

# EIR

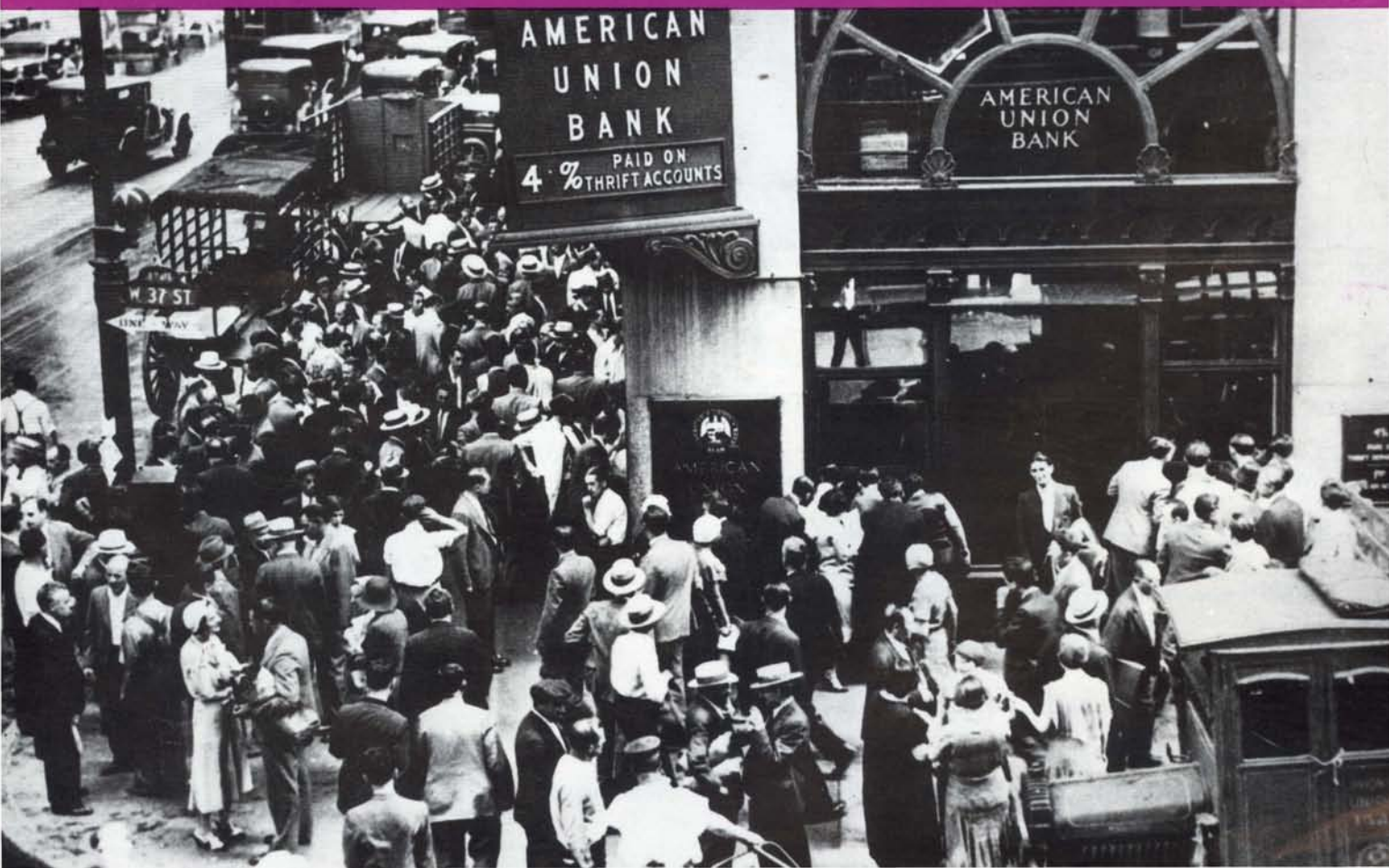
Executive Intelligence Review

June 24, 1994 • Vol. 21 No. 26

\$10.00

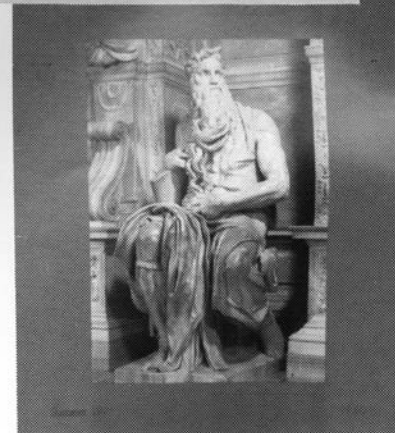
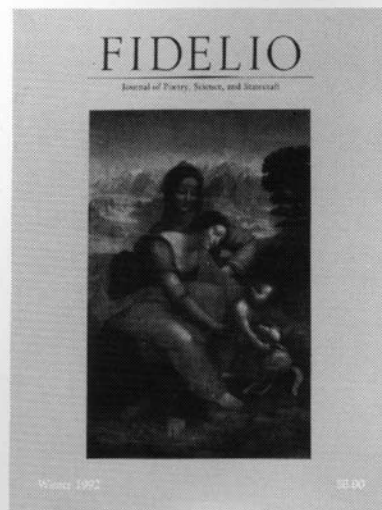
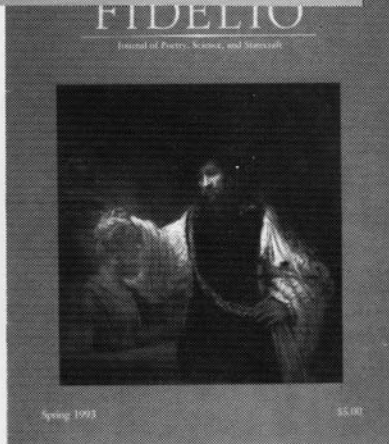
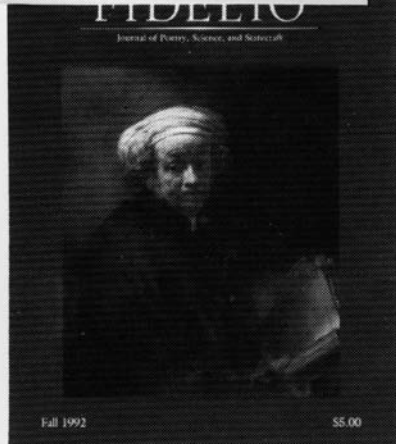
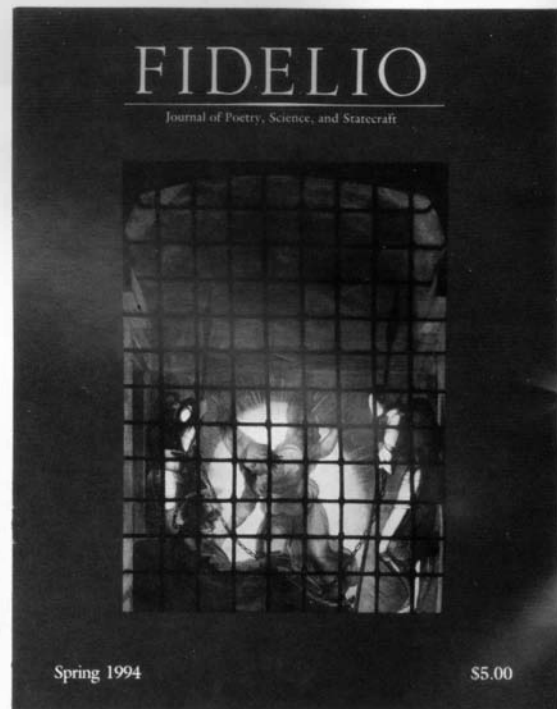
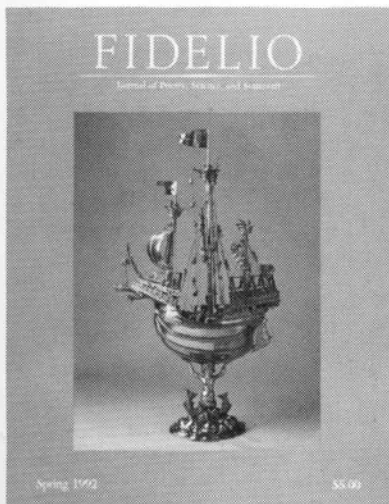
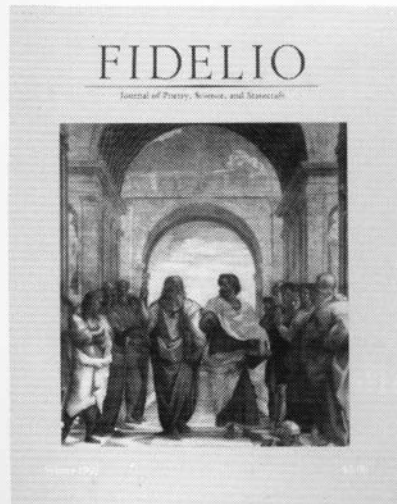
New evidence of Oliver North's drug running  
China turns away from shock therapy  
Terrorist upsurge imminent in the Americas

**Early disintegration of  
world financial markets**



*"I hope to convince you that, in order to solve the political problem in experience, one must take the path through the aesthetical, because it is through Beauty that one proceeds to Freedom."*

— Friedrich Schiller



# FIDELIO

Journal of Poetry, Science, and Statecraft

Sign me up for Fidelio: \$20 for 4 issues

NAME \_\_\_\_\_

ADDRESS \_\_\_\_\_

CITY \_\_\_\_\_ STATE \_\_\_\_\_ ZIP \_\_\_\_\_

TEL (day) (\_\_\_\_\_) \_\_\_\_\_ (eve) (\_\_\_\_\_) \_\_\_\_\_

Make checks or money orders payable to:

**Schiller Institute, Inc.** Dept E. P.O. Box 20244 Washington, D.C. 20041-0244

# EIR

Founder and Contributing Editor:

Lyndon H. LaRouche, Jr.

Editor: Nora Hamerman

Managing Editors: John Sigerson, Susan Welsh

Assistant Managing Editor: Ronald Kokinda

Editorial Board: Warren Hamerman, Melvin

Klenetsky, Antony Papert, Gerald Rose, Edward

Spannaus, Nancy Spannaus, Webster Tarpley,

Carol White, Christopher White

Science and Technology: Carol White

Special Services: Richard Freeman

Book Editor: Katherine Notley

Advertising Director: Marsha Freeman

Circulation Manager: Stanley Ezrol

## INTELLIGENCE DIRECTORS:

Agriculture: Marcia Merry

Asia: Linda de Hoyos

Counterintelligence: Jeffrey Steinberg,

Paul Goldstein

Economics: Christopher White

European Economics: William Engdahl

Ibero-America: Robyn Quijano, Dennis Small

Law: Edward Spannaus

Russia and Eastern Europe:

Rachel Douglas, Konstantin George

Special Projects: Mark Burdman

United States: Kathleen Klenetsky

## INTERNATIONAL BUREAUS:

Bangkok: Pakdee Tanapura, Sophie Tanapura

Bogotá: José Restrepo

Bonn: George Gregory, Rainer Apel

Copenhagen: Poul Rasmussen

Houston: Harley Schlanger

Lima: Sara Madueño

Melbourne: Don Veitch

Mexico City: Hugo López Ochoa

Milan: Leonardo Servadio

New Delhi: Susan Maitra

Paris: Christine Bierre

Rio de Janeiro: Silvia Palacios

Stockholm: Michael Ericson

Washington, D.C.: William Jones

Wiesbaden: Göran Haglund

*EIR* (ISSN 0273-6314) is published weekly (50 issues) except for the second week of July, and the last week of December by EIR News Service Inc., 333½ Pennsylvania Ave., S.E., 2nd Floor, Washington, DC 20003. (202) 544-7010. For subscriptions: (703) 777-9451.

**European Headquarters:** Executive Intelligence Review Nachrichtenagentur GmbH, Postfach 2308, 65013 Wiesbaden; Otto von Guericke Ring 3, 65205 Wiesbaden-Nordenstadt, Federal Republic of Germany Tel: (6122) 9160. Executive Directors: Anno Hellenbroich, Michael Liebig

**In Denmark:** EIR, Post Box 2613, 2100 Copenhagen ØE, Tel. 35-43 60 40

**In Mexico:** EIR, Francisco Díaz Covarrubias 54 A-3 Colonia San Rafael, Mexico DF. Tel: 705-1295.

**Japan subscription sales:** O.T.O. Research Corporation, Takeuchi Bldg., 1-34-12 Takatanobaba, Shinjuku-Ku, Tokyo 160. Tel: (03) 3208-7821.

