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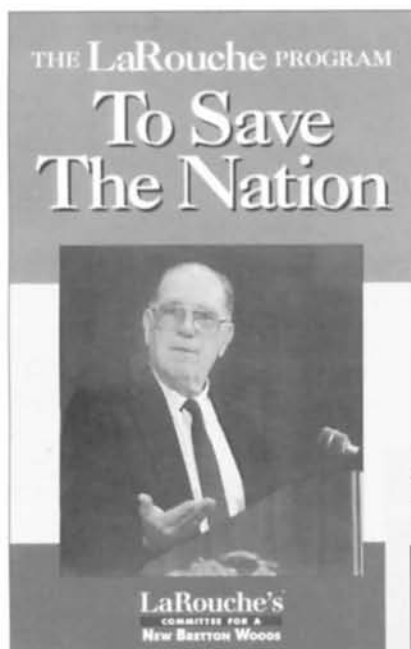
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Spotlight on LaRouche, as global crisis deepens
The real 'dope' on the three Georges
Mundell wins Nobel Prize for supply-side quackery

**Neo-liberalism kills:
the legacy of Thatcherism**



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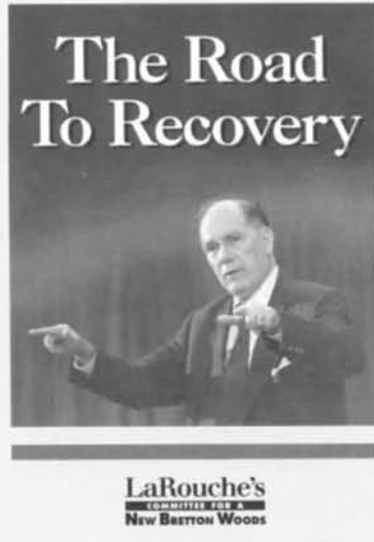
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From the Associate Editor

With this issue, *EIR* begins a series of exposés of how “neo-liberalism kills.” Our aim is to expunge this lethal virus from the body politic. Neo-liberalism, the British free-market economics of Margaret Thatcher, Tony Blair, Al Gore, and George W. Bush, is not at all new, and it is certainly not “liberal”; but it is ravaging the so-called industrialized countries, as it has already destroyed the economies of the Third World and the former Soviet bloc.

EIR's and Lyndon LaRouche's fight against neo-liberal economic policies is also not new. Take 1996, when LaRouche, campaigning for the Democratic Party's Presidential nomination, challenged the party to take a principled stand on the matter. LaRouche chose as his target the “lead duck” in the neo-liberal flock of Republican state governors: Pennsylvania's Tom Ridge, whose legislation had deprived 220,000 poor and disabled citizens of medical benefits. Ridge was, at that time, vying to become the running-mate of GOP Presidential candidate Bob Dole. LaRouche called for Ridge's impeachment “for Nazi-style crimes against humanity.” His campaign committee contracted to run a half-hour television broadcast on Ridge's crimes throughout Pennsylvania during the first two weeks of August, prior to the Aug. 26-29 Democratic Convention.

But, under pressure from Democratic National Committee Chairman Donald Fowler, nearly every TV station backed out of the contract—citing Fowler's claim that LaRouche was not a “bona fide Democrat” (even though he won over 600,000 votes in the Democratic primaries!). Fowler, who represents the neo-liberal wing of the Democratic Party, even refused to seat delegates pledged to LaRouche at the convention, in violation of the 1965 Voting Rights Act. LaRouche sued.

As you will see in this issue (p. 62), the legal battle over that is still raging, as Fowler's lawyers now *explicitly* argue that the Voting Rights Act, the crowning achievement of the civil rights movement, is unconstitutional and should be repealed.

So, the fight is not new. But what *is* new, is the fact that all around the globe, more and more policymakers are realizing that LaRouche is right. See our *Feature* and articles in the *Economics* section, for documentation of the political earthquake that is going on, especially in response to LaRouche's Oct. 13 Internet press conference. There will certainly be more to come.

Susan Welsh

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Photo and graphics credits:

Cover, AFP/Adrian Dennis. Pages 5 (Thatcher), 18, 39, 40, 43, 51, EIRNS/Stuart Lewis. Page 5 (Blair), Bundesbildstelle. Pages 5 (Schröder), 16, 63, EIRNS/Christopher Lewis. Page 20, EIRNS/Philip Ulanowsky. Page 21, EIRNS. Page 25, Office of the Presidency of Peru. Page 27, Courtesy of Columbia University. Page 35, EIRNS/Maria Schmitz.

Corrections: A Hallowe'en gremlin inserted a number of errors into our Oct. 29 issue:

In "The Golden Age of Chinese Archaeology," pp. 50-54, the credit for all pictures is the National Gallery of Art.

The date of the *Washington Post* article, "Deconstructing the Death Ray," cited on p. 68, was Oct. 17, not Dec. 17.

And, although former Mexican President Carlos Salinas de Gortari undoubtedly would like very much to be amnestied for his many crimes, it is not he, but another Carlos Salinas, who is a representative of Amnesty International ("Drug Legalization by Any Name, Still Stinks," p. 61).

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Neo-liberalism kills: the legacy of Thatcherism

by Lothar Komp and Susan Welsh

The leading industrialized economies in the world are all being hit by a lethal virus, a disease which is destroying the very foundations of national economies, from physical infrastructure and education, to science and production. The symptoms of the virus are comparable to some of the apocalyptic scenarios wrongly associated with the so-called millennium bug.

The name of the killer disease is neo-liberalism. Now, in the United States, popular parlance has it that a “liberal” is someone, in the Democratic tradition of Franklin D. Roosevelt, who believes that the state has a responsibility to provide a social safety net for its most vulnerable members—as opposed to a “conservative,” who wants to get rid of “big government.” But “neo-liberalism,” as the term is used in Europe and elsewhere, is certainly not new, nor does it correspond in any way to the policies of FDR. It is the *British* liberalism of Adam Smith, the 18th-century economist whose “free-trade” doctrine was intended to further the not-at-all-free trade of the British Empire, and his employers at the British East India Company. This was, and is, in direct opposition to the *American System of Political Economy*—the economics of Alexander Hamilton, Henry Carey, and the German-American economist Friedrich List, according to which the role and purpose of government is, as the U.S. Constitution stipulates in its Preamble, to foster the General Welfare of the nation and its citizenry. Sovereign nations, while protecting their own industry and agriculture, then form alliances of common purpose with other nation-states, for the benefit of all mankind—just the vision that Roosevelt had for the post-World War II period, in opposition to the colonialism of Britain’s Sir Winston Churchill.

During recent decades, neo-liberalism has been associated especially with the policies of former British Prime Minister Margaret Thatcher. But not only she: The deregulation of the banking system and of the trucking and airlines industries in the United States began during the Democratic administration of Jimmy Carter, and continued apace during succeeding Republican administrations. Although there has

been opposition to neo-liberalist budget-slashing from some quarters of the Democratic Party—particularly minority

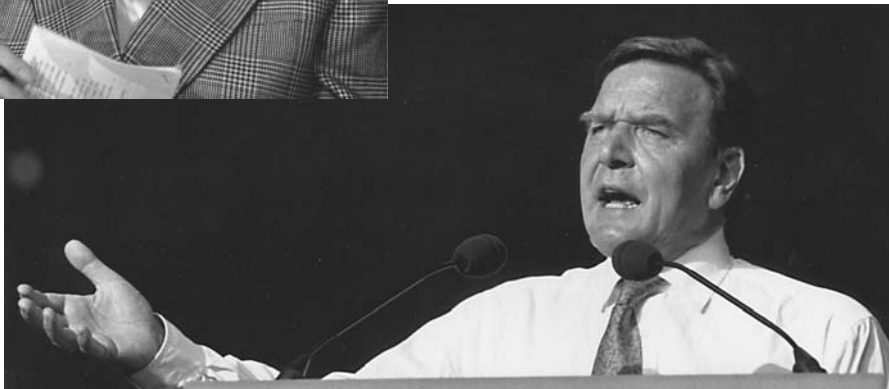
constituencies and labor, and led by the forces rallied around Lyndon H. LaRouche, Jr.—the fact is that neo-liberalism is now the predominant policy of both “liberals” and “conservatives” in the United States. In England, the neo-liberalism of Thatcher and her immediate successor, John Major, emerged with redoubled enthusiasm in Tony Blair’s Labour administration, with a new name: “the Third Way.” The policy is the same. In Germany, the neo-liberal policies of the Christian Democratic Helmut Kohl government were continued, with even more viciousness, by the “red-green” coalition government of Social Democrat Chancellor Gerhard Schröder. This has accounted for growing voter disgust, and Schröder’s Social Democrats are being trounced at the polls in one local election after another. It is widely doubted whether his government will make it into the new millennium.

Feature

The toll of death and damage

Here, we briefly review some of the recent devastating effects of neo-liberalism.

First, as we reported in *EIR* on Oct. 22 (“Blair’s ‘Third Way’ Crashes, as Reality Strikes”), the rail disaster at Paddington Station near London on Oct. 5, and the crash of the



The virus of neo-liberalism is leaving death and destruction in its wake. Those responsible for spreading it include (clockwise from top left): Britain's "Iron Lady" Margaret Thatcher, Tony Blair, and Germany's Gerhard Schröder.

German ICE high-speed train in June 1998, killed more than 100 people.

Further, America's space industry is suffering from an unprecedented series of satellite-launch failures since 1998, not limited to a specific rocket system, but affecting the entire U.S. launch capacity, including the Titan-4, Delta-3, and Athena rockets. Even in cases of successful launches, satellites often show unexpected behavior: The Mars Climate Orbiter crashed to the surface of Mars; NASA's infrared telescope, WIRE, lost its cooling gas, setting it into wild rotation; and the German AbriXas satellite was lost in orbit after its power supply collapsed. Failures of space missions can never be ruled out, but the present rate of disasters is clearly out of proportion to what might be anticipated.

At the same time, the very symbols of sound manufacturing, the large German automobile producers, with their close ties to thousands of high-tech suppliers and machine-tool companies, are presenting one new car model after the other with serious technical defects: first the Mercedes A-Class, then its Smart car, and now the Audi TT sports car, which has turned out to be aerodynamically unstable at high speeds. Only a few years ago, such results would have been unthinkable.

As part of the orgy of physical infrastructure privatizations, from transport systems to water and energy supplies, safety regulations are either being withdrawn or ignored by

the race of cost-cutting programs to increase "competitiveness." Cuts in public infrastructure investments and cuts in public expenditures into health, education, and science, as mandated by neo-liberal apologists, are further increasing the damage.

In the field of research and development, a technically competent workforce in Germany, the United States, and other industrialized countries is being replaced by managers of digital information, who, instead of testing out the new products in real universe trials, are handing the R&D and testing process over to low-budget, "virtual reality" personnel. Human cognition, the ultimate source of profit in any successful economy, is thereby being eliminated for cost reasons. Anomalies in physical experiments, which contradict the existing frame of accepted knowledge and are the starting point for any scientific and technological revolution, will no longer be tolerated—in fact, they will not even occur, when no physical tests are actually carried out.

After many national economies in the Third World and in eastern Europe have been ravaged by economic shock therapy policies and deregulated financial markets, the pandemic of neo-liberalism, if not radically reversed, now threatens the entire industrialized world. The articles that follow, document some specific cases in Europe, the United States, and Japan. With this report, *EIR* initiates an ongoing series of exposés of this issue.

Can we still run our nuclear and space industries?

by Jonathan Tennenbaum

In the mad rush toward “free market liberalization” and short-term profits, people seem to have forgotten the existence of laws of physics. The complex physical-production processes upon which a modern economy is based, do not obey the “laws of the market,” nor do they bend to the accountant’s desire for arbitrary cost-cutting. Even to maintain the present level of technology requires long-term investment and a high level of scientific and technical discipline—qualities which are rarely encountered among the new breed of “market-oriented” industrial managers who have come to occupy the key positions in the advanced-sector countries.

The resulting collapse in the levels of technological competence, from the top management of companies down to the floor level, has already led to a proliferation of dangerous industrial accidents that would have been extremely rare, if not unimaginable, in former times.

The Japanese nuclear accident

The accident in the Japanese nuclear reprocessing facility in Tokaimura on Sept. 30 provides a frightening case in point. There, Japanese workers unwittingly mixed a critical amount of enriched uranium into a tank, thereby triggering an uncontrolled chain reaction and causing serious radioactive contamination within the plant. Although a large-scale disaster was averted, numerous workers were exposed to overdoses of radiation.

“This accident was only possible because of *gross incompetence* of the top management,” said a leading European nuclear expert in a discussion with *EIR*. “The circumstances and practices which led to the accident would *never* have been permitted under competent technical leadership. Precautions against this sort of accident are well-known and elementary. But the engineers and technicians, who used to run nuclear facilities in Japan and other countries, have been replaced by professional managers who know about markets and financing but *nothing about nuclear science*.”

“You cannot run a complex technology like nuclear energy in this way,” said the expert, warning that the trend toward purely “market-oriented management” would lead to

more, dangerous nuclear accidents in Western countries. He further cautioned, that managerial incompetence is creating a “gray zone” for possible acts of sabotage from the highly motivated and well-financed anti-nuclear movement.

U.S. space launch failures

Another example, from a very different field of high technology, is the unprecedented string of launch failures and accidents which has afflicted the U.S. space industry since 1998. In August 1998, a Titan 4 rocket exploded in flight, destroying a \$1 billion military satellite. In April 1999, two additional Titan 4 rockets malfunctioned, leading, among other things, to the loss of another, \$800 million military satellite. In addition, two launches of the new Boeing Delta-3 rocket, and launch of Lockheed Martin’s new Athena rocket, failed; and failures in the Boeing Inertial Upper Stage and the General Dynamics Centaur upper stage systems led to critical delays.

Meanwhile, Lockheed Martin engineers were finally able to terminate a series of six straight test failures in the development of the Theater High-Altitude Area Defense (THAAD) system.

No less embarrassing was the recent failure of the Mars Climate Orbiter mission, which reportedly took the wrong trajectory around Mars because of a mixup between the metric and the U.S. system of units in the programming of its guidance systems.

The series of failures, unprecedented in the history of space technology, caused alarm bells to sound all the way to the White House. A special investigative committee, put together at the demand of President Clinton, linked the epidemic of failures to “systemic problems” in the space industry, including: “over-emphasis on cost-cutting,” “loss of experienced personnel,” “poor quality assurance mechanisms,” and the “improper applications of ‘faster, better, cheaper’ (FBC) concepts” which had led to elimination of design reviews and costly, but proven, checks and balances in the design and production process. Particular attention was given to the situation at Lockheed Martin, where the committee called upon the Lockheed management to “communicate to its employees that ensuring a successful mission takes priority over cost-based engineering decisions.”

In another reflection of the collapse of managerial competence, John Willacker of the Aerospace Corporation told the *New York Times* that the competitive market pressure to reduce costs has led to a shortage of experienced engineers and technicians in the space industry, and thereby to an over-reliance on computer simulations and modelling to replace the extensive physical testing required to develop new hardware. Willacker said, “Historically, you would build test aircraft or rockets and fly them before you commit to production. We seem to have convinced ourselves that we don’t need that ‘luxury’ today.”

Japan's nuclear accident: a case of financial sabotage

by Marjorie Mazel Hecht

Although ongoing Japanese investigations of the accident at a nuclear fuel conversion plant in Japan on Sept. 30 continue to amass details of what occurred, the most glaring cause of this industrial sabotage—cost-cutting to squeeze out more profits in a depressed economy—goes unmentioned.

The physical events of the accident remain essentially as first reported: Workers at the JCO Company Ltd. nuclear fuel conversion facility in Tokai, Japan, poured seven times the correct amount of uranium into a mixing container, setting off a chain reaction that seriously injured three workers and exposed 46 others at the plant to higher-than-normal radiation. The accident, Japan's first involving criticality—uranium fissioning outside of a reactor vessel—was rated as level four (out of seven) on the International Nuclear Event Scale, which is defined as an accident without significant risk outside the facility.

The fuel conversion plant, which is owned by Sumitomo Metal Mining Co. Ltd., processes enriched uranium hexafluoride into powdered uranium dioxide for use by nuclear fuel fabrication companies. The workers poured 35 pounds of uranium liquid into a container that is supposed to be limited to about 5.2 pounds. They were using steel buckets, instead of the prescribed equipment, in order to complete the job faster.

At the time of the accident, the workers were preparing fuel for Japan's experimental fast-breeder reactor, Joyo, which requires uranium enriched to a level of 18.8%, instead of the 3.5% to 5% level used for ordinary light-water fission reactors. (Enrichment increases the proportion of the fissionable uranium isotope U-235 to the non-fissionable U-239.) This is a task the plant carries out only occasionally; the last time was three years ago.

The bottom line

Why were the workers taking shortcuts and rushing to complete the fuel preparation? The JCO plant, like many others in Japan's depressed economy, had been restructured, to make it more "profitable." The workforce went from more than 300 to just over 100 today, while the workload has remained the same. Hence the motivation to take shortcuts. In

this case, Japanese press reports indicate that the workers were told just before the accident to prepare the fuel mixture even faster than usual. In addition, it is widely reported in the press, from interviews with plant workers, that an underground manual of how to prepare the fuel in less than half the normal time had been used at the plant for about 10 years, with management winking at the circumvention of safety procedures.

Another by-product of the cost-cutting is lower worker morale. As one Japanese source told me, downsizing has often occurred in Japanese industries, by "relocating" workers from the main office of the company to the boondocks—subsidiaries in far-flung places. The relocated workers are often unhappy in the new location; morale is low, and when they leave the company, their jobs are not filled.

The source noted that these nuclear fuel jobs are shunned by the more educated workers in the population, who no longer will work at any such 3-K jobs—3-K standing for *kitsui*, *kitanai*, and *kusai*, or hard, dirty, and smelly. Therefore, he said, only the lowest-level workers do this work, and the company does not take the time to train them. In this case, according to Japanese press reports of interviews with workers and supervisors, they knew nothing about the dangers of "overbatching" the uranium mixture, or of how to prevent a criticality accident. It is therefore conceivable that the three men preparing the nuclear fuel had no knowledge of how what they did might set off a nuclear chain reaction, endangering themselves and others.

It is also conceivable that in this type of situation, where oversight controls are minimal, there could have been deliberate sabotage.

Regulatory oversight

An obvious question for anyone familiar with the multiple layers of control in the U.S. nuclear industry, is, where was the regulatory oversight in this highly regulated nuclear industry in a highly regulated country?

One answer is that the nuclear regulatory command in Japan is bifurcated: The nuclear plants come under the regulatory umbrella of the Ministry of International Trade and In-

dustry (MITI), while the front end of the nuclear cycle, fuel processing and fabrication, is regulated by the Science and Technology Agency.

According to one U.S. nuclear expert who visited Japan shortly after the accident, the MITI regulatory controls are very stringent, and the Japanese nuclear plants' excellent operating record reflects this control. But the fuel-processing end of the industry was allowed to drift, and company cost-cutting took its toll without government oversight. One unofficial scientific report on the accident, circulating in the nuclear community, notes that there have been no periodic safety reviews, no system of training and qualifying supervisors of staff, and no preparations for accident management measures. Even the anti-nuclear groups ignored these fuel production and processing plants, one Japanese source said.

Nine years ago, according to one report, the Science and Technology agency had issued a new technical guide for production facilities that handle uranium enriched to more than 5%, noting that the possibility of a criticality accident should be assumed, and safety measures should be taken accordingly. Apparently, however, the management at JCO claimed not to have seen the new guide, and therefore did not have the enhanced safety procedures in place.

If the JCO workers had been trained technicians, another U.S. nuclear source said, they might have gotten away with shortcuts, but these workers were so untrained that they "didn't even know where the edge of the cliff was."

Now, this source said, Japanese nuclear officials are working 24 hours a day to solve the problem, to restore what they call the safety culture, and to initiate inspection programs and perhaps even a resident safety inspector at each plant.

U.S. regulatory procedures

Commercial nuclear fuel facilities in the United States have not had a criticality event in the past 35 years. Plants are inspected and safety procedures reviewed before the plant can begin operations, and there are detailed analyses of the specific controls that are in place to prevent situations of criticality. The safety controls are designed, according to a recent Nuclear Regulatory Commission press release, to ensure that "two unlikely and unrelated events must occur before a criticality is possible." There are also alarms in all facilities where nuclear material is stored, and regular safety drills and inspections.

At facilities that handle uranium of higher enrichment, as does the JCO plant, there are full-time resident safety inspectors.

After the Japanese accident, U.S. commercial nuclear fuel facilities announced that they were conducting self-assessments of their criticality programs, taking into account what happened in Japan and the possible lessons to be learned.

Three U.S. scientists went to Japan in mid-October on a

Department of Energy mission to study the accident, especially to note similarities to other criticality accidents that have occurred, since the late 1950s, mainly in the Russian and U.S. weapons programs. In their report-back press conference in Washington, D.C. on Oct. 22, the U.S. experts noted that the Tokai accident was not unlike the 21 other criticality incidents they have studied. According to a draft report prepared by a group at Los Alamos National Laboratory, 20 of the 21 criticality accidents occurred when the fissionable material was in liquid form; human error, not equipment failures, was to blame; and none of the accidents resulted in "measurable radiation consequences . . . beyond the facility to either people or the environment."

The Department of Energy team provided further details of the mechanics of the accident: The Japanese workers were trying to dissolve uranium powder into a liquid, working with buckets with about eight pounds of uranium at a time, they said. They then used smaller beakers to pour the solution into a large cauldron. The change in the geometry and volume of the containers, the DOE team said, heightened the danger of setting off a nuclear reaction. The solution went critical when the workers poured the seventh beaker of the solution into the cauldron.

Cui bono?

Japan now relies on nuclear power generation for 36% of its electrical requirements, with plans to develop the full nuclear cycle—reprocessing of spent reactor fuel, fast-breeder reactors to create new fuel, and later fusion—by the mid-21st century, and to put 10 new nuclear plants on line by 2010. For an island nation without oil or coal reserves, nuclear is the way to energy independence, and Japan intends to pursue this goal, despite opposition from the environmentalists and the oligarchical financial forces that would prefer an energy-dependent, and hence more manipulable, Japanese nation.

Highlighting the pressure put on Japan on the nuclear issue, Standard & Poor's rating agency announced on Oct. 5, that "the accident calls into question the viability of Japan's nuclear power plan," as reported in *Nihon Keizai* newspaper. Other press reports happily warned that this accident would do to Japan what the accident at Three Mile Island did for the U.S. nuclear industry: Shut it down. So far, however, the Japanese government has not succumbed to such pressure.

In the aftermath of the accident, the Japanese government will reorganize its oversight of the industry, improve regulatory controls and their enforcement, and see that the industry pays a price for its negligence. However, the systemic problem—letting marketplace cost-cutting rule, no matter what the consequences to human life—is not being addressed, not even in a superficial way. Until that happens, no one is safe from the predations of the marketplace.

Neo-liberals cause rail accidents

by Rainer Apel

Despite the great shock which the British Rail accident near London's Paddington Station on Oct. 5, which left 30 dead, had on German rail experts, many of those experts refuse to admit that the virus which destroyed the British rail system has also infected the German rail sector. German experts and politicians issue solemn declarations that the German way of modernizing the rail system is "not the British way." But this is only superficially true, because the disease has spread in a form somewhat different from its British variant. Unlike British Rail, which was officially privatized beginning in 1993, German rail underwent "only" partial privatization, with the state keeping nominal control of the tracks and the rolling stock. But, the underlying dynamic, that of budget-cutting neo-liberalism, is the same in Germany as it is in Britain, and the effects that the policy has had on the rail sector are the same.

In terms of personnel, the transformation of the German rail sector has been even more brutal than in Britain: The first decade of downsizing in Britain (1982-92) saw the elimination of 25% of the rail workforce, or 160,000 jobs; the first decade of downsizing in Germany (1990-2000) has seen the elimination of 40%, or 270,000 jobs. German experts stress that this had to do with the ostensible need to get rid of the "immense workforce overhang" in the outmoded rail system in East Germany, which West Germany inherited with the October 1990 unification. But this is a foul excuse, because the policies that then led to the big job-cutting of the 1990s had already been in preparation in the 1980s. The "reform" of the East German rail system was taken as a welcome pretext to also make cuts in West Germany, on a scale not seen before.

Likewise, the "cost of unification" and, in particular, the insane assumption of the East German debt at face value as part of the budget, served as a welcome pretext for neo-liberals to promote budget-balancing on a scale not witnessed before 1990. As soon as the alleged "necessity to consolidate the debt" gained priority over everything else, the state-run rail sector, with its debt of 70 billion deutschemarks (roughly \$45 billion), became a prime target.

The 1990s has also been the decade in which outsiders, inexperienced in the rail industry, have taken over the top management of German railways. None of them had come up through the rail sector, or have an engineering background;

rather, all of them had been downsizers in some branch of German industry. The "expert know-how" that made them eligible for the top jobs in German rail, was their trickery in balancing the budget by reducing the workforce and research and development departments, stretching out investments, reducing maintenance work, and the like. Their assignment was not to make the trains run safely and according to schedule, but to produce "revenue," by looking for the cheapest solution and reducing the debt.

The results

The results of that policy are that today there is hardly a train that arrives or departs on schedule; there is a high rate of accidents; and tracks and rolling stock are used up to their limits. The accident in Eschede on June 3, 1998, in which a high-speed ICE train crashed into a bridge, killing 101 passengers, not only was the biggest train catastrophe in post-war Germany, but it also shed light on several of the bigger problems in the rail sector.

The Inter-City Express derailed at Eschede because of a switch that was not appropriate for high-speed trains. Unlike the French high-speed TGV trains which run exclusively on special tracks reserved for them, Germany's ICE trains very often run on tracks that are used by all kinds of trains: commuter trains, low-speed freight trains, low-speed military transports, and the like. Although the Germans are investing three times as much as the British into their rail sector, including in special tracks for high-speed trains, the German rail grid in many parts resembles that of Britain: The Paddington Station accident occurred on old tracks used by all kinds of trains. At Paddington, a commuter train crashed head-on into a high-speed train—both using the track at the same time, at the same location, when the commuter train ran a red light.

In the Eschede crash, the ICE locomotive continued on for 3 km past a bridge, after the third car had become derailed at the switch; the first of the derailed cars crashed into the concrete pillars of the bridge at a speed of 250 kmh, collapsing it and burying the other cars under a pile of concrete rubble; 99 passengers died on the spot, two others later died in a hospital. A preliminary investigation found that a crucial factor contributing to the derailment, was the fact that the ICE cars were equipped with "noise-reducing" wheels that were not made entirely of solid steel, but of two steel parts, an inner core and an outer ring, connected by a hard rubber ring which helps to reduce the noise. These wheels were introduced in the early 1990s, because the ICE trains which had been introduced in 1991 were too noisy to give passengers a comfortable ride.

However, under budget pressure, instead of carrying out a proper engineering job, rail managers used a "noise-reducing" wheel that already existed, namely, on trams used in many German municipalities. This wheel works on trams that

run at maximum speeds of 50-60 kmh, but the ICE is designed for maximum speeds of 250-280 kmh. Engineers warned against using these wheels for the ICE. They also warned against the increased wear which such wheels would be exposed to under such high speeds, i.e., the wheels would more quickly become “unround” (a term describing the degree to which the outer ring of wheels is worn off) and would require more maintenance. The wheels were introduced despite the warnings, rail managers reduced maintenance as part of the budget cutting, and the predictable occurred: An examination by investigators of the wheels at the ICE Eschede crash showed that their “unroundness” was already 1.1 millimeters, instead of the officially permitted 0.6 millimeters. Any unexpected obstacle encountered on the tracks would mean that trains running on such run-down wheels, ran a high risk of wheel breaks and derailment. This is what happened at Eschede.

All of these facts about the Eschede catastrophe were made known to the public — not by the rail management, but, mostly, by leaks to the media. The public outcry forced management to replace the wheels on all ICE trains during the weeks following. But, there was no change in policy — not even when the Christian Democrats of Chancellor Helmut Kohl were replaced by the Social Democrats of Chancellor Gerhard Schröder in October 1998. The Social Democrats are committed to budget-balancing, and they even reduced government funding for ICE track construction. The fundamental problem, namely, a policy mix of various “cheap” solutions, prevails in the German rail sector, and catastrophes like Eschede can happen again any day. Sources say that it has been pure luck that no major train accident has occurred in Germany since the 1998 Eschede tragedy. Unfortunately, Britain has seen several major accidents with numerous deaths over recent years.

Even Tories back state control

In Britain, a poll published by the *Guardian* on Oct. 26 revealed that 73% of voters think that the rail sector should be returned to state control. In particular, 79% of Labour Party voters think that the Labour government of Prime Minister Tony Blair should do what he promised before the 1997 elections, namely, that the state should reverse the privatization policy of the previous Conservative governments and take control of the rail sector. What is particularly striking about this poll, is that 64% of Tory voters share this view, that the neo-liberalist transportation policies of Tory Prime Ministers Margaret Thatcher and John Major (1982-97) have killed too many citizens to be tolerated any longer.

None of these problems should have come to plague Germany. Instead of copying the French TGV, a modernized version of the traditional wheel-based technology which went into operation in France in 1981, and instead of operating the ICE (a somewhat more “stylish” version of the same technology) in 1991, the Germans should have opted for the magneti-

cally levitated (maglev) Transrapid rail system. A technology by German engineers that dates back to blueprints first produced in the 1930s, the Transrapid, propelled by maglev technology that keeps it free from direct contact with the track, is a revolution in transportation. The magnetic field “cushion” on which the train rides keeps it safe from derailing, because any obstacle or interference with the field will slow the train smoothly.

The first operational maglev prototype was presented in 1969, but the Social Democratic governments in the late 1960s and early 1970s decided against the technology, as the first generation of baby-boomers infected with ecologism occupied political posts. For them, maglev was “too modern, too futuristic”; they opted instead for a less modern system that became the ICE of the 1990s.

Long before the ICE finally began to run, the Christian Democrats replaced the Social Democrats in the government, and from September 1982 on, they introduced all the neo-liberal vices of Thatcherism into Germany. Nominally against the Social Democrats’ and the Greens’ radical ecologism, but obsessed with Thatcherite budget-cutting and privatization, the Christian Democrats, during their 16-year uninterrupted reign, found many reasons to oppose the maglev rail technology. For them, the maglev system is “too expensive,” and they wasted the time from 1982 to 1993 deciding on a line for one pilot project, finally settling for a line between Hamburg and Berlin. For budgetary reasons, the Christian Democrats wasted another three years designing a complicated “mixed public-private funding” package for that maglev project, which set a maximum state funding limit of DM 6 billion, while the rest had to be provided by the “free market.”

This neo-liberal nonsense had a predictable result: Construction, to begin in the spring of 1997, was postponed into late 1997, then to spring 1998, then put on hold during the election campaign of summer 1998, and then delayed with the change of government in October 1998 to today. Because the Schröder government is also committed to budget-balancing, and it considers building a maglev line to be the job of the “free market,” it is still unclear when, if ever, the Transrapid will run in Germany.

One thing is certain: The ICE which crashed at Eschede in June 1998 should never have become operational. Instead, the fail-safe Transrapid should have been introduced there long ago. Budget-balancing, an obstacle to technological progress, should have been dropped long ago. Had maglev been introduced in Germany in the 1970s, other countries would have followed suit, and it might have been in use today even in Britain. The passengers who died in rail accidents during the 1980s and most of the 1970s, should never have died. The situation that prevails now in the German rail sector, which once was a worldwide symbol of safety and reliability, and in that of Britain and many other countries, has to be blamed on the neo-liberals.

Audi's top design is a functional flop

by Rüdiger Rumpf

The Audi TT sports car, in production in Hungary for a few months now, has rapidly developed into a cult-mobile with a large following, and in some places its enthusiasts are even organized into fan clubs. The bully-aggressive design hit the taste of the times right on target. But, apparently, design was more important than the attention given to how this vehicle functions. The defects are now undeniable. Reports are accumulating about high-speed and deadly accidents, and photographs of crashed cars are circulating.

Various automobile magazines tested the first Audi TTs that came off the assembly line over the course of last year, and their testers were highly critical of the handling of the vehicle at high speeds. Since Germany's Audi is one of the world's most renowned automobile producers, and the company has a quite capable testing department for the suspension system, the defects can hardly have escaped the notice of the testing department, and the board of directors along with them. The only permissible conclusion is that the wretched performance may not have been designed into the vehicle deliberately, but it was certainly accepted.

The instabilities of the vehicle become apparent in its "nervous" behavior at high speeds, when the rear end tends to fly to the outside of curves. If a shift of the center of gravity is added to the inherent instability, e.g., if the driver takes his foot off the accelerator, the rear end swerves so rapidly that it would be appropriate to say it breaks away. The average driver, who is not prepared for this pernicious behavior by his vehicle, will generally be in no position to bring the car back on course by counter-steering.

The chairman of Audi's board of directors, Paefgen, is correct when he observes that these instabilities become evident only at speeds at which the normal driver will seldom drive, and we can also say that the Audi TT manifests "behavior typical of a sports car." More accurately, we would have to say that this sort of engineering is something an auto manufacturer could get away with 30 years ago, but not today. It ought to dawn on even the chairman of Audi, that many customers may wish to exploit the full performance capabilities of a car now and then—especially a sports car. If the suspension system is not up to par, or if the customers cannot be trusted to control the machine, then the top speed has to be curtailed electronically, which was necessary for the Mercedes-Benz "Smart," another inherently unsafe vehicle.

It is all the more astounding that the Audi board of directors is so oblivious to these defects, in view of the disaster just experienced at Mercedes-Benz with their A-Class and the "Smart" car, both of which were returned to the testing departments on account of severe defects in the suspension systems. Even criticism by former Audi production-tester and world champion race car driver Walter Rühr, failed to induce the Audi board to reconsider its position; instead, it unleashed accusations of corruption against the best-qualified driver of recent decades (since he now works for a different company). It was only after the newspapers reported on the debacle of the Audi TT, and Audi's reputation was already in the basement, that the board conceded that it would revise its arrogant denunciations of the driving skills of its customers. Audi did finally admit to having made mistakes—but less because they really thought they had made mistakes, than for fear of "hurting sales."

What is the TT's problem?

The defects of the TT's suspension system have little to do with the suspension itself. Rather, the reasons lie perversely in the sales pitch, and in its "design," i.e., the shape of the body. For 30 years, it has been known that auto bodies whose rear ends slope downward, have the same effect as the rearward slope of an airplane wing. It generates an upward lift—which is most undesirable in a vehicle which is not intended to fly—since the downward slope of the wing, or the body of a car, as the case may be, generates lower pressure. Some 30 years ago, an inventive Texan came up with an idea to overcome this effect: He equipped his race car with inverted wings, so that the upward slope at the rear generated strong downward pressure. This permitted the vehicle to develop greater stability with increasing speed, which also allowed the car to take curves at higher speeds. These devices were ridiculed at first, but they are now known as "spoilers," used on many vehicles, and modern auto racing would be inconceivable without them. The devices even managed to turn a notoriously dangerous rear-end skidder, the Porsche 911, into a safe sports car.

