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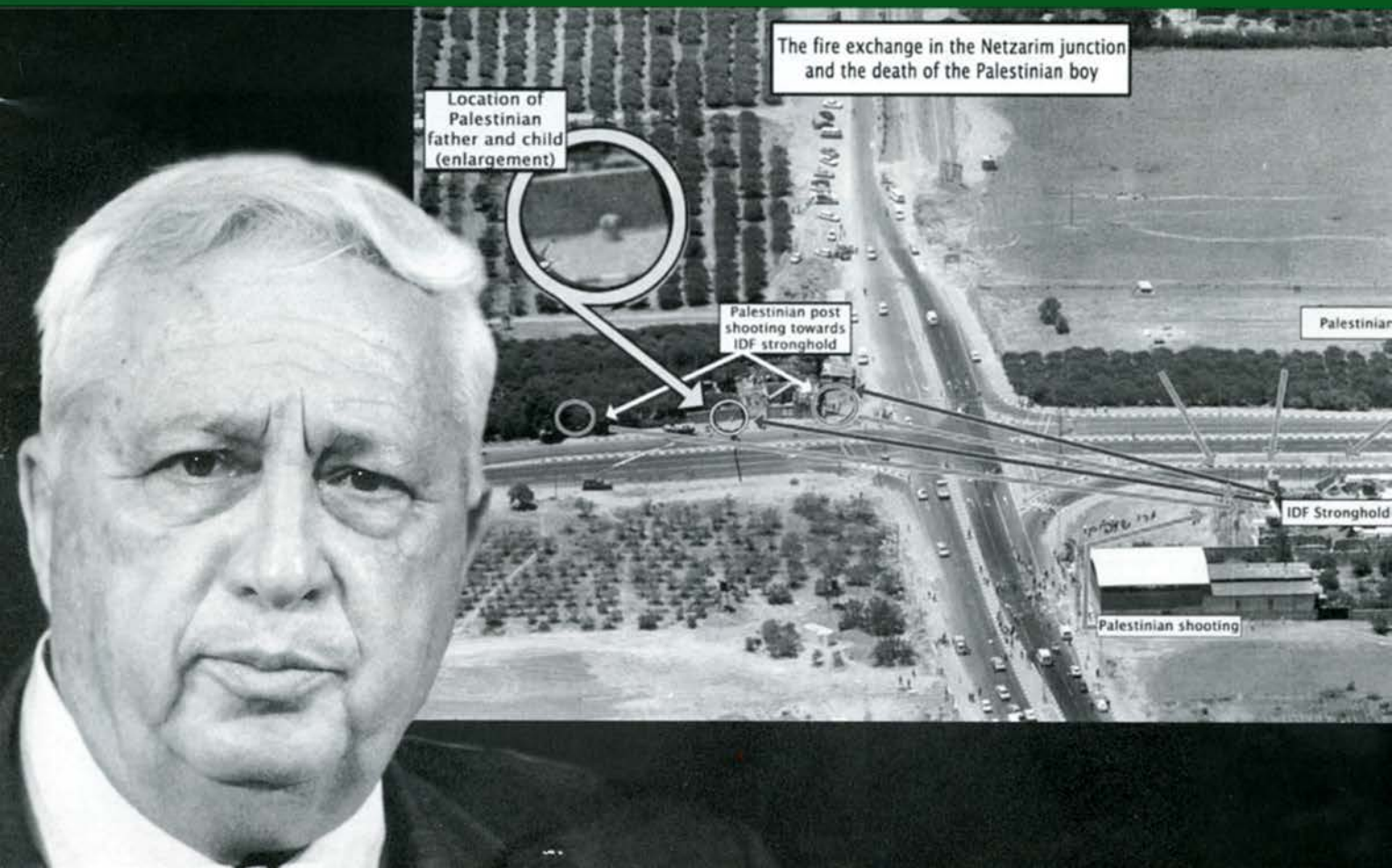
Executive Intelligence Review

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Speculation Is To Blame for Oil Price Rise
Putin, Schröder Put Survival Back on the Agenda
U.S. Gambling 'Economy' Is Destroying Cities

Why the Fuse to War Was Lit in the Middle East



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The Truth About The Real Economy

Number of weekly paychecks required to buy new car

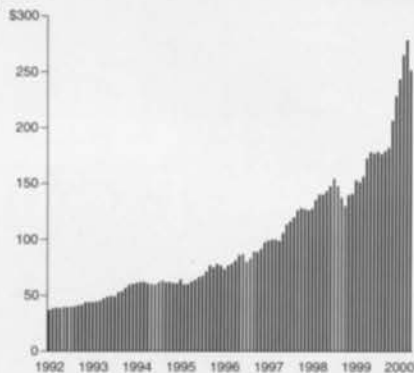
includes finance costs



The Truth About Their Policies

The Truth About The Bubble

Stock Market Margin Debt, 1992-2000
(billions \$)



LaRouche: Call Them 'The Baby Doomers'



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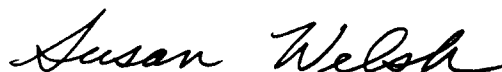
From the Associate Editor

On the 10th anniversary of the reunification of Germany, and the 11th anniversary of the mass upsurge which led to the fall of the Berlin Wall, we now see fires igniting everywhere—from the Mideast, to the Balkans, to the world's stock exchanges. This is the oligarchical system blowing up, the end of an empire. These crises are the result of the lost opportunity of 1989-91: when the industrialized nations could have adopted Lyndon LaRouche's program for high-technology development and East-West cooperation, but instead chose Sir George Bush and Lady Margaret Thatcher's policies of free trade, geopolitics, and war. Although the election of Bill Clinton brought in a President who threatened, at various points, to break with the Anglo-American agenda, Clinton was beaten down by an eight-year political assault. We can see the result in Jerusalem today, where the lunatic faction of Israelis has been unleashed, whipping the nation into a frenzy against the Arabs, just because the U.S. President doesn't have the guts to upset the electoral aspirations of his Vice President and his wife. (See our *Feature* for a detailed report on how this explosion is being orchestrated.)

Recall the rapid pace of events from the Spring of 1989, when the freedom movement took off in Eastern Europe, until the Summer of 1991, when the U.S.S.R. collapsed. Today, we are at a similar historic inflection point. All the world watches in anticipation of a colossal meltdown of the U.S. economy, while the two leading candidates for President flail about like creatures from another planet, and are held in universal derision.

It is now generally understood in Europe that the coming crash is both inevitable and imminent. What they want to know is, "What are we going to do *after* the crash occurs?" That is the significance of the discussions between Europe and Russia that are reported in this issue: looking toward 20-year energy-for technology agreements that will keep the physical economy functioning. But it will take a lot more than that.

Once the crash comes—and it could come any day—the pace of events will quicken even more, to the point that LaRouche becomes the man of the hour. Who else could deal with such a devastating crisis? There is no other leadership adequate to the task of putting the world back together again.



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Caracas OPEC Summit Casts Spotlight on Speculators

by David Ramonet and Isabel Alcega

On Sept. 27 and 28 in Caracas, Venezuela, the “Summit II” Conference of the Organization of Petroleum Exporting Countries (OPEC) brought together heads of state for only the second time in its 40-year history — the last such meeting being 25 years ago. In addition to the 11 member-nations, Russia was also represented, by invitation of the summit host nation. The 20-point final communiqué, on Sept. 28, was issued as a joint document by the participating sovereign nations.

What was the common concern? From pre-meetings, to follow-up commentary, it became clear that the summit’s purpose was to strengthen the organization’s unity, and to stop the oil price inflation through supporting dialogue with the oil-consumer nations. Venezuela’s offers to the United States on heating oil were repeated (to date, rebuffed by Washington). Groundwork behind the scenes was laid for a renewed oil offer (with a set price range) from Venezuela, announced a week later, called the “Energy Pact of Caracas,” to supply ten Central American and Caribbean nations. Signing is expected on Oct. 19.

Of strategic significance, the very same week as the OPEC Summit favoring “producer-consumer dialogue,” Germany’s Chancellor Gerhard Schröder was in Moscow, conferring with Russian President Vladimir Putin, on prospects for a 20-year oil-for-technology commitment, to the mutual benefit of the European Union and Russia. The next meeting will be Oct. 12 (see *International*).

Flanking Speculators?

This activity is in the same direction as that proposed in a policy memorandum by Lyndon LaRouche, released on Sept. 19, which circulated widely in Caracas, and was covered by key media in the Americas and the Middle East in late September.

The nation-to-nation dialogue approach was favored at the summit, instead of any direct confrontation with the oil speculators, whose ranks, as is well known, contain some of the most powerful financial and political interests in the world — interests currently predominant in Washington and London. The world “oil futures casino” is centered in London and New York City, where far more barrels of “paper oil” are traded every day, than exist in reality. (See accompanying article.)

Numerous OPEC spokesmen and summit organizers made clear that the prices paid to oil-producing nations are not responsible for oil price inflation.

On Sept. 25, Venezuela’s Deputy Foreign Minister Jorge Valero, president of the summit Presidential Preparatory Commission, stated, “We have categorically affirmed that it is not OPEC that establishes or determines the logic of crude prices in the market, among other reasons, because its power is limited to its productive capabilities, and we know that only 40% of world oil production corresponds to OPEC.” He added, “There are factors determining the oil price which don’t depend on OPEC. Speculation is one of them. . . . We’ve seen how, despite OPEC’s decision in its last meeting to add another 800,000 barrels to the market, the price also rose.”

Similar remarks were made by OPEC President Alí Rodríguez Araque, who is Venezuela’s Minister of Energy and Mines. OPEC, he said, has continued to put extra barrels of oil on the market to bring down the price of crude. But, he said, “it’s not just a question of putting out more barrels, because there are problems of refining, taxes, transportation, but the biggest of these is speculation. . . . The problem is such that, as you see, just the fact that the U.S. government announced it would take 30 million barrels from its strategic reserve, brought the price of Brent down by more than \$6, and WTI [West Texas Intermediate] by more than \$5 — without a

single barrel having been put on the market!”

Venezuelan President Hugo Chávez continued this anti-speculation theme, as he welcomed heads of state to Caracas on Sept. 26. He told reporters that current oil prices have nothing to do with demand. “There are other factors such as speculation and taxes, and refining,” he said.

President Chávez reported that OPEC Secretary General Rilwanu Lukman, of Nigeria, had explained to him that refining capacity utilization stands at 90%, with only 10% remaining, which, though insufficient, should be used. Then, “there’s the problem of speculation, of the intermediate companies. I understand that in Europe, discussion on this matter has already begun, and this has to be said, and [we must speak clearly] about the intermediate companies which also inflate prices.”

Financial Disintegration Looms

What these leaders still appeared not to fully acknowledge, is the magnitude of the systemic financial crisis causing hyperinflation of commodities and prices of all kinds, and the fact that this system is doomed. The Declaration of Caracas avoids this reality. Instead, it speaks of “the velocity at which changes are occurring in economic, political, technological, and environmental events, as well as the challenges and opportunities created by globalization and liberalization.”

The word “speculation” does not appear in the declaration. Reports were that the representatives of Kuwait and Saudi Arabia, at the Tri-Ministerial session, objected to the “s” word appearing in the text. Point three of the declaration makes the oblique reference, that members resolve to “express our firm commitment, as key participants in the world oil market, to continue offering an adequate, opportune, and secure petroleum flow to consumers, at just and stable prices, as well as to emphasize the firm existing link between the security of supply, and the security and transparency of world petroleum demand.” As Chávez explained at the closing press conference, the phrase “transparency of demand” refers to the need to eliminate speculation in all forms.

OPEC President Rodríguez explained the reason for this circuitous formulation. “We have to be very conscious of the fact that we live in a capitalist reality, and that one of the biggest symbols of capitalism is the speculative market, and the stock market, such that these states are unlikely to establish legal procedures to limit that which is one of their greatest paradigms. Nonetheless, without having to apply legal procedures or prohibitions, it is perfectly possible, not to eliminate, but to minimize the negative effect speculation has on the markets; the most efficient mechanism is to eliminate all unpredictability in terms of the future of the market.”

He added: “Speculation is based precisely on whether prices will abruptly rise or fall. To the degree the market stabilizes, and the situation becomes prudently predictable, and to the degree that producer countries guarantee adequate supply, without flooding the market or saturating it, and also without producing artificial shortages, to that same degree the

market will stabilize, and the activity and impact of speculative activity on prices will be reduced.”

Venezuela’s Offer to the United States

One of the most effective ways to cut out speculation is for government-to-government commitments. In fact, Venezuela had already offered to sell the U.S. government 1.4 million barrels of heating oil, increasing this to 3 million barrels within five months, to help the country’s northeastern states get through the winter. However, U.S. Energy Secretary Bill Richardson told the Venezuelans that “the government isn’t in the fuel business,” and suggested they put the heating oil on the “free market” instead.

Richardson is now a laughingstock, as U.S. East Coast oil cartel refineries are lining up to receive (“pay-later”) oil from the U.S. Strategic Reserve (announced on Sept. 22 by President Clinton), all the while the same refineries are profiteering off *selling U.S. heating oil to Europe*. The free market at work.

The Venezuelan offer stands. Representatives of the Venezuelan Energy and Mines Ministry and the state oil firm *Petróleos de Venezuela, SA* will shortly be meeting with officials from Massachusetts and other New England states.

Point nine of the declaration resolves to “actively seek new and effective channels of dialogue between oil producers and consumers. . . . In this regard, the VII International Energy Forum, to be held in Riyadh, Saudi Arabia on Nov. 17-19, provides an excellent opportunity for such a dialogue, to which consumer nations are invited to participate at the highest levels.”

LaRouche’s Emergency Memo Publicized

On Sept. 25, just prior to the Heads of State meeting, veteran Mexican journalist from *Excelsior*, José Neme Salúm, published an article on the oil issue, with special emphasis on the importance of LaRouche’s memorandum. In the Dominican Republic, *El Siglo* columnist Jorge Meléndez put out a similar report. On Sept. 27, just as the official summit began, the international edition of the London-based Arabic daily *Al-Arab* published LaRouche’s memorandum. The Caracas daily *El Globo* followed a day later with an article by economist José Parés Urdaneta. Under the headline “OPEC, Oil and World Finances,” Urdaneta addressed the precarious state of world finances, and remarked that “the issue of oil prices is a very delicate one, which requires a rapid response. This could be achieved through a G-7 conference with OPEC, to reach an agreement to stabilize prices in a framework of satisfying demand. The ideas and solutions of economist Lyndon LaRouche . . . deserve to be retransmitted and heard. They are sensible ideas and solutions, in a world of stupidities and contradictions. What is at stake is not OPEC’s future, but the world’s.”

On Sept. 17, LaRouche discussed his proposals and analysis of the world strategic situation, with “Agenda Abierta” radio host Román Rojas, a well-known commentator and former diplomat.

Warnings of 'Grim October' Multiply

Since the Sept. 22 near-meltdown of world financial markets, temporarily stopped by the sudden intervention of the biggest central banks in the world that afternoon, new warnings have proliferated of an imminent dollar crash. The sources of the alarms range from Bank of Japan officials to mass-circulation newspapers in Europe.

Most notable was a letter sent by the world's top banks represented in the Institute for International Finance (IIF), to world finance ministers, warning of a "sharp fall" in the dollar unless impossible new levels of austerity are implemented via "increasing reforms."

Sept. 23: Ditchley bankers warn of dollar crash. IIF Managing Director Charles Dallara sent a formal warning letter to the world's finance ministers and central bank chiefs at the International Monetary Fund meeting in Prague, the Czech Republic. The warning was co-authored by Sir John Bond, chairman of Dope, Inc.'s Hongkong and Shanghai Bank and chairman of the IIF, on behalf of the 315 major banks which make up the IIF.

The letter warns of a "sharp fall" of the dollar, and says, "G-7 governments should signal their readiness to adjust policies in response to any incipient signs of a hard landing in the U.S. economy. . . . A sharp fall in activity associated with abrupt exchange rate changes or significant asset price corrections remains a risk, in light of the outsized U.S. current account deficit and the prospect of further earnings disappointments. . . .

"The concerns about the U.S. current account position are underscored by the increasing dependence on foreign equity inflows for financing a deficit on the order of \$450 billion this year and next. In the first half of this year, portfolio equity investment alone amounted to \$87 billion, equivalent to 42% of the deficit during that period. Policy-makers should be prepared for the contingency of a reversal or even of a significant slowdown of these funds and a consequent fall of the dollar."

Sept. 23: On Friday, Sept. 22, the world was close to a "stock market crash of incalculable dimensions, followed by tectonic clashes on international foreign exchange markets," stated the German financial daily *Frankfurter Allgemeine Zeitung* on Sept. 23. That was the main reason, the daily quotes unnamed financial strategists as saying, that the leading central bankers acted together to push up the euro on Sept. 22. After the Intel profit warning on Sept. 21, the chain reaction of stock market plunges already was in full motion on Friday morning in Asia, and then in Europe. Therefore,

the central bankers had to act immediately. In addition, the U.S. government announced the release of 30 million barrels of crude oil from its strategic reserves. After all, says the daily, the very least thing the U.S. administration wants to see before the Presidential elections on Nov. 7 is a "Black October" on stock markets.

However, the futures outlook on stock markets, despite these actions on Friday, still looks rather grim, states the daily. With their Sept. 22 intervention, the central bankers have publicly committed themselves to intervene again and again, whenever the euro starts to sink. If they don't, "the foreign exchange markets could turn into a madhouse." But even if they do, and are successful, there is a real danger that they set into motion an extended downfall of the U.S. dollar, which would be a bad omen for future trends on Wall Street, where the "miraculous money-multiplying machine has, for quite some time, been being fed decisively by flight capital from the euro zone and Japan."

Sept. 28: Bank of Japan warns that "non-linear reverse leverage could evaporate" world markets. Deputy Bank of Japan Governor Yutaka Yamaguchi, speaking at the Sept. 28-29 conference on "Recent Developments in Financial Systems and Their Challenges for Economic Policy," hosted by the Bundesbank and the Bank for International Settlements in Frankfurt, at first appeared to praise "the development of financial technology such as derivatives and securitization" for increasing world market liquidity. But he concluded that these and galloping bank deregulation could produce a "reverse leverage" which could "evaporate" the markets.

"Technological innovation and globalization might have had a tendency to amplify such crises. . . . Stress will not only affect the country in which it emerges initially, for example, Thailand in the case of the Asian crisis, but also be transmitted immediately to markets in other countries. Stress will not only be transmitted to those countries perceived to have similar economic structures, but also could significantly affect markets, which are not directly related to the stress, through the global adjustment of highly leveraged positions.

"Thus, once a financial crisis occurs, the depth and liquidity of globalized financial transactions that should absorb the shock immediately disappear. While it is true that high leverage contributes to improving efficiency as long as forecasts turn out to be accurate and the financial system is smoothly operating, once an unexpected shock hits the market and profit opportunities are lost, a sudden reversal of prices could occur through position rebalancing and leverage rewinding."

Sept. 30: London *Economist* says dollar is overvalued. The City of London mouthpiece wrote, "Many economists think the dollar is overvalued, and vulnerable, because of America's huge and growing current account deficit. Market sentiment can change very quickly. Rather than worry about a weak euro, Mr. Summers might do well to contemplate

the real possibility of a weak dollar. It may be closer than he thinks.”

Oct. 1: Former German Finance Minister Oskar LaFontaine says, “The next crisis is inherent in the system.” LaFontaine told the *Frankfurter Allgemeine Zeitung*, “It was possible to avert the collapse of the LTCM [Long Term Capital Management] hedge fund two years ago at the last minute. But the next crisis will come because it is inherent in the system.

“Yet, the American President is concerned about Wall Street, and the British Prime Minister about the City of London. Thus, all proposals for the stabilization of the world financial markets have failed, because of the approach . . . [of] the U.S. government and the British government. They believe they must protect the short-sighted interests of their banks and speculators. . . . Exchange rates must be stabilized, and short-term capital flow must be regulated again.”

Oct. 1: Stern magazine cover story: “When Will the Stock Market Bubble Burst?” Reporting on the recent speculative boom, the cover story poses the question, whether “such stock value gains are normal,” or whether they are rather evidence of the fact “that a dangerous, speculative bubble has emerged at the exchange.”

“As a matter of fact, you only know that afterwards—when the bubble has burst. As in Japan, which at the beginning of the 1980s lost 70% of the stock value of its economy in virtually no time. An elimination of property, from which the country has not recovered, to this day.”

The *Stern* story mentions warnings of a bubble crash by Bundesbank Gov. Ernst Welteke, by Deutsche Bank, by HSBC Trinkaus & Burkhardt, among others, in recent days. The story also says that the term “casino,” which at least implies some rules that have to be observed, is no longer appropriate for a description of what is going on at the markets right now: Sheer gossiping is what is determining the ups and downs these days. Or, as German economist Leonhard Knoll is quoted as saying about the traders: “All of them should be declared incompetent to carry out their own affairs.”

Oct. 2: Economist Robert Samuelson: “The U.S. is not immune to this disruptive process.” Writing in *Newsweek*, Samuelson warned that “unpredictable capital flows loom as a constant threat,” and that “the U.S. is not immune to this disruptive process. The flows that now favor America could slacken or reverse. . . . Last year foreigners bought \$332 billion in U.S. stocks and bonds, and spent \$276 billion on direct investment in the U.S. Foreigners now own \$1.4 trillion (7%) of U.S. stocks, \$900 billion (20%) of corporate bonds, \$1.2 trillion (35%) of Federal debt, and about \$1.2 trillion of direct investment. . . . In 2000, the U.S. current account deficit will exceed \$400 billion. This is a modern record.

“Why worry? Capital flight is a grim phrase that Americans associate only with corrupt Third World countries or creaky Europe. But it could happen here. Foreigners could slow new U.S. investments, or even withdraw funds. Market

moods and exchange rates can shift abruptly. Capital outflows could worsen a stock slump. Confidence would decline in the U.S. The magnitude of capital inflows into the U.S. ought to give us pause. . . . Hardly anyone understands today’s rapidly changing global finance. Even for the U.S., what goes around could come around.”

Oct. 2: The London Guardian warns of crash, caused by United States consumer credit bubble. In its lead economic editorial, the daily wrote that “the dramatic events in the world economy during the past two weeks may have lulled governments into a false sense of security.”

Everything looks fine, after that intervention on the oil prices and the euro, but the plunge protection team forgot one thing, the *Guardian* noted: “What they didn’t do was to address the biggest single economic problem of them all—the prospect of a hard landing for the U.S. economy.”

Many experts believe in the “miracle economy” of the United States, based on the alleged productivity boost through the U.S. pioneering exploitation of technologies related to the Internet. “The less fashionable view is that the U.S. expansion has been driven by an unsustainable consumer binge, financed by credit and shares, that has drained consumers of all their savings and led to a massive \$400 billion deficit on the current account of the balance of payments. The alarm bells are already starting to ring amid fears about what could happen if the U.S. stock market boom—which has encouraged people to draw down their savings—suddenly goes into reverse thrust,” the *Guardian* wrote, referencing another article on the same subject, published in the latest issue of *BusinessWeek*.

The *Guardian* concluded: “The case against the Cassandra is that they have been warning about an imminent U.S. collapse for so long that they are being treated like the boy who cried wolf. But this doesn’t alter the fact that, once confidence flags, the doomsday scenario could happen—and if it does, there will be plenty of people pontificating about how inevitable it all was.

“The last thing that the Democratic government will admit in the closing weeks of a Presidential campaign is that the almighty dollar ought to be devalued back to reality. That’s why the U.S. contribution to last week’s currency intervention was so modest. But the incoming President may have to deal with a totally different scenario. He had better have a contingency plan in his brief case.”

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Petroleum Derivatives Trading Sends Oil Price Skyrocketing

by Richard Freeman

The current explosion of petroleum prices has resulted not from underproduction, but from unchecked and unregulated speculation. At the world's two dominant energy-futures exchanges—the International Petroleum Exchange (IPE) in London and the New York Mercantile Exchange (NYMEX) in New York—tens of millions of speculative bets on oil futures contracts have, over the past two years, manipulated oil prices through the roof. The bets in this increasingly wild energy-price casino are placed by two of the principal instruments of the Anglo-American financier oligarchy: the world's biggest derivatives traders, and the leading forces of the raw materials cartel.

As a result, since January 1999, the price of oil has tripled, and hovers in the range of \$32 to \$35 per barrel, poised to resume its climb. The global hyperinflation in petroleum prices threatens, along with the accelerating financial disintegration, to detonate a chaotic breakdown in many, if not all economies of the world.

The combined speculation at the IPE and NYMEX exposes as a fairy-tale, the claim that OPEC is responsible for the price rise by holding oil off the market. Since the start of this year, OPEC has increased oil production by 800,000 barrels, and world oil production has been consistently greater than consumption.

Yet, if not OPEC, who? Let us look at the three real causes

of the petroleum price rise. First, there is the increased concentration of ownership of oil companies through mergers and acquisitions. This is led by the Aug. 1, 1998 merger of British Petroleum and Amoco, and the Dec. 1, 1998 merger of Exxon and Mobil. The considerable costs of these mergers have been passed on in higher prices.

Second, since the third quarter of 1998, Federal Reserve Board Chairman Alan Greenspan has pumped up U.S. monetary aggregates in order to prop up the financial aggregates, which has set the world on the path of a Weimar-style hyperinflation. This hyperinflationary spiral has also pushed up the price of petroleum and other commodities.

Third, as a strategic element within this setting, there has been the use of oil derivatives to bid up the price of petroleum, and to benefit from the rise in the markets for both derivatives and physical delivery of petroleum. The speculators trade oil futures contracts which represent “paper oil,” which contracts are a paper claim against oil, far in excess of the volume of oil that is produced and actually delivered at oil terminals on behalf of those contracts. As will be documented, the reality that the ratio of paper oil is many times that of actual oil, is what forces up the price of oil.

For example, according to one Texas source, a single contract at the NYMEX is traded 15 times before it expires. That is, each barrel of oil represented by this contract is traded 15 times, before the oil is delivered. At the IPE, the total oil which is traded on the exchange is only a very small percentage of all oil produced in the world, but this small volume is traded many times.

In This Section

What is causing the oil price explosion, and what should be done about it? We present here new documentation of how speculation—not OPEC!—is to blame. We also reprint Lyndon H. LaRouche's ten-point program for government-to-government negotiations on a fair oil price. Next, are reports on the terrible energy policies of Presidential candidates Al Gore and George W. Bush—the first representing Occidental Petroleum, and the second representing Enron—as well as the slightly more interesting views of Ralph Nader and Pat Buchanan.

Worldwide Leverage

The speculators employ tremendous amounts of leverage. At the exchanges, the crude oil futures contract entitles the speculator to put down, as the margin cost of his purchase, only 2.5 to 5% of the underlying dollar value of all the oil covered by the futures contract. Yet the Brent Crude Futures contract, which is traded at the IPE in London, determines the price of actual Brent crude oil; likewise, the West Texas Intermediate Crude futures contract, which is traded at the NYMEX in New York, determines the price of actual West Texas Intermediate the crude oil.

Moreover, Brent crude oil and West Texas Intermediate crude oil, constitute the basis against which more than 90%

TABLE 1

Brent Oil Futures Contracts, 1991-2000

	No. of Brent Crude Oil Futures Contracts (Millions)	No. of Barrels of Oil Covered by Brent Futures Contracts (Billions)	No. of Barrels of Brent Oil Produced per Year (Millions)	Ratio of Barrels Covered by Brent Futures Contracts to Barrels of Brent Oil Actually Produced
	5.23	5.23	66.80	78.30
1992	6.17	6.17	85.05	72.6
1993	8.85	8.85	84.68	104.5
1994	8.94	8.94	72.27	123.6
1995	9.77	9.77	69.72	140.2
1996	11.41	11.41	70.81	161.1
1997	10.30	10.30	48.55	212.2
1998	12.67	12.67	46.72	271.2
1999	15.98	15.98	69.72	229.3
2000	17.69*	17.69*	29.65*	596.6

* This covers the period January through August 2000, on an annualized basis.

Sources: International Petroleum Exchange; Petroleum Institute (London); Wood MacKenzie U.K. Upstream.

of the world's oil is priced. Thus, what importers, whether they be individual companies or nations, pay for their oil, is determined by the price of Brent crude and West Texas Intermediate crude.

Pinpointing this theme, in a Sept. 19 memorandum, Lyndon LaRouche cited "an intensity of speculative activity, especially in the form of financial derivatives, in this area, which threatens to bring the per-barrel price of petroleum to between \$40 and \$50 per barrel, soon, and not much later, much higher." LaRouche outlines emergency actions that nations must take (see p. 12).

A NYMEX document, "How the Exchange Works," boasts that it has nothing to do with oil production. "Yet the buying and selling on the Exchange occurs amid the winding streets of the oldest section of New York, with nary an oil well or copper mine in sight. In fact, many thousands of transactions conducted on the Exchange each day are accomplished without the participants ever seeing a gallon of heating oil. . . . If you visit the Exchange trading floor, you won't find samples of metal or barrels of oil scattered about, but you will see a lot of people standing in circles yelling at each other."

We will first see the volume of oil futures trading operations, and how the futures work; and then those agents, acting for the Anglo-American financier oligarchy, who run the markets, and for what purpose.

Speculative Frenzy at the IPE

The IPE's biggest contract is the Brent Crude Futures contract. The "paper barrels" are many times the physical barrels of oil. **Table 1** shows that the volume of trading in Brent crude oil futures contracts tripled from 5.23 million in 1991, to 17.69 million in 2000. (The figure for this year is annualized from the first eight months.) Moreover, the volume of Brent Crude Futures oil contract betting rose by 5

million contracts during the past two years, an instrumental force in driving up the price of oil threefold.

Each contract (or lot, as they are sometimes called) that is traded represents 1,000 barrels of oil. Thus, the 17.69 million contracts traded in 2000 represent 17.69 billion barrels of oil. The fourth column represents the total annualized production of Brent North Sea oil: In 2000, it is 29.65 million barrels. The fifth column is a ratio: the number of barrels of oil traded through Brent Futures contracts annually, compared to the number of barrels of oil annually that are brought out of the North Sea in production. In 2000, the ratio of paper oil to actual oil was 597. The trend is important, rising from 78 in 1991, to 212 in 1997, to 597 today.

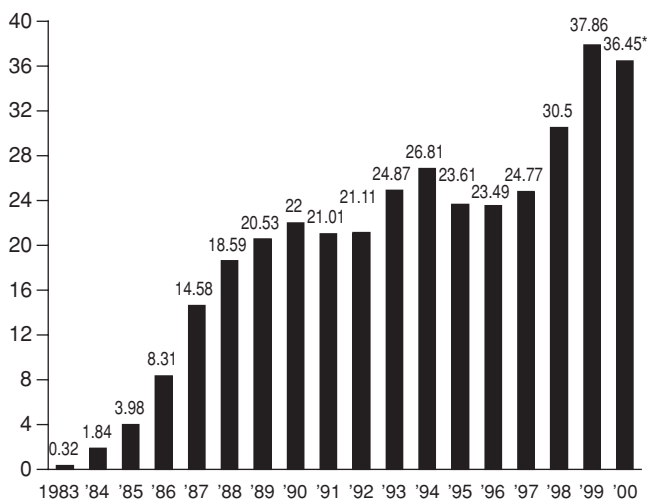
However, there is an important qualification. The Brent Crude Futures contract is a contract that has a price against Brent North Sea oil, which is produced in the North Sea and has a specific API gravity. However, other oils are deliverable against the IPE's Brent Crude Futures contract, such as Nigerian Bonny Light, or Norwegian Oseberg Blend, with a conversion factor that converts these other oils to a basis that is equivalent to Brent crude (these other oils either have a premium or discount in price comparable to Brent). Thus, other oils are deliverable against the Brent Crude Futures contract.

In reality, only a limited amount of the world's oil production, other than Brent oil, is traded at the IPE and delivered against the Brent Crude Futures contract. The IPE says that it cannot assist the researcher on this: It claims it does not know the volume of oil, other than Brent oil, that is traded and delivered against the Brent Crude Futures contract, which would make more possible a calculation of paper oil to actual oil. However, it is possible to see how limited the amount of other oil that is traded on the IPE is. For example, a source at the IPE reported on Sept. 26, "Some Arab [nations] do not have their oil traded through the IPE. Aramco [run by Saudi

FIGURE 1

West Texas Intermediate Crude Futures Contracts, 1983-2000

(Millions of Contracts)



*This covers the period January through August 2000, on an annualized basis.

Source: New York Mercantile Exchange.

Arabia] will not trade oil through IPE and have [IPE] futures contracts posted against their oil.” Saudi Arabia produces 8.02 million barrels per day (mbd). It is believed that Iran will not allow IPE futures to be traded against its oil (Iran produces 3.58 mbd), and that most Middle East OPEC members (which produce approximately 23 mbd) will not. It is also believed that China will not (3.27 mbd), nor will most of the nations of the former Soviet Union (which produced 7.68 mbd). Most of the oil of the Americas is not traded or delivered at the IPE against IPE Brent Crude Futures contracts, and if it is exchange-traded at all, it is traded through the NYMEX.

Thus, the amount of physical oil that the Brent Crude Futures contracts are traded against is unknown, but limited. If one takes the ratio of the number of barrels of oil which are traded through Brent Futures contracts annually, to the number of barrels of oil annually that are brought out of the North Sea, which is presented in column 5 in Table 1, even if that ratio of paper oil to actual oil is off by a factor of 10 to 100, the trend shown there is significant, and increasing. (This comprises a necessary approximation; in future issues, *EIR* will work to refine this further.)

The NYMEX Speculative Binge

Figure 1 shows that the volume of crude futures contracts traded on the NYMEX has also shot up.

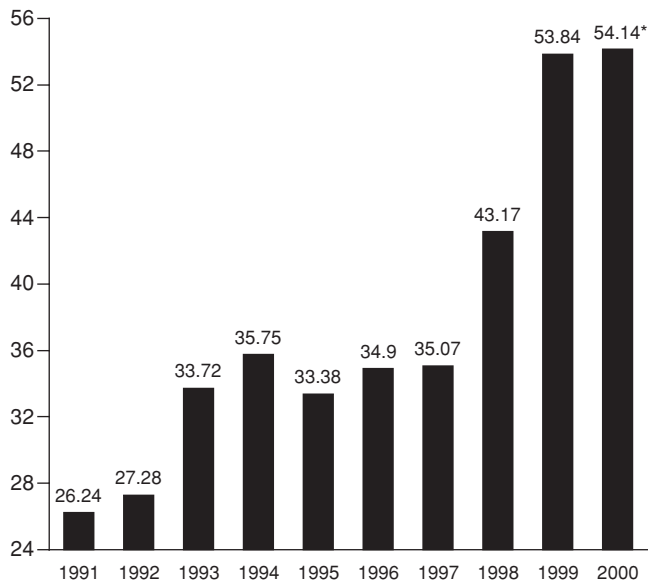
In just the last two years, the volume of speculative NYMEX WTI Crude contracts traded has increased by 6 million.