Copyright © 1994 EIR News Service. All rights reserved. Reproduction in whole or in part without permission strictly prohibited. Second-class postage paid at Washington D.C., and at an additional mailing offices. Domestic subscriptions: 3 months—\$125, 6 months—\$225, 1 year—\$396, Single issue—\$10

**Postmaster:** Send all address changes to *EIR*, P.O. Box 17390, Washington, D.C. 20041-0390.

## From the Managing Editor

‘Now, don’t worry; everything’s going to be all right,” whispers the parent to the terrified child. “Don’t worry, the banking system’s fine; everything will be all right,” whisper the bankers in New York and London to their terrified investors. But what if, as in Goethe’s famous poem *Erlkönig*, the elf-king is not just in the child’s imagination? What if the elf-king actually comes to snatch the child away? What if the entire banking system is about to collapse? “I can’t judge that,” you might reply. Well, dear reader, the time is come to grow up and *prove* both to yourself and to your fellow citizens, that the current speculation-bloated financial system is *doomed to extinction in the near term*. And unlike children, who are still vulnerable to irrational fears, we adults must prove this with a certainty that is not merely logical, but *apodictic*.

To assist you in that endeavor, we include the most recent fruit of Lyndon LaRouche’s efforts, in which he supplies the tools for understanding why the ninth major forecast of his career will be borne out just as forcefully as the other eight. If, after reading it, you find yourself arguing over the dinner table about why John Von Neumann’s game theory of economic behavior is dead wrong, you’ll know you are on the right track.

After that, please turn your eyes southward and read the *Strategic Studies*, which makes an even shorter-term forecast that a terrorist upsurge will engulf the nations of Ibero-America by no later than June.

All this, however, is scarcely grounds for gloom and doom. The collapse of the doomed financial and economic regime presents us with a golden opportunity to build a new and truly human one. See page 14 for a follow-up on the Chinese plan for new “Silk Route” railway, which represents a crucial link in the Eurasian railway network proposed by *EIR* in 1992. Once we stand on the firm ground of our intent to cut the Gordian knot and industrialize the entire world, we can laugh along with God at the insane antics of the bloodthirsty one-worlders at the United Nations in New York (page 8) and inside the walls of the Cini Foundation in Venice (page 18).



# EIRContents

## Departments

- 17 Science Policy**  
Europe takes a step toward the Moon.
- 20 Australia Dossier**  
British funds pour into Australia.
- 21 On the Green Front**  
A "wilderness" for drug pushers?
- 47 Andean Report**  
Open skies for cocaine.
- 67 Letters to the Editor**  
Don't be defensive about Rostenkowski.
- 72 Editorial**  
Out of the morass.

**Photo and graphic credits:** Cover, National Archives. Pages 7, 55, 63, 64, EIRNS/Stuart Lewis. Page 25, EIRNS. Page 28, EIRNS/Carlos de Hoyos. Page 44, EIRNS/Christopher Lewis. Page 53, EIRNS/John Sigerson.

## Strategic Studies

- 50 Terrorist upsurge threatens entire Western Hemisphere**  
Although the explosion of terrorism is a national security threat to the United States, among other countries, the U.S. State Department is *backing* revolts and insurrections in Ibero-America.
- 52 Will the Zapatistas go Mexico-wide?**
- 54 A volcano of political violence is set to erupt in Brazil**
- 56 British are caught running terrorism**
- 58 Left-right pincer is forcing Venezuela into civil war**
- 59 Hugo Chávez's pseudo-Zamora**

## Economics

- 4 Regulators pay homage to Babylon's Whore in London**  
Bankers gathered in London for the 300th birthday of the Old Lady of Threadneedle Street vowed to do nothing to bring derivatives under control.
- 6 Balsam failure brings international financial collapse one step closer**
- 8 Ghouls testify at U.N. hearings**
- 9 Currency Rates**
- 10 China turns away from shock therapy, as threat of mass unrest grows**
- 12 P.R.C. never stopped looting its peasants**
- 14 China and Russia promote Eurasian high-speed rail and bridge projects**
- 18 'Malthusian International' proposes global environmental law court**
- 22 Business Briefs**

## Feature



A scene of panic on Wall Street in 1933, as depositors queue up to withdraw their money from the banks.

### 24 **The coming disintegration of financial markets**

Lyndon LaRouche urges responsible governments to put to the "sanity test" all incumbent and prospective economics and central banking officials: "Prove conclusively that the near-term disintegration of the presently bloating global financial and monetary bubble is unstoppable by any means alternative to governments acting to place the relevant institutions into bankruptcy reorganization."

### 26 **Bank of England replies, defends derivatives**

## International

### 38 **Calls grow to boot out IAEA and develop Korea**

Direct U.S. talks with North Korea are crowding out the one-worldist warmongers who wield the International Atomic Energy Agency.

### 40 **Haiti invasion means disaster for Clinton**

### 41 **Opposition wants IMF program for Nigeria**

### 42 **European Parliament elections show impact of economic crisis**

### 44 **Germany: Zepp-LaRouche brings reality to election**

### 45 **France: An Italian-style shakeup of the system**

### 46 **What is the UNDP doing in your country?**

### 48 **International Intelligence**

## National

### 62 **North candidacy is a test for the nation**

Can a proven drug-runner make it into the U.S. senate by masquerading as a conservative family man?

### 64 **ARGUS head Bryant faces charges**

Another member of the "Get LaRouche" task force bites the dust.

### 65 **Single-payer health care plan is no solution to medical crisis**

The Canadian-style program would replace the health insurance industry with the federal government as the sole provider of health insurance for Americans. The problem is, it does nothing to expand the tax base, and hence means less health care all around.

### 68 **Congressional Closeup**

### 70 **National News**

## Regulators pay homage to Babylon's Whore in London

by Anthony K. Wikrent

The heads of the 103 largest banks in the world gathered in London at the beginning of June, for the annual meeting of the International Monetary Conference (IMC), and to celebrate the tercentenary of the "Old Lady of Threadneedle Street," as the Bank of England is known in the high circles of international banking and finance. The meeting was especially noteworthy for the gaggle of financial regulators from around the world, who, except for some very rare birds from continental Europe, came to prostrate themselves, and assure the bankers that the regulators had no desire to burden or hinder the bankers' derivatives markets with more regulation.

The tone was set by the chairman of the U.S. Federal Reserve, Alan Greenspan, who told the bankers on June 8 that the derivatives markets will have to be increasingly "self-regulated, largely because government regulators cannot do that job." The best line of defense against a bank collapsing because of losses in derivatives, Greenspan said, is that "individual institutions, in their self-interest, become extraordinarily knowledgeable about the counterparties with whom they are dealing."

Tommaso Padoa-Schioppa, a deputy director general of the Bank of Italy who also chairs the Basel Committee of the Bank for International Settlements, told the bankers that the BIS will recommend that banking regulators in various countries use the internal risk-management models developed by the derivatives dealers themselves, as the basis for regulating derivatives. Over the past year, the Basel Committee has been considering whether or not derivatives dealers should be forced to meet capital adequacy requirements. Now, apparently, rather than formulating one standard against which all financial institutions can be measured, the committee is basically telling the bankers that the bankers themselves can set the standards by which it is to be determined whether a

bank dealing in derivatives is insolvent or not.

The problem, Padoa-Schioppa explained, is that "we central bankers are still lacking a reliable set of analytical propositions on which to draw in formulating our policy methods in a derivatives-influenced financial environment."

Thus, it is not surprising that the measures advocated in the BIS's annual report—issued just days after the bankers' revelry in London—downplayed the danger of derivatives, focusing instead on a need for "better monitoring." The BIS report asserted that "the ongoing debate about the potential risks posed by derivatives markets has accentuated the need to develop more appropriate measures for the exposures which derivatives actually entail," and concluded, "It would be a mistake to assume that policymaking would be made easier if financial instruments could be limited or capital movements controlled. Global markets are now so highly integrated that suppressing the symptoms of investor preferences in one market would simply lead to their manifestation elsewhere."

### The British call the shots

The BIS annual report reflects the significant shift that has occurred under its new general manager, Andrew Crockett, who was a senior official of the Bank of England before moving to the BIS. The previous general manager, Alexandre Lamfalussy, had been quite outspoken about the growing danger of banks' off-balance-sheet derivatives risks. Lamfalussy's appointment to head the new transitional European Monetary Institute, the core of a future European Central Bank under the Maastricht Treaty, was probably engineered in order to silence a voice that no doubt was irritating the international bankers—especially in the City of London, where one-half of the world's \$1 trillion a day of foreign exchange trading takes place. London, in fact, trades more

dollars or deutschmarks than are traded in the United States or Germany.

The line taken by Greenspan, like the new direction of the BIS under Crockett, slavishly follows the dictates of Threadneedle Street's Old Lady herself. The London *Independent* had reported on May 16: "Washington is preparing to propose new regulations on the burgeoning trade in derivatives, perhaps as early as this week. This is in direct opposition to U.K. authorities, led by the Bank of England, which believe that existing regulatory structures can handle the industry. . . . [The Bank of England] does not want to launch any new structures to deal directly with the derivatives markets. . . . The Bank is skeptical of suggestions that derivatives should only be traded on recognized markets."

That Crockett had the fix in place at the BIS, was indicated by the lead editorial of London's *Financial Times* on May 19. "Anything other than a global approach to regulation will be less than fully effective," it read. "The thrust of supervision [over financial derivatives] should thus continue to be chiefly through the Basel-based Bank for International Settlements."

The next day, Canadian regulators obediently fell into line. "In the absence of evidence of a problem, I don't think it's time for someone to say the sky is falling," proclaimed Richard Gresser, senior policy analyst at Canada's federal Office of the Superintendent of Financial Institutions. "I do not have evidence that would indicate there is a trend developing toward increasing trading losses."

Later that week, Greenspan gave a preview of the propitiation he would offer in London, in testimony before the U.S. House Finance Subcommittee hearings on derivatives on May 26: "There is nothing involved in federal regulation per se which makes it superior to market regulation. . . . Today's markets and firms, especially those firms that deal in derivatives, are heavily regulated by private counterparties who for self-protection insist that dealers maintain adequate capital and liquidity."

But on the continent, the governments of France, Germany, Italy, Spain, and Belgium—shocked by the derivatives-related collapses of Feruzzi, Banesto, Metallgesellschaft, Crédit Lyonnais, Balsam, and other large companies—were leaning toward the view that controls on derivatives should be tightened. In a speech before the Frankfurt Economic Editors' Club on May 21, Edgar Meister, a director of the German Bundesbank, said that derivatives were increasing the "systemic risks for the financial sector as a whole," and recommended that all derivatives deals be registered at the credit supervisory board, and that all deals involving more than DM 3 million be made subject to minimum reserve requirements.

The response from the nabobs of London can be fairly described as a shriek. "Any form of heavy-handed regulation, when applied to very fluid cross-border business, will make those doing the business say, 'If I can do the business

elsewhere . . . then I will,' " warned Anthony Belchambers, executive director of the London-based Futures and Options Association, the day after Bundesbank director Meister's comments.

Rolf Willi, secretary general of the International Exchange Association (ACI), the international organization of 51 national foreign exchange clubs—which just happened to be gathering in London the same time as the IMC—told reporters on June 3, "We are concerned that one day we will be over-regulated." ACI President David Clark was even more emphatic: "The worst thing that could happen . . . is that someone comes along and regulates the derivatives market." And just in case anyone missed the point, Her Majesty's Minister for Trade and Industry, Michael Heseltine, observed, "In contrast to some other marketplaces, the regulatory system in the U.K. has allowed these new products to be developed. . . . We in the U.K. do not impose a mass of burdensome procedural regulations on markets."

To drive the point home, a song was specially composed and performed by a choral group for the IMC's festivities, which went as follows: "Glory be to the deutschmark, and to the yen, but mostly to the holy pound. As it was in the beginning, before all this talk of a single European currency, is now, and ever shall be, Amen."

## The collapse has begun

The bankers will soon have their comeuppance, however. Speaking at a conference of the Inter-Action Council in Dresden on June 7, former West German Chancellor Helmut Schmidt warned of an imminent major financial crisis, most likely "triggered by a collapse in the offshore banks," creating a danger in 1994-95 similar to the danger created by the collapse of the Vienna Kreditanstalt Bank in 1929, which initiated an international banking panic that opened the way to World War II.