The Audi TT, with its rounded rear end—all for the sake of "design"—generates a very strong lift, which would not be a problem were it only used as a "boulevard sports car." Or, with a less powerful engine, this vehicle would also not be a danger to anyone. But, with 180 horsepower, in combination with front-wheel drive—and even 225 HP in the all-wheel-drive model—the vehicle is easily catapulted into exceedingly high velocity, where the lift-effect at the rear end leads to extreme instabilities.

On top of that, the suspension system is engineered with such a high yaw, that it gives the impression that the vehicle hugs curves with easy handling—or, as the advertising says, "Driving is pure fun." But combined with the lift-force applied to the rear end, a conflict arises: The lighter rear axle cannot develop sufficient lateral traction, and the rear end

swings a wider arc around the curves than the front end, and thereby starts to overtake the front end. The vehicle spins off the road.

As a rule, such a spin occurs not simply because of excessive speed, but because the driver inadvertently does something to cause it. Once the driver realizes that the car is moving too fast, and is beginning to behave “nervously,” he does the normally correct thing: He eases up on the gas pedal. But, this braking effect adds pressure to the front axle and lightens the pressure even more on the rear axle, causing the vehicle to move even faster into the curve, and to then turn on its axis. These effects from shifting the center of gravity are greatly feared in front-wheel-drive vehicles, which have a pronounced tendency for these reactions, and all manufacturers, including Audi, have spent a great deal of effort and money over the past years to eliminate them, and thus to correct the principal safety defect in front-wheel-drive vehicles. Apparently, when it came to the Audi TT, Audi did not think it necessary to take such “minor” details into consideration, particularly since they might interfere with the “pure fun of driving.”

Safety advantage turns into its opposite

Once Audi was reborn as part of Volkswagen, the decision was taken to settle for front-wheel-drive vehicles as the only sure way to corporate bliss. That worked rather well for

awhile, until Audi began to equip its cars with very powerful engines, forcing them to adopt alternatives to front-wheel drive. The new engines were so powerful that, because the center of gravity shifts during acceleration, the opposite of what we described above occurs, because acceleration lightens the weight on the front axle, causing the wheels to spin, unable to transfer their drive-power to the road.

For Audi, the creator/prophet of front-wheel drive, a switch to rear-wheel-drive vehicles was considered out of the question. The only option was all-wheel-drive vehicles. By now, Audi has a great deal of experience in making all-wheel-drive vehicles, and it pushes this technology as the only alternative to front-wheel drive for high-performance vehicles. Apart from the additional weight involved and the perfected differential technology, which provide for improvements in transferring the power of the engine to the road, there are hardly any objections to this option. Many experts think it is superfluous, however, because all-wheel-drive vehicles can only really demonstrate their capabilities on loose terrain, such as in rally-sport driving.

The TT is not alone

In the case of the Audi TT, with its problems in driving dynamics, all-wheel drive only makes everything worse. In addition to the lift effect applied to the rear end, there is a braking effect on the rear axle when the center of gravity shifts, i.e., when the driver eases up on the gas pedal: That means that the braking effect of the engine can cause the rear wheels to lock, for example, on slippery pavement; that makes the skidding and breakaway of the rear end even more abrupt, and far more precarious and unmanageable than in front-wheel-drive vehicles. That is why, as everyone knows, the driver should depress the clutch or shift into neutral when the vehicle goes into a skid on snow. A locked wheel cannot transfer power to the road, nor can it brake, nor can it develop lateral traction. All-wheel drive becomes a problem not only for the TT, but also for the “sports version” of the small Audi A3, called the S3, which is equipped with “only” 210 HP and all-wheel drive. The sports version is less dangerous than the TT, because its different body shape has less lift on the rear.

Although some trade journals have compared these hazardous reactions of the all-wheel-drive versions of the TT and the S3 with the front-wheel-drive models, and criticized the all-wheel models, the Audi directors would presumably rather swallow their own tongues than admit that their favorite panacea for all suspension problems, permanent all-wheel drive, could be the source of the described problems.

Shareholders' profits over safety

The real problem does not lie in the minor technical defects, all of which have established, tested solutions, but rather in the thinking among the board of directors, which, aside from its fixation on all-wheel drive—an argument purely to boost sales and which has nothing to do with safety—is geared

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to the highest possible earnings. The issue is “shareholder value,” and nothing but that. The original specifications for the TT were aimed at a sales pitch about the “design,” and that goal was not to be sacrificed to any technical requirements, such as using a spoiler to reduce the lift effect at the rear end. The solution adopted by other manufacturers, to have a spoiler operate hydraulically above certain speeds, was not built in “for reasons of cost.” Here is a “lifestyle trophy” — for anyone vain enough to scrape together roughly \$38,000 — replete with all sorts of optical bells and whistles; it is fully certified to be road-capable, yet it can’t keep itself on the road, because of its aerodynamic defect. The proud owner of this piece of junk can nail the standard-equipment light-metal wheels to his garage walls, presuming that he survives any crash.

The objection that the directors did not fully realize the need for a correction, does not hold water. The board did agree, after all, to mount an extra 15 kilograms in the rear, although that dampened the weight-performance ratio: The effect is about what a small spoiler would have. It is true that the upward lift on the rear axle of the TT is about 58 kg at a speed of 200 kmh, and only 36 kg in a similarly powered Porsche Boxter. But it is pure quackery to think that the upward lift can be overcome by adding weight, because the upward lift remains 58 kg, compared to a rear axle weight of 665 kg instead of 650 kg, which is a negligible difference. But, because this weight is mounted far aft of the rear axle, it does indeed have an effect, namely, it creates a leverage, such

that the car spins *considerably faster* on its axis when the rear end does break away!

The third alternative to tame the TT, the electronic stability program or “ESP,” which was the salvation of the Mercedes Benz A-Class, is also not supposed to be built in, so that the pure, uncorrupted sports character of the vehicle not be marred. This, too, is nonsense: The only real issue was to save money. The ESP adds nothing to the “design,” goes the directors’ reasoning, and so it is just a waste of money.

Public pressure forces change

Since the analyses of severe TT accidents led to no essential changes, a wave of public disgust against the Audi directors has poured out, much like that against Mercedes a year ago, and, there has been a sharp plunge in sales. Suddenly, everything previously scoffed at and rejected by Audi’s board of directors, because it would hamper the “pure fun of driving,” has become possible after all. The Audi board announced in late October that the new Audi TT will be sold, beginning in December, with a more finely tuned suspension system, a spoiler, and an electronic stabilization program. In existing models, changes can be made to the suspension — new springs, shock-absorbers, and stabilizers — while the spoiler has to be mounted as a retrofit. But Audi will only install the ESP for buyers who insist on altering their purchase contract. Presumably, the Audi board will want to avoid another round of bad press by not putting up resistance on that point.

Is dioxin scandal agriculture’s future?

Deregulation, battle for market shares, and constantly growing pressure on prices is a mixture that puts lives directly at risk. One striking example is the so-called dioxin scandal, which erupted in Belgium in early summer and spread into all neighboring European countries. Feed companies had mixed all kinds of sewage into animal feed, to become “more competitive” on the market. Used oil (Altoel), sewage sludge, and even human excrement were added in and sold as high-quality feed to farmers, who gave it to their hogs, chicken, and cattle. Only after farmers alerted the veterinary services that entire flocks of chickens had stopped laying eggs and soon after had died, were these unbelievable practices slowly brought out into the open. It took the Belgium government several months to take action against these feed producers, while the practice continued. It was also recently revealed that French feed producers were using the very same practices.

Farmers may wonder why some feed companies offer cheaper feed than others, but they have no choice: The prices that they get for their eggs, milk, and meat are so low that they are desperate to lower the costs of production. As a consequence of this policy, the health of animals and of the people who eat the products of such animals, are consciously being put at risk.

At the height of the dioxin scandal, the Belgian government ordered all Belgian meat and meat products, eggs, and all products that contained Belgian eggs to be removed from the stores and destroyed. For some weeks, in the Belgian capital of Brussels, where the European Union has its headquarters, there were scenes like those in the former Soviet Union: customers were staring at empty shelves, and consumer prices for food were soaring.

Such breakdowns will occur again, because liberal economics leads to such incidents. The problem lies in the policy. Soon, a similar scandal, but of bigger proportions, will strike again, or, these wonderful liberal policies will have driven so many farmers into bankruptcy that food will be scarce. You must decide: Either you eat contaminated food or go hungry, or organize to dump these liberal policies now. —*Rosa Tennenbaum*

Europeans hear ominous echoes of 1929 crash

by William Engdahl

October 1999 marked the 70th anniversary of the spectacular Oct. 29, 1929 Wall Street stock market crash, the worst market debacle to date in the history of the United States. Today, the United States again stands on the brink of a financial precipice, this one, however, orders of magnitude worse than that of 70 years ago. Several commentaries in the European press in late October underscored the current vulnerability of the United States, and, by extension, of the entire financial world, to the worst financial meltdown in world history.

Author Edward Chancellor reviews the circumstances of the 1929 crash and compares the situation to today, in a commentary in the Oct. 27 London *Daily Telegraph* entitled "When Wall Street Sneezes, the Whole World Catches a Cold": "In recent years the U.S. stock market has tripled, creating paper profits of approximately \$10 trillion at the mid-

year. . . . When the bubble bursts . . . it will spark a recession." But, this would be no ordinary recession. Chancellor says that "growth in the United States is dependent on an ever-rising level of debt. . . . It would take a miracle to save America from the depressive forces of a 'huge bursting bubble.' "

A similar warning of the dangers of an imminent U.S. crash comes from a Munich asset management firm, PSM Vermoegensberatung. It warns that the unsustainable \$300 billion U.S. balance of payments deficit, and the negative personal savings rate of American households, combined with record levels of corporate and private household debt, have created a financial and monetary Molotov cocktail. "A dollar crash of up to 50% against the euro and the deutsche-mark draws ever closer," a recent PSM client report warns. PSM's analysts point out that for more than a decade, the United States has been the world's largest debtor nation, with net liabilities of \$2 trillion to foreigners, including holders of U.S. bonds and other credit. Such a staggering debt has until now been financed only by flows of foreign investment into the United States. "A dollar crash is predetermined when Europeans decide to take their money out of the United States."

Debt expansion is today's form of inflation

The most ominous picture of the American financial and monetary Achilles' heel by far, however, comes from well-known German bank economist Dr. Kurt Richebächer, former chief economist of Dresdner Bank. In an Oct. 19 essay published in *Börsen Zeitung*, Richebächer throws cold water on the popular myth of an American "new economy paradigm," the so-called "Third Wave" illusion that technology and the Internet virtual economy have rendered recessions and crashes obsolete. Richebächer insists that the unprecedented American economic boom of the past several years, far from depending on some new paradigm, is directly a consequence of what the German economist calls "a credit expansion unequalled in all history. It overshadows all prior financial bubbles."

Richebächer focusses attention on the explosive expansion of financial sector credit. "In the last four and a half years," he says, "new indebtedness in the American economy increased by more than \$7.2 trillion, or 40%, to \$24.428 trillion. That represents 363% of the present GDP." He adds, "Looking at the figures, it is obvious that the American credit system between 1997 and 1998 has gone fully out of control. The new indebtedness of the private non-financial sector—private consumers and businesses, accelerated from one year to the next by 41%." He concludes, "To reiterate, America is the most extreme case of an 'asset bubble' and 'bubble economy' which has ever existed." In the last several years, it has not been new technologies and "shareholder value" priorities of corporations which have driven the U.S. economy, "rather it was a primitive recipe: unrestrained consumer debt."

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An unparalleled record: LaRouche's economic forecasts

A senior Russian strategist, speaking with *EIR*'s Mark Burdman on Oct. 25, remarked that the new phase of the global financial crisis, particularly what is unfolding in the United States, is dramatic proof that Lyndon LaRouche's forecasts have been absolutely on the mark. This individual, while familiar for years with LaRouche's forecasts, had, until recently, been denying the magnitude of the global crisis, and belittling the dangers in the United States.

The source added that he has been monitoring a growing array of articles from different parts of the world, "saying what Mr. LaRouche was saying years ago. It is clear, now, that the American financial system is not sane. Already years ago, Mr. LaRouche's forecasts developed this point. It is very important, that a dossier be compiled by *EIR*, to show that Mr. LaRouche was the first to say what many are now realizing. He started this, many years ago. It is clear that we are in a big financial crisis. But only recently, we were hearing that the United States was in a splendid situation. People were laughing at LaRouche, insisting that things were blossoming. Now, things are going suddenly down and down, there is crisis after crisis. There was Mexico, there was Southeast Asia, then Russia. Now, a major crisis in America starts. It is very important to show that Mr. LaRouche was the first to forecast this."

Accordingly, *EIR* is publishing the following dossier of LaRouche's forecasts.

'LaRouche's Ninth Forecast'

The following is excerpted from Lyndon H. LaRouche, Jr., "The Coming Disintegration of Financial Markets," EIR, June 24, 1994. It was also published as a pamphlet, under the headline "LaRouche's Ninth Forecast." In it, he describes his previous eight economic forecasts; we provide excerpts from some of these below.

It comes as no surprise that the name of the Bank of England's Eddie George is added to the list of which it must be said that "whom the gods would destroy, they first make mad." During the course of the current London meeting of the International Monetary Conference, Eddie joined the ranks of those greed-maddened public fools of finance who insist that the danger from the now metastatically cancerous financial bubble in derivatives speculation is being exaggerated by some critics.

It is a matter of some urgency that responsible governments subject all incumbent and prospective economics and central banking officials to the sanity test which Eddie George would have flunked gloriously. Among the probable benefits of this, the least would be creating suddenly many encouraging vacancies for the sane unemployed. The test consists of but one crucial question: *Prove conclusively that the near-term disintegration of the presently bloating global financial and monetary bubble is unstoppable by any means alternative to governments acting to place the relevant institutions into bankruptcy reorganization.*

Those officials about to be examined so could look up the answer in the back of the book, so to speak. We supply it here and now. Would that be cheating on their part? Not at all; it would be becoming sane.

LaRouche as a forecaster

About my qualifications: I have introduced relatively few forecasts of critical events during my 40-odd years as an economist (not counting my repetitions of some of those warnings). To date, every forecast which I have made on the basis of my LaRouche-Riemann method has been confirmed by timely developments. I now present a summary listing of those forecasts, for the purpose of identifying my authority for designing the indicated test of economic sanity.

1. During late autumn 1956, in connection with a marketing study, I forecast the imminence of a major U.S. economic recession, triggered by the over-stretching of a post-1954 credit-bubble centered in financing of automobiles, housing, and analogous consumer goods. This recession broke out in February 1957 statistics, and was generally, if reluctantly acknowledged to have occurred several months later. The recession-spiral lasted into mid-1958, and was followed by a prolonged stagnation until an upturn appeared under the Kennedy administration.

2. During 1959-60, I made my first long-range forecast: that near or shortly after the middle of the 1960s, we would see the first of a series of major monetary disturbances, leading toward a collapse of the existing Bretton Woods agreements. I forecast that this collapse would see increased looting of what were then termed developing sector nations, and that the breakup of the Bretton Woods agreements would lead rapidly to austerity measures modelled upon those of fascist regimes, in international economic relations and in the U.S. domestic economy.

All of my economics forecasting and related activities of



Not the result of a terrorist bombing, but rather a deliberately demolished steel plant in McKeesport, Pennsylvania, 1985—a casualty of the disastrous policy shift toward a “post-industrial society.” This policy, LaRouche warned as early as 1959-60, would ultimately lead to a collapse of the world financial and monetary system, destroying the physical economy of nations.

the 1960s, through spring 1971, were premised upon that same judgment. The first of the series of major monetary disturbances of the period occurred with the collapse of the British pound during November 1967, followed by the dollar crisis of January-March 1968. The break-up of the Bretton Woods agreements occurred beginning Aug. 15, 1971, and was consolidated by the Azores monetary conference of 1972. In immediate response to the August 1971 development, the U.S. government instituted the radical austerity measures known as Phase I and Phase II.

3. In November 1979, during my campaign for the Democratic Party’s presidential nomination, I warned that the measures which the Carter administration and Federal Reserve had just taken, at the urging of newly appointed Federal Reserve Chairman Paul A. Volcker, would lead to the outbreak of a devastating recession, beginning early 1980. Every detailing of that forecast by *EIR* magazine’s quarterly projections through 1983 was the most accurate forecast issued publicly by any agency; in fact, most, including Chase, Wharton, Evans, and Data Resources, were absurd in their sensing of the direction of the trends.

4. In February 1983, in the course of an exploratory back-channel discussion I was conducting with Moscow in coordination with the Reagan administration, I informed the Soviet government, that if it were to reject what later became known as the Strategic Defense Initiative of March 23, 1983, the strains on the Comecon economy would lead to a collapse of that economic system in about five years. This forecast was repeated in an *EIR* Special Report, *Global Showdown*, issued

July 1985. The collapse occurred during the second half of 1989.

5. In spring 1984, in my renewed campaign for the Democratic Party’s presidential nomination, I warned, in a nationwide half-hour TV address, and elsewhere, of the outbreak of a collapse in a large section of the U.S. banking system: the savings and loan and related sectors.

6. In May 1987, I forecast, as published in *EIR* magazine and elsewhere, the outbreak of a major collapse in the stock market beginning approximately Oct. 10, 1987. This was my first and only stock-market forecast.

7. During my renewed Democratic candidacy of 1988, in a nationwide half-hour TV address, I described the “bouncing ball” phenomenon as the key to following the continuing collapse of the U.S. economy through the course of apparent, short-term fluctuations relatively up or down. That has continued to the present day.

8. During my renewed Democratic candidacy of 1992, I warned that we were already gripped by a global financial mudslide, “down, down, down.”

This is a record of nearly 40 years, a record which cannot be even approached on the public record by any currently living economist, even by France’s (and *Le Figaro*’s) eminently sane Nobel Prize-winning Maurice Allais.

Out of that same unequalled competence, I say to you now, as I informed various relevant scientific institutions of Russia during the last week of this April past: *The presently existing global financial and monetary system will disintegrate during the near term. The collapse might occur this spring, or summer, or next autumn; it could come next year; it will almost certainly occur during President William Clinton’s first term in office; it will occur soon. That collapse into disintegration is inevitable, because it could not be stopped now by anything but the politically improbable decision by leading governments to put the relevant financial and monetary institutions into bankruptcy reorganization.* That is LaRouche forecast No. 9—the addition to the list of eight, above.

The rational standard of belief

What has been summarily reported on the first eight forecasts shows that something is missing in the intelligence or morals of anyone who refuses to take the ninth forecast very seriously. Yet, that being said, although the public record shows that I am probably the world’s best forecaster living during the past 40 years, does that unmatched record in fore-

casting guarantee that my ninth forecast is right? Any responsible government says, "He may be the world's best economist, but, even in his case, I still need the proof that his ninth forecast is right."

Think of an economist advising a government as morally in a position like the physician advising a patient. Would it be consistent with medical ethics to prescribe a medicine on the basis of "I happen to find the labels on the pharmaceutical company's products attractive"? How should the physician judge? He is morally responsible for using scientific method, and for working in concert with those other members of the profession whom he knows to be governed in their utterances by obedience to scientific method (rather than some official of an insurance company controlled by investment trusts, for example). What is the comparable ethical requirement in connection with economic prescriptions?

Contrary to what most scientific illiterates among U.S. college graduates believe today, *science is not statistics. Science is the method by which a series of successful fundamental, and other crucial discoveries have been generated. Science is not mathematics; it is the delimiting conditions which the successively successful method of physical science, over nearly 2,500 years since Plato's Academy at Athens, imposes upon mathematics today.*

Any responsible government today is asking the following three questions about the ninth forecast in that series: 1) Is the method which I employed to develop the first eight of these forecasts consistent with the method upon which the ninth depends? 2) Is the method which opponents of this forecast employ identical to the failed method which their circles used in failing to meet the standard of each and all of the first eight forecasts in my series? 3) If the answer to the preceding questions is "Yes," then show the additional, crucial proof that my method conforms to the actual principles by which physical growth in economic processes is sustained.

That is what any responsible government will demand of me, once it recognizes that it would be terribly, morally reckless to continue its disastrous former blind faith in my failed "Brand X" competitors of the post-World War II period, such as John Von Neumann, Abba Lerner, Milton Friedman, Friedrich von Hayek, Karl Popper, Arthur Burns, Paul Samuelson, George Shultz, Paul Volcker, Margaret Thatcher, Wharton, Evans, Chase, Data Resources, and, at the bottom of the barrel, that notoriously poisonous academic imp from Harvard, Jeffrey Sachs.

The future will judge the governments and the electorates of the present by the way in which they respond, or fail to respond to their obligation to pose those policy questions respecting that ninth forecast. The future will demand: 1) If you had asked those questions, you might have foreseen the mass-murderous disaster which was about to hit your nation and the rest of the world besides. Did you ask those questions? 2) If you did ask those questions, did you receive an answer? 3) What would have been the result had you accepted that

answer? *This moral accountability applies to government; it may determine whether or not certain economists deserve to sit in Hell; it is also a measure of the morality of the voting-age population in general.*

The reader will find all the crucial features of the method employed in all nine of the list of past and present forecasts identified adequately in many published locations, including two most recent editions of the quarterly journal *Fidelio*. "On LaRouche's Discovery," (Spring 1994) is an account of the original work, over the years 1948-52, which produced my original fundamental discovery in the science of physical economy. This, including footnotes (pp. 37-55), is a concise report of the discovery. The second, longer treatment of the significance of economic policy in history, is found in "The Truth About Temporal Eternity," in the Summer 1994 issue.

If the reader has advanced competence in mathematical physics, including the issues associated with such matters as Bertrand Russell's fraudulent attacks upon Bernhard Riemann and Georg Cantor, or the related matter of Kurt Gödel's shattering proof of a crucial blunder by John von Neumann, those two articles report enough to constitute rigorous scientific proof. If the reader lacks that advanced training, the contents of the two articles will be nonetheless highly informative and relevant.

It is my intent, that any literate person, whether one with adequate scientific training or merely good moral sense in such matters, will be suitably informed by the following description of the proof for my ninth forecast. . . .

Forecast 3: The Volcker measures

This statement was issued by LaRouche on Oct. 16, 1979:

I herewith submit a demand for the prompt impeachment of recently appointed Federal Reserve Chairman Paul Volcker.

Yesterday, appearing before a committee of the United States Senate, Volcker either lied or manifested gross incompetence in the course of a reply to Senator Paul Sarbanes, Democrat of Maryland. He stated, falsely, in his response, that the Federal Reserve System could not channel the flow of constricted liquidity in such a way as to ensure adequate credit for maintaining the operating capital of business employers.

In fact, the Federal Reserve System has the capability, with the consent of the Executive Branch and Congress, to conduct precisely the sort of anti-depression measures which Senator Sarbanes proposed.

Mr. Volcker either knows this, in which case he committed perjury in sworn testimony before the Senate, or he does not know this, in which case he is impeachable for incompetence.

In earlier public statements, Mr. Volcker has stated himself to be a supporter of a doctrine of "controlled disintegrated



Federal Reserve Board Chairman Paul Volcker, 1981. His doctrine of “controlled disintegration” of the economy led to a deliberate shutdown of U.S. industry and agriculture.

tion” for both the United States and the world economy. Now, under the semantic pretext of “anti-inflation” “fiscal austerity,” Volcker has abused his powers as Federal Reserve chairman to implement measures which constitute an efficient effort to plunge the U.S. economy into misery, chaos, and confusion of the sort ultimately worse than the conditions experienced during the Great Depression of the 1930s. In light of the evidence of a conscious intent behind Mr. Volcker’s attempts to ruin the U.S. economy, his conduct in office must be regarded as no better than treasonous in character, if not formally treason by the strict language of the U.S. Constitution.

As one of the world’s leading economists, I have caused my staff to conduct a computer-based analysis of the near-term consequences of Volcker’s measures. Those results, coinciding with the estimates of other analysts reporting independently, indicate that the measures already enacted by Volcker will cause a 15% recession in the U.S. economy, probably putting the United States into a recession twice as severe as that of 1974. . . .

Furthermore, the argument that Volcker’s “fiscal austerity” will hinder inflation is a hoax. Although there might be some temporary leveling off of inflation-rates during the weeks just ahead, by about January 1980, Volcker’s measures would begin to send inflation-rates spiraling upward again. This new spurt of inflation would be caused by the effort to offset higher borrowing costs for operating capital plus efforts to bring total income-volumes of firms back above break-even levels under conditions of a substantially shrunken market.

There are two immediate measures which would ameliorate the present crisis. First, the U.S. gold reserves must be

valued at an adjusted current world market value, a value to be negotiated with both the European Monetary System member-nations and the OPEC the “petrodollar” holders. This would stabilize the value of the dollar and take the worst pressures off dollar liquidity. Second, the Federal Reserve must immediately implement the kind of selective credit-flow controls which Senator Sarbanes proposed. This would not solve our nation’s problems, but would give us breathing-room for developing a comprehensive, long-term set of monetary and investment-incentive measures.

A depression is not necessary. Any official who adopts a policy of “controlled disintegration” of the United States economy is engaged in a treasonous undermining of our nation’s overall security at this juncture.

It is time to cease playing political theater with the election campaign. It is

time for the citizens to cease treating politics as a matter of attaching oneself to popular political actors in an electoral beauty-pageant, and to pay attention to the fundamental interests of our nation, especially to those vital interests which determine the condition of individual life and the kind of world and nation we work to leave to our posterity. It is time to force the impeachment of treasonous forces such as Paul Volcker.

Forecast 4: The Soviet economic crisis

The following is excerpted from EIR’s Special Report Global Showdown, July 24, 1985, pp. 3, 12-13.

At present, the Soviet Union is in a full-scale pre-war mobilization, with the objective of acquiring all capabilities needed to survive and win a full-scale thermonuclear-led assault against the United States, according to the Ogarkov Doctrinal War-Plan, by approximately 1988. The economic mobilization in progress is best characterized as an overlay of two complementary general policies. These two, overlain, policies we have designated as *Plan A* and *Plan B*, respectively.

Plan A, signifies the aspect of the current economic mobilization governed by a Soviet version of “systems analysis,” the portion of the mobilization based on mobilization policies of practice in place prior to 1983.

Plan B, signifies a new dimension of Soviet mobilization policy, which was made visible in Soviet war-planning during

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The Russian Imperial War Plan for 1988

July 24, 1985

the 1983-84 period, and has been implemented on a massive and accelerating scale immediately following General Secretary Gorbachov's installation in office. Fairly described, *Plan B* represents a virtual revolution in Soviet economic policy of practice. The intent of its addition, is to forestall any U.S.A. move to a "crash program" method of implementation of the Strategic Defense Initiative. It introduces to Soviet practice, "science-driver crash-program" methods of rapid technological upshifting of Soviet production in general. . . .

In previously established Soviet doctrine, *Plan A* doctrine, military production is treated as a drag upon the economy. Therefore, *Plan A* thinking reasons, if one power cranks up to a full-scale war economy mobilization, and a comparable opposing power does not, the weakening of the first power by such war-economy mobilization can be compensated only by either victorious warfare or other capitulation by the opposing power. If *Plan B* follows the LaRouche-Riemann Method on this point, then the power whose war-economy mobilization is at the higher technological level, can sustain such a mobilization indefinitely, constantly gaining in margin of economic advantage over the other. In economic terms, a full-scale war-economy mobilization, is a source of cumulative economic superiority, not weakening, on condition that the principle of a "science-driver" variety of "crash program" is adopted. . . .

In other words, if Soviet policy follows *Plan A*, the likeli-

hood of war is at the greatest during approximately 1988. At that point, the Soviet war-economy mobilization will have peaked, and the religious mobilization leading into the 1988 celebrations will also have peaked. According to a version of Soviet strategic doctrine based on *Plan A*, the Soviet Union must launch a full-scale war against the United States by approximately 1988. After 1988, according to *Plan A* reasoning, the relative advantage to the Soviets will erode at an accelerating rate, unless NATO military capabilities and economies collapse of their own weight. . . .

[Should Moscow shift from *Plan A* to *Plan B*], then 1988 is no longer a maximum point of relative strength for Moscow, but, rather, the date of maximum strength is shifted to a later date, to a critical point during the early to middle 1990s.

That critical point is rather simply defined. Let X, Soviet total capability, be greater than Y, the total capability of the NATO alliance. Let the exponent of growth-rate for X be designated by "a," and let "a" be less than the exponent of growth for Y, "b." The point at which the absolute margin of growth of Soviet capability ceases to be greater than the absolute margin of growth for NATO capability, is a critical value. This is indicated better, by assuming, as is the normal case, that the growth-rate exponents "a" and "b" are not linear, and that "b" increases more rapidly than "a": In other words, a U.S. mobilization "takes off" as did the 1939-43 mobilization. Once NATO's economies reach the critical value corresponding approximately to 1943, the rate of growth of NATO's power will accelerate relative to the rate of growth of the Soviets, on condition that the Soviets do not introduce an effective "cultural paradigm-shift," away from deeply-embedded Eastern cultural matrices during that interval. . . .

Forecast 6: The crash of October 1987

This statement was issued by LaRouche on May 27, 1987, and was published in EIR on June 5, 1987. The financial blowout forecast by LaRouche began on Oct. 6, when the New York stock market's Dow-Jones index dropped by more than 91 points. The crisis culminated in Wall Street's more than 500-point crash on "Black Monday," Oct. 19. Some \$1.5-2 trillion worth of equity in U.S. markets was wiped out from Aug. 25 to Oct. 19, 1987.

Leading European financial officials have warned my associates, that we should expect to see the beginning of the world's biggest financial crash by October of this year. My comment on that forecast: It might not occur in just that way, but, if the Reagan administration continues its present policies, it is certain that the world's economic situation will become much worse than it is today over the summer months.



A worried stock market player in Boston, Oct. 20, 1987, after the “Black Monday” crash.

I don't welcome this worsening of the situation. It will cause enormous suffering, for one thing. Also, in the defendant's motion which the Soviet government submitted to a Paris court last Friday, Moscow makes implicitly clear that it will react with efforts to assassinate me as soon as possible, for fear that such a crash might bring me at least close to gaining the 1988 Democratic presidential nomination.

Nonetheless, in history, usually, only the eruption of terrible events brings governments and peoples to their senses. It is when the bombs drop on London or Pearl Harbor—or, something like that—that the English-speaking peoples seem to come out of foolish dreaming, and awaken to reality. It is probable that only a growing sense of the reality of the AIDS menace, combined with a financial disaster, combined with awakening to the reality of the Soviet threat, will get the majority of U.S. citizens out of their present wishful stupor before their TV sets.

Whether the great financial crash of 1987 erupts by October, or later, will depend upon what leading governments do at the international monetary “summit” held in Venice on June 12. Those bankers who are expecting a crash by October, make that forecast on the basis of assuming that the U.S. government's role at Venice will be a continuation of the foolish international monetary policy which the Reagan administration has followed over the past five years. In that case, a crash in October would not be absolutely certain, but it would be, at least, a very good guess.

This forecast is based on the observation, that even now, President Reagan is clinging stubbornly to belief in a “Reagan economic recovery” which never actually occurred. The President believes in that non-existent “recovery” for

ideological reasons; he wishes, desperately, to believe that his economic policies have been successful ones. As long as the official line of the administration is to stick to the “successful economic policies” of the past five years, the Reagan administration is likely to stick to those policies. This would turn the Venice “summit” into a disaster, destroying the last bit of confidence in the U.S. dollar in international financial markets. Under those conditions, an October crash would be very probable.

Take, for example, one of the most recent developments on the international financial markets. The way in which a small loan was granted to Egypt by the international bankers' club called the “Club of Paris.”

Egypt was blackmailed into signing what is called an “IMF letter of intent.”

Egypt was told, all credit would be cut

off, unless it signed that letter. The letter required the consent of the Egyptian government to devaluing its currency, and shutting off the highly successful land-reclamation projects which are the only hope for a basic solution to the problems of Egypt's economy. Reluctantly, Egypt signed, and was then promptly given new lines of credit. Egypt received, however, much less than it lost by devaluing its currency, the pound.

This has been the pattern of U.S. support for IMF “conditionalities” policy. The key margin of increase of the U.S. trade-deficit, has been the collapse of U.S. exports to, and increasing imports from, developing nations which have submitted to the terms of such “conditionalities.” The “conditionalities” have, in each case, turned a poor debt-repayment possibility by these countries, into an impossible one, in each case.

This affects the internal economy of the U.S. directly. Take for example, the Reagan administration's reaction to the drop in OPEC petroleum prices.

Continued production of U.S. petroleum requires a price of about \$24 a barrel. Without that U.S. petroleum production, we are dependent upon increasingly uncertain flows of cheaper oil from the Persian Gulf's war-zone. Instead of putting a price-triggered import charge on imported petroleum, to defend domestic petroleum production, the U.S. government decided to go with dependency on cheaper Persian Gulf oil. This, combined with the U.S. Agriculture Department's policy of collapsing U.S. agriculture, was the cause of the financial crisis among the regional banks of Texas, Oklahoma, Louisiana, Wyoming, Montana, and so forth.

Our government's follies in international monetary policy

usually come home to cause suffering inside the United States.

A “zero-economic-growth mafia” inside the IMF and World Bank bureaucracies, acting with U.S. government support, has been collapsing the internal economies and world trade of both developing and Western industrialized nations, while piling up the financial obligations of both developing and industrialized nations. We have been increasing nations’ obligations to pay debt, while destroying their means for paying that debt.

Inside the U.S. itself, one of the mechanisms which has been used to prop up apparent consumer purchases, has been a process of increasing average consumer debt, while average consumer income fell. This has been the leading basis for President Reagan’s wishful belief in an economic recovery—consumers going deeper into debt to maintain ordinary levels of consumer spending, while average, after-inflation levels of household income have been falling. Now, the growth of consumer debt has reached approximately a saturation-level.

Meanwhile, the prices on the world’s stock exchanges have zoomed into the financial stratosphere. Present stock prices are way, way above anything justified by the price-earnings ratio. The bond markets have been sliding down for weeks. About 1,500 U.S. banks are in bad trouble, and more than 200 in immediately serious trouble. Any significant rise in interest-rates could sink as much as half of the savings institutions, and could blow out the banking system generally. If this inflated financial structure collapses significantly in any one sector, all sectors could blow. Any collapse would reveal quickly, that most of the values of financial paper depend upon mere “hot air,” such as so-called “junk bonds” or similarly dubious book-keeping accounts.

When the system blows, more than half of the more than \$13 trillion of hard-core debt-obligations could blow, more than half of this inside the United States.

The problem is approximately twenty years of bad monetary and economic policies by all Western industrialized nations excepting Japan. (We sometimes complain that Japan is being “unfair,” because it refuses to be as stupid as the governments of other industrialized nations.)

Now, during recent weeks, many of the world’s leading bankers have awakened to the seriousness of the situation. Except for the governments of Japan and of France’s Prime Minister Jacques Chirac, the governments, and

political party leaderships of the other Western industrialized nations are still as much in dreamland on the economic situation as they are on the subject of the AIDS pandemic.