According to a source in Texas, “A single WTI crude

FIGURE 2

Crude Oil Futures Contracts Traded at the IPE and NYMEX, Combined

(Millions of Contracts)



*This covers the period January through August 2000, on an annualized basis.

Sources: International Petroleum Exchange; New York Mercantile Exchange.

contract at the NYMEX trades 15 times before the contract expires. Usually the contract is for 18 months, and the heaviest trading period, when the most trading of it takes place, is the last month and one-half before it expires.”

Figure 2 shows the number of crude oil futures contracts traded together on the IPE and NYMEX.

Between 1998 and 2000, the volume of crude oil futures, a form of derivatives, rose from 43.17 million contracts to 54.14 million contracts, an increase of 10.97 million contracts, which represent an underlying volume of oil of 10.97 billion barrels. But between 1998 and 2000, the volume of world oil production increased by only 183 million barrels. So, during 1998-2000, there were derivatives contracts representing 325 new paper barrels of oil for every new barrel of oil produced (10.97 billion versus 183 million). This is a huge concentration in speculation, which had an equivalent effect in pushing up the oil price.

Overall, in 2000, there will be 54.14 million futures-derivatives oil contracts deals, which cover and are a claim on 54.14 billion barrels of oil.

Leverage

The oil futures-derivatives build a tremendous amount of leverage into the oil market, so that a small amount of money is having a great effect.

A futures contract is an agreement to purchase or sell a commodity for delivery in the future, at a price which is determined at initiation of the contract. In the case of oil, one can buy one contract or lot of oil, at, say \$37 per barrel. Since each contract or lot is 1,000 barrels, one lot would cover \$37,000 worth of oil (1,000 barrels at \$37 per barrel). But here's the catch: At the London IPE, at the moment, the margin that a speculator must put down to buy a Brent Crude futures contract is \$1,400. Thus, one buys a futures contract, which has a claim on an underlying value of oil of \$37,000, for a margin of only \$1,400, or a margin of 3.8% of the underlying value of the oil. At the NYMEX, the margin is between 2.5 and 4% of the underlying value of the oil in the contract. This transmits to the speculator a tremendous amount of leverage. The leverage on the IPE is 26:1, i.e., \$37,000 divided by \$1,400.

As yet, if one buys a futures contract, one does not own the oil; one has the ability to buy it at the future specified date at \$37 per barrel. However, in the technical language of the exchanges, the futures contract is said to "control" the underlying commodity, indicating a high degree of influence.

Now consider the manner by which speculators drive up the price of oil through the use of oil futures trading. Assume that oil is trading at \$35 in October, and speculators wish to drive it up to \$40 in November. A core group of speculators would buy tens of thousands, or hundreds of thousands of Brent Crude or WTI Crude futures contracts for November delivery at \$40 per barrel. The object is to move the price of physical oil upward. Consider the case of an individual who needs an amount of oil in November. He sees that the "savvy investors" (in reality, speculators) are taking out oil contracts for November delivery for \$40 per barrel. He fears, based on his reading of the futures market, that when November comes around, he will have to pay \$40 per barrel. He cannot afford to wait for November. Since oil is \$35 per barrel now, he will be willing to pay in the range of \$36 to \$39 per barrel of oil, recognizing that he will no longer be able to get the oil at \$35 per barrel.

The individual needing oil in November will do one of two things. He will try to buy oil at \$36-39 per barrel on the futures market. That will most likely fail, so therefore he will try to buy oil on the Rotterdam spot market (i.e., physical delivery market), and take delivery of oil at \$36-39 per barrel. The price of oil has been bid up from \$35 per barrel to the range of \$36 to \$39 per barrel. This is one example: There are other ways that the futures market drives up the current price of oil. The futures market strangles the productive forces in the economy really needing oil. The speculators will repeat the process as many times as is necessary (and also make money through their control of the spot market).

Now, add into this situation, the fact that over the last two years, 10.97 million additional crude oil futures contracts, above the level of 43.17 million that existed at the end of 1998, were brought into play as speculative instruments. These contracts represent 10.97 billion barrels of oil (not all

the contracts were for oil's price to rise, but the overall process of the contracts was shaped to create a price increase). In the case above, the futures price of Brent Crude is determining the spot physical price of Brent crude. Likewise, the futures price of WTI is determining the spot physical price of WTI crude.

This has global repercussions. Critically, the IPE boasts, the Brent Crude complex "is used to price two-thirds of the world's oil supplies, and its influence is still spreading." That is, the price of two-thirds of the world's oil is pegged to the Brent Crude complex. Most of the rest of the world's oil is priced against WTI (a little bit of it is priced against Dubai oil).

But, further, the IPE also is rigging the price of oil products, in particular in Europe. It shamelessly brags that its "gas oil prices are used as a basis to price heating oil, diesel, and aviation jet fuel in Europe and beyond."

The Oligarchy Runs the Exchanges

It is the financier oligarchy's derivatives traders, and the House of Windsor-pivoted Anglo-American oil and raw materials cartels, that run the IPE and NYMEX.

Here is a list of the major IPE floor member companies: ABN Amro; ADM Investors Services International; AIC Limited; Amerex Futures; Arcadia Petroleum (a division of Mitsui); Banc of America Futures; Bank of Nova Scotia; Barclays Capital; Bear, Stearns International; BP Oil International; Cargill Investor Services; Crédit Lyonnais Rouse; Deutsche Futures London; Enron Europe Finance and Trading; Fimat International Banque; GNI; Goldman Sachs International; ING Barings Futures & Options; Ixomex; Lehman Brothers; Merrill Lynch; J.P. Morgan Securities; Morgan Stanley International; Paine Webber International; Paribas Futures; Phibro Futures (a division of Citicorp-Salomon); Prudential Bache International; PVM Oil Futures; REFCO Overseas; Salomon Brothers International; Shell International Trading; Skandinavisk Enskilda Banken; Swiss Finance Corp.; and Trafalgar Commodities.

From its inception in 1980, the IPE has been a not-for-profit society, owned by its member firms. In April, it voted to demutualize and become a private, for-profit company. A majority of the controlling shares in the new private company will be owned by the member firms.

As for the NYMEX, the list of its major floor members is almost identical to IPE's. The NYMEX is also a not-for-profit mutually owned society.

Thus, the same group of oligarchically controlled firms run both the IPE and NYMEX. This same group of firms, comprised of derivatives traders and members of the Anglo-American raw materials cartel, also set off the Russian GKO crisis in 1998, attacked the Asian currencies in 1997, and have destroyed various sections of the world economy.

Using 54.14 million oil futures contracts, all highly leveraged, they have been driving the oil price speculatively upward.

Bush: Don't Touch Oil Prices—My War Chest!

by Michele Steinberg

Within hours of President Bill Clinton's Sept. 22 announcement that 30 million barrels of oil would be released from the U.S. Strategic Petroleum Reserve to meet the energy "shortage" in the United States, and to bring prices down—in an attempt save Al Gore's hide in the Presidential election—top Congressional Republicans began accusing Clinton of treason. Within a week, the Congressional GOPers held hearings to discuss legal action to stop the President from "depleting" the strategic oil reserves.

The energy price hyperinflation crisis—with oil threatening to reach \$50 per barrel because of speculation—is a perfect opportunity for President Clinton to nail Wall Street, by naming the speculators and the Bush-league oil and natural gas cartels that are an integral part of the worldwide oil price hike. But, bucking Wall Street would also blow back on Gore; so, the President's insane commitment to Gore's election remains the Achilles' heel of U.S. policy.

On Sept. 29, just one week after the "bloody Friday" that hit world stock markets and currency markets, and necessitated the dual emergency White House actions—release of the strategic oil reserve, and coordinated action to bail out the euro—George W. Bush "took the offensive," with an announcement of a "national energy policy," at a speech in Saginaw, Michigan. The speech shows that Bush is just as fanatically dedicated to the free trade "new world order" looting of any and every nation that has energy resources, as Gore is fanatically dedicated to the radical population reduction reflected in his book *Earth in the Balance: Ecology and the Human Spirit*. Both policies amount to genocide, especially against the Third World.

Little Lord Oil Baron

Bush is not a "puppet" of big oil interests: He, and the Bush extended family, including "Sir" George Bush, Knight of Her Majesty Queen Elizabeth, of the British Empire, are at the top levels of the Anglo-American financier establishment. Before looking at Bush's so-called energy policy, a few basic, but little-known connections should be exposed:

- Enron, the number-one career patron of George W. Bush, headquartered in Houston, Texas, is not only "big oil and gas," but it is also at the center of oil price speculation, through the International Petroleum Exchange (IPE), which

sets the world oil price through the price of "Brent Crude" in London. Enron Europe Finance and Trading is the entity on the IPE, where, according to *EIR* research, there are 596.6 "paper barrels" of oil currently traded in futures for every single *real* barrel of Brent Crude oil. Enron Corp. had given \$550,025 to Bush's political campaigns through political action committees and individual contributions, according to the Center for Public Integrity—and that figure does not include the 2000 Presidential Campaign. At the very least, Enron "made" Bush governor.

Since 1985, when Vice President Bush ran a secret parallel government in the White House, under Executive Order 12333, Enron has grown to become a diversified utilities corporation, dealing in oil and gas, electricity, and, most recently, water futures. It is at the center of electricity deregulation, as well as driving up the price of natural gas. On the board are

LaRouche: Bring Oil Price Inflation Under Control

The following memorandum was issued by Lyndon H. LaRouche, Jr. on Sept. 19.

1. The following statement constitutes a preliminary statement of policy "On the Subject of Emergency Action by Governments to Bring the Present Petroleum-Price Inflation Under Control."

2. Broadly, the current global inflation in petroleum prices threatens to be the detonator of a chaotic breakdown in many, if not all of the economies of the world. The actions proposed here to deal with that emergency situation will not solve the more general problem of the world's financial and monetary systems at large, but will contribute an important, and perhaps decisive step in that direction.

3. The underlying cause of the crisis, of which the petroleum-price crisis is but the presently leading political-economic consequence, is a general hyperinflation in financial asset-prices, which is now being expressed, at increasing rates, as a hyperinflation in commodity prices now following a trend similar to that suffered by Weimar Germany during the interval March-November 1923.

4. For sundry, converging, and relatively obvious reasons, the most brutal effect of that upward spiral of financial hyperinflation is being expressed in devastating rates and magnitudes of rises in the costs of petroleum. The increasingly desperate effort to secure inflows of financial assets into the U.S. dollar sector, has seized upon several

many Bush family lifelong friends, including CEO Kenneth Lay and President Bush's Secretary of State James Baker III.

In 1993, former President Bush, with sons Neil and Marvin in tow, travelled with Baker, to secure up to \$4 billion from Kuwait, in contracts to "rebuild" its electricity grid. Immediately after the trip, Bush's moles in the U.S. intelligence community "uncovered" a plot by Saddam Hussein to assassinate the former President, and suckered Clinton into bombing Baghdad in retaliation. For the Bush family, such British-inspired "splendid little wars" in the Gulf, have been the road to riches. In June 1990, just before the onset of the Iraq crisis, George W. Bush unloaded his holdings in Harken Energy, and made millions before the stock prices in his company plummeted, along with other oil company stock prices, due to the Gulf crisis. He was later investigated for "insider trading."

Today, Enron has placed itself in the center of building a new cartel in the universe of electricity deregulation, with advanced plans for controlling the U.S. energy grid through locking up access to natural gas pipelines and supplies.

• Halliburton: Bush's running mate, Richard Cheney, is a self-professed proponent of "geopolitics," the British Empire's political theory that was the scourge of the 20th Century. In 1999, Cheney was the guest at the London Institute of Petroleum's "Autumn Lunch," an annual event initiated in 1998. At that meeting, Cheney extolled geopolitics, and laid out a detailed analysis of who will be "the survivors" in the oil markets of the future. Cheney made clear that he is not fond of the "national oil companies" of sovereign nation-states, and that oil and gas should be privatized.

Delivering a stark warning to nations that might feel compelled to defend their oil supplies, Cheney, the Secretary of

combined factors, as the opportunity to increase asset-price accumulations from hyperinflationary trends in the delivery prices of petroleum products.

These factors include: recently increased concentration of ownership of major oil companies through mergers and acquisitions, the increased role of the spot market in petroleum deliveries, the significance of denomination of deliveries in U.S. dollars, and an intensity of speculative activity, especially in the form of financial derivatives, in this area which threatens to bring the per-barrel price of petroleum to between \$40 and \$50 per barrel, soon, and not much later, much higher.

5. No ordinary means could bring this problem under control during even the short term. Only drastic measures taken in concert between and among sovereign national governments, could bring the petroleum-price crisis itself under control. Any other proposal would be a childish delusion. For the immediate future, either such governmental action will be taken, or the eruption of international chaos within the weeks ahead were the likely result.

6. The appropriate action, which must be led by the U.S. government, must aim at immediate emergency cooperation among the governments of principal petroleum-exporting and principle petroleum-consuming nations.

7. These governments must: a) Declare a general strategic emergency in the matter of stability of flows and prices of essential energy-supplies of national economies; b) Establish contracts, directly between and among governments, of not less than twelve months government scheduled deliveries of petroleum from exporting to consuming nations; c) Define reasonable prices for these contracts; d) On the grounds of a global strategy emergency in petroleum prices and supplies, these governments must set priority on processing of such contracted petroleum

flows through relevant refiners to priority categories of consumers in each nation, causing other stocks to be shunted to one side in the degree that these priority deliveries must be processed first.

8. Such action will, obviously, collapse much of the current hyperinflationary trends in petroleum. That will have a significant political effect, in the form of reactions from the speculators currently gorging themselves on the suffering of national economies suffering zooming speculative prices of petroleum. We can not permit the cupidity of a powerful few speculators to destroy enterprises essential to the national interests of nations, and to the relations among those national economies. That opposition to urgently needed measures must be resisted on grounds of overriding national strategic interests.

9. This proposed action will not cure the more general hyperinflationary trend in progress. It will only bring a most critical segment of this speculative inflation under control; but it will set standards of cooperation now urgently needed, for dealing with the general international banking and related crises about to strike the world as a whole during the weeks and months immediately ahead.

10. There are many details of the current speculative marketing of petroleum contracts which require closer scrutiny and related assessment. That investigation should proceed; it is urgent. However, those representatives of governments who understand the politics of oil, must play a leading role in implementing the general measures I have indicated, now, without delay. After a thirty- to ninety-day initial period of operation of the proposed agreements, secondary and tertiary features of the problem will be clearer, and, most important, governments and others will have developed the mechanisms needed for further courses of action.

Defense during “Operation Just Cause,” the U.S. invasion of Panama, and “Operation Desert Storm,” against Iraq, stated: “Oil is unique in that it is truly so strategic in nature. . . . Energy is truly fundamental to the world’s economy. The Gulf War was a reflection of that reality.” He then made a veiled threat against the Organization of Petroleum Exporting Nations (OPEC), praising their “recent restraint” in pricing oil, but warning that “the group may ultimately bring about its own undoing if it shoots for too high a level for oil prices.”

Cheney outlined Halliburton’s view, that the future of energy is in two things—natural gas, in which the company is moving quickly to take a major position, and mergers and acquisitions. He bemoaned the fact that the return on oil exploration and production is among the lowest of any industry in the world, and that this must change by having the “super majors,” that is, the top of the heap of the oil cartels, get more into “investment decisions and . . . financial risks.” That would be more profitable than the commodities and production end of the business, which turns the oil companies into “lumbering giants.”

America: The New Empire

More than any other Bush speech, the one on “energy policy” reveals the full “New World Order” disease that the younger Bush carries.

The entire speech is geared to produce absolute panic about OPEC, and is replete with warnings that “America, more than ever . . . [is] at the mercy of foreign governments and cartels—at the mercy of big foreign oil.” “Never before,” says Bush, “has our country been more dependent on foreign supplies.” And, he claims, the former Gulf allies in Desert Storm are “ignoring” the needs of the United States. Not only that, he says, Clinton’s release of the strategic petroleum reserve “leaves our country even more vulnerable to foreign suppliers, including Saddam Hussein.” He even claims that “Saddam Hussein’s Iraq has become a major supplier of oil to America. . . . One of our worst international enemies is gaining more and more control over America’s economic future.”

Never does Bush mention the fact that *not one drop* of Iraqi oil can be produced without the complete oversight of the UN Security Council, and that a U.S. Navy Task Force is in place which stops ships on the high seas to inspect their oil cargos.

He also threatens the Persian Gulf states and other members of OPEC. Sounding like a high-level clerk of the British Foreign Office, Bush says, “I would remind our friends in the Persian Gulf that our relationships are not merely commercial, but strategic—they own the oil, and America offers its protection. In the end, it is America that protects the peace, America that safeguards their independence.”

After his diatribe against “big foreign oil” (he apparently has no problem with “big American oil”), Bush then lays out his formula for American energy independence: deregulation! “I support the deregulation of electricity—which we

have successfully done in Texas,” he says. In complete disregard for reality, Bush lies, “Federal deregulation would make electricity more reliable, and promote competition.” As *EIR* has documented, deregulation has destroyed the electricity grid of the United States, and Bush’s scheme to base a new, deregulated electricity grid on abundant natural gas reserves, is a fraud. The price of natural gas, which is abundant, especially in the United States, is skyrocketing in parallel to oil prices—for no reason except speculation and price-fixing. Consumers in Texas, Oklahoma, Washington state—indeed, throughout the country—are paying anywhere from 18% to 30% more for natural gas supplies controlled by the likes of Bush’s Enron backers.

An ‘Energy NAFTA’

The final plank of Bush’s energy plan is an “Energy NAFTA”—the North American Free Trade Agreement, the last nail in the coffin of national sovereignty. Again invoking the OPEC bogey-man, Bush says he will “build strong relationships” in our own hemisphere, and “invite the governments of Canada and Mexico to join in developing a North American Energy Policy”—a policy rooted in the “principles of free trade and the free flow of energy across our borders.” Such an “energy NAFTA” is a naked threat against Mexico—which is not a member of OPEC, and which already *is* the major foreign supplier of oil to the United States. Since the advent of the Trilateral Commission in the early 1970s, Mexican oil reserves, and its national oil company, PEMEX, have been the targets of every possible scheme of thievery. What the International Monetary Fund failed to accomplish with a proposal for an oil grab in return for debt relief, Bush is proposing to accomplish in the name of “free trade.”

The media have focussed on Bush’s proposal to tap resources in the Arctic National Wildlife Refuge—which was cynically calculated to get a reaction from “environmentalist” Gore—and keep the issues far away from the futures market and the rampant piracy that is behind the energy price hyperinflation.

Never does Bush mention the futures market, and the speculative price bubble. Only once does he mention the deficiency in U.S. refining capacity—another victim of de-industrialization, and the policy of looting Third World countries of their energy resources. But, Bush offers no plan to address the refining shortage. Nor does Bush, just like Gore, ever mention nuclear power, the real hope of the 21st Century.

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Gore's Hypocrisy On Energy Policy

by Scott Thompson

If one heard Al Gore's remarks on energy policy, on Sept. 29 to the Audubon Naturalist Society, he would have come across as a slightly pale shade of green. In his opening remarks, Gore, sounding almost sane, stated: "Today I want to focus on the right and responsible way to make sure America has a clean, secure, and affordable energy future, while protecting the environment for generations to come." He spoke of keeping oil companies from invading "precious national treasures, like the Arctic National Wildlife Refuge," devising cars that would get 80 miles per gallon, building modern mass transit, and so forth.

But, if this is Gore as "Dr. Jekyll," his "Mr. Hyde" lurks in his book, *Earth in the Balance: Ecology and the Human Spirit* (New York: Houghton Mifflin, 2000).

In this book, Gore rejects nuclear energy, even though it is safe and supplies a large proportion of the energy in nations ranging from France to Japan.

The book, which is a recipe for genocide against 2 billion people, was re-issued after its 1992 edition as a campaign document, and no one raised a ruckus. Gore, like his gurus Paul and Anne Ehrlich, seems to believe that every real or imagined problem facing humanity today is that there are just too many people.

Gore would also replace existing energy sources with so-called "green energy"—e.g. solar, wind, and water—that would provide "sustainable development." It would also spell the end of the United States as an industrialized nation.

Gore says in his book that "we should move away from the internal combustion engine over the next quarter century," but, he provides no workable alternative.

Elements of Gore's "Strategic Energy Initiative" for the Third World are even worse. He writes, "For example, inexpensive but energy-efficient ovens and 'cookers' distributed on an experimental basis in some Third World societies that depend on charcoal and firewood have dramatically decreased the amount of energy resources scavenged from the countryside."

Gore also advocates so-called "green energy" sources. For example, Gore states: "A little-noticed but surprisingly competitive source of electrical power is wind-generated energy, using a new generation of windmills with advanced aerodynamic design. . . . Some [have] discovered that so-called passive solar techniques were very effective in reducing heating bills."

Gore also had been one of the ringleaders of the December

1997 Kyoto, Japan summit on reducing "greenhouse gas" emissions to 1990 levels by 2010. Just a few examples of this lunacy give the flavor.

According to Dennis Avery of the *Journal of Commerce*, full implementation of the Kyoto treaty would mean a 75% surge in energy prices for farmers on machinery and fertilizer. Wharton Econometric projects that under the treaty, "1.8 million jobs would be lost, gas prices would skyrocket 50¢ a gallon, family energy bills would go up \$440, and every man, woman, and child would have to fork over an extra \$308 a year."

No nation could be even partially industrialized under Gore's energy policy, and millions would die as a result of starvation, lack of health care, and so forth, even in the so-called "advanced sector."

Gore Makes a Killing on Big Oil

Since he launched his campaign for President, Gore has made "Big Oil" one of his favorite targets. However, since approximately 1950, whenever the late "Red Capitalist" and oil tycoon, Dr. Armand Hammer of Occidental Petroleum, was asked about his relationship with Sen. Al Gore, Sr. (the Vice-President's late father), Hammer would smile and pat his wallet. Since his father's death in December 1998, Gore holds \$500,000-\$1 million of stock in Occidental, which is one of the largest integrated oil companies in the United States.

On Sept. 21, at the headquarters of the Burch Oil Co. in Hollywood, Maryland, Gore called for tapping the Strategic Petroleum Reserve (SPR) to drive down energy prices—as if the problem of high fuel prices were not commodities futures speculation. Another problem with this proposal is not just that the SPR only holds 570 million barrels, but the number of refineries in the United States has declined from 195 in 1987, to an estimated 150 today, and those are working at 96% capacity. Thus, tapping the SPR at most could produce 4.4 million barrels per day for approximately 125 days.

Even more scandalous is that, in October 1996, as part of Gore's "Reinventing Government" project, the Clinton-Gore Administration sold Elk Hills, one of two reservoirs of the Naval Petroleum Reserve, through a "sealed bid" auction, to Occidental. The price amounted \$3.50 to \$5.25 per barrel. Today, Occidental Petroleum is selling this "light, sweet oil" for \$35 a barrel.

There is also approximately 2 trillion cubic feet of natural gas in Elk Hills, that Occidental is now selling for \$5.50-7 per 1,000 cubic feet. And, Occidental plans to build a natural gas-fired generating plant and sell the electricity in California, where deregulation has sent electric bills soaring by 50% or more.

As the June 16 *Washington Times* revealed, this giveaway of Elk Hills reportedly tripled Occidental's U.S.-based oil reserves. And, it led to an immediate 10% increase in the company's stock price, from which Gore and his family have reaped at least \$50,000 in profits.

Nader, Buchanan Slam Gore, Bush on Energy

by Jeffrey Steinberg

There is good reason why Al Gore and George W. Bush agreed on at least one thing: Under no circumstances would Ralph Nader or Pat Buchanan be allowed near the so-called Presidential debates. Indeed, when Nader showed up in Boston to attend the first of three scheduled “major Presidential candidates” debates, with a ticket to sit silently in the audience, he was tossed out by some of Boston’s finest, before the TV cameras started rolling.

One issue that occupied a good deal of time in that first debate was how Gore and Bush would handle the energy price crisis. Both “front-runners” pandered to the oil cartel interests, dodged all of the important facets of the crisis, and, instead, got into what looked a lot like a pre-rigged “debate” over the fate of Alaska’s north slope oil and gas reserves.

Nader and Buchanan, while flawed in their responses to the energy crisis, are light-years ahead of the two great debaters on this vital issue. Nader, the Green Party Presidential candidate, and Buchanan, the nominee of the Reform Party, recently issued written policy statements on the energy crisis.

On Sept. 21, Nader, in a press release headlined “Gore’s Unworkable Election-Year Ploy Unmasked by His Eight-Year Record on Big Oil,” charged that “for almost eight years, Clinton and Gore have surrendered to the demands of big oil companies. They have rubber-stamped most giant oil mergers, which have concentrated markets and pricing power. They have ignored the contraction of refining capacity, thereby allowing shut-downs to contract gasoline supplies and skyrocket prices by 40% or more.” He said, “There has been no White House jawboning, no subpoena-equipped Justice Department investigations into how domestic downstream refinery and pipeline glitches result in huge profits and consumer losses.”

In a telephone interview with *EIR* on Sept. 29, Nader underscored that the Clinton-Gore Administration “messed up in so many ways” that they deserve “severe censure and condemnation for their surrender to big oil interests.” He added that the increased power of the oil cartels “neutralized” any impact of the release of part of the Strategic Petroleum Reserve, because the cartels could manipulate supplies to continue driving up prices.

Attached to Nader’s Sept. 21 press statement was a letter he sent in August to Gore and Bush, urging them to join him in pressing for a reversal of the deregulation of the electricity industry. Citing the 250% jump in electricity prices in the San

Diego, California area since May, Nader asked what “the cause of this consumer disaster” was. He answered: “The deregulation of electricity: a radical reversal of the public’s historic approach to managing the energy monopolies.” Calling California’s deregulation “fraudulent at the inception,” he declared that “it makes no sense to turn an absolute necessity of modern life, health, and economic prosperity—electricity—into a commodity subject to the whims of a handful of power corporations, which use their oligopolistic might over the marketplace to obtain excessive profits. . . . ‘Free market’ principles do not apply to the distribution of electricity, which is a service suited only to a regulated monopoly.”

However, Nader’s notorious opposition to expansion of nuclear energy in the United States introduces a flaw in the approach he would take to solving the energy price crisis as President. But his diagnosis of the roots of the present energy price crisis are not far from the points emphasized by Lyndon LaRouche in his ten-point proposal for ending the energy price emergency (reprinted in this issue).

Wrong Target, Better Solutions

In contrast to Nader, Buchanan, in a speech at Boston University on March 31 (at the outset of the oil price spike), blamed the crisis on the Organization of Petroleum Exporting Countries and other foreign oil-producing nations, including Nigeria, Norway, Indonesia, and even Ecuador. Buchanan assailed a “global price-rigging conspiracy,” which he called “the dark side of globalization,” but left the oil cartels and the spot-market speculators out of his equation.

But, once Buchanan got around to presenting his own solution to the crisis, a bit more sanity was evident. First, he called for the United States to pursue a genuine policy of energy independence, through expansion of domestic oil and natural gas exploration and drilling. He called for setting “a floor price of oil,” with an “import fee” that would kick in “to support domestic prices, to keep U.S. wells producing and the price of our natural gas competitive.” “Over the last 15 years,” he said, “U.S. oil production has fallen by 2.7 million barrels a day. In 1981, we had 4,500 active rotary drilling rigs; today we have only 760.” In addition to demanding tax incentives for new production, he called for America to revive its nuclear power industry. “France generates 76% of its electricity with nuclear power; Sweden, 46%; and South Korea, 41%. . . . We invented nuclear power. Why let others exploit its potential while we are too frightened to do so?”

Buchanan concluded, “To show we mean business, the U.S. should negotiate an end to sanctions on Iran and Iraq, sell both all the oil-drilling equipment they wish to buy, and let them sell all the oil they want on the world market. . . . Lifting sanctions on Iraq would also end an economic war, the primary casualties of which have been that country’s innocent, elderly, sick, and young.”

Flawed, for sure, but far more reality-oriented than the babble coming from the mouths of Bush and Gore.

Russian Regions Look to 'Survivors' Club'

by Jonathan Tennenbaum

While those factions in Moscow, who orient their interests and policies to the London and New York financial markets, continue to promote the delusion, that British and other Western investors are about to support Russia's economy by pouring in tens of billions of dollars, leaders in Siberia and other important regions of Russia are intensively organizing for closer cooperation with Asian countries—including especially China, South Korea, and Japan.

Exemplary is the launching of the Baikal Economic Forum at a Sept. 20-22 international conference in the Siberian city of Irkutsk. Devoted to “the integration of Siberia and the Russian Far East with the Asian-Pacific and world economy,” the event was attended by some 1,330 representatives from Russia's regions, central government and business circles, together with more than 270 guests from mainland China, Taiwan, Korea, Japan, and Mongolia, as well as western Europe and the United States.

A Task of Planetary Proportions

Opening the conference, the chairman of the Russian Federation Council, Governor of Oryol Province Yegor Stroyev, stressed that “the development of Siberia and the Russian Far East is a task of epoch-making, even planetary proportions,” calling for “direct cooperation of the eastern regions with regions of central and southern Russia . . . with the Central Asian countries and the entire Asian-Pacific region.” He reminded his audience that “Russia is a Eurasian power,” and that Siberia is key to its future.

In the context of “concrete projects” to develop the vast mineral and energy resources of Siberia and the Russian Far East, Stroyev emphasized that “the real prospect of creating a transport corridor ‘Hokkaido-Sakhalin-mainland’ . . . will make it possible to promote the process of economic integration on the scale of the entire Northern Hemisphere.”

This project, reportedly a major subject of discussion during the visit of Russian President Vladimir Putin to Japan in early September, involves construction of an approximately 50-kilometer-long tunnel from the northern Japanese island of Hokkaido to the petroleum-rich Russian island of Sakhalin, and a much shorter tunnel from Sakhalin to the Russian mainland. Once completed, the project would for the first time establish a land connection from Japan (whose

main islands of Hokkaido and Honshu are already linked by the 54-kilometer Seikan tunnel) to the Eurasian landmass. This ambitious project—included in Lyndon LaRouche's proposal for the “Eurasian Land-Bridge,” as outlined in the *EIR Special Report* “The Eurasian Land-Bridge: The ‘New Silk Road’—Locomotive for Worldwide Economic Development”—would complement the “energy bridge” from Japan to Sakhalin, which is already under negotiation between the Japanese and Russian governments, as well as the projected reestablishment and modernization of rail links between South Korea and North Korea, with continuation to Europe via Russia's Trans-Siberian Railroad.

The Irkutsk conference was also addressed by the official representative of Putin to the Siberian Federal Region, Leonid Drachevsky, who read a personal greeting from the President, as well as by Russian Finance Minister Aleksei Kudrin. According to Russian press reports, a detailed program for joint economic development of Siberia and the Russian Far East together with China and East Asian nations, was presented to the conference by the Director of the Far East Institute of the Russian Academy of Sciences, Mikhail Titarenko.

Not Just Talk

That these discussions are no mere empty talk, is underlined by recent reports in the Russian press, on a number of ongoing or just-completed infrastructure projects in the Asian part of Russia. These include completion of a huge bridge over the Ob River in western Siberia, a bridge over the Bureya River in the Amur region (near the border with China), and the ongoing construction of the 2,165-kilometer-long “Amur” federal highway from Chita in eastern Siberia to the major city Khabarovsk in the Far East. When opened for traffic following projected “first stage” completion in 2004, the highway will for the first time provide a continuous road connection running across the entire Russian Federation. It is notable, that Putin placed this strategically important project under his direct, personal supervision last July.

On Sept. 25, another major conference is to open in Russia's Pacific port city Vladivostok, with the title: “Russia-China-Japan in Northeast Asia: Problems of Regional Interaction in the 21st Century.” On the eve of this conference, a prominent article in the Vladivostok newspaper *Novosti* declared that “the question of China is the question of Russia's future existence.” The article cited several top China experts, blasting alleged attempts by “powerful West-leaning factions” in the Russian central government, to whip up “yellow peril” hysteria against China, in order to impose a “policy orienting exclusively to Europe and the U.S.A.” It should be recalled, that Chinese Parliamentary leader Li Peng recently completed a tour of Russia, during which he visited Vladivostok and other locations in the Asian part of Russia.

Business Briefs

Economic Policy

IMF Blamed for Asian Financial Crisis

The International Monetary Fund (IMF) triggered the Asian financial crisis in 1997, stated Joseph Stiglitz, former World Bank chief economist, in an interview with the German daily *Die Welt* on Sept. 24. Stiglitz noted that the IMF has recently changed its rhetoric, as it now admits that too rapid a liberalization of capital markets might cause problems. However, as soon as IMF teams arrive in any country in the world, they still insist on exactly this liberalization process. "We have to remember that the primary cause for the crisis in Southeast Asia in 1997 was the IMF with its call for the liberalization of capital markets in Indonesia, Thailand, and South Korea. Instead of preventing the crisis, the IMF triggered it," he said.

The IMF now admits that it only made things worse in Indonesia with its crisis management, and that it did not take into account the risk of contagion. "There can be absolutely no doubt that the IMF has worsened the situation. The country that managed to be the first to get out of the crisis was Malaysia. Why? Because it never had an IMF program, it had the smallest debt, and it had capital market restrictions. The shining example, Thailand, which followed every IMF proposal, is today in the worst situation and still has a smaller gross domestic product than in 1997," Stiglitz said.

Advanced Technology

China Said Ready To Start Maglev Route

Construction of a magnetically levitated rail route, using the German Transrapid system, will begin in Shanghai in January 2001, according to the Sept. 25 German financial daily *Handelsblatt*. On Sept. 24, a high-ranking German business delegation arrived in Shanghai to discuss details about the project, which has now been "definitely approved" by the Chinese government. On Nov. 20, the feasibility study on the 35 kilometer route

from the new Shanghai airport to downtown will be published, and on Dec. 15, there will be a ceremony in Beijing's Great Hall of the People to celebrate the signing of the 2 billion deutschemark project.

The businessmen said that they are astonished about "the speed with which the Chinese are pushing this." One-third of the project will be financed by the recently formed joint venture that will run the Shanghai Transrapid, one-third will come from Chinese public banks, and most of the remaining will be financed by the German Credit Reconstruction Agency.

Business leaders from the Transrapid consortium (which includes Thyssen-Krupp, Siemens, and Daimler-Chrysler) emphasize that, according to a study by the Chinese Railway Ministry, China is planning to double its rail mileage by 2050, from 60,000 to 120,000 km. About 8,000 km of the new lines will be high-speed.

Future projects, based on either German or Japanese maglev technology or the French high-speed TGV, are the routes Beijing and Shanghai in China, Tokyo and Osaka in Japan, and an intra-Hong Kong route. Negotiations have started for a Transrapid route between the Beijing and Tianjin airports.

Economic Strategy

Indonesia, Philippines Get Calls for Controls

The surge in oil prices has fuelled a new round of calls from legislators for a return to sanity in monetary policy in the Philippines and Indonesia.

In his Sept. 23 column in the *Manila Times*, radio talk-show host Herman "Mentong" Laurel reports that Sens. Raul Roco and Aquilino Pimentel are calling for a round-table discussion on currency controls.