Actually the collapse has already begun, in a form American System economist Lyndon LaRouche describes as "the great mudslide." The most recent event in the process occurred in Venezuela, at 2:00 a.m. on June 14, when the government put the eight largest banks into receivership—after having used 70% of the national budget to try to keep them afloat since this spring.

Ah, rich irony! One of the major social events at the IMC meeting was a private performance of Walton's "Belshazzar's Feast, the biblical story of the king of Babylon, who throws a feast during which the words "*Mene, Mene, Tekel, Upharsin*" mysteriously appear on the wall. When his wisdom cannot not decipher the words, Belshazzar summons Daniel, who tells the king that the words foretell the fall of Babylon, as punishment for the king's lifting himself up against the Lord of heaven, and praising the gods of gold and silver. How fitting that the last grand orgy of the masters of money was held in London, feting the slavish Babylonian/Venetian whore of Threadneedle Street!

# Balsam failure brings international financial collapse one step closer

by William Engdahl

On June 10, German flooring manufacturer Balsam AG was put into bankruptcy, and four members of its board of directors were imprisoned for financial crimes. One week later, a Wiesbaden-based factoring firm linked closely to Balsam, Procedo, also went into bankruptcy when the group of insurance companies behind it refused to assume the fraudulent debt obligations of at least DM 2.1 billion (\$1.3 billion) linked to its dealings with Balsam.

In an unusual public comment, former German Bundesbank President Karl-Otto Poehl, now chairman of the Cologne private bank Sal Oppenheim & Cie., told the press, "The intensity of criminal energy present in the Balsam affair is likely far worse than in the Schneider bankruptcy." The latter reference is to the large German construction firm Schneider AG, whose owner fled the country earlier this year leaving behind billions in bank debts and tens of thousands of jobs threatened. Poehl's statement rang alarm bells in the already nervous Frankfurt financial community.

Well they might. Though details are not yet public, there are reports of feverish activity by some 50 international creditor banks to Balsam to audit the real situation of the firm, whose management is believed to have covered up its bankruptcy for almost eight years by speculating massively in foreign exchange and other forms of high-risk derivatives trade.

According to a report published in the June 11 *Die Welt*, Balsam management left behind a staggering DM 10 billion worth of currency derivatives obligations, so-called "dollar options" contracts, most of which run until December. This means that the creditor banks, primarily Deutsche Bank and Dresdner Bank but including Poehl's Oppenheim, must assume the risk of those DM 10 billion in derivatives from Balsam. Should the fluctuations in the value of the dollar go against the bet of the Balsam management between now and December, the banks stand to lose sums in the hundreds of millions.

## A mudslide that just won't stop

The Balsam affair is the latest in what appears to be an unending series of financial shocks of titanic dimensions in recent months. Some traders in the European banking community believe that the surprising weakness of the U.S. dollar against the deutschemark, as well as the heavy, continued selloff in German bond futures in recent days, could be tied

to the efforts of the creditor banks to close out the huge derivatives positions of Balsam and Procedo.

The dramatic fall in market after market since early last January, is manifestly not calming down. Estimates of international bond analysts are that "paper losses" (most bondholders, including huge pension funds and private savers, have continued to hold onto their securities rather than try to sell) since January in government bonds of major industrial nations could easily total more than \$500 billion.

While the average citizen has little idea of the esoteric world of bonds, these bonds form the very core of the global monetary and financial system, considered to be the "safest" investment. Government debt in the OECD countries has exploded since the oil and other shocks of the early 1970s, while investment in infrastructure has contracted to postwar lows.

The underlying structures of financial obligations are becoming fundamentally more unstable with each added shock. What is under way is without precedent in the history of international finance, as American economist Lyndon LaRouche has stressed in recent commentary.

Since the 1979 "Thatcher Revolution," every single government in the nations of the Organization for Economic Cooperation and Development has deregulated, removed its national currency controls, opened the doors wide to global financial flows, in effect becoming hostage to whims of huge speculative markets. This has been combined with the "Molotov cocktail" of financial derivatives. Beginning in New York and London, banks, financial firms, and even industrial companies have gone pell-mell into the largest speculative binge in history, borrowing to speculate on the future value of a given currency, interest rate, or stock or bond price, at the same time as the intensity of basic industrial and economic infrastructure investment throughout the OECD countries is generally at 20-year lows.

A simple test for the reader: Compare the geometrical increase in per capita public debt carried by citizens of every major OECD country over the past 25 years, with the decrease in absolute numbers of manufacturing employees in those same countries. Or, do the same comparison this time with the decline in per capita new public infrastructure investment for the period. In each case, the public debt has exploded exponentially, whereas the real economic wealth-creating resources of the national economy in question have



contracted dramatically. This is the backdrop of the process now unfolding.

### How the bubble was inflated

On July 20, 1993, U.S. Federal Reserve Chairman Alan Greenspan signalled to the House Banking Committee that the Fed would raise short-term interest rates for the first time since 1989. Five years of interest rate reductions by the Federal Reserve were made in order to prevent a systemic insolvency crisis in the entire American banking system. By lowering rates and injecting large new reserves into the banking system, Greenspan allowed banks a "breathing space" of five years in order to earn risk-free profits speculating on U.S. government bonds. But, in the course of maintaining such historically low interest rates for so long, the Fed created a new Frankenstein monster, an "asset bubble" of grotesque dimension, as banks and financial firms speculated in stock and bond markets rather than risk new industrial loans.

The end-phase of that asset bubble, which began in U.S. stock and bond markets, was a record capital outflow from the United States, mainly by unregulated mutual funds, which hold some \$1.8 trillion in assets, into financial markets across the globe. The "glamor" area of investment by U.S. mutual funds and others was high-risk "emerging markets" such as Mexico, Turkey, and Malaysia, which offered 70-100% profits to speculators, leveraged by various derivatives.

This speculative U.S. capital outflow reached the huge sum of \$120 billion in 1993, more than double what it was in 1992. With it, the "asset bubble" expanded in ways never before seen. The same U.S. investment funds poured huge sums into the German and other European bond markets, creating bubbles in European and other financial markets in the final months of 1993 as well.

All these money-hungry speculators gambled that interest rates would continue to go down or, at worst, would not go up. But in September 1993, Federal Reserve Board members David Mullins and Lawrence Lindsay started to warn openly of the danger of creating a "Japan-style asset bubble" in the U.S. bond and stock markets. The inflation danger in U.S. financial markets was not the cost of living, but the soaring prices of stocks and bonds and financial assets. In testimony before the Senate Banking Committee on May 27, Greenspan admitted that the Feb. 4 decision to raise fed funds rates by one-quarter percent to 3.25% was directed, not at consumer or industrial price inflation, but at halting the "sharp rise in financial asset prices." That shift detonated the greatest instability in world financial history.

When the Federal Reserve acted on Feb. 4, it confirmed that the "one-way" bet on interest rates was over, and bond prices fell. But, curiously, European bond prices, especially in U.K. "Gilts" and German "Bunds," fell far more. The intense European market fall beginning February was triggered by "one major U.S. institution" doing panic selling of European bond futures, or derivative positions to raise cash



*U.S. Federal Reserve Board Chairman Alan Greenspan, who helped create the gigantic speculative bubble in derivatives instruments. His Feb. 4 decision to raise interest rates triggered the greatest instability in world financial history.*

to meet losses in the Japanese market. Despite repeated subsequent moves by the Bundesbank and other European central banks after February to lower key interest rates and otherwise attempt to stabilize German and other bond markets, the selling continues. U.K. bond values have dropped some 20% in four months, U.S. values by 15%, and German values by 12%, falls of a magnitude not seen in so brief a time since World War II.

This process quickly spilled into liquidation of holdings in major "emerging markets," starting with Mexico. Insurrection in Chiapas, political instability, and the assassination of the leading PRI presidential candidate created such a panic outflow of dollars from Mexico that the Federal Reserve was forced to step in with emergency funds to prop up the peso. Turkey, Malaysia, Poland, and other speculative markets of the past several years saw similar selling and capital flight. Despite dramatic coordinated measures by the Group of Seven central banks to attempt to stabilize the dollar, yen, and other key currencies, and with it the markets, huge panic selling resumed again the week of May 23 on the British and German bond markets, as a major U.S. "hedge fund," believed to be Steinhardt Partners, reportedly continued to liquidate its huge bond position, which had been bought with money borrowed from major banks.

Recent statements by the normally conservative Bank for International Settlements in its June 13 annual report underscored how terrified the major central banks are of the situation. Andrew Crockett, former Bank of England officer and the new general manager of the Swiss-based BIS, stated, "It would be a mistake to assume that policymaking would be made easier if financial instruments could be limited or capital movements controlled."

# Ghouls testify at U.N. hearings

by Joseph Brewda

Twenty ghoulish experts on ridding the world of its “surplus” non-white population gathered at United Nations headquarters in New York on June 6-10 to testify before “world hearings” on U.N. Secretary General Boutros Boutros-Ghali’s latest report, “An Agenda for Development.” The report is aimed at shaping the run-up to a World Summit on Development to be held in Copenhagen in March 1995. That summit is supposed to assemble the machinery for enforcing the anticipated results of the International Conference on Population and Development, set for September 1994 in Cairo.

Most of the testimony revolved around the usual array of fraudulent buzzwords such as “overpopulation,” “sustainable development,” “putting people first,” and other issues which are being used nowadays to justify the elimination of the planet’s “useless eaters.” There was no talk here of actual industrialization and infrastructure development.

Among the more prominent figures present were Prof. Paul Kennedy, author of the popular book *The Rise and Fall of the Great Powers*; Nobel Prize winner and voodoo economist Lawrence Klein; former Nigerian head of state Gen. Olusegun Obasanjo, currently an important tool in British efforts to recolonize western Africa; Frances Stewart, director of the Institute of Commonwealth Studies at Oxford University, a British intelligence soft-cop; and Prince Alfred von Liechtenstein of the Vienna Academy for the Study of the Future, possibly the most deranged of the whole lot.

The first day’s testimony focused on “development, peace, and security.” The audience was informed that the gravest threat to world peace today was the “perceived need for military power” among Third World states. The solution for dealing with the uppity natives: Demilitarize the Third World, and form an advanced-sector weapons cartel.

The second day was devoted to “putting people first,” a term which, translated from U.N. newspeak, means that governments which resist the U.N.’s brand of “development” must bend to the “people’s needs”—needs which, of course, are dictated by the U.N. itself.

The third day dealt with “globalization.” Speakers complained that “many developing countries have been excluded from the high-technology trail.” But the “high technology”

being discussed was not advanced port facilities, railways, or nuclear power plants, but rather the need to hook up more satellite television and related forms of mass brainwashing.

The fourth day heard speakers calling for “a new partnership for global development,” by which they meant, for example, “debt-for-nature swaps” such as those which certain multinationals are proposing for the Amazon so that they can grab that area’s natural resources.

The final day focused on the changes necessary in the U.N. bureaucracy in order to implement this agenda, especially the creation of an economic security council endowed with the power to militarily enforce its ukases on population control, the environment, and so forth. Such enforcement mechanisms are to be the main topic at the Copenhagen summit. Professor Kennedy, it was announced, has just been appointed Boutros-Ghali’s adviser on reorganizing the U.N. bureaucracy in preparation for such requirements.

## Imposing technological apartheid

Prince Alfred von Liechtenstein’s efforts to enforce continuing backwardness within the former colonial sector typify the real agenda behind hypocritical U.N. concerns with “development.” The prince argued that western civilization and the American and European way of life are simply not “sustainable,” and that therefore the global expansion of such a civilization and way of life could not occur without severely damaging or even destroying the ecological basis of life.

The prince argued that “worldwide cultural uniformity” is also undesirable, since it would lead to massive cultural impoverishment. The preservation of “cultural diversity,” he argued, represents a “rich legacy of mankind,” and is as important as the preservation of “bio-diversity.” (In U.N. newspeak, bio-diversity means balancing the needs of mankind and crocodiles; cultural diversity means denying scientific education to non-white populations.)

In order to block technological and cultural transfers, the prince proposed the creation of national councils of sustainable development to replace existing national security councils. Security will have to be redefined to encompass social, economic, and ecological security, and existing security forces and institutions redefined and restructured to become “green helmets,” i.e., eco-police.

## If this is ‘development’ . . .

Gen. Olusegun Obasanjo, the type of black face often put forward at such gatherings to justify imperial designs, also emphasized the need for enforcement. He said it is desirable that the United Nations form an “effective body” which would “manage” the interdependence of the world as manifested in challenges to the environment, and in population growth. The new body, an economic security council, would set effective norms and rules for equitable and sustainable world development, and would monitor compliance with such rules, he said. Such a body would have to act preemptively

tively when necessary.

