the iron and steel Great Wall loyal to the party, the people, and the socialist country." He warned Taiwan's lame-duck President Lee Teng-hui "not to underestimate our firm resolution to safeguard state sovereignty and territorial integrity, and not to underestimate our courage and strength against separation and Taiwan's independence."

Regarding China's international relations, Chi said that, although peace and development remain the main themes, hegemonism and power politics still exist and have resulted in new manifestations. "We should always prepare ourselves for any possible danger even in times of peace," he said. "We should strengthen national defense and stand ready to perform our sacred duty of defending state sovereignty, unity and security, and maintaining national dignity at any time."

'Caprivi' insurgency racks southern Africa

The so-called Caprivi Liberation Army has renewed its insurgency in Namibia. The CLA infiltrated the city of Katima Mulilo and launched attacks on Aug. 2, leaving 15 dead. Namibia's Caprivi strip borders Angola, Zambia, Botswana, and Zimbabwe. The attacks come at a time when Namibia, Zimbabwe, and Angola have troops helping to defend the Democratic Republic of Congo against the invasion of forces controlled by Uganda and Rwanda.

The CLA is led by Mishake Muyongo,

who split from the Namibian government of President Sam Nujoma last year, just at the time that Uganda and Rwanda began their attack on the Congo. Soon after Muyongo's first revolt last year, he was driven out of the country and fled to Botswana, and is now based in Denmark. His troops have regrouped inside Caprivi, and they are most likely being supported clandestinely by elements in Botswana, Zambia, and by Angolan rebel Jonas Savimbi, who has thrown his lot in with Uganda marcher-lord Yoweri Museveni. Clandestine and not-so-clandestine elements in both Botswana and Zambia are also supporting Savimbi as well.

Meanwhile, the so-called Barotse Patriotic Front, based in Zambia, has joined forces with the CLA on the basis that they are the same "nation."

On Aug. 4, Zimbabwe's Defense Minister Moven Mahachi warned the CLA that Zimbabwe will not stand idly by while its ally, Namibia, is threatened.

A South African military intelligence source has pointed out to *EIR* that the insurgency is connected directly to the civil war in Angola and represents a move by Savimbi's UNITA against Namibia, and its alliance with Angola. This source expects renewed fighting to erupt in Angola before the month is out.

As for Caprivi, the source hoped that Botswana would not choose now to reactivate its border dispute with Namibia in that area. The source pointed out that Botswana, the largest diamond producer in the area, has a well-equipped military force that trains every year with the British, who helped build a huge, state-of-the-art strategic airbase in the late 1980s. There have been reports that secret arms shipments have been made from this airbase to Ugandan-backed forces in the Great Lakes.

No royal commemoration of Diana this year

The royal family will not hold a special commemorative service for Princess Diana on Aug. 31, the second anniversary of her death. According to the Aug. 8 London *Times*, "Palace insiders say that senior members of the royal family are not deliberately ignoring the anniversary and are sensitive to the needs

of Diana's sons. They believe, however, that a line has to be drawn on public displays of grief." The *Times* quoted an unnamed member of the royal family: "If either of the boys ever wants to talk about his mother, I am ready to listen and recall her many qualities. I am sure their father helps them to recall her and honor her memory. There is no deliberate attempt to eradicate her memory—that can never be."

Plausible denial aside, a recent poll revealed that more British subjects today believe that Diana was the victim of foul play, than they did in the days immediately following the Paris crash two years ago. And that's very bad news for Prince Philip, who was accused by Mohamed Al Fayed, in an interview with the new U.S. magazine *Talk*, of ordering the hit on the Princess and Dodi Fayed.

Wimmer alarmed by new NATO head Robertson

In an Aug. 5 interview with Germany's Deutschlandfunk radio, Willi Wimmer, vice chairman of the Organization for Security and Cooperation in Europe (OSCE) commented on the appointment of British Defense Secretary George Robertson as NATO General Secretary. "There are members in NATO, who pursue colonialist and nationalistic aims," Wimmer said. "We experienced that in the bombing of Iraq, which was done without a mandate of the UN Security Council, out of strictly nationalist reasons and aims. Robertson supports this policy.

"Robertson doesn't recognize the notion of defense, but rather intends to take offensive actions to achieve national interests. He must be seen as different from all the NATO General Secretaries that we have had so far. The NATO treaty, in which the concept of defense was unambiguously uppermost, should put before the public again, if the intention is to change it. . . ."

"I think we have cause to see the world in a sober way, as it really is. There is no point running after the rogue states on one side, while we whip up our own rogue states—as we have just seen in this context with Kashmir and Pakistan. These are all things which our own population recognizes, and here we are coming to a credibility gap. . . ."

Battle royal rages over U.S. drug war policy

by Jeffrey Steinberg

The current battle over U.S. anti-drug policy toward Ibero-America, first reported by *EIR* on Aug. 6 (“Will Washington Wake Up to Narco-Terror Threat in Colombia?”), has dramatically escalated over the few past weeks, with Director of the Office of National Drug Control Policy Gen. Barry McCaffrey (ret.) and Secretary of State Madeleine Albright emerging as the two leading protagonists, struggling to shape the Clinton administration’s response to a life-or-death situation in Colombia, compounded by a dangerous subversive initiative by Venezuelan President Hugo Chávez (see article in *International*).