In Indonesia, former Finance Minister Fuad Bawazier and respected PDI-P economist and former Economic Coordinating Minister Kwik Kian Gie have urged the Wahid government to revisit the possibility of using currency controls. On Sept. 18, during a seminar at Universitas Nusantara, Kwik, who supported currency controls during the worst phase of the Asian crisis in

1997-99, urged the government to curb the inflation rate, lower interest rates, and adopt a fixed-exchange-rate system, which three-point plan, he said, would help to stimulate small and medium-sized firms.

Kwik said, "The government needs to enact several rules and laws to prevent the economy from going into free-fall liberalism, which will only lead to the strong becoming stronger and put pressure on small businesses." Government should focus on labor-oriented policies, he said, pointing out that foreign reserves could be boosted through promotion of agriculture, plantations, forestry, fishing, cooperatives, and mining. Kwik added that "the decisive factor for successful economic recovery is stability in the social and political situation as well as law enforcement."

Infrastructure

Plan Submitted for Seoul-Inchon Canal

A plan has been submitted to the South Korean Ministry of Construction and Transportation, for constructing a canal to link the capital Seoul to Incheon, on Korea's southwest coast, the South Korean daily *Chosun Ilbo* reported on Sept. 27. If approved, work will begin by year-end, after an environmental impact study. Environmentalists are opposing the canal.

Supporters say that the canal would be the equivalent of a six-lane highway, able to transport 48 million tons of cargo a year. A ministry official said that the canal would link Seoul directly to the West Sea, China, North Korea, and Southeast Asia.

It is estimated that the completed canal would save 3.5634 trillion won (about \$3.2 billion) in transportation costs annually, and would provide other benefits, including easing traffic congestion and increasing flood control and land reclamation. The benefits would be twice the cost of building the canal.

According to the plan, first-stage construction, during 2000-04, would include dredging the 18 kilometer canal, installing three gates, and building three wharfs. The second stage (2009-12) would see the addition of six wharfs and two gates. According

to the ministry, the total cost of the canal will be 1.8429 trillion won, of which only 432.8 billion will come from public funds.

China

Nation Not Ready for Challenges of WTO

China is unprepared for the challenges of entering the World Trade Organization (WTO). Lu Zhiqiang, Deputy Director of the Development Research Center under the State Council, said in an interview with *China Daily* Sept. 18.

Lu said that specific preparations by local governments, industrial administrations, and enterprises are inadequate. "As far as I know, few serious studies have ever been conducted about relevant laws on foreign trade, overseas investment, and rules and regulations of the WTO, so that Chinese firms can meet challenges while undertaking their obligations."

"Solid and down-to-earth preparatory work is scarce, although officials and entrepreneurs have long been crying wolf," Lu stated. He said that central government departments have a clear understanding about the upcoming impact of economic globalization. Lu said that the urgent issues for China, are economic security and management of its industries, not by central planning, but by market economy rules.

He said that part of the blame lies with domestic firms' dependence on the government. Due to a lack of direct competition from powerful foreign counterparts, Chinese firms do not realize the urgency of finding ways to tackle the growing trend of economic globalization, Lu said. He said he feared that some firms will face bankruptcy because of backward technology and outdated management, even without competition from foreign firms.

Lu said the Chinese government and industrial administrations must upgrade industrial structures, to try to safeguard China's economic security. However, he said, only lifeline industries that are fundamental to the maintenance of national interests and economic sovereignty should be protected.

He warned about risks brought by an in-

flux of multinational companies into China, despite the huge contribution they have made to China's modernization drive, and said that limitations should be placed on multinationals' access to some vital industrial sectors. Multinationals, he said, without efficient regulation, are likely to increase the danger of the market going out of control.

Natural Gas

Major Find Near Gaza Could Aid Palestinians

BG International, formerly British Gas, has found a very substantial gas field off the coast of the Gaza Strip, which could make a future Palestinian state a gas exporter, the Sept. 28 *International Herald Tribune* reported.

Palestinian President Yasser Arafat commented that this will provide "a strong foundation for a Palestinian state . . . this gift from God to our people, to our children, to our women, to our people inside and outside, to our refugees and those who are living here on our land." He made these comments while giving the signal to the drilling crew to light the flare stack atop the floating platform. Arafat then quoted from the Koran about the divine promise that the weak and dispossessed of today will become the "leaders and heirs" of the future.

The well, which is flowing at 73 million cubic feet a day, is larger than any of the eight wells that have been drilled in Israeli territorial waters. The discovery is expected to make the Palestinian National Authority energy independent for electricity generation, which is particularly useful for desalination. They will most likely have a surplus, which could be exported to Israel. The infrastructure needed to exploit the gas will take another three years to build.

The Israeli right wing is angry at Israeli Prime Minister Ehud Barak for allowing the exploration to go forward, given the absence of a peace treaty. A month ago, the Israeli gas firm Yam Thetis petitioned the Israeli High Court, demanding that BG international not be allowed to drill.

Briefly

'THE CHINESE are looking for a major partnership with India in software," because they are lagging behind India in this field, Vivek Singhal, chairman of the Electronics and Computer Software Export Promotion Council of India, said at a press conference in Dubai on Sept. 26. Singhal said that a number of Chinese delegations have visited India recently to see the progress made by Indian firms.

SOUTH KOREA'S government ordered big tax increases on Sept. 26, to compensate for deficits resulting from economic reform. The tax-burden-to-GDP ratio will increase to 20.7% in 2001, up from 18.7% in 2000, and average tax payments per person will rise 20.6% year-on-year to 2.51 million won (\$2,260), according to the Korean Finance and Economics Ministry.

SINGAPORE ordered all daycare, pre-school, and kindergartens shut down, following three deaths from hand, foot, and mouth disease, Associated Press reported on Sept. 30. Since mid-September, 363 cases of the disease had been reported, prompting the public health alert.

THE U.S. INSTITUTE of Medicine is calling for widespread HIV surveillance studies in the United States, in order to get a truer picture of the scope of the epidemic. The institute notes that the Centers for Disease Control in Atlanta, Georgia, based on extrapolations of the number of Army recruits testing positive, has reported the same number of new infections (40,000 per year) for each of the last 14 years.

INDONESIA now has around 1 million internally displaced people, including an estimated half-million in Maluku and 130,000 East Timorese living in West Timor, driven from their homes by religious and communal conflicts, separatist struggles, and natural disasters, the Indonesian Red Cross said on Sept. 26. One Red Cross official said that Jakarta needs to set up a national commission on refugees.

Ariel Sharon Ignites New Middle East War

by Dean Andromidas

How could the most hated of Israeli right-wing hard-liners, Likud Party Chairman Ariel Sharon, have been cleared by Prime Minister Ehud Barak to march into one of Islam's holiest sites on Sept. 28, with an army of 4,000 Israeli police, bodyguards, and supporters?

Sharon's invasion of the Al-Haram Al-Sharif, intended as a provocative demonstration of Israeli sovereignty over Jerusalem, ignited a spreading "low-intensity war" between Palestinians and Israeli troops using tanks and grenade launchers. And this, as President Bill Clinton was still formally attempting to negotiate peace between Barak's government and Yasser Arafat's Palestinian Authority.

The growing conflagration for which Sharon served as "the idiot with the match" has not only weakened both Barak's and Arafat's authority; it threatens to escalate into a new Middle East war, or even a major East-West confrontation. As of this writing, death tolls continue to mount, as clashes continue throughout the Israeli Occupied Territories, and for the first time, in the Arab-Israeli populated areas within Israel itself.

Since Lyndon LaRouche's Aug. 18 *EIR* article, "Wherein Clinton Failed," the more immediate reason for the downward path of the Middle East negotiations has been clear. Under pressure from Al Gore's Wall Street backers, from Gore's pro-Israeli warhawk national security team, and from the demands of Hillary Clinton's Senate campaign, the President pulled back from serious attempts at peace, and allowed Arafat and the PNA to be scapegoated. When Clinton, striving to get Gore and Hillary elected and to hold off a financial breakdown, took all pressure off Israel, the signal was given to those who control Ariel Sharon and his like.

But there is also a more fundamental, strategic factor com-

prising Sharon's financial backers, including Henry Kissinger's U.S. circles of influence, to regard such warfare as desirable.

Wall Street's Reckless Abandon

The fact that the outbreak of violence is occurring in the midst of the ongoing financial crisis, points to powerful financial interests who see war and chaos as the only alternative to losing their power, as the ones who gave Sharon the go-ahead to ignite the powderkeg. The match, Sharon, was tossed in just at the point when leading voices in Europe, particularly in Germany and France, as well as Asia, have begun to openly warn that current Anglo-American monetary policy will lead to a financial crash within the next weeks or months, possibly even before the November elections in the United States. Throughout history, major wars have always begun in the midst of financial and economic crises.

The current fighting has released powerful political and emotional forces on both sides, creating a situation where only a force as strong as the Presidency of the United States could be capable of ending this conflict. Given the fact that Clinton has refused to act, propitiating the right-wing Zionist lobby in the United States in the deluded belief that he must secure the Presidency for a disloyal Vice President, and a Senatorship for his wife, he will be responsible for a bloody war far more dangerous than that of the Balkans or any other war of the last decade.

The failure of U.S. Secretary of State Madeleine Albright's "shuffle diplomacy" is the predictable outcome when second-rate diplomats, armed with empty words of cajolement, are sent to stop war.



The Gaza Strip, 1995. The Anglo-American oligarchy, desperate as their global financial system is faced with imminent collapse, deployed Ariel Sharon to trigger a low-intensity war, which threatens to become a Middle East war, or even an East-West confrontation.

A Decade of Frustration

Sharon's march onto the Al-Haram Al-Sharif accompanied by cohorts of heavily armed police, unleashed a decade of pent-up frustration and rage in the Palestinian population, and the Arab and Islamic world more broadly.

As of this writing, clashes are continuing. The death toll among Palestinians is approaching 100, while at least 13 Israelis have died. These are clashes between heavily fortified, fixed Israeli positions deep inside Palestinian-controlled areas of the West Bank and Gaza Strip, which should have been evacuated years ago as part of negotiated agreements, and rock-throwing teenagers deployed in classic *intifada* tactics.

Parallel to the clashes in the Occupied Territories, massive clashes have erupted between Israeli security forces and Israeli Arabs. This is an unprecedented development, because these Arabs have lived as Israeli citizens within Israel. Numbering more than a million people, their taking to the streets was a totally spontaneous development. Police use of the same tactics as in the Occupied Territories, including firing live ammunition, have led to ten deaths.

Clashes are occurring not only in the high-density Arab towns and cities in northern Galilee, but in Arab neighborhoods in Hebron, Israel's major port, and in Jaffa, which is, in effect, a suburb of Tel Aviv.

Israeli security forces have employed heavy-handed tactics from the beginning. For 24 hours after Sharon's provocation touched off disturbances, Israeli paramilitary police were deployed to the Al-Haram Al-Sharif/Temple Mount during Friday prayers at the Al-Aqsa Mosque. They shot at Palestinian stone-throwers as they came out of the Mosque, thus ini-

tiating what is now known as the "Al-Aqsa Massacre" and the "Al-Aqsa War."

The Israeli Army and security forces have deployed tanks, helicopter gunships, and anti-tank missiles, while reinforcements are being sent into the Occupied Territories. The Israelis have all but admitted that most of the Palestinian deaths have been caused by snipers who have orders to shoot to kill. Israeli military spokesmen have hinted at implementing military contingency plans to re-occupy large areas of the West Bank and Gaza in a military operation which would involve armored regiments and reentering heavily Palestinian populated areas. Under these plans, the Jewish settlements in large contiguous areas would be annexed to Israel. Furthermore, Israeli forces would deploy throughout the West Bank and Gaza, bringing Israel's most heavily armed military division right up to the Jordanian, Syrian, and Egyptian borders.

The Israeli-Palestinian clashes are rapidly becoming the epicenter of region-wide tension, particularly in neighboring countries where millions of Palestinians reside in refugee camps, as the Arab population mobilizes in support of the Palestinians. In Syria, home to many "rejectionist" Palestinian organizations, 4,000 students stormed the American Embassy grounds. Demonstrations have been held in Jordan, where half the population is Palestinian; in Lebanon, where several large Palestinian refugee camps are located; in Iraq, where tens of thousands of Palestinians reside; and in Egypt, Libya, and even such moderate Arab states as Oman.

Jordan, apparently with the clearance of Israeli authorities, has even deployed helicopters into the West Bank to supply Palestinian hospitals and airlift the seriously wounded

to Jordanian hospitals, where they are treated as heroes in the struggle.

A senior Middle East intelligence source expressed fear that the situation is primed for a broader regional conflict that could be touched off by any number of potential flash points. The most immediate danger would be massive uncontrolled demonstrations or riots erupting in neighboring Jordan and Egypt, forcing their governments to demonstrate Arab solidarity in a much more militant way.

War by Miscalculation

A senior Israeli intelligence source told *EIR* that the situation is a classic example of how miscalculation by leaders can lead to wars that go beyond anyone's expectations.

The first miscalculation, was President Clinton's failure at Camp David, where, out of electoral considerations, he avoided putting pressure on Israel, and failed to insist on the broader economic requirements to establish an effective and just peace. Worse, Clinton publicly propitiated the right-wing Zionist lobby, accused Palestinian President Arafat of intransigence, and threatened to move the U.S. Embassy from Tel Aviv to Jerusalem—a threat that no acting President has ever made before. Israeli Prime Minister Ehud Barak left Washington declaring that Arafat was not "a partner" for peace, while Arafat left empty-handed.

Moreover, the politically explosive issue of Jerusalem and the Al-Haram Al-Sharif/Temple Mount, was brought to the center of the conflict.

It rapidly became clear that a calculated decision had been made to postpone any serious negotiations until after the U.S. elections.

Meanwhile, Sharon, and those seeking a new Middle East war, made their own calculations, and took the opportunity to strike.

In August, shortly after the collapse of the peace talks, a leading moderate in Sharon's Likud party warned *EIR* of an impending trip to the United States by Sharon, aimed at sabotaging any hopes for a "Camp David II" meeting to finalize a peace deal. Sharon, the source warned, was prepared to bring the Mideast to the brink of war, if that was what it took to stop the deal.

On Sept. 22, Sharon travelled to New York, where he met with his leading financial backers. High on the list was Ronald Lauder, scion of the multibillion-dollar Estée Lauder cosmetic empire. Lauder was the principal financier of former Israeli Prime Minister Benjamin Netanyahu, whose reign as Prime Minister (1996-99) more than once brought the Middle East to the verge of war. Lauder also is a trustee of the Anti-Defamation League of B'nai B'rith, and a major supporter of the right wing of the Republican Party.

Lauder had just recently been elected to the chairmanship of the Conference of Presidents of the Jewish Organizations, the umbrella group of all the major Jewish organizations in

America. His election had been contested at the time by the organization's moderate elements, who supported the peace process.

According to Israeli press sources, Sharon met with Lauder and the deputy chairman of the organization, Malcom Hoenlein. They mapped out a campaign to undermine the peace process through mobilizing American Jewish support against any peace agreement that would give sovereignty to the Palestinians in any part of East Jerusalem, especially the old city and Temple Mount/Al-Haram Al-Sharif. They coined the slogan "Bedrock of our Faith," in reference to the Temple Mount.

This would even go beyond Netanyahu's election campaign slogan, "Peres will divide Jerusalem," which was the brainchild of Netanyahu's electoral adviser, American spin-doctor Arthur Finkelstein. The new slogan would also be used for Sharon's bid for Prime Minister if early Israeli elections were held.

Shortly after the meeting, Hoenlein called on American Jews to protest any compromise on the Temple Mount. Hoenlein's unprecedented statement was even attacked by the Israeli government as an intervention in Israel's internal affairs.

Six days later, back in Jerusalem, Sharon made his defiant claim to Israeli sovereignty over the city of Jerusalem, and over one of Islam's most holy sites.

In a commentary in the Israeli daily *Ha'aretz* after Sharon's provocation, author Akiva Eldar referred to the above meetings, and drew the obvious connections to the subsequent conflagration. "By this logic, riots in the wake of a visit by Jews to the Mount prove to American Jews that Barak is surrendering and betraying the capital of the Jewish people. If there is any one subject which might mobilize American Jews, that subject is the Temple Mount."

Sharon's schemes were also calculated to have an impact on the internal political situation in Israel which was thoroughly destabilized after the collapse of Camp David. First, Barak's government coalition imploded, leaving him with fewer than 40 members in the 120-member Israeli Knesset (parliament). This left the prospect of early elections being called, once the Knesset returned from Summer recess later in October.

Then, in the middle of a political atmosphere charged with the prospect of early elections, and on the very day of Sharon's provocation, Israeli Attorney General Elyakim Rubinstein closed an investigation for fraud and corruption against former Prime Minister Netanyahu, thus opening the way for his reentry into politics. When the decision was announced, Netanyahu was in the United States meeting with potential financial backers of his reentry.

Would-Be 'King of Greater Israel'

Thus, when a new war broke out in the Palestinian territories, Israeli politics reverted to the defense of the Zionist home-

land against the Arab masses. It is in this explosive atmosphere that Sharon posed the most threatening danger. Because, more dangerous than Sharon's ability to ignite the flames of hatred among Arabs, is his ability to catalyze radical Zionist ideology among broad masses of Israelis. His policies, including the "Jordan is Palestine" policy, envision large-scale expulsion of Palestinians and other Arabs from Israeli-occupied territories. These are policies shared by significant sections of the political elite and military and security establishment. Under conditions of war, they would become Israeli national policy.

As of this writing, in the midst of the current conflagration, Prime Minister Barak has opened negotiations for a national unity government with Sharon. Neither Barak, nor any member of his government or party has publicly attacked Sharon since his provocation ignited the current fighting; all, to a man, have attacked Arafat. Only the pro-peace Meretz and Arab-Israeli parties have dared to attack him.

To understand why this has happened, it is necessary to go back to the assassination of Prime Minister Yitzhak Rabin. A recent issue of *Newsweek* (see *EIR*, Sept. 22, 2000) revealed previously secret details of a 1995 agreement between Israel and the Palestinian National Authority that would have formed the basis for a final peace agreement. It was initialed

by its negotiators and awaited final approval by Prime Minister Rabin and Arafat.

That peace pact was never signed, because five days after it was struck, Rabin was assassinated.

The significance of that assassination was that major elements in the Israeli establishment, of which Sharon is a leading player, were not committed to going ahead with the peace process devised by Rabin, Arafat, and Israeli Foreign Minister Shimon Peres. They were willing to assassinate an Israeli Prime Minister rather than accept a final peace deal with the Palestinians. Their success was shown in the fact that the peace process never regained its initial momentum.

Sharon's latest provocation is the moral equivalent of the assassination of another prime minister, with the goal of drowning the peace process in a sea of blood. As the Israeli political class failed to bring the real murderers of Rabin to justice, they will not stop Sharon or Israel's march toward war.

A senior Israel intelligence source who has lived through all Israel's wars since 1948, told *EIR* that the only way to stop this emerging war, is if the President of the United States were to cut off all financial aid to Israel. He warned that no other political force or concert of nations is in a position to act.

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The Plot To Blow Up the Dome of the Rock

When Ariel Sharon made the provocative move to virtually invade Jerusalem's Temple Mount with an army of 4,000 "security forces," it was more than a "symbolic" provocation. What is known to every political observer of the Middle East, and especially of Israeli/Palestinian relations, is that there has been an active underground movement in Israel, commanded by Sharon, among others, that pushes the cultist theme, "Eretz Israel," or "Greater Israel." It is this network that killed Prime Minister Yitzhak Rabin in 1995, and which has carried out numerous murderous assaults on Islamic holy sites in Israel, especially Al-Haram Al-Sharif, and the Dome of the Rock.

Sharon's visit was a reminder of the atrocity committed by this network, when Brooklyn-born "Baruch" Goldstein entered the mosque of the Cave of the Patriarchs in Hebron on Feb. 25, 1994, and murdered 50 worshippers and injured hundreds more after he opened fire with an automatic weapon during Friday prayer service. Goldstein was one of Sharon's zombie killers, deployed through the illegal settlers movement protected by Sharon.

EIR has documented the command structure behind this terrorist underground since the early 1980s. In 1986, *EIR* published a 125-page special report, "Moscow's Secret Weapon: Ariel Sharon and the Israeli Mafia," which detailed the support networks around Britain's Lord Harlech (Sir David Ormsby-Gore), Henry Kissinger, George Bush, and Wall Street's network of global corporations known as "Dope, Inc." The following report covers only a small portion of *EIR*'s previously published material.

The Cult Behind the Temple Mount Plot

The scheme to blow up the sacred Muslim sites, the Al-Aqsa mosque at Al-Haram al-Sharif in Jerusalem, and the Cave of Patriarchs in Hebron, has long been the public aim of Jewish radical assassin networks such as the U.S.-based Jewish Defense League (JDL) and the West Bank Jewish settlers movement, founded and nurtured by the networks of Sharon since shortly after the end of the June 1967 Arab-Israeli war.

It is this network of organizations in the United States and Israel that was denounced by Prime Minister Rabin as "errant weeds," alien to Judaism, just weeks before he was killed on Nov. 5, 1995. It was this network that created Rabin's killer Yigal Amir, who was "blessed" with the "sacred" mission to kill the pro-peace Prime Minister, from the cultist rabbis

associated with the terrorist underground.

Bitterly, Israeli founding father and former Prime Minister David Ben-Gurion referred to Zionist Mussolini admirer Vladimir Jabotinsky, as "Vladimir Hitler."

The Jewish "settlers movement" of which Hebron assassin Goldstein was a part, is the product of a centuries-long Venetian and British conspiracy to destroy Judaism from within.

The Zionism represented by the JDL settlers movement today, can be traced back to the Kabbalah, the Jewish mystical heresy which the Babylonian priesthood had imposed on Mosaic Judaism in the first centuries of the Christian era, and which was later patronized by the Venetian oligarchy. This peculiar strain of Zionism, at least, has always been dedicated to destroying Islamic and Christian holy sites, creating a pagalized Judaism practicing animal sacrifice at a rebuilt Temple of Solomon in Jerusalem, and fostering the generalized religious warfare in the region. The cult's masonic sponsors, especially among varieties of Protestant fundamentalist sects, view such cults as "necessary" in order to bring on Armageddon.

The settlers movement is an extension of the network of Jabotinsky, who founded the Zionist Revisionist movement and Irgun terrorist movement. Jabotinsky was an avid follower of 19th-Century British Foreign Minister Lord Palmerston's top operative Giuseppe Mazzini, and had been recruited to Zionism by Mazzini's non-Jewish followers in Italy. Serving British intelligence, Jabotinsky also doubled as an agent of the Russian Tsarist secret police, Okhrana, operating within pre-World War I Ottoman Turkey, along with British super-agent Alexander Helphand-Parvus to set up the Young Turk regime.

Although these elements have long existed within the Zionist movement, it was only after the Israeli Army seized control of East Jerusalem and the West Bank in 1967, where many of the key Islamic and Christian holy sites are located, that their gameplan for "Apocalyptic" religious warfare was put into motion. In that year, Asher Kaufman, an operative of London's Quatuor Coronati freemasonic lodge, arrived in Jerusalem to oversee an assault on Jerusalem's holy places.

There are two phases to this masonic assault, both involving Israeli Kabbalistic patsies. One, with which the settlers movement has been most associated, is the rebuilding of Solomon's Temple on the Al-Haram Al-Sharif in Jerusalem. Upon his arrival, Kaufman began sponsoring archaeological work to justify destroying Al-Haram Al-Sharif.

Another phase of the assault is a plan to take over or destroy all Islamic or Christian holy sites in Israel and the Occupied Territories, especially the Cave of the Patriarchs, the reputed tomb of the Prophet Abraham.

Growth of Kabbalism

The Temple Mount "project" dates back centuries. Today, the British oligarchy, and the Venetian/Jewish oligarchical

families, the Recanati and Luzzato, continue to be primary promoters of the “Temple Mount” project. Eduard Recanati, for example, runs the Temple Mount Foundation. Recanati had formerly run the Italian B’nai B’rith. His family owns Israel’s third-largest bank, the Israeli Discount Bank.

In the early 20th Century, when the British Balfour Declaration boosted Zionism, the British oligarchy helped create one of the leading proponents of Kabbalistic cultism—Rabbi Abraham Isaac Kook. As explained below, Kook’s son, Rabbi Zvi Kook, has been the creator of many of Sharon’s killer cult organizations.

Rabbi Kook was raised in Russia, and became a rabbi in Palestine shortly before the 1905 Russian Revolution. On the eve of World War I, Kook travelled to England, in order, he said, to spread Zionism. He returned to Palestine following World War I, arguing that the Balfour Declaration meant the “time of redemption,” the coming of the Messiah, was at hand. Elected Chief Rabbi of Palestine in 1921, Kook became the spiritual leader of the Jabotinsky wing of Zionism, and established a network of yeshivas, or Jewish religious schools, which trained many of the leaders of Jabotinsky’s Irgun, and its split-off, the Stern gang. The two terrorist groups trained the leadership of what comprise the Likud bloc today.

Kook’s dangerous legacy was his cultism: He was the patron within Palestine of the project to rebuild the Temple, as part of the general effort to prepare for the coming of the Messiah. In 1921, Kook formed the Yeshiva Torat Cohanim in Jerusalem, which had one central purpose: Destroy the Islamic holy sites at Al-Haram Al-Sharif in order to rebuild “Solomon’s Temple.”

The founding document of Kook’s 1921 yeshiva reads in part: “God’s message concerning the rebuilding of the Temple and the renovation of the sacerdotal rites will certainly be fulfilled very shortly.”

Rabbi Kook’s son, Rabbi Zvi Yehuda Kook, who lived into the 1970s, carried on his father’s legacy. He became a key ally of Asher Kaufman in the freemasonic plot against the Al-Haram Al-Sharif begun in 1967. He simultaneously deployed his followers to open up the Kiryat Arba settlement outside of Hebron, charging them with taking over the Cave of the Patriarchs. Rabbi Zvi Kook became the spiritual leader of the “Temple Mount” crazies today, of whom his most important protégé was Rabbi Meir Kahane, the founder of the JDL. Another top protégé was Rabbi Moshe Levinger, the founder of the associated Gush Emunim (Bloc of the Faithful), and the spiritual leader of the Kiryat Arba settlement responsible for the Hebron massacre.

The Plot to Attack Hebron

Kabbalistic plans to take over the Cave of the Patriarchs and drive the Muslims out of Hebron were first announced publicly by JDL and Gush Emunim patron Rabbi Zvi Kook in the weeks *prior* to the 1967 war. The West Bank of the Jordan River, where Hebron is located, and also East Jerusa-

lem, were then still part of Jordan. “Where is Hebron?” Kook raved and prophesied. “Do we let it be forgotten? And where is our Schechem [Nablus] and our Jericho? All of Transjordan is ours. Every single inch, every square foot belongs to the Land of Israel.”

After the 1967 war, Kook deployed his student, Rabbi Levinger, to the outskirts of Hebron, to settle it with Jews and to prepare to expel the Muslims. By 1969, some 40 families had begun the settlement, soon named Kiryat Arba.

Now the residence of some 6,000 fanatics, mostly from the JDL/Kach movement and the Gush Emunim, Kiryat Arba was the first, and remains the most important settlement on the West Bank; it has always been committed to a Jewish war with Islam. Kiryat Arba was the base of Hebron mosque assassin Goldstein.

In 1973, Kook formed the Gush Emunim together with Levinger. The central tenet of the movement was that “Eretz Israel” included all the territories seized, and consequently the Torah forbade the Jews from ever giving these territories back to Muslims.

In 1979, Kook, Levinger, and Kahane became upset that the Camp David peace treaty with Egypt would mean that the territories would be relinquished. They decided that the best way to sabotage the accords would be to bomb the Dome of the Rock and carry out assassinations.

In 1980, the group met at Kiryat Arba to plan the assassination of several West Bank Arab mayors for the same reason: to sabotage any peace with the Arabs. Three of these mayors were severely maimed in separate bombings later that year. In July 1983, Levinger’s son-in-law led a Kiryat Arba team that sprayed the Islamic College of Hebron with machine-gun fire, killing three students and wounding 30 more.

Instead of being imprisoned, Meir Kahane got a seat in the Israeli Knesset (parliament).

Financing the Terror

To get money for his operations, Rabbi Levinger set up the Hebron Fund in 1982, to provide a financial conduit for North American Zionists to carry out his “ethnic cleansing” against Muslims and Arabs in the West Bank.

The fund’s prominent contributors have included: Albert and Paul Reichmann of Canada, and Canadian real-estate operative Marc Belzberg.

The Reichmann brothers and Belzberg are front-men for the Meyer Lansky-linked Bronfman family that dominates the Anti-Defamation League of B’nai B’rith. Paul Reichmann and Peter Bronfman also serve on the board of the Canadian-British Hollinger Corp media empire., as do Richard Perle, an adviser to George W. Bush, and Sir Henry Kissinger.

In April 1984, Levinger’s son-in-law and others attempted to blow up Arab buses in East Jerusalem, in order to trigger riots. The attempt failed, and several of the terrorists were arrested. The JDL/Kach movement established a legal defense fund in the United States. Most of the \$100,000 that

was raised, was contributed by Lansky's former bag-man Charlie Fox. Following their conviction, where the 18 defendants received moderate sentences, then-Prime Minister Yitzhak Shamir praised the terrorists as "excellent people who made a mistake."

The Plot to Blow Up the 'Temple Mount'

In 1978, two disciples of Rabbi Zvi Kook established the Ateret Cohanim (Priestly Crown) Yeshiva in the Muslim quarter of occupied East Jerusalem. Two, Mattiyahu Dan and Rabbi Shlomo Aviner, were both officers of Israel's domestic intelligence service, Shin Bet, and were deployed by Sharon. Aviner is also currently the chairman of the West Bank's rabbinical council.

The stated purpose of the yeshiva was to train rabbinical students in animal sacrifice, that would be reinitiated at the new Temple of Solomon to be rebuilt following the destruction of the Al-Aqsa mosque and Dome of the Rock. It has carried out deadly acts of terror.

In 1980, Kahane and his associate Andy Green, another Brooklyn-born associate of Goldstein at Kiryat Arba, were arrested for plotting to blow up the Dome of the Rock. Now known as Baruch Ben-Yosef, Green today leads the JDL's "Temple Mount Yeshiva," directly opposite the Muslim holy site.

In 1982, Dan et al. began to tunnel secretly under the Al-Haram Al-Sharif, as part of their preparations for destroying the Islamic holy site. Also in 1982, a JDL member named Alan Goodman walked onto the Al-Haram Al-Sharif and began firing on Muslims during worship, killing one. Kahane paid for his legal fees.

In 1984, Chief Rabbi of Israel Avraham Chana Shapira, another Kook protégé, endorsed a fundraising letter for Ateret Cohanim. That same year, the so-called "Lifta gang," a JDL/Gush Emunim cell, was rounded up after its members tried to place 30 pounds of dynamite at the site.

Also in 1984, American gambling entrepreneur Irving Moskowitz, a board member of the Ateret Cohanim, financial patron of Sharon, and longtime Kahane crony, founded the "American Friends of Ateret Cohanim" to fund the terrorist underground.

Major contributors have included Mark Belzberg of the Bronfman circles; Abraham Dwek, leader of Brooklyn's Syrian Jewish banking elite; and Cyril Stein, the recently retired chairman of Ladbrooke's, the private betting house of Buckingham Palace; Stein's family has been the cream of Britain's aristocracy since the 1700s. He is also a patron of Sharon, and is the main sponsor of efforts to open up casino gambling complexes in Israel. Stein leads the fight against the peace accords within England, labelling them a "desecration of the name."

Prominent backers have also included then-Israeli President Chaim Herzog (today a member of the board of Hollinger Corp.), then-Likud Chairman Benjamin Netanyahu; and Americans former New York Mayor Ed Koch, and Malcolm

Hohlein, leading member of the Conference of Presidents of Major Jewish Organizations, and who met with Sharon during the latter's most recent U.S. trip, where the Temple Mount provocation was planned.

In 1995, Yigal Amir, another zombie created by these networks, shot and killed Prime Minister Rabin. The murder set the conditions for Sharon and Netanyahu to return to power and cancel the 1993 Oslo peace agreement between the Israelis and the Palestinians. In 2000, with the Barak government tottering, the war-mongers hope the Sharon assault on Temple Mount can again bring them to power.

The Temple Mount Faithful

Yet another of the terror apparatus is the Temple Mount Faithful, founded by Gershon Solomon, a disciple of Jabotinsky and an Irgun veteran who ran the youth department of Menachem Begin's Herut party, until he quit in a dispute over the Camp David peace treaty with Egypt.

Solomon helped form the Tehiya party in 1979, at the suggestion of Rabbi Zvi Kook, together with Yuval Neeman, former head of Israeli military intelligence, and Geula Cohen, who had first brought Kahane to Israel.

Among the group's controllers is Stanley Goldfoot, an Irgun veteran from South Africa who oversees much of the terrorist apparatus in the Occupied Territories. Goldfoot had organized an archaeological expedition underneath Al-Haram Al-Sharif. Goldfoot's "expeditions" have been financed out of the United States by a group of Christian evangelicals, centered in the American Jerusalem Temple Foundation (AJTF), who advocate the rebuilding of the Temple in order to hasten the Second Coming of Christ.

U.S.-based Christian doomsday groups funding the terrorists have included Oklahoma oil man and convict Terry Reisenhoover, and Douglas Kreiger of Tav Ministries. Before his incarceration for fraud in 1987, Reisenhoover, the founder of the AJTF, poured at least \$8 million into Goldfoot and Goldfoot's operations. Goldfoot's work has also been promoted by Christian Coalition's Pat Robertson.

On Oct. 8, 1990, the Temple Mount Faithful attempted to lay the foundation-stone for "Solomon's Temple" at the site of the Al-Aqsa mosque. Muslims at the site began throwing rocks at the group, and at Jews as they prayed at the nearby Western Wall of what is believed to be the original Temple. The subsequent riots left 20 Muslims dead. The riots were used to psychologically prepare the population for the coming Anglo-American war against Iraq, and provoked Prime Minister Shamir to close the doors to the mosque (for the first time since the Crusades). On Oct. 17, 1990, Gershon Solomon gave an interview to Hollinger's London *Daily Telegraph* on his sect's program. The Al-Aqsa mosque "must be dismantled and moved to Mecca," Solomon raved. Al-Aqsa is a product of "Arab imperialism." Once the mosque and the nearby Dome of the Rock are removed from the "Temple Mount" — the Jewish fundamentalist name for the Al-Haram Al-Sharif — "the Third Temple must be rebuilt" in their place. "God

gave us this land forever,” he ranted. “And what God has given cannot be taken away by other people.”

The Temple Mount Faithful continue to be an active part of Sharon’s killer network today.

Who Runs Ariel Sharon?

by Michele Steinberg

Gen. Ariel Sharon is entirely a creation of powerful British and Anglo-American financial elites, imposed on Israel, and used to foment local warfighting and destabilizations. But, as in the case of Adolf Hitler, Sharon’s actions are those of a “Frankenstein’s monster,” and in a period of strategic and financial breakdown as today, his provocations could unleash a global war.