Obasanjo was asked by Sir David Hannay, the British ambassador to the U.N., about what could be done about the "fact" that while the military expenditures of the industrialized nations were dropping, those of the developing sector were increasing, despite the "fact" that the external threat to such former colonies has decreased. Such funds used for the military would be better spent on "development," Hannay said, perhaps thinking of Iraq, whose starvation he continues to supervise.

Obasanjo replied that various steps could be taken to deal with Third World militarization. For one, the five permanent members of the U.N. Security Council should control, among themselves, the movement of weapons. Second, records should be kept by appropriate U.N. and related agencies on the transfer and purchase of weapons to Third World states, as well as on the movement of troops. Third, countries that insist on building up their militaries should receive a less sympathetic hearing at the World Bank and related lending agencies.

In another discussion, the Dutch ambassador, Nicolaas Biegman, blustered about "democracy" (newspeak for "whatever suits the international banking community"). Development without democracy could cause harm, including in the environment, he said; and in today's interdependent world, non-intervention is not an option in dealing with the lack of democracy and environmental abuse. The main threat to today's interdependent world, he said, was "unchecked population growth," which, he claimed (falsely, as it turns out), was the root of such conflicts as that now engulfing Rwanda.

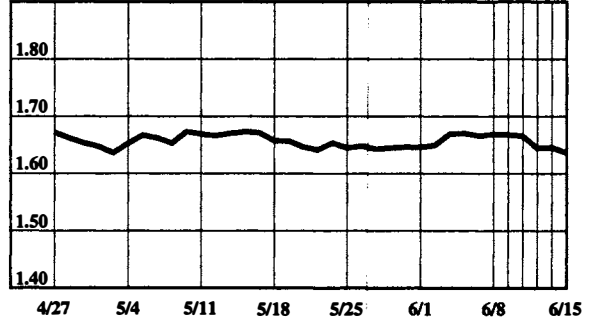
Margaret Catley-Carlson, president of the Population Council, expanded on the "overpopulation threat." Depending on what happens in the next ten years, she ranted, the population will continue to grow to 8.5 billion, or in a "worst-case scenario," 15 billion. Food could not be produced for that number without severe environmental implications, she lied, since "every human being accounts for a stress on the environment." One partial solution, she said, is globalized communication—television in every home—which would lead to rapidly declining population rates by shifting viewers toward modern western cultural norms (such as acceptance of homosexuality).

Frances Stewart, director of the Institute of Commonwealth Studies at Oxford, emphasized the need for the U.N. to create an economic security council. Stewart shed a couple of crocodile tears over Third World debt burdens, but said such problems could be solved by creating a "safety net" for those who are marginalized. But one man's safety net is another man's prison: The net would be provided by creating an economic security council which would govern the work of the World Bank and International Monetary Fund, and would impose an international tax on common resources to fund it.

## Currency Rates

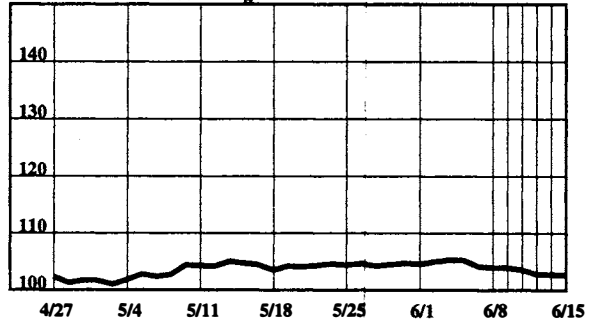
### The dollar in deutschemarks

New York late afternoon fixing



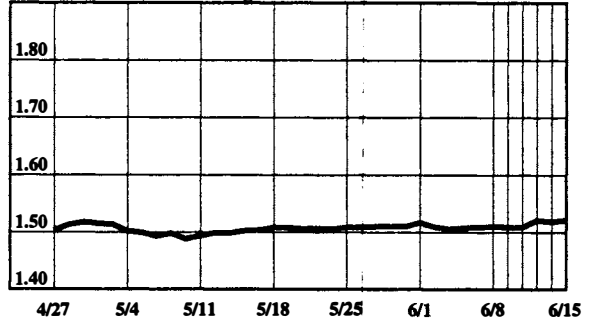
### The dollar in yen

New York late afternoon fixing



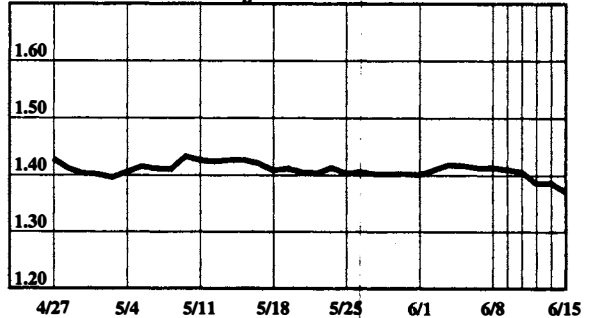
### The British pound in dollars

New York late afternoon fixing



### The dollar in Swiss francs

New York late afternoon fixing



# China turns away from shock therapy, as threat of mass unrest grows

by Michael O. Billington

Two major "China Summit" conferences were held in Beijing during the week of May 11-15, featuring the top leadership of the Anglo-American financial structure to plan the next stage of their intended control of the Chinese economy. However, the conferences took place in the midst of a significant turn away from the free market reform process by a Beijing government faced with the mounting danger of mass unrest among the impoverished rural population and growing resistance to foreign efforts to dismantle the state sector industries.

The conferences—one sponsored by the *International Herald Tribune* (published overseas by the *Washington Post* and the *New York Times*) and the Chinese State commission for Restructuring the Economic System, and the other sponsored by the Ministry of Foreign Trade and Economic Cooperation (Moftec)—were treated to lectures from Henry Kissinger, deemed the Tai-pan of the new British colonial operations in China; Peter Sutherland, the director of the General Agreement on Tariffs and Trade (GATT); Ernest Stern, managing director of the World Bank; and executives of a variety of the multinationals which are sucking everything they can from the 200-million-strong unemployed being recycled through the trade zones in China. The conferences served as a public show of force to President Clinton, demanding that he renew Most Favored Nation status for China without conditions—which in fact Clinton did the following week. Also, all participants, including the faction of the Chinese leadership which attended the conferences, agreed that China must rapidly push through the free trade reforms required to achieve membership in GATT before the founding of the World Trade Organization (WTO) next year, so that China can be a founding member of this new U.N. free trade police force.

But the kind of shock therapy required to meet the wishes of these world financial leaders, who see China as the last source of loot for the cancerous growth of the financial bubble in the western banking system, is causing such severe internal hemorrhaging within China that Beijing is trying to apply emergency tourniquets to stop the bleeding. To the growing consternation of the London and New York China players

gathered in Hongkong, the following measures have been adopted:

- strict controls on oil imports and distribution, which essentially reconstitute control over the oil market by the national oil monopoly;
- a freeze on trading in selected commodities and commodity futures, including oil, sugar, coal, food oils, and certain steel products;
- controls on the sale of state-owned assets by local governments without Beijing's approval;
- postponement of plans to sever all government controls over businesses in the Shenzhen Special Economic Zone, including state-owned firms;
- limits on profit margins permitted to foreign investments in power plants, set at a maximum of 12%, far below the average rate in previous deals;
- other measures similar to the 16-point "austerity policy" implemented last June by economic czar Zhu Rongji, intended to slow down the speculative binge in real estate and light industry. Those measures were essentially rescinded a few months later when Deng Xiaoping called for faster growth regardless of the consequences.

The *Asian Wall Street Journal*, in a story headlined "Market Lockup," complains that the new oil regulations "mark a sharp reversal from a two-year trend toward freer competition." Such protection of China's national industries is anathema to the free-traders at the *Journal*. "Unlike price controls imposed recently on sectors such as steel, coal, and grain products, intended to help consumers and state-run enterprises cope with inflation, the oil price controls appear to have one main beneficiary: the oil monopoly." Beijing both banned imports and raised the price on the oil produced domestically. Cheap imports had left the crucial domestic oil industry unable to sustain its operations, which also endangered a significant source of government revenue.

Although these measures represent a necessary turn away from the worst of the free trade reforms, they will not solve the fundamental problems facing China's state sector industries. Antiquated machinery and desperately inadequate infrastructure underlie the inefficiency of these state sector

giants. The oil refineries, for instance, which are primarily in the north, have large stockpiles of oil, but the transportation bottlenecks in the country made it cheaper to import oil in the south than to use domestic sources from the north!

### Two other, very different conferences

Kissinger's friends at the World Bank have used the fact of this inefficiency to demand the implementation of the "shock therapy" methods used in eastern Europe—simply shutting down much of the state sector entirely. There is resistance to this in Beijing, which is not blind to the unfolding disaster in Russia, Poland, the Balkans, etc., caused by shock therapy imposed by the International Monetary Fund (IMF). Vice Premier Zhu Rongji, who has been put in charge of the economy and was made acting prime minister during Li Peng's recent trip to Central Asia, was notably absent from the two "China Summit" conferences. Zhu was instead addressing two very different conferences held in Wuhan, the capital of Hubei Province, and Zhengzhou, the capital of Henan Province, both in central China. His message, as reported by the official *China Daily*, was that "reforming farm policies and efficiently running state enterprises are the keys to developing a good economy and stabilizing society." He directed "officials at all levels" to "emphasize their economic work on agriculture and running state enterprises. This is the key to handling the relations between reform, development, and stability."

In a similar vein, Qiao Shi, the ex-chief of security who now heads the National People's Congress, called for a mobilization of the surplus rural labor to build roads and water conservancy facilities. He also said the key to improving the state sector industries lies in the application of "sophisticated technologies."

Such emphasis on government support for industry, agriculture, and large-scale public works projects in infrastructure is far from the free market prescriptions of the Kissinger gang.

In keeping with this turn in policy, the government has carried out an aggressive domestic bond sale program this year, the first in several years except for a small offering last year. A record \$11.5 billion in state bonds have been assigned to local banks across the country. This fund is intended to fill the growing federal deficit which has reached drastic proportions due primarily to losses accrued by over one-third of the state sector industries and resistance to central taxes in the provinces, which would rather spend the money in the speculative markets locally. Guangdong Province, the center of the China bubble in the south, has failed to meet the schedule on the state bonds, bringing stern orders from Beijing to restrict "indiscriminate fundraising" for local investment schemes, in order to "ensure the fulfillment of the task of issuing treasury bonds as scheduled across the province."

The additional funds in Beijing are crucial if Beijing is to

back up Zhu's orders to support agriculture and the state sector industries. Over the past years, peasant income has been squeezed by the rising cost of farm inputs and general inflation, coupled with stagnant farm income. Peasants have often been paid in scrip due to the lack of cash in government coffers, which, together with the mass unemployment (approximately 200 million) in the countryside, has led to thousands of local demonstrations and riots across the country (see accompanying article). A similar increase in labor actions in industry, protesting the layoffs and industry closings, has Beijing even more worried. The threat of a Polish-style Solidarnosc movement is one that deeply haunts the Communist Party, as evidenced by the continuing ruthless repression of every new occurrence of independent labor organizing, despite the international pressure around human rights violations. The government announced on May 5 a group of new "offenses against Public Order" which include penalties for membership in "unregistered organizations" or secret societies, and "distorting facts, spreading rumors, or otherwise disrupting public order." Besides such outright repression, however, the current economic policy turn indicates an effort to at least slow down the deadly bloodletting against the population.

### 'Development Banks'

Another step in the same direction was the launching of the State Development Bank (SDB) in mid-April. The SDB is one of three "development" banks announced in January, although the other two (an agricultural bank and an export-import bank) are yet to be established. These banks, modeled on the Japanese Ministry of International Trade and Industry (MITI), are intended to funnel state revenues into targeted development projects in state sector industry and agriculture, while the commercial banks are allowed to function with less state regulation. The SDB is raising another \$7.5 billion in domestic bond sales, which, like the \$11.5 Treasury bills, have been assigned to banks around the country under a quota system set by the People's Bank of China (the central bank). Besides garnering the funds desperately needed in Beijing, the two massive bond sales are intended to dampen the virtually uncontrolled speculative binge in real estate and low-skilled process industries in the provinces.