Technically, on any day that the U.S. government came to its senses, this crisis could be brought under control. The crash of 1987 is not inevitable. However, unless the governments come to their senses, it is inevitable. During the Venice monetary “summit,” and during the weeks following that, we shall see whether the crash occurs as leading European bankers now suspect it will.

Forecast 7: The bouncing ball

From an April 12, 1988 televised Presidential campaign broadcast by LaRouche, titled “The Test of Fire.”

... You see here, that last October, the stock market collapsed almost exactly as it did in October 1929. At the beginning of January, the stock market recovered just as it did back during the same period in 1930. The recovery lasted until the middle of March this year, just as it did in 1930. But, then, the last week of March, the markets sagged, just as they did back during the same period in 1930. Today, the majority of leading financial experts in Europe are expecting that the international financial system will go through a drop in dollar values between now and the end of June, just as happened back in 1930. What these experts expect after that, is a temporary levelling off during the Summer months, followed by a new downslide in October. After that, they expect a more or less steady col-



LaRouche’s April 12, 1988 television broadcast, in which the motion of the stock market in 1929, and again in 1987-88, is shown to mimic a bouncing ball.

lapse of the economy throughout 1989, leading into the worst economic depression of the century.

I am not making a firm prediction on the date the next major dollar and banking crisis will hit. If I were President now, I could bring this under control very quickly, and begin to turn the economy around slightly over the next several months.

So far, George [Bush's] friends, using almost every trick in the book, have failed to control the financial crisis any better than Hoover did, back in 1930. Let's take a quick look at the reason Bush's friends are doomed to fail in their efforts.

[LaRouche holds up a ball.]

Now, imagine we are back in October 1929. I drop this ball.

[Camera shows path of bouncing ball, superimposed on *Wall Street Journal* graph of stock market in 1929.]

The picture isn't exactly the same, but the general idea is about the same.

Now, come back to the middle of October 1987. The ball I am holding is not the same ball I dropped back in 1929, but it is a similar ball. The same thing happens with this ball in 1986 and 1988 that happened in 1929 and 1930.

Why should an economy act like a bouncing ball, back in Hoover's time, and again today? One reason is that the Reagan-Bush administration has acted almost exactly as the

Coolidge and Hoover administrations acted to create the Great Depression of the 1930s. If our government, in 1988, makes exactly the same mistakes which the Hoover administration made back in 1930, the results will be approximately the same. Times change, but the laws of nature do not. . . .

Forecast 8: The great mudslide

From a Nov. 23, 1991 Presidential campaign statement by LaRouche, titled "The Great Mudslide Is On."

Many people have been looking for a definitive one-day, two-day, three-day financial crash, perhaps on the markets, with the Dow-Jones, sometimes called Baby Jones Index crashing 500 or 1,000 points or something like that. What they are seeing is something a bit different. What they are seeing is the great mud-slide of 1991. By mud-slide, I refer by comparison to the eruption of, say, a Hawaiian-style volcano. The mud comes sliding down inch by inch, hour by hour, approaching the villages and the sea. As the mud reaches the sea, a bit flakes off today, a bit flakes off tomorrow, a bit flakes off the next day. But we know what's happening, the mud is going down to the sea, it's going under water with a great deal of steam and pain.

What has happened is, is not that the stock market has collapsed as much as that of the underlying financial system as a whole, the Anglo-American, London-New York-Washington financial system has collapsed. The banks are bankrupt, the life insurance and other insurances companies are in deep trouble, the pension funds have been looted by the junk bond dealers such as Michael Milken and Kohlberg Kravis Roberts with their crazy junk bonds. State governments are bankrupt, municipal governments are bankrupt, the federal government is bankrupt, and the federal government and state governments and corporations are stuck with something on the order of \$24-25 trillion of unpayable combined public and private, on-balance-sheet and off-balance-sheet liabilities. As a result of this, the stock market and other financial markets can no longer sustain the appearance, the illusion of so-called prosperity. . . .

So, down and down and down we go—not all at once, but day by day, hour by hour, inch by inch, the Great Mudslide that carries the United States into a financial collapse and depression far worse than anything in the 1930s, is now on full tilt.

There is only one thing that can be done: Build a new system. But so far, over the past years, the years that I have been warning of this—particularly 1980, 1984, the 1988 Presidential campaigns, I warned of this exactly, I warned what had to be done—none of the other candidates was paying any attention. As a result of your choosing from among those other candidates, you are going to suffer. I regret it, but you're going to suffer. It's your own fault, for not supporting me. . . .

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by Lyndon H. LaRouche, Jr.

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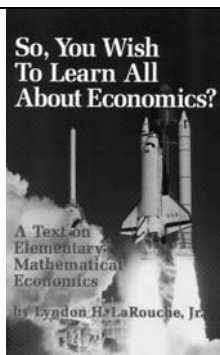
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If Peru's Fujimori is to be reelected, he needs to change his economic policy

by Luis Vásquez Medina

In late September, it was announced that, since mid-1998, the Peruvian government has been in a situation that could technically be considered “fiscal bankruptcy.” Since that time, tax revenues have failed to cover government expenditures, among these, payment on the foreign debt. Last year, service on the public foreign debt alone cost \$1.8 billion. This year, it will be \$2 billion. To cover the deficit, the government has broken the promise made by President Alberto Fujimori in 1993, and has resorted to using money from privatizations. Of the \$7.928 billion that the government has received from all privatized state assets since 1992, only \$3.316 billion remains. The rest has evaporated, spent on exchanging one piece of debt paper for another, and on straight cash payments to pay down the debt.

After more than nine years of Peru’s “reinsertion into the international financial community,” promoted in 1990 by Hernando de Soto, Javier Pérez de Cuellar, and Mont Pelerin Society fanatic Carlos Boloña, what was true from the beginning is now evident to all — that “reinsertion” was a shameless fraud against the nation, which a President who was honest, but suffered from the disease of pragmatism, accepted at a moment when the very existence of the nation was in jeopardy due to Shining Path narco-terrorism.

Foreign debt is looting

The discrediting of nationalist measures against the International Monetary Fund (IMF), caused by the debacle of Alan García’s schizophrenic and corrupt government of the mid-1980s, together with the widespread fear induced by the narco-terrorist rampages, facilitated the application of IMF measures, which were designed to assure the brutal looting of the Peruvian economy. The figures are chilling. Between 1990 and the first half of 1999, Peru serviced its public foreign debt to the tune of nearly \$12 billion. That debt in 1990 was \$13.361 billion, according to the Peruvian central bank. Despite having paid an amount nearly equal to the totality of the public foreign debt in that period, and taking into account the supposed reductions of the 1996 Brady Plan, the public foreign debt of Peru today stands officially at \$19.190 billion. This same looting process through “bankers’ arithmetic” has occurred in every Ibero-American country, as well as throughout the nations of the so-called Third World.

But that is by no means the entirety of the Peruvian econo-

TABLE 1
Peru: real foreign debt
(billions \$)

	1990	1999*
Public foreign debt	13.4	19.2
Private foreign debt	3.9	9.7
Foreign portfolio investment	—	2.0
Dollar-denominated domestic debt	—	6.2
Total	17.3	37.1

* 2nd quarter

Source: Central Reserve Bank of Peru.

my’s foreign debt. As seen in **Table 1**, to have even an approximation of the true amount of the foreign debt, one must add in the following categories:

1. *The foreign debt of the national banks and companies.* The methods of the banking and financial “opening” produced the “privatization” of the foreign debt. The private foreign debt today is \$9.703 billion, where in 1990 it was only \$3.891 billion. This debt is the weakest link of the Peruvian financial system, because it is very short-term (12-month) debt and because it represents net outflows of capital of more than \$2 billion a year.

2. *The misnamed “foreign portfolio investments,”* which in reality are short-term financial placements, do not represent genuine forms of investment which boost production by factories or other entities. Rather, it is flight capital that entered the stock exchange, attracted by high rates of profit. This capital began to leave the country in 1998; this year, more than \$1.2 billion left the country. This continuous hemorrhage from the stock exchange is today estimated to be \$1.960 billion per year.

3. *The internal debt denominated in dollars,* contracted from the subsidiaries of foreign banks by Peruvian nationals, primarily for consumer expenditures. This internal debt must be considered foreign debt since, given the way it was contracted. It has to be paid off in dollars, and, in the end, this capital will be repatriated. The total estimated amount of this kind of debt is \$6.215 billion in 1999.

Considering all these categories, the real global debt of

TABLE 2

Peru: capital outflow in 1998

(billions \$)

Public foreign debt service	1.7
Private foreign debt service	1.5
Foreign disinvestment in the stock market	1.2
Total	4.4

Source: Central Reserve Bank of Peru.

Peru surpasses \$37 billion. In 1998, debt service represented a hemorrhage of \$4.391 billion to the Peruvian economy (see **Table 2**); in 1999, it will surpass \$5 billion. It is this looting, and not military expenses (which have been minimal: \$1.2 billion total during 1992-1999), which is the cause of the employment, hunger, and misery afflicting the Peruvian people.

Presidential elections

When there is virtually nothing left to privatize, and when the fiscal measures sponsored by the World Bank have proven a total failure (the collapse of fiscal revenue by 11.2% between January and August of this year, and the 16% decline in custom tariffs this year, are revealing figures), the economic picture offers little good news for the reelection aspirations of President Fujimori. Today, more than ever, Fujimori needs to make an about-face in his management of the economy, if he truly wants to be reelected for a third term in May 2000.

The reelection of President Fujimori is, nonetheless, key to sustaining the victory that has been achieved in the war against narco-subversion. All the more so since, minor subtleties aside, the opposition's program is the globalist program to do away with the Peruvian nation-state.

The opposition candidates are: Alberto Andrade, the mayor of Lima, linked to the oligarchy's Inter-American Dialogue; the ineffable Castañeda Losio; Jaime Salinas Sedo, a retired general and self-proclaimed emulator of the Jacobin Venezuelan President, Hugo Chávez; Alejandro Toledo, chief economist of the CLAE organization (a speculative pyramid that led to the impoverishment, and in some cases suicide, of thousands of small savings depositors in 1995); and the APRA party, with Alan García at the head, who has become the number-one admirer of Margaret Thatcher's lapdog, British Prime Minister Tony Blair, whose increasingly discredited "Third Way" is a "liberal" approach to enforcing bankers' austerity. Amidst all the verbiage, they have one program in common, the same program dictated by the human rights non-governmental organizations and such international financial institutions as the IMF. That program can be summarized in two points:

First, dismantle the victorious anti-subversion policy of the Fujimori government, put the military and civilian figures

who led the war against Shining Path and the MRTA narco-terrorists in the dock of the accused on trumped-up accusations of "human rights violations," and begin thus to dismantle the Armed Forces and other national institutions which are preserving Peru as a sovereign nation-state.

Second, they all propose to continue, under various cosmetic guises, the current free trade economic program imposed by the international banks. In the case of Andrade, with his economic adviser Javier Silva Ruete, a prominent member of the Inter-American Dialogue, this means reducing taxes by means of accelerated privatizations. In the case of Alan García, he hopes—in the "Third Way" style of Tony Blair—to impose a small tax on privatized companies and to "intensively attack corruption." In the case of Toledo, he has been the candidate who has been least concerned with hiding his servility to the usurious banks. His call for handing over the money from privatization to the private banks, supposedly to "reactivate" the economy, has turned him into the favorite candidate of the usurers, both within and outside the country.

There are indications that President Fujimori, with his excellent political nose, has begun to realize the fraud implied by the IMF measures. In early September, speaking to the Asia-Pacific Economic Cooperation summit in New Zealand, Fujimori spoke a truth that surprised many, and alarmed the bankers: "Liberalism created an ephemeral illusion of well-being, in view of the fact that the opening of the markets was taken advantage of by short-term capital with purely speculative intentions," he said. He asked that "financial globalization not end in frustrations for the poor nations." The nervousness of the major international banks was revealed by the immediate reaction of Carlos Boloña, agent of the fascist Mont Pelerin Society in Peru, who said that, with such comments, "Fujimori is [only] doing a favor for his friend, the Prime Minister of Malaysia," Dr. Mahathir bin Mohamad, "in his confrontation with mega-speculator George Soros."

Economic, political suicide

However, the Fujimori government's reaction to its own near-bankruptcy has been both absurd and counterproductive, especially for its own reelection aspirations. Before stepping down from his post in mid-October, Economics Minister Joy Way increased the selective tax on sale of gasoline and its derivatives, raising Peru's gasoline prices to European levels. He also announced that, before the end of the year, the government would be launching the sale of public bonds on the market (initially for 1 billion sols, Peru's currency), to stabilize the fiscal accounts. Rather than resolving problems, these measures will cause the President to lose the support of the population, won primarily by his successful policy against the narco-terrorist threat.

It is time for the President to do what frightens Boloña, and to take up the example of Malaysian Prime Minister Mahathir: Call a halt to the looting represented by the foreign debt, and defend the Peruvian currency with exchange controls. Given



President Fujimori in the Japanese Embassy compound after a terrorist takeover had been ended. His successful war against narco-terrorism, and a third Presidential term, are threatened by his failure to break with neo-liberal economic policies which are destroying Peru.

the ongoing disintegration of the international financial system, Fujimori must not only implement immediate measures to defend the national economy, but also should associate Peru with other nations, such as Mahathir's Malaysia, China, India, and others, to forge a new international financial system, a New Bretton Woods—as U.S. Democratic Party Presidential pre-candidate Lyndon LaRouche has designed.

Among other defensive measures against international usury, it is urgent that Fujimori seize the vast resources of the mining cartels, thereby resolving Peru's fiscal problem and obtaining the capital necessary for the great infrastructure projects the country needs, which in turn would resolve the serious unemployment problem. Also, the government should rescind the extensive privileges of the large mining companies, the majority of which are owned by companies of the British Commonwealth, which exploit Peru's mineral wealth without contributing anything to national development.

Thanks to the infamous exploitation contracts, the mineral export companies have a tax-exception status that places them above all other national companies. Thanks to the World Bank-designed fiscal reforms, Peru's own companies pay an 18% general sales tax, 2% a year of the total fixed assets of the company, a 30% income tax, and a 5% payroll tax, which is paid as an "extraordinary solidarity tax," to which must be added another 22% of payroll as contributions to social security, which in practice provides very limited services.

The mining multinationals have an entirely different tax framework, according to contracts they signed with the Peruvian government. Also, they are covered by MIGA, an international insurance that anticipates possible changes in condi-

tions contracted by foreign investors. These companies are given a special tax incentive that reimburses them for any general sales taxes they pay, supposedly in return for their investments; they are allowed to stretch out their losses over an eight-year period, thereby reducing profits reported (and taxes paid) in any given year; and, they are authorized to write down up to 80% of their income tax payments, as an investment tax credit. In other words, these measures provide a paradise for the British Empire's mining cartels, which are already exploiting mines for their colossal profit yields.

The case of gold

Take a look at the case of gold in Peru.

The Canadian company Newmont, which belongs to Soros and is associated with the Peruvian group Buenaventura, of the Benavides family, the same which brought George Bush to Lima a couple of years back, owns the Yanacocha mine in the department of Cajamarca. This mine, the most profitable in the world, is practically a mountain of gold (whose exploitation is carried out with the open pit method, and which uses a technology which applies sulfuric acid as a reducer). Operating costs are on the order of \$107 per troy ounce. Newmont exploits mines in Nevada, with operating costs of \$209 per troy ounce; in Minahasa, Indonesia, with costs of \$130 per troy ounce; and in Russia, with costs of \$172 per troy ounce. One can already imagine Soros's fabulous profits with the rise in gold prices on the international market, which are already above \$300 per ounce, and which could surpass \$400-500 in the near future. Gold production in Peru is growing at 10% a year, and it is expected that with the recently opened Pirina Mina—a mine even more fabulous

TABLE 3

Peru: production of the principal gold mines

(tons)

	1997	1998
Yanacocha (Newmont, Canada)	32.8	41.3
Misquichica (Barrick Gold, Canada)	—	1.8
BHP Tintaya (BHP, Great Britain)	1.0	1.2
Others	13.8	20.6
Total	47.6	64.9

Source: Ministry of Energy and Mines of Peru.

than Yanacocha, owned by the Canadian firm Barrick Gold, which is associated with George Bush—gold production in Peru could grow by 25% by the end of the year. Costs of production in the new Pirina mine are not expected to be more than \$60 per troy ounce (see **Table 3**).

Between 1992 and 1997, total mineral exports surpassed \$13 billion, but what the multinationals paid for rights of exploitation in this period did not even reach \$200 million (see **Table 4**). This is the cold balance of nearly ten years of the export model promoted so heavily by Felipe Ortíz de Zevalos, disciple of Massachusetts Institute of Technology economist Rudiger Dornbusch and defender of Harvard “whiz kid” Jeffrey Sachs.

This return of the economy to a 19th-century mining enclave, has not been good for the country. The Fujimori government must end this situation, and begin to implement a serious tax regimen for the mining multis. This would not only easily resolve the country’s fiscal problem, but would provide sufficient capital to initiate construction of great infrastructure works capable of reducing the country’s unemployment and launching the real development of the country. This is the only way to go about winning reelection.

TABLE 4

Peru: mining exports and royalties

(millions \$)

	Royalty and mining rights payments	Exports
1992–94	59.8	5,263.2
1995	48.5	2,615.7
1996	53.9	2,654.4
1997	37.5	2,730.8
Total	199.7	13,264.1

Source: Ministry of Mines and Energy of Peru.

Robert Mundell wins Nobel Prize for supply-side quackery

by Richard Freeman

On Oct. 13, the Bank of Sweden awarded the Nobel Prize in Economics to Robert A. Mundell. The Columbia University economics professor is the intellectual author of the magician’s brew called supply-side economics, which policy destroyed the U.S. physical economy and helped build up the world’s biggest speculative bubble. It also created Federal budget deficits larger than any in the history of the United States.

Thus, in making its 1999 selection, the Bank of Sweden and the Royal Swedish Academy (the Bank selects the recipient, and the Academy presents the award on behalf of the Bank) have shown, if nothing else, a remarkable degree of consistency in maintaining the criteria by which they cull Nobel Prize winners in economics from the ordinary dullards in the profession.

In an Oct. 12, 1994 statement, the world’s foremost economist, Lyndon LaRouche, commented on the Nobel committee’s criteria: “The notorious perversity of the Swedish Royal Academy’s views on economics are attested by the fact, that excepting the case of Maurice Allais [1988], no economist has been awarded the Nobel Prize for economics who has not either personally caused a major economic catastrophe for at least one nation, or concocted a theory in defense of such a ruinous delusion.”

Some readers may dismiss this statement as an “exaggeration,” but consider just two of the recent winners:

1997: Robert Merton and Myron Scholes. Merton, Scholes, and Fischer Black developed the Black-Scholes model, an unintelligible, linearized mathematical formula for making money on the pricing of derivatives and stock options. The Long Term Capital Management hedge fund utilized this model in the highly volatile world of derivatives. In September 1998, on a derivatives position of \$1.25 trillion, LTCM failed, and nearly brought down the world financial system.

1993: Robert Fogel and Douglas North. Fogel’s 1974 book, *Time on the Cross*, defended black chattel slavery. Using statistics, Fogel attempted to show that the ante-bellum South’s use of slave-labor in agriculture, produced a higher output per dollar invested, than the agriculture of the free, technology-proud American farmer.

Mundell's crackpot theory has shown itself, by this standard, worthy of Nobel consideration.

In the 1980s, the London-Wall Street financier oligarchy used Mundell and his gaggle of supporters, such as *Wall Street Journal* editor Robert L. Bartley, to take over the economic policymaking of the Reagan administration. It applied supply-side economics, using high interest rates, and the Kemp-Roth Tax Act of 1981, which Mundell and his gang wrote. This fulfilled Mundell's supply-side mantra, of tight money, through high interest rates, conjoined to tax cuts. "Supply-side" economics is nothing other the oligarchy's policy for a post-industrial society: razing to the ground manufacturing, agriculture, and infrastructure, while fostering the "Information Age" service economy and speculation.

Mundell was awarded the Nobel Prize, according to the Bank of Sweden's press release, "for his analysis of monetary and fiscal policy under different exchange-rate regimes and his analysis of optimum currency areas." As part of his work on "optimum currency areas," Mundell also helped bring into existence the euro, the European single currency. But, it is supply-side economics that is the heart of Mundell's work, and all his activity internationally stems from this outlook.

It is likely that the oligarchy has further tasks for Mundell, which is signalled by their granting him the Nobel Prize. His policy will accelerate the disintegration of the world financial system.

We look at Mundell's emergence under the protective wing of the oligarchy's Mont Pelerin Society; the process by which the "supply-side" economics team was assembled; how the policy was applied in the United States, and the resulting devastation; and finally, how Mundell's ideas fit with the plan to use the collapse of the global financial system to impose a "classical" British gold standard.

The cultivation of an oligarchical mind

Robert Mundell was born in Canada in 1932. He did his graduate work at the London School of Economics in the 1950s, where, as Mundell told a reporter in 1981, his ideas were shaped by LSE chairman Prof. Lionel Robbins. Robbins was for decades a top administrator-ideologue for the British financial establishment, for which service he was ennobled a Lord. Robbins and his ideological colleague, Austrian School fanatic Friedrich von Hayek, were leading lights of the Mont Pelerin Society, which the British and Hapsburg oligarchy founded in Switzerland in April 1947. Robbins filled Mundell's mind with the Mont Pelerin Society's doctrine, which determines his thinking to this day.

The Mont Pelerin Society doctrine is characterized by the oligarchical-monetarist dogma of radical budget-cutting, counting money as the only measure of value, and eliminating the nation-state from any role in economic development. It views man as fundamentally an animal, guided by the primal instincts of lust, fear, pain, and so forth. It promotes free trade, and advocates usury.



Nobel Prize winner for Economics Robert Mundell, another advocate of a return to the oligarchy's 19th-century British gold standard.

The Mont Pelerin Society view is in opposition to a republican outlook, the American System of economics, which proceeds from the General Welfare clause of the U.S. Constitution, that each man is in the image of the Creator, and that the nation-state has the responsibility to develop the cognitive capacity of each and every citizen. To this purpose, it pursues a protectionist policy, and a dirigistic credit policy of directing cheap and abundant credit to technology-proud, capital-intensive, energy-intensive manufacturing, agriculture, and infrastructure. It also develops each citizen with a Classical education.

In 1961, at the age of 28, Mundell was made chief international economist of the International Monetary Fund, a post he held until 1963. In 1961, he wrote "A Theory of Optimum Currency Areas," an article for the *American Economic Review*, which we discuss below.

During the 1960s, Mundell was steered to the Siena Group, an oligarchical organizing committee for which he played a leading role for decades. The anti-nation-state Siena

Group's core institution is the Monte dei Paschi Bank of Siena, Italy, and the Monte dei Paschi charitable foundation, which up until 1997, owned 70% of the shares of the bank. The bank, founded in 1472, is the world's oldest continuously functioning bank. It is a living symbol of the power today of the old Venetian-Genoese financial oligarchy. Every summer during the 1970s, the Siena Group held conferences whose participants included Alexandre Lamfalussy, chief economist for the Basel-based Bank for International Settlements, and several other top members of the BIS; Italian central banker Rinaldo Ossola; Swiss Banker Nicola Krul; Chase Manhattan Bank chief economist Eugene Birnbaum; and Mundell. The Siena Group created the Securities Group, which trained many of the supply-siders who took over the Reagan administration, including economist Art Laffer. Under the auspices of the Siena Group, Mundell recommended a return to the contractionary and destructive British 19th-century "classical" gold standard.

Mundell took to heart the oligarchical worldview of the Siena Group. In the late 1960s, he bought and renovated a 16th-century Italian castle originally built for Pandolfo Petrucci, the "Strong Man of Siena." For part of each year, Mundell lives there, in baronial style.

In 1967, Mundell accepted a professorship at the University of Chicago to work with Milton Friedman. Mundell had disagreements with Friedman, but all within the monetarist domain. In 1974, Mundell moved to Columbia University in New York City, as a professor of economics.

Supply-side economics

The oligarchy's supply-side economics is a means to bring about a post-industrial society: collapsing manufacturing, agriculture, and infrastructure, and building up services, particularly financial services, and speculation. It offered a "conservative" variant of the post-industrial society, and an identical "liberal" variant.

Although the Bank of Sweden avoids mention of Mundell's development of supply-side economics in its communiqué awarding him the Nobel Prize, this is the primary theory for which he is known, and promoted, today. Mundell's international theory on capital flows and exchange rates is a key tenet of his supply-side economics. Mundell relates that in 1971, he attended a meeting of "distinguished economists," where he suggested that to support the U.S. dollar, which was then falling, and to stimulate the economy, which was then stagnating, the United States must follow a tight-money policy (by raising interest rates, which would support the dollar) and an expansionary budget policy (by cutting taxes, which supposedly would stimulate the economy).

To this "revolutionary discovery," Mundell added one additional element to make his "theory" saleable: To his tax cuts, which overwhelmingly benefitted the wealthy, he added the Mundell-Laffer Curve, a product of the voodoo econom-

ics that he developed with economist Art Laffer. The curve illustrated the dictum that when taxes are very high, they can discourage production. This is true, but the supply-side theory then purported to show that cutting taxes, especially those paid by the wealthy, such as those on capital gains and estate taxes, would cause the economy to grow. Further, that even though sharp tax cuts would cause an immediate reduction in revenues for public infrastructure, education, medical services, and so on, that did not matter: Tax cuts would liberate the economy, automatically causing it to grow, and eventually produce a budget surplus.

The supply-siders, true to their monetarist core, defined economic growth as growth of Gross Domestic Product, but refused to distinguish between productive activity and cancerous speculation. In 1981, monetarist William Fellner of the American Enterprise Institute told *EIR*, "We cannot imagine that we can determine what is productive and what is not. Who are you or I to say that steel mills are more productive than high-rises or gambling casinos? Whichever is more profitable is more productive."

Presidential candidate Ronald Reagan embraced supply-side economics during the 1980 campaign. He promised to close the Federal budget deficit, and produce a budget surplus within three years.

There was not a chance that that would happen. Predictably, the Mont Pelerin-Mundell supply-side economics blew the physical economy to pieces, while setting the speculative markets off at a gallop.

Supply-side put to the test

Not many economists get to see their "theories" tested in action. But Mundell did—because the oligarchy knew his would be destructive. The key was getting Reagan to adopt the policy, which was accomplished through Mundell's gaggle of protégés: *Wall Street Journal* editor Bartley and editorial page writer Jude Wanniski, University of Southern California economist Art Laffer, Rep. Jack Kemp (R-N.Y.), and University of Chicago economists Paul Craig Roberts and Norman Ture.

The pivotal person was Bartley. Bartley had joined the *Wall Street Journal*—the voice of the City of London and Wall Street, and America's second-largest daily mass circulation newspaper, which is treated as the gospel in the business community—in 1961, and he was put on a fast track; he was made editorial page editor in 1972 and editor in 1979.

In October 1973, Bartley published an essay entitled "A Pathology of Perception." In defining where America was heading, he cited Daniel Bell's 1973 book, *The Coming of the Post-Industrial Society*: "Mr. Bell sketches the shape of the society we are becoming. The economy will be increasingly pre-occupied with services rather than [producing] goods." The post-industrial society would be the fundamental touchstone for Bartley. In 1972, Bartley invited his

buddy Wanniski to become an editorial writer for the *Journal*.

At the same time, the neo-conservative movement began propagandizing for supply-side economics. Neo-con Irving Kristol, a friend of Bartley's, paid Wanniski \$2,500 to write a 10,000-word article, entitled "The Mundell-Laffer Hypothesis: a New View of the World Economy," for the November 1974 issue of Kristol's *Public Interest Quarterly*. In 1976, on Bartley's instructions, Wanniski met with Kemp to sell him on the Mundell model. In 1980, Kemp, in turn, sold it to Presidential candidate Ronald Reagan. Kemp introduced the tax-cut legislation, written by Paul Craig Roberts, another member of the Mundell gaggle who was on his staff.

Meanwhile, another member of this circle, Norman Ture, cranked out hokey computer simulation models to prove that the supply-side tax-cut bill would cause the GNP to grow by \$151 billion and generate a budget surplus. Ture was rewarded for this fakery by being placed in charge of U.S. tax policy, as Undersecretary of the Treasury for Tax Policy in the Reagan administration.

With all the personnel in place, the *Wall Street Journal* kept up a steady stream of editorials and articles to tie Reagan to, and prepare the nation for, supply-side economics.

A two-step process was unleashed, which fulfilled the requirements of Mundell's supply-side policy: tight credit, through high interest rates, and tax cuts.

Volcker's 'controlled disintegration'

First, in October 1979, Federal Reserve Board Chairman Paul Volcker imposed a policy of "controlled disintegration," which had been developed by the oligarchy's top policy-formulating establishment, the New York Council on Foreign Relations. The CFR had undertaken a massive study, entitled the "1980s Project," for which controlled disintegration was a centerpiece. The policy held that external shocks would be administered to the economy — oil price hikes, credit cut-offs, interest-rate spikes — which would throw the economy into negative growth, and then disintegration, which the oligarchy hoped would be a controllable process, hence its policy of "controlled disintegration." This was a plan for deindustrialization and population reduction. During the week of Oct. 6-12, 1979, Volcker sent interest rates into the stratosphere; by December 1980, U.S. banks' prime lending rate had been forced up to 21.5%. In the ensuing physical economic collapse, the only place where money borrowed at 21.5% could be invested and turn a profit, was in speculation.

In October 1981, the second of Mundell's preconditions, a sweeping tax-cut package, came to pass: The Kemp-Roth Economic Recovery Tax Act (ERTA), sponsored by Kemp and Sen. William Roth (R-Del.), was signed into law. The ERTA, written by Mundell's disciples and embodying his concepts, carried out the following:

- reduced the top tax rate on capital gains from 28% to

20% (in 1979, the Steiger Act had reduced the top tax rate on capital gains from 49% to 28%);

- reduced the maximum tax rate on investment, or "unearned" income — income for interest and dividends — from what was then a rate of 70%, to 50%;

- increased gradually, from \$175,625 to \$600,000 (by 1987), the total amount of reported estate and gift earnings that would be exempt from estate and gift taxes. *By 1987, less than 1% of all estates would be taxed;*

- created a bonanza for "investment partnerships," primarily in real estate. "Passive investment partnerships" were set up, whereby one could invest \$1, and get back \$2-4 in tax losses to apply against one's taxes;

- reduced taxes for leasing;

- reduced overall income taxes by 23% over three years.

With the exception of the last tax cut, all tax cuts benefitted primarily the rich speculators, and even the last cut helped the wealthy the most. The tax system was deregulated, so that speculative arrangements came out on top. As planned, the cut in the top tax rate on capital gains goosed up the stock market.

In 1982, the U.S. banking system was deregulated. Though Mundell's gang did not write this act, it conformed to his anti-regulation outlook. Finally, monetarist David Stockman, head of the Office of Management and Budget, was slashing Federal expenditures for infrastructure and other programs essential to physical productive output.

Mundell discredited

The implementation of the supply-side program, and of related oligarchical measures, had a shattering effect.

Perhaps, the most noteworthy outcome, was that the claims of the Mundell supply-side theory were utterly discredited. Under the so-called "Mundell-Laffer" curve, the level of tax revenues was supposed to initially dip, but then, as the economy allegedly soaked in the beneficial benefits of the tax cuts, tax revenues would rise to unprecedented levels, and the budget deficit would turn into a surplus.

What actually happened is shown in **Table 1**. During the Reagan and Bush Presidencies, when supply-side policy was in effect, the U.S. Federal government ran annual budget deficits that went as high as \$405.6 billion in fiscal year 1992. When Reagan took office in 1981, the total U.S. Federal debt outstanding was \$0.994 trillion. That is, during the 192 years between the republic's founding in 1789, and 1981, the total accumulated U.S. Federal debt outstanding had reached \$0.994 trillion. By 1993, the year Bush left office, the total U.S. Federal debt outstanding had reached \$4.351 trillion. Thus, in the 12 years that Reagan and Bush were Presidents (Bush was not exactly a supply-sider, but the policy effect carried over from the previous administration), the total U.S. debt outstanding had increased by \$3.357 trillion.

The Volcker tight-money-induced depression, conjoined to the tax cuts — the Mundell formula — had blown out Ameri-

TABLE 1

U.S. Federal budget deficits

(billions \$)

Fiscal year	U.S. gross annual budget deficit
1982	\$142.5
1983	234.4
1984	193.0
1985	252.8
1986	303.1
1987	225.5
1988	255.2
1989	266.7
1990	338.6
1991	389.9
1992	405.6
1993	349.3
Total	\$3,356.6

Source: Office of Management and Budget, "Budget of the United States Government, Fiscal Year 2000, Historical Tables."

ca's tax revenue base.

Simultaneously, the combined oligarchical policies sent the U.S. physical economy into a downturn, and built up speculation, which have continued to the present day (see "How Volcker and Greenspan Created the Financial Bubble," *EIR*, Oct. 29, 1999). One very striking, deliberate result of the Mundell measures, is that the stock market bubble began to take off. In 1982, the Dow Jones average of 30 industrial stocks stood at 884, and the capitalization of all stocks of the U.S. stock market was \$1.59 trillion. By the end of the first quarter of 1999, the Dow Jones industrial average rose to 9,786, and the capitalization of all stocks had shot up to \$15.97 trillion. Federal Reserve Board Chairman Alan Greenspan had a lot to do with the rise, but the stock market "bull market" in the United States is 17 years long, and its official starting point is dated to 1982, the year that the Kemp-Roth Act went into effect.

Into this deregulated, highly speculative environment was brought the organized crime flying squad of Drexel Burnham Lambert, Michael Milken, and a cast of other criminals such as Ivan Boesky. They used leverage and junk bonds to carry out leveraged buy-outs and to asset-strip American corporations' plant and equipment. The Mundell supply-side gang at the *Wall Street Journal* cheered this on, pontificating that Milken and the LBOs represented the "creative chaos" unleashed by supply-side economics.

In 1988, Milken was indicted by Federal authorities for criminal activity, and in late 1990 he was convicted and sentenced to ten years in prison—a very light sentence in view of what he did. By 1990, the 1980s was being called

the decade of greed. The *Wall Street Journal* considered this an indictment of itself, and lashed out. In a Nov. 23, 1990 editorial, "Symbol of the '90s," the *Journal* wrote: "Michael Milken has often been depicted as the symbol of the 1980s, the Master of the Universe presiding (with Ronald Reagan) over the decade of greed. . . . We fear he is becoming the symbol of the 1990s, the decade of vengeful destruction." That is, sentencing Milken was vengeful. The supply-siders arrogantly said that Milken should have received no jail sentence.

The 19th-century British gold standard

Mundell's international views, totally coherent with supply-side economics, are known by two bench-marks.

First, since his earliest days of association with the oligarchy's Siena Group, Mundell has favored a 19th-century British "classical" gold standard. In a March 1, 1981 speech at a conference of the Siena Group's offshoot, the Securities Group, Mundell stated, "The gold standard has never been at fault. When it was suspended in 1797 that was not the fault of the standard, that was Napoleon's fault. . . . When there was inflation in the 19th century, that was not the fault of the standard, that was the fault of the War between the States" (note Mundell's choice of the Confederacy's term to falsely depict the Civil War as the War between the States).