Sharon’s career has been made through the networks of international organized crime, and the financier oligarchy. Those who have benn his points of control, have included:

Meshulam Riklis, the New York-based Anti-Defamation League “legalized crime” kingpin who financed Sharon’s first electoral campaign. Along with the late Armand Hammer, head of Occidental Petroleum, Riklis was responsible for “cleansing” the blood from Sharon’s paws. In 1982-83, the two paid for Sharon’s lawsuit against *Time* magazine, which had documented his role in the genocide at the Sabra and Shatilla civilian Palestinian refugee camps in southern Lebanon. Sharon did not “win” the case, but the settlement was an important part of his rehabilitation, opening the door for him to become a cabinet minister in the 1984 National Unity government.

Henry Kissinger, the former U.S. Secretary of State and Hollinger board member.

A network of British oligarchs typified by **Lord Harlech (David Ormsby-Gore)** and **Lord Peter Carrington**, who otherwise dominate the Hollinger Corp.

These individuals have played a leading role in diverse conspiracies, many of which involve Sharon, including:

- Building the “Jewish settlers movement” within the Occupied Territories. The British formed the Jewish settlers movement to give themselves an independent capability of sparking an Arab-Israeli war at any time they choose—even if opposed by the normally compliant Israeli government. Sharon is one of their agents assigned to that task.

- Preparing for the mass expulsion of the Occupied Territories Arab population. The British have long considered creating a “Greater Israel” through mass expulsion of the 1.7 million Palestinians living in the territories, in part sparked by settler atrocities against the Palestinians.

- Preparing for an Israeli civil war. The British have long considered plunging Israel into a civil war ultimately leading to a military dictatorship dedicated to a “Greater Israel” and

region-wide war. Sharon has been picked as one possible military dictator.

- Fostering the growth of the Israeli mafia. The British and U.S. organized-crime creation of a massive mafia network in Israel is among the ways the British have sought to give themselves an independent power base in Israel.

By the June 1967 war, Sharon, then a General in the Israeli Army, had already demonstrated his qualities as a “good investment” for the financier oligarchy criminals who picked him up. Within hours of the seizure of the West Bank, Sharon deployed armed Jewish civilian “settlers” into the West Bank, under the pretext of creating a “defense perimeter.” Although still an active-duty general, Sharon was involved in sponsoring the 1969 creation of the Kiryat Arba settlement near Hebron; he has publicly praised that settlement’s spiritual leader, Rabbi Moshe Levinger, as a “true hero of Israel.”

By 1973, the Anglo-American establishment ordered Sharon to enter politics, to mobilize the Israeli population on behalf of further wars. The orders came through Riklis, the New York-based owner of Rapid American Corp.

Sharon’s bloody career has included playing a major role in the “Terror Against Terror” assassination teams, and in running the espionage network that deployed Jonathan Jay Pollard, the Israeli-Soviet mole in U.S. Naval Intelligence, who is serving a life sentence in the United States, after pleading guilty in 1985.

The following excerpt from “The Trust: An Introduction,” by Lyndon H. LaRouche, appeared in the *EIR Special Report* of March 1, 1986, “Moscow’s Secret Weapon: Ariel Sharon and the Israeli Mafia”: “During 1982, from various sources in the United States, Western Europe, and Israel, . . . *EIR* learned that Kissinger was deeply involved in a scandalous real-estate swindle in the Israel-occupied West Bank territories. We were tracking leaks from Alexander Haig’s State Department . . . reported to have been key in prompting Sharon to set up Israel’s invasion of Lebanon. . . .

“There was a meeting at Sharon’s dacha in Israel. This hideaway was provided to Sharon by ‘legalized crime boss’ Meshulam ‘Meshuggeneh’ Riklis. . . . This meeting included Kissinger, Bronfman representative Harry Bloomfield, and assorted others. A deal was cut, establishing the biggest international real-estate swindle of 1982. . . .

“Even nastier than the Sharon-Kissinger involvement in the West Bank ‘landscam’ is the deep connection between Sharon and the plot to set off a new Middle East general war, by blowing up the second holiest place of Islam . . . Jerusalem’s Dome of the Rock Mosque. . . .

“The murder apparatus working on behalf of Sharon’s projects, is not some glamorous ‘James Bond’ crew; it has the character of organized crime, a character it has acquired not accidentally from the gangster-elements of the Irgun.

“Unless we purge this ‘sleaze-ball’ element from positions of security and policy-shaping within our government, Sharon’s takeover of Israel is unstoppable, and we shall not long continue to have a United States.”

German-Russian Energy Tie: Revive 1989 Lost Opportunity

by William Engdahl

One of the most significant aspects of the four-hour talks in Moscow on Sept. 25 between German Chancellor Gerhard Schröder and Russian President Vladimir Putin, was among those things least discussed in the media afterward: long-term government-to-government oil trade, amidst an energy-price crisis in Europe caused by runaway speculation in private petroleum markets. The German leader introduced the proposal, for a 20-year “strategic agreement” on energy-for-technology trade between Russia, one of the world’s richest sources of untapped oil and natural gas, and the European Union (EU).

The idea is one that was needed in 1989, in the revolutionary period which brought down the Soviet communist regimes, and was part of the policy put forward at that time by Lyndon LaRouche and his co-thinkers. Then, the opportunity for a German-Russian reconstruction partnership was lost, and the speculative looting of Russia followed.

“This is essentially a political commitment by the European Union,” a spokesman for EU Energy and Transport Commissioner Silvio de Palacio emphasized to *EIR*. “We want to deepen relations with Russia in the energy field. There are structural problems and other questions which, of course, must first be settled, but the fact is clear that the EU needs more extensive ties with Russia on oil and gas. For their side, the Russians need better commercial relations with the EU. Take the case of the Russian [partially state-owned natural gas monopoly] Gazprom. Their Russian and CIS [Commonwealth of Independent States] customers do not pay, so Gazprom has unpaid receivables of almost \$6 billion from those quarters. So they need to expand exports to the EU, where they are being paid in a timely way. This brings up the issue of new pipelines. Russia is eager to develop a pipeline which does not pass through Ukraine, where too much gas is lost.”

Some features of what Schröder put on the table in his

meeting with Putin have emerged. First, Schröder’s proposals were made not on behalf of Germany alone, but as an EU initiative for a strategic energy partnership. The idea was suggested to Schröder by EU Commission President Romano Prodi in Hanover in September. Germany is a logical mediator for the EU proposal, being Russia’s largest European trading partner, its largest customer for natural gas, and a significant buyer of Russian oil.

Infrastructure To Move the Oil

On Oct. 4, in Brussels, the EU Commission adopted a policy statement on oil supplies which included the significant, if brief point, under proposals for “More open relations with oil-producing countries,” that the EU should “increase cooperation with Russia, in particular over the rehabilitation of production and transport installations for oil and gas.”

The EU spokesman confirmed, that, in fact, the EU proposal presented by Schröder is being tied to EU encouragement of a role by Putin to broker a transition to a post-Milosevic Yugoslavia. “The problem is, where to route new pipelines from Russia to the EU? The Poles do not want Russian gas running through their territory. This makes the Balkans interesting as one route, but the EU has no interest in putting forth financial or economic aid to build such infrastructure in a Milosevic Serbia. But I can tell you that there is much discussion right now in the EU about how the Balkans could become interesting for these pipeline routes if the political situation could be changed.”

The EU spokesman also confirmed that the German Chancellor was representing not simply German national interests, but rather the EU’s interest in greater Russian energy cooperation. “I should stress that this is not a German affair, but an EU-wide initiative. There are no more ‘national’ concerns, but we are attempting to forge a common EU energy policy

which today is lacking,” he said. At present, some 20% of EU natural gas supply and 16% of its oil come from Russia. Poor pipeline maintenance and major leaks in the Russia oil sector have been a terrible constraint on increasing Russian oil exports, thus far.

The next talks between Russia and the EU are slated for Oct. 12 in Moscow, in a meeting of the EU-Russia Cooperation Council. The EU delegation will be led by Chris Patten, EU Commissioner for External Relations. The talks will be technical, according to the EU, but as there are no regularly scheduled meetings of that group, it signals that some inside the EU are eager to move the energy cooperation agenda forward.

This could be a chance to recapture the missed opportunity, urged by LaRouche in the 1989 revolutions, to use western European infrastructure technology, focussed around Germany’s leading role in machine tools and steel, in exchange for Russia’s oil and gas, as the basis to rebuild Russia’s rotted economic base. Time will make this opportunity clearer. The initiative at this point at least seems promising for the first time in ten years.

Germany on the Eve of a New Russia Policy

by Rainer Apel

The four-hour visit of German Chancellor Gerhard Schröder to Moscow on Sept. 25, was highly unusual, indeed: He and Russian President Vladimir Putin spent their entire time talking at the Kremlin in German, which the Russian President speaks fluently. There were no translators present, and hence, only the two leaders know exactly what they discussed. This is not to say there is some dark conspiracy between Berlin and Moscow, which the two leaders wish to withhold from the other Western powers. But, afterward, Chancellor Schröder told journalists jokingly that there was “no new Rapallo” in the making—an allusion to the 1922 exclusive treaty between the young Soviet Union and Germany, which was a strategic response by two states, which wished, respectively, to survive the anti-communist economic embargo and the destructive conditions of the 1919 Versailles Treaty. Most of the design of that Rapallo Treaty went under, in the political turmoil after the assassination, several months later, of Walther Rathenau, the German Foreign Minister who signed it, and with the hyperinflation that flailed Germany in 1923, making any calculable economic policy impossible.

“Rapallo” is past history, but it is a similarly acute economic crisis, that gave birth to the Schröder-Putin talks in Moscow on Sept. 25: The date was arranged at the peak of

the combined crises in Europe, with speculation sending fuel prices soaring, and capital flight sending the European Union’s single currency, the euro, plunging. The Chancellor conveyed an EU emergency policy initiative to the Russian President: a plan for a long-term “strategic energy partnership” between the EU and Russia (see accompanying article).

Schröder also discussed bilateral German-Russian issues, such as the proposal for a new, regular conference, involving politicians, industrial managers, bankers, and experts. They agreed that the conference shall be held at least once, in St. Petersburg, each year. And, the German state export credit guarantee facility, Hermes, shall be expanded, so that more German firms, notably middle-sized ones, can pre-finance exports to, and investments in Russia. Having come under immense political and economic pressure from rising fuel prices and the euro collapse, the German interest in intensifying economic relations to Russia is evident. The Russians, too, are voicing a new interest in building relations with Germany—relations that return to the basics of industrial and technological cooperation, unknottling the monetarist strait-jacket of neo-liberal “reforms” that have undermined any serious cooperation, during the past decade.

What Was at Stake in Reunification

Several prominent former Soviet individuals who were in office in 1990, when the reunification treaties for Germany were signed, are among those voices favoring cooperation with Germany. And as Germany celebrated the tenth anniversary of its reunification on Oct. 3, these people have spoken out, again, on what direction German-Russian relations should take.

Former Soviet Foreign Minister Eduard Shevardnadze, now the President of Georgia, appeared on a German talk-show on ARD TV, on Oct. 1, along with many of the *dramatis personae* of the 1989-90 events: former Foreign Ministers of France (Roland Dumas), Britain (Sir Douglas Hurd), and the United States (James Baker III), as well as former German Foreign Minister Hans-Dietrich Genscher and the transition Prime Minister of East Germany between March and October 1990, Lothar de Maiziere. Shevardnadze stirred up the discussion by stating that in 1989 and 1990, there had been no alternative, but to respond positively when East Germans took to the streets, calling for the dismissal of their much-hated socialist regime. The alternative, to throw up any institutional obstacle to German reunification, he continued, would have led to uncontrollable tensions throughout Europe, and the threat of a Third World War. The Soviets and Americans agreed not to let a war break out, Shevardnadze said, which Baker confirmed.

Neither these two, nor the other talk-show guests, addressed the conditions that were imposed on the Germans before they were allowed to reunify. Unfortunately, Shevardnadze did not address that, although he is naturally aware of the destructive impact these conditions have had on the development of industrial-technological relations between



German Chancellor Gerhard Schröder (left) and Russian President Vladimir Putin met in Moscow, and discussed state-to-state energy deals between the European Union and Russia.

the Soviet Union, and later Russia, and the reunited Germany. Shevardnadze could have raised it, as he does have other designs in mind than those that have been practiced during the past ten years: His book, *The New Silk Road*, which argues for the development of the Eurasian Land-Bridge transport corridors, was published exclusively in Germany last year. The book makes clear, that the Germans have a special role to play in the realization of that design.

Remarks by the former Soviet Deputy Ambassador to East Germany, Igor Maximychev, came closer to this real Russian-German agenda: In an interview published on Oct. 2 with the Berlin daily *Tagesspiegel*, Maximychev said that the originally promising perspective of post-Cold War cooperation between Germany and the Soviet Union was sabotaged by those (he did not name names) who “always take action whenever there is a new understanding” between the two countries. In this light, Maximychev said, it was pretty dumb for the German media to parrot the Russian oligarchs’ media which put out black propaganda against Germany’s friend President Putin, during the emergency surrounding the sinking of the submarine *Kursk*. But, it seems that Chancellor Schröder and President Putin are getting along well, professional and personally, Maximychev said, citing their Sept. 25 Kremlin meeting, so there is reason to hope that Russian-German relations can now be intensified..

A decade ago, Maximychev was a crucial contributor to the process of German reunification, at a time when it did not have the full support of many in Moscow, little support in the United States, and no support whatsoever in Western Europe, with the sole exception of the Spanish government.

Gorbachov Speaks Out

Finally, the Soviet Union’s last President, Mikhail Gorbachov, spoke out on the perspectives of German-Russian relations. In the same issue of *Tagesspiegel*, Gorbachov said that the only thing that will help Russia out of its present crisis is for it to intensify trade and foreign policy relations with the European Union. He said that to a greater extent, “Russia is co-responsible for its misery.” It has been occupied with its problems, but, instead of solving the problems step by step, “they tried to instantly impose the Harvard Model”—that is, Jeffrey Sachs’s neo-liberal “shock therapy.”

But Gorbachov also warned the West not to gloat: “The West has made strategic mistakes. It believed that it had defeated Communism, and that the neo-liberal theory had triumphed. Now we see that that is wrong. No fundamentalist current is able to solve the problems or win elections—Communism least among them.

“Yeltsin has destroyed a lot. He thought the market would take care of everything. That was adventurism. Germany has tried to maintain contacts on a certain level, during the Yeltsin era. But no fruitful relations developed from that. Now, Putin and Schröder are working on that.”

What one can see behind these pointed remarks by Shevardnadze, Maximychev, and Gorbachov, is reflections on the failures of the past ten years, and the beginnings of a debate about alternatives—real ones, that help the physical economy. Germany can do a lot to bring these new designs into the daylight, and it seems that Putin and Schröder discussed that in Moscow—indeed, in German.

Britain's Blair Has That Sinking Feeling

by Mark Burdman

British Prime Minister Tony Blair's Sept. 26 keynote address to the annual conference of the British Labour Party was a crucial opportunity for him, to reverse his precipitous political slide in Great Britain. But by the time he was finished speaking, there was one thing noticed more than anything else by the cameras, and this became the main point of national attention: Blair's shirt was soaked with sweat. Newspaper photos the next day created the impression that Blair's next stopover, after his speech, must have been the local laundry.

Much of the news coverage of the contents of the speech, focussed on the arrogant Prime Minister's admission of recent mistakes, and pleas that he would do better. Hardly the ingredients of a vigorous comeback.

To make matters worse, Blair had to be rescued, the next night, by his arch-rival within "New Labour," Chancellor of the Exchequer Gordon Brown, who defended him, and then received a much more enthusiastic reception from the crowd than Blair had received. To add insult to injury, the trade union component of the Labourites in attendance, who are fed up with Blair's policies (similar to the "triangulation" strategy of Al Gore and his "New Democrats" in the United

States), banded together to vote down, from the convention floor, the Blair government's policy of decoupling pension payments to retirees from national earnings. That policy was first implemented by Blair's predecessor and idol, former Prime Minister Margaret "Battle-Axe" Thatcher. Such a public revolt over policy, during a national party conference in Britain, is a rarity. Al Gore should take note.

In totality, these were bad omens for the future of Mr. Blair.

Oil Price Fiasco

Well he might have been sweating, and not because of the heat or other "natural" factors. Throughout the year 2000, Blair has periodically been hit by political shocks, typified by the May 4 victory of his "Old Labour" nemesis, Ken Livingstone, in the election for Mayor of London. In the couple of weeks preceding the Sept. 25-28 Labour conference, he suffered his most dramatic setbacks to date.

Blair's incompetence, arrogance, and contempt for the population, were fully on display in response to the national crisis brought about by a blockade, by truckers and farmers, of key oil refineries in the U.K., on the model of what had happened earlier in France. For some days, this resulted in a severe shortage of supplies at filling stations, and at its worst, much of the country was effectively shut down.

At first, Blair bumbled around, unsure about what to do. Then, showing his "resolve," he refused to meet, or send a government representative to meet with the strikers, and refused—in contrast to actions by the French government—any lowering of the high fuel taxes. He then made bombastic declarations, lying that the members of the Organization of Petroleum Exporting Countries were solely to blame for the high prices at the pump.

Almost overnight, Blair's standing throughout the U.K., as measured by various polls and other indicators, plummeted to the lowest levels since he won by a landslide, on May 1, 1997.

And this is only a foretaste of things to come, because the "oil price crisis" is, as *EIR* has analyzed, only the leading edge of a global hyperinflationary trend, and is only one most obvious sign of the onrushing process of global financial disintegration. It is most relevant, that the British press, which had been quiescent on the point for some weeks, again started warning about a global financial crash, in the Sunday weeklies on Oct. 1, and then during the week of Oct. 2.

'Teetering into Hysteria'

The outrage centered around Blair's mishandling of the oil price situation,



British Prime Minister Tony Blair, who will be sweating a lot more, even as the weather gets colder.

was worsened by the fact, that there was already anger in much of Britain, over the “Millennium Dome.”

That lunatic monstrosity, located in Greenwich, is supposed to signify the great creativity and wonders of the United Kingdom, at the beginning of the new millennium, and has been the pet project of Blair guru Peter Mandelson (a.k.a. “Lord Mandy of Rio,” in recognition of his wild homosexual romps in the Brazilian capital). It was designed to be the greatest attraction in the country, and to draw vast numbers of people, making it self-financing.

Instead, it has been an utter flop, with attendance far below projected levels, and a financial disaster, requiring massive injections of government money to keep it afloat. That itself had become a scandal. But in late August-early September, there occurred the “last straw,” when a new several-hundred-millions pound-sterling injection of funds was made.

Pouring all this money down a sinkhole, stood in stark contrast to the under-funding of education, transportation, and health care, including in vital areas of scientific and medical research.

Adding to Blair’s woes, has been the publication of extracts of *Servants of the People*, a book released right around the time of the Labour Party conference, by Andrew Rawnsley, political editor of the left-liberal London weekly, the *Observer*. Rawnsley is a strong “New Labour” sympathizer. This makes it all the more damaging that, basing himself on insider information, Rawnsley exposes Blair to be vacillating, neurotic, and frequently subject to panics “teetering into hysteria.” He charges that the public image, cultivated by Blair, of a “turbo-charged machine in the masterful control of the driver was a carefully spun illusion.” The book also documents the bitter infighting within the government, particularly between Blair and Chancellor of the Exchequer Brown, but also among other Cabinet ministers. Reportedly, 10 Downing Street is most displeased by Rawnsley’s book, which has become a bestseller in Britain.

In the “business-as-usual” interpretation of British politics, Blair is being kept in power only by the weakness of his main opponent, Conservative Party leader William Hague, the Thatcher protégé who generates as much excitement as an apple core. But Britain is Britain, and the world is at a very volatile historical conjuncture. It would be very easy, at the appropriate moment, for the British establishment to “arrange” for Blair to slip on some kind of political “banana peel,” if he becomes too much of a liability. He would be forced to leave office, replaced either by someone inside Labour itself, or from another political party, or by some combination cobbled together, to “handle” the situation, in British terms.

Tony Blair should make a special appointment with his dry cleaners. He’s going to be sweating a lot, even in the coming cold weather of Autumn and Winter.

Pushkin Monument Unveiled in Washington

by Rachel Douglas

The first monument in the United States to the great Russian poet Alexander Sergeyevich Pushkin (1799-1837) was unveiled the morning of Sept. 20 in Washington, D.C., at a ceremony addressed by Russian Foreign Minister Igor Ivanov and U.S. Deputy Secretary of State Strobe Talbott. The Hon. James W. Symington, chairman of the Board of Directors of the American-Russian Cultural Cooperation Foundation, presided over the culmination of this project, which his organization helped to initiate. A mock-up of the monument was presented last year, at the time of the bicentennial of Pushkin’s birth.

Several hundred people gathered on a street corner at George Washington University, to see the larger-than-life bronze sculpture by Alexander and Igor Bourganov unwrapped, in bright sunshine. It now stands at 22nd and H Streets. Students, professors, diplomats, Americans, Russians, and Russian-Americans were beaming, as speakers recited and sang Pushkin’s verses, and the formal messages rose to a level far higher than most international discourse.

Former U.S. Representative Symington read out loud a warm message from President Bill Clinton, welcoming the likeness of “this beloved poet” onto American soil. A message of greetings from Russian President Vladimir Putin (whom an interpreter, carried away by the moment, called “President Pushkin”) was read aloud by Foreign Minister Ivanov. “From the bottom of my heart,” Putin wrote, “I greet the organizers and all the participants of the solemn opening ceremony for the monument to A.S. Pushkin, the first one in the United States. This event, without exaggeration, may be considered not only a signal one, but really the most important in the history of the development of cultural ties between our countries. The Russian genius of Pushkin is open to the entire world, and his immortal creations, translated into dozens of languages, are among the greatest treasures of humanity. His creative work belongs to Russia as a nation. But, far beyond the borders of our country, millions of people highly value this great poet for his incorruptible fidelity to the ideals of beauty, freedom, patriotism, and morality.”

Citing Pushkin’s “*Ya pamyatnik vozdvig . . .*” (“A monument I’ve raised . . .”), Putin concluded, “The main Pushkin monument is that one not made by human hands, which is



Russian Foreign Minister Igor Ivanov addresses the crowd at the dedication of the statue of Russian poet Alexander Pushkin, in Washington, D.C. on Sept. 20.

raised in the hearts of those who love his marvelous verses, his easy prose, grand dramas, witty letters, and mischievous drawings. Pushkin always dreamed about travelling to far-off countries, but the poet was not destined to see the New World. Today, thanks to the efforts of true admirers of his talent, America's map now has its 'Pushkin places.' I believe that also 'the people's path' will never be overgrown, to this monument to the poet, whose art remains young in the 21st Century, 200 years after his birth. I sincerely wish all the true friends of Pushkin in America—peace, prosperity, and every success."

The Washington Pushkin monument is a gift from the City Government of Moscow, to the City of Washington, D.C. Greetings from Moscow Mayor Yuri Luzhkov were presented by his First Deputy, Lyudmila Shvetsova. Beverly Rivers, Secretary of the District of Columbia, spoke on behalf of D.C. Mayor Anthony Williams. She noted the high interest among African-Americans, in Pushkin's being in part of African extraction.

Deputy Secretary Talbott introduced Foreign Minister Ivanov, who added his own comments to those of President Putin. Noting that Pushkin was also a diplomat, being employed by the Russian Foreign Ministry, he said that Pushkin's arrival in Washington, D.C., means that "we have another messenger of good will," to help in the difficult task of improving Russian-American relations. (After the ceremony, Ivanov was mobbed by reporters, seeking his reaction to the "Cox Report," issued by Congressional Republicans to denounce U.S. policy toward Russia under the Clinton Adminis-

tration; he replied that he had not studied the report, although he had met some of its authors, and commented diplomatically that while perhaps less has been achieved in U.S.-Russian relations during the past ten years than might have been hoped, there has been progress in the two countries' wiping away each other as an enemy-image, and stabilizing the relationship.)

'To the Poet'

Other speakers were Yevgeni Bogatyrev, director of the State Pushkin Museum in Moscow, Prof. Peter Rollberg of George Washington University, and Father Dmitri Grigorieff, Dean Emeritus of St. Nicholas Cathedral, who blessed the monument. Representative Symington sang his trademark song, a verse from Mikhail Glinka's setting of Pushkin's "*Ya pomnyu chudnoye mgnoveniye . . .*" ("I remember the wondrous moment . . ."); Professor Rollberg recited in Russian and in English, Pushkin's blistering sonnet "To the Poet," in which Pushkin advises that if the *vox populi* is foolish and infantile, ignore it!

In the Bourganovs' bronze statue, Pushkin is wearing a frock coat, and steps forward from a column, as if about to recite. Atop the column is Pegasus, the winged horse of the poets. Champagne was passed through the crowd, and toasts were drunk to Pushkin.

The fall 1999 issue of Fidelio magazine, devoted to Pushkin, is available for \$5 plus \$1 postage from the Schiller Institute, P.O. Box 20244, Washington, D.C. 20041-0244, or call EIR News Service at 1-888-347-3258.

Landless Movement Is Out To 'FARC' Brazil

by Silvia Palacios

When the unofficial "ambassador" to Brazil of the Revolutionary Armed Forces of Colombia (FARC), former Jesuit priest Francisco Antonino Cadenas Collazos (a.k.a. Oliverio Medina), went to renew his visa on Sept. 21, instead of filling out paperwork, he found himself behind bars. Brazil's Federal Police arrested him, on court-ordered grounds that he was a "threat to national security." He remains jailed, pending deportation to Colombia, where he is wanted for 61 crimes, including homicides and kidnappings.

For two years, no one had bothered Cadenas as he travelled throughout Brazil, giving speeches, organizing on campuses, and lobbying the government of Brazil to grant the FARC, the largest narco-terrorist force in South America, belligerent status (that is, diplomatic recognition). The FARC's "ambassador" had not limited himself to pressing the FARC's diplomatic agenda. Cadenas spent much of his time moving between the city of São Paulo and the western towns of the state of Paraná, where Brazil's Landless Movement (MST) has built its southern stronghold, and where Cadenas maintained close ties with the MST's militants.

The collaboration between Brazil's MST and Colombia's FARC is extensive, and one of the most dangerous threats to hemispheric security. While international attention focusses on Colombia, the fact that the largest country in South America by far, Brazil, will soon face a similar situation, goes ignored. Someone in Brazil, however, apparently wised up.

Feeding Off Rot

During the course of this year, the MST of Brazil has carried out increasingly violent acts, which have turned it into the vanguard of a Jacobin-style mass movement, with a leadership well trained in irregular warfare, which, at any moment, could cross the line from "legally constituted" to open insurgency, along the lines of its Colombian FARC allies.

The MST leadership is deploying its forces with precision, in a unique period of international crisis, comparable to that which made possible the seizure of power by Lenin in Russia. "In our opinion, there is a crisis of the international agreements, a crisis among the elites. All government institutions are demoralized. Who has confidence in the United

Nations? Does anyone have confidence in the International Monetary Fund? In the World Trade Organization? No one. The traditional organizations of the left and the world labor organizations are also in crisis." This evaluation was expressed by top MST leader João Pedro Stedile, in a revealing June 2000 interview published in the magazine *Caros Amigos*.

The MST is tailoring its actions to capitalize on the vacuum of power created by the ever-increasing weakness of President Fernando Henrique Cardoso's government. The government's stubborn commitment to dismantling the productive capacities of this potential South American agro-industrial giant, has led to a collapse in infrastructure, productive employment, and food production, which in turn has driven a mass of hungry, unemployed people, condemned to live in slums, into a state of desperation that stirs the cauldron of social unrest. That, even as the government drowns under successive corruption scandals which have even begun to seriously worry spokesmen of the Anglo-American establishment. In its September issue, the influential military paper, *Ombro a Ombro*, characterized the state of rot, by quoting from Shakespeare's *Macbeth*: "What's the newest grief?/That of an hour's age doth hiss the speaker;/Each minute teems a new one."

In this state of affairs, the MST is in a privileged position to negotiate increasingly advantageous concessions from the government, concessions granted willingly, in any case. In the *Caros Amigos* interview, Stedile boasted: "Before the Fernando Henrique government, the average number of [land] occupations we carried out in a year was about 100. Since the Fernando Henrique government, the average is 400-500. The greatest promoter of the MST is the government. When it departs, we are going to award it a medal." Leaving no doubt of President Cardoso's empathy for the MST, Stedile continued: "In meeting with us, in all fairness, Fernando Henrique never said, 'Stop the land occupations.' He never had the courage to say that. The only thing he asked of us was: Stop speaking badly of my government abroad, because it is not a question of me, but of Brazil's image abroad."

Phase Change Toward Revolution

The conclusions of the Fourth National Congress of the MST, held Aug. 10 in Brasilia, are unequivocal as to the intent to unleash a civil war in the countryside. After an inflammatory speech by one of its leaders, Jair Amorin, declaring it "necessary to transform everyone without land, without a roof, into a soldier of the revolution," the Congress approved a resolution calling for the invasion of all properties larger than 700 hectares, in the south of the country. This incendiary proposal received the immediate support of the Secretary of Agriculture of Rio Grande do Sul, Jose Hermetto Hoffman, who was present at the MST Congress. Together with the state's governor, Olivio Dutra, a leader

of the Workers Party (PT), Hoffman keeps the agricultural producers of this strategic state in check. The state's government is known for its close links to Cuban intelligence services, maintained through Fidel Castro's São Paulo Forum.

The Congress was attended by 11,000 participants from throughout the country, plus 45 foreign representatives of non-governmental organizations (NGOs) from 23 countries of Europe, the Americas, and Africa. "It was a surprise to see so many people organized and committed to a popular cause," gushed Joana Walker, a British member of Christian Aid, the philanthropic organization of the Anglican Church, which has backed the MST since its birth and which is the principal liaison between the MST and the European nobility, and especially with the House of Windsor and its instruments of colonial domination.

The Congress merely formalized the phase change which the MST began to make public in May of this year, when one of its leaders declared during one of its large national mobilizations, that their objective was to seize power, and that "agrarian reform" was but a means to negotiate concessions. In a May 21 interview in *Jornal do Brasil*, Stedile stated, "Our plan, from now on, is to join with other movements. If the government does not respond, there will certainly be many more mobilizations and they will become increasingly radical."

This is the conception driving the successive waves of MST actions, whose terrorist nature is becoming increasingly evident, and which are described by MST ideologues as the "accumulation of forces for changing the structure of power in the country." The first big simultaneous invasions of land and public buildings, highway blockades, and marches occurred in April, around the Commemoration of the 500 Years of the Discovery of Brazil, which the MST, preferring tribalism, denounced as centuries of "domination." On that occasion, the Secretary of Security of Belen (in the MST-plagued state of Para) said that a paramilitary "Cabanas Brigade" was operating with the MST. The Brigade was activated following the so-called Second Meeting for Humanity and against Liberalism, held in Para last December, organized by the São Paulo Forum. The mineral-rich state of Para, where the vast Carajas project is located, is, together with Rio Grande do Sul, one of two areas targeted by the MST for strategic intervention.

A second round of MST mobilizations took place in July, following the same pattern as the first. In Recife, the demonstrators seized the port, and a boat filled with genetically modified corn was attacked with stones and Molotov cocktails. Asked if the MST were becoming a guerrilla force, MST leader Gilmar Mauro told the *Jornal do Brasil* of Aug. 14: "We stimulate the mass struggle. The decision to become guerrillas or not, is not currently on the horizon. It is useless to have 10,000 rifles, if the masses are not organized."

His response is not surprising, in light of the MST's links

to the Colombian FARC narco-guerrillas. The armed confrontations between the MST and the police, Army, and private security forces of the ranches they have occupied, could drag Brazil into an armed conflict like the one that is ravaging Colombia. "Open your eyes to this. That's how it began here," FARC commander Ivan Rios advised, in an interview with the Brazilian newspaper *Jornal da Tarde* of May 24, from the town of Los Pozos, in the FARC's "demilitarized zone." Rios admitted that his organization maintains relations in Brazil with the MST and with the Workers Party, co-founders with the Cuban Communist Party of the São Paulo Forum. The MST also maintains a link to Colombia through Via Campesina, an enormous NGO created in Belgium in 1983, which joins peasant organizations from various countries around the world. In September, Via Campesina sent an "observer mission" to Colombia, in which a representative of the MST was included, and which gave support to the FARC in its opposition to the so-called "Plan Colombia."

Urban Arm in Action

The MST is also moving rapidly to extend its influence into the big cities, especially the most violent ones, such as São Paulo and Rio de Janeiro, using as its vehicle the Center of Popular Movements (CMP), whose head is the demonic Liberation Theology ideologue Fray Betto, the *éminence grise* of the MST and political son of Fidel Castro. Since its creation in 1993, the CMP has pulled together all the "have-nots" being created in the wake of globalization. In April of this year—coinciding with the public turn of the MST—the CMP held a conference in Belo Horizonte, which was attended by that goddess of terrorism, Danielle Mitterrand, the former French First Lady, and an apologist for the MST and Mexico's Zapatistas.

In July, the Homeless Workers Movement (MTST), a CMP affiliate, carried out two well-conceived propagandistic actions in Rio de Janeiro: first, an "orderly" invasion of a large shopping center, and then, of a supermarket. They achieved their effect, since the city is already terrorized by the drug traffickers who dominate the vast slums of the city. Both the MST and the MTST support the People's Struggle Front, which organized a protest on Aug. 29 against "police violence" in the slums. The main leaders of the Front come out of NGOs linked to evangelical sects, and one of them issued a provocative call to the drug traffickers to join their mobilization, because they are "also part of the community."

Not coincidentally, the state police reports that one of the most infamous drug traffickers from São Paulo's slums, is currently a fugitive, hiding out in Colombia under the protection of the FARC.

Thus, especially in Rio de Janeiro and in São Paulo, the elements of a narco-terrorist movement in the cities is beginning to combine with a terrorist insurgency in the countryside, presaging bloody warfare on the Colombia model.

Scottish Nationalists Meet, Elect New Leaders

by Alan Clayton

The 66th annual conference of the Scottish National Party (SNP) took place in the Scottish Highland town of Inverness on Sept. 20-23. The SNP's longtime leader, Member of Scottish Parliament (MSP) Alex Salmond, was standing down, and this precipitated a leadership election; and because his deputy, John Swinney, was seeking the leadership, there was also fierce competition for the post of deputy leader. The "LaRouche factor" became part of this electoral process very early on, when one of the candidates for deputy leader, Peter Kearney, gave an interview with *EIR*, stating how he agreed with LaRouche on a whole range of issues, and was a signatory to the international petition for a New Bretton Woods system, as LaRouche has outlined it.

The SNP's internal electoral processes are lengthy and extremely demanding for the candidates, who seek by every means possible to put their case before the voters. Kearney put his *EIR* interview (Aug. 25 issue) on his campaign website. This was picked up by one of Scotland's two main broadsheet newspapers, *The Herald*, under a story by its political editor, Murray Ritchie. The story contained a thoroughly scurrilous attack on LaRouche, containing allegations such as anti-Semitism and fascism, allegations which even in the United States seem well past their sell-by date. LaRouche responded to Ritchie, reminding him, among other things, of the need for journalists to avoid "reckless disregard for truth," although Ritchie never offered the courtesy of a reply.