There are signs that the massive foreign investment of the past three years may be drying up. The "rush is over" for Taiwan investment in the mainland, according to the *Asian Wall Street Journal*, partially due to the fact that much of Taiwan's low-skilled process industries have already moved to the mainland, and Taiwan will not allow the more advanced industries to follow suit, due to political concerns. But it is also due to the fear of a breakdown and social chaos in the mainland, and the potential bursting of the speculative bubble.

The latter is definitely the cause of the dramatic declines in the Hongkong stock market since January—a fall of 25%,

almost entirely due to China-based stock issues—as well as the collapse of the new domestic stock markets in Shanghai and Shenzhen. Several major private investors, notably Hongkong builder Gordon Wu, have cut back drastically on their plans for major power and transportation projects in the mainland. The World Bank and the Asian Development Bank, in the meantime, have both announced a cutback in infrastructure loans, claiming that the private sector is providing adequate financial support for infrastructure.

Ironically, the largest slice of the projected foreign investment in infrastructure is coming from the world's leading derivatives speculator, George Soros, who has set up funds with both GE Capital and the Hongkong-based Peregrine Investments totalling \$3.5 billion, according to the *Financial Times*, with China the primary target. As the global derivatives bubble collapses over the coming period—perhaps in the coming months—these sources will disappear.

### Opportunity awaits

The battle for power in China after the death of Deng (an occurrence which must be considered just as inevitable as the crash of the global derivatives bubble), or perhaps even before Deng's death, will provide an opportunity for a dramatic transformation of the past 45 years of recurring economic disasters under Communist Party rule—provided there are those with the commitment and basic economic intelligence to meet that challenge. The publication in *Strategy and Management*, the journal of the Chinese Academy of Social Sciences, of the proposal by *EIR* founder Lyndon LaRouche and his associate Dr. Jonathan Tennenbaum, demonstrates the existence of at least some motion in that direction. The LaRouche program, featured in *EIR* on Feb. 11, 1994, is based on the construction of 1,000 new nuclear-powered cities over the next century, built along a series of "development corridors" cutting into the interior and connecting with several new "Silk Routes" to Central Asia, Africa, and Europe. This approach would allow the use of the high concentration of people and land use to increase per capita and per kilometer use of energy, water, transportation facilities, etc., and build the infrastructure necessary for these cities and for modern agriculture.

Along similar lines, an interview granted to *EIR* by Hui Yongzhen, vice minister of the State Science and Technology Commission of China (see *EIR*, May 27, 1994), expresses a serious approach to the necessity of developing the entire Eurasian landmass as the minimum approach to assure peace and development. It is these tendencies which must overcome the still-dormant view of the Chinese leadership that the capital needed for development must be extracted from coolie labor in primitive agriculture and low-skilled sweatshops.

If this latter policy is continued much longer, yet another holocaust awaits China's 1.2 billion people.

## P.R.C. never stopped looting its peasants

by Michael O. Billington

Faced with a severe agricultural crisis, including thousands of peasant demonstrations and riots across the country as well as mounting production problems, the People's Republic of China (P.R.C.) Ministry of Agriculture Rural Economic Research Center released in January a stark analysis of the causes behind the crisis. (A translation of the report was published in the May 13 Foreign Broadcast Intelligence Service of the U.S. State Department.) The report is as notable for its honest admission of the systematic looting of the agricultural sector since the early days of Maoist rule through to today, as it is for a lack of any competent conception of how to solve the problem. In particular, there is absolutely no mention of the question of the mechanization of agriculture, nor of the horrible state of water and transportation infrastructure.

The report lists the problems affecting peasant income as follows: "the continuous deterioration of trading conditions for agriculture, the issue of IOUs for the purchase of farm products, the outflow of agricultural funds [the diversion of agriculture funds to speculation in real estate, etc.], the holding up of farmlands by development zones, and the added burden on peasants [extra taxes, levies, etc. by local government]." The result is that a rapid deterioration of farm income has reduced the ratio between the peasantry's per capita income and that of urban residents back to the pre-reform level of 1978, following the dark days of the Cultural Revolution.

Production growth, which fell significantly in the mid-1980s, recovered somewhat between 1989 and 1992, but only enough to sustain zero-growth in output per capita. The report provides the data shown in **Table 1**, which show the dramatic growth in farm output *and* income between 1979 and 1984, when the commune system was abolished and agricultural investments increased rapidly. However, in 1984, as the free trade reform policies were first being implemented as part of the deal with the British over the eventual return of Hongkong, the government intentionally cut agricultural investments, de-emphasized tractor production, and began to look the other way when peasants broke the residency laws, eventually flooding into the coastal cities in search of work in the export zones. The report points out that peasant income growth did not fall further than 5% in this

1985-88 period due to the establishment of thousands of "town enterprises" (a combination of low-skill process industries) such that peasant income was supplemented by part-time work in these local industries.

However, the report notes, such township industries are extremely scattered, "not in step with urbanization," and thus the benefits due to infrastructure concentration in cities are not available. The resulting inefficiency of production and distribution dramatically limited the potential of such primitive "industry." Thus, although agricultural production rose slightly after the "retrenchment" of 1988 and Tiananmen events of 1989, peasant income growth fell nearly to zero, while the number of unemployed peasants swelled to nearly 200 million.

### Primitive accumulation

The ministry report acknowledges that the People's Republic followed Stalinist economic policy after the 1949 seizure of power by Mao's Communist Party. This was based on the Marxist notion (found as well in the Adam Smith/David Ricardo free trade model) that capital accumulation can only occur by taking it from someplace, assuming capital to be an excretion of physical labor. Ignored here is the science of physical economy discovered by Leibniz (see *Feature*) and implemented by the young United States under the leadership of Treasury Secretary Alexander Hamilton, whereby wealth is created by *increases* in the productivity of labor, generated by advances in the technological transformation of nature and by scientific discovery. Instead, the Marxists implemented "primitive accumulation" against agriculture, intentionally diverting all agricultural surplus into support for heavy industry. As the ministry reports: "Under this system, we lowered the cost of industrial raw materials and wage costs through the monopoly purchase of farm products at low prices, and acquired an excess profit through raising the prices of industrial manufactured goods. . . . From 1952 to 1978, owing to the exchange of industrial and agricultural products at unequal prices, the funds flowing from agriculture to industry amounted to 391.7 billion yuan" (or \$223.8 billion in 1978 dollars). This process required the total monopoly of the state over grain procurement and distribution, as well as strict laws preventing peasants from leaving their assigned rural residencies.

The brutal control over every aspect of life of the peasants has been somewhat relaxed during the reform period. However, the report admits, "To date, the pattern of supporting industry with agriculture accumulations has not been radically reversed." Without needing to remind its readers of the mass genocide by starvation after the Great Leap Forward fiasco in the late 1950s, nor the chaos of the Cultural Revolution, the report warns that there must be some protection of the agricultural work force, "otherwise, history will repeat itself."

TABLE 1

### Growth in income for Chinese peasants plummeted

| Year    | Agriculture production growth | Peasant income growth |
|---------|-------------------------------|-----------------------|
| 1978-84 | 6.5%                          | 15.1%                 |
| 1985-88 | 4.1%                          | 5.0%                  |
| 1989-92 | 5.1%                          | 2.0%*                 |

\*Other estimates show a negative growth.

The Ministry of Agriculture officials do *not* mention, however, the most severe form of "primitive accumulation" which has been introduced against the peasantry under the reform, which is the creation of the 150-200 million-strong "blind flow" of unemployed or "redundant" rural labor. Only a small portion of this truly massive flood of humanity find employment in the trade zones. Those who do, usually work for only a few months in the sweatshops, under horrendous 19th-century conditions, then return to their home provinces, leaving their jobs to another "lucky" migrant. This recycling of labor is a form of short-term accumulation against the very bodies of an impoverished population, which is only one step removed from the concentration camp industries of Nazi Germany, where the final stop was the gas chambers. This is the "primitive accumulation" which is so admired by the IMF and the British speculators centered in Hongkong.

### Non-solutions

This recycling of labor is not mentioned in the report, perhaps because the authors purpose *expanding* such mass migration as a *solution*. They do strongly advocate a price protection policy for major farm products, a useful first step toward a parity price policy necessary for productive and secure agricultural production. However, this is perceived by the ministry officials as merely a stop-gap measure to pacify the peasantry, while further "market mechanisms" are implemented, aimed at "thoroughly smashing the planned purchase and marketing system and the city-countryside segregation system." These are "magic of the marketplace" panaceas which, lacking policies to actually build up the physical economy will do more harm than good. Allowing free movement, for instance, is obviously a fundamental right, but in the context of the recycling of labor through the sweatshops, such "rights" simply assure an even greater flow of desperate unemployed into the trade zones to be chewed up and spit out. The report virtually cries out for a true solution, such as that published in *EIR's* Feb. 11, 1994 issue. Any less comprehensive approach, and indeed, "history will repeat itself."

# China and Russia promote Eurasian high-speed rail and bridge projects

by Mary Burdman

Leaders of the People's Republic of China and Russia are expressing their support for the development of a Eurasian rail network, the "Great Project" vital for the economic development of the Asian-European landmass.

On June 15, China revealed plans to upgrade its high-speed train capacity, to develop networks for trains that can go at least 250 kilometers an hour. Such an intention was put forward by the chief engineer of China's Railway Ministry, at a conference in China sponsored by the Japanese Railway Ministry. According to BBC, the Japanese are eager to win the Chinese over to Japan's own "bullet train" model of high-speed rail. Most of China's rail plans concern lines in coastal areas, including one line, soon to be finished, connecting Canton to Shenzhen. But the "big potato," for which the Japanese and others are bidding, is the planned \$8 billion project for a Beijing-to-Shanghai line, to cut that journey down from 17 to 7 hours, and to triple the number of passengers who can take the line.

As BBC points out, transport is China's most serious bottleneck. The capacity is strained so much by transporting such items as coke and coal, that even when industrial output was reported up by 20%, there was no capacity for the rails to take more freight.

In our May 27 issue, *EIR* published an exclusive interview with Vice Minister Hui Yongzhen of the Chinese State Science and Technology Commission on the Eurasian Continental Bridge—the rail network, finally completed in 1992, that links Lianyungang on the Yellow Sea, ultimately to Rotterdam, Holland, on the North Sea. Here we publish tables, supplied by the Chinese State Science and Technology Commission, which were not able to appear with Mr. Hui's interview due to technical problems.

A key aspect of Vice Minister Hui's proposal for the New Asia and Europe Continental Bridge is the idea of the "economic corridor" along the railroad itself. One-fourth of China's population lives in this corridor, and, especially in the east, it contains much of China's industry. However, as **Tables 1a, 1b, 2a, and 2b** show, the internal (western) regions, including Ningxia, Shaanxi, Gansu, and Qinghai, are far less developed. One of the purposes of building this "economic corridor," is to develop these interior regions. **Table 3** shows the shorter distance of the New Asia and Europe Continental Bridge, as compared to the Trans-Siberian railroad.

## Strategically vital projects

On May 29, the final communiqué of the Beijing meetings of visiting Russian Prime Minister Viktor Chernomyrdin and Chinese President Jiang Zemin and Prime Minister Li Peng, specified both nations' support for Eurasian rail development. China and Russia "agreed to participate in bilateral and multilateral projects, including a 'continental bridge' linking Europe and Asia," the *China Daily* reported on May 30. Two days before the communiqué was issued, Li Peng had proposed making full use of the continental bridge to improve Russian-Chinese ties, during his discussions with Chernomyrdin. While the current Eurasian land bridge connects far western China with Kazakhstan, Li Peng called for linking the railway lines in the eastern parts of the two countries. He said that it is necessary to increase border trade between the two countries, and that they must improve transport facilities in border regions. Seven cooperative pacts, including for cooperation in border control, trade, science, technology, and sea transport, were also signed.

Chinese President Jiang had said to Chernomyrdin that Sino-Russian relations should be handled with a strategic view to the future.

China has also announced plans for a 57-kilometer bridge-tunnel complex which would cross the strait between the Bohai Sea and the Yellow Sea, to link the Shandong and Liandong peninsulas in China's northeast. In May, the *China Daily Business Weekly* announced efforts to improve the economic integration of the rim of the Bohai Sea, which has long been the center of China's heavy industry. While the region includes over 11 cities with over 1 million population each, including Beijing and Tianjin, China's enormous transport and communications bottlenecks are choking development. This project has only progressed to feasibility studies, but Shandong and Liaoning provinces are already planning a train-ferry to connect Dalian, the main port in Liaoning, and Yantai in Shandong, both important rail heads to the interior, to be operational by 1998.