Chávez declared on Aug. 10, that he would negotiate directly with the two leading Colombian narco-terrorist groups, the FARC and the ELN, over border security—a de facto endorsement of these terrorists as a legitimate “co-government” of Colombia. Speaking through Foreign Minister José Vicente Rangel, Chávez made it clear that he intends to hold “talks with the ones who have the power.” Suddenly, an already-devastating crisis inside Colombia has become an even more ominous, regional crisis, one that requires policy clarity and action from the Clinton administration.

If Secretary of State Albright prevails, Colombia will likely fall into the death-grip of the narco-terrorists, and President Clinton will be saddled, by a subversive and self-serving group of Congressional Republicans, with the label, “The Man Who Lost Colombia.”

Clinton administration officials have confirmed to *EIR* that there is a major policy review now under way, over how to deal with the rapidly deteriorating situation inside Colombia, where narco-terrorists of the FARC and the ELN have successfully used the pretense of a negotiating process with the government of President Andrés Pastrana, to wage a new terror offensive, demand outright control over larger sections

of territory, and further boost the flow of illegal cocaine and heroin into the United States.

In July, General McCaffrey, in a letter to Secretary Albright that was leaked to the press, called for an additional \$1 billion in military aid to Colombia and neighboring countries, to combat the escalating offensive by the narco-terrorists.

Albright’s perfidy

Despite the fact that this policy review has not yet been completed, on Aug. 10, Secretary Albright penned an op-ed, published in the *New York Times*, headlined “Colombia’s Struggles, And How We Can Help,” in which she promoted a U.S. policy sure to bring disaster, were it to be formally adopted at the end of the policy review.

While paying lip service to the grave crisis in Colombia, and admitting some links between the guerrilla groups and paramilitaries and the narco-traffickers, Albright asserted that “after 38 years of struggle, it should be clear that a decisive military outcome is unlikely. President Pastrana was right to initiate talks [with the guerrillas]; the question is whether he can muster a combination of pressure and incentives that will cause the guerrillas to respond. . . . The peace efforts must be guided by Colombians themselves. President Pastrana has taken courageous risks in this quest, and it is up to him to decide what carrots and sticks are needed. But the United States and other friends of Colombia must be ready to help. President Clinton has already pledged our support in a letter to President Pastrana on July 20.”

In fact, President Clinton’s letter was a disaster. He pledged to support President Pastrana’s misguided efforts to make a deal with the FARC and the ELN. White House sources have said that the President regrets having sent the letter, which was probably pushed by Albright. As *EIR* has

already reported, the release of the letter, on the eve of General McCaffrey's trip to Colombia, undermined his efforts to forge a Washington-Bogotá joint strategy to defeat the narco-insurgency.

But the Albright op-ed was even worse. The notion that "after 38 years of struggle . . . a decisive military outcome is unlikely," is not only a lie; it represents a frontal attack against the efforts of McCaffrey, among others, to muster the kind of military assistance to Colombia that would enable the military and police to wage a winning war.

A senior official in the State Department Office of Counternarcotics was at a loss to explain Albright's motive in putting forward such a line, in the midst of a top-down policy review process, in an Aug. 12 discussion with *EIR*. He asserted that there is ample evidence that the FARC and the ELN are a vital component of the "vertically integrated drug cartels" in Colombia.

Indeed, Albright's letter appeared at the very moment that a State Department delegation, headed by Undersecretary of State Thomas Pickering, was just arriving in Bogotá for several days of fact-finding and consultations. Her letter triggered a firestorm of reaction among Pentagon officials grappling with an action plan for Colombia, that could provide the needed U.S. military and technical assistance, while assiduously avoiding even an appearance of a direct U.S. military role in combatting the narco-terrorists.

DEA and Republicans muddy the waters

As if Secretary of State Albright was not doing an adequate job of mucking up any appropriate administration action toward the Colombia crisis, on Aug. 6, Rep. Dan Burton (R-Ind.), the chairman of the House Government Reform and Oversight Committee, appeared before one of his own subcommittees to attack General McCaffrey. Burton, who was one of the most virulent of the Clinton-bashers in the House (he became notorious for entertaining weekend guests by "reenacting" the suicide of Vincent Foster, shooting into a watermelon with live ammunition), sounded like a cheerleader for George Soros's Human Rights Watch, charging that the Colombian military was so corrupt that they could play no constructive role in the anti-drug effort.

"The lack of counter-narcotics strategy by the Clinton administration has never been more evident than in Drug Czar Barry McCaffrey's \$1 billion aid package," he blustered, referring to McCaffrey's letter to Albright. "This money targets the Colombian Army, rampant with allegations of human rights abuses."

Burton's alternative? Put American aid exclusively into the hands of the Colombian National Police instead of the Army. The CNP clearly has a role to play in any effective counter-narcotics strategy, but with the narco-terrorist FARC fielding 25,000 soldiers, with double the pay scale of the Colombian Army, and an estimated \$1.2 billion a year, at minimum, to spend on weapons and other equipment, from

the proceeds of narcotics trafficking, kidnappings, extortion, and other criminal acts, the idea of any police agency, alone, defeating such a narco-insurgency borders on the preposterous.