The "LaRouche factor" intervened at another level, when this writer asked the SNP's Defense Spokesman, Colin Campbell (MSP), to seek explanations from the Royal Navy about a story which had appeared in the *Scottish Daily Express*, that the submarine *USS Toledo* had gone into the Faslane naval base on the Firth of Clyde for emergency repairs in mid-August. Campbell agreed to visit the Faslane base. This is no easy task, as the British government designates all members of the SNP, no matter what their position, as "security risks." Campbell managed to get an interview with Real Adm. Derek Anthony RN, Flag Officer Scotland, North of England, and Northern Ireland. Although Campbell had been briefed about details from *EIR* sources on Russian allegations about what had happened on Aug. 12 to the submarine *Kursk*, Admiral Anthony categorically denied that the *USS Toledo* had been in any kind of collision with the *Kursk*, and indeed told Campbell that as a consequence of the huge weight differential between the *Kursk* and the *Toledo*, "the

Toledo would have come off worst in such a collision." It should be noted, however, that weight differential is not necessarily decisive, since other factors, such as angle of collision, have to be taken into account.

Oil and 'Wartime Emergency'

The SNP conference took place in the wake of the greatest fuel and financial crisis that Britain has experienced since the ill-fated Anglo-French attack on the Suez Canal of 1956, when President Dwight Eisenhower threatened to "pull the plug" on the British pound sterling if the aggression did not cease forthwith.

On the evening of Sept. 13, some 90% of the gasoline stations on the island were completely empty, and supermarkets reported that dwindling food stocks had precipitated widespread panic buying of food. No fuel trucks were moving out of Scotland's only oil refinery at Grangemouth. In a cold sweat, Britain's Prime Minister Tony Blair solicited the highest authority in Great Britain—the Queen and her Privy Council. After meeting at the Queen's Balmoral Castle retreat in the Scottish Highlands, Blair was given "special powers" to crush the protests and ensure fuel deliveries with the use of military troops and riot police.

During the crisis, a friend of mine, the mother of four children who lives at the southern tip of the Mull of Kintyre, phoned me to ask if there was anything I could do to help, as there was only sufficient food for another meal for her family, the youngest of whom is a two-year-old baby. Some people in her village of Southend had seriously considered taking a small boat across the 12 miles of the North Channel to County Antrim in Northern Ireland, where the crisis was much less severe due to the proximity of the Irish Republic with its significantly cheaper fuel. These were conditions of the worst wartime emergency. Indeed, as a young child I lived through the Second World War in the west of Scotland and do not recall food shortages as serious as that, and there is every indication that it is going to occur again.

The fuel crisis was one of the main matters of discussion at the SNP conference, and in particular the fuel tax, which accounts for 80% of the cost of gasoline. Most of the oil in the North Sea is in Scottish waters, where its production exceeds that of Kuwait. Despite this, oil prices in Scotland are among the highest in Europe, with a gallon of gasoline costing \$6-7. The limited powers of the Scottish Parliament do not extend to taxation over oil revenue, but the SNP has promised substantial reduction in fuel prices at the pumps if it can get the powers of the Scottish Parliament extended.

'Save the Heather, Ban the People'

Each year, a feature of the SNP conference is the "Donaldson Lecture," at which someone prominent in business, education, or politics speaks on a key theme. This year saw a particularly good lecture by Dennis MacLeod, a founding member of Business for Scotland. He spoke of the developing



A British Petroleum oil-drilling platform in the North Sea. Scottish nationalists are trying to expand the powers of the Scottish Parliament, to control oil revenues.

alliance among landowners and environmentalists to prevent the repopulation and industrialization of the dozens of glens which had been cleared of people after the Jacobite uprisings in the mid-18th Century, and which are now used mainly for shooting and game-keeping. Although the conference attendees laughed at his statement that “heather will be declared an endangered species,” Macleod made it very clear that such a scenario is not out of the realm of possibility, and that the oligarchy is determined to keep what they consider to be the ultimate form of pollution—people—out of the rural Scotland which they would like to keep as a vast European theme park.

The leadership position of the SNP was won by Salmond’s deputy, John Swinney. Alex Neil (MSP), his opponent, who had called for returning the SNP to its primary objective of gaining Scottish independence, lost the election, as 67% of the 814 delegates voted for Swinney. The elections to leadership positions were both interesting and disappointing. Peter Kearney, who has shown a determination to remain with solidly nationalist policies for the Scottish future, and had won the endorsement of the SNP’s student wing (the Federation of Student Nationalists), came in third in the deputy leadership election, this being due mainly to the fact that politically he had no internal track record at top levels within the SNP. However, his vote was far from derisory, and there can be little doubt that Kearney will be back until he does make it to the top. His leadership qualities make this obvious to those of us who know him.

The deputy leadership position was captured by Roseanna Cunningham (MSP), a feisty woman who is far from popular

with the oligarchy. Cunningham’s parents emigrated to Australia when she was a young child, and she only returned to Scotland in her late 20s. She considers herself to be “half” Australian, and indeed many of her attitudes and traces of her speech remain Australian. She has attacked the House of Windsor over recent years, and believes they have no part to play in an independent Scotland. Her oligarchical opponents describe her as “Republican Rose,” a slanderous reference to the Imperial Japanese propagandist, “Tokyo Rose,” whose radio broadcasts during World War II attempted to demoralize Allied troops in the Pacific Theater.

The jury is out on whether Swinney, as head of the SNP, has the ability to complete the task ahead, which, after all, is the demolition of an imperialist state which, with its monarchy, has been the scourge of human history for the last three centuries. Certainly, British attitudes and perceptions are still powerful within the SNP, and as long as these remain, there can be no possibility of victory, because the oligarchy is quite capable of adapting to the threat of the SNP. Indeed, the establishment of a Scottish Parliament with limited powers is just the most recent example of such adaptation.

As Scotland and the world face the greatest financial and economic collapse in modern history, of which Britain’s most recent fuel crisis is but a modest tremor, the very power and existence of the oligarchy is threatened. This prospect brings joy in the hope that we can build a new and better future. It will, however, also require the true measure of leadership, a leadership that is not based upon opinion polls, but upon truth, and what is actually required for our nation and civilization to survive and prosper.

International Intelligence

Malaysia Gives Nod to Trans-Asia Rail Study

The proposed Trans-Asia Railway project linking Singapore to Kunming, China, was given a boost when the Malaysia Cabinet approved a study into the Malaysian section of project. Transport Minister Datuk Seri Dr. Ling Liong Sik said the study by two consultants was presented to the Cabinet Sept. 27.

The idea for the \$2.5 billion project was mooted by Prime Minister Dato' Seri Mahathir bin Mohamad at a summit of the Association of Southeast Asian Nations (ASEAN) several years ago. Dr. Ling, who is chairman of a special committee overseeing the project, said the route would link Singapore, Malaysia, Thailand, Cambodia, and Vietnam to Kunming, the capital of southwest China's Yunnan province. There would also be links to the Lao capital Vientiane and the Port of Bung Anh in Vietnam as well as to Myanmar.

Dr. Ling said that, with the completion of the study and its approval by the government, the matter was expected to be discussed at the ASEAN summit later this year. "If these recommendations are accepted, all the ASEAN countries can work together to have the links," he said. The railway would stretch 5,000 kilometers. He added that, if all the governments accepted the recommendations, preliminary work would start soon. The whole project is expected to be completed by 2006.

Jakarta Court Drops Charges vs. Suharto

The South Jakarta District Court dropped multimillion-dollar graft charges against Indonesia's former President Suharto on Sept. 28, after an independent team of doctors testified that Suharto, 79, was senile, and mentally and physically unfit to stand trial. The court also lifted his house arrest. "The ruling is primarily based on facts produced by a total of 60 doctors from three different teams who have examined the defendant, deeming him permanently unfit to stand trial," reported one of the judges. Suharto was accused of stealing \$571 million from

the state by funneling money from seven charity foundations he chaired into the businesses belonging to his family and cronies.

Prosecutor Mughtar Arifin told the hearing that he would appeal to the Jakarta High Court. Teten Masduki, coordinator of Indonesian Corruption Watch, agreed, saying, "The Supreme Court should issue a decree for an *in absentia* trial." However, House of Representatives Speaker Akbar Tandjung, who is also chairman of Suharto's Golkar party, said that the court's decision should be respected, adding, "The public should accept the reality." Subsequently, Akbar has indicated that the door may not be completely closed on further legal action.

The government tried to deflect some public anger over the charges against Suharto being dropped, by announcing that his youngest son, Hutomo "Tommy" Mandala Putra, would begin serving a prison sentence on Oct. 2 for an \$11 million-plus land scam.

However, demonstrations that were getting under way in the morning, just before the hearing started, degenerated into clashes with police when the court's ruling became known. Some 30 people were wounded and at least one killed, in what was described as the most violent demonstrations in Jakarta since 1998. Police reported that clashes continued late into the night, with protests ongoing in Central Jakarta, near Suharto's private residence.

France Takes on Britain Over Yugoslav Sanctions

The French bearded the British lion over the European sanctions against Yugoslavia on Sept. 29, by issuing a statement as president of the European Union, that the EU "as it had committed itself to do, must put itself in a position to rapidly lift sanctions taken against the Federal Republic of Yugoslavia on account of the regime of President Slobodan Milosevic."

Indeed, how the issues of the sanctions and The Hague War Crimes Tribunal arrest warrant against Milosevic are resolved, could determine whether there is a fairly peaceful post-Milosevic transition, or a social explosion in Serbia that would trigger a

NATO military intervention.

The British Foreign Office reacted immediately to the French call (which was reportedly worked out with Russia), stating its strong opposition against "immediate lifting" of sanctions.

British Prime Minister Tony Blair also persuaded visiting Croatian Prime Minister Ivica Racan to declare that no one should expect a "substantial change" to come soon in Belgrade as a result of Vojislav Kostunica's election victory. Croatian President Stipe Mesic stated that sanctions should "not be lifted" until Yugoslavia passes "a law on cooperation with The Hague Tribunal, and . . . they hand over war criminals."

Such rhetoric is custom designed to weaken the most rational forces in Belgrade, and to reduce the margin for Russian mediators to maneuver in the highly unstable situation.

Foreign Collision with Kursk To Be Researched

Russian Vice-Adm. Vladimir Valuyev, first deputy commander of the Baltic Fleet, has announced that the oceanographic vessel *Akademik Mstislav Keldysh* has begun work in the Barents Sea, looking for evidence that the *Kursk* submarine collided with a foreign vessel. Valuyev said that "the research equipment on board the *Mstislav Keldysh* is to collect fragments around the hull of the sunken submarine. In the opinion of the Navy Command, these fragments should include parts of the hull of the foreign submarine which caused the accident."

According to the Sept. 28 issue of the Russian daily *Kommersant*, Valuyev is convinced that the *Kursk* collided with another vessel of lesser tonnage, travelling at a higher speed. He says that in this type of collision, it is usually the hull of the submarine that is underneath that is damaged. The submarine that was on top, after losing parts of its hull casing, was able to leave, despite the explosion of the *Kursk*. Valuyev believes that the collision caused high-pressure air tanks, which are underneath the *Kursk's* outer hull, to explode, and this then caused the detonation of the *Kursk's* main weaponry.

Two U.S. and one British submarines were in the area where the *Kursk* sank, but the U.S. and U.K. have denied that there was any collision, while refusing to allow any Russian inspection of their submarines.

Fox Threatens To Pull Army Out of Drug Fight

If Mexico withdraws its Armed Forces from the war on the drug traffic, it will face a "supranational" threat to its sovereignty, warned Gen. Carlos Demetrio Gaytán Ochoa, according to Sept. 15 press reports. In presenting his report, "Mexico's Challenges and Goals Against Drug-Trafficking," Gaytán, who heads up the anti-drug campaigns of Mexico's Defense Secretariat, shed an interesting light on the grave consequences for the country's sovereignty, should Vicente Fox, when he becomes President in December, pull the Armed Forces out of the drug fight, as his advisers have indicated he will.

"We should be careful that this threat does not overwhelm us; if we cannot control it, others could come to do so, and this we do not want," General Gaytán said. "The drug trade is one of the strongest threats to national security, and we have the right to sovereignly decide how to confront it; however, there are several foreign pressures, from organizations as well as from countries, that seek to shove aside our sovereignty, that we cede our autonomy. Mexico should be very careful, because today sovereignty is a function of our power to confront this phenomenon."

He detailed the scope of the military's involvement in fighting drugs, including that, on any one day, some 25,000 troops, or as many as 34,000 during the rainy season, are deployed in anti-drug tasks.

Israeli Anti-Terror Experts Visit India

Israeli-Indian military and intelligence relations are moving ahead rapidly, with the late-September visit of Israeli counter-terror experts. The delegation, led by Eli Katzir of the Prime Minister's Office of the Warfare

Against Terror, includes the Commander of the Israeli Police Force. The Israeli team travelled to the Indian state of Jammu and Kashmir to the Line of Control, the de facto border between India and Pakistan, to prepare a "feasibility study" of India's security requirements, especially for creating fool-proof border surveillance and management.

The visit is not without controversy inside Israel, however, according to the country's major daily, *Ha'aretz*, on Sept. 28. Opponents believe that if Israel goes ahead with the sale of its Phalcon airborne early warning system to India for the Kashmir border region, that will antagonize the United States and China, with which Israel has long-standing ties. Israel hopes to improve its relations with Pakistan, one of the largest and most influential Islamic nations. At the same time, Israelis can ill afford to disrupt their growing relationship to India by refusing a particular sale, because it might annoy Pakistan.

More Details Emerge on NATO Force Structure

More details on NATO's new force structure have emerged since the Turkish General Staff gave a special briefing to the Turkish press on Sept. 22. Public relations officer Col. Salik Colak said that NATO has started to undergo changes in line with changed security conditions since the end of the Cold War. Hence, NATO has changed its "command structure" and its "strategic concept," and therefore, is changing its "force structure." The new force structure will consist of headquarters for High-Level Reaction Forces (HRF), Lower-Level Reaction Forces (FLR), and long-term forces commands.

"Force pools" used by these headquarters, will also be established. "Force pools will consist of a force of six to nine divisions that will be used by the HRF corps, and a force of 15 to 8 divisions that will be used by the FLR corps. In cases of a confrontation, suitable units will be given to the command of the corps. In times of peace, these forces will be positioned in their own countries." The new force structure is scheduled to be completed in 2001.

ZIMBABWEAN "democrat" Morgan Tsvangirai told 25,000 members of his Movement for Democratic Change on Sept. 30, "What we want to tell [President Robert] Mugabe today, is, go peacefully. If you don't want to go, we will remove you violently." He had earlier threatened mass actions, including general strikes, to force Mugabe, who bested him in democratically held elections, out by Christmas.

MUSICIANS from 25 Asian and European nations will hold joint orchestral performances for the Oct. 20-21 Asia-Europe Meeting (ASEM), at Seoul's Sejong Cultural Center. The ASEM Festival Orchestra 2000 in Seoul will perform Beethoven's Triple Concerto and Dvořák's New World Symphony, among other works.

INDIAN DEFENSE Minister George Fernandes was in South Africa to sign an India-South Africa Defense Cooperation Agreement on Sept. 27. The agreement envisages close cooperation between the two countries, particularly in programs on research and development and joint defense production.

SRI LANKAN officials said on Oct. 1 that the separatist Liberation Tigers of Tamil Eelam have mounted a ferocious attack against government troops in northern Sri Lanka, killing 56 people. The Tigers stepped up terrorist operations in the days leading up to the Oct. 10 parliamentary elections.

QUEEN ELIZABETH is generously opening her Privy Purse to resettle "refugees," according to the London *Daily Telegraph* on Sept. 26. Mind you, not Croatian, Bosnian, or black African refugees, but her poor relations. At the request of the Queen, John Parsons, Deputy Keeper of the Privy Purse, is releasing funds to the family of Simon Rhodes, a Zimbabwean businessman and farmer, who claims they have been forced to flee the country. Rhodes's mother is the Queen Mum's first cousin.

One Tragic Underside of Globalization

by Paul Gallagher

Betrayal of Trust: The Collapse of Global Public Health

by Laurie Garrett

New York: Hyperion Books, 2000

740 pages with notes, hardbound, \$30 (Canada \$42.95)

“A fine and valuable work,” is the reported comment of President Bill Clinton about Laurie Garrett’s 1994 book, *The Coming Plague*. If the President so noted her warning, nonetheless the threat of uncontrolled infectious disease pandemics, worldwide *and in the United States*, has only gotten worse since then. In fact, the decline in public health infrastructure and spending, in most nations of the world including the United States, has accelerated since 1994, in the face of this threat.

It was not long, after the appearance of Garrett’s new book on *The Global Collapse of Public Health*, for her warnings to be suddenly and dramatically underlined by events in the United States, including shrill public health alarms being issued by the Centers for Disease Control (CDC) in Atlanta, Georgia. The “booming and prosperous” United States is short of flu vaccine. A flu season potentially as serious as any since the deadly 1918 pandemic is upon us, and there is not enough flu vaccine to vaccinate even those citizens who want flu shots, let alone all those who need to have them. And worse, there is not even a “reason” to be given out to the credulous, as explanation for the shortage. Only four giant pharmaceutical companies are producing vaccine, and one of them produced such defective batches that its product had to be thrown out—and this is a private industry, with an average ratio of profits to revenues of 18.9%, which is responsible

for the public’s health. All the CDC, the nation’s infectious disease watchdog, can do, is sound the alarm and investigate the effectiveness of half-doses of the vaccine.

Such gross failures of public health policy in the United States are the pale forward shadow of the public health disasters which have already struck in Russia, the other former Soviet republics, and the Third World. It is one apocalyptic horseman of “globalization,” although Garrett’s viewpoint is that globalization also provides the opportunity to reverse the disasters she solemnly lays out in this book in such exhaustive detail. Though the viewpoint seems indefensible, the book is a very, very valuable broad picture of the global dimensions of the health care crisis.

Since the middle 1990s, circles of qualified medical researchers and experts have been warning, that the world is threatened with *pandemics*—global epidemics—of new or resurgent infectious diseases which will have mutated or otherwise become resistant to prevention by vaccines or antibiotics. Laurie Garrett, a journalist trained as an immunologist, has been one of those qualified Cassandras. This publication reviewed her bestselling earlier book in 1995. We noted then, that it focussed very heavily on the use or misuse of *medical skills*—especially those of teams of very highly trained infectious disease specialists, the Centers for Disease Control, and so forth. It underestimated the role of *public health* in fighting pandemic disease, and the role of collapses in public health infrastructure in setting off the disastrous spread of such diseases.

1974 LaRouche-FEF Forecast

We reminded readers then, that although these forecasts—of viral and microbial mutations and combinations producing new strains of “superbugs,” proliferating among populations whose immune systems were being degraded—were becoming widely discussed in the mid-1990s, they were



The national nursing shortage, shortage of hospital beds, takedown of public health infrastructure, and other policies resulting from free-market “globalization,” have created a health care crisis in the United States, as well as other countries. Here, nurses demonstrate in Washington in 1995.

not new. In 1974 and 1975, Lyndon LaRouche and the Fusion Energy Foundation had made public a detailed global forecast, of precisely such emergence of new, more deadly diseases, and resurgence of old ones, and had clearly spelled out the *cause* that prompted the forecast. The cause was the “Fourth World” economic policy then being forced upon Africa, with specifically Malthusian intent to break down economic infrastructure and reduce population. (The notorious National Security Study Memorandum 200, ordered by Henry Kissinger in 1973 and secretly completed in 1974, encapsulates the policy referenced.) That policy, warned LaRouche and FEF, if continued and applied to the whole of the “Third World,” would lead to an ecological holocaust with its epicenter in Africa. New infectious diseases, bred among populations whose immune resistance was collapsing under malnutrition, lack of sanitation, and so on, would eventually spread worldwide.

In the 26 ensuing years, the effective shut-off of credit and then looting of all wealth, first from Africa, then increasingly from South America, now in this decade from Russia and from Asia, has been complete. According to a CIA report declassified this past May, that 1974 forecast has been proven accurate: “29 previously unknown diseases . . . have appeared globally since 1973, many of them incurable. . . . Twenty well-known diseases such as malaria, TB, cholera, and dengue have rebounded after a period of decline or spread to new regions, often in deadlier forms.”

The annual rate of growth of the human race, which in 1975 had reached 2.4% per year, fell to 1.9% in 1988, 1.7%

in 1992, and has now sunk to 1.1% heading toward zero, under the impact of the globalist “new world order” of the 1990s.

That is the long-term context in which to consider the warnings made in Garrett’s 1994 volume, and the disastrous global picture of “disease in a post-antibiotic age” which she draws in her new book. In that context, her subject matter is of the first importance worldwide, and her book is crucial evidence of the current crisis of the globalized world economy.

Collapse of Human Resistance

Right from the Introduction of *Betrayal of Trust*, the major omission of Garrett’s first book is recognized and remedied. The global collapse of the infrastructure of public health is the focus throughout the 600-page text.

One has to read her chapter on worsening infectious disease outbreaks in Africa, thoroughly and carefully, to see the crucial background to what South Africa’s President Thabo Mbeki and other such African leaders are insisting about the AIDS pandemic devastating their countries. It is not the murderous work of a single virus, or a single group of viruses. It is the effect of multiple, overlapping epidemics, including at least 13 outbreaks since 1986 of deadly hemorrhagic viral diseases never present in humans until the 1970s; and the resurgence of others, especially malaria and dengue fever. It is the effect of more and more weakened and deranged immune systems, in populations being employed to loot their own wealth, and thoroughly to loot the wealth of their own continent. It is the effect of run-down hospitals become the focal points for the *spread of deadly infectious diseases* rather than their cure. This is as true in the recently “prosperous and stable” Francophone West African countries, whose currencies were all collapsed at once in 1991, as it is in the economically destroyed and dismembered nation of Congo (Zaire), which is her focus in this chapter.

And by the time Zaire’s third Ebola virus outbreak occurred in 1995, the most advanced disease-control laboratories in Europe and the United States were suffering severely degraded capabilities to deal with such “superbugs.” Even Atlanta’s CDC, Maryland’s Ft. Detrick, and France’s Institut Louis Pasteur had let their high-security biological-hazard laboratories deteriorate to the point that scientists were being infected with the diseases they were studying. Garrett inter-

viewed veterinary researcher Frederick Murphy of the University of California–Davis, who said, “Today, for lack of funds, the infrastructure of tropical diseases is a mere skeleton of what it was twenty years ago. . . . So who is to be the world’s public health doctor?”

Another chapter focusses on India, and the epidemic of bubonic and pneumonic plague which broke out in several large Indian cities in 1995. Here is another country which the “globalist” media constantly report to be enjoying the strongest economic growth. Yet, Garrett finds: “At a time of record-breaking economic growth, India was slashing its public health expenditures, shifting responsibilities from the federal to state levels, and seemingly washing its hands of all responsibility for the people’s health. By 1991–1992, federal public health spending, which included hospital services, was a mere 0.04% of the national budget, or more than tenfold less than was spent in the previous decade.”

As for Garrett’s documentation of the demographic crisis-collapse of Russia: This chapter is nearly 200 pages in length, and compiles the findings of such rigorous researchers as Dr. Murray Feshbach as well as the author’s own investigations throughout Russia; and it is a devastating and fearful picture. This is true, even though Garrett never penetrates the guiding questions of international and national economic policy, which have brought Russia to the abyss of a population decline approaching 1% per year.

U.S. Included in Public Health Collapse

Then, as to the “booming economy” of the world’s wealthiest country, Garrett finds that “during the 1980s, the IOM [U.S. Institute of Medicine] found that every state lost funding and personnel in all areas except provision of clinical health care. Such vital services as drinking water and food quality control, environmental and occupational health, laboratories and disease control all lost money and personnel.” Her long chapter on disease spread in America, though less horrifying than those on Africa, Russia, and India which precede it, is the most revealing of all. “By 1997,” she writes—and she proves this in painstaking detail—“10% of *all* patients who spend more than one night in the average U.S. hospital acquired a non-viral infection nosocomially, carried to their fragile, ailing bodies on contaminated instruments or the hands of medical personnel. . . . In intensive care units the odds that any given patient would be infected in this way approached fifty-fifty. And all too often those infections were fatal. . . . By the close of the 1990s somewhere between one hundred thousand and one hundred fifty thousand Americans were dying each year, felled by infections they caught inside U.S. hospitals. And the deadliest of nosocomial microbes were newly emerging, mutant bacteria that could resist antibiotic treatment.”

The national nursing shortage, shortage of hospital beds, relaxed sanitation standards and reduced power of public health officials to enforce them, reduced public vaccinations,

and overuse of antibiotics all contributed to this crisis, which Garrett calls a reversal of the paradigms and foundations of American public health since 1900.

The brief historical sections of her volume are sufficient to convince the reader, of what he or she may not have known or understood at all: that more than half of the increases in human life span since 1700, were due to conditions of public health achieved *well before World War II*; 86% of the increase came from decreases in infectious diseases, mostly achieved before the advent of all antibiotics and many vaccines. In fact, it was in the period 1865–1905 that the most rapid and concentrated breakthroughs were made in policy-thinking about public health, sanitation, and in scientific determination of the fundamental public health measures. It is to those century-old and older breakthroughs that we owe the protections, consolidated up through World War II, which until now have made the industrial countries safe from, and relatively unworried about the scourges of cholera, malaria, diphtheria, typhoid fever, yellow fever, and so on. Today’s methods of control of tuberculosis are those pioneered by Herman Biggs, Health Commissioner of New York City, 100 years ago.

Garrett describes the great progress made against infectious disease in the *pre-antibiotic* age, in a very unusual context: her contention that despite those vaccines and antibiotics, global public health is far worse now than it was 30 years ago.

There is some confusion—even between the editor’s comments on the dust-jacket of this book, Garrett’s political-economic analysis of the crisis inside, and her comments during recent radio book-interviews—as to what her idea really is, of the relationship between the ruling “globalism” of the London-Wall Street and allied financial centers, and the global public health collapse she describes and indicts. The prospect of a “post-antibiotic age,” fearful as it is, is obviously bound up with the policies (of commission and omission) of the pharmaceutical conglomerates producing and selling most of the antibiotics and vaccines, as has been shown this year by Al Gore’s twists and turns over African countries’ rights to produce generic pharmaceuticals. Garrett does not deal clearly with that whole issue. There are problems of presentation in the work itself—for example, for a book of such length and exhaustive, detailed treatment of its subject, it is entirely without tables, charts, or graphs until one reaches the final 100-page section of notes. And even there, there are very few of the graphics which might re-focus the reader’s mind on an *overview* of the quantitative crisis which is being portrayed through such a massive number of anecdotal statistics.

Nonetheless, though *Betrayal of Trust* is still not pointing the way to the solution of so deadly a crisis, it is probably the most comprehensive documentation published to date, of the global scope and deadliness of that crisis. It is a view of the specter of a new dark age.

Anglophile Enemy of Abraham Lincoln Promotes Break-Up of United States

by Mark Burdman

When In the Course of Human Events: Arguing the Case for Southern Secession

by Charles Adams

Lanham, Md.: Rowman & Littlefield, 2000

257 pages, hardbound, \$24.95

Amidst all the triumphalism in leading Anglo-American circles, typified by the unstable Zbigniew Brzezinski, about the United States being “the only global superpower” (or “hegemon”) for at least the next quarter-century, and about the 21st Century being the “next American century,” the possibility is rarely raised, that the United States itself might not long exist in its present form.

Aside from the nightmare that would ensue from a clown such as Al Gore or George W. Bush being American President as the global financial system disintegrates and as social-economic conditions dramatically worsen, it is also the case, that there are forces working to bring about the end of the United States, through new “secessions.” And leading elements within the ranks of “our most reliable ally” in London would like nothing more, than to see the break-up of the United States, just as Britain supported the Southern Confederacy in the 19th Century, and as British Royal Consort Prince Philip expressed the desire that the United States be broken up into “bio-regions,” during a speech in Washington in the spring of 1990.

Charles Adams’s pernicious and venomous book is a good place to start, to get a better appreciation of this threat. He is an advocate for the Southern Confederacy, hopes that new “secessions” today will break up the United States, and, while American by passport, is a fanatically loyal toady of the British Empire, who boasts about relying overwhelmingly, for his “case for Southern secession,” on British sources.

The book provides back-handed proof, of the contention long made by Lyndon LaRouche and collaborators, that what is universally known as the “American Civil War,” was a war fought by President Abraham Lincoln and the American nation against the monstrosities of the British Empire. As LaRouche stressed on Sept. 2, in his keynote speech to the annual Labor Day weekend conference of the International

Caucus of Labor Committees and Schiller Institute, Lincoln led a war to “defend upon this planet, the right of a republic to exist, free of the domination of the British Empire and the British monarchy. That was the great world cause, the cause of all humanity, for which the greatest war ever fought by the United States, the Civil War, was fought. The defeat of the Confederacy, was a defeat of the British Empire.”¹

Sovereign Nation-State Targetted

Adams is an “adjunct scholar” at both the Auburn, Alabama-based Ludwig von Mises Institute and the Cato Institute in Washington, D.C. These are two among the representatives of the so-called “anarcho-libertarian” wing of the Mont Pelerin Society “free trade/free market” cult, the latter founded in 1947 by the late Friedrich von Hayek and his British backers. Both institutes support all sorts of wild schemes for “privatization,” “local control,” “local currencies,” and destruction of the sovereign nation-state.

The Ludwig Von Mises Institute, named after the late leading figure of the so-called “Austrian School” of economics, has backed secessionist programs for the United States, and has frequently praised the Southern Confederacy. During Oct. 6-7, it held a conference on “The Rise and Fall of the State,” largely devoted to the 1999 book by Israeli military historian Martin van Creveld, *The Rise and Decline of the State*. Van Creveld is an extreme opponent of the sovereign nation-state, who promotes the “privatization of warfare,” a euphemism for restoring forms of conflict as they occurred in the 1618-48 Thirty Years War, and earlier, in the era of feudalism. He was the main guest at the conference, and held a special autograph session for his enthusiasts there.

A Von Mises Institute promotional for the event castigated “the state” as “ravenous and cruel” and as an “engine of redistribution and oppression,” responsible, in the 20th Century, for “concentration camps, mass murder, mass starvation, and world war.” It blamed President Lincoln for having begun the era of “state aggrandizement” in the United States, which, until Lincoln, had supposedly resisted this process. It invited participants and attendees to “accelerate . . . the decline of the state.”

1. See Lyndon H. LaRouche, Jr. “Storm Over Asia, Take Two: I Told You So, and Now It Is Happening,” *EIR*, Sept. 15, 2000.



THE NEW ORLEANS PLUM.

BIG LINCOLN HORNER,
UP IN A CORNER,
THINKING OF HUMBLE PIE:

FOUND UNDER HIS THUMB,
A NEW ORLEANS PLUM,
AND SAID, WHAT A 'CUTE YANKEE AM I!



THE FEDERAL PHOENIX.

Adams reprints these cartoons from the British magazine *Punch*, published during the Civil War, denouncing Lincoln as a tyrant and aggressor.

As for the Cato Institute, its senior fellow, Doug Bandow, an advocate of drug legalization, has written a review salivating over Adams's book, gloating over Adams's attacks on Lincoln's 1863 Gettysburg Address.

Killing Lincoln a Second Time

When in the Course of Human Events: Arguing the Case for Southern Secession is, indeed, a violent diatribe against Lincoln, who is variously labelled a "tyrant," "dictator," "despot," and "war criminal," for his vigorous actions against the Confederacy. Adams likens Lincoln to an "ancient Aztec deity" bent on "blood sacrifice," as well as to Adolf Hitler and other "20th-Century dictators." Adams, obviously distraught that the great American leader was assassinated only once, goes so far as to express the wish that Lincoln had been "hanged" or even "lynched." As for the assassination itself, he likens Lincoln to Roman Emperor Julius Caesar, and welcomes assassin John Wilkes Booth's self-identification as "Brutus." Adams writes: "For all his benevolent acts as a dictator, Caesar rode roughshod over the Roman Constitution, and that resulted in his assassination; the killing of a tyrant was a patriotic act, a belief held by both the Romans and the Greeks. John Booth felt that way about Lincoln."

(Although, in the same passage, the racist Adams expresses admiration for Caesar's "plan to reduce the numbers of Romans on perpetual welfare by having them removed and resettled in the provinces where they could work for a living rather than survive on government handouts. Maybe that is the only way to cut down on the welfare state.")

These anti-Lincoln diatribes are repeatedly emitted, even though Adams, in spite of himself, presents convincing evidence that Lincoln's ruthless means of coordinating the war against the Confederacy, were unavoidable. In one rare moment of honesty, he confesses that, had Lincoln not been assassinated, the defeated Southern states would never have been subjected to the brutal kinds of treatment they often received, after 1865. This, from an author who cheers on the launching and activities of the Ku Klux Klan after the Confederacy was defeated in 1865, and who favorably quotes Klan leader Albert Pike's appeals for Arkansas to join the Confederacy.

British-Confederate 'Free Trade' Pact

Adams is in love with the Confederate cause, and gushes when he writes of Confederate leader Jefferson Davis, military leader Gen. Robert E. Lee, and other renegades. But, as a contemporary writer in the 21st Century, he cannot openly defend slavery. On one occasion, he moans that slavery was the South's "Achilles' heel," and that the Confederacy would have done better without it—which is like arguing that fecal matter would be fine, if only it got rid of its smell.

Nervous about the slavery question, he makes his main polemic, the celebration of the Southern secessionist states' commitment to "free trade," and opposition to the high protectionist tariff promoted by Lincoln's Republican Party.

His contention that this was the fundamental issue driving the momentum toward what became the "Civil War," is not entirely wrong, he just has the whole thing upside-down, mor-

ally and otherwise. The Confederacy was, indeed, fully committed to the British Empire's "free trade" policies, of the type that the Mont Pelerin Society peddles today, and was in fanatic opposition to the "American System" policies of protective tariffs, and government promotion of manufacturing and infrastructure ("internal improvements"), supported by the Lincoln Republicans—or better, Lincoln-Carey Republicans, in reference to American System economist Henry Carey, who played the key role in shaping economic policy for the Lincoln circles.

The Confederacy saw itself in alliance with the British, primarily, and Emperor Napoleon III's France, selling cotton at the cheapest possible price (hence, slavery, the cheapest form of labor) to both. Fundamentally, the core Confederate leaders saw themselves as returning to the bosom of Mother Britain, a point made most insistently by leading personalities in the main slaveholders' bastion of secessionism, South Carolina. Conversely, the British supported the Confederacy, as the stepping-stone to establishing full imperial control over North America—a point we shall return to below.²

Adams repeatedly portrays the secessionist Southern states as peace-loving victims of the brutal tyrant Lincoln, only wanting to live, according to their own rules, as a separate "nation," in accordance with the principles of "self-determination," and based, he claims, on the same justification whereby the American colonies had originally "seceded" from Great Britain—the latter an argument constantly invoked by the vengeful British commentators so beloved by Adams.