The "classical" gold standard that Mundell wants is the opposite of LaRouche's New Bretton Woods gold-reserve monetary system. The "classical" gold standard puts an iron-clad limit on credit creation, removing the function of governments in the creation of credit. Rather, its implementation would produce, as did the Specie Resumption Act of 1875-79 in the United States, which produced a catastrophe for industry and agriculture, a deflationary contraction of credit.

Second, Mundell is credited as one of the fathers of the euro currency and the Maastricht Treaty. Mundell began working on the euro project as a paid consultant to the European Monetary Authority in 1969. While parentage of the euro may be attributed to a few fathers, Mundell's program for the euro and the monetary union of Europe, is clear. In his 1961 article, "A Theory of Optimum Currency Areas," cited by the Nobel committee, Mundell states that to make such a system work, there must be a high "labor mobility." This concept has a very definite meaning: that wage levels of Europe are too unionized and structured, i.e., too high. It must be made possible to recycle workers, moving them, as did the Nazis, to lower and lower wage levels. This means that workers would become "more mobile," including being shipped across borders to force down wages and living standards.

Mundell has expanded the scope of his plan. In a July-August 1990 article in the Italian journal *Revista di Politica Economica*, he stated that there exists the "opportunity to create a world central bank" to apply the 19th-century gold standard and supply-side austerity globally.

The rubber-stamp bank bailout of 1999

The laws separating commercial banking, securities firms, and insurance, are being shredded.

When the chairmen of Travelers Group and Citicorp announced, in April 1998, that they intended to merge their institutions, they violated Federal law. Such a merger, combining an insurance company, a securities firm (Travelers' subsidiary Salomon Smith Barney), and a commercial bank, was illegal under the provisions of the Glass-Steagall Act of 1933 and the Bank Holding Company Act of 1956. The very act of announcing such a merger, was a violation of Federal conspiracy statutes.

Faced with this violation of the law, Congress acted immediately, by promising to change the law to suit the bankers! Now, Congress appears to be on the verge of doing just that. On Oct. 22, Congressional leaders and Clinton administration officials reached an apparent agreement to "modernize" the law by further deregulating what is termed the "financial services industry."

The Gramm-Leach Financial Modernization Act, as the bill is called, is a disaster. Named after Senate Banking Committee Chairman Phil Gramm (R-Tex.) and House Banking Committee Chairman Jim Leach (R-Iowa), the bill would eliminate the barriers between commercial banking, securities firms, and insurance, paving the way for further consolidation among the three sectors, and increasing the financial oligarchy's stranglehold over the American economy.

Lest anyone think we are exaggerating Congress's abject cowardice on the issue, look at what the heads of the banking committees had to say last year in response to the Travelers-Citicorp announcement:

Alfonse D'Amato (R-N.Y.), who chaired the Senate Banking Committee, declared that "financial regulation reform" is "absolutely essential. This merger demonstrates that the marketplace will do what it has to."

"This merger underscores the need for prompt Congressional action on financial services legislation to assure that America's competitive position abroad is enhanced," said Leach.

The message was clear: If the law interferes with the banks' desires, the law must change. Far be it from the government of the United States to interfere with the demands of the markets.

That the financiers believed themselves to be above the law, has been clear in their actions and their statements. Take Maurice "Hank" Greenberg, head of American International Group, a powerful force in the insurance sector and a major player in the derivatives market. "Most financial companies have been doing what they wanted to in any event," he told the *Wall Street Journal* recently.

The *Journal* also quoted Goldman Sachs securities analyst Richard Strauss as claiming that, with each passing year, financial deregulation legislation is becoming "less relevant, because financial services has been moving so rapidly in recent years that market forces have already blurred the distinctions" between banks, securities firms, and insurers.

In a statement issued after the agreement with the White House was reached, Gramm called the bill "the most important banking legislation in 60 years. The people it will benefit most are working families. . . . The

hallmark of the bill is that it will make an array of financial services available to every American consumer that will provide lower prices and one-stop shopping at financial supermarkets in every city and town in the country."

Gramm, about whom it is said that the most dangerous place to stand in Washington is between Gramm and a camera, is a fervent advocate of "free markets," that is, markets in which the oligarchs are free to do whatever they want, free of government restrictions. He considers himself an expert economist — and by most standards he is, but that's hardly a compliment. His last major foray into economic policy, the Gramm-Rudman spending restriction bill, nearly sank the U.S. government, and this one is worse.

The widely exclaimed need for "financial services modernization" is based on the premise that today's financial institutions operate under unfair restrictions and "regulatory burdens" imposed by our nasty old government. These restrictions, it is said, make it impossible for financial institutions — which everyone who knows anything knows is the heart of our economy — to compete with foreign competition. The result is that the "little people" are deprived of the wide variety of financial services that they so desperately need. There are, believe it or not, people today who can't walk into their local bank and buy a derivative instrument, who are being deprived of the opportunity to speculate on the rise or fall of the lira against the peso, and so on.

However, Congress did uphold the restriction against commercial firms owning banks, to prevent, as Marge Roukema (R-N.J.) put it, "Wal-Mart or Microsoft" from buying a bank. The moral — or lack thereof — is clear: The law should allow the banks to eat you, but prohibit you from eating the banks. How's that for a level playing field?

Business Briefs

Brazil

London Economist 'deserves repudiation'

Leading figures in the Brazilian judicial and legal community are up in arms against the London *Economist*, after it ran an editorial, entitled "Nuts in Brazil," attacking Brazil's Supreme Federal Tribunal (STF) for ruling that the Cardoso government's tax on the pensions of retired civil servants, and vastly increased taxes on public workers, was illegal. *Jornal do Brasil* reported on Oct. 15.

Carlos Velloso, STF president, said that the judges may contact the International Organization of Magistrates, to discuss the possibility of suing the *Economist*. He said that the court expects Fernando Henrique Cardoso to issue a statement defending the court, because it is the President's "mission to represent and defend the state."

The Brazilian Association of Magistrates commented that "there was no outcry" when the STF approved austerity measures, but "when the Supreme Court ruled outside of the IMF [International Monetary Fund] script, then you saw the criticisms, even from abroad."

Reginaldo de Castro, president of the Brazilian Order of Lawyers, said: "They take the blood and peck the bones of the Third World, and then have the audacity to see insanity in the few acts which seek to find a solution for these emerging countries. They are cynics who fully deserve the repudiation of all of humanity."

Romania

Economic crisis forces break with the IMF

Romanian Defense Minister Victor Babiuc violated International Monetary Fund (IMF) budget rules on Oct. 20, and decreed a 60% wage increase for the police and 80% for the armed forces. The increases came one week after warning strikes by several thousand oil workers against the IMF-mediated deregulation and privatization of the country's oil sector, and unrest among the police and mili-

tary over wage arrears. Prime Minister Radu Vasile, on a visit to Greece, supported Babiuc, saying, "We must give them the money, even if the IMF doesn't agree with it."

The conservative-liberal government of Romania is under heavy pressure and faced with inner-coalition tensions because of the economic disasters resulting from its pro-IMF policy. Most recently, there has been public unrest over attempts by RADET, the national heating company, to collect back heating bills by cutting off customers without warning. Several tens of thousands of residents of Bucharest, Romania's capital, have been cut off, and the city of Jasi, with 345,000 inhabitants, has been cut off from heat and warm water.

Many Romanians simply cannot afford heat in the wake of the government's decision earlier this year, on the recommendation of the IMF, to deregulate prices. The average worker's monthly income is about 800,000 lei, and the average heating bill is 600,000 lei.

Space

Russia may help China launch man into space

Russian Presidential aide Marshal Yevgeni Shaposhnikov told Interfax in an interview on Oct. 18 that the Russians stand ready to assist China in space "projects that do not threaten national security." It was the second statement in recent months which referred to Russian assistance for a manned Chinese mission. Earlier, Russian Space Agency head Yuri Koptev told Interfax that Russia's support for the Chinese mission should be seen in the context of the overall expansion of cooperation between the two nations. Space cooperation was upgraded last summer when Koptev was in China.

The Russians have trained Chinese astronauts at the Gagarin Cosmonaut Training Center, and much of Chinese equipment for manned flight is descended from Soviet technology.

Meanwhile, China's Great Wall Industry Corp. announced on Oct. 18 that it has signed a contract to launch a communications satellite on a Long March 3A rocket

in early 2001 for Italy's Alenia Aerospazio firm. On Oct. 13, a Long March rocket placed two Brazilian satellites into orbit. The most important is the joint China-Brazil Earth Resources Satellite-1. Earth remote-sensing science and technology are highly developed in Brazil, and will be shared with China.

On Oct. 18, a Russian-Chinese research cooperation agreement prepared by China's President Jiang Zemin's Novosibirsk visit last year, between the Siberian branch of the Russian Academy of Sciences and the Chinese Academy of Sciences, was signed in Beijing. The agreement envisages the formation of joint engineering centers in Russia and China, focussing on laser research, aviation, and space machinery. "The agreement was boosted by a visit of Chinese chairman Jiang Zemin to the Russian Academy's settlement in Novosibirsk, where he spoke in Russian about the importance of the development of science on the brink of the 21st century," Siberian branch chairman Nikolai Dobretsov told Itar-Tass.

Kosovo

Economy a disaster, says ILO report

A report issued by the Geneva-based International Labor Organization (ILO) on Oct. 19 says that the situation in Kosovo, four months after the halt in the NATO bombing campaign, is a disaster. Of the pre-war population of 2.4 million, no more than 1.9 million have remained, with a half-million either fled or migrated.

Of the working population of 1.3 million, the ILO describes only 35% as "economically active," and of the working population in the agricultural sector, only 23%. The state sector, which once employed 80% of the working population, no longer exists. Large percentages of hospitals, schools, utilities, and farm buildings were destroyed by NATO bombs, and have not been rebuilt. Pensions and other programs dependent on public funds cannot be paid, because the funds do not exist or cannot be transferred because of the lack of civilian administration infrastructure.

Kosovo was dependent on food imports

before the war, and the situation has worsened. Cattle-breeding is half of what it once was; chicken and other small livestock production have fallen to 20% of former levels. Kosovo urgently needs 230,000 tons of food imports to get through the winter.

Private relief organizations and military administrators in Kosovo are reporting that it is becoming more and more difficult to transport bigger loads on the bad and destroyed roads, because winter conditions are setting in early.

The response of European Union chief coordinator of Balkans aid "Bobo" Hombach, on Oct. 20 during a visit to Bulgaria, was that there may be a new big conference of donors in late January or early February.

Mergers

Mannesmann takeover creates more debt

One of the latest examples of merger madness in the telecommunications sector is the 60 billion deutschemark (roughly \$37.5 billion) takeover of the third-largest British mobile phone operator, Orange, by the German entity Mannesmann (once one of the leading producers of German machinery). To become the leading mobile phone company in Europe, Mannesmann offered a price 21% above the closing stock price on Oct. 18, when the bid talks had been announced.

While Deutsche Telekom, in its recent takeover of One2One, another British mobile phone operator, paid DM 10,000 for each customer, Mannesmann is paying DM 17,000 for each mobile phone customer it will receive in the takeover. Even the usually merger-euphoric stock markets have been cautious. On Oct. 21, Mannesmann stock in Frankfurt fell by more than 8%, while its corporate bonds also faced massive losses following the announcement by Moody's and S&P that Mannesmann will lose its single A rating.

To finance the deal, Mannesmann plans to issue DM 40 billion in new stocks and DM 20 billion in new corporate bonds. It will temporarily use short-term bank credits, in the range of several billion marks. For its earlier mobile phone acquisitions in Italy and

Germany, the company already issued bonds worth DM 13 billion. On Oct. 22, rumors based on a London *Times* story, that the British telecom group Vodafone AirTouch, until recently the largest mobile phone operator in the world, would strike back and buy up Mannesmann for DM 121 billion, were shaking the European exchanges.

Finance

CFR recognizes that the worst has not passed

The New York Council on Foreign Relations (CFR) recently posted a 93-page report on its Internet web site, the result of a year-long "independent task force" study on "safeguarding prosperity in a global financial system." There is broad-based recognition among the study's participants that the global financial and monetary system is near breakdown, and that anyone who claimed that "the worst has passed" is wrong.

The project, according to the authors, was launched following President Clinton's September 1998 speech before the CFR, in which he warned that the world is facing the gravest monetary crisis in 50 years, and called for "a distinguished private sector group to take a fresh look at the need for reform of the international financial architecture." The CFR task force was co-chaired by Peter Peterson and Carla Hills and directed by Morris Goldstein, the former deputy director of research at the International Monetary Fund who is now with the Institute for International Economics. The task force's 28 members ranged from Laura D'Andrea Tyson, Ezra Vogel, Stephen Roach, and Nicholas Lardy, to such luminaries of speculation as George Soros, Maurice Greenberg, and Paul Volcker.

There were widely diverging views on what to do about the crisis, as reflected in the fact that several groups of participants wrote dissenting views, which were appended to the report. But, no one among these "establishment experts" demonstrated a willingness to face up to the full extent of the bankruptcy of the current system, and opt for Lyndon LaRouche's proposal to create a New Bretton Woods system.

THE KOREAN Federation of Bank and Financial Labor Union is suing the International Monetary Fund for \$618,000, for job losses caused by the austerity package the IMF proposed in late 1997. Given the record-high unemployment rate of 8% and lack of social security, one unnamed union official stated, "We are filing a lawsuit to prove the failure of the IMF programs for Korea."

THE NUMBER OF New Zealand family pig farmers has been halved by imported pork prices as much as 40% lower than New Zealand products. Producer John Verkerk told *The Press On-Line*, "It's a global economy, and the consumer doesn't care."

PLAGUE MORBIDITY has been steadily rising during the 1990s, particularly in Africa, according to a World Health Organization study. Cases reported by 14 countries in 1997 (latest available figures) was 5,419, compared to 3,017 cases in 1996 and an annual average of 1,920 cases for 1987-96.

WALL STREET brokerage houses are firing analysts who puts out bearish analyses, and analysts are virtually forbidden to put out "sell" recommendations, John Crudele writes in the Oct. 22 *New York Post*. One strategist said, "It's suicide to be rational in an irrational environment."

ZIMBABWE, because of International Monetary Fund lack of approval, is losing donor aid. In September, the Netherlands, which had been providing about \$15 million annually, suspended new aid, and Italy cut its \$827 million aid package. In June, Denmark cancelled aid worth \$1 billion to upgrade airports because of Zimbabwe's involvement in the Congo.

ARGENTINA'S statistical agency, INDEC, has been ordered by the federal government to alter statistics to cover up the depth of Argentina's economic depression. Roberto Martinez Pardies, INDEC's foreign trade director, has charged in court.

Spotlight is on LaRouche, as global crisis deepens

by Susan Welsh

A growing number of top-level policy analysts are currently looking to Lyndon H. LaRouche, Jr. for leadership, in what they have come to realize is an international financial, economic, and strategic crisis of hitherto unheard-of dimensions. This is most sharply reflected in the publication by China's Xinhua news agency of an article titled "LaRouche Vows to Change U.S. Politics If Elected President," reporting on the press conference that LaRouche gave over the Internet on Oct. 13. The article quoted LaRouche: "We're on the verge of the collapse of the world financial system. There's nothing like it in this century. . . . It is systemic, and therefore, inevitable."

Policymakers who have been hearing for a long time about LaRouche's warning of the bankruptcy of the current financial system, and the need to replace it with a New Bretton Woods system, are beginning to realize that he is right—even when, in the past, they may have dismissed his warnings as exaggerated. This recognition is combined with the perception by many analysts, especially in Europe and Asia, of the danger of nuclear war arising out of British-backed policies of confrontation against Russia and China.

In this context, LaRouche's Internet press conference, convened as part of his campaign for the Democratic Party Presidential nomination, created shockwaves worldwide, as you will see from the selection of press coverage and endorsements in this *Feature*.

This is precisely what induced the British monarchy to warn, in an article published in *Take a Break* magazine on Aug. 5, titled "Shut This Man's Mouth," that LaRouche was capable of reaching millions of people by putting his ideas out on the Internet, and that this would be very damaging to the Queen (see *EIR*, Aug. 13).

One leading European strategist, in a discussion with *EIR* on Oct. 26, commented that LaRouche is playing "a very important and crucial role internation-



Lyndon LaRouche meets with an African delegation in Germany.

ally.” What is most critical, he said, is the “sustained business” of LaRouche making “pronouncements and advertisements” about “the extent of the crises” in the financial and strategic realms. “This is really a reasoned alternative in the world, a point of reference. . . . I see it working by osmosis. LaRouche’s interventions and perspectives seep through. We can clearly see that there *are* alternatives. I would call this is a ‘second constituency,’ against the rubbish about the market economy that we hear. The fact that this has been initiated, and is making progress, with national and international momentum, is what is important.”

The Xinhua release, which appeared on the website of *China Daily*, is “very relevant,” said the source, since “there are warning signs all over the place, about the international financial crisis, but there is no rationality or retrenchment. It is very alarming. The signs and portents are there.”

The Presidential campaign

LaRouche’s campaign committee has announced that another “webcast” with the candidate will take place, live over the Internet (www.larouchecampaign.org), on Nov. 4 at 12 noon Eastern Time, this time with labor leaders. Campaign volunteers are mounting a petitioning drive, with the intent to put LaRouche on the ballot in up to 48 states.

Speaking by telephone to a conference of the Citizens Electoral Council in Australia on Oct. 23, LaRouche emphasized the opportunity which the Internet provides, to break

the establishment media’s control over politics, and to carry on a dialogue directly with the citizenry, about *ideas*.

“We’re having great fun,” LaRouche said. “The Internet is a fairly competitive, low-cost, relatively, communication device, by which people who intend to communicate with one another can utilize that medium for not only written material, but for spoken material, like telephone conversations, or things like that, and even for video representation. . . . Looking at it in its real aspects, as opposed to its legendary, non-existent ‘virtues,’ the campaign is functioning that way.”

The mass media syndicates, he continued, are “nothing but the Josef Goebbels apparatus of today, working for the Hitlers of today—that is, the financial establishment Hitlers of today.

“So, therefore, the fact that we have this communications device, points us to the fact that we can have ways of dealing directly with people on a much more localized level, in terms of leading people in localities, in a more immediate way. . . . People want *ideas*. They may not know it, but they’re searching for something, something better than Mr. Micawber’s wish that ‘something would turn up.’ ” (a reference to Charles Dickens’s novel *David Copperfield*).

“I’m the only competent candidate running for office,” LaRouche said. “People of any perception, at least ordinary people who *think*, perceive that very quickly. They recognize I’m the only qualified candidate running. And that’s having an effect.

“We would hope, by our continuing the process, which is going to be a laborious effort on our part, a great exertion, beyond our means — we’ll have to find the means to do it — that we can change the world, in this time. And I’m at the center of changing the world.

“And running for President, puts me in the position where Americans and others recognize me as a contender among prospective leaders, official leaders of the world. And therefore, they listen to what I say and do in that respect. And this is having an effect. And, I intend that it shall have a good effect.”

Press Coverage

China: LaRouche vows to change U.S. politics

*“LaRouche Vows to Change U.S. Politics If Elected President,” Xinhua release appearing on the website of **China Daily**, Oct. 25.*

U.S. Democratic presidential candidate Lyndon LaRouche has recently released a statement vowing he would make a revolution in politics in the United States.

The statement, which was made at an internet press conference on Oct. 13, was published in the latest edition of *Executive Intelligence Review* magazine, released on Saturday.

In the press conference, LaRouche warned, “We’re on the verge of the collapse of the world financial system. There’s nothing like it in this century. . . . It is systemic, and therefore, inevitable.”

LaRouche said the United States and some other nations in the world have built up “the biggest financial bubble in all history” and the financial system is on the [verge of] bankruptcy.

He put forward a remedy to salvage the current financial system: to have a number of nations gather together in an emergency session “to declare the existing financial and monetary system to be bankrupt” and “to use the model of Bretton Woods, organized by late U.S. President Franklin Roosevelt, to create a new monetary system, with matching financial, trade, and related agreement.”

He envisaged that nations of Asia, such as China and India, will have to play a much greater role in his proposed system than was played under the old Bretton Woods system.

LaRouche also touched other issues at the press conference, including U.S. relations with China and Russia, and nuclear weapons policy.

LaRouche said he is opposed to any kind of interference in China’s internal affairs and to imposition of sanctions because of U.S.-alleged “religious” suppression such as the actions on the outlawed cult group “Falundafa.”

“The idea that the United States should apply sanctions to China because the United States wishes to interfere in defence of some cult group in China. This is not the basis for foreign policy,” he said.

Knight Ridder: ‘He’s Back’

*Mary Otto, “He’s Back,” published, in full or in part, in many **Knight Ridder** newspapers, Oct 21. (See accompanying box, for the response of LaRouche’s campaign spokeswoman Debra Hanania-Freeman.*

WASHINGTON: Lyndon H. LaRouche Jr. calls ecology a “destructive cult belief,” warns that the world economy could collapse within the next year and believes the president should be a “philosopher king.”

At 78, he has launched his seventh bid for philosopher king, but while his writings are voluminous and his charts put Ross Perot’s to shame, he is facing some formidable obstacles.

For one thing, it isn’t clear how many voters will rally behind his discourse on the “growth of European population, population density and life expectancy at birth, estimated for 100,000 BC-AD 1975.”

For another, he can’t even vote for himself in his home state of Virginia because he is a convicted felon.

Nevertheless, LaRouche, who has been called “the dean of the American political fringe,” will be using the taxpayers’ money to help finance his run for the presidency. His prison record notwithstanding, he meets the legal requirements and qualifies for federal matching funds.

“We are in a disaster. Some people feel it. Others smell it,” LaRouche declared in a recent teleconference kicking off his campaign from Germany, his wife’s home.

LaRouche is recovering from a minor heart attack there, says aide Debra Freeman, who has been working for LaRouche nearly 30 years. She says this crusade will be a piece of cake compared with the 1992 race he ran from the Federal Medical Center, a penitentiary in Rochester, Minn.

There he served five years for fraud and tax evasion, after he and six associates were convicted of swindling lenders out of \$30 million, promising high rates of return on loans that prosecutors say they never intended to repay.

Freeman contends that the convictions were politically motivated. Still, she allows, “there were people, as a result of bankruptcy, who were not paid back. Those were unfortunate times. A lot of people were victimized.”

So far in this election cycle, LaRouche has collected more than the \$100,000 needed in small donations from 20 states to qualify for matching funds. His aides say the campaign is entitled to \$300,000 to \$600,000 in matching money. . . .

So far, according to LaRouche’s latest campaign expense reports, he has raised \$1.29 million, amassing more money than Republican Pat Buchanan in some key metropolitan areas, including places as diverse as Dallas, New York, Wash-

ington and Los Angeles. As of Sept. 30, LaRouche's report shows, he had spent almost all the money he had collected. . . .

Greek-American press

George Ionyyou, "Presidential Candidate Lyndon LaRouche," Proini, an independent Greek-language daily based in New York City, Oct. 21.

This past week, economist, and political candidate for the Democratic Party primary in the Presidential elections, Lyndon LaRouche, gave his first global interview to the American mass media and international press. On a telephone conference call, representatives participated from Russia, China, Canada, Latin America, Turkey, Greece, Japan, etc., and many American journalists.

The conference was broadcast live from the Internet. Mr. LaRouche answered tens of questions, after making an introductory statement about his program. He reported on the impending collapse of the global economic system, just as he had estimated, which he compared to an economic bubble which will burst soon. Therefore, what is needed, he said, is the collective development of the global economy, a sanction on free trade, the elimination of non-intervention at the ex-

pense of mindless isolationism, and a need to introduce a new monetary system. LaRouche warned that the sheer force of the collapse will occur in a few weeks, or months, but, definitely, during Mr. Clinton's Presidency.

Because the official mass media entertainment has excluded him, he characterizes the election as mass media-orchestrated politics, seeking to direct the candidates' programs, away from his Classical methods, in order not to project his candidacy. LaRouche says that he will exploit the opportunities to broaden the field that the Internet offers. He believes that none of the other candidates can claim the required qualifications to be President of the U.S.A., in addressing the impending collapse of the economic system, and that's why he's seeking to get elected, in order to have the opportunity to reorganize the global economy.

He expressed unfavorable comments about Mr. Gore, whom he considers completely unfit for the Presidency, under any circumstances. By contrast, Mr. Bradley's candidacy, he says, would be acceptable under different circumstances, but, not now, with the collapse of the global economic and monetary system. He distinguishes himself from the other politicians, because he has, to use his expression, fathered original

Freeman refutes lies of Knight Ridder article

LaRouche campaign spokeswoman Debra Hanania-Freeman sent the following letter to the editors of the Knight Ridder newspapers that ran the article by Mary Otto (see accompanying quotes.) A copy was also sent to Otto.

To the Editor:

After serving as Lyndon LaRouche's national spokeswoman for a number of years, I've learned a few things. First, it's futile to complain about coverage, even when a reporter who participates in an intense 90-minute press conference with your candidate, can't find more than 12 words by him to quote! So, I won't complain about that aspect of Mary Otto's article, written following LaRouche's Internet broadcast press conference of October 13.

The other thing I've learned? When talking to reporters, make a tape. I did exactly that when I talked to Ms. Otto the day after LaRouche's press conference. Ms. Otto correctly reports that I said that the trial and subsequent incarceration of LaRouche, and of several of his associates, was politically motivated. But, then, she has a state-

ment from me, which she places inside of what a reasonably bright fourth grader would recognize as quotation marks. The statement in question: "There were people, as a result of bankruptcy, who were not paid back. Those were unfortunate times. A lot of people were victimized."

Here is what I actually said: "There were people who did give us loans. And, we were in the process of paying those loans back. But, when the federal government moved, as the loan petitioner, in a forced bankruptcy action against those companies, that stopped. So, yes, there were people who were not paid back. Much later, after LaRouche was already sitting in federal prison, the chief bankruptcy judge — Martin Bostetter was his name — ruled that the bankruptcy itself was illegal. He called it a "constructive fraud on the court." It was a very unfortunate time. A lot of people were victimized for no other reason than their decision to associate with or give support to Lyndon LaRouche."

I've learned enough not to complain about the fact that Mary Otto didn't print what I said before — or after — I said that. But, if a journalist is going to actually quote someone, even if that someone is a public figure, they have an obligation to quote the person accurately.

I'm glad I learned to make a tape.

Sincerely,
Debra Hanania-Freeman

ideas, and he doesn't espouse, like the other politicians habitually do, the Third Way, without originality and creative elaboration.

Mr. LaRouche's thesis assists the reader to understand why he is so controversial as a politician and economist. His conceptions about the need for development of the world economy, with investments in all corners of the globe, will naturally find eager audiences everywhere. However, they are listened to with much skepticism in the U.S.A. His theory of an immediate impending collapse of the economic and monetary system is heard with deep skepticism, because he's the only one to speak of it. He is, though, absolutely confident that this collapse will ensue, and that it is inevitable and lawful. He believes that he will be vindicated with the evolution of events, and that he will receive the responsibility to overthrow the unpleasant situation which is prevalent today.

As many objections as one may have with his thesis, one thing is certain about this man: He has a concrete and internally consistent system of politics and economic philosophy. He deserves, I think, as a fellow countryman, for us to follow his journey and thesis, not only because he states many original points of view which require attention, but because his thesis calls for the total development of the global economy, and the respect for the sovereignty of nations. His views are substantially different from those of today's Westerners, which are hostile to the Greek community.

Dominican Republic

"LaRouche on the Offensive," Hoy, Santo Domingo, Oct. 21.

Democratic Party Presidential pre-candidate Lyndon H. LaRouche is gaining ground among layers who have traditionally been loyal to better-known Republican and Democratic leaders. LaRouche says that "It is time to think of a revolution in politics in the United States," and he is a staunch opponent of the economic liberalism promoted by his country and the United Kingdom. His followers are organized in LaRouche's Committee for a New Bretton Woods, which is fighting for a grand world accord that would establish new rules of the game for international trade among all countries, as an alternative to the liberal or neo-liberal economic model. Not since Ross Perot created great expectations in the 1992 elections by obtaining 20 million votes, which sowed fear among the ranks of Republicans and Democrats, has a non-traditional candidate gained such phenomenal popularity. But unlike Perot, who ran as an independent, LaRouche has decided to take on Vice President Al Gore for the Democratic Party nomination. . . .

LaRouche, who does not have the millionaire resources of his Democratic and Republican rivals, is taking advantage of more suitable resources to reach the homes of Americans, such as the Internet. In this manner he has given conferences

and maintains an interactive communication with his followers. "This is an election campaign like none other in this century. We're on the verge of the collapse of the world financial system. There's nothing like it in this century. We don't know the exact day, week, or month in which this collapse will hit bottom, but it is systemic, and therefore, inevitable," LaRouche warns. Responding to journalists from the United States, Russia, Turkey, Peru, Greece, and Japan, LaRouche said that the international financial system is practically bankrupt.

Personal Comments

Italy

Hon. Roberto Formigoni, *president of the Lombardy Region; national leader of Forza Italia, the largest opposition party; prominent leader of Catholic movements in Italy; has served as a member of the Italian and of the European Parliaments, including vice president of the European Parliament; has served in the Italian government:*

For many years I have been following the analyses of the American economist and politician Lyndon H. LaRouche whom I had the pleasure to meet personally two years ago in Rome. What I most like about LaRouche are his creative and imaginative ideas, in the positive sense of the meaning, that is, ideas which go beyond the traditional schemas, which, in economics above all, have proved themselves incapable of dealing with the recent, repeated crises. The international financial and economic crisis has fully confirmed his analysis and shows that we need original ideas like those he proposes. The infrastructural and economic development projects that he has been proposing for years, like the Eurasian Land-Bridge, are also for us in Europe an urgent alternative to unemployment and the war danger, which has always originated from fundamental economic crises, and from the growing separation between finance and the real economy, between rich and poor, as also Pope John Paul II recently underlined in his speech "Ethics and Finance."

Georgia

Vakhtang Gogvadze, *former Speaker of the Georgian Parliament, "The Devil Is Frightening, Until He Is Named a Devil," open letter to the U.S. Ambassador to Georgia dated Oct. 14, published in the Georgian newspaper Asvali-Dasvali. Mr. Gogvadze was interviewed in EIR on Oct. 8.*

Dear Mr. Jalovitz,

I had pleasant and friendly state relations with your predecessor, Mr. Kent Brown. When I was Speaker of the Georgian Parliament in 1992-1995, Mr. Brown supported me in my

state activity during my gravest experiences. . . .

Now I am acting in another role. Proceeding from the objective situation, I am in opposition, not only to the course of the Georgian authorities, but first and foremost, to the implementation of the ideology of the U.S.A., in the way in which it is being done in our country. But my opposing point of view is completely within the framework of the Constitution of the U.S.A. I have always expressed my sincere, deep respect for the American people.

I am worried about the tragic, almost catastrophic fate of my people. . . .

I am happy to have political and intellectual relations with such a significant person of the present period, as Mr. Lyndon LaRouche is. The Georgian people must know, that America has such a progressive humanist, who can love, not only his home country, but also the whole world, including Georgia. His concept—both theory and practice—is completely opposite to that terrible process, whose name is a unipolar mode of “global order.” America should avoid the boomerang effect, which may follow that process. . . .

Dear Mr. Jalovitz, I am sending you my interview, issued by *EIR* magazine, which concerns just these global problems. More than 4,000 years have passed, but as Prometheus is groaning, chained to the Caucasus, he is again being pecked by crows. The Caucasus is really in the situation of Prometheus.

Today, Georgia is in hell. . . . I ask you to reconsider the [U.S.] doctrine of foreign relations, and to raise a question at the Department of State, about the danger of a boomerang effect resulting from the present ideology. *The devil is frightening, until he is named a devil.*

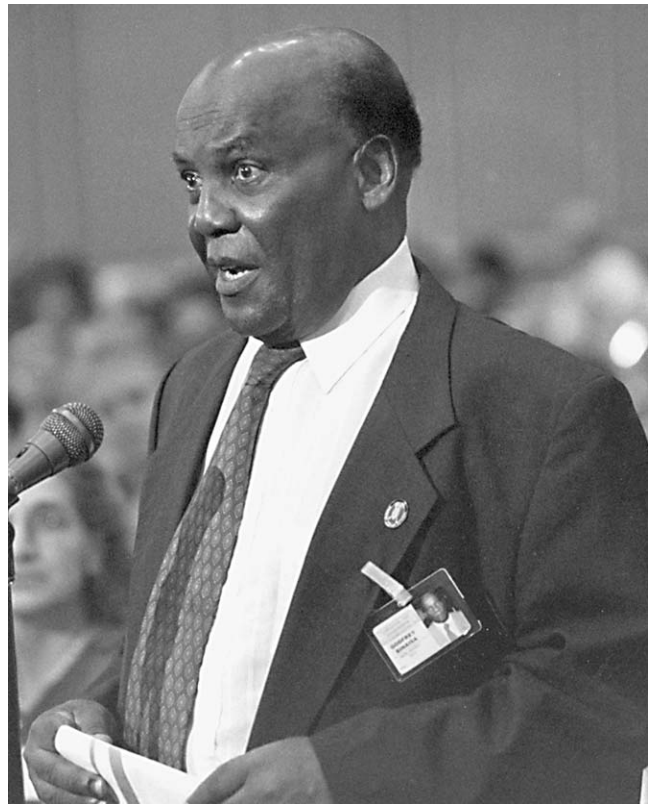
I ask you to raise the question of changing policy relative to the Caucasus. It is true that your intelligence service, to our misfortune, has succeeded in getting Russians and Georgians to conceive hatred against each other; but a reverse process has now begun. I am a humanist, and it is against my wishes that all this has turned into Americaphobia. America’s current policy, is unsuitable for the U.S.A. itself. If you desire that people like me should love America, then believe Mr. Lyndon LaRouche. Whether he will become President or not, I do not know—but I know one thing: No future President will be able to ignore his concepts.

Campaign Endorsements

Poland

Retired Bishop Mizolak of Warsaw:

Soon, we will celebrate the Jubilee 2000—a general debt relief and a just economic order must give a more human face to the Third Millennium.



G. Lukongwa Binaisa, chairman of the African Civil Rights Movement and former President of Uganda.

But we see war, financial chaos, and economic misery, also and especially in the poorest countries.

In the year 2000 however, also a new President is being elected in the United States—a great hope for the world and a decision of great importance for today’s civilization.

For many years, I have followed the ideas of Lyndon LaRouche, who is running for the Presidency in the year 2000. For 30 years he has been fighting for a just, new world economic order—in the spirit of the encyclical *Populorum Progressio*—as well as for an ecumenical dialogue among the religions and cultures.

This is the policy the world needs, so that the new Millennium becomes a millennium of peace, therefore, I support the candidacy of Mr. LaRouche.