Yet, in the name of "defeating the insurgency in Colombia," Burton, along with House International Relations Committee Chairman Ben Gilman (R-N.Y.) and Speaker of the House Dennis Hastert (R-Ill.), is openly opposing the McCaffrey \$1 billion military aid infusion. *Cui bono?*

Compounding the chaos fostered by Burton et al., the U.S. Drug Enforcement Administration (DEA) is weighing in in support of the House Republicans' push to ice out the Colombian Army from the war on the drug cartels, including the FARC and the ELN. At the same hearings of the House Government Reform Subcommittee on Criminal Justice, Drug Policy, and Human Resources where Burton spoke, the DEA's Chief of International Operations, William Ledwith, also testified. In addition to focussing his recommendations on further support for the CNP, Ledwith, in effect, stated that the DEA had no evidence that the FARC or the ELN were integral to the dope business in Colombia. He acknowledged an "alliance of convenience between guerrillas and traffickers," but he asserted later, "The terrorists are not the glue that holds the drug trade together."

Sources familiar with the Ledwith testimony report that White House officials prevailed on the DEA to "water down" its opposition to the idea that the FARC and the ELN are "narco-terrorists," and that anti-drug operations should remain purely police functions inside Colombia. In other venues, DEA officials go much further in denying reality.

Fortunately, both General McCaffrey and Assistant Secretary of State for International Narcotics Rand Beers appeared at the same hearings to set the record straight. Beers, who travelled to Colombia with McCaffrey in late July, openly told the Congressmen that the Colombian Army would have to play a vital role in any successful anti-drug operation, particularly in the crucial Putumayo region, which borders Peru and Ecuador. "The CNP cannot operate there alone," Beers insisted. "In order to operate effectively in this area, which is heavily dominated by the FARC, the CNP will need the support of the Colombian military. Therefore, we must begin working with the Colombian military, to bring their capabilities up to a level where they can successfully operate alongside the CNP and contribute to the counter-narcotics effort."

Albright has shown herself once again to be a champion of the hard-core anti-Clinton Congressional Republicans and other enemies of the United States—in 7e, contradicting her own counter-narcotics experts. Sources report that President Clinton recently came inches away from dumping Albright as Secretary of State, as the result of her disastrous mishandling of the Kosovo crisis. The time is long overdue for the President to remove her, unceremoniously—before Colombia and all of South America go up in smoke.

Experts can't 'wish away' violence in America's schools

by Michele Steinberg

Look at the Littleton horror as an omen, as the hands of the clock of history, pointing to the time in which we are living at this moment.

You must change this nation, and perhaps yourself too, before this nation, soon otherwise dies. Take Littleton as that kind of warning. It is past time that you acted to change the set of definitions, axioms, and postulates which have been controlling your opinions and other behavior during recent decades.

—Lyndon H. LaRouche, Jr.,
“Star Wars and Littleton,” *EIR*, July 2, 1999

Top education and law enforcement officials of the United States gathered in Washington, D.C. on Aug. 10, to release a controversial annual report on the enforcement of a horrible, but “necessary” law enacted in 1994, called the Gun-Free Schools Act. Secretary of Education Richard Riley reported that “there has been a significant decrease in the number of young people expelled from school last year (1997-98 school year) for bringing a firearm to school, a drop of 31%.”

Riley’s press release stated, “How should we interpret this data? The sharp decline in the number of students bringing guns to schools tells us that we are starting to move in the right direction.”

What is this so-called good news? A total of 3,910 students were expelled from school last year (school year 1997-98)—a significant drop from the 5,724 of the previous year, but, still a dangerous level. Some 31% of these expulsions were for weapons such as “bombs and grenades” (over 1,100 incidents); 62% were for hand-guns; and 7% were for rifles or shotguns. Elementary school incidents accounted for 10% of the total! The majority of students who were expelled, 57%, were in high school, but another 33% were in junior high school.

Under repeated questions about Littleton and the other incidents of mass murder in schools, members of the panel admitted that they *don't* have answers to stopping the terrorist acts by children against their classmates, which have occurred with frightening regularity since early 1997. Edward Ray,

director of security for the Denver, Colorado Public Schools, laid the danger on the line. “I want to make it real clear,” said Ray, “I . . . can't *ever* guarantee that an incident such as Columbine, or Paducah or Springfield or Conyers, will never take place.” Hesitant under the weight of that statement, Ray continued, “those are events that are *beyond* predictability.”

Within one hour of the conclusion of that news conference, any illusions that things *are* “moving in the right direction,” away from Littleton, were shattered, when the news story broke that an adult gunman, now identified as Buford O’Neal Furrow, had opened fire on a Los Angeles day camp at the North Valley Jewish Community Center, injuring five people, including two six-year-old boys and one five-year-old boy, who was listed in critical condition. Ironically, Chief of Police Wesley Mitchell, chief for the Los Angeles Unified School District, had been on the panel in Washington, attempting to come up with solutions to the general problem of school violence, and specifically to the horror of the kind of school shootings that had occurred in Littleton, and Conyers, Georgia at the close of the school year of 1999. And now, a new danger loomed—adults shooting children.