Adams's portrayal of the Confederacy as peaceful victims ("a war of conquest by the North to destroy the Confederacy") is a lie, and goes hand in hand with his absurd assertion that slavery was dying out by the late 1850s, and was, therefore, no longer really an issue. The fact is, the cotton-dependent ("Cotton is King," as the 1855 propaganda piece boasting about the slaveholders' economic system was titled) insurrectionist states lived on a system of primitive accumulation, whereby the land was depleted, at the same time that it became harder and harder to maintain a growing slave population. "Free trade" and slavery were mutually interdependent.

In essence, the slave-based economy was able to survive only by *expansion*, westward into new territories that had not yet become American states, as well as by doing whatever were possible, to weaken those Northern forces that were committed to industrial and manufacturing growth, so that the Northern states could be made into assured providers of cheap food for the slaveholders. This is why Lincoln pro-

2. For the best account of both the underlying economic policy issues behind the Union war to crush the Confederacy, featuring the decisive role of Henry Carey and his circle, as well as the British role in the Confederacy and other "free trade" assaults on the United States, see Allen Salisbury, *The Civil War and the American System: America's Battle With Britain, 1860-1876* (Washington, D.C.: EIR, 1992; reprint of 1978 edition.)

pelled himself into much more active politics after the 1854 Kansas-Nebraska Act was passed, a piece of legislation that legitimized the bestial notion of "popular sovereignty" in these territories, and made almost inevitable, the extension of slavery there.

As for the "peaceful, leave us alone" Confederacy, Adams, in his second chapter dealing with the circumstances leading up to the Civil War, himself provides evidence that this is a fraud. He reports that the secessionists had captured "a long list of Federal properties," including several Federal forts, navy yards, and arsenals, and had seized or fired on government ships, in the short time between Lincoln's election in early November, and South Carolina's April 1861 attack on Fort Sumter, the which was the immediate cause of war. He also reports, that Lincoln's predecessor James Buchanan "did not block these takeovers," while Buchanan was a lame duck, between the November 1860 election and Lincoln's inauguration on March 4, 1861. In praising Buchanan's refusal to act, Adams quotes the latter's December 1860 annual address to Congress, where Buchanan lied that "our Union rests on public opinion," and, therefore, could only be held together by force.

Simply from this evidence provided by Adams, it is clear that Lincoln was faced with an *active aggression*. In reality, things were far worse for Lincoln than Adams reports. Parts of the slaveholding South had been on an incipient war mobilization for a long time preceding 1860-61. Especially in South Carolina, leading slaveholder families had plans for secession already back in the early 1830s, and while the 1833 "nullification" crisis was ultimately settled without bloodshed, war plans were in existence during the next two decades, and intensified during the Presidencies of Franklin Pierce (1852-56) and Buchanan (1856-60). As it became clear that Lincoln would become President, and on through Buchanan's lame-duck period, secessionist operatives were absconding with weapons, personnel, and documents from Union facilities. Anti-American espionage was rife, money was being looted for the emergent Confederate cause, and so on.

The secessionists were also receiving encouragement, and various forms of support, from Britain and France. In his second chapter, on the period immediately preceding the war, Adams writes: "It was reported in the Cleveland *Daily National Democrat* on 20 November (1860)"—i.e., barely two weeks after Lincoln's election—"that the English cabinet had entered into a secret trade agreement with the South for free trade in which cotton would be exchanged for British goods, duty free for both parties." Issuing no disclaimer or further information about this extraordinary item, he next writes: "This would, said the editors, 'cripple' Northern commerce in these products and strike 'a deadly blow' at the United States. In short, a free and independent South would be an economic dagger to plunge into the heart of the nation." A few pages later, he writes: "The free trade zone and its threats

to Northern prosperity was a serious matter, justifying a strong response in one form or another.”

Here, he has blown his own “case” to smithereens! But that does not stop him, only a couple of sentences later, from denouncing Lincoln for violating the American Constitution like “a Roman consul” and acting “dictator for the duration of his life”—a “duration” that was, of course, limited, thanks to British-run assassin Booth.

One other cautionary note, before proceeding to Adams’s love affair with the British Empire: He repeats, for his own devious purposes, the common fallacy that the Civil War was one between “the North” and “the South,” thereby sidestepping the issue that powerful forces in “the North” were committed to the same “free trade” atrocities as the Confederacy, and that policies of New York and New England (as well as City of London) banks had greatly reinforced the institution of slavery, by enforcing draconian debt repayment policies on Southern states. In one psychedelic chapter, Adams goes so far as to portray Lincoln as an agent of Wall Street, including of Rothschild agent August Belmont. In reality, as historian Anton Chaitkin has documented, Belmont was among those bitter New York enemies of Lincoln, who were not only supportive of the Confederate cause, but who threatened that, if Lincoln were to continue the war, New York would secede from the Union!³

‘The British View’

What is clinically useful to the counterintelligence specialist, is Adams’s fanatical zeal for what he calls “the British view” of the Civil War. Of his 15 chapters, three are devoted to this, with chapter headings “The British Press Views the War,” “British Scholars Speak,” and “How British Cartoonists Saw the War.”

In his “Bibliographical Remarks,” he writes: “I found that the most fascinating and honest accounts of the war were written by Europeans, especially the British. Every periodical in Britain ran continuing accounts of the Civil War, focussing on just about every phase of the conflict. British editors wrote in an atmosphere of pure freedom of expression, something totally lacking in America, then and even perhaps now. . . . As for British newspapers, the *Times* is all-important, but there were newspapers in every town and village, let alone cities, in Britain, and they were all obsessed with the war in America.”

He repeatedly cites British writers espousing the “Southern” cause, or castigating Lincoln and the Union, and gloats that “British scholars haven’t changed their position in a hundred years.”

He quotes British journals of the 1860s advising active intervention on behalf of the Confederacy. He reports that

British writers and war correspondents “had little difficulty condemning the North and supporting the South, even to the point of urging the British government to join in the conflict for Southern independence.”

Adams quotes a number of British prominents who supported the Confederacy, including Liberal leader William Gladstone; James Bryce, the leading 19th-Century British profiler of the American political system; and Lord Acton, who is today a hero of the Mont Pelerin crowd. In correspondence to General Lee, Acton bemoaned the loss of the war by the Confederacy: “Secession filled me with hope, not as the destruction but as the redemption of Democracy. I deemed that you were fighting the battles of our liberty, our progress, and our civilization, and I mourn the stake which was lost at [the Confederate capital] Richmond more deeply than I rejoiced over that which was saved at Waterloo” by the defeat of Napoleon Bonaparte.

Adams also makes dubious efforts to recruit British 19th-Century novelist Charles Dickens to his cause.

To show to what depths Adams crawls to emphasize his treasonous Anglophilia, he writes at one point: “The British are still chiding us for the absurdity of the Declaration of Independence. Some years ago, while I was living in a British colony, we Americans got together on the Fourth of July for a barbecue. One of my older English friends asked me what the celebration was all about. I took the bait and told him it was to celebrate the Declaration of Independence. He replied, ‘Wasn’t that document kind of a farce?’ . . . Of course I had no answer.”

One of Adams’s obsessions, is to insist that Lincoln and his advisers were driven by the lust for expanding the “American empire.” He barely bothers to mention, that his beloved Britain then sat astride the largest and most brutal world empire. This leads him to such grotesque historical inversions, as the claim that the contingency of Lincoln and his strategists, for a possible military move against Canada after the war against the Confederacy were concluded, was a plan for conquest. In reality, this contingency was developed to prevent Canada from being used as a staging ground for a British attack on the United States. But in Adams’s universe, the British Empire was victim of big, bad Lincoln.

So, of course, Adams covers up the real intent behind all of this support for the Confederacy, namely, to re-colonize the United States, and establish British imperial hegemony throughout all the Americas. The reader should keep in mind, that 1859 was a high-point of the British Empire, underscored by that year’s publication of Charles Darwin’s “survival of the fittest” pseudo-scientific apologia for imperialism, in his *Origin of Species*. Just preceding that year, the British had been on the victorious side in the Crimean War against Russia; had bloodily suppressed the Sepoy Mutiny in India; and had carried out, with the French, the Second Opium War against China. There was a feverish mood for Empire expansion in the United Kingdom, and the break-up of the United States,

3. See Anton Chaitkin, *Treason in America: From Aaron Burr to Averell Harriman* (Washington, D.C.: EIR, 1998, reprint of 1985), pp. 364-67, pp. 364-65.

using the Confederacy and British tools in New York, New England, and elsewhere in “the North,” was a priority British strategic aim.

The British elites have never forgiven Abraham Lincoln for ruining their plans, and the anti-Lincoln poison spewed by such of their toadies as Charles Adams, is emblematic of the fury still felt for the great American leader—and of the fear that Lincoln’s policies and leadership qualities can re-emerge in the United States, in such a conjuncture of historical crisis as the present.

‘Secession Is in the Making in America’

This rage of his masters, drives Adams to yearn for the break-up of the United States. In the midst of his condemnations of Lincoln and the Union cause as driven by the lust for “empire,” he jumps to the present time: “As the world’s great empires have broken up in the latter half of this century, with the Soviet Union being the latest casualty, only America remains as the last of the great empires.”

Then, in Chapter 12, he erupts: “Secession is in the making in America, and it is not in the old South—it is in the Southwest, by the Mexican-Americans. . . . As their numbers move them into the majority, secession from the United States to form a Mexican-American nation is not as far-fetched as it may sound. This prospect has been in the

vision of Mexican-American leaders as their long-term game plan, and, unlike the Southerners, they do have the numbers.” He then quotes two “Chicano nationalist” leaders, who make militant statements, but without the slightest hint of secession. But with his usual concern for truth and rigor, that is enough for Adams, who writes of this misnomered “vision for secession”: “When they have the numbers, will they not have every reason to secede, to withdraw from the leviathan in Washington to form a new nation where they will be, like the Southerners tried to be, making their own destiny, free from gringo domination—as the South wanted freedom from Yankee domination?”

Obviously, this eventuality is “making the rounds.” This reviewer had the opportunity, earlier this year, to speak to Professor van Crefeld, the hero of the Oct. 6-7 Von Mises Institute bash. In the discussion, van Creveld suddenly proclaimed that the United States would do better to pay less attention to foreign trouble spots and exotic new military doctrines, because the real threat to the United States comes from Mexico, and from the danger of a secession by Mexican-Americans in the Southwest. He reported that a book was circulating, through certain American networks, entitled *Civil War Two*, putting forward this scenario.

Something nasty is afoot, and Adams’s ugly diatribe is a key contribution to this nastiness.

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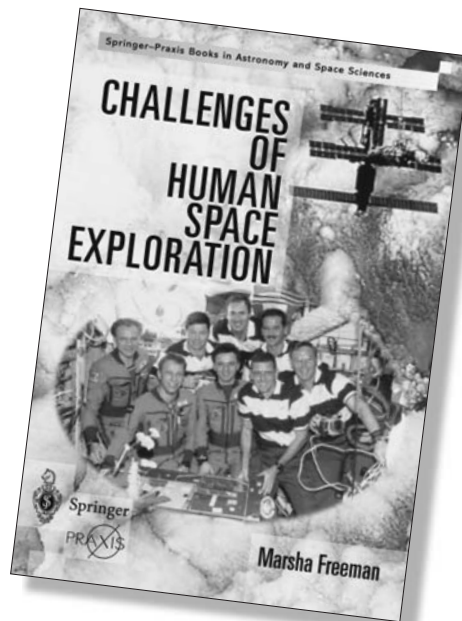
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A Quintessentially American Enigma

by Susan Welsh

Ulysses S. Grant: Triumph over Adversity, 1822-1865

by Brooks D. Simpson

Boston: Houghton Mifflin Company, 2000

533 pages, hardbound, \$35

The poet Walt Whitman, a close observer of the American Civil War, wrote of Gen. Ulysses S. Grant: “In all Homer and Shakespeare there is no fortune or personality really more picturesque or rapidly changing, more full of heroism, pathos, contrast.”

Gen. William T. Sherman, who knew Grant better than almost anyone else, admitted: “To me he is a mystery, and I believe he is a mystery to himself.”

For the past 135 years, Grant has intrigued and puzzled his biographers. From this first volume of Brooks Simpson’s planned two-volume biography, I conclude that Grant remains something of “a mystery” to Simpson as well. The author has done a vast amount of archival research, but the non-specialist reader will find it hard to discern idea-content and drama in the mass of detail presented. While much interesting material is covered, the dull, academic mode of presentation pales alongside the work of such biographers as Horace Porter¹ and Geoffrey Perret.² And, in several instances where Simpson does put forward an interpretation differing from that of eyewitnesses or previous scholars, he fails to provide enough evidence to clinch his case.

Simpson focusses attention on what he sees as the Grant enigma: how someone whose early life was so ordinary, unassuming, even a failure, could have risen to become such a great general. I don’t see much of a puzzle there. Just as the shock of Pearl Harbor transformed a generation of Americans from down-and-out victims of the Depression into a formida-

ble fighting force, so did the Civil War effect a similar transformation. When the very fate of one’s nation is at stake, it is not so unusual in history, for greatness to emerge out of what might have seemed, to the superficial observer, to be mediocrity, only a short time before. Simpson’s view of this matter is of a piece with his depiction of Grant’s alleged struggle for what a yuppie would call “career advancement,” during the early phases of the war. The author seems unable to conceive that Grant was *not* motivated by personal ambition. His goal was to defeat the enemy and save the nation, and, as time went on, he became more and more convinced that his own leadership role was indispensable. As he put it simply, in December 1864: “I know how much there is dependent on me and will prove equal to the task. I believe determination can do a great deal to sustain one and I have that quality certainly to its fullest extent.”³

I see two enigmas, or paradoxes, which the biographer of Grant must address: first, what was it that allowed Grant to succeed, where others failed; and second, why is his two-term Presidency so widely considered to be one of the worst in American history — though his outstanding service as a general is disputed by none? Since this first volume of Simpson’s biography deals only with Grant’s career up to the end of the war, I will address only the first matter here, and hope that the second volume sheds light on the question of Grant’s Presidency.

Simpson sums up Grant’s unique role: “No other Union general had done so much; it was a good question whether anyone else could have.”⁴ I would put it even more emphatically: If U.S. Grant had not assumed command of all the Union armies, under the Presidency of Abraham Lincoln, the United States would not have won the war. The British plan to split the nation in two would have succeeded.⁵

‘An Extraordinary Character’

Simpson quotes various people’s thoughts on what made for Grant’s success:

Abraham Lincoln: “The great thing about Grant, I take it, is his perfect coolness and persistency of purpose. I judge he is not easily excited,— which is a great element in an officer,— and he has the *grit* of a bull-dog! Once let him get his ‘teeth’ *in*, and nothing can shake him off.” (p. 462)

Gen. John M. Schofield: The “most extraordinary quality” of Grant’s “extraordinary character . . . was its extreme simplicity — so extreme that many have entirely overlooked it in their search for some deeply hidden secret to account for so great a character, unmindful that simplicity is one of the most prominent attributes of greatness.” (p. 460)

1. *Campaigning with Grant* (New York: Konecky & Konecky, 1992; reprint of 1897 edition).

2. *Ulysses S. Grant: Soldier and President* (New York: Random House, 1997).

3. Simpson, p. 399.

4. *Ibid.*, p. 455.

5. See Anton Chaitkin, *Treason in America: From Aaron Burr to Averell Harriman* (Washington: Executive Intelligence Review, 1999).



U.S. Grant: “It is difficult to know what constitutes a great general.”

Gen. William T. Sherman: “He does not know as much about books and strict military art and science as some others, but he possesses the last quality of great generalship; he knows, he *divines*, when the supreme hour has come in a campaign or battle, and always boldly seizes it.” (p. 460)

“I am a damned sight smarter man than Grant; I know a great deal more about war, military history, strategy, and grand tactics than he does; I know more about organization, supply, and administration and about everything else than he does; but I’ll tell you where he beats me and where he beats the world. He don’t care a damn for what the enemy does out of his sight, but it scares me like hell!” (p. 462)

And, writing to Grant, when his friend was elevated to lieutenant general in 1864: “My only points of doubt were as to your knowledge of grand strategy, of books of science and history; but I confess your common-sense seems to have supplied all this.” (p. 459)

U.S. Grant: “It is difficult to know what constitutes a great general.” (p. 458)

Each of these comments has its own interest, but none really explains Grant.

Why did he have “the grit of a bull dog,” where other brave—or merely stubborn—men, such as Gen. Joe Hooker or Gen. Winfield S. Hancock, did not rise to the level of greatness required by the times? “Grit” is not a genetic characteristic, but a quality of mind and character forged over a lifetime of experience, and especially the experience of war.

In itself, it is not enough to make a great general. The general must also be able to devise winning strategy and tactics, and to inspire those serving under him to carry them out.

Simplicity? Common sense? What do these qualities mean, for a commanding general? Probably more fatal idiocies have been committed in the name of “common sense” than anything else in history. What others perceived as Grant’s simplicity and common sense, masked deeper qualities of mind and spirit.

Where did Grant’s remarkable strength of character come from, then? When regular readers of *EIR* think of the idea of “military genius,” they might conjure up the image of Lazare Carnot, Gaspard Monge, Gerhard Scharnhorst, or Alfred von Schlieffen. Grant was certainly not cast in the mold of these great Europeans. He was not what you would call a cultured man. While he did fairly well at West Point (his best subject was math), he was by no means a mathematical genius like Carnot and Monge. He apparently despised music, to the point that it brought on migraine headaches (whether this reflected the quality of musicianship in the army, or some quirk of his character, I can’t say). Classical drama? Whereas Lincoln’s love of Shakespeare was a source of inspiration for his leadership, no one has ever claimed such a thing for Grant. (Early in his military career, stationed with the 4th Infantry in Corpus Christi, the short and slender Grant was cast in the role of Desdemona in a production of *Othello*. But the officer playing the lead role found it difficult to act with convincing passion with Grant as his lady love, and sent to New Orleans for a professional actress. Ulysses decided to grow a beard, instead.)⁶

Theodore Lyman, a Harvard-trained Brahmin who served on Gen. George Meade’s staff, observed that Grant’s prose, “though very terse and well expressed, is filled with horrible spelling.” Yet Grant “has such an easy and straightforward way that you almost think that he must be right and you wrong, in these little matters of elegance.” “He is an odd combination; there is one good thing, at any rate—he is the concentration of all that is American.” (p. 336)

“The concentration of all that is American.” That rings true; but we need to look deeper.

‘Auftragstaktik’

Let’s see what Grant himself had to say. Simpson quotes him (noting that the general was not as ignorant of military history as some have claimed): “I don’t underrate the value of military knowledge, but if men make war in slavish obedience of rules, they will fail.” The conditions of warmaking in Europe and America differed greatly, he said. While generals “were working out problems of an ideal character, problems that would have looked well on a blackboard, practical facts were neglected. To that extent I consider remembrances of

6. Perret, *op cit.*, p. 49.

old campaigns a disadvantage. Even Napoleon showed that, for my impression is that his first success came because he made war in his own way, and not in imitation of others. War is progressive, because all the instruments and elements of war are progressive.” The Battle of Vicksburg taught Grant “that there are no fixed laws of war which are not subject to the conditions of the country, the climate, and the habits of the people.” Realizing that “every war I knew anything about had made laws for itself,” Grant also observed: “The art of war is simple enough. Find out where your enemy is. Get at him as soon as you can. Strike at him as hard as you can and as often as you can, and keep moving on.” (p. 458)

While that may sound “American,” reminding one perhaps of Gen. Douglas MacArthur, the fact is that every genius thinks this way — military or otherwise, and regardless of nationality. It is the conception that Lyndon H. LaRouche, Jr. has described with the German military term *Auftragstaktik*, roughly translated as “mission orientation.” In a discussion with *EIR* staff on Jan. 24, 1998, LaRouche explained it this way: “You’re willing to change, you’re constantly changing military tactics. You have to change as the situation changes. Not changing is deadly. Sticking to a party line, in a military situation, *can be suicidal*. You have to be alert, you have to be flexible. But you have to know what your mission is, what you’re trying to do, what your purpose is, what you must accomplish, what you must not fail to accomplish. But you have to be flexible, in terms of sound principle, on how you respond to a changing situation. And that’s what *Auftragstaktik*, is, in tactical practice.”

Grant’s wartime leadership provides many examples of this. One particularly vivid image of his military genius, is that portrayed by historian Fletcher Pratt, describing the aftermath of the Battle of the Wilderness in Virginia (May 1864). This was the first battle waged by the Union army after Grant moved East to become General-in-Chief in March 1864. He made his headquarters in the field, with the Army of the Potomac, which remained under the command of Gen. George Meade, while Grant directed all the theaters of war. But even while Meade remained officially in charge, it was Grant who planned and carried out the Army’s campaign in Virginia from that time forward, overruling the volatile and sometimes discombobulated Meade when absolutely necessary.

The Army of the Potomac had experienced many bitter defeats at the hands of “Bobby Lee,” and had suffered from a revolving door of inadequate or outright incompetent generals. There was much bitterness on the part of Meade’s army toward the Western armies, which, under Grant’s command, had taken Vicksburg, and were marching on to further victories. “The army has been turned and twisted over again,” grumbled one veteran, “and now we will see how quick the Army of the Potomac will kill the reputation of ‘Unconditional Surrender’ ” (the nickname given to “U.S.” Grant).

The Battle of the Wilderness was a particularly brutal one, with 17,000 Union casualties — more than double the

Confederate losses. The underbrush was so thick that artillery could not move through it; the brush caught fire, and wounded men died in the flames, between the lines, where nobody could reach them.

Pratt tells what happened next:

“At Chancellorsville House there is a three-corner. The road to the left led back across the Rappahannock, back to the Potomac, out of that grim wood to fortifications, comfort and safety; that on the right led past the rebel front, deeper than ever into the perilous and uncertain Wilderness. As the defeated troops came slogging down to the turn, the dispirited soldiers saw dimly a man in an old blue coat sitting horseback at the cross-roads with a cigar in his mouth. He silently motioned the guides of each regiment down the right-hand road. Grant.

“They stared a moment — and then the slanting lines of steel took the road to terror and death, upborne on an uncontrollable wave of cheering. ‘That night the men were happy.’

“They could never be beaten now.”⁷

Capt. Charles F. Adams, Jr., the commander of the headquarters cavalry escort, recorded an incisive description of Grant, and the transformation that the Army of the Potomac underwent because of his leadership: “Grant is certainly a very extraordinary man. He does not look it and might pass well enough for a dumpy little subaltern, very fond of smoking. . . . [However, no] intelligent person could watch him, even from such a distance as mine, without concluding that he is a remarkable man. He handles those around him so quietly and well, he so evidently has the faculty of disposing of work and managing men, he is cool and quiet, almost stolid and as if stupid, and in a crisis he is one against whom all around . . . would instinctively lean. . . . Hammered and pounded as this Army has been; worked, marched, fought and reduced as it is, it is in better spirits and better fighting trim today than it was in the first day’s fight in the Wilderness. Strange as it seems to me, it is, I believe, yet the fact, that this Army is now just on its second wind, and is more formidable than it ever was before.”⁸

Problems in the Officer Corps

For *Auftragstaktik* to be carried out effectively, it is not enough for the commanding general to think in the way LaRouche describes; flexibility, creativity, and the ability to improvise as the situation requires must infuse the officer corps as well. In this respect, Grant faced a formidable problem. Of all the other Union generals, only Sherman could really function from the standpoint of *Auftragspolitik* on a

7. Fletcher Pratt, *A Short History of the Civil War: Ordeal by Fire* (New York: Dover Publications, Inc., 1997; first published by Harrison Smith and Robert Haas, Inc., 1935). Whenever I get confused by reading academic treatises on the Civil War, I go back to Pratt, to figure out what actually happened.

8. Simpson, *op cit.*, pp. 319-320.

FIGURE 1
The Civil War, 1861-65



consistent basis. And Grant never bothered to “keep tabs” on him, for this reason. Not so, the other commanders, as Simpson documents convincingly.

A useful feature of the book, is its discussion of the problems confronted by Grant in dealing with subordinate (or sometimes, insubordinate) generals, particularly those of the Army of the Potomac. That Army was a viper’s nest of intrigue, paranoia, and mutual recrimination among the generals. When Grant arrived, they sullenly turned on the unknown man from the West. Grant handled the situation with remarkable skill. As the quartermaster of the Army of the Potomac observed, Grant, when a cadet at West Point, had been particularly skilled at breaking in new horses, and was assigned this as a regular job. “He succeeded in this, not by punishing the animal he had taken in hand, but by patience and tact, and his skill in making the creature know what he wanted to have it do.” He treated the Army of the Potomac the same way.⁹

But even Grant’s tact and diplomacy could not fully solve the problem, and, as Simpson shows, time and again the sub-

ordinate generals would fail to live up to the tasks demanded of them. (In this respect, the book is a good antidote to the tendency toward hero-worship that sometimes manifests itself when one studies the Civil War, or any war. Heroes, there certainly were. But these men also had failings, which, without Lincoln and Grant, would have cost the Union its victory.)

Thus, **Gouverneur Warren**, whose perspicacity and courage saved Little Round Top and hence the Battle of Gettysburg, in 1863, was the same whose stalling and ego-driven insubordination wrecked or endangered several later operations, and who fumed to Grant, when ordered to cooperate with Gen. John Sedgwick: “You . . . can give your orders and I will obey them; or you can put Sedgwick in command and he can give the orders and I will obey them; or you can put me in command and I will give the orders . . . but I’ll be God damned if I’ll *cooperate* with General Sedgwick or anybody else.”¹⁰

Or, **William F. (“Baldy”) Smith**, whose ingenious plan

9. *Ibid.*, p. 286.

10. *Ibid.*, p. 304.

to open up the “cracker line” saved the Union troops from starvation and defeat at Chattanooga in 1863, was the same who, with Gettysburg hero Winfield S. Hancock, botched Grant’s plan for an assault on Petersburg, by dragging their feet until Lee had time to reinforce the weakly defended city. This spoiled the effect of Grant’s fantastic sweep south of Lee’s forces, south of the James River—a creative strategic move which, had it succeeded, could have ended the war then and there. And this was the same Smith whose continual carping against other generals, and against Grant personally, finally forced Grant to remove him from command.

Or, **William T. Sherman**, who was the best Union general after Grant, whose March to the Sea in Georgia was one of the greatest operations of the war, but who allowed his personal preoccupations (rage, impulsiveness, racism, etc.) to create political problems—especially after Lincoln’s assassination—which were utterly unnecessary.

Or, **George H. Thomas**, the “Rock of Chickamauga,” a Virginian who stayed loyal to the Union, but whose highly methodical nature tried the patience of other generals, and led him to delay his assault on Confederate Gen. John B. Hood in Tennessee (December 1864) to the point that Grant very nearly removed him from command. Thomas’s delay was vindicated by his eventual success against Hood, but does that mean he was right and Grant was wrong? How could Grant know whether to rely on Thomas’s judgment, as the man on the scene, or to conclude that yet another vital military action was about to end in failure?¹¹

11. Grant’s relationship with Thomas is an example of how Simpson goes against the interpretation of an eyewitness—in this case, Grant’s aide Horace Porter—without providing sufficient information to disprove Porter’s version. Simpson makes much of the alleged conflict between the two men, starting from Grant’s arrival at Thomas’s headquarters in Chattanooga in October 1863, after having been appointed commander of all the western armies. Grant, who had been injured recently in a riding accident, rode through rain and wind to reach Chattanooga, suffering another fall on his injured leg, and arriving at headquarters wet, dirty, and in pain. “Thomas received his new commander rather coolly,” Simpson writes, displayed “rude behavior,” and did nothing to secure dry clothes for his visitor. Only after being reprimanded by a staff member, according to Simpson, did Thomas offer Grant dry clothes. Grant declined the offer. (pp. 228-229)

Compare this to Porter’s version, which reports the same facts, but with a different interpretation: “General Thomas’s mind had been so intent upon receiving the commander, and arranging for a conference of officers, that he had entirely overlooked his guest’s travel-stained condition; but as soon as his attention was called to it, all of his old-time Virginia hospitality was aroused, and he at once begged his newly arrived chief to step into a bedroom and change his clothes. His urgings, however, were in vain. The general thanked him politely, but positively declined to make any additions to his personal comfort, except to light a fresh cigar. . . . The extent of his indulgence in personal comfort in the field did not seem to be much greater than that of bluff old Marshal Suvaroff, who, when he wished to give himself over to an excess of luxury, used to go so far as to take off one spur before going to bed.” (p. 4)

Charles A. Dana, Assistant Secretary of War, present at Thomas’s headquarters, cabled back to the War Department: “Grant arrived last night, wet, dirty, and well.”

It would seem that Simpson overlooks the possibility that, in that sen-

Lincoln was fully aware of how indispensable Grant was. In August 1864, Grant sought to put Gen. Philip Sheridan in command of the Sixth Corps, and direct him “to put himself south of the enemy and follow him to the death. Wherever the enemy goes let our troops go also.” There was some waffling over this in Washington, and finally Lincoln himself intervened, with a directive to Grant that reflected the President’s exasperation with the rest of the military command: “Please look over the dispatches you may have received from here, ever since you made that order, and discover if you can, that there is any idea in the head of any one here, of ‘putting our army *South* of the enemy’ or of following him to the *death* in any direction. I repeat to you it will neither be done nor attempted unless you watch it every day, and hour, and force it.”¹²

Yet, Grant could not be everywhere at once. He had to delegate authority, and he did so. He had to get the generals to work together, and if they wouldn’t, then his global strategy for all the theaters of war had to function, so that if one part of it failed, the whole would nevertheless succeed. And, all this under the relentless political pressure of the 1864 Presidential election: If Lincoln were not returned to office, the war could not be won; and if Grant’s armies did not achieve battlefield victories *fast*, Lincoln would surely be defeated.

The Political and Economic Dimension of War

This brings us closer to understanding what made Grant succeed, where others failed.

He was the only general who, like Abraham Lincoln, had a global perspective, thinking about all the theaters of war, rather than just that in which he personally was located. Even Sherman, with all his brilliance, did not do that.

Even more broadly, Grant, like Lincoln, grasped the essential concept of the *political-military flank*. For example, he understood the military, as well as moral, importance of one of Lincoln’s most important flanking moves against the Confederacy, the Emancipation Proclamation (as some other generals did not). Grant enthusiastically supported the recruitment of freed slaves to the Union army, and supported the Proclamation also because it would strengthen the *mission* of

tence, the most important part was the verb. Grant was no Baby Boomer. He was arriving at a time of urgent crisis in the Chattanooga campaign, in which the Union soldiers were cut off from their supply lines and would starve to death if they could not break out of the Confederate siege on the city. Whether or not he was wet, was not of great interest to him. Indeed, throughout the war, Grant’s indifference to his personal comfort, as well as his personal safety, became legendary. Simpson himself quotes an observer, later on in the war, describing what happened after the explosion of a Union ordnance boat at the landing at City Point, as a result of Confederate sabotage: “The only man who, at the first shock, ran *towards* the scene of terror was Lieutenant-General Grant, which shows his kind of character very well.” (p. 370)

12. Simpson, *op cit.*, p. 368.

Americans fighting for the principle of the Declaration of Independence, that all men are created equal. When the Confederates took the barbaric action of deliberately placing black Union prisoners of war in the line of Union artillery fire, Grant halted all prisoner exchanges—as agonizing as that was for the Union soldiers languishing in Confederate prisons. He was not going to allow any soldier under his command to be treated as less than human.

The close relationship between Lincoln and Grant was vital for the successful conclusion of the war, although Lincoln is treated as more or less a bystander in Simpson's book, and the author, when he writes about Lincoln at all, mainly accuses him of "meddling" in the affairs of the military. This is a grievous error, near the heart of the author's failure to crack his subject's "enigma"—or to understand how the war was won.

As indicated above, Grant was fully aware of the importance of Lincoln's re-election, and pressed on all fronts against the Confederacy, notably in the unrelenting series of battles against Robert E. Lee which, in 50 days of continuous marching and dying during May-June 1864, led to losses of 60-70,000 Union soldiers (more than the number of U.S. soldiers who died during the entire Vietnam War), and which caused the Union press to denounce Grant as a "butcher," insensitive to the loss of human life. Just in the nick of time, Sherman's capture of Atlanta (Sept. 2) and Sheridan's victory in Virginia's Shenandoah Valley (Oct. 19) changed the mood of the nation, providing Lincoln with a decisive Election Day victory.¹³

Like Lincoln and also Sherman, Grant grasped the *physical economy* of warfare. In this, his experience as a quartermaster during the Mexican War stood him in good stead. On the one hand, he took meticulous care about the logistical requirements to sustain an army advancing through enemy territory, while also knowing when "normal" requirements should be suspended, in the interest of seizing the initiative—such as when his army cut itself loose from its supply depots, and was "living off the land" during the Vicksburg campaign, and when Sherman did the same thing in his March to the Sea. Even more important strategically, Grant, Lincoln, and Sherman all knew the importance of destroying the *economic base* that sustained the enemy. This they did, with devastating effect.

Most profoundly, Grant's understanding of the physical economy of warfare is what makes him appear a "concentration of all that is American." He, like Lincoln, was a thoroughgoing republican, believing in the American System of political economy, as against the British free-trade system. At the core of this republican conception, is the belief that all men were created equal, in the image of God. The aristocratic,

13. See Susan Welsh, "How Lincoln Defeated 'Vox Populi' and Saved the Nation," *EIR*, July 28, 2000.

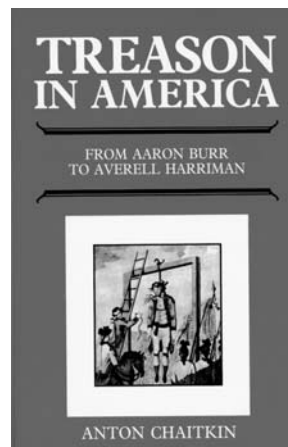
oligarchical mind-set that characterized the governments of Europe, was utterly alien to his way of thinking. In an aristocratic officer corps, each man is concerned with his personal "honor," with cutting a fine figure, with the glory and trappings of war, while expecting the lower echelons to carry out their assigned function as cannon fodder, while doing obeisance to the feudal lord who commands them. This was the character of the Confederate army, and the Confederacy as a society; it existed in the Union officer corps as well, to a much lesser degree. But Grant usually wore a private's blouse, and the only way you could tell his rank was from the three stars on his sleeve. On more than one occasion, he was mistaken for an enlisted man.

Horace Porter depicts Grant's republican relationship to his troops: He "sought to cultivate the individuality of the soldier instead of making him merely an unthinking part of a compact machine."¹⁴ It was this, more than anything, which created a fighting force that Robert E. Lee could not comprehend, and his generals, valiant though they were, could not defeat. And it was this common understanding that created the moral and strategic bond between Grant and Lincoln, which no other general could match.

14. Porter, *op cit.*, p. 513.

Treason in America

From Aaron Burr To Averell Harriman



By Anton Chaitkin

A lynch mob of the 'New Confederacy' is rampaging through the U.S. Congress.