In an interview on June 8, *EIR* founder Lyndon LaRouche said of Yeltsin's proposal: "We need the project full scale. This is not a white elephant. . . . This is rails! And rails are the arteries of commerce and production. The great problem, in Europe and Eurasia, is the lack of an efficient rail system covering the Eurasian continent; and thus whole areas of



TABLE 1a

**Economic and population situation in the regions along the New Asia and Europe Continental Bridge (1992)\***

| Region             | Population (million persons) | Social laborers (million persons) | Land area (million mu) | GNP (million yuan) | National income (NI) (million yuan) | Total social product (TSP) (million yuan) | Growth rate of GNP (%) | Growth rate of NI (%) | Growth rate of TSP (%) |
|--------------------|------------------------------|-----------------------------------|------------------------|--------------------|-------------------------------------|---|------------------------|-----------------------|------------------------|
| Beijing            | 11.02                        | 6.686                             | 3.7818                 | 70,900             | 50,720                              | 148,100                                   | 11.6                   | 15.8                  | 16.5                   |
| Tianjin            | 9.20                         | 4.721                             | 2.5436                 | 41,120             | 34,430                              | 133,280                                   | 11.7                   | 13.2                  | 20.1                   |
| Hebei              | 62.75                        | 31.793                            | 209.379                | 115,610            | 94,980                              | 257,880                                   | 13.9                   | 12.1                  | 17.1                   |
| Shandong           | 86.10                        | 44.051                            | 229.203                | 198,000            | 168,560                             | 514,120                                   | 19.5                   | 18.2                  | 25.5                   |
| Jiangsu            | 69.11                        | 37.294                            | 182.586                | 197,790            | 169,700                             | 606,970                                   | 26.5                   | 28.2                  | 41.4                   |
| Anhui              | 58.34                        | 29.827                            | 213.664                | 72,490             | 66,540                              | 170,350                                   | 17.4                   | 24                    | 23.9                   |
| Henan              | 88.61                        | 43.866                            | 256.397                | 121,320            | 101,730                             | 266,770                                   | 13.7                   | 14.2                  | 18.7                   |
| Shanxi             | 29.79                        | 4.027                             | 240.588                | 51,820             | 40,610                              | 110,040                                   | 12.8                   | 12.1                  | 14.1                   |
| Neimeng            | 22.07                        | 9.794                             | 247.50                 | 37,840             | 30,650                              | 74,420                                    | 11                     | 9.4                   | 12.7                   |
| Ningxia            | 4.87                         | 2.244                             | 454.522                | 7,860              | 6,040                               | 15,870                                    | 7.5                    | 6.9                   | 9.9                    |
| Shaanxi            | 34.05                        | 16.991                            | 291.36                 | 49,450             | 39,890                              | 100,010                                   | 8.7                    | 10.8                  | 11.2                   |
| Gansu              | 23.14                        | 11.127                            | 571.066                | 30,190             | 26,580                              | 65,330                                    | 9.7                    | 10                    | 12.8                   |
| Qinghai            | 4.61                         | 2.16                              | 1,091.629              | 8,430              | 6,240                               | 14,190                                    | 7.4                    | 7.1                   | 10.4                   |
| Xinjiang           | 15.81                        | 6.357                             | 2,462.963              | 38,230             | 29,210                              | 69,540                                    | 13.1                   | 9.8                   | 13.9                   |
| <b>Total</b>       | 519.47                       | 260.943                           | 6,459.6368             | 1,041,050          | 865,880                             | 2,546,870                                 | 13.2                   | 13.7                  | 17.7                   |
| China              | 1,771.71                     | 594.315                           | 14,400.00              | 2,403,600          | 1,984,500                           | 6,584,200                                 | 13                     | 14.4                  | 21.8                   |
| Percent of country | 44%                          | 43.9%                             | 44.9%                  | 43.3%              | 43.6%                               | 45.6%                                     | 101.4                  | 95.1                  | 81.3                   |

\* Including Tianjin City and Beijing-Baoto railway

TABLE 1b

**Economic and population situation in the regions along the New Asia and Europe Continental Bridge (1992)\*\***

| Region             | Population (million persons) | Social laborers (million persons) | Land area (million mu) | GNP (million yuan) | National income (NI) (million yuan) | Total social product (TSP) (million yuan) | Growth rate of GNP (%) | Growth rate of NI (%) | Growth rate of TSP (%) |
|--------------------|------------------------------|-----------------------------------|------------------------|--------------------|-------------------------------------|---|------------------------|-----------------------|------------------------|
| Shandong           | 86.10                        | 44.051                            | 229.203                | 198,000            | 168,560                             | 514,120                                   | 19.5                   | 18.2                  | 25.5                   |
| Jiangsu            | 69.11                        | 37.294                            | 182.586                | 197,790            | 169,700                             | 606,970                                   | 26.5                   | 28.2                  | 41.4                   |
| Anhui              | 58.34                        | 29.827                            | 213.664                | 72,490             | 66,540                              | 170,350                                   | 17.4                   | 24                    | 23.9                   |
| Henan              | 88.61                        | 43.865                            | 256.397                | 121,320            | 101,730                             | 266,770                                   | 13.7                   | 14.2                  | 18.7                   |
| Shanxi             | 29.79                        | 4.027                             | 240.588                | 51,820             | 40,610                              | 110,040                                   | 12.8                   | 12.1                  | 14.1                   |
| Ningxia            | 4.87                         | 2.244                             | 454.522                | 7,860              | 6,040                               | 15,870                                    | 7.5                    | 6.9                   | 9.9                    |
| Shaanxi            | 34.05                        | 16.991                            | 291.36                 | 49,450             | 39,890                              | 100,010                                   | 8.7                    | 10.8                  | 11.2                   |
| Gansu              | 23.14                        | 11.127                            | 571.066                | 30,190             | 26,580                              | 65,330                                    | 9.7                    | 10                    | 12.8                   |
| Qinghai            | 4.61                         | 2.16                              | 1,091.620              | 8,430              | 6,240                               | 14,190                                    | 7.4                    | 7.1                   | 10.4                   |
| Xinjiang           | 15.81                        | 6.357                             | 2,462.963              | 38,230             | 29,210                              | 69,540                                    | 13.1                   | 9.8                   | 13.9                   |
| <b>Total</b>       | 414.43                       | 207.94                            | 5,993.970              | 775,580            | 665,100                             | 1,933,190                                 | 13.6                   | 14.1                  | 18.2                   |
| China              | 1,771.71                     | 594.315                           | 14,400.00              | 2,403,600          | 1,984,500                           | 5,581,200                                 | 13                     | 14.4                  | 21.8                   |
| Percent of country | 35.4%                        | 35%                               | 41.6%                  | 32.3%              | 33%                                 | 34.6%                                     | 104.8                  | 98.1                  | 83.4                   |

\*\* Not including Tianjin City and Beijing-Baoto railway

TABLE 2a

### Telecommunication situation in the regions along the New Asia and Europe Continental Bridge (1992)\*

| Region             | Fax          | Telephones       | Direct international telephones | Urban switchboards | Rural switchboards |
|--------------------|--------------|------------------|---------------------------------|--------------------|--------------------|
| Beijing            | 248          | 1,236,868        | 61,043                          | 803,000            | 27,766             |
| Tianjin            | 33           | 428,608          | 6,493                           | 349,900            | 47,694             |
| Hebei              | 267          | 790,694          | 133,053                         | 559,672            | 224,829            |
| Shandong           | 880          | 1,036,411        | 10,706                          | 708,851            | 503,602            |
| Jiangsu            | 829          | 1,504,899        | 58,214                          | 938,786            | 505,686            |
| Anhui              | 312          | 456,665          | 13,392                          | 326,786            | 144,056            |
| Henan              | 122          | 639,550          | 18,281                          | 474,495            | 185,880            |
| Shanxi             | 35           | 425,916          | 1,347                           | 360,902            | 115,064            |
| Neimeng            | 147          | 363,537          | 2,675                           | 288,610            | 85,3903            |
| Ningxin            | 5            | 70,352           | 279                             | 43,562             | 6,122              |
| Shaanxi            | 168          | 400,779          | 3,878                           | 226,210            | 83,376             |
| Gansu              | 223          | 263,182          | 1,676                           | 164,144            | 37,459             |
| Qinghai            | 54           | 71,921           | 104                             | 43,650             | 4,057              |
| Xinjiang           | 140          | 244,942          | 4,853                           | 161,234            | 34,613             |
| <b>Total</b>       | <b>3,463</b> | <b>7,934,324</b> | <b>315,994</b>                  | <b>5,449,302</b>   | <b>2,006,397</b>   |
| China              | 9,410        | 18,888,188       | 2,120,643                       | 13,554,970         | 5,595,581          |
| Percent of country | 36.8%        | 42%              | 14.9%                           | 40.2%              | 35.9%              |

\* Including Tianjin City and Beijing-Baoto railway

TABLE 2b

### Telecommunication situation in the regions along the New Asia and Europe Continental Bridge (1992)\*\*

| Region             | Fax          | Telephones       | Direct international telephones | Urban switchboards | Rural switchboards |
|--------------------|--------------|------------------|---------------------------------|--------------------|--------------------|
| Shandong           | 880          | 1,036,411        | 10,706                          | 708,851            | 503,602            |
| Jiangsu            | 829          | 1,504,899        | 58,214                          | 938,786            | 506,586            |
| Anhui              | 312          | 456,665          | 13,392                          | 326,786            | 144,056            |
| Henan              | 122          | 639,550          | 18,281                          | 474,495            | 185,880            |
| Shanxi             | 35           | 425,916          | 1,347                           | 360,902            | 115,064            |
| Ningxia            | 5            | 70,352           | 279                             | 43,562             | 6,122              |
| Shaanxi            | 168          | 400,779          | 3,878                           | 226,210            | 83,376             |
| Gansu              | 223          | 263,182          | 1,676                           | 164,144            | 37,459             |
| Qinghai            | 54           | 71,921           | 104                             | 43,650             | 4,057              |
| Xinjiang           | 140          | 244,942          | 4,853                           | 161,234            | 34,613             |
| <b>Total</b>       | <b>2,768</b> | <b>5,115,617</b> | <b>112,730</b>                  | <b>3,448,620</b>   | <b>1,620,806</b>   |
| China              | 9,410        | 18,888,188       | 2,120,643                       | 13,554,970         | 5,595,581          |
| Percent of country | 29.4%        | 27.1%            | 5.3%                            | 25.4%              | 29%                |

\*\* Not including Tianjin City and Beijing-Baoto railway

TABLE 3

### Distances from Lianyungang and Vladivostok to main cities of Asia and Europe

| Country        | City           | From Lianyungang (km) | From Vladivostok (km) | Distance shorter from Lianyungang (km) |
|----------------|----------------|-----------------------|-----------------------|--|
| Russia         | Moscow         | 8,366                 | 9,284                 | 918                                    |
| Ukraine        | Odessa         | 9,433                 | 10,810                | 1,377                                  |
| Russia         | Kuibyshev      | 7,326                 | 8,746                 | 1,420                                  |
| Russia         | St. Petersburg | 8,792                 | 9,710                 | 918                                    |
| Poland         | Warsaw         | 9,683                 | 10,601                | 918                                    |
| Germany        | Berlin         | 10,255                | 11,173                | 918                                    |
| Germany        | Hamburg        | 10,721                | 11,639                | 918                                    |
| Netherlands    | Rotterdam      | 10,962                | 11,880                | 918                                    |
| England        | London         | 11,294                | 12,212                | 918                                    |
| Belgium        | Brussels       | 11,070                | 11,988                | 918                                    |
| France         | Paris          | 11,335                | 12,253                | 918                                    |
| Hungary        | Budapest       | 10,476                | 11,394                | 918                                    |
| Czech Republic | Prague         | 10,426                | 11,344                | 918                                    |
| Austria        | Vienna         | 10,714                | 11,632                | 918                                    |
| Finland        | Helsinki       | 9,235                 | 10,153                | 918                                    |
| Sweden         | Stockholm      | 11,266                | 12,184                | 918                                    |
| Norway         | Oslo           | 11,323                | 12,241                | 918                                    |
| Denmark        | Copenhagen     | 10,727                | 11,645                | 918                                    |
| Serbia         | Belgrade       | 10,703                | 11,647                | 944                                    |
| Bulgaria       | Sofia          | 10,890                | 11,834                | 944                                    |
| Bulgaria       | Varna          | 10,580                | 11,524                | 944                                    |
| Romania        | Bucharest      | 10,345                | 11,289                | 944                                    |
| Italy          | Rome           | 11,846                | 12,790                | 944                                    |
| Italy          | Venice         | 11,260                | 12,204                | 944                                    |
| Switzerland    | Berne          | 11,248                | 12,192                | 944                                    |
| Greece         | Athens         | 11,833                | 12,777                | 944                                    |
| Iran           | Teheran        | 9,977                 | 13,322                | 3,345                                  |
| Turkey         | Ankara         | 10,798                | 13,120                | 2,372                                  |
| Turkey         | Istanbul       | 11,376                | 12,592                | 1,216                                  |

Notes: Lianyungang is located in Jiangsu Province of China. Vladivostok is located in the Far East of Russia.