Furrow’s shooting rampage in California was the fourth major incident of this type since July 4, 1999, and the second of the four incidents to involve a shooter who had a past history of affiliation with racist neo-Nazi groups. (see “British Commonwealth Secret Services Deploy Neo-Nazism,” *EIR*, Aug. 6, 1999).

Many Americans do not realize that, already in 1994, the magnitude of children killing, injuring, and threatening other children with firearms and explosives in schools had become so large, that Congress enacted a specific law to force the expulsion for at least one year of a student caught bringing in a firearm. Yet, even with this added gun law, the number of deadly incidents has risen, and the intensity of the violence has worsened. No number of new gun laws is going to stop the violence, unless, as Lyndon LaRouche wrote in “Star Wars and Littleton,” “relevant institutions get down to the business of addressing the actual causes for this pattern of incidents.”

The events are nothing less than signs of a new dark age of irrationality and fear. And the solutions proffered by well-meaning experts as they try to toe the line of “political correctness”—and where Satanism is, “by law,” a *bona fide* religion, according to the rulings of the U.S. Supreme Court, and where the methods of Satanic video games such as Dungeons and Dragons are integrated into classrooms—are part of the problem.

No answers

The fallacy of composition haunting the Secretary of Education’s “panel of experts” news conference, is the lie that incidents like Littleton are “aberrations.” General school violence can be stopped, the panel said, with more community involvement, with early warning referrals of troubled children to counseling, and by a strong wishing to “work together.” In point of fact, these “safety nets” had failed: Some of the most violent of the teenage killers of the last year were known to their families and communities as troubled children. They had been referred to counseling; they had been arrested, put through probation and parole; and at least three of them—Eric Harris, who took his own life in Littleton, after killing 13 others; Kipland Kinkel, who shot his parents to death, and then shot 22 classmates, killing two of them in Springfield, Oregon; and T.J. Solomon, who shot six classmates and was talked out of killing himself in Conyers, Georgia—were taking prescription drugs for their diagnosed emotional problems.

It is exactly this thorny thicket of problems—what happens when the solutions fail?—that LaRouche and co-authors Chaitkin and Steinberg addressed in the July 2 *EIR Feature*. In fact, it is the so-called New Age solutions themselves which are the problem. LaRouche warned that “if what is popularly known as ‘Hollywood’ continues with the genre of so-called popular entertainment typified by the *Star Wars* series, there will be an increasing frequency of similar incidents of lunatic outbreaks, as bad as, or worse than Littleton.”

Members of the blue-ribbon panel deliberately evaded discussion of two of the most documented factors in the school shootings: the role of the psychotropic drugs, and the shooters’ involvement with violent, Satanic, Nintendo-style video games.

One panelist, Bill Modzeleski, director of the Federal Safe and Drug-Free Schools Program, told *EIR* that the lawsuit filed by survivors of the shooting rampage in Paducah, Kentucky against the makers of the violent video games such as id Software’s “Doom” and Hollywood’s movie “Basketball Diaries,” is “wrongly focussed,” because one “can’t attribute” the school violence to “just one thing,” he said. Other panelists claimed ignorance on the questions of drug abuse, the use of Ritalin, and the fact that several of the individuals accused and arrested in the growing list of school killings, were reportedly involved in Satanic group activities.

Reopening the Ritalin file

The fact that Thomas J. Solomon, the 15-year-old now on trial for shooting his classmates in Conyers, Georgia, was taking the prescription stimulant Ritalin (for depression, according to some news reports), and the fact that Oregon’s Kip Kinkel and Colorado’s Eric Harris had been prescribed anti-depressants, has provoked a new furor about the drugging of America’s children to treat so-called behavioral problems and mental illness. The issue should become even more heated, since Solomon will be tried as an adult, and faces more than 300 years in prison, instead of the maximum of ten years he would get as a juvenile, according to a court decision on Aug. 11.

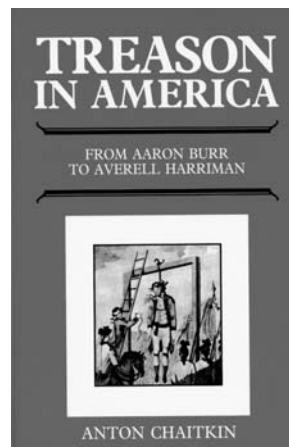
There is no question that “popular” teenage culture and mind-altering drugs, is a deadly mix.

According to figures provided by the Department of Health and Human Services, more than 6 million children under the age of 18 are currently being administered mind-altering drugs. More than half of these children are taking Ritalin, the trade name for methylphenidate (MPH), a highly addictive stimulant, that is most commonly prescribed for a disputed condition known as ADHD (formerly ADD), or Attention Deficit Hyperactivity Disorder.

In October 1995, the Drug Enforcement Administration

Treason in America

From Aaron Burr To Averell Harriman



By Anton Chaitkin

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(DEA) clearly identified Ritalin as a dangerous, addictive drug. In a report entitled "Summary of Preliminary Findings on Petition to Reschedule Methylphenidate," the DEA took the unusual step of countering arguments of the pharmaceutical lobby and other groups to "reschedule" Ritalin so as to make it easier to obtain by prescription, and easier to refill without a doctor's visit.