Africa

The African Civil Rights Movement, chaired by G. Lukongwa Binaisa, former President of Uganda, currently resident in the United States:

Let people remember that Abraham Lincoln, who became one of the greatest Presidents this country ever had, lost elective office several times, including being kicked out of Congress. However, during that time of the greatest crisis this country ever faced, of whether the Union would be sustained

or the country would be fragmented into many, small weak states, Abraham Lincoln was the only person in the arena available who had the ideas, the courage, and ability to keep the Union together. Although many people did not support him in the beginning, the country later came to support him, and today, still cherishes his memory for keeping the country a sovereign state, strong and united under one flag, one government, and one destiny. Lyndon LaRouche is the American statesman left in the field today with the ideas, ability, and courage to lead this country through the imminent world financial catastrophe.

United States

Melvin Muhammad, *state president, Nebraska Association of Public Employees/American Federation of State, County, and Municipal Employees (NAPE/AFSCME)*:

I believe that labor organizations must support Lyndon H. LaRouche, Jr. for President of the United States for numerous reasons. Let's start with LaRouche's plan for a New Bretton Woods conference, such as that which Franklin D. Roosevelt convened in the post-World War II period to rebuild the war torn financial and monetary systems. This financial and monetary plan succeeds to a large extent until 1971-1972 Nixon administration's adoption of the "floating exchange rate" system. This current cancer (financial bubble) will soon take the patient to hell, unless the current sitting President acts to make LaRouche the economic spokesperson for this administration.

NAFTA is another reason labor must accept leadership from LaRouche: He is the only Presidential candidate who has publicly stated that he would scrap this inhuman policy. This particular treaty has been a source of millions of U.S. jobs being eliminated and exported to Mexico, Central and South America, and to Asia. The chief proponent of this policy has been the unelectable Presidential candidate "Mr. Free Trade" Al Gore.

Mr. LaRouche's experience in foreign policy once again reflects the brilliance with which Mr. LaRouche speaks to the issues of reconstruction of the Balkans. This should suggest that unions can play a major role in helping both the European and Asian continents. Without the necessary rebuilding of these areas, the world will continue to decay. This ideal is envisioned in the Eurasian Land-Bridge, which is the financial and economic answer to these war-torn regions. There are the problems in Russia, Africa, Southeast Asia, and various other spots in the world, and LaRouche has solutions.

I believe that Mr. LaRouche's domestic policies also reflect his commitment to rebuilding the U.S. economy based on physical production, with industries, infrastructure, farming, education, health care, as well as water systems. LaRouche is out front once again on how America can return to the producing nation we once were and turn back the tide of America being a consumer nation.



Melvin Muhammad, president, Nebraska Association of Public Employees.

Finally, the AFL-CIO convention that took place a few weeks ago, with its decision to endorse Vice President Al Gore, was made in error. As the upcoming months will show, Lyndon H. LaRouche, Jr., is the only possible candidate that can help America avert the destruction that awaits her. Labor must support and help elect Lyndon H. LaRouche as President of the United States in the year 2000.

David Casden, *small businessman, member of Congregation Shir Shalom Synagogue, Buffalo Grove, Illinois*:

I endorse Lyndon H. LaRouche, Jr., for President of the United States, because he is the only candidate who can understand the world situation in general, and shows great leadership in dealing with these kind of issues. His ideas are able to deal with the current financial crisis. I believe there is no current other candidate who has shown this kind of leadership.

As for me being Jewish, I believe there are other Jews who perceive Lyndon LaRouche as anti-Semitic. I believe this is a case of slander by the press and the Anti-Defamation League of B'nai B'rith. If you read his writings, and you understand what he stands for, he is clearly for Jewish idealism, such as the tradition of Moses Mendelssohn.

Therefore, I urge everyone to vote for Lyndon LaRouche.

What's behind all the hysteria against China?

China wants to buy *trillions of dollars* worth of U.S. capital goods, for the great infrastructure project of the 21st century, the Eurasian Land-Bridge. But the British-led financier oligarchy, determined to prevent such collaboration at any cost, has unleashed its mad dogs in Congress, to wreck President Clinton's efforts to forge a mutually beneficial partnership with China.

The Eurasian Land-Bridge

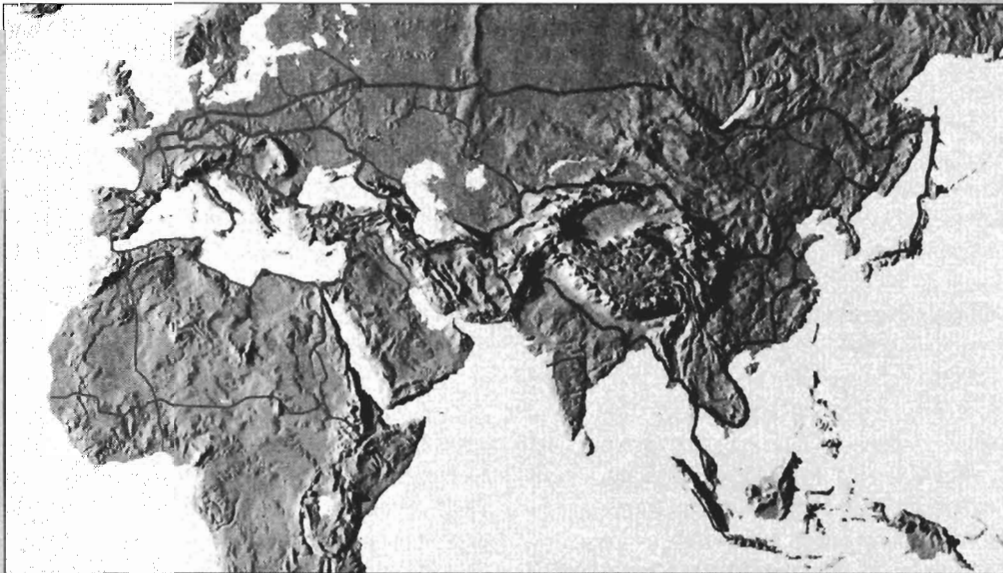
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EIRNS
Helga Zepp-LaRouche (right), known as "the Silk Road Lady," has played a major role in organizing worldwide support for the Eurasian Land-Bridge. She is shown here with Schiller Institute associates at Lianyungang Port in China, October 1998.



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Jiang's trips to Britain, France: a sharp contrast

by Mary Burdman

Chinese President Jiang Zemin got very different receptions during his state visits to Great Britain and France, which began in London on Oct. 19. Although the British Queen, her consort Prince Philip, and other notables of the British establishment turned out with all the pomposity which could be mustered, to receive the first-ever visit of a Chinese head of state to the bosom of Perfidious Albion, the British, as is ever the case, were playing a nasty double game.

On the ground, the visit was plagued with troubles. Despite strenuous efforts, the beleaguered British police were barely able to keep the hordes of rowdy "human rights" demonstrators under control, and the Chinese President had to be shunted around to the back door when he went to visit Prime Minister Tony Blair at 10 Downing Street on Oct. 21.

Worse, the "royal mob" (the epithet of Queen Victoria) behaved little better. When the Queen and Prince Philip went to China in 1986 (Jiang's visit, a full 13 years later, is the Chinese return visit), it was Philip who could not suppress his British arrogance, and let fly with a comment to a group of European students, met at the Great Wall, that they had better not stay in China too long, or they would end up with what Philip termed "slitty eyes."

This time, Philip, apparently, was kept buttoned up, and it was the dotty heir to the throne, Prince Charles, who spoiled all the special effects meant to be generated by royal carriage rides down The Mall (which had to be closed carriages for fear of the "rights" rowdies).

The Queen's state banquet had turned out the royal family in force, plus the leaders of Blair's Labour government, and such notables of the British establishment as Margaret

Thatcher, Thatcher adviser Sir Percy Craddock, and the odious Sir Crispin Tickell, Britain's former ambassador to the UN who coordinated the Persian Gulf War onslaught against Iraq with the U.S. State Department's Thomas Pickering. However, on Oct. 21, when Jiang Zemin and his wife hosted a return banquet at the Chinese Embassy (the first time ever that the Queen has visited the Chinese Embassy in London), her heir refused to come along. Charles, who had also refused to accompany Jiang and his party on any official engagements during the visit, used as his excuse for "snubbing" the President of a nation of 1.25 billion people, that he was hosting a "private" dinner at home—for his mistress, Camilla Parker-Bowles, and, among other notable guests, the actor known best for portraying "Mr. Bean."

Charles's boycott was an unprecedented break with protocol, and an unheard-of treatment of a head of state of the stature of Jiang Zemin, as the stuffy *Daily Telegraph* enthused. His action, the *Daily Telegraph* noted, "was motivated by his admiration for the Dalai Lama, whom he has met at least twice in defiance of government policy." Charles, it appears, shares "spiritual" and environmentalist interests with the Tibetan Buddhist leader. Charles reportedly has a "keen" interest in the Himalayas, and he and the Dalai Lama both supported a project in 1995 to build an "inter-faith" center in Britain. Charles even went so far as to invite the Dalai Lama to a secret rendezvous at his private country residence, Highgrove, in May, and has given the Foreign Office "mandarins," who, officially anyway, toe the line on support for Chinese sovereignty, the jitters, by saying that he wants to visit Tibet. Charles's boycott rules out any



Chinese President Jiang Zemin (left) and French President Jacques Chirac. Jiang's visit to France consolidated the Chinese-French strategic partnership. Perfidious Albion will not be pleased.



possibility of his being used in another British royal venture to China any time soon.

Britain's hidden agenda

Even before these dramas were unfolding, it became quite clear that the British had another agenda up their sleeve. In relation to China, these double games go back to the last century, when the British Empire, in the course of imposing its overwhelming control on the then weak and backward economy of China and international trade, self-righteously imposed the totally hypocritical "Open Door" policy, nominally to prevent China from being split into pieces, but, in reality, to keep the Eurasian powers of Russia and Germany out of what the British considered "their turf."

Now, the British agenda is to try to prevent, at all costs, the development of a strategic relationship between modern China and the United States.

Just before Jiang Zemin arrived in London, two articles appeared in the European press on Oct. 17, one in the London *Observer* and another in the leading Danish daily *Politiken*, stating that the precision bombing attack on the Chinese Embassy in Belgrade on May 7, during the NATO war against Yugoslavia, had *not* been an accident.

The Chinese leadership, and *EIR* founder Lyndon LaRouche, have been stating since May that the attack was deliberate, and have been demanding a full investigation. LaRouche immediately demanded courts martial for those responsible for the bombing. Officials and analysts with *any* competence in the NATO nations, of course, always knew it to be the case that the bombing was deliberate.

So, why the sudden revelation? The articles reported

that the bombing was carried out by a "parallel command structure," outside the regular NATO chain of command. The *Politiken* article outrageously claimed that the attack was carried out "on the direct order of the American President." This vicious, but ridiculous claim—like the bombing itself—was intended to kill President Clinton's longstanding policy of developing a "strategic partnership" with China, and to cover up for the real authors of the attack, at a time when President Clinton has made several serious efforts to repair badly damaged U.S. relations with Beijing. The actual circumstances of the bombing, including the use of a Stealth bomber for the mission, and the precise targetting of the rear of the embassy using highly sophisticated missiles, had exactly the same purpose.

The bombing of the Chinese Embassy, as LaRouche stressed immediately after the attack, was run through the hard-core British-American connection. It is this long-established British-American apparatus which is at the center of every disaster afflicting U.S. foreign policy. In charge on the U.S. side, are Sir Henry Kissinger and Zbigniew Brzezinski; such operatives as U.S. Secretary of State Madeleine Albright, the daughter of Prof. Joseph Korbel, who "trained" Condoleezza Rice, the first-string foreign policy adviser for Gov. George W. Bush's Presidential campaign; and NATO Supreme Allied Commander, Europe, Gen. Wesley Clark.

This group has always been hard-wired into the highest levels of British political, military, and financial policymaking establishment, and, as Kissinger himself has bragged, its members take their orders directly from London. Central to the problem in Washington, is the role of Secretary of

State Albright. It is Albright who has the key connections to the Blair government in London, which relentlessly pressed for the war against Yugoslavia, including an invasion using ground forces, and to General Clark.

It was this deadly combination which deliberately sabotaged the potential to resolve the Kosovo crisis at the Rambouillet summit in late February. Albright also had a special, enhanced role during the bombing of Yugoslavia, because this was an *undeclared* war. Had there been a declaration of war by Congress, Secretary of Defense William Cohen, would have had more power. But, as it was, it was the Secretary of State, collaborating with General Clark, who could have ordered the Stealth bomber, which carried out the high-precision attack.

There are also indications emerging that there might have been efforts on the part of certain circles in Washington to convey a message to the Chinese, that any activities by its embassy in Belgrade to cooperate with the Yugoslav forces would make the embassy vulnerable to attack, but that the bombing was carried out before the Chinese had responded. It is useful to consider in this context, the revelations in the Oct. 27 *New York Times* about Albright's role in the U.S. bombing of the Al Shifa pharmaceutical plant in Sudan on Aug. 20, 1998.

The operation to pin responsibility on President Clinton for the Chinese Embassy bombing was hard to swallow even for his accusers. One of the authors of the *Observer* article, while convinced by his high-level NATO sources that the bombing was, indeed, deliberate, found the allegations against the U.S. President too implausible, and left them out of his article. *Politiken* was hit by a strike that day, so its distribution was very limited, and the article never appeared on the *Politiken* website—possibly an indication that there may have been doubts at the Danish newspaper about the accuracy of their lying attacks against Clinton.

For all the work put into this renewed effort to sabotage U.S.-Chinese relations, ultimately, it is not likely to function. Chinese leaders are aware of President Clinton's policies, and have noted the role that the "hawk," British Prime Minister Tony Blair, played in forcing the war against Yugoslavia, and in other efforts to break up sovereign states. The problem which remains, is President Clinton's continued failure to establish a relationship of *trust* with China, by cleaning Albright and company out of his administration.

As pointed out by one well-connected expert on Asian affairs in Britain who had direct contact with the Chinese delegation, the relentless hounding by the "human rights" demonstrators, and the unprecedented rudeness of the heir to the throne, Prince Charles, left Jiang Zemin with a profoundly bad impression.

France and China—a success

The Chinese President's state visit to France was a very different matter. Certainly, the leadership of France is by

no means ready to take a leading role in creating a new and just international order for world development. On the other hand, France is a nation where the policy elites, especially of the older generations, are able to detect when important strategic shifts are going on. Paris is not the center of the current, utterly bankrupt British-American-Commonwealth group—London is. The French sense when momentous things are about to happen, and are often the first to say it. Paris knows that the current, desperate efforts to "crisis-manage" the crash of the world financial system, cannot keep Wall Street and the City of London going much longer, and that there will be enormous *political* effects when the bubble economy goes.

In China, there is also recognition of what is to come, as indicated by the release by the official Xinhua news agency, on Oct. 25, on the campaign of Lyndon LaRouche for the Democratic Party nomination for the U.S. Presidency (see article, p. 36).

Against this background, Jiang Zemin's visit to France consolidated the Chinese-French strategic partnership—something the French will use, in their own time, in their long-term conflicts with the British. At the core of the Chinese-French partnership, is the recognition of the central, vital role of the sovereign nation-state, if the world is to build itself out of the unfolding crisis.

Some details of Jiang Zemin's trip to France, illustrate this:

Jiang began with a two-day unofficial visit to Lyon, where he was received by the mayor, former Prime Minister Raymond Barre; as students, such founders of the People's Republic as Zhou Enlai and Deng Xiaoping had studied and worked there. Moreover, that French ties to the People's Republic of China go back to the statesmanship of President Charles de Gaulle.

Jiang next spent the greater part of two days in intense, private discussion, on a wide range of political and cultural issues, with French President Jacques Chirac, at Chirac's private home in Bity.

The official visit began on Oct. 24, with a reception at the Cour des Invalides, the 16th-century military hospital which de Gaulle wanted to convert into a Presidential palace. From there, Jiang Zemin and his wife were escorted by 180 mounted Republican guards to the Marigny Palace, where they stayed.

While Jiang was in France, a senior member of Chirac's Gaullist-RPR party, Charles Pasqua, was in Beijing, meeting with National People's Congress standing committee chairman Li Peng, stressing the importance of de Gaulle's historic opening to China, and the importance of the two countries working together to defend national sovereignty against globalization. He criticized attacks on China's human rights record as blatantly hypocritical, and said that Europe should not lecture China, "a country which was civilized, while Europeans were still living in trees."

Bloodbath in Armenia creates power vacuum

by Anno Hellenbroich

The armed assault on the Armenian Parliament on Oct. 27, which resulted in the killing of Prime Minister Vazgen Sarkisian, Speaker of the Parliament Karen Demirchian, two of his deputies, a minister, and three other Members of Parliament, and the wounding of six other parliamentarians, has thrust the country into another dangerous crisis. At the time of this writing, there are few reliable reports on the group of five assailants, or on the political background to the attack.

In a telephone discussion the morning after the bloodbath, Haik Babookhanian, who was elected to Parliament on May 30, on the *Iravunk* ev Miabautiun (Justice and Unity) slate, provided *EIR* with a preliminary report on the situation. At the time of the attack, Babookhanian was in the plenary hall of the Parliament. A few hours after Prime Minister Sarkisian had been killed, and others had been shot and taken hostage, Babookhanian and a few others were freed. At the same time, President Robert Kocharian had rushed to the Parliament, to negotiate with the hostage-takers. Babookhanian reports that he was also part of the negotiating team, and worked to ensure that the wounded could be taken away for medical treatment.

Babookhanian said that an individual named Unanian was the leader of the criminals, a fact later confirmed by the authorities. Unanian was known as a student leader at the end of the 1980s, and later, in 1992-93, went to fight in Nagorno-Karabakh, the Armenian enclave within Azerbaijan. In early 1999, he appeared as a journalist, and in this capacity was able to move about the Parliament building freely.

Babookhanian had the impression, during the negotiations with Unanian, that the latter has formulated his aims, very much according to "plan." At any rate, he did not appear to be under the influence of drugs or to be psychologically disturbed. Unanian presented several demands, including permission to appear on national television to read a statement. President Kocharian assured the assailants that, if they laid down their weapons and freed the hostages, they would be taken to prison in safety, and would have a fair trial.

In the early morning hours of Oct. 28, the hostages were released and the assailants taken to the prison in the Interior Ministry.

Babookhanian stated that the situation had calmed down, but that the country is in a very dangerous, volatile situation. With the death of Prime Minister Sarkisian, the carefully constructed compromise solution for power-sharing between Kocharian and Sarkisian has been shattered, and no one

knows how this vacuum can be filled.

The terrorist attack took place at a time when the Presidents of Azerbaijan and Armenia had met four times, under considerable American pressure, to try to find an agreement for a cease-fire in the conflict around Nagorno-Karabakh, before the Russian Parliamentary elections take place as scheduled on Dec. 19. To this end, U.S. Undersecretary of State Strobe Talbott had been to the capitals of Azerbaijan, Armenia, Turkey, and Russia for discussions about such an agreement. He had left the Armenian capital of Yerevan only an hour before the Parliament was stormed.

On Oct. 15, *Iravunk*, the largest Armenian opposition newspaper, had reported on a letter from U.S. Vice President Al Gore to the Armenian President, in which he urged Armenia, "for its own good," to come to an agreement with Azerbaijan before the next Organization for Security and Cooperation in Europe meeting in November. *Iravunk* situated this letter in the context of sensational new oil discoveries in Iran, and negotiations between Russia and Iran over a possible pipeline that would cross Armenian territory. This would conflict with plans for an Azeri oil pipeline from Baku, Azerbaijan, to the Turkish loading station at the port in Ceyhan.

With the assault on the Armenian Parliament, the British "Great Game" has produced new corpses on the battlefield of the Transcaucasus, and has thrust Armenia into the midst of a contest between Russia and the NATO powers.

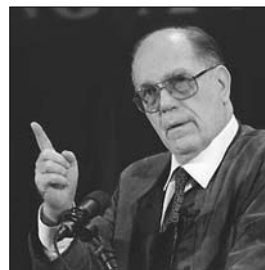
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Rwandan puppet provokes fracas at Washington think-tank seminar

by Linda de Hoyos

A seminar at the Center for Strategic and International Studies (CSIS) in Washington, D.C., turned into a near brawl on Oct. 25. The occasion was the presence of Dr. Emile Ilunga, president of the Rally for Congolese Democracy (RCD), the so-called rebel force in eastern Congo which is militarily backed and supplied by the Rwandan regime of Paul Kagame.

The atmosphere for confrontation was first set by the Center itself, when event chairman Tony Smith announced to the audience of 100 people that this time, questions must be written down and submitted to the CSIS staff. This elicited a sharp protest from Ambassador Hank Cohen, a former U.S. Assistant Secretary of State for African Affairs, who queried: "Why doesn't Dr. Ilunga want any dialogue with the audience? I've been to CSIS events for 15 years, and we've never had this procedure before." Chairman Smith, in defiance of the recollections of most present, claimed that question-writing was the usual CSIS custom. The CSIS maintained its strong-arm defense Dr. Ilunga, and of the London-scripted policy of the Clinton administration to back him, throughout.

The next ingredients for confrontation were supplied by Dr. Ilunga himself, who was flanked by two assistants, one of whom translated from the French for the heavy-set chairman. Ilunga began by unfolding a map of the Democratic Republic of the Congo (D.R.C.), showing the current military divisions of the country. Northeastern Congo is controlled by the Bemba rebel group, backed by Ugandan forces; the northwest is controlled by Ugandan forces directly; and the central and eastern section is controlled by the RCD, he said. This signalled Ilunga's disingenuousness right off the bat, as he failed to mention that the RCD is backed up by the Rwandan Patriotic Army, whose genocidal record in eastern Congo is now common knowledge.

Despite this, Ilunga called the war in the Congo a "civil war." The RCD chairman said that he had come to the United States with a "peace message": Without the aid of the international community, especially the United States, Ilunga said, there cannot be implementation of the Lusaka accords. The Lusaka accords will be very difficult to implement anyway, Ilunga noted, because all the interests of the parties involved differed. Some, he said, were just after gold and diamonds.

The Lusaka accords, as *EIR* has exposed, do not provide

for peace in the Congo, but call for a Joint Military Commission to disarm by force all "non-state actors" in the area. This includes those Congolese forces in the region who oppose the Ugandan-Rwandan invasion of their land, as well as Rwandan rebel groups who oppose the murderous Kagame regime. Ilunga lamented that only the Zambian government had given any support to the Joint Military Commission which is to carry out the "disarming." The Commission is composed of all the forces currently in the Congo—the D.R.C., Uganda, Rwanda, Zimbabwe, Namibia, and Angola.

The many questions directed at Ilunga were then edited and filtered through the chair. The first question centered on how the RCD proposed to maintain the Congo's unity. Ilunga claimed that the RCD wants the unity of the Congo; however, he made no attempt to say how this might be brought about, and his map instead pointed to the Congo's permanent balkanization. Further, Ilunga noted smugly that the D.R.C. government of President Laurent Kabila would never be able to retake the territory that it had lost.

Support for RCD is 'weak'

On whether or not the RCD has any support from the Congolese people, Ilunga answered that it was "*faible*," which was translated as "not as much as we had hoped for." At this point, Ambassador Cohen, who is an official lobbyist for President Kabila in Washington, denounced the translator from the floor, noting that *faible* means "weak," with a shouting match among Cohen, the chair, the translator, and members of the audience ensuing for several minutes on this point.

At any rate, Ilunga said, "winning support is a process." He was then followed by his financial "minister," Alexis Thwambe, who was more direct: "The Congolese people wanted a change from the Kabila system, but they did not want war. Since we have taken up arms, that has given us the possibility of changing the system. Without taking up arms . . . we would not have the Lusaka accords which brings in the international community and will put an end to the Kabila dictatorship," he said.

Questions continued. Did Dr. Ilunga consider the invasion of the Congo by Rwanda and Uganda to be illegal? To this the RCD chairman answered that it was Kabila who calls it

an invasion. The Lusaka accords, he said, make no reference to any invasion by Uganda and Rwanda. This absurd answer—given that his map designated a third of the country under the control of Ugandan troops—prompted the first protest from a Congolese in the audience, who pointed out that the United Nations had said that there was an invasion of the Congo! To this, Dr. Ilunga gave further provocation by saying that if the allies of Kabila were removed from the Congo—Zimbabwe, Namibia, and Angola—then the RCD would soon be in Kinshasa, the Congo's capital.

Ilunga then was asked if political parties were permitted to operate in RCD-controlled areas. Before the answer came, Ambassador Cohen again interjected that the question had been translated “will be” instead of “is”—causing another uproar from the audience, the chair, and the speakers. Ilunga did manage to answer, however, that since there are “no important political figures” in the eastern Congo—such as the major opposition to Kabila in Kinshasa—there was no political pressure for parties to operate in the eastern Congo! He proclaimed that, whereas, in Kinshasa, there were political arrests every day, in “our area, there are no political prisoners”!

The next question was: Will it be possible for those Hutu rebels or Interhamwe who have been disarmed under the Lusaka accords to then live peacefully in the Congo? Dr. Ilunga answered that those Hutu rebels who are disarmed who are then convicted of genocide (in Rwanda in 1994), will return to their country to face trial. That is, they will be found guilty and then sent to trial and to their deaths in Rwanda.

The Kivu provinces

It was the last question on the unrest in the Kivus that brought the CSIS seminar to a chaotic close—after only an hour and 15 minutes. What about the problem of the Kivus? The Kivu provinces, which Ilunga's RCD controls and the Rwandan military controls, “should not enjoy special treatment,” said Ilunga. “Local problems should be dealt with.”

This caused extreme anger among numbers of the Congolese participants, especially those from the Kivu provinces. This is because the only way in which problems have been dealt with by the RCD in the Kivus is through killing, as the April report of the United Nations Special Rapporteur Roberto Garreton documented. Despite that report, the killing and massacres continue up to this day. The seminar broke down. Amidst the pandemonium, the chair thanked Dr. Ilunga for answering “such provocative questions.” Those in the room who opposed Ilunga and were out of order were confronted angrily by CSIS senior staff; those who were out of order but supported Ilunga, were never reprimanded.

Between the CSIS's attempt to stem confrontation and Ilunga's own lying justifications for invasion and mass murder in eastern Congo, the bankruptcy of the U.S. State Department's warlord policy for Africa was once again amply demonstrated.

Documentation

The RCD's record of massacres

The RCD has been reported by the Missionary News Service of Nairobi (MISNA), noted for its reliable on-the-ground reporting, to have carried out a series of massacres throughout this year against Congolese civilians in the provinces of North and South Kivu. The extent to which Rwandan national forces are responsible for the mass murders is not known. But the RCD has taken up the practice of the all-Tutsi military of Rwanda's neighbor Burundi, by which revenge is taken on the unarmed civilian population for any attacks on the military itself. The massacres in the areas of conflict have all been carried out by the RCD forces, with the one exception of the murder of more than 100 civilians in the Diocese of Bondo in northeastern Congo on July 22, carried out by Congolese soldiers on the eve of the area's takeover by the Ugandan military. Since January, MISNA has reported the following massacres as being carried out by the RCD:

Dec. 30-Jan. 1, Makabola: “Well above 500” people were killed over the holiday by RCD forces in the town of Makabola. The massacre was directed by a Rwandan officer known as Shetani, who came with troops in trucks. He called the people out of hiding and then “the massacre began!” The “killing spree” lasted two days, and the town was thoroughly looted.

January-February: “According to information referred by our MISNA sources (which will remain anonymous), in the first two months of this year, 45 civilians were murdered for no reason; of which only 22 have been identified with last name and place of origin. There is also an elevated number of missing people, always in the territory conquered by the RCD and controlled by the Ugandan or Rwandan troops. During the months of January and February, our MISNA sources reported, numerous civilians were kidnapped in Burhale, Mushinga, Lubona, and Mulamba. People disappeared without a trace. As for all the civilians captured, mainly during night raids, it was done by armed factions of the RCD forces.”

March 5, Kamituga area, South Kivu: More than 100 people were killed in retaliatory massacres “perpetrated by the troops of the RCD” in the Kamituga area, including Mazozo, Lutunda, Kenge, Lulimba, Kabukungu, and two neighborhoods of Kamituga: Tangila and Kele. In addition, more deaths that took place during Feb. 11-13 were revealed. In Lukweti, Rutshuru, and Biholo, 78 people were killed between Feb. 28 and March 1, including seven women and two children.

March 19-21, Kivu: MISNA reported that more than 250 civilians were killed in retaliation for Mayi-Mayi attacks by

the RCD forces. They were carried out in two groups of villages, in Burhinyi about 80 kilometers from Bukavu, and in Ngweshe, about 40 kilometers from the city. “The victims were mainly elderly men, women, and children, killed during alleged anti-Interhamwe mop-up operations, carried out by the troops of the RCD. In the Ngweshe area, many houses were burnt to the ground. While the Reuters agency yesterday [March 23] reported a third massacre in Magunga, involving another 100 victims, carried out by a group of Mayi-Mayi hired by Rwandans.”

Sept. 13, Mwenga, South Kivu: Several dozen civilians were massacred in the Mwenga area by the RCD. Another massacre was carried out not far from Kasika; the death toll was not confirmed. The RCD attacked, in retaliation for a Mayi-Mayi assault, “all the residential areas situated along the road that takes from Vilalombili (6 kilometers from Mwenga) to Kakulu (about 20 kilometers from Mwenga). In the area of the massacre—concluded our MISNA sources—a contingent of around 1,000 Congolese soldiers enrolled by the RCD was deployed, a part of which just returned from Butare (Rwanda) where they were trained to form death squads.”

Oct. 8, Kalambi, South Kivu: “Several dozens of defenseless civilians were massacred in the Kalambi village, midway between Kasika and Mwenga (Urega, South Kivu).” The massacre was carried out in retaliation for an attack by

“Congolese nationalist partisans who control vast areas in the territory” against a “contingent of 300 RCD soldiers.”

Oct. 21, Kashambi, South Kivu: “A massacre of defenseless civilians in August 1999 in Kashambi, land of the Bavira, was only discovered today. Our MISNA sources reported that 61 people, who have been identified, were killed and buried in mass graves, later unearthed by the same sources. The victims, young and elderly men of over 80, women and children, it seems were killed and thrown in mass graves” by soldiers who were identified as being from the RCD.

Independent Congolese denounce Lusaka Accord

The following are excerpts of testimony presented by Mwabilu L. Ngoyi, president of the Congolese International Union (CIU), assisted by Dr. Kanyand Matand, CIU vice-president, and supported by Kibwit Ntet, CIU delegation to Canada, to the Africa Subcommittee of the U.S. House International Relations Committee on Sept. 28. The remarks have been slightly edited:

We are here today before you as representatives of the Congolese International Union. This union was born through the democratic process of free elections held by more than 30 groups—political parties, non-governmental organizations, and other interest groups—that gathered in Newark, New Jersey, on Sept. 18-19, 1999, in response to a conference organized by the Reformed National Convention and sponsored by Rutgers University’s Center for Global Change and Governance. The union represents a broad spectrum of political views, among which some support, and others are against, the current government. In the best interest of the Congolese people, the conference participants agreed to form a union according to the Pact of Newark. This union symbolizes the Congolese aspirations for national unity, territorial integrity, peace and stability, democracy, and development. The union is mandated to promote, support, and defend the legitimate interests of Congolese people around the world. This union is an independent body, which operates independently from the Congolese government. Therefore, we, here, assert the independence of our testimony regardless of the possibility of some commonality with the government’s view or position.

Before we proceed further with the Lusaka Accord, we would like to talk about the D.R.C.’s [Democratic Republic of the Congo] invaders.

Who are the people from Rwanda, Uganda, and Burundi? What do the invaders stand for? They stand for militarism or military politics, violence, ethnic self-serving interest, and ethnic mutual exclusion or extermination. We Congolese people believe in peace and stability for democracy. We have

The Way Out of The Crisis

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

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



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been fighting for it for many years. We saw that dream at our door. We were hopeful, until Rwanda interfered, to topple the former regime that shattered the Congolese dream for democracy. We . . . Congolese were trying to figure out how to revive the dream for democracy. Unfortunately, for the second time in a row, Rwanda shattered the same dream the same way. We can understand why this is happening. Governments in Rwanda, Burundi, and Uganda took power by force, and have since dragged their feet in the process of implementing democratic reforms. Therefore, it is not in the best interest of those countries to see democracy take place in Congo, because they don't want the U.S.A. to put pressure on them for democratization of their respective countries.

When [Congo] President [Laurent] Kabila took power, Rwandese, Burundian, and Ugandan troops took charge of security in the Congo, including the protection of their borders with the Congo. They failed to protect those borders. If so, why then today are Rwanda, Uganda, and Burundi manipulating the U.S.A. and the international community, telling them that they are in the Congo to secure their borders?

We are convinced that external forces, which have invaded Congo for their own interests, critically threaten Congolese interests, and we think that the American people and government have been given distorted views about the Congolese crisis. This might explain why the U.S. government has yet to forcefully respond to the suffering of Congolese people, who have always been allies to the American people.

It is with broken hearts that we remind this noble assembly that Rwanda, Uganda, and Burundi have repeatedly lied to the international community, including the American people, about the presence of their armies on Congolese territory. When they acknowledged their invasion, occupation, and administration of Congo as a colony, plundering Congolese resources, the international community commended their act in the name of peace and could not hold them accountable for their lies. When the armies of Rwanda and Uganda turned on each other in Kisangani [in September] and fought for control of Congolese resources and destroyed vaccine for Congolese children and killed innocent Congolese, the international community turned a blind eye and never condemned in no uncertain terms such criminal acts. The international community never strongly condemned the violation of international norms of human rights, international conventions, in particular the charters of the UN and OAU [Organization of African Unity] by Rwanda, Uganda, and Burundi. It is as though the international community had a short memory of Rwandese, Ugandan, and Burundian lies. It is also plausible to argue that the failure of the international community to prevent the Rwandese genocide of 1994 has generated a sense of guilt that compelled the international community to turn a blind eye not only to their lies but also to their counter-genocide of Hutu in 1996-97, enormous abuses of human rights, invasion, plundering of Congolese riches, killings of Congolese intellectuals and opponents in the Kivu province, attempts to partition Congo, and other crimes.

Your Honorable Assembly, we have the sad impression that peace in the Congo has become a hostage of disagreement between the Congolese government and the international community. We want to remind you that men die, while institutions or countries don't usually perish. It would be a grave mistake if the international community uses its dislike of, or disagreement with, against the current Congolese government or Mr. Kabila, the one who was once hailed a new breed of leader, to jeopardize the peace process, to turn a blind eye to the profound suffering of the Congolese people and the true causes of the Congolese crisis.

Problems with the Lusaka Accord

We are here to ask the American government to review with us the Lusaka Accord, which we consider a recipe for humanitarian disaster of epic proportion, and even renewed genocide that the international community would not want to face again in Central Africa. This Accord is also a recipe for, an attractive setting for groups with aims that could directly threaten U.S. interests. We, the Congolese people, are convinced that democracy is the only way to go. We fully understand that ethnic-manipulated actions are worse than any sort of dictatorship, especially in the Congo where we have 450 ethnic groups. That is the reason why, despite the lack of democracy and human rights violations in the Congo, the popularity of President Kabila has not been affected.