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A Debate of Two Empty Suits Called Bush and Gore

by Our Special Correspondent

Every viewer of the Oct. 3 debate between Al Gore and George W. Bush noticed one thing: The two candidates wore identical outfits — the same dark suit, the same red tie, and the same white shirt. Picture only the suits — without the heads — bobbing and gesturing at the podiums, as two robotic voices, possibly generated by computer, repeat the same canned campaign phrases over and over, as if they were not at a debate, but at two separate, canned focus group events.

Possibly, their negotiators had agreed on the costume, so as not to allow anything to create an advantage for one man over the other; the smallest weight would unbalance the two feathers. Possibly, they agreed to smile at the same time, to wink at the same time, and so forth.

The general effect was that of two candidates for a job as a clerk, both listing all their experience as clerks. In short, the news is that they did both wear the same suit. The “chosen two” came across as perfect twin Wall Street puppets. Except for mild theatrics on taxes and Social Security, the “interchanges” were often totally interchangeable. It was a unique demonstration of the intellectual and political bankruptcy, of the establishment circles behind the two candidates. In the face of warnings throughout the world of an imminent U.S. financial crash, the puppets claimed “unprecedented prosperity.” They told the same lies about the causes of the oil and energy price hyperinflation.

Wall Street Scenario Turns Real

At only one point did a hint of reality intrude upon the stage. That came when moderator Jim Lehrer, of the Public Broadcasting System, the sole questioner, surprised the candidates with a query about a *possible* financial crisis. Then, the full scope of the establishment’s bankruptcy, before the *actual* financial crisis, became evident.

Turning to Bush, Lehrer asked: “There can be all kinds of crises, Governor — a question for you. There could be a crisis,

for instance, in the financial area. The stock market could take a tumble. There could be a failure of a major financial institution. What is your general attitude toward government intervention in such events?”

Bush immediately replied: “Well, it depends, obviously, but what I would do, first and foremost, is I would get in touch with the Federal Reserve Chairman, Alan Greenspan, to find out all the facts and all the circumstances. I would have my Secretary of the Treasury be in touch with the financial centers — not only here, but at home. I would make sure that key members of Congress were called in to discuss the gravity of the situation, and I would come up with a game plan to deal with it. That’s what governors end up doing. We end up being problem-solvers. We come up with practical, common-sense solutions for problems that we’re confronted with, and in this case, in the case of a financial crisis, I would gather all the facts before I made the decision as to what the government ought or ought not to do.”

Lehrer then turned to Gore, who at first totally changed the subject, and then said the following:

“On the international financial crises that come up, my friend Bob Rubin, the former Secretary of the Treasury [and current Citibank executive], is here. He’s a very close adviser to me and a great friend in all respects. I have had a chance to work with him and Alan Greenspan and others on the crisis following the collapse of the Mexican peso, when the Asian financial crisis raised the risk of worldwide recession that could affect our economy, and now, of course, the euro’s value has been dropping, but seems to be under control.”

Then the Vice President changed the subject, back to the “prosperity” drum he had been beating throughout the debate.

In following up, Lehrer let Gore off the hook, and addressed himself to Bush: “So, Governor, would you agree there is no basic difference here on intervening — the Federal government intervening in what might be seen by others to

be a private financial crisis, if it's that severe?"

Governor Bush responded: "No, there's no difference on that."

The identical response from the puppet twins, that they will "call Alan Greenspan," is a mandate of the London/Wall Street financier oligarchy. It is one that was graphically laid out in a "financial blowout war-game" scenario played at the New York Council on Foreign Relations (CFR) conference on financial vulnerabilities in July 2000. The conference featured discussion of the startling event the CFR Project had undertaken on Jan. 22, 2000: an eight-hour war-game simulating the simultaneous breakdown of major financial markets around the world during the year 2000 (see "Exposed! CFR Bankers Plan for Financial Crash," *EIR*, July 28, 2000).

What had been simulated, was to respond to a hypothetical blowout by pumping huge amounts of liquidity into the financial system by the Federal Reserve, but "all the public would see, is that the Fed volume of loans to banks had gone up." The CFR itself revealed at the CFR conference, that the simulation had begun with *a coup against the President of the United States*.

With a President Bush, or Gore, a coup would not be necessary to put Greenspan, and Wall Street, in control.

At one point, Lehrer said that the President has to deal with unexpected crises, and asked: Can you tell us about unexpected crises you've dealt with? Bush cited fires and floods in Texas, and claimed once to have embraced a Texan who had lost his home in a flood. (Fortunately, the man survived.)

Gore cited Kosovo, claiming that it was he who had sent former Russian Prime Minister Viktor Chernomyrdin and Finnish President Martti Ahtisaari to Belgrade, to negotiate an end to the Kosovo war with Slobodan Milosevic in 1999. But the reality is, that Gore was key in making sure that Russian Prime Minister Yevgeni Primakov was not involved in the mediation efforts to avert the impending U.S. bombing attacks.

Later, almost in unison, the puppet twins said that military force should not be used "in this case" to oust Milosevic from power.

Gore's Lies

Much of the action during the seemingly interminable 90-minute debate, consisted in Gore bashing Bush on the latter's tax-cut plan, with statistic after statistic about "the wealthiest 1%." Gore's trick was an attempt to create a "19% versus 1% conflict," in order to not talk about the real issues of income disparity in the United States: between the upper 20% and the rest.

As Lyndon LaRouche, Gore's opponent in the Democratic primaries, repeatedly emphasized, 80% of Americans are in deep financial trouble, sinking deeper into debt, while the upper 20% of income brackets make more money than the lower 80% taken all together.

That disparity was the issue that Gore had to avoid, substi-



PBS broadcaster Jim Lehrer, the only individual who mentioned reality during the first Presidential debate.

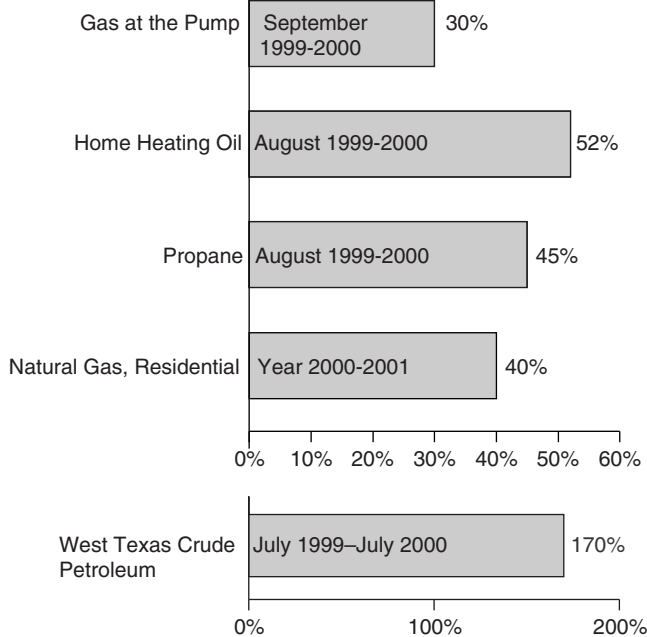
tuting phony populism against the "wealthiest 1%." This is typical of the sort of hoaxes by which Gore and the Democratic Leadership Council have dealt with LaRouche during the campaign—including the outright theft of 53,000 votes and at least eight delegates from LaRouche in the Arkansas primary.

Viewers noted that Gore had clearly spent days trying to train himself to sound less like a robot—apparently by watching tapes of President Ronald Reagan. Bush also broke profile: Neither Daddy nor Mommy Bush was present in the hall, and little Bush managed to avoid mentioning either of his parents, during the entire debate.

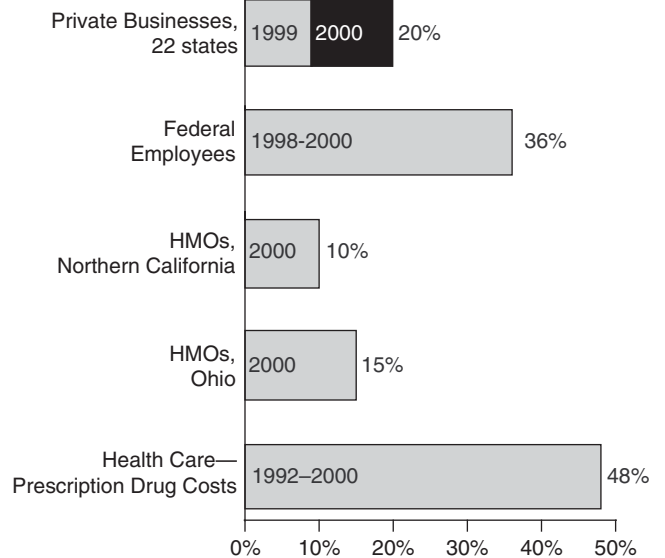
But the extreme paranoia of the puppet twins, and the totally scripted nature of their encounter, was exposed with the expulsion of Presidential candidate Ralph Nader from the debate premises: On his show the morning following the debate, television talk show host Phil Donahue gave a detailed report on the expulsion of Nader from the debate premises: Nader showed up with an official pass, to watch the debate on a monitor, in a different room. But, as soon as he arrived, he was met by a representative of the debate and three police officers, and told that he was not allowed on the premises. Nader called the exclusion an "affront to democracy," and "the beginning of the end of the Debate Commission monopoly that is obstructing millions of Americans from access to the Presidential candidates in a multi-candidate forum."

U.S. Price Inflation Is 3.5%?

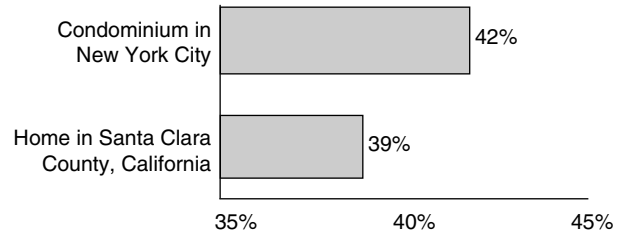
Energy Prices Take Off



Health Care—Insurance Premiums Rise



Housing Price Inflation Surges, 2nd Quarter 1999-2nd Quarter 2000



Below is a notice to Nebraska natural gas customers, informing them of a jump in energy costs. The notice is increasingly typical of price increases around the United States.

August 25, 2000

Lincoln, NE

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ENERGYONE

Dear Valued Customer:

Faced with historically high natural gas prices and anticipating increased billing amounts, EnergyOne will increase your monthly StreamLINE amount beginning with your October statement. This adjustment is meant to help guard against higher gas prices and create better balance between budgeted and actual usage.

Wholesale prices that EnergyOne pays its suppliers for natural gas are more than double what they were one year ago, with those prices passed on directly to energy consumers.

Your new budget payment amount will be shown in the account detail of your October statement. A reminder message indicating that the change will occur will be included on page two of your September statement. The estimated amount of your new monthly bill will be \$32.00 up from your current amount of \$18.00.

The Gambling 'Economy' Is Destroying Whole Cities

by Marianna Wertz

Just as the Roman Empire kept its subjects passive and “entertained” with “bread and circuses,” so today, the financial speculators who run the U.S. economy have taken over whole cities and states and turned them into gambling dens, with all the attendant, lucrative hotel and restaurant business. In the following two interviews, with constituency leaders from the nation’s two biggest gambling havens—Las Vegas and Atlantic City—*EIR* presents a picture of both the destruction that is occurring to the *human* population that inhabits these gambling centers, as well as the fight that is beginning against these criminals.

In Nevada, State Sen. Joe Neal, a 28-year veteran of the legislature and current chair of the Legislative Black Caucus, is leading an initiative petition effort to place an additional 5% tax on those casinos which gross over \$1 million per month on gaming revenue. It is estimated that the tax would

raise about \$388 million a year, from the casinos’ \$60 billion annual gross gaming revenue. As Senator Neal recounts, he has come under massive harassment for this, with a challenge to his recent re-election paid for by the casino interests and, when that failed, a lawsuit aimed at overthrowing the election altogether.

In Atlantic City, Housing Authority Commissioner Steve Young recounts in passionate terms the destruction that has been wrought on the largely African-American population of the city, by the “ethnic cleansing” instituted by the casinos in their takeover.

These are not isolated accounts. The same picture is emerging in virtually every state in the nation, as the agricultural and industrial economy is increasingly being shut down and replaced with every form of gambling and the growing “prison-industrial complex.”

Interview: Joe Neal

Senator Battles To Tax Nevada Gambling Casinos

Nevada State Senator Joe Neal (D) has served in the Nevada Senate since 1972. He has served on every committee in the Senate and has chaired both the Human Resources and Natural Resources Committees. He currently serves as chair of the Nevada Legislative Black Caucus and as a member of the Finance Committee and the Committees on Government Affairs, and Taxation. In 1991, he was elected by the full State Senate (Democrats and Republicans) as Senate President Pro-Tem, in which Constitutional position, he served as Acting Governor in 1991.

Senator Neal spoke with Marianna Wertz on Oct. 3.

Flash: As *EIR* went to press, the news was received that the Governor of Nevada, following Sen. Neal’s personal campaign against electricity deregulation, announced that the

planned deregulation would not go into effect. At the same time, Senator Neal learned that the lawsuit, on behalf of casino interests which attempted to challenge his re-election, had been dismissed.

EIR: What’s going on in your fight to raise the tax on Nevada’s gaming industry?

Neal: We have an initiative circulating to increase the gross gaming tax, from 6.25% to 11.25%. Let me explain how the taxes are acquired here on the gaming industry. It’s a three-tier tax. The first \$50,000 per month is taxed at 3%. The next \$84,000 is taxed at 4%. Everything over \$134,000 is taxed at 6.25% of gross gaming revenue per month.

We are circulating a petition to create a fourth tier, in which everything over \$1 million gross gaming revenue per month would be taxed at 11.25%. The gamers are fiercely opposed to that.



The tax initiative is being circulated at the time I was also running for reelection. They put a gentleman up for the race, Uri L. Clinton, and heavily financed him. I beat him in the primary, because we were running under a law that says, when you have three or more people in the same party, the one who gets fifty-plus-one percent of the vote goes into the general election without an opponent. So, it becomes a clear nominating process for the Democrats. (The fifty-plus-one is not like a plurality, it's not like a simple majority. What you do, in order to get fifty-plus-one, you take and add up all the votes of each candidate, and you divide by two. If the person got a number of votes beyond that average, then that is the person who goes into the general election.)

EIR: Let me just clarify. In the general election in Nevada, is it true that generally the Democrat will win? Was there a Republican running?

Neal: It's not like that. What the gamers wanted was to stretch this thing out through November. So they put in a lot of money to get my opponent TV time. We assumed from that, that they wanted to keep me busy, so I would not be able to work on the initiative. They were very successful in doing that.

EIR: So you won the primary, which is basically the general election?

Neal: Yes, right. We won in the primary, which was Sept. 5. After we won, and because I had six votes beyond that fifty-plus-one, they decided to have a recount. They had a recount on Sept. 18, and the recount held up the votes. So, now, they decided to challenge the fifty-plus-one law.

EIR: The gaming industry is now trying to challenge the law that gave you the election?

Neal: Yes, but they don't do it in person. What they do is they hire somebody to do it for them. So they got one guy, a Republican, who was running in another race, who worked for one of the hotels, named Chester Major Richardson, who was running for the Assembly nomination, to file a suit, a writ of mandamus, asking that the law that I was elected under [Nevada Revised Statute 293.260(4)(a)]—they tried to declare that to be unconstitutional, based on a provision in the Nevada Constitution (Article II, section 1), which simply states that citizens should have the right to vote for all offices that may be elected by the State of Nevada, which is a vague section of the Constitution that has never been contested in the state.

EIR: That's now in the courts?

Neal: They filed a writ of mandamus before the Supreme Court of the State of Nevada. So far, we have not heard exactly what the court is going to do, whether they are going to accept a hearing and ask for a brief to be filed, or what. But their suit

was not against me. They actually filed the writ against the Registrar of Voters, Howard L. Lomax.

EIR: So they want to tie you up with this, so you can't continue the petition drive. Have you nevertheless been gathering signatures?

Neal: Oh, yes.

EIR: How many signatures do you need?

Neal: We need 44,009. We need to qualify the petition in 13 of the 17 counties, based on the number of votes that were cast in the 1998 election.

EIR: So, this petition would create a fourth tier to allow you to tax the casinos at 11.5% per month?

Neal: Right. We're essentially going after the big boys who make the money.

EIR: Is there good support for this in the state?

Neal: Two of the major newspapers in the state, the *Las Vegas Sun* and the *Review Journal*, had done a poll, which indicated that people favor this throughout the state by 63 to 26%.

EIR: Why do people favor it?

Neal: They asked, do you favor raising the gaming tax to 11.25%? They said yes. The argument against it is that people would like to raise taxes of somebody else rather than themselves, that's what the gamers like to say.

EIR: What would this revenue be used for?

Neal: The revenue would be used to put money into those areas which gaming has affected up to this point. Right now, gaming brings in an average of 45 million people per year. When those people come to the state of Nevada, with its permanent population of about 1.9 million, they need all of the services that the permanent population needs—even some of the schools, because they do have an impact on the schools.

So what we tried to do, is to earmark the funds, with 45% to go toward educational programs, salaries for teachers; 38% to go for reduction of the motor vehicle purchase taxes; 8% to go to the Highway Patrol, for salaries, and also the Gaming Control Board, for salaries; 7% for economic diversification; and 2% for gambling addiction programs. The plan was based on an estimated additional revenue from the gaming of about \$388 million a year.

EIR: That would come in as a result of this tax increase?

Neal: Yes. This is based on the fact that gaming taxes have not increased since 1987. During that same period of time, the fees and taxes of the individual citizen have risen over 200%.

In the last quarter, ending June 2000, gaming's gross reve-

nue was \$15 billion. That comes from four revenue streams: beverages, food, rooms, and gaming. Out of that \$15 billion, \$9 billion came from gaming alone.

So, when we look at just the gaming, out of that \$9 billion, \$6 billion came from coin-operated machines, which was not labor-intensive at all. This is people standing there and putting their money in machines. That's why you can walk in any of these places and you see these banks of slot machines and poker machines, video-poker, because they are the money machines.

They claim that the new tier of 11.25% would put them out of business. Of course, we say that's a lot of B.S.

EIR: This figure of 45 million people coming to Nevada every year: Is that growing or has it been pretty constant?

Neal: That's growing. It is up from about 41 million in 1999.

EIR: I would guess that with the "new economy," gambling would be increasing.

Neal: Thirty-six million of those actually come into Clark County, which you probably know as the Las Vegas area.

EIR: So, they're trying to take the seat away from you and stop you from gathering these petitions?

Neal: Right, because they know that when we get back into the next session, that either I'll get the signatures or I'll probably introduce a bill, or be in a position to amend any type of legislation that might come through there.

EIR: When does the next session open?

Neal: Feb. 1, 2001.

EIR: So how long do you have to gather the signatures?

Neal: The deadline is Nov. 14. We're scrambling to try to get the signatures in.

EIR: Is there anything else our readers should know about this?

Neal: They've financed Clinton very well, and, of course, the press has noted that.

EIR: What's his background?

Neal: He's a young lawyer who was admitted to the bar in October 1999, a young kid about 28 years of age. That's it.

EIR: He has no credentials to run for state Senate?

Neal: No, no credentials whatsoever.

EIR: So the gamers are afraid of you because you have a lot of leverage in the Senate?

Neal: Not only that. I'm also the most knowledgeable person you can have, with rules and regulations, that govern the Senate.

Interview: Steve Young

Gambling in Atlantic City: The Human Toll

Mr. Young is Commissioner, Atlantic City, New Jersey Housing Authority. He spoke with Marianna Wertz on Oct. 4.

EIR: We will discuss the housing crisis that you see from your position as Commissioner of the Atlantic City Housing Authority. Tell us what is going on there.

Young: Well, this is a unique place. Atlantic City, as you may know, has casino gambling — New Jersey was the second state to have it — which is basically an experiment, because, unlike Vegas, we have people living here, with families, and it's a smaller city than just vacant land like Vegas was. So, there's not too much land to go around, for building casinos or hotels, which caused a very serious problem.

One problem was, that Atlantic City was going down before there was casino gambling, and needed something to establish some revenue in the community. But when the casinos got here, they not only had casinos, but they had hotels, restaurants, shops inside the casino facility. What that did, was eliminate a lot of local stores, mom-and-pop stores, of people that had been struggling to make it for their families.

EIR: Like a K-Mart moving into your neighborhood.

Young: Exactly. Another thing: We have what they call a Casino Investment Redevelopment Authority, which is an authority that's governed by the state. That money is supposed to come back into the community to redevelop it, especially for housing. What we're finding, is that most of those houses are very unaffordable to low-income people; that came along with the welfare-to-work program; a lot of low-income people in public housing were told that they would have to get a job. Well, with the casino industry, there's no job security there. Most of the people went to that agency [casino employment]. As a result of that, we have a lot of public housing that's been demolished. There's no more one-for-one replacement of housing. (What I mean by that, is that if you demolish one, you have to build another.) HUD [U.S. Department of Housing and Urban Development] got rid of that, and because of that, we do not have enough housing to go around, and our waiting lists are very, very long.

EIR: This is true all over the country.

Young: Yes. What happens is that you have a lot of overcrowding of residents, people staying with relatives, not

reporting, things like that, just to be able to make it.

EIR: Can you give me any figures, specifics on that? How many homeless people do you have, per night?

Young: We have what is called Atlantic City Rescue Mission, which is overcrowded. It's not enough. There are not enough women's shelters, or family shelters here—I would say by hundreds, not enough.

EIR: And they're not building new public housing as they tear it down?

Young: No. No more one-for-one replacement.

EIR: Are they building high-priced condominiums?

Young: Very much so. And houses. They just built some houses that cost between \$200,000 and \$300,000 each.

EIR: And these are not for employees of the gambling casino, but for whom? Who's buying them?

Young: That's a good question. No one here is buying them. From my understanding, the people from the suburbs are now moving back in; so, the interest rate for the fair market value of most of the houses, if they build these \$300,000 to \$500,000 houses around a low-income area, what happens is that the value of those people's houses go up, their taxes go up, and they cannot afford it. So, they either have to bring their house up to standard, which costs a lot of money, or abandon the house.

EIR: We see this going on in many places now. We've referred to it as ethnic cleansing.

Young: That's exactly what it is.

EIR: Joseph Neal, head of the Senate Black Caucus in the state of Nevada, has just introduced a bill, for which they are trying to destroy him, which would increase the taxation on the gambling industry in Nevada, to help pay for the problems the gaming industry brings into Nevada. They have 45 million people per year who come to Las Vegas from out of state to gamble, and the services for those people are not paid for, except by local taxes.

Young: Right. We have 30 million that come here.

EIR: So you are the second-largest in the country.

Young: Yes. And we have between 40,000 and 50,000 casino employees. And our population is only 38,000. So, the only people to increase employment in this community, usually, is the police department.

EIR: When did the gaming industry first move into Atlantic City?

Young: 1978.

EIR: This coheres with what happened in America, begin-

ning in 1971, when Richard Nixon ended the Bretton Woods system—took the dollar off gold and allowed currencies to float. We began to get an economy based on gambling and speculation, and this was one of the first places where that happened. The Indian reservations started it up then; and increasingly, the industrial base of the country was eroded, and has been replaced with services associated with gambling and speculation. In the article in *EIR* that you read ["Hyperinflationary Price Explosion Is Destroying America," Sept. 15, 2000], we said that when you do that to an economy, you engender an inflationary tendency, because you are not creating real wealth, you're simply circulating money; that's what gambling does.

What happens to the people in this process?

Young: What's happening here, is that the casinos often say that they have a lot of "underemployable people." What that means is, that they probably have a drug problem, or they have a problem with day care, or problem with coming to work; so, their employment status is "hard to hire." This is a majority of the black community, and that causes a lot of crime among youth and a lot of families. This is a very drug-infested community.

EIR: That comes from gaming?

Young: Correct. And if they can't get a job, they will deal drugs, or some type of crime.

EIR: Do you also see a growth in the use of video gaming by the kids, the more violent such games?

Young: There's no time for family entertainment for the community here, at all. Everything else was taken away when casino gambling came here. There are no movie theaters, no pool halls, no recreational activities for families, or for youth. So, that idle time leads them to walk on the Boardwalk, to do destructive things.

EIR: What are the names of the people who run the gambling casinos?

Young: Donald Trump. You have Bally's casino; you have Harrod's; you have MGM, which just came here and bought out the Mirage; you have Caesar's.

EIR: That reminds one of where this all came from—the Roman Empire—

Young: The Roman Empire, that's correct.

EIR: What Mr. LaRouche has repeatedly said, is that we are going into a replay of the Roman Empire's bread-and-circuses attempt to keep people pacified while the whole world goes into Hell, and no one's looking.

Young: That is a correct statement. No one's looking.

EIR: Have you, or has anyone you know of there, raised these issues in the Presidential campaign?

Young: What a wonder you say that. No, and I wouldn't think they would.

EIR: In Jackson, Mississippi, and in Las Vegas, they are facing exactly the same thing.

Young: There was a Gaming Commission hearing, of that panel, at the Congressional Black Caucus [Conference] when I was there, and I told them, as a resident of Atlantic City, exactly how I feel. I recently sued the governing body, called the Casino Control Commission, which supposedly governs the status of casinos, to fine them or hold them accountable as to what they are supposed to provide to the community and to residents; and they are not meeting those guidelines. So, I recently sued them for that.

EIR: Is that suit now in court?

Young: Yes, and wait until you hear what happened: The judge rules that it was against the 11th Amendment to the Constitution for me to sue them. The state has immunity from being sued [in Federal court] by one of its own citizens. I think everybody should study that one [the 11th Amendment], because that says that you cannot sue a state; that means we all are slaves to a state! You can sue an individual entity—I could have gone after each individual casino—but as far the state is concerned, they have immunity from being sued. And I actually challenged that, that either Congress would have to waive that, or the state would have to give you permission to sue them.

EIR: In many parts of the country where they haven't introduced gaming, they have built prisons, as the growth industry in town.

Young: That's a matter of fact: We have more juveniles, and a great increase of juveniles, with records, especially in this community. And we have an enormous amount of deaths by shootings among our juveniles. The guns are on the street (like they don't know who put them there), and there are a lot of killings among our youth, and I mean under the age of 18.

EIR: Has this come in with the gambling casinos?

Young: That is correct. These young men stop me all the time, and ask me for employment, a job: Where can I go for this or that? There are no opportunities here, basically, or things for them to do. And if most of them have records, they're not going to hire them anyway.

EIR: On your background: How old are you?

Young: I'm 40 years old. I've been fighting for the last 20 years for housing. This building that I'm in now, is on Virginia Avenue, a block away from the Taj Mahal [casino], and I fought for housing here in 1986—I blocked off the street. As a tenant organization, we organized to purchase a building. We were crossed by the powers that be at that time; we held the

street for eight hours, with trash cans barricading the street, so that no one could get to the casino. They called the SWAT team in. Are you familiar with MOVE, the situation in Philadelphia?

EIR: Yes.

Young: We had the same exact thing a year later, after they bombed MOVE: helicopters flying, fire department outside; I was actually conducting negotiations with the SWAT team on the telephone. It was 100-some degrees outside. I was not the Commissioner [of Housing] at that time. What happened as a result of that, is that they finally said that if we would take the barricades away, we would be able to stay in this building, or they would relocate us to something decent and affordable, and that no one would be arrested. The next morning they came and arrested me; my bail was a quarter-million dollars cash. Because they arrested me, the community got in an uproar, and they then dismissed it and said it was excessive bail; and I had to do 30 days in jail for a misdemeanor. And I told them, if I had a chance to do it again, I would do it again, because the building is now rehabbed, totally fixed up, and a beautiful building—a beautiful example for Atlantic City. And now, after about 15 years, they come again, and say that the building is going to be foreclosed, HUD is going to foreclose on it. And that is where we are at today.

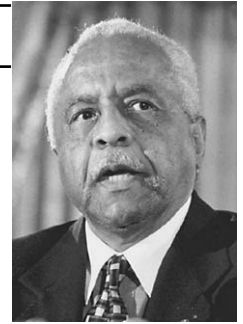
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‘A Lot of Pain You Don’t See on the 6 O’clock News’

Rep. Ed Vaughn (D-Detroit) served in the Michigan legislature in 1978-79, and again from 1994 to the present. He formerly chaired the Michigan Legislative Black Caucus, and is now its First Vice Chair. He is Vice Chairman of the Constitutional Law and Ethics Committee of the Michigan House; and also owner of America’s oldest black-owned bookstore, Vaughn’s Bookstore. He was interviewed on Sept. 28 by Paul Gallagher.

EIR: There is a steady line that comes out every month, that the rate of inflation in the United States is something like 2-3%.

Vaughn: Well, here in Michigan, we just had a big demonstration yesterday, by the retired school teachers from all across the state of Michigan. Over 1,000 of them came to the capital, and they said that their prescription drugs costs had increased 500%. It has been a relatively short period, that their prescription drugs have increased, and they were wearing big buttons, that said, “Say no to prescription drug costs.” It had an Rx and a ban-line through it. They demonstrated outside the state capitol, and were inside; they came in buses to protest what is happening to them, in terms of prescription drugs. I mean, people simply cannot afford to pay these drug prices. And in Michigan, we’re getting drug stores jumping up like jackrabbits. Every corner in every part of every city, town, hamlet, in the boonies, everywhere—CVS Pharmacies, Rite-Aid, Walgreens, are building new drugstores. Obviously, something is driving this mad rush to build more and more drug stores, all of them with prescription counters in them. Obviously, there’s a lot of money in them—there drug stores, and a lot of pain for a lot of people who have to suffer with these kinds of costs.

EIR: And what were you doing inside the legislature?

Vaughn: I have a bill that I have introduced regarding HMOs [health maintenance organizations], to just eliminate them, and that then we move toward Hill-Burton [Act of 1952] standards in the country, so that we can have good, universal health care. I just received information today from a group based in Cleveland, Ohio, which is also fighting for universal health care. And we have a lot of signers onto that particular document, many of the legislators here, because there is a tremendous concern here, about what’s happening to people

as it relates to the role of HMOs, and what’s happened with prescription drugs, and with health care in general in this state and this country.

EIR: This bill is in the LaRouche-FDR PAC policy document?

Vaughn: Yes, the Mississippi legislation, the Alabama legislation, of course mine in Michigan: We are generally going in the same direction, in terms of the elimination of these HMOs and the movement toward providing health care for every person in this nation.

EIR: Do you have a co-sponsor on the Senate side? And what does the fight for this look like?

Vaughn: Well, I have a person on the Senate side who has tentatively agreed to become a co-sponsor: State Sen. Raymond Murphy, who is also holding a big health-care conference in Detroit this weekend. . . . There is a lot of movement here on this issue. We certainly appreciate the LaRouche organization, for giving us some direction in this area; it was quite appreciated.

EIR: What would you say to readers in Michigan, in particular, about this legislation?

Vaughn: Well, they can write their legislators—their senators or representatives—and let them know that they support the HMO bill that was introduced by State Rep. Ed Vaughn. All they would have to do is call their legislators and let them know the bill is introduced, and that they should contact me and become a co-sponsor of the bill. That’s what I would suggest they do.

EIR: And will you be speaking at public meetings, on this or other legislation?

Vaughn: Yes, we have a meeting this coming weekend in Detroit; the LaRouche organization is holding a meeting at the Northwest Activities Center, where I will be a speaker. We also have another group called Women of Action, at the Unitarian Church on the campus of Wayne State University, meeting this weekend on the same day, on Saturday. So I am at the Women of Action at 1 p.m., and then I go from there to the LaRouche organization meeting at 2 p.m. I will be speaking on this at both of them. In addition to that, on Oct. 12, 13,



The shutdown of an industrial economy: a scene in Detroit. Now, blackouts and brownouts are hitting the city, as a result of the Mayor's attempt to privatize the Public Lighting Department.

and 14, the Michigan Legislative Black Caucus is sponsoring a get-out-the-vote rally and workshops, and I will be there also, pushing for these kind of ideas in those areas.

The teachers are concerned about the prescription drug costs. . . . It's kind of sad that the seniors are suffering, not able to get the drugs that they need to maintain their health, simply because of this mad rush for profits. These people are on fixed incomes, and they just simply cannot afford it. I just got a letter today from an apartment building in my District. They are raising the rents there—they started out raising them by \$15; now they've gone to \$45, and the people simply cannot afford it. They're on fixed incomes. Their checks are not being raised; Social Security, disability payments are not being increased. There is a lot of pain out there, which we don't hear much about on the 6 and 11 p.m. news hours. People are really suffering, and something has to be done. I feel that my mission, as a state legislator, as a person who represents 85,000 people in my district, that it is my job to fight for them, to fight for their place in the sun, and that's what I do every day here in Lansing.

EIR: One other important thing that we've heard about your district, about Detroit: There have been repeated blackouts during the course of the past Summer; not only blackouts of the city as a whole for a few days, but then the schools being closed later, because electricity could not be provided to them.

Vaughn: We've had brownouts, blackouts, as a result of our Public Lighting Department. What it is—and I wrote a letter regarding this to the newspapers—is that the Mayor

is trying to privatize the system, the Public Lighting Department; he's trying to give it away to Detroit Edison Corp. And as a result of that, we believe that the lights are being deliberately shut off and knocked out—of course, some of it certainly is legitimate shutdowns, but we think that a lot of it is being done because there is no proper running of the Public Lighting Department. I think that what they really want to show to the people of the city, is that the city can't run a good lighting department—therefore, it makes sense to privatize it.

The Mayor has already given all of our street lights, all of our overhead lines, to Detroit Edison. I thought it was 80%, but I talked to a Public Lighting official two days ago, and he told me it was 100%. So, they own all of the overhead lines. In addition to that, we have a power plant in the Delray section of Detroit, called Masturski, which has the capability of powering the entire city. With deregulation on the way—there are bills in the legislature now for electricity deregulation—Detroit would be foolish to give up its power-generating capacity in order to privatize. It just doesn't make sense. We saw what happened in California when they deregulated, and cities sold off their power capacity. Light bills were quadrupled in San Diego and that whole area, but in Los Angeles, we saw the maintenance of a fairly good system, simply because they did not sell off their lighting department.

So the Democrats, as I wrote in my letter to the press, should know better than anyone. They were able to see at their convention. Had they been in San Diego, they might not have been able to see a darn thing—of course, we aren't sure how much they saw even with the lights on in Los

Angeles, but that's another story.

EIR: You're saying this is a kind of creeping deregulation?

Vaughn: Certainly it is. That's Detroit. And then, as we speak right now, I just received a note from one of the correspondents here, that we just had an explosion at our main library in the City of Detroit, which is just across a street from my district—Detroit Public Library Main Branch, which is on the campus of Wayne State University. I understand that there has just been an electrical explosion. . . . Once again, the power to the library is supplied by the Public Lighting Department. The Mayor is not maintaining the Department; he wishes to give it away; and it's really sad for the people of the City of Detroit, because we are going to be hurt by having to pay more and more money for power, when in fact we could generate power, and sell it ourselves, and reduce the heavy tax burden on our citizens.