The report said that "DEA's review of both the scientific and medical literature [shows] that MPH shares the same abuse liability and hazards as other Schedule II substances. . . . In clinical studies, humans will choose to take MPH, which produces rewarding and euphoric effects including increasing feelings of 'high,' drug-liking, and other psychomotor stimulant effects similar to d-amphetamine." The DEA found clinical studies that adults who had taken MPH as children when diagnosed for ADHD, had higher levels of drug dependence, compared to others who had not been medicated for ADHD or control subjects.

The effects described are frightening. The Drug Enforcement Administration report also states that "MPH's patterns of abuse are similar to that of other Schedule II stimulants. Like amphetamine and cocaine, abuse of MPH can lead to marked tolerance and psychic dependence. Typical of other central nervous system stimulants, high doses of MPH often produce agitation, tremors, euphoria, tachycardia, palpitations, and hypertension. *Psychotic episodes, paranoid delusions, hallucinations, and bizarre behavior characteristic of amphetamine-like psychomotor toxicity have all been associated with MPH abuse.*"

The DEA report attacked other "myths" about the alleged harmlessness of Ritalin. "MPH produces the same type of dependence profile as other Schedule II stimulants" (e.g., methamphetamines, known as "speed"), stated the DEA report. Moreover, children and adolescents are widely diverting and abusing the medication intended for treatment of ADHD. Ritalin was specifically reported as a very popular stimulant in drug abuse.

But one of the most critical factors, is that the pills are given out without safeguards or follow-up. "Data show that once diagnosed with ADHD, 80 to 90% of these children are placed on *stimulant therapy as the sole treatment approach*. Very few children are actually provided with other medical services . . . and many children are staying on the medication through adolescence and young adulthood despite the lack of studies that examine the long-term effects."

As ominous as this report is, even less is known about the effects of drugs such as Prozac and Zoloft, anti-depressants that have been approved for use by children and adolescents much more recently.

Too little, too late

On Aug. 13, 1997, President Bill Clinton took action in implementing a Food and Drug Administration (FDA) regulation that would force drug manufacturers to conduct much

more thorough testing of drugs used for children.

An FDA fact sheet issued when Clinton made the announcement, revealed that "even though many drugs affect children differently than adults, most drugs have not been tested on pediatric populations.

"According to the American Academy of Pediatrics, only a small fraction of drugs and biological products marketed in the United States have had clinical trials performed on pediatric patients. Despite evidence that drugs affect children differently than adults, 80% of all drugs marketed in the United States have not been labeled for use by infants, children, and adolescents. . . . Many drugs commonly given to children under the age of six, including Prozac, Zoloft, Ritalin, and drugs for asthma, . . . *are inadequately tested* and labeled for use by children. These drugs, taken together, are given to over 5 million children each year."

The effects of the FDA regulation are not known, but clearly, it is too little, too late. At a Nov. 16-18, 1998 conference on ADHD organized by the National Institutes of Health, a division of the Department of Health and Human Services, the DEA's representative Gretchen Feussner, reported that Ritalin sales in the United States had increased fivefold since 1990, and that the increase is attributed to use of Ritalin for ADHD, 90% of those prescriptions going to children.

The conference provided some of the most damning evidence against Ritalin and the entire question of ADHD. The Consensus Statement issued by the conference reports:

- "An independent diagnostic test of ADHD does not exist, [but] there is evidence supporting the validity of the disorder."
- There is a "lack of consistent improvement beyond the core symptoms," and "conclusive recommendations concerning treatment for the long term cannot be made."
- There are "wide variations" in the use of psychostimulants for ADHD, and "no consensus" exists among physicians and experts about which patients should receive these drugs.
- "Knowledge about the cause or causes of ADHD remains largely speculative," and the experts have "no documented strategy for prevention of ADHD."

On such flimsy grounds, more than 3 million of America's children are being drugged with Ritalin—an addictive, abused substance whose known side-effects can include hallucinations and psychosis. And still more drugs are being added to the list of those used on children, including introducing amphetamine prescriptions to treat the so-called ADHD.

Without accepting the wise advice given by Lyndon LaRouche in "Star Wars and Littleton"—namely, that the last 30 years of New Age counterculture must be overturned, if we have any hope in stopping the blind terrorism hitting the schools and workplaces—Americans can kiss their loved ones goodbye.

National News

Bradley blasts Gore's indifference to poverty

Democratic Presidential candidate Bill Bradley levelled strong attacks against Al Gore's policies, during his speech to the National Urban League convention in Houston on Aug. 9. "After seven years of a Democratic administration," he said, "the percentage of American children living in poverty has barely blipped down. . . . One year after the Welfare Reform Bill, which I voted against, there was a 29% increase of children living in deep poverty. That's half the poverty level."

Bradley, citing figures from the Children's Defense Fund, said that this adds up to 374,000 children. He said that he finds it difficult to discuss prosperity when there are 43 million Americans without health insurance, and when 14 million children live in poverty, including 40% of black children.

Bradley asked how can we talk about a great economy when we still cannot ensure that everyone has adequate health care, when a quality education is denied to many children? "This I know for sure: Timid leadership and the silence of good people have caused us to risk losing yet another generation that won't participate or benefit from the new economy that is emerging. It is morally unacceptable and economically perilous to continue this course."