Problem 1: No obvious condemnation of Rwanda, Uganda, and Burundi for having invaded the D.R.C. The Lusaka Accord offers no hope to the Congolese people because it fails to consider the critical element of the current crisis, which is the illegitimate invasion of the D.R.C. by its neighbors.

Problem 2: No immediate withdrawal of invading troops. The Lusaka Accord made another critical mistake by legitimizing the invaders' stay in the D.R.C. Since Rwandese, Burundian, and Ugandan troops invaded the D.R.C., they have been abusing the Congolese people in the occupied territories. They kill innocent Congolese civilians, they rape women, they destroy economic infrastructure of the country, they destroy civilian and cultural records of the Congolese citizens, and they impose new settlements and exploit illegally the Congolese national resources. Their presence is a major hindrance to Congolese democracy. Their criminal presence denies the rights to Congolese people for self-determination, self-governance, and the pursuit of happiness and development of their own potentials as they see fit. These troops are aggressors and ought to leave the D.R.C. immediately.

Problem 3: Holding onto positions. There is no need for special training or scientific knowledge to figure out the destructive nature of the Lusaka Accord. Common sense alone is enough to realize such facts. It makes no sense that troops, which are illegally on foreign soil for their internal affairs based on their culture, should be allowed to keep their positions for several months. This is nothing else but the legitimization and rewarding of terrorist behavior. In

addition, what it does is to pave the way for the partitioning of the D.R.C., which in the end has no effect in ending, if [it has] not exasperated, internal problems in Rwanda, Burundi, and Uganda.

Problem 4: Military supplies. How much sense does it make if the intent of this Accord is to allow the invaders a legal way to re-supply their weaponry for further attacks?

Problem 5: Lack of association of the non-armed opposition to the table. The tendency to reduce all credible politics to armed politics is prevalent to Central Africa. Politics must be de-militarized in the Congo. The non-armed opposition groups make up the largest segment of the population. If indeed lasting peace in the region is the intent of this Accord, it makes no sense to have omitted the most influential segment of the society in the region. The unarmed opposition, especially the democratic sector within it, is the key to de-militarizing Congolese politics, when it is included. As long as the non-armed opposition groups are not part of the accord, the Lusaka Accord is doomed to failure.

Problem 6: Disarmament of the Mai-Mai resistance group. Invaders have been talking much about the disarmament of armed groups, including the Mai-Mai resistance movement. The Mai-Mai resistance was not born in Rwanda. They had been fighting Mobutu for many years. However, if today these militants and Congolese patriots turned their guns against Rwanda, the reason is simple. Rwandan troops have been systematically killing their clan leaders, family members, raping their daughters, taking civilian prisoners into Rwanda, and destroying their cultural and civilian records. They took their land and imposed new settlements of people newly from Rwanda. We Congolese oppose any attempt to disarm these true patriots fighting for themselves and their country.

Implications of the Lusaka Accord

In its current form, the Lusaka Accord has several implications:

1. It guarantees the instability of the region for many years to come because of the mistrust it is creating.
2. It prepares for another genocide, as real causes of the crisis are not addressed. The causes have to be dealt with from inside Rwanda, Burundi, and Uganda, and not from outside their own borders or countries.
3. It either kills or delays the democratization process and development in the region.
4. It legitimizes the culture of violence, militarism, ethnic mutual exclusion or extermination in the region rather than preventing it.
5. It sets the stage for the partition of not only the D.R.C., but also many other African countries in the future.
6. It legitimizes an invasion as long as there is an emotional or sympathetic reason.
7. It legitimizes all human rights abuses and other kinds of abuses associated with the invasion.

Albright stokes fires of war against Sudan

by Linda de Hoyos

“The goal of the visit of Secretary of State Madeleine Albright to East Africa,” stated Sudan Minister of State for Foreign Affairs Bishop Gabriel Roric on the eve of the visit, “is to plot aggression against Sudan.” It is definitely the case that during her visit to Kenya on Oct. 23, Albright used her visit as a forum to attack Sudan and put pressure on African and European allies to isolate Sudan and to back the Sudanese People’s Liberation Army.

Although this time Albright did not directly demand war against Sudan, as she had done when she visited Uganda in December 1997, her actions demonstrated that the U.S. State Department retains its mission to destroy the government in Sudan, no matter the cost to the people of the country, especially those in the south.

Albright took the occasion of her visit to Kenya to hold a highly publicized meeting with John Garang, chairman of the Sudanese People’s Liberation Army who has led a 16-year-long war against the Sudan government which has cost 2 million lives. Garang, with the backing of Washington and London, has been the one hold-out among southern leaders, and has refused to sign the April 1997 peace charter with the Sudan government. Not a secessionist, Garang demands that Sudan become a “new Sudan,” presumably to be led by himself. All this to be achieved by way of the gun.

Albright heaped praise on the warlord: Garang “is a very dynamic leader who has a goal that is difficult to fulfill because he is not recognized in the international system.” She pledged that the United States would extend \$3 million for the construction of “civil society” in southern Sudan, and promised more “food aid” to the south. Although Garang made a show of receiving no military assistance from Washington, it is well known that he is supplied indirectly through Uganda, where, according to reliable sources on the ground, military equipment is now being moved in for a new Garang offensive into southern Sudan.

Pressure on U.S. allies

Albright then proceeded to denounce the Sudan government, which had just declared a cease-fire in the south for humanitarian purposes. She attacked those European countries and Canada, whose private firms are investing in Sudan, asserting that there is no “trickle down” from such investment to the people. Such investing countries, she said, “have to be



Sen. Jesse Helms (R-N.C.) greets Madeleine Albright, at the Senate hearing considering her nomination as Secretary of State, Jan. 8, 1997. Today, Albright and Helms are in full agreement on their desire to smash Sudan and China—among a long list of other nations. (Also shown are outgoing Secretary of State Warren Christopher, second from left, and Sen. Joe Biden [D-Del.], on the right.)

persuaded that that money only goes into the pockets of those who want to keep control over the people. We have our sanctions but other countries are engaged in what they're calling a critical dialogue and are looking at ways to help them expand their oil drilling. We're going to have to talk to some of our allies about ways to put pressure on Khartoum. I'm definitely going to discuss this with the Canadians."

Within 48 hours, the Canadian government announced that it may apply sanctions on Sudan if it finds that the oil exports, being carried on with the help of the Canadian energy firm Talisman, are contributing to the war. However, the SPLA has made the oil fields and oil pipeline a military target.

"The problem is that the government in Khartoum has to recognize that its charm offensive is not working and is offensive. They need to understand that the only solution to this is to deal with the huge portions of their population who don't want to live under *Sharia* [orthodox Muslim] law," Albright said, ignoring the fact that under the Peace Charter the southern states are not under *Sharia* law in the federalist system of the constitution.

Albright's 'peace' formula

Albright then put forward the peace process organized around the Inter-Governmental Authority on Development as the only route to go for negotiations between Sudan and its opposition. The IGAD talks leave out the northern opposition to the Sudan government, which is in partnership with Garang under the so-called National Democratic Alliance, which was cobbled together by Baroness Caroline Cox, Deputy Speaker

of the House of Lords in 1995. Furthermore, according to John Prendergast, a special adviser to U.S. Assistant Secretary for African Affairs Susan Rice, who was in the region immediately following Albright, U.S. adherence to IGAD stems from its desire to "pressure Khartoum," not for the purposes of bringing about a peace.

Albright specified that Washington does not "support other processes that some are suggesting, the Egyptians or the Libyans." Both Cairo and Tripoli are trying to put forward an initiative for talks that would include all the opposition; however, Garang has not cooperated with this effort.

During her stops in Tanzania and Kenya, the Secretary of State also met with Ugandan President Yoweri Museveni and with Burundian President Pierre Buyoya, both of whom have deployed troops to invade the Democratic Republic of Congo. The first is the chief warlord that the United States has depended upon for its operations against Sudan, despite the fact that Uganda is not a democracy itself. The Burundian President heads a mono-ethnic Tutsi military which in the last month has carried out the forced resettlement of 300,000 Burundian civilians into what are called by the international press "concentration camps." There is no adequate food, sanitation, or clean water in the camps, and IRIN news agency reports that killings are a regular occurrence. Nevertheless, the credibility of Buyoya, who came to power in a military coup in 1996, was boosted by Albright's taking time to meet with him personally. In short, the message Albright delivered to East Africa could not be missed: The United States may talk peace, but its war policy remains in place.

British coup d'état in European Commission

by Jacques Cheminade

With former Italian Prime Minister Romano Prodi as the new president of the European Commission (EC), Britain's Prime Minister Tony Blair has managed to firmly install his own men in the European Union Commission's home base in Brussels, which is starting to look like an annex of the British Foreign Office. The administrative reshuffle carried out by Prodi and Neil Kinnock, the British vice chairman of the Commission on Internal Reform, has been to the sole advantage of London, against French and German interests.

"Out of 120 positions, 17 were given to the British, and in 8 cases, these are very prominent positions," wrote *La Stampa* of Turin, Italy. For Spain's *El País*, "In this way, Romano Prodi has paid the debt he owed to his Third Way accomplice, Tony Blair, who helped him rise to the top of the Commission. Prodi has established two categories of Europeans: On the one side, the aristocrats—the British and those who speak the language of the Empire—and on the other side, the pariahs."

Aristocrats? Empire? What Prodi the Anglophile dreams of, is an imperial conception of the world. Speaking at the European Parliament on Oct. 17, he stated, "For the first time since the fall of the Roman Empire, we have the opportunity to reunite Europe, not by force or arms, but on the basis of shared ideals and common rules." As if the Roman Empire—or its British counterpart—were based on "shared ideals and common rules"!

Dividing the spoils

Let's take a look at how leading positions in the EC's Brussels bureaucracy have been distributed.

On the level of General Directors (GDs) and Deputy General Directors, each country has had, since 1958, a more or less equal share. Now, the British are over-represented, with seven GDs, whereas Germany has four, Spain one, and Italy and Portugal none. France maintains six, but cannot boast of running any really essential service. France has lost the Agriculture section, which it had held since the inception of the European Community, as well as the Definition of the Strategy of Enlargement section, and some say it will even lose the Budget and Judicial Services section. Overall, two-thirds of the positions go to northern European countries.

As for the cabinet heads and deputy cabinet heads, the British managed to get eight positions (three cabinet heads

and five deputies), as against three for France (one cabinet head and two deputies), and four for Germany. Even more telling, the French have been ousted from several important cabinet positions. Kinnock and former Governor of Hong Kong Chris Patten, Commissioner for Foreign Relations, have no Frenchmen on their staffs, whereas the two French commissioners, Pascal Lamy (Foreign Commerce) and Michel Barnier (Regional Aid), each appointed a British deputy secretary.

Prodi's spokesman is Ricardo Levi—"Call me Ricky," he says in English. Kinnock was opposed to the nomination of a Frenchman as deputy spokesman, choosing, instead, a Brit. The press room was reorganized on the bidding of Alastair Campbell, Tony Blair's spokesman, who was sent to Brussels during the bombing of Kosovo to "toughen" NATO's explanations to the public.

In France, spokesmen for the Presidency, the Prime Minister's Office, and the Foreign Affairs Ministry all say that they are "satisfied." Some French officials are even starting to speak English as a matter of course, such as Christian Noyer, vice president of the European Central Bank and former director of the Treasury, who chose to speak English at a hearing of the Monetary Affairs Commission of the European Parliament, even though simultaneous translation was available into the 11 languages of the European Union.

The banner headline of the French newspaper *Libération*, which one could hardly accuse of being anti-English, proudly bore the headline "God Save the European Commission" (in English!).

The new Anglophilia goes along with defense of British economic policies from these circles. The vice president of the EC, also European Commissioner for Transport, Loyola de Palacio, affirms that "there is no link between liberalization and the Paddington accident"—the tragic rail crash in London. Without batting an eyelash, Palacio extends the argument: "Only by opening up to competition can we ensure an improved quality of service and restore the railroads to the place they deserve. . . . Nothing in the Union's treaty says air traffic control must remain a public service."

In sum, the Europe being built today in Brussels, is not only bad for the member nation-states, it is cut off from the citizens who identify less and less with that "institution, which claims to govern them without knowing anything about them," as *Libération's* Brussels correspondent puts it.

This evolution is deliberate: a Roman-type empire—and on this point we should take Prodi literally—is an immense bureaucracy controlled from the top, manipulating public opinion while destroying the very institution of a republican nation-state.

European patriots must put a stop to this, restarting the motor of the French-German alliance, in the interest of all peoples; otherwise, Europe will be held on a British leash, plundered and then plunged into chaos—just like a province of a dying empire.

Lyndon LaRouche slandered in Brazil by terrorists' agent

by Valerie Rush

Growing nationalist resistance, within both civilian and military circles, to the International Monetary Fund's austerity dictates in Brazil, combined with the impact of a recent visit by Colombia's former Armed Forces Commander and former Presidential candidate Gen. Harold Bedoya (ret.), is raising fears among certain oligarchical ruling layers and their hangers-on about the spreading influence of the ideas of U.S. Presidential pre-candidate Lyndon LaRouche in that country. It is in this context that a vile slander was just planted in the Brazilian press, in an effort to contain that influence.

On Oct. 19, an article appeared in the widely read *Jornal do Brasil* newspaper, ostensibly dealing with a Federal Police investigation into the murder of a state judge, but which was turned into a wild and totally unrelated attack against both LaRouche and his associates in Brazil, including *EIR* correspondents Lorenzo Carrasco and Silvia Palacios de Carrasco. Under a subhead, "Neo-Nazis," the article suddenly quotes Justice Minister José Carlos Dias saying that the Federal Police will shortly be deciding "whether to open an investigation of the denunciation made by Jair Krischke . . . of the existence of a neo-Nazi and anti-Semitic group in Brazil, linked to the LaRouche organization in the United States." Specifically named are Executive Intelligence Review News Service, and the Ibero-American Solidarity Movement (MSIA), founded by LaRouche supporters.

Who is Krischke?

Krischke, president of the pro-terrorist Movement for Justice and Human Rights of Rio Grande do Sul, is also a longtime asset of the Anti-Defamation League of B'nai B'rith, with close ties to Israeli intelligence, who began slandering LaRouche and his wife, Helga Zepp-LaRouche, as far back as 1989. In May of that year, Krischke had denounced LaRouche "as a danger to Latin America: using the pretext of uniting left and right in a nationalist project, he seeks to impose fascist, Nazi, and anti-Semitic ideas." In August 1989, speaking on a Brazilian television program, he issued a violent personal attack on Zepp-LaRouche, who had just visited Brazil to press the case of her husband,

then a political prisoner of the George Bush administration. Krischke has also appeared on Brazilian TV together with the ADL's Rabbi Morton Rosenthal, a rabid LaRouche-hater.

Equally revealing is Krischke's relationship to Argentine terrorist Mario Firmenich, a leader of the Montoneros guerrillas, whose first act upon being released from a Buenos Aires prison in January 1991, was to travel to Pôrto Alegre, Brazil, where he came under Krischke's protection. An intimate friend of the family of Firmenich's wife, Maria Elpidia, Krischke was instrumental in orchestrating her escape from Argentina, where she had been jailed on charges of subversion. Krischke has also protected members of an Argentine terrorist group, the All for the Fatherland Movement, which assaulted the La Tablada army base in Buenos Aires, in January 1989.

The *Jornal do Brasil* article quotes extensively from the "dossier" which Krischke prepared for Minister Dias, which specifically targets Lorenzo and Silvia Carrasco as the leaders of the LaRouche organization in Brazil, and asserts that "the LaRouche organization's industry of fanaticism and conspiracy theories gives support to Brazil's most unrepentant neo-Nazi groups." The dossier also identifies by name several of the Brazilian leaders of LaRouche's movement.

Krischke's dossier states that the "neo-Nazi" Carrascos use "aggressive tactics and delirious and slanderous accusations," an example of which is supposedly Mrs. Carrasco's denunciation of Brazilian President "Fernando Henrique [Cardoso], his wife Ruth, and his Human Rights Secretary José Gregori, [for] developing programs whose intention is to dismantle and demobilize national institutions, primarily the Armed Forces, answering to the interests of globalization, drug trafficking, and speculative capital."

In a letter to the editor, published in full by *Jornal do Brasil* on Oct. 22, the *EIR* correspondents respond to the slander: "As for the charges of anti-Semitism and neo-Nazism, any superficial reading of our publications clearly demonstrates how slanderous and unfounded these charges are. . . . *EIR* has systematically denounced the political actions of avowed Nazis and anti-Semites in several governments." LaRouche has dedicated his life to "the unending

fight to rebuild the world economy, to put it on the road to real development and production, in contrast to the financial casino which has increasingly prevailed over the last three decades,” the letter continues.

The Carrascos’ letter noted Krischke’s known connections to terrorist organizations “and other entities grouped under the umbrella organization, the São Paulo Forum. Among the Forum’s members are the Revolutionary Armed Forces of Colombia (FARC), the narco-guerrilla group, one of whose representatives in Brazil, Mr. Hernán Ramírez, was in Pôrto Alegre meeting with Gov. Olivio Dutra only days before Mr. Krischke issued his warmed-over diatribe against LaRouche and the MSIA.”

Hernán Ramírez has dubbed himself the FARC’s “ambassador,” and is touring the continent to drum up support among the governments of the region for granting “belligerent status” to the FARC. Such status, under international law, would not only constitute recognition of the FARC as a government unto itself, but would give this murderous narco-terrorist gang diplomatic entry to any government in the world, and even the right to purchase weapons!

Not a coincidence

It is not a coincidence that the narco-terrorist FARC is finding such a warm welcome among the same pro-terrorist circles with which Krischke is associated, nor is it a coincidence that these same circles planted the slander against LaRouche when they did. It was *EIR* which helped to facilitate the Oct. 5-9 visit to Brazil of General Bedoya, a former Defense Minister, who is currently organizing a political-military alliance for the region, both for economic development and to defeat narco-terrorists, such as the FARC.

In an address to the prestigious Military Club of Rio de Janeiro, the leading forum for policy debate among the Brazilian Armed Forces, Bedoya emphasized, “A civil war in Colombia would unleash a civil war in the region, and the Amazon would be handed over to the drug trade. If Colombia falls, Brazil falls. There is much you can do for Colombia.”

In addition to his numerous meetings, including with high-level officials at the Brazilian Foreign Ministry, General Bedoya also gave presentations before the Foreign Relations and Defense committees of the Brazilian National Congress, and testified before a Parliamentary Commission of Inquiry (CPI) charged with investigating the drug trade. His testimony to the CPI was especially stunning; he gave details of the *modus operandi* of the drug cartels that operate in Colombia, and of the operations of the “Third Cartel,” as the FARC is now known, including the forced recruitment of children as combatants into their ranks.

Two prominent reports on General Bedoya’s visit were published in *Jornal do Brasil*, one an eight-column article on its international page whose headline ran, “A World War in Colombia: Former Defense Minister Criticizes Countries

that Support Negotiations with the Guerrillas; Proposes International Alliance.” Bedoya’s remarks to the CPI garnered television evening news coverage.

Coverage of Bedoya’s visit also appeared in *IstoE* magazine, Brazil’s second-largest weekly, with a circulation of 800,000. For two weeks running, *IstoE* has featured General Bedoya’s warning that the FARC is a threat to Brazil itself. The first article, appearing in its Oct. 20 issue, was a page-and-a-half interview with General Bedoya. The magazine illustrated the interview with a photograph of New York Stock Exchange President Richard Grasso embracing FARC leader Raúl Reyes, during his visit to the narco-terrorists’ stronghold in June. The article reports that Bedoya carries this photograph around with him, “to show it off at every international meeting on his agenda.”

In particular, the article focussed on Bedoya’s warning that “the Brazilian Amazon runs the risk of suffering the same fate as the Colombian Amazon,” if other countries recognize FARC domination over the demilitarized zone in Colombia. The author pointed to Bedoya’s evidence that the FARC is already using the rivers which run through both countries, to traffic both weapons and drugs. Reflecting the degree of debate inside the country over this issue, the *IstoE* article reports that Brazil’s Army and Foreign Ministry insist that they have no evidence of direct FARC intervention into Brazil. In fact, Foreign Ministry spokesman Antonio Lisboa Gonçalves, the director-general of the Ministry’s Americas division, heatedly charged, “It was the Colombian Army which invaded Brazil almost a year ago, in an attempt to repel a guerrilla attack on the city of Mitu,” on the border between Colombia and Brazil. Lisboa added, “Itamaraty [the Foreign Ministry] believes that, over the long term, the FARC and ELN will become political institutions” in Colombia.

One week later, in its Oct. 27 issue, *IstoE* jumped back into the debate: “Gen. Harold Bedoya’s warnings that the FARC is already using Brazil and Colombia’s common rivers to increase their territories and to protect drug-trafficking and arms contraband in the region, just as *IstoE* published in its last issue, have reverberated in Brazil, and received important back-up.” The evidence the magazine offers includes Sept. 21 testimony before the U.S. Congress by an Assistant Secretary of State, and an interview with Brazil’s National Anti-Drug Secretary Walter Maierovith, who states bluntly, “The cooperation between the guerrillas and the drug-traffickers is clear-cut”; and Brazilian Federal Police seizures of arms-for-drugs planes linked to the FARC.

In the name of “media objectivity,” *IstoE* interviews a FARC representative in Brazil, one Oliverio Medina, who responded to General Bedoya’s charges with attacks on the United States for allegedly wanting the peace process in Colombia to fail, and with a denunciation of how “the Colombian people” rejected Bedoya’s Presidential candidacy in the 1998 elections.

Rio Tinto: the Crown jewel

The Queen is using her personal mining company, Rio Tinto, to attack nation-states and steal raw materials.

Well, the cat's finally out of the bag: Her Majesty Queen Elizabeth is indeed the chief non-institutional shareholder in the world's largest mining company, Rio Tinto. In an article in Australia's *Bulletin* magazine of Oct. 19, entitled "Diamonds Are for ER," author Anthony Hoy reviewed Rio Tinto's extraordinary diamond holdings in Australia, in the course of which he emphasized that the single individual who benefits most from these holdings is "ER"—Elizabeth Regina, the Queen herself—"the largest non-institutional shareholder" in the company. The *Bulletin* is well-positioned to know: Its multibillionaire owner, Kerry Packer, is a frequent guest of the Queen at the Ascot races in Britain.

This is a startling admission. For almost a century, ever since Rio Tinto was founded in the late 19th century with the profits of the British Empire's Hong Kong-centered opium cartel, Crown ownership had been a most carefully held secret. Some years ago, when rumors circulated of the Queen's involvement in the mining giant, then-Rio Tinto chairman Sir Mark Turner turned aside queries with a cryptic, "You're running into problems of what the government is going to say about the Queen's involvement."

The issue is touchy, because Rio Tinto has been for decades a chief financier of the Royal Institute of International Affairs and Britain's MI6 intelligence service. It thus sits at the center of Britain's far-flung intelligence and financial empire, and of the Club of the Isles' (the European oligarchy) estimated \$9 trillion financial empire, whose chairman is the Queen. For

the past several years, as the world's monetary system has careened toward financial collapse, this Crown-centered cartel has been grabbing all the raw materials it can, typically by supporting ethnic and "indigenous" insurgencies, in order to utterly dominate the post-crash world.

A good example of how this works, is Ashton Mining, in which Rio Tinto is the senior partner. Ashton controls the legendary Argyle diamond mine in the Kimberley region in Australia's northwest, a mine which *Bulletin* author Hoy describes as "a gift, of sorts, of unimaginable dimensions, from us [Australia] to our Queen." Argyle has accounted for one-third of the world's diamond production yearly since 1985, generating an estimated \$500 million per year. Though Argyle is expected to dry up around 2005, the Queen won't be hurting. "The Queen's Rio Tinto minions," says Hoy, are the senior partners in "the next Argyle," Striker Resource's NL Geebung prospect, which is also in the Kimberleys.

Virtually no medium-sized or small mining firm can operate in the Kimberleys any more, because the entire area is locked up by "Aboriginal land rights" claims. The "land rights" movement was founded by the Australian Conservation Foundation (ACF), which Her Majesty's consort Prince Philip set up in 1963 as an arm of his World Wildlife Fund (today the World Wide Fund for Nature). Rio Tinto has poured hundreds of millions of dollars into the ACF, and into land rights campaigns directly, since that time. Reflecting this royal sponsorship of "land rights," on Oct. 12 the Queen granted

an unprecedented audience to Aboriginal leaders at Buckingham Palace, to discuss the issue. Among the delegation was Peter Yu, the head of the Kimberley Land Council, which has locked up the area through its claims.

Her Majesty is targetting not only Australia, but also the entire Southeast Asian littoral, home to one of the richest concentrations of mineral wealth in the world, from the Bougainville province of Papua New Guinea in the east (where Rio Tinto owns the world's largest open-cut copper mine), through Rio Tinto-dominated P.N.G. itself, with its extraordinary mines, through the Indonesian province of Irian Jaya (where Rio Tinto has a huge mine), which province shares the island of New Guinea with P.N.G., on across the mineral-rich Indonesian archipelago (where Rio also has mines) to Sumatra in the west.

This area was financially devastated and thrown into political turmoil by the speculative assault of mid-1997 (the "Asian financial crisis") led by George Soros. Soros, an investment manager to the Queen, is the junior partner in Rio Tinto's "next Argyle," Striker Resource's NL Geebung prospect. If, as the British plan, Indonesia and P.N.G. disintegrate, their vast wealth will be Rio Tinto's for the taking.

It is unclear why Packer's *Bulletin* chose to admit, even emphasize, the Queen's control of Rio Tinto, but the admission follows a years-long campaign on this issue by Lyndon LaRouche's Australian associates in the Citizens Electoral Council. The CEC not only first charged that the Queen personally controls Rio Tinto, but documented, in its 1998 pamphlet "Stop the British Crown's Plot to Crush Australia's Unions," the awesome political control the company maintains over Australia—whose head of state, after all, is the Queen.

International Intelligence

KLA terrorists losing support in Kosovo

The already-thin support that Kosovars had for the terrorist Kosovo Liberation Army (KLA) is dwindling, while support for long-time elected leader Ibrahim Rugova is growing. Writing from the Kosovo capital of Pristina, a correspondent writes in the Oct. 17 *Washington Post*: “Just four months after they descended from the hills as conquering heroes and declared themselves the new masters of Kosovo, the political leadership that emerged from the Kosovo Liberation Army is suffering a collapse of its support, according to voter surveys, interviews with ordinary ethnic Albanians and senior figures in the rebel movement. . . .

“The political party formed this week by Hashim Thaqi, the political leader of the former guerrilla force, could be crushed in provincial elections at all levels. . . .

“And if Presidential elections were held today, Thaqi would be easily defeated by Ibrahim Rugova, the moderate ethnic Albanian political leader who led a 10-year, non-violent resistance campaign against the Belgrade government. Only months ago, the KLA and some Western observers were dismissing Rugova as a politician of little influence who had been overtaken by events.”

The *Post* notes that one poll, commissioned by a Western organization, found four-to-one support for Rugova, while another, of 2,500 voters, found that Rugova would win by 92% over Thaqi in a two-way race.

Earth First! preparing riots in Britain

British preparations for “Operation Surety,” ostensibly to manage widespread civil unrest following a Y2K breakdown of basic services, may be put to use in anticipated riots on Nov. 30. According to the London *Sunday Times* on Oct. 10, there are reports that “anarchists” have been stockpiling illegal weapons, tear gas, and stun guns in preparation for riots in the City of London financial center. The *Times* writes that “Reclaim

the Streets,” the group that organized the June 18 riots in the City of London, bought CS gas and stun guns in two separate transactions in mid-October.

The expected riot also involves the anarcho-terrorist umbrella gang Earth First! — which plays the role of “black sheep” in the family of ecological groups headed by Prince Philip’s World Wildlife Fund. The planned action, called “N30,” coincides with meeting of the World Trade Organization in Seattle, Washington. Earth First!’s branches in the Northwest United States have increased activity lately, especially against the logging industry, with damages estimated in the millions of dollars. The WTO meeting is being used as a pretext for anarchist actions spurred on by Earth First! and Reclaim the Streets, and also for reinforcing police-state measures under the rubric of Operation Surety. Unlike the June riots, which were publicly organized for, the “N30” actions are being organized underground.

New Argentine President won’t change IMF policy

The candidate of the International Monetary Fund and its “anti-corruption” watch-dog Transparency International, won 49% of the vote in Argentina’s Presidential elections on Oct. 24. Fernando de la Rúa, the mayor of Buenos Aires and candidate of the “Alianza” electoral coalition, won against the Peronist Governor of Buenos Aires province, Eduardo Duhalde, who had 38%.

This is bad news for Argentina. No doubt many citizens, disgusted with President Carlos Menem’s free-market policies, voted for De la Rúa, thinking that he would represent an improvement over existing policy — De la Rúa was the “anti-corruption” candidate — but they will be quickly disabused of that illusion. As one commentator put it, De la Rúa is the first Presidential candidate to run on *no* economic program, because he said from the outset that he would continue with the disastrous currency board regime imposed by Menem and his Finance Minister, Domingo Cavallo, in 1991, and make “fiscal conservatism” his banner.

The Alianza coalition consists of De la

Rúa’s Radical Civic Union (UCR) and the Frepaso front, run by the pro-terrorist São Paulo Forum (founded by Fidel Castro) and the Washington, D.C. pro-drug legalization Inter-American Dialogue. New Vice President Carlos “Chacho” Alvarez of Frepaso was a lawyer for Montonero terrorists in the 1970s; in 1993, Alvarez, who is aligned with the Anti-Defamation League of B’nai B’rith, demanded that Argentina expel *EIR* correspondent Gerardo Terán, for allegedly “destabilizing” the country. The Frepaso/Dialogue crowd have also had contacts with representatives of the narco-terrorist Revolutionary Armed Forces of Colombia (FARC) in the country.

Not all is smooth sailing for the Alianza crowd: Peronist Carlos Ruckauf won the gubernatorial race for Buenos Aires province, smashing Dialogue member and terrorist defender Graciela Fernández de Meijide. Ruckauf, Menem’s Vice President, refused to attend the official reception for Britain’s Prince Charles when the latter visited Argentina in March. The Peronists also retain a majority in the Senate, as well as most of the provincial governorships.

‘Human Rights Watch’ moves against Museveni

Uganda’s President Yoweri Museveni, who has long been upheld by the British-American-Commonwealth faction as the model for “Africa’s new leaders,” is now coming under attack from his patrons. George Soros’s Human Rights Watch issued a book on Oct. 12 attacking Uganda and Museveni, called *Hostile to Democracy: The Movement System and Political Repression in Uganda*. Using documentation of events that have already been published in *EIR*, Africa Watch author Peter Bouchaert attacks the Ugandan one-party system, whereby political parties are permitted to exist but are not permitted to engage in any activities.

In July 2000, under the current law, Uganda will be forced to carry out a national referendum on the official banning of all political parties. The political parties themselves are not permitted to campaign in defense of their existence, but the National

ITALIAN SOLIDARITY Movement General Secretary Claudio Ciccanti was nominated to become a member of the National Council of the Christian Partisan Association (APC), during its annual convention on Oct. 17. The APC, founded shortly after the war by nationalist industrialist Enrico Mattei, is made up of resistance veterans. Ciccanti addressed the conference, urging the partisans to adopt the political policies of Lyndon LaRouche.

RIFAAT ASSAD, the brother and rival of Syrian President Hafez Al Assad, attempted to hire British mercenaries to aid him in his power struggle against the President, according to the *Sunday Times* of London on Oct. 24. The Syrian government has deployed security troops to move against Rifaat's power base in Latakia, where Rifaat controls a key section of the Middle East narcotics trade.

KING NORODOM SIHANOUK of Cambodia issued a statement in his monthly bulletin on Oct. 15, urging Prime Minister Hun Sen to accept the UN's proposal for an international tribunal to try Khmer Rouge leaders, insisting that it will not violate Cambodia's sovereignty as Hun Sen has demonstrated. Under the unique UN proposal for Cambodia, UN Secretary General Kofi Annan would appoint the majority of judges and prosecutors.

NEW ZEALAND'S Mauri Pacific Party is calling for "indigenous" law and British-based law to have equal standing, citing the Treaty of Waitangi, between the Maoris and British. Indigenous law would include revenge killing and slavery.

LAOS hosted an informal summit with its neighbors Cambodia and Vietnam on Oct. 20, to discuss joint economic cooperation, efforts to clamp down on cross-border drug and other illicit trafficking, and border disputes. This is the first summit of its kind since all three countries joined the Association of Southeast Asian Nations.

Resistance Movement, by which Museveni imposes his military dictatorship on Uganda, will run the vote.

Not surprisingly, the political parties have decided to boycott the referendum.

Evidently feeling some pressure, Museveni says that he will implement full multi-party democracy in the year 2007.

A diplomatic source has told *EIR* that during his last visit to the country this summer, ambassadors of Western countries told him point-blank that Museveni was on the way out. However, the question is, how will he go? If he goes violently—that is, the British way—it will mean a holocaust for Uganda, and this is the fear among the opposition unless a non-violent political process is instituted.

The new face of 'independent' East Timor

Roque Rodrigues, chief of staff of Xanana Gusmao, told Agence France Presse on Oct. 22 in Australia that independent "Timor Lorosae" will adopt the Portuguese escudo as its currency, at least for the transitional period under the UN administration. He added that the newly independent country will have a two-language system: Portuguese will be the official language, and the dominant dialect, "Tetum," will be the "national language." East Timor has some 80 local dialects, 14 of which are widely used.

Rodrigues said that Gusmao's National Council for East Timorese Resistance (CNRT) will announce a seven-member transitional council, presided over by Gusmao, to work with the UN Transitional Authority in East Timor. Other members will include Jose Ramos Horta and Falintil's deputy guerrilla commander Taur Matan Ruak. Mario Carrascalao, governor of East Timor during 1982-92, will lead a delegation in talks with the World Bank on evaluating the cost of reconstruction. In the past, Carrascalao has proposed that East Timor become a gambling/tourism mecca, to attract overseas Chinese money, alongside coffee plantations. Gusmao has also suggested it be turned into an offshore money center.

Rodrigues said that Gusmao, who was flown into East Timor on Oct. 22 by the UN's Interfet, will now take up residence in East Timor, and *he* will deal with Interfet's request to disarm Falintil.

Gusmao, wearing Falintil fatigues and flanked by Taur Matan Ruak, addressed 4,000 people in the capital of Dili on Oct. 23, proclaiming: "Today is the day of freedom for East Timor. All of our suffering, we can leave behind. Today we see our future. This land is ours. We will be independent forever. Our homeland is ours. We will develop our new country. We know what we want and we will recover from the damage. . . . We meet again in very sorrowful circumstances, but from today, nothing can stop us." Gusmao was speaking as CNRT president.

Terrorist recruiting from U.K.'s Railtrack

A security expert working for the Britain's Railtrack corporation has been using the company's computer to recruit to the Global Jihad Fund headed by Mohammed Al Masari, according to the *Sunday Telegraph* on Oct. 24. The security expert is one Mohammed Sohail, who is said to be enlisting recruits for fighting in Kashmir, Pakistan, Kosovo, and Chechnya. Many of his recruits are sent to Afghanistan for training, according to Sohail's own e-mail messages.