EIR: You're saying that the Mayor's policy here, echoes his policy earlier, about the schools, when essentially the same thing was done?

Vaughn: Same thing. And see, much of it has to do with not running the Department properly, not funding the Department as it should be funded. All of these things, I feel, were deliberately done; and so, there's a lot of discontent in the Public Lighting Department; workers have been told, at the power plant and other places, that they should try to find new employment. It's simply a sad day; and I talked to a high official in the Department, and he said that there is a great deal of discontent. It's shameful that we have such a great capacity to generate power in Detroit, and we're giving it all away, literally, for nothing; and it's only going to hurt citizens of our city.

EIR: What response are you getting from your constituents on these actions that you're taking?

Vaughn: My constituents support it. They support me on these kinds of things. I get letters of support, I get calls; I haven't had any opposition from my district. My letter appeared in the *Michigan Chronicle* this week.

EIR: Your letter to the press about electricity deregulation?

Vaughn: Yes, about the brownouts. It appeared in last week's *Michigan Chronicle*. It is just shameful what is happening with our capacity to generate power in the city. We are just losing everything, all in the name of privatization and profits.

EIR: Have you circulated the special issue of *EIR* on deregulation, from about a month ago?

Vaughn: Oh, yes, I circulated that to some of my constituents, and also to some of my colleagues in the House, and also gave them copies of the Democratic Platform, the Ad Hoc Hearings, that we had. I passed out about 15 or 20 copies

yesterday of the little brochure that Mr. LaRouche recently put out [An Emergency Democratic Policy for October].

EIR: What response did you get from your colleagues?

Vaughn: Well, you know, you get the response: "Okay, I'll read it, it sounds good." And then, you also get the other response, "I don't want to hear nothing he has to say." That's the kind of responses you get. But you keep giving them information, and they eventually come around, especially when the truth comes to light.

EIR: Is there resistance to the deregulation in the legislature?

Vaughn: Right now, it's all on hold. They don't know which way to go. There have been many, many meetings. But I don't think anyone here wants to do anything about it until after the elections.

There's a tremendous fight here over who will control the House. My party, the Democrats, are trying to take the House back, and, of course, the Governor and the Republicans are resisting that. There is quite a political fight going on here.

EIR: But your fight over the legislation to ban HMOs: that comes up before the election?

Vaughn: That's before the election, and no one likes HMOs; I just don't know if I can get enough votes quickly to move this bill forward.

EIR: What are you telling them about the Hill-Burton approach, which you mentioned earlier?

Vaughn: I believe that we should have universal health care. We must have it, and it should be paid for by the people of the nation, meaning through the Federal government. I believe that the Constitution is right: "Provide for the Common Defense, and promote the General Welfare." We don't have much problem providing for the common defense. We have a hell of a problem with promoting the general welfare. And, of course, health care is a promotion of the general welfare. And everyone in this nation is entitled to good health care. That is a human right, and this nation is not living up to what its Constitution speaks of, and that is to promote the general welfare. And so, those of us who believe in the Constitution and what it means, we have to fight for what it means; and, of course, that's what we're trying to do against the oppressive HMOs, that believe in health for profit and not for people.

EIR: Once again, the meeting at which you are on the agenda to fight for this?

Vaughn: That's Oct. 13 and 14, at Wayne County Community College, Downtown Branch. The Michigan Legislative Black Caucus is holding what we call our Y2K get-out-the-vote rally. There will be workshops on this issue; it's especially targeted to precinct delegates from around the city of Detroit. I'm holding the workshop. And so that will give us an opportunity to talk more about these issues.

Worldwide Protests by Truckers Spread into the United States

by Marianna Wertz

The trucker demonstrations and port blockages which erupted a month ago in France as protests against soaring diesel and gasoline prices, have spread worldwide, including into the United States, becoming a rebellion against economic globalization. All over the world on Oct. 4, professional drivers protested the rising fuel prices, overwork without pay, and long hours that are destroying the lives and livelihoods of independent truckers.

The International Transport Workers Federation estimates that a quarter of a million truckers in 70 countries took part in protests. In addition to the intensifying truck blockades in most of western Europe, the rallies took place in Bangladesh, Mongolia, Thailand, Norway, Japan, Indonesia, India, and the United Kingdom.

In America, the protest was organized by the International Brotherhood of Teamsters at 16 port sites. The key demands of the protesters were for 100% of fuel surcharges attached to shipping customers' bills to defray the cost of diesel prices, to be paid directly to the drivers; higher wages; and fewer unpaid hours. Port drivers can spend as many as 20 to 30 hours each week in lines, waiting to pick up cargo.

The political problem with the mobilization, however, is evident in the statement put out by Teamsters General President James P. Hoffa, who said, "We commend the Clinton-Gore Administration for the release of emergency oil reserves to help lower the price of diesel. But this must be more than a one-time fix. Oil reserves should be used as an ongoing mechanism to help stabilize the price of diesel fuel, just as [Federal Reserve Chairman] Alan Greenspan uses interest rates to stabilize inflation."

While trying to show some leadership in protesting the fuel crisis, Hoffa is bowing to the very interests, in Greenspan and Gore, who created the crisis in the first place.

'Turn Up the Heat'

The LaRouche political movement hit several of these demonstrations with literature and LaRouche's call for nation-to-nation arrangements to shut down the speculators who are driving up the cost of fuel (the call is published elsewhere in this issue); in several locations, they joined in the rally as well.

Here are reports from several of the local demonstration leaders:

In Hampton Roads/Norfolk, Virginia, Mark Lusk said that the demonstrators put out about 50 trucks, driving in a convoy in circles around the port. This demonstration, Lusk said, "is like the low heat on the stove. If we can't get their attention, we'll just turn up the heat the next time."

In Boston, Massachusetts, Colleen Brady reported about 25 protesters had a rally at Conley Terminal in South Boston, leafletting the truckers as they came in and left the port with their freight. Their leaflet said, "It's an international day of protest. Throughout the world, truck drivers and their unions have chosen Oct. 4 to say it's time for a change. Steamship lines argue the solution for port drivers is to keep terminal gates open 24/7. Drivers and their unions know that fatigue kills. Port drivers work so many hours, many for no pay, that they would often do better working at Mc-



The Teamsters' picket line in Charleston, South Carolina, during the international day of action on Oct. 5.

Donalds. They need shorter hours, not longer; more pay, not less, and pay for all the hours worked. What we're really calling for is a fuel surcharge to compensate for the skyrocketing diesel fuel prices. We need the port authorities to guarantee that the companies pass along 100% of the fuel surcharge to the truck drivers who pay the bill."

In Charleston, South Carolina, Robert Bates estimated that there were 150-200 people at three different gates. "This is just a warning of what's to come," he said. "If they don't straighten it out and the government doesn't get involved, all the way to the President, then they're going to see a collapse of the whole thing, a collapse of the country, because everything moves, just about, on the independent trucker's back."

Tony Fernandes in Jacksonville, Florida said, "I'd say we got 85-90% of the truckers that are protesting out of the port of Jacksonville. I'd say you got a couple of hundred. We've got to do something, the guys are in big trouble and this is the only way hopefully to get the attention and to get somebody to do something. We just turned our trucks off, sitting on the side of the road to the entrance to the port, waving our signs and eating our dinner."

In New Orleans, Louisiana, Teamsters Local 270 President George Westley said, "We had great participation. We marched on the Port of New Orleans. We had about 350 people in attendance at this rally. We had media coverage. We went down and I went in to see the director of the port. I gave him the Truckers Bill of Rights. Also accompanying me was the president of the local ILA [International Longshoremen's Association], who has an interest at this port also.

"The bread-and-butter issues were fuel, low wages, working for nothing—which is tantamount to slavery. By working for nothing, I mean they've got them there waiting in line at their disposal. They got the grievances aired out today and I guess we're waiting now to see the results of what we did. I think they were somewhat surprised at our numbers and they complimented us on the orderly way in which we handled it. My response to that is, we can do things in a professional and orderly manner, but we also want our problems addressed."

At the two biggest ports on the West Coast, Oakland and Long Beach, California, demonstrations had been held Sept. 26, shutting down the two ports for that day. Odus Hall of Oakland said that, since they had already demonstrated on the 26th, they went ahead with informational picketing on Oct. 4 instead of a big rally. Hall said, "We're going to continue to organize these port drivers and to assist them in any way that we can. Our intent is to bring about the unionization of them."

In Houston, Texas and Philadelphia, Pennsylvania, 50-60 truckers demonstrated, doing a slow convoy on the highway in Houston, and demonstrating at the Tioga Pier in Philadelphia.

All these demonstrations are a good start in what can be expected to be a growing strike/protest wave across the nation, as the full effects of hyperinflation and the collapse of financial institutions begin to be felt.

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How Hollywood Should Be Rated

by Lyndon H. LaRouche, Jr.

September 29, 2000

The recent proposals for self-policing by the so-called “entertainment industry” should be rejected as a transparent political fraud, by the authors and leading sponsors of such proposals, on both government and the public at large. In brief, the authors of this supposed “self-policing” proposal, evade, in the most transparently shameless way, the issue posed by the Federal Trade Commission report on the connection between juvenile forms of murderous “new violence” and the promotion of such violence by audio-visual broadcasting and Nintendo-style games. Some preliminary observations by me, are needed at this moment.

If we put to one side the modern electronics-based technology on which new-violence productions such as Nintendo games are based, the most notable precedent for these causes

of a rising epidemic of new qualities of homicidal violence by juveniles and adolescents, is the games played out in the grandstands of the arenas of the ancient pagan city of Rome. On the basis of that comparison, we must define the issues and required remedies of natural law posed by our contemporary epidemic of new violence in the following terms.

The remarks put forward recently with endorsement by figures such as Vice-President Gore and Senator Lieberman amount to proposals to assign the foxes to guard the hen-houses. I do not accuse Governor Bush of being capable of understanding the issues under discussion.

1. All the relevant clinical and related studies of this and related phenomena of new violence show that the threat to the general welfare posed by the new violence, comes chiefly from permitting persons of the relevant suggestible ages and conditions, chiefly children and adolescents, to be exposed repeatedly to such forms of games and broadcast entertainments. All entertainments which are congruent with such forms of Nintendo games, should be disallowed for distribution to young children and adolescents, disallowed on the same premises applied to distribution of controlled categories of substances.

2. The common features which the relevant modern entertainments and games share with the public blood-sport games of ancient pagan Rome, show that the conditioning of a large

Farcical Senate Hearings on the ‘New Violence’

On Sept. 27, the Senate Commerce Committee, headed by John McCain (R-Ariz.), held a “show hearing” on the subject of Hollywood’s marketing of violence to children, taking testimony from the CEOs of Hollywood’s eight major studios. The announced intention was to put Hollywood’s moguls “on the spot” and have them explain why, according to a recent Federal Trade Commission report, they are “aggressively” marketing violent, adult-rated movies and video games to children as young as six years old. The FTC report documented how Hollywood advertising targets young children with these ads during TV shows and movie “trailers” watched by young audiences.

The studio chiefs began by self-righteously praising their own films, then defended their right of “free expression” and said it was not their own, but the parents’ responsibility, to enforce the ratings. Rob Friedman, the CEO of Paramount Pictures, which produces many “slasher” films, trivialized the FTC report and compared his studio’s films to Classical art: “From the beginning, storytelling has utilized these themes of war, violent acts, and betrayals. . . .

Using art and entertainment to explore vicariously the varied challenges that these themes present to us as individuals and as members of society is useful and long established. One need think only of traditional Grimms’ fairy tales, the works of Shakespeare.”

Lyndon LaRouche has described Hollywood’s offensive as part of a “New Violence,” which trains young children in “point and shoot” video games to accurately, and without emotion, shoot to kill. Such training was found to be have been a key factor in the massacre in Littleton, Colorado and other locations.

In an “Appeal,” circulated shortly after the Littleton shootings in 1999, Congress made it clear that they would only slap Hollywood’s “hand”—the hand that feeds them. It said: “We are not advocating censorship or wholesale strictures of artistic creativity. . . . We are not asking government to police the media. Rather, we are asking the entertainment industry . . . to take some modest steps at self-restraint.”

On Sept. 18, the same day that the Gore-Lieberman campaign raked in \$4.2 million at a Hollywood fundraiser, Joe Lieberman said, “Al and I have tremendous regard for this industry. . . . I promise you: We will never, never put the government in the position of telling you, by law, through law, what to make.”—*Donald Phau*

part of the public, especially the young, to entertainments of these common features, constitutes a major and direct threat, in and of itself, to the continued existence of civilized forms of society. Such practices by the state and people of ancient Rome define the quality of axiomatically predatory popular culture by means of which a society is most likely to bring about its own destruction. Indeed, the Latin term for “popular opinion,” *vox populi*, is derived from notions associated with the Latin term “*popular*,” a term which signifies “the predators.” There is no essential difference between “*vox populi*” and Walter Lippmann’s infamous, modern definition of the term “popular opinion.”

3. The difference between ancient Rome’s practices and similar modes of cultural conditioning today, is, predominantly, that the modern methods are quicker, and lead to the same result within decades, or less, which brought ancient Rome to its self-imposed doom over successive generations.

Therefore, considerations of natural law require that we treat such forms of recreation, under the terms of the Preamble of the U.S. Federal Constitution, as a form of moral degeneracy, against which the nation, and especially those highly suggestible persons known as young children and adolescents, must be protected, that in the names of both the national defense and the general welfare. The very least which must be done, is to conduct a widespread and thorough public dis-

cussion of these threats to our national security, a discussion aimed to discover how much might be accomplished by the impact of that discussion itself, and what more might require measures of enforcement.

Otherwise, the Hollywood and related sophistries heard lately, under the rubric of “freedom of artistic expression,” is not only an insult to the intelligence and morals of our citizenry in general; it is also, not only a fraudulent misuse of the term “art,” but has become a pretext for the effectively injurious suppression of the continued existence of those same forms of Classical artistic composition upon which the coming into being of modern free forms of society has depended.

It should be clear to rational persons, that the loudest Hollywood and other mass media voices in defending trash in the name of “freedom of artistic expression,” are thus doing substantial injury to the rights of the population as a whole.

The first step is to protect not only those qualitatively more suggestible strata, young children and adolescents, but also to protect the very lives of the persons whose lives are threatened by the effects, such as those at Littleton, of repeated such entertainments such as Nintendo games on the minds of those young persons. At the same time, we should mobilize popular revulsion against the transparent hypocrisy of the useless and evasive kinds of reforms lately endorsed implicitly by Gore and Lieberman.

Video-Game Violence Turns Children Into Killers

A 14-year-old boy who had never shot a gun before, shot eight classmates with eight bullets. Police were stunned. How could he do it?

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Schiller Institute founder Helga Zepp-LaRouche, in this 1 hour and 40 minute video, **The Mark of the Beast**, exposes the evil which is hitting everybody’s hometown—and to which most parents remain oblivious. She traces the decline of American culture since World War II, and links the insane strategic and economic policies of the financier oligarchy and its war-planners, to the mass brainwashing of youth by video and TV violence.

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DOJ sues Harvard over Russia-USAID Scam

by Edward Spannaus

Harvard University is being sued by the U.S. Department of Justice (DOJ) for fraud and conspiracy in its management of the major U.S. aid program for Russia. The lawsuit, filed on Sept. 26, charges that Harvard and its Russia program “defrauded the United States out of at least \$40 million paid to Harvard to provide impartial and unbiased advice in connection with a United States assistance program in Russia.”

Among other things, the lawsuit is further proof of the absolute dishonesty of the recently issued “Cox Report” on the Clinton Administration’s Russia policy — an exclusively Republican-authored document which whitewashes the Bush Administration’s role in setting into motion all of the programs and policies for which it now attacks the Clinton Administration.

Harvard and the Chubais Clique

The civil suit names as defendants Harvard University, and officials and associates of the Harvard Institute for International Development (HIID), which drew up much of the financial market “reforms” and privatization schemes for Russia, starting in 1992.

HIID was an outgrowth of a series of 1991 meetings held by Harvard Prof. Jeffrey Sachs and other Western economists such as Anders Åslund, with a group of young Russian “reformers,” including Anatoli Chubais and Yegor Gaidar. Chubais and Gaidar were part of a group of young Russian economists recruited already in the 1980s by the London-based Institute for Economic Affairs, a center for radical Mont Pelerin Society free-market ideology.

According to the DOJ complaint, the Harvard HIID program was created to help implement the “Freedom for Russia and the Emerging Eurasian Democracies and Open Market Support Act of 1992.” The Cox Report describes this bill as “the most important Bush Administration initiative of 1992,” and as “path-breaking legislation” which was pushed through a Democrat-controlled Congress by the Bush Administration. Among other things, again according to the Cox Report, the act authorized what is called “technical assistance” (i.e., consulting and advice) to Russia to accomplish the objectives of “the establishment of the rule of law, the adoption of commercial codes, and replacing the Soviet regulatory system with transparent regulations hospitable to domestic and foreign investment.”

These were the “objectives” which the Harvard team set out to accomplish in 1992, when it got its first award for work

in Russia from the U.S. Agency for International Development (USAID). The first program undertaken by HIID, starting in 1992, was to provide advisory teams to assist the privatization of Russian state-owned assets, and then later the scope was expanded to include advice and support for “legal reform and capital market initiatives,” according to the DOJ complaint.

Pursuant to these agreements with USAID, HIID created the Russia Privatization Center — headed by Gaidar, and then by Chubais after Gaidar was sacked at the end of 1992 — and it also later created the Russian Federal Commission on Securities and the Capital Market, and the Institute for a Law-Based Economy (ILBE), all of which became instruments for looting and destroying the Russian economy for the benefit of Western investors, including the principals of the Harvard project.

In 1997, USAID was forced to cancel most of its funding for HIID, after investigations showed that top HIID officials Andre Shleifer and Jonathan Hay had used their positions and insider information to profit from investments in the Russian securities markets. Among other things, the ILBE was used to assist Shleifer’s wife, who operated a hedge fund which speculated in Russian bonds.

The DOJ complaint cites a number of specific instances in which Hay, Shleifer, and their wives, engaged in business deals involving the very Russia state agencies that they had helped create, and regulations they had drafted:

- Shleifer and his wife Nancy Zimmerman invested in Russian companies which they had helped to privatize, and for which they had provided USAID-funded legal services, and then also invested in short-term Russian government securities (“GKOs”).
- Hay, Shleifer, and Shleifer’s wife invested in privatized Russian oil companies, and had the stocks registered in the name of Shleifer’s father-in-law.
- Hay, Shleifer, and their wives participated in the launching of Russia’s first mutual fund, the first such fund to be licensed by the Russian Securities Commission, an agency created and advised by Hay, Shleifer, and HIID.
- Hay and his girlfriend (now wife) Elizabeth Hebert created a private real estate firm to manage properties in Russia; he also assigned World Bank-funded staff to work on creating a real-estate mutual fund.
- Hay and Shleifer’s wife Nancy Zimmerman concocted a scheme by which they traded in short-term government GKOs, and then repatriated the profits to the United States in violation of Russian rules designed to limit capital flight. The general director of the Russian company which was utilized in this scheme, was an employee of Harvard’s Russian affiliate, the ILBE, according to the DOJ complaint. Moreover, as a government adviser, Shleifer was privy to insider information concerning the Russian bond market, which he used for his own profit.

The Department of Justice complaint not only seeks recovery of at least \$40 million paid to Harvard, but also other

relief, including triple damages, and all profits earned by the defendants.

Summers's Role

The DOJ's investigation of HIID was an outgrowth of a probe begun by the General Accounting Office (GAO), which was asked by Congress in 1997 to look into Shleifer's role in the Gore-Chernomyrdin Commission. That Commission was linked to the HIID scam, particularly through its Capital Markets Forum, since Shleifer was the special coordinator for all four of the Forum's working groups.

And although Treasury Secretary Lawrence Summers is not named in the DOJ complaint, he would undoubtedly qualify as an unindicted co-conspirator. Summers, as the Bush-nominated chief economist at the World Bank in 1991-93, and then as Undersecretary of the Treasury for International Affairs in the Clinton Administration, was a central figure in the Harvard Russian program.

In her 1999 book *Collision and Collusion* (reviewed in

EIR, Aug. 6, 1999), author Janine Wedel wrote that Summers "had deep-rooted ties to the principals of Harvard's Russia project." Shleifer credited Summers with having inspired him to study economics, Wedel says, and Summers and Shleifer had at least one joint foundation grant. Summers wrote a publicity blurb for Shleifer's 1995 book *Privatizing Russia*, in which Summers gushed: "The authors did remarkable things in Russia and now they have written a remarkable book."

At Treasury, Summers and David Lipton, who took over Summers's position in 1995, and who had been vice-president of Sachs's consulting firm, oversaw the USAID grants that were administered through HIID.

When the DOJ took over the GAO probe, it originally treated the HIID investigation as a *criminal* case. One can only speculate as to what pressures were put on the DOJ from quarters around Gore and Summers, to attempt to kill the probe altogether, and then, when that could not be done, to ensure that it was handled instead as a civil, and not a criminal, proceeding.

The Hoax of the Cox Report

On Sept. 20, twelve Republican Congressmen issued a report on the Clinton Administration's conduct of Russia policy, entitled "Russia's Road to Corruption," laying at the footstep of the Clinton Administration, the corruption and devastation which prevades the Russian economy.

But in fact, they are only indicting themselves. As *EIR* has shown on numerous occasions (see, for example, "IRI's Friends in Russia," Sept. 6, 1996, and "Criminality Was the Policy in Russian 'Reform,'" Sept. 3, 1999), institutionalized criminality was the essence of the "reform" policy introduced into Russia already by 1991 or earlier, by the free-market fanatics circled around the International Republican Institute (IRI), the GOP branch of the 1980s-era "secret, parallel government" called "Project Democracy."

The Cox Report, on the other hand, after glossing over the catastrophe of the first year of Russian economic "reforms"—with its introduction of "shock therapy" at the beginning of the 1992, resulting in the collapse of industry, 2,500% hyperinflation, and the wiping out of the savings of Russian citizens—only picks up at the point when the Clinton Administration took office, in 1993.

The Cox panel charges President Clinton with "unwillingness to involve himself in foreign policy generally"—a false accusation, as witnessed, for example, by Clinton's vigorous efforts to form a strategic alliance with Germany, oriented toward the economic development of the former

Soviet bloc, during his first years in office. This policy, combined with his Administration's call for "less shock, more therapy" in December 1993 (issued by Deputy Secretary of State Strobe Talbott), was one of the key factors in the decision of London-sponsored circles in the United States to launch a series of escalating scandals against Clinton at the beginning of 1994.

The Role of Al Gore

The Cox Report is more accurate, when it zeroes in on the role of Vice President Al Gore, Gore's national security adviser Leon Fuerth, and Treasury Secretary Larry Summers, in taking over the Administration's Russia policy. However, the report asserts that a "troika" of Gore, Summers, and Talbott ran Russia policy for the Administration—ignoring the policy differences between Clinton and Talbott on the one hand, and the Gore-Fuerth-Summers group on the other.

The more truthful version of events, is that as President Clinton became more and more distracted by the scandals being thrown against him (which were stoked by many members of the Cox panel), he permitted Gore and Fuerth to take control of Russia policy. Seen in this way, much of the detail that the Cox Report describes is accurate, but the fallacy is the report's primary thesis: that everything was going fine under Bush, and that the opportunities created by the Bush Administration were squandered by President Clinton. In truth, the Clinton Administration inherited a disaster from George Bush, which President Clinton, under political assault at home, failed to reverse.

—Edward Spannaus

Budget Clash with White House Intensifies

After four days into fiscal year 2001, Congress and the White House have found little agreement in the appropriations process. To buy time, the Congress passed a continuing resolution on Sept. 28, extending Federal funding until Oct. 6, which was signed into law by President Clinton on Sept. 29. However, given that little progress would be made in that timeframe, the House on Oct. 3 passed a second continuing resolution, this one running until Oct. 14, more than a week after the original Oct. 6 target adjournment.

Meanwhile, two spending bills, the Energy and Water Development bill and the Interior Department appropriations bill, made it out of conference committee and to floor votes. While House and Senate conferees reached an agreement on the Interior bill that President Clinton could endorse, the Energy and Water bill faces a veto. Clinton objects to a provision that prohibits the Fish and Wildlife Service from changing the flow of the lower Missouri River to a "more natural" state.

Republicans are looking forward to that veto. House Majority Whip Tom DeLay (R-Tex.) told reporters on Sept. 28, "It would make our day if he loses Missouri to Bush." The veto could also impact the Missouri Senate race, where Gov. Mel Carnahan (D) is attempting to unseat John Ashcroft (R). Carnahan and other Missouri Democrats back the provision.

Other bills nearing action include the Transportation and Agriculture bills. The conference report on the Transportation bill was reported out on Oct. 3, but the Agriculture bill is bogged down in negotiations on sanctions reform. It also faces problems from Senate Democrats who are angry over the fact that while both houses passed the bill in July, the House didn't appoint conferees until Sept. 28, pre-

venting any official conference committee meetings until then.

Zinni, Perle Clash Over Iraq Policy

Gen. Anthony Zinni, recently retired as commander of U.S. Central Command, came into conflict with one of Republican Presidential candidate George W. Bush's "Vulcans" (as his foreign policy advisers are known), during a Senate Armed Services Committee hearing on Sept. 28. The hearing also heard from Richard Perle, another Bush foreign policy adviser, and former UN Special Commission chairman Richard Butler. Zinni reiterated his view, that the Iraq Liberation Act (ILA) is not a tenable policy.

Perle told the committee, "It is increasingly clear that the only solution to the danger posed by Saddam Hussein is a sustained, determined plan to remove him from power." He called on the United States to support, alone or with others, the "nascent opposition" to the regime of Saddam, including the equipping of opposition forces and the use of air power to support them. He accused Zinni of mischaracterizing all such policies as "short little quickie solutions."

Zinni replied that an opposition force such as that contemplated in the ILA not only would not succeed in toppling the government in Baghdad, but that such a "half-baked scheme" would also fall to the U.S. military to handle. "When this law was being considered here," he said, "and these schemes were being designed, they were being done in a back room," and no U.S. military officers, including the commander of Central Command, were consulted on their feasibility. Zinni clarified that he was in favor of "credible" support to the opposition, but warned against a "Bay of Pigs that could turn into a Bay of Goats."

A demonstration of the ill-will that Zinni has earned from Congressional Republicans, is their handling of the nomination of Larry Pope, a career foreign service officer who last served as Zinni's political adviser, to be U.S. Ambassador to Kuwait. According to the Oct. 3 *Washington Post*, Senate Foreign Relations Committee Chairman Jesse Helms (R-N.C.) is refusing to consider the nomination because Pope is associated with Zinni's views.

Procedural Gridlock Threatens Senate

Senate Democrats, who have been complaining for years about how Majority Leader Trent Lott (R-Miss.) has been running the Senate and their inability to bring items to the floor, are finding that partisanship has been getting increasingly bitter since the August recess.

Indicative was the lengthy process by which a bill to increase quotas for non-immigrant workers in certain high-tech sectors of the economy was handled. The bill was subject to repeated delays and cloture votes before it finally came to a vote, passing on Oct. 3 by a vote of 96-1.

To dramatize the point, on Sept. 27 Minority Leader Tom Daschle (D-S.D.) moved to suspend Senate rules so that an amendment supported by the Democrats could be voted on. The amendment, the Hispanic and Immigrant Fairness Act, would update immigration law to treat all refugees from all Central American and Caribbean countries equally, rather than giving Cubans and Nicaraguans special treatment. Daschle complained that the Republicans had used Senate rules to prevent a vote on the amendment so that they wouldn't have to explain to Hispanic and immigrant voters why they voted against it. The Senate rejected his motion by a vote of 55-43.

Balkan War Threat Persists

The power struggle in Serbia between the one-time strongman Slobodan Milosevic, and the man who outpolled him in the Presidential elections on Sept. 24, Vojislav Kostunica, has been decided in favor of the latter. This, however, does not mean that stability in Yugoslavia and in the Balkans has been secured.

To describe the events of Oct. 5 in Belgrade as a “people’s revolution,” misses the point. It would be naive to think that Kostunica’s victory flowed from popular protests as such. Indeed, the various protest demonstrations and strikes by the opposition against Milosevic in the previous days, were rather sluggish and without mass participation. But then, on Oct. 5, the most militant elements of the opposition, well prepared and well organized, were moved to Belgrade from all over Serbia, and set into action. They stormed the national television station headquarters and the Parliament, without meeting with any serious resistance from security forces.

Although some press accounts point to widespread looting, arson, and drunkenness, it is nevertheless obvious that this well-planned and executed insurrection, had not simply flowed spontaneously from the “people.”

Rather, there had to have been negotiations between Kostunica and the secret service leadership, the various police organizations, and the Army, well before Oct. 5. The existence of Yugoslavia as a state, and its main institutions, including the security apparatus, the Army and the Orthodox Church, were not to be endangered. Their reasoning was certainly: If the integrity of the state is no longer possible with Milosevic, then go with Kostunica.

U.S. Secretary of State Madeleine Albright greeted Kostunica’s success with delirious warbling. Some Washington officials were chanting the mantra about “a Europe whole and free.” But none of this hysteria signifies that Kostunica is simply a “man of the West.” Kostunica needs a lot of money, fast, from the West, but he has not forgotten NATO’s air war against Yugoslavia, and he will vigorously pursue

Belgrade’s claims on Montenegro, Kosovo, and the Serb-controlled areas of Bosnia. By Oct. 6, Moscow had decided to change its tune, and embrace Kostunica as President. In this regard, Moscow will support him, and will play out his good connections to the Serbian security apparatus and Army. In this context, the personal fate of Milosevic is insignificant, except that Kostunica will not extradite him to the West.

But it is very doubtful, whether Kostunica will get more from the United States and the European Union, than “start-up money” and the lifting of sanctions against Serbia. One should remember the highfalutin promises which were made by the West, after the end of the Kosovo war, at the donor conference in Sarajevo, in July 1999. What materialized from these promises was virtually nothing.

As long as Milosevic was in power in Serbia, he served as a plausible pretext, to block any economic reconstruction of the Balkans. It is to be feared, that with the disappearance of the enemy-image of Milosevic, and the escalating financial and economic crisis in the West, the interest in economic reconstruction and stability in the Balkans — especially on the part of Washington — will fade even more. Unless something serious is undertaken in this regard, it is probable that mass demonstrations of protest will soon take shape, this time against Kostunica, because the economic and social conditions of the country are disastrous.

Here, however, lies the chance for western Europe to recognize its self-interest, and to move rapidly toward the implementation of a Marshall Plan for the Balkans. This means, to do what was not done after the Kosovo war. The Schiller Institute presented a detailed plan for the reconstruction of the Balkans, in Summer 1999. The program stressed that it is not a matter of charitable contributions, but that Balkan reconstruction requires industrial exports out of western Europe. A Marshall Plan now is, at the same time, an anti-crisis program for western Europe itself.

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 - RIVERHEAD—Ch. 27 Thursdays—12 Midnight
 - ROCHESTER—Ch. 15 Fri-11 pm; Sun-11 am
 - ROCKLAND—Ch. 27 Wednesdays—4 pm
 - SCHENECTADY—Ch. 16 Tuesdays—10 pm
 - STATEV ISL.—Ch. 57 Thu.—11 pm; Sat.-8 am
 - SUFFOLK—Ch. 25 2nd, 4th Mon.—10 pm
- SYRACUSE—**T/W City: Ch. 3 Suburbs: Ch. 13 Fridays—8 pm
- TOMPKINS COUNTY** Time Warner Sun.—9 pm (Ch. 78) Thu.—9 pm (Ch. 13) Sat.—5 pm (Ch. 78)
- TRI-LAKES** Adelphia Ch. 2 Sun: 7 am, 1 pm, 8 pm
- UTICA—**Ch. 3 Thursdays—6 pm
- WATERLOON—**Ch. 2 Tue: betwn. Noon-5 pm
- WEBSTER—**Ch. 12 Wednesdays—8:30 pm
- WESTFIELD—**Ch. 21 Mondays—12 Noon Wed., Sat.—10 am Sundays—11 am
- W. MONROE** Time Warner Ch. 12 4th Wed.—1 am
- W. SENECA—**Ch. 68 Thu.—10:30 pm
- YONKERS—**Ch. 71 Thursdays—3:30 pm
- YORKTOWN—**Ch. 71 Thursdays—3 pm
- NORTH CAROLINA**
- MECKLENBURG Time Warner Ch. 18 Saturdays—12:30 pm
- OHIO**
- FRANKLIN COUNTY Ch. 21: Sun.—6 pm
 - OBERLIN—Ch. 9 Tuesdays—7 pm
 - REYNOLDSBURG Ch. 6: Sun.—6 pm
- OREGON**
- CORVALLIS/ALB. AT&T Ch. 99 Tuesdays—1 pm
 - PORTLAND AT&T Ch. 22 Tuesdays—6 pm Thursdays—3 pm
 - SALEM—ATT Ch. 28 Thu.—8 pm; Sat.—10 am
 - SILVERTON SCANtv Ch. 10 Alt. Tuesdays 12 Noon, 7 pm
 - WASHINGTON—ATT Ch. 9: Tualatin Valley Ch. 23: Regional Area Ch. 33: Unincorp. Towns Mon-5 pm; Wed-10 am; Sundays—10 am
- RHODE ISLAND**
- E. PROVIDENCE—Ch. 18 Tuesdays—6:30 pm
- TEXAS**
- EL PASO—Ch. 15 Wednesdays—5 pm
- UTAH**
- GLENWOOD, Etc. SCAT-TV Ch. 26, 29, 37, 38, 98 Sundays—about 9 pm
- VIRGINIA**
- ARLINGTON ACT Ch. 33 Mondays—4:30 pm Tuesdays—9 am
 - CHESTERFIELD Comcast Ch. 6 Thursdays—5 pm
 - FAIRFAX—Ch. 10 Tuesdays—12 Noon Thu-7 pm; Sat-10 am
 - LOUDOUN—Ch. 59 Thursdays—7:30 pm
 - PRINCE WILLIAM Jones Ch. 3 Mondays—6 pm
 - ROANOKE—Ch. 9 Thursdays—2 pm
 - STUARTS DRAFT WPMG-TV Ch. 17 Adelphia Ch. 13 Saturdays—2 pm
- WASHINGTON**
- KING COUNTY AT&T Ch. 29/77 Thursdays—3 pm
 - SPOKANE—Ch. 14 Wednesdays—6 pm
 - TRI-CITIES Falcon Ch. 13 Mon-noon; Wed-6 pm Thursdays—8:30 pm
 - YAKIMA—Ch. 9 Thursdays—4 pm
- WISCONSIN**
- KENOSHA—Ch. 21 Mondays—1:30 pm
 - MADISON—Ch. 4 Tue-2 pm; Wed-8 am
 - MARATHON COUNTY Charter Ch. 10 Thursdays—9:30 pm; Fridays—12 Noon
 - OSHKOSH—Ch. 10 Fridays—11:00 pm
- WYOMING**
- GILLETTE—Ch. 36 Thursdays—5 pm

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