Following his speech, *EIR's* Harley Schlanger briefly caught his attention: "Senator, with your discussion of prosperity and the new economy, aren't you concerned about the imminent blow-out of the \$300 trillion derivatives bubble?" Bradley spun around and replied, "Yes, I am." "What do you propose to do about it?" asked *EIR*. He punted: "It's a cause for concern, it should be looked into," and then turned away.

Retailers settle Saipan sweatshop lawsuit

Four retailers decided to settle a lawsuit out of court, stemming from charges that apparel factories on Saipan, in the Commonwealth of the Northern Marianas Islands, were

sweatshops that abused, underpaid, and mistreated immigrant labor in the U.S. territory. Nordstrom, J.Crew, Cutter and Buck, and Gymboree agreed to a monitoring system for their contractors on Saipan and to establish a \$1.25 million fund to finance the program and to pay partial damages for some of the workers. According to a press release from Fenton Communications on Aug. 9, "the monitoring is a further step in working towards compliance in Saipan with U.S. labor laws and binding international treaties established to protect human rights." Vérité, an Amherst, Massachusetts-based non-governmental organization, will monitor compliance with the settlement and will have wide powers to oversee the conduct of the contractors, including surveillance, announced and unannounced visits to facilities, and investigations of worker complaints.

The settlement affects two lawsuits, one Federal and one state, both filed in California. Both lawsuits, however, are proceeding against more than a dozen other retailers, as well as more than a dozen of Saipan's garment factories.

Anglophile media renew attacks against Clintons

Katharine Graham's *Washington Post* renewed the British-inspired smears against President Clinton in its second editorial on Aug. 11, ostensibly on his Aug. 9 keynote to the American Bar Association annual convention. "The ABA picked an odd choice to deliver the keynote speech," moralized the *Post*. "It picked a lawyer who had only recently gotten himself in trouble by lying in a civil deposition in the presence of a Federal judge and then lying again before a Federal grand jury investigating his previous behavior. It picked a lawyer who was held in contempt of court and fined by the judge whose case he had corrupted and who was then referred to his state bar for possible disciplinary action. Even as he spoke to the ABA's membership Monday evening, this lawyer faced possible disbarment for his lies."

The editorial had nothing to say about Kenneth Starr's "investigation . . . looking for a crime," as Webster Hubbell characterized it in his speech before the ABA on Aug. 7.

Meanwhile, Ambrose Evans-Pritchard launched an attack on First Lady Hillary Clinton in the Aug. 7 issue of the London *Daily Telegraph*. "Hillary Clinton was warned," he threatened, "if she used her position as First Lady to launch a candidacy for the U.S. Senate, she would forfeit her privileges and immunity. Suppressed stories would come to light. Her on-off, 15-year love affair with Vincent W. Foster would find its way from the fringes of right-wing, talk-radio to the pages of the great metropolitan newspapers. As a politician, she would be fair game." Evans-Pritchard goes on to rehash his own embellished tales from 1993, around allegations that former White House aide Vincent Foster was murdered to cover up nefarious dealings involving the Clintons.

Spook Bodansky hypes Islamic terror threat

Anglo-Zionist terrorist controller Yossef Bodansky made an appearance at the National Press Club on Aug. 6, to plug his new book and set off alarms of an impending new terrorist atrocity. "We're sitting on a volcano," he warned darkly, and he proceeded to describe signs of activity by Osama bin Laden, suggesting that Bin Laden is preparing to launch new attacks that may include weapons of mass destruction aimed at U.S. targets.

But bin Laden is not, after all, "the personification of international terrorism," he said. Bin Laden is, rather, a "linchpin" between those states that sponsor terrorism and the "myriad of Islamic terrorist, radicals, networks, the guys that we call the Afghans, their disciples, the Bosniacs, the Kosovars, etc., who are spread out all over the world." He named Pakistan, Iran, Iraq, and Sudan as the "classical Islamist circle" of states rising up to support Bin Laden.

Reporters pressed Bodansky about his relationship to Israeli intelligence, including Israeli spy Jonathan Pollard, whom he denied having met. The rest of his reply was rambling: "Whatever's been done with that relationship between Congress and embassies exists. I never worked for anybody, if that's the question. If that's what you're impugning, no, I never worked."

Trade with Vietnam gets positive reception

On Aug. 3, by a vote of 297-130, the House turned back a resolution to reverse President Clinton's decision to extend, for another year, the waiver of the Jackson-Vanik Act for Vietnam. The vote came as the U.S. and Vietnam are finalizing a trade deal that is expected to be put before Congress sometime in the fall. The waiver allows the Overseas Private Investment Corp. and the Export-Import Bank to continue to support U.S. companies that are doing business in Vietnam, pending Congressional approval of the trade agreement.

The debate was generally between those who are still fighting the Vietnam War, and those who believe the United States should move beyond that history. Typical of the first group was Dana Rohrabacher (R-Calif.), the sponsor of the resolution, who claimed that his purpose is to prevent "Communist Vietnam from enjoying a trade status that enables American businessmen to invest there with loan guarantees and subsidies provided by the U.S. taxpayer."