In *EIR's* April 4, 1997 *Feature*, "Levy Sanctions on Britain for Harboring Terrorists!" Al Massari was named as the head of the "Committee for the Defense of Legitimate Rights" funded by Osama bin Laden. Al Massari has been allowed to operate in London so long as the terrorists he recruits and funds only target Americans or other non-British, non-Commonwealth personnel and facilities.

Sohail confirmed that London's policy is still the case: "I wanted to make it clear that our organization has never targeted people in Britain," he said when confronted about his activities. "We are only involved in struggles abroad. . . . We have a duty to help brothers who are fighting oppression overseas."

The real 'dope' on the three Georges

by Jeffrey Steinberg

During the last week of October, many Americans were drawn into the “did he or didn’t he” controversy, involving wanna be President George W. Bush and his “feloniously challenged” biographer J.H. Hatfield. Hatfield produced an “Afterword” to his extraordinarily well-researched biography of the Texas governor, which quoted three unnamed sources, to the effect that G.W. had been arrested for cocaine possession in 1972, and the records had been expunged through the efforts of his daddy, Sir George H.W. Bush, then-Chairman of the Republican National Committee.

Charges and counter-charges flew faster than a ping-pong ball, with “Dubya” denying all, and accusing his accuser of being a convicted felon. God only knows how much behind-the-scenes heat came down on Hatfield’s publishers and editors at St. Martin’s Press, because, within days of the felony story surfacing, the publisher pulled back all the unsold copies of the book, and announced that they would be recycled into confetti.

The whole affair would have likely been one of the great non-events of the year 2000 Presidential election “silly season,” were it not for former President Bush’s big mouth. On a Fox TV interview, he threw one of his notorious tantrums. Puffed up with self-righteous indignation, he lashed out at Hatfield, and anyone else who would dare to accuse his squeaky-clean son of dabbling with drugs. The fit drew national news attention the next day, and the scandal was back on the front page. Election historians may soon be writing the political epitaph for George W. Bush, as the result of daddy’s “anger thing.”

EIR researchers are in the process of conducting an investigation into the 1972 cocaine bust allegations, and the Bush vs. Hatfield flap. Note that, before the wrath of Bush landed

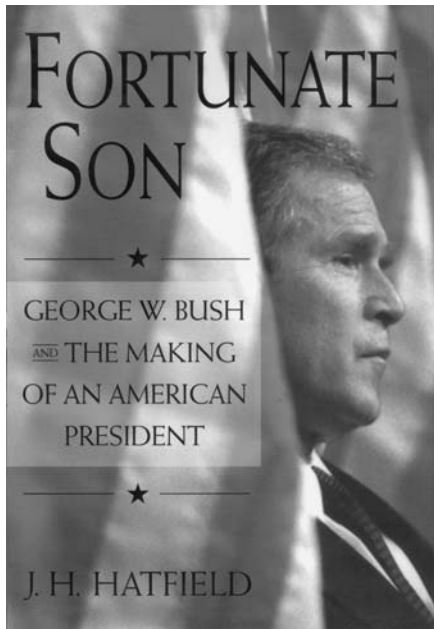
on St. Martin’s Press, the publishers had thoroughly vetted the Hatfield manuscript—including the Afterword, containing the cocaine bust reports. Not only did two teams of lawyers deem the book libel-free. But St. Martin’s also decided to move up the publication date, and increase the first run to 90,000 copies, on the strength of the new revelations.

As of this moment, we at *EIR* cannot confirm the truth of the story. For now, as the old advertisement used to say, “Only his hairdresser knows for sure.”

But, if the truth be told, the Bush gang’s persistent ties to Dope, Inc. run far deeper than the inner lining of Dubya’s nose, vintage 1972. In fact, even as the “did he or didn’t he” imbroglio was playing out, the Bush boys, father and son, were flaunting their links to the drug mafia, especially the narco-terrorist component, for all to see. And, in a particularly egregious boo-boo, Dubya cast his vote for dope legalization king (and former investor in Bush’s oil ventures) George Soros, by proclaiming that the legalization of “medical marijuana”—Soros’s latest legalization scam—is a “states’ rights issue.”

Pastrana comes to town

On Oct. 18, Colombian President Andrés Pastrana, who has turned over close to half of his country to the de facto control of the narco-terrorist Revolutionary Armed Forces of Colombia (FARC) since taking office last year, arrived in Houston, Texas for two days of meetings with the bigs of the oil industry. His host: former U.S. President Sir George Bush. His mission: to convince the Texas oil barons that it was safe to invest in Colombia, because he was about to strike a comprehensive “peace” deal with the FARC and the other major narco-terrorist gang, the Army of National Liberation



The publisher pulled this book from the market under heavy pressure from the Bush league.

(ELN), a deal which would guarantee that no more oil pipelines, or drilling rigs, or refineries, would be blown up.

After a brief one-on-one meeting with Governor Bush, the Colombian President spent 90 minutes with the elder Bush. And the next day, former President Bush hosted Pastrana at a “Forum on Colombian Energy,” attended by 310 executives representing all of the Texas oil companies. In his introductory remarks, Bush declared himself “not only a friend, but a strong supporter of Colombia.” Pastrana and Colombian Energy Minister Luis Carlos Valenzuela singled out three American energy firms, Texaco, Occidental, and Enron, for doing their part, by maintaining their investments and operations in Colombia, despite the bombings, kidnappings, and assassinations.

Of course, the Colombian officials failed to mention that Occidental Petroleum had negotiated a “protection” deal with the ELN that put millions of dollars a year into the terrorists’ hands, as insurance against narco-guerrilla actions against their pipelines. British Petroleum, which is now the largest domestic oil refiner in the United States, has also poured millions of dollars into the terrorists’ coffers to secure their drilling and pipeline operations.

Meanwhile, off in Havana . . .

On the very day that George H.W. Bush was giving his imprimatur to the surrender of Colombia to the narco-terrorists, Colombian Foreign Minister Guillermo Fernández was holding secret talks in Havana, with the top leadership of the ELN, accelerating the surrender process! The ELN has been insisting on getting the same deal that Pastrana has given to the FARC: control over a large swath of Colombian territory as their own quasi-sovereign narco-state within a state.

The talks in Cuba were conducted under the sponsorship of Fidel Castro, who is the actual founding father (in 1990) of the São Paulo Forum, the Ibero-American alliance of all of the major narco-terrorist gangs and their political party fronts.

Castro’s own hands are apparently covered with the white powder. According to a Robert D. Novak column in the Oct. 28 *Washington Post*, “Last Dec. 3, the Colombian National Police seized 7.2 metric tons of high-grade cocaine in Cartagena [Colombia]. The drugs were bound for Havana and consigned by a joint venture controlled 51% by the Cuban government with two Spanish partners — [José] Herrera and José Llorca — controlling 49%.” According to Novak, on Oct. 16, as President Pastrana was preparing to depart for Houston, a bipartisan team of U.S. Congressional investigators was in Spain, interviewing Herrera, who detailed the involvement of the Castro government and two senior General Directorate of Intelligence (DGI) officials in the “hands on” management of the company that had arranged the cocaine shipment. Herrera told the investigators that the cocaine was bound for the United States.

Enter, Venezuela’s Hugo Chávez

While Fidel was the host of the Colombia-ELN love-in, the initial arrangements for the Havana session were, according to Ibero-American sources, made by Venezuela’s President Hugo Chávez. Chávez even angered his Colombian counterpart, Pastrana, when, shortly after his inauguration, he entered into direct negotiations with the FARC and the ELN, to ensure “security” along the Venezuelan-Colombian border. Chávez’s action was tantamount to an official recognition of the two narco-terrorist gangs as the de facto governing body over portions of Colombian territory.

If the two Ibero-American Presidents ever need a friend to step in and patch up their differences, Sir George Bush is probably the man for the job. Not only did he host Pastrana as part of the Houston-Havana double-diplomacy. But also, on June 11, the elder Bush gave a great big *abrazo* to Chávez, who was a guest at the former American President’s 75th birthday party in Houston. The next day the Venezuelan press was full of photos of Chávez, arriving at the mansion of Robert Mosbacher for the Bush birthday bash, in a stretch limo. Later, he was photographed arm-in-arm with the birthday boy.

The next day, Chávez, again courtesy of Bush, addressed a session of the Greater Houston Partnership, attended by more than 400 local luminaries, including the oil industry executives whom Bush later would put together with President Pastrana.

Following the Houston jaunt, and a two-day tour of Wall Street, Chávez returned to Venezuela to wheel and deal with the FARC and the ELN, and to fulfill his campaign promise of launching a Jacobin-style assault on the Venezuelan Constitution and every other civic and governmental institution.

As a backlash against the Venezuelan upstart began to

build in Washington, it was once again “Bush to the rescue” — this time, in the form of a timely endorsement of the Chávez “revolution” by the Bush political team. On Aug. 23, the Forum for International Policy, a Washington think-tank populated by veterans of the Bush administration, sent out a policy brief, titled “Venezuela: Democratic Reform or Dictatorship in the Making?” The FIP, which includes Bush alter-ego and former National Security Adviser Brent Scowcroft, former Bush Joint Chiefs of Staff Chairman Colin Powell, former Bush Secretary of State Lawrence Eagleburger, former Bush Ambassador to Moscow Robert Strauss, former Bush Special Presidential Assistant Condoleezza Rice, and former Bush CIA Director Robert Gates, wrote of Chávez: “Although President Chávez and now the Constituent Assembly continue to act swiftly and often dramatically, Washington—and that includes Congress—should be careful not to over-react. Venezuela’s problems are its own to solve and Hugo Chávez is the people’s choice to try to solve them.”

Dubya bonds with Soros

If Sir George’s public dalliances with Ibero-America’s two biggest narco-leaders weren’t bad enough, George W. Bush cast his lot squarely in the Dope, Inc. camp on Oct. 16, during a campaign appearance in Seattle, Washington. Dubya went “off script” in response to a question about whether he supported Congressional Republican efforts to ban the implementation of a medical marijuana referendum, bankrolled by Soros, that was approved in a referendum in the nation’s capital. According to the *Washington Post* of Oct. 22, Dubya, using the best Bush family grammar, told the reporter, “I believe each state can choose that decision as they so choose.”

Governor Bush’s embrace of states’ rights over the effort to curb drug abuse, won immediate cheers of approval from one of Soros’s most notorious dope-lobby retainers, Keith Stroup, the head of the National Organization for the Reform of Marijuana Laws (NORML), who told the *Post* that he was “delighted” by Bush’s support of state authority over a Federal anti-drug policy.

“Governor Bush is at least being consistent. Republicans frequently talk about devolution, returning power to the states. . . . It is encouraging to hear him indicate that he would leave this decision to them.”

Not every Republican rejoiced at Bush’s “compassion” for pot users. Rep. Robert Barr (R-Ga.) came out backing White House anti-drug policy adviser Gen. Barry McCaffrey (ret.), who has been the leading opponent of the medical marijuana hoax. Barr said that Governor Bush “has staked out a position to the left of the Clinton administration, which is a very odd place for a Republican Presidential candidate to be.”

Was Dubya’s politically foolish embrace of the dope lobby’s medical marijuana ruse a payback for a long-ago favor? Could be. In September 1986, the Vice President’s son’s latest oil venture, Spectrum 7, was sinking fast, when he was bailed

out on the most generous of terms. His worthless outfit was merged with Harken Energy, an up-and-coming Houston oil firm. G.W. came away with a big chunk of Harken stock, which he was later able to sell off, under questionable circumstances, in return for a stake in the Texas Rangers baseball franchise. In 1986, when “Dubya” was bailed out by the Harkin deal, according to the July 30, 1999 *Washington Post*, “Hungarian-born billionaire George Soros . . . was listed as the company’s biggest stockholder (46.8%).”

Today, Soros is the undisputed “Daddy Warbucks” of the dope lobby, bankrolling every U.S. and Ibero-American pro-dope organization. Sir George Bush is still in bed with Ibero-America’s leading narco-statesmen—a throwback to his 1980s days as the cocaine kingpin of Washington. And Governor Bush is already showing signs that he will march in his father’s footsteps, if he is allowed anywhere near the Oval Office. That’s the “real dope” on the three Georges.

Documentation

‘Dubya’ Bush biographer Hatfield speaks out

On Oct. 25, Gov. George W. Bush biographer J.H. Hatfield issued a public statement about the controversy surrounding his book. The statement was circulated via the Drudge Report on the Internet. The following are excerpts.

My recently published biography *Fortunate Son: George W. Bush and the Making of an American President*, is “scrupulously corroborated and sourced,” as described by my publisher, St. Martin’s Press, in their own press release on Oct. 18. However, when an author writes about the current governor of Texas and the front-runner for the U.S. Presidency (whose father happens to have been the former director of the CIA and the President of the United States), it is amazing how quickly the smear campaign and character assassination efforts can be mobilized.

On Monday, Oct. 18, I was in New York City promoting *Fortunate Son*. Although John Murphy, the head of the publisher’s publicity department, had previously promised they could arrange an appearance by me on the “Today” show, “Good Morning America,” and interviews with most major news outlets in the country (I even taped a segment for the CBS Evening News with Dan Rather), we quickly found ourselves running into a virtual news blackout and lack of media coverage of the release of my new biography of the leading Presidential candidate, George W. Bush. St. Martin’s Press, a respectable publisher which had previously published Bar-

bara Bush's best-selling memoirs and Monica Lewinsky's story, were told repeatedly "off the record" by news agencies that the George W. Bush Presidential campaign was putting pressure on the news organizations to *not* give my biography any coverage.

Two days after the book tour began, the emphasis of the story changed from Presidential front-runner George W. Bush to biographer J.H. Hatfield. From the beginning of civilization, if you wanted to destroy the message, you had to destroy the messenger. And, quite frankly, that has happened this week. Not only have I been attacked repeatedly in the news media and harassed to the point that I was forced to send my wife, and less-than-a-month-old baby girl into hiding, the publisher took the unprecedented step of not only suspending publication of the book (there are 90,000 copies in print), but also recalling it from bookstores because St. Martin's Press called into question their ability to trust the information provided to them by the author.

From Midland to Dallas to Houston, I spent over a year researching *Fortunate Son*, interviewing hundreds of George W. Bush's friends, college classmates, business associates, political colleagues, employees, acquaintances — all who graciously contributed their time, knowledge, and experiences. Thomas Dunne, whose division and imprint published the biography for St. Martin's Press, told a reporter on Monday, Oct. 18, that the book had been "carefully fact-checked and scrutinized by lawyers." Actually, during my stay in New York earlier in the week to promote the book's publication on Oct. 19, my editor Barry Neville, and others, told me that I didn't realize the extent of this book's legal review by not only the publisher's in-house counsel, but also the company's outside legal firm, Levine Sullivan & Koch of Washington, D.C. Supposedly, I was a "dream author" who kept meticulous notes and background material exhaustively researched. I have been complimented repeatedly for the almost 60 pages of source notes in the last pages of the biography, which, incidentally, the publisher's legal representatives — both in-house and outside attorneys — reviewed after the manuscript was completed.

The Bush family responded directly to *Fortunate Son* at least a month ago, when one of their representatives called my publisher in regards to an allegation we made in the book that George W.'s engagement to Cathryn Lee Wolfman in 1967 was called off due to pressure from the elder Bushes because the prospective bride's stepfather was Jewish. In the interest of balanced reporting, we added a footnote to the book before it went to press that the Bush family "vehemently denied this explanation" for the young couple's breakup, even though we stood by our sources who stated otherwise.

On Saturday, Oct. 16, my publisher and I were informed that George W. Bush had a copy of *Fortunate Son*'s 12-page Afterword, in which we alleged through three informed sources that he had been arrested for cocaine possession in 1972 and had his record expunged by a Houston judge after

he worked as a youth counselor for several months at Project PULL, where his father was a heavy contributor and honorary chairman. Because the word "expunge" is defined as "to blot or strike out; erase," this created significant problems for me as a biographer. I had to rely on the informed, but confidential testimony of three sources close to the Texas governor who were knowledgeable of the cocaine possession charge against Bush when he was a younger man. In a court of law, attorneys rely on documentary evidence and sometimes more heavily on the testimony of witnesses. The Afterword to the Bush biography relied solely on the irrefutable testimony of three sources close to the governor and because of that proof I came under attack. But these are informed sources who had previously aided with the writing of the biography in other areas of Bush's life, and their testimony was always corroborated by other documentary evidence or other sources.

Cited confidential sources appear every day in newspapers and magazines around the world. While flying to New York, I was reading *U.S. News and World Report*, a respected weekly news-magazine, and noted, in an article on the current rivalry between the FBI and Janet Reno's Justice Department, that an unnamed White House staffer stated that the FBI had been attempting to damage the Clinton administration for some time. In another article in that same magazine, an unnamed Bush campaign official was quoted as saying that former Defense Secretary Dick Cheney was on the short-list of possible running mates with Bush if he received the Republican Presidential nomination. If it wasn't for that mysterious, shadowy figure, Deep Throat, who assisted *Washington Post* reporters Bob Woodward and Carl Bernstein, we may have never learned the truth about Watergate and Richard Nixon may never have been forced to resign. Because of their proven credibility and close attachment to George W. Bush himself, I stand by my sources and the allegations we make in his biography regarding the cocaine possession charge in 1972 and the subsequent expunging of the arrest after he performed community service. And although my publisher urged me to violate my journalistic principles and confidentiality agreement with my sources and provide their names to various news agencies in hopes of advancing publicity for *Fortunate Son*, I steadily declined.

I have received hundreds of e-mails this week from concerned Americans questioning why the elder Bush, the former President, felt compelled to give an exclusive interview with the Fox News Channel to discuss my biography and the charges I make, and why the publisher took the unprecedented step of recalling what they termed "furnace fodder" while the book was on the top 10 of Amazon.com's best-seller list. Although my *character* has certainly been called into question, my *credibility* as a biographer cannot be debated because this "scrupulously corroborated" (the publisher's own words) biography was exhaustively researched by the author and fact-checked numerous times by several lawyers representing my publisher.

LaRouche v. Fowler: The Democratic National Committee has a choice

by Debra Hanania-Freeman and Bruce Director

If someone were to tell you a story that included an attorney for the Democratic National Committee (DNC, the body that governs the Democratic Party) arguing before a panel of Federal judges that the 1965 Voting Rights Act ought to be declared unconstitutional, chances are you would think the story was fictional. If the storyteller added that the DNC attorney based his argument on opinions authored by Supreme Court Justices Antonin Scalia and Clarence Thomas, you would most certainly raise your eyebrows in disbelief.

Indeed, when representatives of Lyndon LaRouche's campaign for the Democratic Party Presidential nomination recently recounted the story to members of the DNC who were attending a meeting in Washington, D.C. a few weeks ago, the DNC members responded with shocked disbelief. It seems that the Democratic Party's Washington apparatus failed to inform its own members about what they were up to. And, while that is hardly a surprise, the fact remains that the story is true.

It is time tell the story that the Democratic Party's Washington, D.C.-based apparatus wants to keep under wraps.

In 1996, Lyndon LaRouche sought the Democratic Party Presidential nomination, as he had done in four previous Presidential elections. His campaign committee was certified to receive Federal matching funds, his name appeared on the ballot in 26 states which held primary elections, and more than 600,000 Democrats cast their votes for Lyndon LaRouche.

But, what most people didn't know was that on Jan. 5, 1996, Donald Fowler, who, at the time was Chairman of the DNC, unilaterally and without consultation, issued a letter to all state party chairmen. In that letter, Fowler said that, under the powers he claimed were granted to him by DNC rule 11(k), he was declaring that Lyndon LaRouche was *not a bona fide Democrat!* He based his declaration on defamatory characterizations of LaRouche, which he knew were false.

Fowler: 'disregard votes for LaRouche'

In a patently illegal move, Fowler ordered the state parties to "*disregard* any votes that might be cast for Mr. LaRouche." He went on to insist that state chairs "should not allocate delegate positions to Mr. LaRouche and should not recognize the selection of delegates pledged to him at any stage of the delegate selection process." Fowler threatened that if anyone

dared disobey him, he would refuse to seat that state's *entire* delegation at the Democratic Party National Convention.

The issue came to a head when LaRouche received more than 15% of the votes cast in Virginia's 2nd Congressional District Caucus and Louisiana's 6th Congressional District Democratic primary. According to party rules, LaRouche was entitled to a delegate in each of these jurisdictions. But, citing Fowler's command, Democratic Party officials in those states simply tossed votes cast for Lyndon LaRouche into the trash, and refused to certify delegates for LaRouche!

In Arizona, state Democratic Party officials cancelled the Democratic primary election, rather than allow LaRouche's name to appear on the ballot. In Texas, again citing orders from Fowler, state officials refused to seat duly elected LaRouche delegates at the Texas State Democratic Convention.

As it happens, all four of these states — Virginia, Louisiana, Arizona, and Texas — are jurisdictions that, under the Voting Rights Act, must pre-clear any and all changes that affect voting, with the U.S. Department of Justice. And, as you might have guessed, neither Rule 11(k), nor Fowler's Jan. 5, 1996 decree, was ever submitted for pre-clearance.

Now, the simple fact is, that Lyndon LaRouche and his Presidential campaign committee would have preferred not to sue. And, every effort was made to avoid such action. But, Fowler rejected each and every effort to settle the matter. Ultimately, no truly responsible and patriotic American, no lover of justice, could have stood by, and allowed Fowler to take the votes of thousands of voters, in this case largely minority voters, and disregard them because he didn't agree with their choice of candidate. So, in August 1996, Lyndon LaRouche, still a candidate for the Democratic Presidential nomination, and a group of minority voters, went to Federal court and sued the Democratic National Committee, its then-Chair Donald Fowler, as well as the Democratic parties of Virginia, Louisiana, Arizona, and Texas, for violations of the Voting Rights Act of 1965.

The simple facts are indisputable. The actions of the named defendants were precisely the kind of behavior the Voting Rights Act was intended to prevent. Fowler's arbitrary use of Rule 11(k) had a specific effect: It nullified the vote of minority voters who either voted for Lyndon LaRouche, or



Former Chairman of the Democratic National Committee Donald Fowler, who ordered state parties in 1996 to “disregard any votes that might be cast for Mr. LaRouche.”

who had sought to be LaRouche delegates to the Democratic National Convention.

Attorneys for Fowler and the DNC argued in court that they were not required to seek pre-clearance under the Voting Rights Act, because, although the states named are covered jurisdictions under the Act, the DNC is not! The state parties, on the other hand, argued that they could not be held responsible. They said they didn't make the rules; the DNC did! It was an argument the Nazis tried at Nuremberg. And, although it didn't work there, it is still not clear what the outcome of this case will be. Whatever the outcome, those voters, whose votes were callously tossed away in 1996, have suffered irreparable harm.

Ironically, the Catch-22 argument that the DNC and the state parties employed in court, is exactly what the Voting Rights Act hoped to stop. Prior to 1965, local governments and political parties routinely resorted to similar “shell game” tactics to get around Federal court decisions outlawing discrimination in voting. Back then, no sooner would the court rule against one tactic, than the perpetrators of the discrimination would cook up a new one. Congress intervened by requiring that any change in voting practice be pre-cleared *before* it could be enacted. Congress's intent was to place the burden on the perpetrator, *not* the victim.

This time, lawyers for the DNC even argued that, as a private organization, it is not required to abide by the Voting Rights Act! But, since 1972, political parties *have been required* to pre-clear their delegate selection rules, the primary rules, and any other functions related to voting.

Voting Rights Act under attack

In 1996, the Supreme Court held that the Virginia Republican Party was subject to the Voting Rights Act pre-clearance requirements, in a case connected to the manner in which it conducted its nominating convention (see *Morse v. Republican Party of Virginia*, 116 S.Ct.1186 [1996]). In the majority opinion, Justice John Paul Stevens said that it was still to be decided, whether national party rules were also subject to the Voting Rights Act. In a dissenting opinion, Justices Scalia and Thomas argued that, indeed, national party rules were covered under the Voting Rights Act, but *the Act itself should be declared unconstitutional*.

On Aug. 16, 1999, oral arguments were heard before a three-judge panel (David B. Sentelle, Thomas Penfield Jackson, and Henry H. Kennedy) of the U.S. District Court for the District of Columbia, on a motion brought by Fowler et al. to dismiss the case. Speaking for Fowler and the other defendants, attorney John C. Keeney, Jr. shocked observers with the argument that Scalia and Thomas were right; that the Voting Rights Act would be declared unconstitutional if applied to the Democratic National Committee (see *Documentation*). Those familiar with the career of attorney Keeney's father, Jack Keeney, however, were less than surprised. The elder Keeney has presided, for more than three decades, over a campaign of terror and harassment, run by the Department of Justice's permanent bureaucracy, against black public and elected officials.

Arguing for LaRouche and the minority voters, attorney James Schoener said, “They ignore the fact that when Congress passed the first Voting Rights Act in 1965, they did it in reaction to the actions of the National Convention of the Democratic Party. I'm old enough to remember watching the television screens where they were discriminating against a group of black delegates from Mississippi. The Mississippi Freedom Party was asking to be recognized. And the Democratic Party said, ‘*No! No! We won't allow that.*’

“Congress looked at it. It was distasteful. And they came back in the next year. The 1965 Voting Rights Act said, ‘We are not going to have that.’ ”

Today, we are on the eve of a new Presidential electoral cycle. Don Fowler is long gone as DNC Chair. But the apparatus he represented is still very much in place. That apparatus attempted to do away with even the pretense of a primary process this time around. As early as 1998, they attempted to anoint the unelectable Vice President Al Gore as the Democratic Presidential nominee. (Don Fowler's son serves as the field director of Gore's campaign.) Lyndon LaRouche and his Democratic supporters vowed to prevent that, for it would

amount to certain defeat for the Democratic Party.

And, although LaRouche has succeeded in dislodging Gore from his “front-runner” status—indeed, many believe that Gore will soon be out of the race—Fowler’s friends at DNC headquarters are still conniving to maintain their stranglehold on the nominating process and to squelch legitimate debate. Some still brazenly vow that Democrats who cast their primary ballots for LaRouche are Democrats whose votes will be tossed in the trash.

The ultimate verdict in *LaRouche v. Fowler* could be a decisive factor. But, it is unlikely that the case will be resolved in time. Spokesmen for LaRouche have indicated that if the DNC were willing to admit they were wrong in 1996, apologize, and not do it again during this electoral cycle, LaRouche would probably be prepared to move on. And, whether Don Fowler’s friends like it or not, the vast majority of DNC members seem inclined to agree.

Documentation

DNC calls Voting Rights Act ‘unconstitutional’

The following are unedited excerpts from the court transcript of the Aug. 16, 1999 oral argument in the case of Lyndon H. LaRouche, Jr. et al. v. Don Fowler, individually; and chairman, Democratic National Committee, et al. The hearing was held in Washington, D.C., before judges David B. Sentelle, Thomas P. Jackson, and Henry H. Kennedy. Attorneys for the plaintiffs were James Schoener, Odin Anderson, and Nina Ginsberg. Representing the defendants was John Keeney, Jr.

The defendants have moved to dismiss the case. Our excerpts begin with a discussion of the 1996 case of Morse v. Republican Party of Virginia, in which dissenting Supreme Court Justices Scalia and Thomas argued that national party rules were covered under the Voting Rights Act, but that the Act itself should be declared unconstitutional.

Judge Sentelle: You have conceded that Scalia’s opinion would encompass national party rules, right?

Mr. Keeney: Well, I said that Justice Scalia says that the majority encompasses all national party rules. and Justice Stevens—

Judge Sentelle: And Justice Scalia was joined by Justice Thomas, right?

Mr. Keeney: That is correct.

Judge Sentelle: And if you add those two and these five, then you can make a recombinant majority who says that either they’re covered or we have not yet decided whether

they’re covered, right?

Mr. Keeney: Well, except what the dissent would do is something different, Your Honor. The dissent is going to put into question the constitutionality of the entire act. And that’s a different question than the statutory interpretation.

Judge Sentelle: Yes, it is, but it clearly doesn’t support your motion to dismiss today.

Mr. Keeney: I think it does, Your Honor, for the following reasons. What we have is four Justices who say the Voting Rights Act is unconstitutional to the extent that it reaches even state parties holding state party conventions in covered jurisdictions. So those are those four.

There is no doubt, because of the citations they make to national party rules, where they come out with respect to the national party. Then we switch over and look at the two lead opinions for the splintered majority. We have Justice Stevens, obviously, with footnote 19. We also have Justice Breyer, who is very clear about what is not covered and that they are only dealing with the specific circumstance before them.

So looked at from that point of view, Your Honor, what I see is four Justices who are going to strike down the Voting Rights Act as unconstitutional if it’s extended.

Judge Sentelle: If they get this case back, those four, presumably, are bound by a precedent that says it is not unconstitutional, right

Mr. Keeney: No, Your Honor. I don’t think they’re going to say that. I think they are going to say that *Morse* dealt with a different situation and that Justice Breyer’s three-Justice concurrence made it clear that they were dealing only with the situation that was presented in that case of a state party convention.

About the best you can take away from the *Morse* case is that it is very much limited to its facts. And just so the record is clear, Your Honor, because I think it should be clear, pre-clearance involves two different things. There are state law preclearances. And every one of these state parties precleared their own rules, their own regulations, and their own procedures.

What we are talking about now is whether a state party has to preclear the Democratic National Committee’s rules and the Democratic National Committee chair’s interpretation of the rules. If that is correct, then we’re in a situation in which the next time this comes up for either the Democratic or the Republican party, it may well not be on a leisurely timeframe. Indeed, it might likely come up at the convention. And a rule which says that a DNC chair cannot interpret its rules to have an effect on any party delegation from a covered state would cause serious constitutional concerns, as well as serious separation-of-powers concerns with respect to entrusting the administrative executive branch of an opposing party in the middle of a partisan political party convention having to decide the issues that the Supreme Court, starting from 1972 on, has tried desperately not to have to decide, which is having the court substitute—

Judge Sentelle: I think you're creating a lot more precedent than I think this case can possibly create.

Mr. Keeney: Well, no, Your Honor. I want to be—

Judge Sentelle: If we decide that they have to preclear a rule that they have adopted well in advance of the convention, that somehow says that the other party can come in during the convention and dictate to them? Counsel, go back to this case.

Mr. Keeney: Yes, Your Honor.

Judge Sentelle: I know I asked you about *Morse*, but *Morse* controls. That hypothetical you just made up isn't from the same universe as this case.

Mr. Keeney: Well, actually, Your Honor, with all due respect, it is. They are asking two things to be precleared.

Judge Sentelle: With all due respect, forget that hypothetical. We'll go back to this case. . . .

Mr. Schoener: The defendants have questioned the jurisdiction of this court. They ignore the fact that when Congress passed the first Voting Rights Act in 1965—and they did it in reaction to the actions of the national convention of the Democratic Party—

I am old enough to remember watching the television screens where they were discriminating against a group of black delegates from Mississippi, the Mississippi Freedom Party, that was asking to be recognized. And the Democratic Party said, "No. No. We won't allow that."

Congress looked at it. It was distasteful. And they came back in the next year. The 1965 Voting Rights Act said, "We're not going to have that. We're not going to have it in states that have a history of discrimination. You now will have to preclear your actions with the District Court for the District of Columbia or the Attorney General before they may be effective." And they said, "We're going to put the burden on you. If you want to change it, you come to us first. We're going to put the burden on the perpetrator and not on the victim."

That's what the Voting Rights Act was all about. And we even have in the state of Michigan, the state of Michigan—

Judge Sentelle: You might want to move toward why there are covered jurisdictions before us today and what those jurisdictions are.

Mr. Schoener: I am sorry, Your Honor?

Judge Sentelle: We have in front of us a motion to dismiss that has got a lot to do with what in front of us is or isn't a covered jurisdiction. I haven't heard you say a whole lot about that yet, counsel.

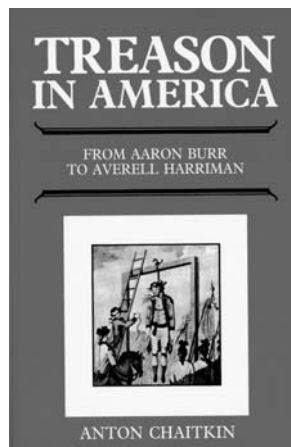
Mr. Schoener: Covered jurisdictions, Your Honor?

Judge Sentelle: How long do you plan to take to argue today? . . .

Mr. Schoener: . . . The lower court in Arizona cancelled that election [in 1996] at the request of the Democratic Na-

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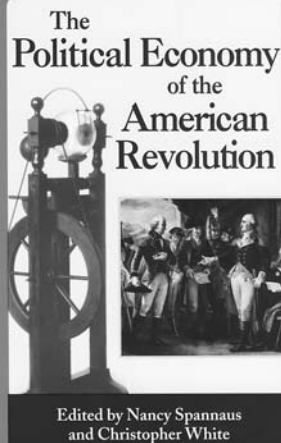
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tional Committee and the Democratic Party of Arizona, depriving the rest of that slate [of candidates supporting LaRouche]. There was a full slate. They had paid their filing fee.

LaRouche had paid \$1125.00 filing fee. He was a serious candidate. And they were deprived of the right to vote and to become candidates.

In the other cases — in fact, the Virginia Democratic Party has already been declared to be subject in the dicta, I agree, of Justice Stevens in the *Morse* case, which said the Republican Party and the Democratic Party of Virginia are unique, and they are given certain rights and are, therefore, subject to preclearance of their party rules.

Your Honor, this is not unusual. Party rules have been submitted for change since 1972. A very interesting article of the *Harvard Civil Rights Law Review* in 1972 points out that such disparate party organizations, such as New York Democratic Party, the North Carolina Democratic Party, the Republican Party of Alabama, as well as the Democratic Party of Alabama in 1972, when this Act was new, had already submitted [for preclearance].

Judge Sentelle: Have the national parties ever submitted anything?

Mr. Schoener: Not to my knowledge. Your Honor, I have written three letters to the Justice Department asking for that information. I finally called about two weeks ago and said, “Can I get an answer to this?” and they said, “They’re working on it upstairs, and we’re sorry. We can’t give you an answer now.”

Judge Sentelle: We’ll look forward to your FOIA suit, I guess.

Mr. Schoener: I guess that’s the way I am going to get it. . . .

There is one thing that we have in this particular case. We have an Act that the Congress has said should be broadly construed. It should be construed against the perpetrator and give the victim a chance to at least place their position on the record. And that’s why we say this National Committee, when it acted, assumed the cloak of state action. It assumed a position of ordering those states in those states that are subject to the Voting Rights Act.

Two changes occurred. One was the rule, and where was the rule issued out of? The District of Columbia. The letter that became an order to these various covered jurisdictions was issued out of here.

This is the court that should have and should take jurisdiction. As Justice O’Connor also pointed out, they expected this court to become the experts on the Voting Rights Act. And I submit that there have been a lot of things come through the District Court for the District of Columbia on voting rights things. And the court is obviously well-versed in what the act is all about. And I think that under those circumstances, there is no question that this court is the proper jurisdiction. . . .