Source: Government of the People's Republic of China.

the continent are left in the backwater of non-productivity because they do not have efficient transport of goods. . . .

“There is in Russia, and in China and elsewhere, a percolating view which is significantly influenced by our work in this field.

“This kind of infrastructure emphasis is very much the emphasis in China. There was recently a decree issued which said that there are no longer any incentives and concessions being given for these enterprise zone operations, but the concessions and incentives will now go into these infrastructure projects. That is the direction of things. It's a good train for us to board, at least in terms of policy. I don't know how much money the United States has to throw into these things, but we should at least commit our policy support to it, and hope for the best.”

## Europe takes a step toward the Moon

by Marsha Freeman

The European Space Agency (ESA) released a declaration on June 6 which, while leaving open the question of manned lunar missions, does put on the agenda international discussions of missions to the Moon. The statement followed an International Lunar Workshop in Beatenberg, Switzerland from May 31-June 3. While it included participation from the United States, Japan, and Russia, its purpose was to help ESA establish a policy for European lunar missions.

The declaration states that the "meeting was enthusiastic about the rich opportunities offered by the exploration and utilization of the Moon." It continues that the workshop participants agreed that the first in a series of "evolutionary phases" would focus on lunar orbiters, and that a later phase would include robotic lunar landers and roving vehicles on the lunar surface. While these activities *could* be precursors to manned missions, there was no consensus that this was necessary or inevitable.

The declaration states: "The phased approach allows the differences of opinion over the role of humans in space and the economic utilization of the Moon to be assessed later in the light of results of earlier phases." Bowing to the pressure from pro-austerity policymakers in the ESA nations, and ignoring the fact that there has been an Apollo program, the declaration timidly states: "As the program progresses, it is possible that the attractions and benefits of human presence on the Moon will become clearly apparent."

According to those on the scene in the European space program, manned space flight has always received less emphasis and support there than in the United States. The academic community of scientists is a stronger and more vocal constituency in space policy than in the United States, and strained budgets have made it even more difficult for advocates of manned missions to prevail. In the past few years, cuts in ESA's budget have halted the Sanger project and the Hermes space plane.

To the credit of those promoting an aggressive manned space effort, the document does include the formulation: "It is evident, however, that the Moon would represent the next logical step and a testbed in any plans of human expansion into the solar system."

One of the two workshop participants from the U.S. National Aeronautics and Space Administration (NASA) reports that while he thought the declaration was an important first step toward discussing a return to the Moon, there were some from ESA who, like himself, were disappointed in the results of the deliberations.

The day before the workshop began, Director of Science Roger Bonnet had made a presentation in Paris at ESA headquarters at a breakfast for the press, and stated that the lunar program under consideration would "culminate in the establishment of a manned Moon base." Bonnet and ESA astronomy coordinator Sergio Volonte explained that the manned lunar base would include a research laboratory, perform geological investigations, and develop the technology to produce lunar oxygen. The lunar initiative "can serve as a forerunner for a later mission to Mars," they stated. The consensus document that was agreed upon fell short of their expectations.

### A message to Washington

Europe is sending a twofold message to the United States. First, that it is time to put lunar exploration back on the space agenda. This is well-timed, because the 25th anniversary of the first manned landing on the Moon will be celebrated on July 20. This would be the perfect opportunity for President Clinton to present new initiatives in space policy.

So far, his administration has focused almost exclusively on the international space station, which this year, like the past five, will face a tough fight for its existence in the Congress. The President has brought the Russian Space Agency into the program as a major player. This has concerned the Europeans, who have been participants since President Reagan announced the station in 1984 and have spent more than \$1 billion on their Columbus laboratory and related equipment.

Second, the Europeans are sending a warning. Until now, most of the European solar system scientific exploration programs have been joint efforts with the United States. Their entire manned space program is dependent upon American or Russian launch vehicles—the Space Shuttle and the Soyuz. But if the United States terminates the international space station, which will have dire consequences for the Space Shuttle, there are hints that this new lunar project may be considered as an alternative to it.

Indicating that Europe is no longer willing to depend entirely on the space superpowers, Sergio Volonte stated on May 30 in Paris, "If ESA wants to give a push forward to an international Moon initiative, it must be able to propose a first step which can be developed both technically and financially with purely European means."

Next year, the ESA Council will consider proposals for the phased evolutionary lunar program of the declaration, and in 1996 there will be a second International Lunar Workshop to review the progress.

# 'Malthusian International' proposes global environmental law court

by Claudio Celani

Judge Antonio Di Pietro is the most popular man in Italy. He is, in the eyes of the Italians, the prosecutor who has successfully fought "political corruption" and swept away political institutions that had dominated 50 years of Italian life. In reality, far from eliminating corruption, Di Pietro has removed obstacles to the complete takeover by forces that are far more corrupt than the old political parties—forces which believe in the dogma of free-market economy and are prone to manipulation by Anglo-Venetian geopolitical games.

Now, if the plans pushed by the Malthusian International go through, soon we will have a corps of international prosecutors like Di Pietro, to fight a peculiar form of "corruption," which is, in fact, the national right to economic development. That was the initiative discussed at the meeting on "World Governing of the Environment," which took place in Venice June 2-5. The meeting was hosted by the Cini Foundation, which was built by Vittorio Cini, a member of the Venetian trio of families—the Cini, Volpi, and Gaggia—who were key to promoting Mussolini's Fascism in the 1920s. This time, the Venetian oligarchy can be proud of promoting fascism on a much broader and more criminal scale.

The man who initiated the movement for an International Court of the Environment is an Italian magistrate, Amedeo Postiglione, who was born in Abruzzi but lives in Rome, where he sits on the bench at the Italian Supreme Court. The 200 participants from throughout the world came to agree with Postiglione that such an environment court should be established in Venice, and they called upon the Italian government to officially promote the initiative. Postiglione claims that he already has the support of the Argentine, Austrian, and Japanese governments. He is also being supported by Venice Mayer Massimo Cacciari, the emerging figure in the "left" version of Venetian totalitarianism (see *EIR*, Feb. 25, 1994). According to Postiglione, Cacciari will be the man to put pressure on the Italian government to promote the idea of the environment court in Venice.

## 'I'll talk, if you write good stuff'

Postiglione quickly returned our call to request an interview. And almost from the beginning, he told us, "If you write good stuff, I will give more information"—strange behavior for a sitting Supreme Court judge. Evidently, hon-

esty is not a quality demanded of environmental prosecutors.

In any case, as our conversation started, Postiglione explained that their present work is concentrating on defining the concept of "environmental crime," as well as the jurisdiction of the court, which will lift the sovereignty over ecological matters from nation-states. "There are now 180 states in the world," he said, "which are assuming the exclusive right over environmental protection, which is wrong. Environment has no borders, cannot be under the rule of government, because it does not belong to them, it does not give a s—t about governments." Therefore, governments that "irreparably damage the environment" or neglect to quickly issue adequate information about environmental disasters, such as Chernobyl or Bophal, have to be punished. Economic sanctions would be used as a weapon against governments, along with criminal prosecution of individuals (officials or even heads of governments). It is not clear what would happen if a government refused to comply, even under economic sanctions, whether a war against that government would be declared, because that would turn the "environmental police" into an army.

Since he has to keep a "moderate" profile, in order to push through his project internationally, Postiglione specified: "I am not saying that we should eliminate sovereignty. I am not a radical, you know. But we must build an 'integrated system.'" He explained that what he has in mind is similar to the European Commission presently led by Jacques Delors, i.e., a supranational body composed of non-elected officials (technocrats), but who do not have to get final approval from national governments.

"In its first phase, from 1975 on, the EC directives concerned primarily environmental rules, and that is obvious. All countries had to harmonize their legislation. The business world adapted to it. Today, environmental regulations applied by an international court would be welcome by a part of the economy, the most progressive one, which has made long-term investments in environment-compatible technologies. The others, who make short-term profits by dumping waste would be forced to adapt." What Postiglione calls "progressive business" is in reality international cartels, or the eco-mafia, which use environmental legislation to push small and medium-sized industries out of the market.

For "moderate" environmentalist Postiglione, even the

United Nations is too conservative. "A new world order of nature is indispensable," he explained, "and we do not want the United Nations. The guy who signs the contracts cannot enforce them."

But the best part came when we asked Postiglione about his personal beliefs, and whether population control was a topic of discussion at the Venice meeting. "Yes, they did in one panel, but I was not there," he answered. "You see, I am a Christian believer, but at the same time I am deeply *laico* [which means "liberal" in Italian]. The overpopulation problem exists, one cannot ignore it; therefore, policies to solve the problem are necessary." Pressed a bit more, he revealed: "I have not matured a precise idea on population control. . . . On the other hand, it is true that man occupies everywhere, creating problems for birds, plants, animals, grass, etc. I have not matured a position, I let others do it, who are more expert"—and, I suggested, who do not have problems with their conscience. Postiglione did not respond.

### The green man from Oxford

If Postiglione can still sell to a corrupt public opinion the striking contradiction between his professed faith and his practical respect for evil using his moderate image, things became a little bit clearer when we spoke with another participant at the Venice conference, the British expert Norman Myers, who works at the Green Center of Oxford University. Myers is an active organizer for the U.N. population conference in September in Cairo, and adviser to many U.S. government institutions on demographic policy.

"Of course there is the need for some international body to enforce environmental policies," Myers told us, and the best institution to do that could be the United Nations. However, the U.N. hasn't succeeded in enforcing anything, and therefore some other solution has to be found, such as an international court or, in absence of that, investing the present International Court at The Hague with regulatory and enforcement powers in environmental policy.

Myers is apparently no Christian, and therefore can freely state that "population control and environment issues are intimately connected; however, the issue is too sensitive" for demographic policies to be enforced by a court. "The optimal level of the world population should be about one-third, as my friends Pimentel and Ehrlich found out." Myers then pointed to the Italian case as a successful model for population control. Italy has attained zero population growth, with the lowest rate of births per woman in the world (see box). Myers discarded as "mistaken" present concerns for negative effects of population decline in Italy, explaining that "all developed countries have to reduce their population."

Well, that is the real story behind those who follow the example of Prosecutor Di Pietro in the international ecological world order. We can end it, by asking an apparently unrelated question: What does Henry Kissinger have to do with it? Myers could not answer that question, despite the

fact that both he and Kissinger are active in the Inter-Action Council, an international organization which, in a meeting at The Hague on May 7-8, discussed exactly that question of handing over to the International Court supranational jurisdiction in environmental questions. The Inter-Action Council report said, "The suggestion has been made that it would be desirable to have in this area a body as powerful and efficient as the [U.N.] Security Council is in its field." The document recalled that an agreement has been reached among 24 nations to establish a "High Authority" which "should be accorded regulatory and enforcement powers, subject to control by the International Court of Justice."

## What hath Malthus wrought?

Italy's "demographic revolution" is "an unprecedented phenomenon in the history of humanity," according to a government report prepared for the U.N. population conference, Cairo '94. The report, prepared by a team led by Prof. Antonio Golini and recently issued by the Italian Ministry for Social Affairs, calls for domestic population growth, but unfortunately supports U.N. guidelines for population reduction in developing countries.

In 1992 the average number of children per woman in Italy was 1.25-1.26, which the report characterizes as "the lowest value in the world, and maybe the lowest ever recorded in the history of humanity for a large population."