Opponents of the resolution argued against isolating Vietnam. Doug Bereuter (R-Neb.) called on Americans to "conclusively recognize that the war with Vietnam is over." He warned that overturning the waiver would "only strengthen the position of the Communist hard-liners in Vietnam's leadership who are not inclined to support more openness."

On Aug. 4, two subcommittees of the Senate Foreign Relations Committee held a hearing, chaired by Chuck Hagel (R-Neb.), on trade opportunities in Vietnam. In his opening remarks, Hagel expressed hope that the House vote would lead to final approval of a trade agreement with Vietnam. He also praised the U.S. Amba-

sador to Vietnam, former Rep. Pete Peterson (D-Fla.), for his efforts in moving forward the trade negotiations.

The axioms of globalization showed through in Peterson's testimony, however, when he told the hearing that "the international community has called for a new round of structural economic reforms and recommended that Vietnam promote its private sector and simultaneously downsize state enterprises, reform its banking system, liberalize its trade further, and adopt a more flexible exchange rate system." He said that the trade agreement "signals a positive shift in Vietnam's economic policy and indicates that its leaders are now prepared to move forward with much-needed and long-delayed economic reforms in other areas."

Panel frets over cost of U.S. Balkans policy

A House International Relations Committee hearing on U.S. policy in the Balkans on Aug. 4 was dominated by issues of money, specifically the now oft-repeated demand that because the United States paid for most of the costs of the air war against Yugoslavia, Europe should bear the "lion's share" of the costs of reconstruction. This view was largely endorsed by the State Department officials at the witness table.

Dana Rohrabacher (R-Calif.) demanded to know the costs of U.S. policy, and "whether this has created some sort of a dependency attitude on the part of our European allies," with respect to U.S. military power.

Dissent from this attitude was expressed by a couple of Democrats. Alcee Hastings (Fla.), directly respond-

ing to Rohrabacher's remarks, told the committee that the United States benefits from the long-term stability of Europe, and therefore there is need for the United States to remain substantially engaged there. William Delahunt (D-Mass.) backed Hastings up on this point, pointing out U.S. involvement in the Middle East, which no one questions, as an example.

Another small exception was Chris Smith (R-N.J.), who trumpeted his two pieces of legislation on U.S. policy toward Serbia. One, authorizes the spending of \$41 million to be used to promote "democracy" in Serbia. This means measures such as supporting the anti-Milosevic opposition, supporting non-governmental organizations in Serbia, and the establishment of labor unions and other types of organization activities. The second, is a concurrent resolution that declares Milosevic guilty of genocide and implicitly calls for his apprehension and delivery to the War Crimes tribunal in Brussels.

Clinton, GOP in war of words over tax cuts

The final passage of the GOP tax cut bill in both the House and the Senate before the August recess set off a new round of partisan warfare. Republicans held back on sending the compromise measure to the President in order to wage a media campaign to build support for the tax cuts during the four-week recess.

The House-Senate conference acceded to Senate moderate Republicans on some points, because it was not clear that the House version would pass if it was not modified. The across-the-board 10% tax cut in the House bill was replaced by a reduction of 1% in

each of the tax brackets, and a widening of the lowest tax bracket by \$3,000. The cut in the capital gains tax brackets from 20 and 10% to 15 and 7.5%, was reduced to 18 and 8%, respectively. Other changes involved the so-called marriage penalty, retirement plans, and estate and gift taxes.

Despite the changes, the vote in the Senate was 50-49, with four Republicans, Susan Collins (Me.), Olympia Snowe (Me.), Arlen Specter (Pa.), and George Voinovich (Ohio), voting against the bill. In the House, the vote was 221-206.

The day after the vote, President Clinton reiterated his vow to veto the bill, saying that what the Republicans are doing is "putting the cart before the horse," by cutting taxes before Social Security and Medicare are strengthened and the national debt is paid down. Senate Majority Leader Trent Lott (R-Miss.) expressed assurance that Clinton will be forced by public opinion to change his mind, and if he vetoes the tax cut anyway, "it will be the strongest indication so far that he is entering the phase of being a lame duck."

Steel loan guarantees sent to White House

On Aug. 4, the House voted 246-176 to accept a Senate-drafted, \$250 million loan guarantee program to assist the steel and the oil and gas industries, both of which have been hit hard by the global financial crisis.

The bill sets up a board, to be chaired by Federal Reserve Board Chairman Alan Greenspan, to review loan applications. The other two members of the board will be the Secretary of Commerce and the chairman of the Securities and Exchange Commis-

sion. All the loans would come from the private sector, with the government guaranteeing 85% of each of the loans, which would all have to be paid back by Dec. 31, 2005. A companion bill to impose steel import quotas was defeated in the Senate prior to the July 4 recess.

The day after the House vote, Commerce Secretary William Daley and Sen. Jay Rockefeller (D-W.V.) emerged from a White House meeting on the steel crisis with a 12-point action plan to reduce steel imports to pre-1997 levels, and a promise from White House Chief of Staff John Podesta that President Clinton would sign the steel loan guarantee bill. Rockefeller, who has been a key figure in getting help for the steel industry, described the meeting as "positive," but warned that "the steel crisis is not over."