Weldon hearings seek to revive Cold War

by Jeffrey Steinberg

Rep. Curt Weldon (R-Pa.) turned a hearing room in the stately Rayburn House Office Building into a three-ring circus on Oct. 26, by flashing what he proclaimed was a replica of a Soviet-made “suitcase nuclear bomb” in front of a room packed with press, Congressional staffers, and observers, including 50 college students bused in from his home district for the occasion. The show-and-tell routine by Weldon and a former CIA officer, Peter Pride, took place at the outset of hearings on “Russian Threat Perceptions and Plans for Sabotage Against the United States,” which featured Cambridge MI6 historian Christopher Andrew and former KGB London station chief Oleg Gordievsky.

Andrew is the co-author of the recently released book, *The Sword and the Shield: The Mitrokhin Archive and the Secret History of the KGB*, a huge hoax proclaiming that the Soviets had recruited tens of thousands of agents in every key institution of the West, and had planted vast caches of arms, radio transmitters, and other sabotage tools in every NATO country (see “New British ‘Big Lies’ Target Russia, Germany, and United States,” *EIR*, Oct. 1, 1999).

Andrew had earlier co-authored an equally flagrant hoax with Gordievsky, in which they claimed that Moscow was moments away from launching a thermonuclear attack on the United States in late 1983, in response to President Reagan’s March 23, 1983 announcement of the Strategic Defense Initiative (SDI), which the authors claimed the Soviets had misinterpreted as a plan for an American nuclear first strike against the U.S.S.R.

But, whatever propaganda the Cambridge don and his KGB “defective” had in store for the U.S. Congress, was upstaged by the “suitcase nuke” antics. Weldon, the chairman of the Subcommittee on Military Research and Development of the House Armed Services Committee, began the hearing with a prepared statement in which he promised to provide “some of the most startling testimony ever to be received by the United States Congress.” While he was ostensibly referring to Andrew and Gordievsky, Weldon proceeded to deliver his own tirade, charging that Moscow had planted suitcase nukes inside the United States, and citing as his source, a former colonel with the Soviet GRU military intelligence agency, Stanislav Lunev, who had appeared at similar “scare-

em” hearings of the subcommittee on Aug. 4, 1998. It was apparently on the basis of Lunev’s testimony about Soviet assassination plans against Western leaders, using “small man-portable nuclear weapons that could be disguised to look like a suitcase,” that he and former CIA officer Pride concocted their own mock-up “bomb.” Weldon railed that his man Lunev had told the subcommittee that Russian leaders still, to this day, considered war with the United States to be “inevitable.”

Flashing the attaché case in front of TV cameras, Weldon fumed, “The model is based on unclassified data on the components in an atomic artillery shell, to see if such a system could be reassembled in a suitcase. Indeed, as it turns out, the physics package—neutron generators, batteries, arming mechanism, and other essentials of a small atomic weapon—can fit, just barely, in an attaché case. The result is a plutonium-fuelled gun-type atomic weapon having a yield of one to ten kilotons, the same yield range attributed by General [Aleksandr] Lebed to the Russian ‘nuclear suitcase’ weapon.”

Perhaps a bit embarrassed that he had upstaged the British-Russian team of hoaxsters, Weldon said, “My remarks have perhaps dwelled excessively on ‘nuclear suitcases.’” He then turned the floor over to MI6 “historian” Andrew, who went into his own more subdued tirade.

Arms caches all over America?

Andrew told the Congressmen that, throughout the Cold War, both KGB and GRU assassination and sabotage teams, known as “DRGs,” had planted caches of arms and radio equipment in NATO countries. He claimed that, among the 25,000 pages of handwritten and typed notes compiled by KGB “librarian” Vasili Mitrokhin, and smuggled out of Russia by MI6 super-spies, were details about several of these secret caches, located in Austria, Switzerland, and Belgium. He claimed that in December 1998, Swiss authorities, using the details from the Mitrokhin papers, had uncovered one of the caches, which was booby-trapped.

Andrew assured the Congressmen that he was “certain” that there were similar arms and radio caches located in the United States, intended to be used by Soviet “illegals” on the day of the launching of a Soviet nuclear first strike against the United States. He cited U.S. dams, power lines, and oil refineries as priority targets of the GRU and KGB squads, as well as political leaders, who would be assassinated to sow maximum chaos on the eve of a Soviet first strike.

Representative Weldon, puffed up with indignation, announced that he had written to Secretary of State Madeleine Albright, demanding that she ask the Russian government to immediately provide details on the locations of these secret caches, as a “good faith” demonstration that Russia does not still intend to launch a war against America. Weldon reported that he had met for one hour with FBI chief Louis Freeh,

and had been assured that the FBI is carefully reviewing the Mitrokhin files. However, Andrew admitted, under questioning from other members of the subcommittee, that the Mitrokhin files contained no specific site information on caches in the United States, except for a general reference to Brainard, Minnesota, near the Canadian border. Asked point blank whether he believed that the Soviets had successfully smuggled nuclear devices into the United States, Andrew said, “No.”

Oleg Gordievsky obligingly “corroborated” the Andrew-Mitrokhin tale that there are arms caches under every tree, by assuring the Congressmen that he had personally gone out with a shovel and planted radio equipment in the ground in Sweden and England, as part of his duties as a KGB officer. But, he added ominously, the assassination and sabotage work was largely handled by the GRU, and therefore the KGB was only involved in a minor way in the planting of bombs and weapons in preparation for “Day X.”

Primakov bashing

As a central theme of his testimony, Andrew developed the idea that, today, Russia is not much less of a threat to the West than the Soviet Union was at the height of the Cold War. He singled out former Prime Minister Yevgeni Primakov as the man who, he claimed, personified this continuity from Soviet to Russian policy. Both he and Gordievsky charged that President Boris Yeltsin has been thoroughly coopted by the intelligence service, which is the last bastion of “Soviet imperialism.” They pointed to the fact that the past three prime ministers, Primakov, Sergei Stepashin, and Vladimir Putin (still in office), all came out of the SVR, the foreign intelligence service which had superseded the KGB, as his “proof” that the hard-liners were back in control in Moscow, and that entente with Russia is illusory, as long as these Russian KGB dinosaurs are on the scene.

Andrew also retailed the lie that Primakov was on the payroll of Iraqi President Saddam Hussein, a preposterous charge that was made by Seymour Hersh in a recent issue of the *New Yorker* magazine.

The Oct. 27 hearings were the latest in a series of Russia-bashing shows hosted by Weldon. A week earlier, Weldon had chaired hearings of the same subcommittee, dealing with the threat of biological and chemical weapons attacks, which featured Ken Alibek, another Soviet defector, who, until 1992, had been the First Deputy Director of Biopreparat, which he described as the “civilian arm of the biological weapons program.” In his introduction of Andrew and Gordievsky, Weldon had assured the audience that the Russians still have an illegal biological weapons program that poses a devastating threat to America.

But Weldon’s biggest thrill was his August 1998 hosting of GRU Colonel Lunev, who inspired him to build his own demo suitcase nuke.

Black Caucus urges recess appointments

Four members of the Congressional Black Caucus, Reps. Jim Clyburn (D-S.C.), Eddie Bernice Johnson (D-Tex.), Maxine Waters (D-Calif.), and Eleanor Holmes Norton (D-D.C.), condemned Senate Republicans for failing to confirm black and women judicial nominations (and others), and urged President Clinton to make them recess appointments, because the Senate Judiciary Committee will not process them, at a press conference on Oct. 25.

Coming in for the most opprobrium were Sens. John Ashcroft (R-Mo.), for his treatment of Missouri Supreme Court Justice Ronnie White, and Jesse Helms (R-N.C.), for his treatment of former Senator Carol Mosely-Braun (D-Ill.). White was rejected by the Senate on Oct. 5 in a straight party-line vote, after heavy lobbying by John Ashcroft (R-Mo.) among his Republican colleagues. Helms has come under fire for his demand that Mosely-Braun, who is President Clinton's choice to be U.S. Ambassador to New Zealand, apologize for remarks she made about the Confederate flag during a debate in 1993.

Clyburn said that those in the Senate who seek to "railroad" the nomination process "with a litmus test of color and race are in effect undermining the Constitution." White's nomination, he said, "is the latest example of the Senate's differential treatment of African-American Federal judicial nominees." The only remedy that the Black Caucus sees, is for President Clinton to use his constitutional authority to make these nominees recess appointments.

Senate Republicans, especially Majority Leader Trent Lott (Miss.), deny that race is an issue. But, Clyburn produced a list of five African-American nominees, who were compared

with white nominees nominated at the same time. The whites were all confirmed within three months. Four of the five African-Americans have not even received a hearing.

Clinton signs DOD bill, eases budget tensions

On Oct. 25, President Clinton signed into law the Department of Defense appropriations bill, after it had sat on his desk for weeks. That action reduced tensions that had flared in the wake of the Oct. 19 meeting among Clinton and Congressional leaders from both parties, convoked to discuss ways out of the budget impasse.

In the days after the meeting, Democrats were fuming at the sharp partisan rhetoric coming from the GOP side. House Majority Whip Tom DeLay (R-Tex.) had accused Democrats of "concocting schemes" to raid the Social Security surplus for other programs. After the DOD bill signing, DeLay was more conciliatory. He told reporters that Clinton's decision to sign the DOD bill "shows that we can work together and find agreement on the important issues facing this country." He also claimed that Clinton had rejected the "gridlock strategy" being advocated by House Minority Leader Richard Gephardt (D-Mo.), who had called for the bill to be vetoed because it contains several billion dollars more than the administration had requested.

The DOD bill makes seven of 13 spending bills now signed into law. Clinton had earlier signed into law the Veterans Affairs-Housing and Urban Development bill on Oct. 20 and the Agriculture bill on Oct. 22. However, he vetoed the Commerce, Justice, State and the Judiciary bill on Oct. 25, because of a number of issues, includ-

ing not enough funding for the Community Oriented Policing program, and the tying of U.S. payment of arrears to the UN to an authorization bill yet to be acted on.

Also causing problems is the bill funding the Labor, Health and Human Services, and Education departments. While the Senate passed its bill on Oct. 7, the House has decided to attach its version to the revised D.C. Appropriations bill, but that bill has now become bogged down by disagreements between House and Senate GOP negotiators over language related to needle distribution.

Manufacturing, not free trade, says Hollings

On Oct. 21, the Senate began debate on a motion to proceed to the African Growth and Opportunity Act, a free trade bill for Africa similar to the North American Free Trade Agreement (NAFTA). The bill includes the Caribbean Basin Initiative and re-authorization of a number of trade programs within the Department of Commerce. However, the bill ran into a roadblock erected by Ernest F. Hollings (D-S.C.), who is objecting to consideration of the bill.

Hollings told the Senate that under NAFTA, South Carolina has lost 31,700 textile jobs. He reported that he was told in 1983 by Sony chairman Akio Morita that a developing country "must develop a strong manufacturing capacity in order to become a nation-state." He also quoted Henry Ford, who said, "I want my workers to make enough to be able to buy what they are making." Instead, Hollings said, "our strong manufacturing economy has been drained over night" by free trade policies.

Hollings said that he had, in the past, supported "some kind of Marshall Plan" for Mexico. "If we can put in a plan where Mexican workers can have workers' rights," he said, "and some money in the economy would not be stripped and sent back to bankers in New York, . . . if we could do that, we could have some prosperous parity with our friends in Mexico." Instead, we have NAFTA, with its consequent deleterious effects on manufacturing and the American standard of living.

Paul Wellstone (D-Minn.) also opposed the bill. He said that if cloture is invoked, he will bring up the agriculture crisis and introduce an amendment "that will call for a moratorium on these acquisitions and mergers taking place that are driving our producers off the land." He endorsed the House alternative bill on Africa sponsored by Jesse Jackson, Jr. (D-Ill.), which has been introduced in the Senate by Russell Feingold (D-Wisc.).

Hearing debunks alleged threat to Panama Canal

The latest scheme by which the Conservative Revolution is seeking to disrupt U.S.-China relations took some hits on Oct. 22, when the Senate Armed Services Committee heard witnesses on the subject of the security of the Panama Canal. The flurry was touched off by claims published in the *Washington Times* and elsewhere last summer, that the awarding of Panama port concessions to the Hong Kong-based Hutchison Whampoa company constituted a security threat to the canal, and therefore, to U.S. national interests.

The lead-off witnesses were Reps. Dana Rohrabacher (R-Calif.) and Bob

Barr (R-Ga.), who have been among the most strident in charging that there is a Chinese takeover of canal operations.

However, some rationality was introduced into the hearing by ranking Armed Services Committee member Sen. Carl Levin (D-Mich.). After reviewing the relevant legal documents, Levin said, he had concluded that Hutchison does not acquire any authority to operate the canal, nor can the contract between Hutchison and the Panamanian authorities "lead to any interference by Hutchison with the administration or operation of the canal."

Levin was backed up by witness Joseph Cornelison, the deputy administrator of the Panama Canal Commission, a retired U.S. Army officer and Vietnam Veteran. Cornelison said that Hutchison Port Holdings is a well-established company which operates 18 ports around the world. "We simply have seen nothing," he said, "that presents an indication of a security threat posed by the presence of operations of Hutchison in those regions." Furthermore, he said, "there's not a single Chinese person" in Panama, today. The top two officials of the company are British and American, and the remainder of the employees are Panamanian.

Richardson grilled on DOE reorganization

Energy Secretary Bill Richardson appeared before a joint hearing of the Senate Energy and Natural Resources and the Government Affairs committees on Oct. 19, to explain how the Clinton administration is implementing the nuclear weapons laboratories reorganization that was mandated by the fiscal year 2000 Defense Authori-

zation bill, signed into law by President Clinton on Oct. 5. Clinton has ordered Richardson to assume the duties of a new Undersecretary for Nuclear Security that was created by the legislation, until deficiencies in the bill are corrected by Congressional action.

Republicans have concluded that President Clinton has chosen not to follow the law. However, Energy and Natural Resources Committee Chairman Frank Murkowski (R-Ak.) admitted that the reorganization as agreed on in the Senate, and what came out in the conference report, were two different things, and this is what is at issue. Governmental Affairs Committee Chairman Fred Thompson (R-Tenn.) was less charitable. "The heart of the matter before us," he said, "is whether the President will implement the law as enacted by Congress and signed by him."

Richardson said that while he and the President intend to follow the law, their concern is that "this new legislation undermines accountability and responsibility." As for changes in the law that he and Clinton are seeking, he said, "I am asking you to look at minor modifications that I think can achieve all of" Congress's objectives, including dramatically improving security at the weapons labs, without the dual chains of command and logistics and the stripping of the Secretary's authority over nuclear programs that the current legislation calls for.

Richardson refused to back down under intense questioning by Thompson and Pete Domenici (R-N.M.). They asked repeatedly if Richardson planned to implement the law as Congress intended. Richardson replied, "I am coming to you saying that there are serious problems with the way the statute passed in the final form that make implementation of the law difficult."

National News

Judge bars secret FBI evidence

A Federal judge ruled on Oct. 20 that the use of secret evidence to detain immigrants to the United States violates the due process clause of the U.S. Constitution. This is the first such ruling invalidating the provision of the 1996 anti-terrorism act, which permits the use of classified evidence in immigration proceedings. The provision has been used in about two dozen cases, all of which involved Arab or Muslim immigrants.

Hany Kaireldeen, a 31-year-old Palestinian who entered the United States in 1990, has been held for 18 months in a New Jersey jail. The FBI claimed that he had hosted a terrorist meeting at his house in 1993, prior to the World Trade Center bombing on Feb. 26, with Nidal Ayyad, one of those convicted for the bombing. The FBI also claimed that Kaireldeen had threatened the life of Attorney General Janet Reno.

The ruling by U.S. District Judge William Walls said that the government had made no effort to produce witnesses, either in public or *in camera*, to support its allegations, and that the FBI's unclassified summaries of evidence were "unreliable," forcing Kaireldeen to fight "anonymous slurs of unseen and unsworn informers." Kaireldeen, on the other hand, had presented documentation and more than a dozen witnesses to counter the FBI charges. He asserts that the allegations against him came from his vindictive ex-wife, who now lives in Egypt.

The government is appealing the ruling.

UAW fights for more manufacturing jobs

At the AFL-CIO convention in Los Angeles on Oct. 10-14, the United Auto Workers union, which opposed the federation's endorsement of Al Gore, pushed through a resolution, "The American Economy in a New Century," which calls for a return to a manufacturing-based economy and an end to policies based on financial speculation. Motivating the resolution at the convention, UAW

Vice President Elizabeth Bunn said that manufacturing jobs are the "ladder to the American Dream for millions of Americans, and we are consciously kicking that ladder away."

The resolution reflects an ongoing, growing fight in the AFL-CIO leadership, between the John Sweeney-led push for recruitment of union members in the services sector (he comes from the Service Employees International Union, SEIU), and anger at the lack of attention to loss of manufacturing jobs by the manufacturing, building trades, and teamsters unions, whose traditional membership base, including financial resources, are threatened. This was also a factor in the fight over the Gore endorsement.

The resolution states: "America's manufacturing sector is facing a crisis. Over the past 20 years, more than 2.5 million manufacturing jobs have been lost, and the manufacturing share of total private employment has fallen from 28.5% to 17.5%. . . . Job losses have been caused by events in international financial markets triggered by the activities of currency speculators and by speculative excesses in foreign stock markets. These events are, in part, the result of policies that have inappropriately liberalized international movements of financial capital."

The resolution then denounces the "wrong-headed conventional wisdom that asserts we have entered a post-industrial era in which manufacturing jobs no longer are essential to the nation's economic future. Nothing could be further from the truth."

McCaffrey slammed in Britain by dope lobby

U.S. drug policy adviser Gen. Barry McCaffrey (ret.) visited Britain at the end of October, reportedly to brief the British government on his approach to the "war on drugs." On the occasion of his arrival, the Oct. 23 London *Guardian* published an attack on him by the disreputable leftist "spook" Duncan Campbell.

Campbell denounces McCaffrey for stating that smoking marijuana has no beneficial medical effects; for claiming that marijuana is the "gateway" to use of stronger drugs; and for stating that the homicide rate

in Holland is greater than that in the United States, because of Holland's liberal approach to drugs.

Campbell comes to the defense of financier George Soros, who has funded ballot referenda in American states for legalizing the "medical use" of marijuana—a foot in the door to full legalization. He quotes two pro-drug British campaigners, Paul Lewin of Common Sense for Drug Policies, and Danny Kushlick of Transform. Kushlick tells the *Guardian* that McCaffrey is "a dangerous man. He is denying people access to basic harm-minimization treatments and that is causing deaths. If he's here to tell us of his initiatives, it's the last thing we need."

Rep. Sensenbrenner pulls out of Sino-U.S. meeting

Anti-China ideologue and House Science Committee chairman Rep. James Sensenbrenner (R-Wisc.) announced on Oct. 21 that he would not be attending the Sino-U.S. Science Policy Seminar on Oct. 24-27 in Beijing, and telephoned National Science Foundation Director Rita Colwell to pressure her to cancel the meeting.

Sensenbrenner referenced the Oct. 19 Federal indictment of McDonnell Douglas, Inc. and the China National Aero-Technology Import and Export Corporation for allegedly transferring "sensitive" U.S. technology to a Chinese military factory. He also expressed outrage that the Chinese Embassy in Washington and the Chinese media "broke a news embargo" and made public statements about the meetings the week before between members of the U.S. Congress and of the Chinese National People's Congress. In fact, the public comments made by the Chinese about the meetings had simply stated some of the concerns of the Chinese legislators, such as the issue of U.S. theater missile defense (TMD) and pending legislation on Taiwan.

Trying to resurrect the discredited charges of Chinese spying from the Cox Committee report of last spring, Sensenbrenner states in his release: "Frankly, I think the American public would be outraged to learn that their tax dollars were used to fund a seminar in China — with high-rank-

CONDOLEEZZA RICE, the top foreign policy adviser to George W. Bush, met with Russian officials in Moscow at the end of October, according to *U.S. News & World Report* of Nov. 1. "Bushies say Rice wasn't on a mission for the candidate, though our snoops say the guy was the talk of the meetings," the magazine adds. In an interview with the *Stanford Journal of International Relations* last spring, Rice said that she expects Russia to disintegrate in the short term.

MARTIN INDYK, the Australian-born Zionist lobby guru who is now U.S. Undersecretary of State for Near East Affairs, and who was formerly U.S. Ambassador to Israel, is going to return to his ambassadorial post, at the behest of Israeli Prime Minister Ehud Barak, the *Washington Post* reported in October. The article claimed that Barak had a close relationship to Indyk, and considers him a viable "personal channel" to President Clinton.

BILL BRADLEY, in a speech in Brooklyn on Oct. 21, outlined a \$10 billion program which he said would lift 7 million children out of poverty. His plans range from an unspecified increase in the minimum wage, to tax credits and after-school programs.

THE GORE campaign has hired Donnie Fowler, son of former Democratic National Committee Chairman Don Fowler, to serve as national field coordinator. The elder Fowler (or fouler elder) led the effort to exclude delegates pledged to Lyndon LaRouche from the 1996 Democratic National Convention, in violation of the 1965 Voting Rights Act.

DICK MORRIS, former Clinton campaign adviser who was ousted in a sex scandal in 1996, took a swipe at Hillary Clinton, in the *New York Post* on Oct. 26. Hillary is going to "take the money . . . and not run" for U.S. Senate, he wrote, adding that she may yet be a target of criminal charges by Robert Ray, the replacement for "Get Clinton" prosecutor Kenneth Starr.

ing U.S. officials attending—at the same time China was engaged in a broad effort to gain our military secrets." He then threatens that the National Science Foundation's "sterling reputation" on Capitol Hill would be damaged by having the seminar. The House Science Committee authorizes the NSF'S annual budget.

D.C. nurses strike at Howard Univ. hospital

Howard University and Howard University Hospital health professionals, including 400 registered nurses, registered dieticians, pharmacists, and social workers, voted overwhelmingly to strike on Oct. 20. The strikers, represented by the D.C. Nurses Association (DCNA), are protesting chronic nurse understaffing and mandatory overtime. The strike was settled within 24 hours.

According to a spokesman for the association, "Nurses are being forced to care for too many patients. Pharmacists are unable to effectively dispense medications on a timely basis. Dieticians cannot address all of the nutritional needs that help patients heal properly, and social workers can't adequately prepare patients to go home on time." DCNA Local Unit Chair Mary Jones Bryant, BSN, RN, said, "The patients that come to Howard are severely ill with many complex problems. We know patient care is suffering here. There are too few people trying to do too much."

While all medical professionals routinely provide overtime care, especially in emergencies, mandatory overtime is now the national standard for hospitals to fill in for their permanent shortages in nursing staff. DCNA told *EIR* that forced overtime is routine at Howard.

The crisis at Howard, like all hospitals nationally, is caused primarily by managed care and cuts in Medicare hospital reimbursements. These have especially affected teaching hospitals, such as Howard, which has an international reputation for treating such diseases as sickle cell disease.

A DCNA spokesman told *EIR* that "Howard has a strong tradition and history. There is a lot of love for this hospital in the

nursing community and the African-American community, especially. However, the employees have been feeling very disrespected in last several years; there have been changes in administration, changes in what the sense of what the mission is." Three years ago, Howard University Hospital told employees that it was not doing well financially. "To support the mission of the Hospital, professional employees accepted a contract without wage increases." Since then, the cost of living has gone up 6%; and in last two years, managers received a 4% bonus and 4% raise in base pay; and the hospital "touts a balanced budget."

Senators voice concern over Lockerbie 'deal'

A letter from UN Secretary General Kofi Annan to Libyan leader Col. Muammar Qaddafi, confirming details of the handover of the suspects in the bombing of Pan Am 103 over Lockerbie, Scotland on Dec. 21, 1988, contained a secret annex, *The Scotsman* newspaper disclosed on Oct. 21. Three U.S. Senators, Edward Kennedy (D-Mass.), Robert Torricelli (D-N.J.), and Frank Lautenberg (D-N.J.), have written to U.S. Secretary of State Madeleine Albright demanding that details of the annex be made public.

Under a comprehensive deal with Qaddafi, the Libyan suspects will be tried by three Scottish High Court judges on Netherlands' territory, but, on the specific demand of the Libyan lawyers, without a jury. The accused are currently being held in the Netherlands wholly under Scottish jurisdiction. The trial is expected to last as long as three years.

The annex is purported to be related to a deal not to pursue everyone alleged to be responsible for the bombing. The British Crown Office and Foreign Office have both issued statements denying that any deal had been made.

It is widely believed in Scotland that there was foreknowledge, within sections of British and U.S. security services, about what was going to happen, before the flight from Frankfurt, Germany to New York took off.

Editorial

Winter comes to the Balkans, Africanization comes to Europe

For those who have preserved even a faint connection to reality, the surprise mass demonstration for jobs and food on Oct. 25, in the Bosnian capital of Sarajevo, was the final proof that a decade of Western policies in the Balkans, have ended in total failure. Unemployment is officially 70% in Bosnia. The only jobs to be found, are in working for foreign peacekeepers, the UN, non-governmental organizations, and the like. (The same is now true in Kosovo, as well.)

U.S. promises were violated, and the reconstruction aid promised to Bosnia was never delivered.

Since the end of the Bosnia war in 1995, we have gone through another whole turn of the screw in the Balkans. In actions which gave hypocrisy a bad name, the same British who had installed Serbian President Slobodan Milosevic in the first place (through assets including Kissinger and Eagleburger), triggered what they called history's first "humanitarian war," in the spring of this year, supposedly to stop Milosevic's crimes.

Nothing positive was achieved by the war, which had not been offered in negotiations earlier. But the terrorist- and criminal-led Kosovo Liberation Army was permitted to kill or drive out Kosovo's elected leadership. And although 78 days of heavy bombing did nothing to affect Serbia's military power (destroying only 10 tanks, for example), the bombing did succeed in taking out large stationary civilian targets, include the bridges over the Danube, rail lines, oil refineries, power plants, and energy supplies.

These were exactly the things Serbian civilians would need to survive the coming winter. And yet the British, and such British puppets as Madeleine Albright, insisted, and insist, that that infrastructure must not be rebuilt. So great is Albright's hoked-up moral revulsion against Milosevic, that she even insists that emergency supplies of heating oil must not be sent to opposition-controlled Serbian cities, as France and Germany wish to do. The only result can be disease and death, especially among infants and the elderly, this winter. The Iraqis, who have been test-victims of such "humanitarian warfare" for almost a decade, rightly equate it with the "humanitarian warfare" of the Mongols who sacked

and levelled Baghdad in 1258.

Worse, the blockage of the Danube by bombed-out bridges, a blockage which Albright and other moral lepers insist must continue, has an effect similar to severing an artery to a human limb—this in an area comprising much of Europe: everything south and east of Vienna. The result is the economic equivalent of gangrene, spreading throughout this area and beyond.

Now, Lyndon LaRouche has been warning of new Balkan wars since a nationwide campaign television broadcast of Oct. 31, 1988, "The Winter of Our Discontent." His ideas have become a power to be reckoned with, there and elsewhere. Through ideas, he has dealt blow for blow against the British effort to provoke new Balkan wars, in order thereby to blow up possibilities for East-West economic cooperation involving especially the U.S., Russia, and Germany. For over a decade, LaRouche and his associates have delineated workable plans for the economic development of the Balkans area, most recently during the NATO bombing war against Yugoslavia last spring, when Helga Zepp-LaRouche and Faris Nanic issued their call for "Peace Through Development for the Balkans."

To give up on Balkan reconstruction, is to give up on your own and your children's future. The same fate to which you abandon the people of the Balkans today, is the fate that is prepared for you tomorrow. The only answer, is that you support the work of Lyndon LaRouche, the leading intellect of our times. In particular, you must support his U.S. Presidential campaign, whether you are an American or not. Do you say his nomination and election are unlikely? Your own survival into the beginning of the next century, and that of your family, are just as unlikely. The survival of this civilization is just as unlikely.

Will wolves walk the streets of Sarajevo, Pristina, and Belgrade this winter? They may, unless LaRouche gets the international support which can prevent it. If wolves *do* walk in the Balkans, then wolves will also walk the streets of London, New York, and Washington, within a few winters thereafter, as, in the wake of the barbarian invasions, wolves walked the streets of Rome in the 5th century A.D.

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- BROOKHAVEN (E. Suffolk)
Cablevision Ch. 1/99
Wednesdays—9:30 p.m.
- BROOKLYN—BCAT
Time/Warner Ch. 35
Cablevision Ch. 68
Sundays—9 a.m.

- BUFFALO
Adelphia Ch. 18
Saturdays—2 p.m.
- CORTLANDT/PEEKSKILL
MediaOne Ch. 32/6
Wednesdays—3 p.m.
- HORSEHEADS—T/W Ch. 1
Mon. & Fri.—4:30 p.m.
- HUDSON VALLEY—Ch. 6
2nd & 3rd Sun.—1:30 p.m.
- ILION—T/W Ch. 10
Saturdays—12:30 p.m.
- IRONDEQUOIT—Ch. 15
Mon. & Thurs.—7 p.m.
- ITHACA—Pegsys Ch. 78
Mon.—8 pm; Thu.—9:30 pm
Saturdays—7 p.m.
- JOHNSTOWN—Ch. 7
Tuesdays—4 p.m.
- MANHATTAN—MNN
T/W Ch. 34; RCN Ch. 109
Sun., Oct. 31: 9 a.m.
Sun., Nov. 14 & 28: 9 a.m.
- N. CHAUTAUQUA COUNTY
Gateway Access Ch. 12
Fridays—7:30 p.m.
- ONEIDA—T/W Ch. 10
Thursdays—10 p.m.
- OSSINING—Ch. 19/16
Wednesdays—3 p.m.
- PENFIELD—Ch. 12
Penfield Community TV*
- POUGHKEEPSIE—Ch. 28
1st & 2nd Fridays—4 p.m.
- QUEENS—QPTV Ch. 35
(starting Nov. 3)
Wednesdays—6 p.m.
- QUEENSBURY
Harron Cable Ch. 71
Thursdays—7 p.m.
- RIVERHEAD—Peconic Ch. 27
Thursdays—12 Midnight
- ROCHESTER—GRC Ch. 15
Fri.—11 p.m.; Sun.—11 a.m.
- ROCKLAND—T/W Ch. 27
Wednesdays—5:30 p.m.
- SCHENECTADY—SACC Ch. 16
Tuesdays—10 p.m.
- STATEN ISL.—T/W Ch. 57
Wed.—11 p.m.; Sat.—7 a.m.
- SUFFOLK, L.I.—Ch. 25
2nd & 4th Mondays—10 p.m.
- SYRACUSE—T/W
City: Ch. 3; Burbs: Ch. 13
Fridays—8 p.m.
- UTICA—Harron Ch. 3
Thursdays—6 p.m.
- WATERTOWN—T/W Ch. 2
Tue: between Noon & 5 p.m.
- WEBSTER—T/W Ch. 12
Wednesdays—8:30 p.m.
- WESTFIELD—Ch. 21
Mondays—12 Noon
Wed. & Sat.—10 a.m.
Sundays—11 a.m.
- WEST SENECA—Ch. 68
Thursdays—10:30 p.m.
- YONKERS—Ch. 37
Saturdays—3:30 p.m.
- YORKTOWN—Ch. 34
Thursdays—3 p.m.

NORTH DAKOTA

- BISMARCK—Ch. 12
Thursdays—6 p.m.

OHIO

- COLUMBUS—Ch. 21*
- OBERLIN—Ch. 9
Tuesdays—7 p.m.

OREGON

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

RHODE ISLAND

- E. PROVIDENCE—Cox Ch. 18
Sundays—12 Noon

TEXAS

- AUSTIN—T/W Ch. 10/16*
- EL PASO—Paragon Ch. 15
Wednesdays—5 p.m.
- HOUSTON—Access Houston*

UTAH

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

VIRGINIA

- ARLINGTON—ACT Ch. 33
Sun.—1 pm; Mon.—6:30 pm
Wednesdays—12 Noon
- CHESTERFIELD—Ch. 6
Tuesdays—5 p.m.
- FAIRFAX COUNTY
Media General Ch. 10
Tuesdays—12 Noon
Thu.—7 p.m.; Sat.—10 a.m.
- LOUDOUN—Cablevision Ch. 59
Thu.—7:30 p.m. & 10 p.m.
- P.W. COUNTY—Jones Ch. 3
Mondays—6 p.m.
- ROANOKE COUNTY—Cox Ch. 9
Thursdays—2 p.m.
- SALEM—Adelphia Ch. 13
Thursdays—2 p.m.

WASHINGTON

- KING COUNTY—Ch. 29
Thursdays—3 p.m.
- SPOKANE—Cox Ch. 25
Wednesdays—6 p.m.
- TRI-CITIES—TCl Ch. 13
Mon.—12 Noon; Wed.—6 p.m.
Thursdays—8:30 p.m.
- WHATCOM COUNTY
TCl Ch. 10
Wednesdays—11 p.m.
- YAKIMA—Falcon Ch. 9
Sundays—4 p.m.

WISCONSIN

- KENOSHA—T/W Ch. 21
Mondays—1:30 p.m.
- MADISON—WYOU Ch. 4
Tue.—2 pm; Wed.—8 am
- OSHKOSH—Ch. 10
Fridays—11:00 p.m.
- WAUSAU—Marcus Ch. 10
Fri.—10 p.m.; Sat.—5:30 p.m.

WYOMING

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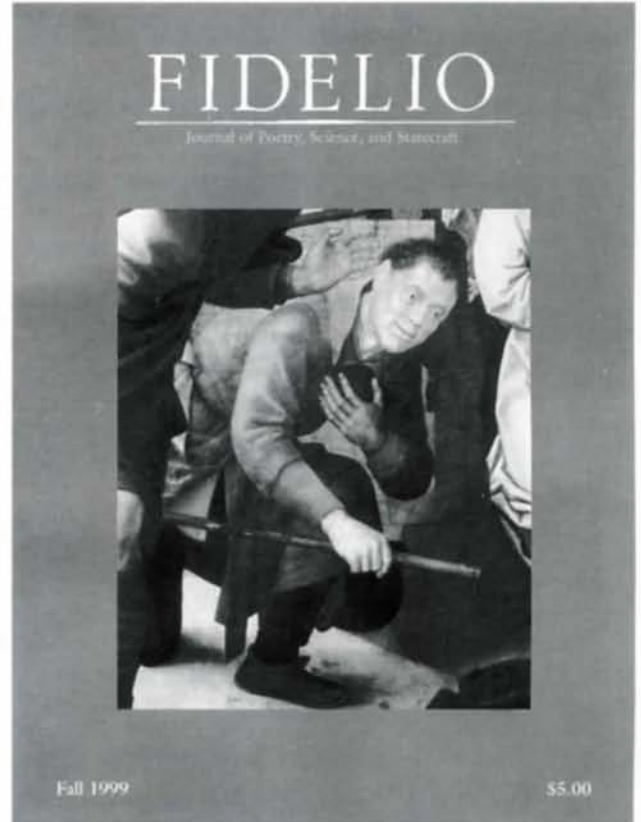
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