Rockefeller was conciliatory toward administration efforts to reduce steel imports, but said, "Manufacturing as a whole is in some jeopardy in this country." He pointed out that manufacturing has lost some 500,000 jobs in the last couple of years. "I think the trend is bad, the sort of whatever the market will bear. In this thing called the 'new economy, whatever it is, whatever makes money, whatever works, then let that be the order of the day.' And then where is manufacturing when that happens, and particularly when people are dumping on us?"

Is another 'train wreck' coming in the fall?

On Aug. 5, the House completed action on the Commerce, Justice, State Department and the Judiciary appropriations bill, coming within one bill of the House GOP leadership goal of

finishing 12 of the 13 appropriations bills before the summer recess. However, the contentiousness of the debate suggests a difficult fall ahead for getting many of the bills passed into law.

The \$35.8 billion bill, which passed by a vote of 217-210, is symptomatic of many of the problems that have been plaguing the process because of the 1997 Balanced Budget Agreement. While some programs funded by the bill were increased, many programs supported by the Clinton administration, such as the Community Oriented Policing program and U.S. payments to the UN, were cut by as much as half.

David Obey (D-Wisc.) said, "The problem with this bill is simply that it is not real. It is yet another bill that allows the majority in this House to maintain the fiction that we can afford to pass out \$1 trillion in tax cuts," most of which benefit the wealthiest. He warned that the failure to include sufficient funds to cover UN arrears means that the bill "will provide for the loss of the U.S. voting rights" in the UN General Assembly. "This is another one of those appropriations bills that's on a short route to nowhere."

The most ridicule, however, was given to the "emergency" designation attached to \$4.5 billion funding for the year 2000 census. Obey said, "What is at stake is the total abandonment of any pretense of orderly decisionmaking on the budget." Appropriations Committee Chairman Bill Young (R-Fla.) explained that the census was funded as an "emergency," even though the census is required every ten years by the Constitution, is because the 1997 Balanced Budget Agreement made no provision for the census, and neither did the fiscal 2000 budget resolution passed earlier this year.

The Littleton omen

In concluding his early July article on the phenomenon of the new terrorism which erupted dramatically on the American scene with the massacre at Columbine High School in Littleton, Colorado, Lyndon LaRouche put it this way: “Look at the Littleton horror as an omen, as the hands of the clock of history, pointing to the time in which we are living at this moment.

“You must change this nation, and perhaps yourself, too, before this nation, soon otherwise dies. Take Littleton as that kind of warning. It is past time that you acted to change the set of definitions, axioms, and postulates which have been controlling your opinions and other behavior during recent decades.”

The omen has proved all too true in the recent six weeks. Mass shootings in Chicago, Illinois, Atlanta, Georgia, and Pelham, Alabama have resulted in the death or wounding of more than 18 more people, in most cases including the gunmen themselves. The nation’s attention has been rivetted on these tragedies, and with good reason. Many people are shaken up sufficiently to dig deeper than usual into why this is happening.

So far, the political response by our leaders has been worse than useless. Most prominent have been the demands for gun control. Gun control is tighter in the United States today than during any time in our history, and yet the incidence of such ugly, often irrational violence is on the rise. No, the cause lies elsewhere than the availability of guns.

Nor is the call for “hate crimes” legislation an appropriate response to this breakdown. Love of one’s fellow man, as Friedrich Schiller pointed out long ago, cannot be legislated, and the implementation of “hate crimes” legislation is one giant step toward police-state measures against political dissidents. As this magazine has documented, where the upsurge of violence is related to organized groups — as in the case of the shooting by white-supremacist Benjamin Nathaniel Smith — those groups are usually traceable to the efforts of covert intelligence agents, who allegedly were out to “protect” society!

What is required is what LaRouche pointed out in

his “Star Wars and Littleton” article: facing the moral degeneration which has overtaken our culture since the middle 1960s. A deadly intellectual virus has been let loose, the virus of the radical-positivist cult of “information theory” which reduces man to a beast. Thus reduced, particularly the younger section of our population becomes increasingly vulnerable to irrationalism, and often unable to distinguish fantasy from reality.

Look at the killings in Littleton and Atlanta from this standpoint. Both killers were steeped in the virtual reality of the computer — the teenagers with violent video games, the day trader with the rapid-fire financial fluctuations of the markets on the screen. Both lived in a world of lunacy, to the point where killing a dozen other human beings became as acceptable to them as pushing a key on the computer.

Nor should the “racist” killings be seen as divorced from the others. Rage at the dehumanization of society undoubtedly played a role in both these cases, by creating a fertile field for their recruitment by nasty intelligence fronts, or cults. The question that must be asked, is why it is so easy for such white supremacist (or other racist) groups to recruit these days?

But, as LaRouche stressed, the coming wave of terror foreshadowed by Littleton does not have to be directly deployed by puppetmasters, although it may be in some cases. The whole cultural shift of the 1960s, which was set into motion early in the century by British oligarchical circles, has driven us to the point of societal breakdown of the same sort that was seen in the movement of 14th-century Flagellants, and other kinds of mass psychosis.

The intellectual virus — now encouraged by popular culture, education, and political authorities — must be identified for what it is, and destroyed. That will mean a return to policies based once more on the idea that man is defined by his sovereign powers of mind, a sacred quality which gives him by definition his inalienable rights. The truth must be faced, before the bloodshed drowns human civilization for centuries to come.

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