If fertility continues to decrease, and mortality rates continue a minor decrease, the report projects that in the year 2021, Italy would need "an annual immigration flow of up to 300,000" in order to balance the population pyramid. Another chapter of the report states: "The fact that the present structure per age has been so deformed that it will involve a more or less intense population decline *in any case* over the next 30-50 years, no matter what the fertility rate is (unless a very improbable upswing takes place) is . . . not well perceived or well known. . . . The conclusion is that, for Italian demographic trends, there has been and is no specific policy. Only some intervention can be signalled, by 'green' politicians who stress, from an environmental standpoint, that in a densely populated country such as Italy, the announced population decline is not only to be faced, but rather should be supported in order to decrease the demographic pressure on the environment."

## British funds pour into Australia

*The British are buying up their former colony on the cheap, and gaining a beachhead into Asian markets.*

Investment and trade ties between Australia and Britain are expanding, and Britain is now Australia's biggest overall direct investment partner. However, funds are not being invested into new plant and equipment, but rather to purchase privatized assets sold by federal and state governments, or for reinvestment elsewhere in Asia.

At a recent conference, Partnership 2000, which hosted the biggest ever British trade delegation to Australia, Australian Prime Minister Paul Keating said, "Australia is an ideal beachhead [for British investment] for the most dynamic economies in the world, the Asia-Pacific." A report commissioned especially for the conference stated: "British businesses are increasingly using their Australian subsidiaries to gain access to Asian markets."

British Foreign Minister Douglas Hurd, on a visit preparatory to the Partnership 2000 conference, cheered this process, stating that a new basis for "an intimate and modern relationship with Australia" had developed and that Britain shared mutual free-trade goals with Australia, having worked "long and hard" and "often in close collaboration" for a successful outcome to the General Agreement on Tariffs and Trade (GATT) talks. In line with GATT's slave-labor orientation, Keating boasted about how he had forced wages down in the past ten years and that total operating costs in Australia were significantly lower than in the notoriously low-wage Singapore or Hongkong.

Present at the conference were such British heavyweights as Lord Al-

exander, chairman of National Westminster Bank; Sir Ralph Robins, chairman of Rolls Royce; Robert Ayling, managing director of British Airways; Frank Swan of Cadbury-Schweppes; a Rothschild representative; and almost 100 other business leaders.

British companies now using Australia as a regional base to gain access to Asian markets include United Biscuits, Vodaphone, Cadbury, Maunsells, Chubb, GEC, Unilever, Glaxo, Pilkington, Downard Pickfords, AMEC, ICI, ICL, and Davey John Brown. British firms such as Cadburys and banks such as Barclays and Hambros are pouring funds into mainland China from Australia. As one commentator recently concluded, by using Australia as a forward base, the traditional hostility toward Britain from nations such as Malaysia can be circumvented.

Two-way trade between Australia and the U.K. is now in excess of \$5 billion, while Britain is increasingly investing in Australia and Australian funds are moving to Britain. Australian investment into the U.K. is now about \$15 billion, having more than quadrupled over the last five years. There has also been a surge in lending by Australian corporations to offshore subsidiaries—for example, the insurance company AMP invests in the U.K. through Pearl Assurance group, and the National Australia Bank invests Australian funds through the Clydesdale Bank, the Northern Bank, and the Yorkshire Bank. Gross lending by Australian trading enterprises overseas rose from \$679 million in

March 1993 to an astounding \$4.3 billion one year later.

British investment in Australia in 1993 was \$25 billion, having increased fivefold in a decade. Some 7% of Britain's total foreign investment is now in Australia, much of it to purchase recently privatized infrastructure. Since the Hawke-Keating Labor government came to power in 1983, it has slashed tariffs, deregulated banking, and sold off key assets such as government banks, airlines, research bodies, and public utilities.

Commenting on why the Partnership 2000 conference was held, one journalist reported: "British businesses have been encouraged by the suggestions that privatization and deregulation have been gathering pace particularly in electricity, gas, water and aviation." In the most prominent privatization deal, British Airways bought 25% of the previously government-owned Qantas Airways, and now British Airways is buying into the soon-to-be-privatized airports of Australia's state capitals. State governments are also airing plans to privatize water, energy supplies, gambling outlets, and roads.

Despite, and in part because of, all the money moving around, Australia's underlying physical economy is collapsing. Unemployment stands at 11%, the Gross Domestic Product share of manufacturing has declined from 18% to 15% since Labor came in, public and private investment have collapsed by 22% in the last four years, and thousands of farmers have been driven from the land.

What is left of the real economy is increasingly owned by foreigners. Australia's foreign debt at Aus \$220 billion (\$154 billion) is, with only 17 million people, the largest per capita foreign debt in the world, while direct foreign investment in the country now totals \$145 billion.

### A 'wilderness' for drug pushers?

*Some congressmen want a huge "wilderness area" in California, off limits to law enforcement.*

**I**n a few weeks, Congress may pass a law that will create an enormous "wilderness" area in southern California. Supposed to protect 8 million acres of land from human intrusion, what the bill would actually do is create a vast corridor and safe haven for drug smugglers and other criminals.

The act, promoted by Bruce Vento (D-Minn.) in the House and Dianne Feinstein (D-Calif.) and Barbara Boxer (D-Calif.) in the Senate, prohibits any permanent human presence or motorized vehicles from entering the wilderness. It prohibits law enforcement agents from penetrating the wilderness, either in hot pursuit of criminals or for reconnaissance missions. The prohibition extends to aircraft operations over its entire 8 million acres.

Fortunately, the act has encountered opposition. Rep. Duncan Hunter (R-Calif.) is leading the fight against it. In a speech on May 17, Hunter warned that Congress is "creating a haven, thoroughfares or smuggling corridors for smugglers." Hunter warned that this wilderness, a large portion of which borders with Mexico, will create a smuggling haven for drug traffickers. He noted that "crime control is a major defect in this particular bill. We have massive smuggling taking place, of both illegal aliens and illicit narcotics, heavy on the cocaine, coming across the Mexican-California border."

Discussing "how creative, flexible and responsive these smugglers are," Hunter noted that "we have built this border fence and put more border patrol on the 14-mile smuggler corri-

dor between Tijuana and San Diego, where about 50% of all the dope and illegal alien smuggling nationwide takes place. Since we have done that, they have started to flank that operation by going out in the California desert. We now have seen the figures, the drug seizures go up from about \$113 million a year, two years ago, to almost \$600 million, four times that, in just one year."

Hunter stated that the wilderness mandate means that "a smuggler, who cuts across the border in a vehicle . . . goes into this refuge that has been created, [and which] will operate for his benefit . . . [and] law enforcement agents cannot follow." It also means that "law enforcement agents, whether they are driving four-wheel drive vehicles or flying aircraft, cannot run reconnaissance over this particular piece of land," he added.

The act is being denounced by top law enforcement officials. Border Patrol officials have written Congress warning of the consequences of creating areas that are off-limits to law enforcement personnel.

In a May 16 letter, Chief Patrol Agent Wayne L. Preston said that the act will create a drug sanctuary and also cost the lives of many illegal aliens. Preston noted, "Recently, the interdiction of large loads of controlled substances has been a common occurrence for Border Patrol agents." Preston stated that "large loads have been seized in the vicinity of checkpoints attempting to bypass those checkpoints on back roads. Many loads have been intercepted coming across the unfenced land border with

Mexico." Preston explained that drug shipments "are flown into remote desert landing strips or air dropped to waiting ground crews in isolated desert areas." In addition, "crude laboratories for the manufacture of synthetic drugs are often situated in secluded areas with limited access."

In addition, Preston said that this is an issue that has "life and death consequences." Many illegal aliens try to enter the United States through the desert and most Border Patrol reconnaissance missions turn out to be rescue missions. He noted that "due to the harsh climate and terrain and the poor level of preparedness of the aliens, every chase is a potential lifesaving effort. Aliens who bail out from cars carry no water with them and walkers frequently underestimate desert temperatures and distances. Over the years, dozens of aliens have perished in the desert and hundreds more have been saved by agents engaged in routine Border Patrol operations."

Hunter has succeeded in adding an amendment to the act which allows law enforcement officials to pursue drug dealers into the wilderness. But this may turn out to be a pyrrhic victory, because the act will drive economic activity and, ultimately, all human beings from this area. The isolation will allow drug smugglers to act with greater impunity.

This bill has been defeated three times in the past 10 years. But this time the support of Boxer and Feinstein enabled it to pass in the Senate. In the past few years the United States has become one of the largest drug-producing countries in the world. These drugs, mostly marijuana, are predominantly grown in National Parks, Forests, and Wilderness areas. Which raises the question: Why are the greenies really adding tens of millions of acres of land to wilderness areas?

# Business Briefs

## Labor

### Employers scrambling to find engineers

U.S. employers, especially auto makers, are in a mad scramble because of the dwindling number of engineers. Chrysler, Ford, and General Motors are looking to hire more engineers after years of cutbacks, but have run into a shortage of trained and qualified people, the June 7 *Wall Street Journal* reported.

The *Journal* attributes the primary cause for this shortage to the current "boom" in the auto industry, but also mentions that "as public schooling has become less rigorous . . . fewer students are willing to take the math and science courses required for an engineering degree. 'It's important to get young people aware and interested in engineering at an early age,' says David Schwartz, spokesman for the Society of Automotive Engineers. 'As children get older, they feel engineering is something they're not capable of doing.'"

## Finance

### IMF, World Bank push Latvia as hot-money center

The World Bank and the International Monetary Fund (IMF) are holding extended discussions with Latvian authorities over creating a permanent offshore banking center in the Baltic republic, a World Bank official in Washington confirmed. The "Latvian capital, Riga, once a Soviet industrial powerhouse, is pondering a future as an offshore banking center bridging East and West," Reuters reported on June 6. Although Reuters mentions "financing trade" between the former Soviet Union and the West, it is hot money deposits, not commodities trade, that these bank strategists have in mind.

Riga's banks are also relatively safe havens for Russian money fleeing political risk and high inflation at home. "This could be a temporary phenomenon. When the situation in Russia becomes more stable, some of these trading opportunities might fade away, so that

could mean the end of the offshore market here as well," World Bank official Eeva Leskinen told Reuters.

IMF representative Esther Suss claimed, "Not all the money in the banks [under the current arrangements] is offshore. Some comes from Latvian firms and Latvian capital flight [that] has been repatriated."

The World Bank is only telling the Latvians *how* they can successfully convert themselves into such an offshore banking center, a spokesman for the bank told *EIR*. "We are not necessarily recommending it, and we didn't think of it—the idea did not come from international authorities."

## Hungary

### Economic decline is fueling communist gains

The decline of the Hungarian economy over the past four to five years has been severe, and is in part responsible for the electoral successes of the former communists, according to reports presented at a conference entitled "Political Integration in Europe" at the Loccum Evangelical Academy in Lower Saxony, Germany on May 28-29. In the second and final electoral round on May 29, the Hungarian Socialist Party (former communists) received 54% of the seats in Parliament after getting 32% of the vote.

Perhaps the most shocking fact laid out by one senior Hungarian strategist is that life expectancy has dropped from 72 to 64 in *less than a decade*. This is, in part, because people are driven to work 12-14-hour days, often at 3-4 different jobs, just to make ends meet. This includes not just "average" people, but educated professionals.

The Gross Domestic Product has fallen by 35-40% in the last four years alone. Exports to former members of the Council for Mutual Economic Assistance, or Comecon, have collapsed, and the Russians are often behind in payments.

Crime is exploding, with the international mafia taking over many of the chokepoints of the economy. One Hungarian entrepreneur said that, in order to acquire some timber, he

had no choice but to deal with the mafia. He then made what he called a joke: "Given the rapprochement between gangs in Russia, Hungary, etc., we are all wrong to be fighting this. We must support these mafiosi, with their well-organized prostitution and blackmail rings, because they are the only organization operating between these various countries that is functioning!" In his view, this underscored how far relations among nations within the former communist sector, and between those nations and western Europe, have deteriorated.

Another major problem, Hungarians at the conference pointed out, is that the country cannot cope with the massive influx of immigrants from neighboring countries, particularly from former Yugoslavia and the Third World.

## Corporate Strategy

### Layoffs fail to produce anticipated gains

American corporations that embarked upon a strategy of job layoffs to increase productivity and improve their market position have generally failed to meet their objectives, according to a study by the Center for Economic Study of the Bureau of the Census, the June 7 *Wall Street Journal* reported.

The study showed that 55% of productivity gains during 1977-87 came from companies that had "downsized," i.e., cut their work forces, while 45% came from companies that had hired more workers. But the companies that dismissed workers became less important, in that they accounted for only 37% of the manufacturing output of the 140,000 factories (employing about 12.7 million people) included in the study at the end of the period, compared to 41% at the beginning. Companies that increased productivity while at the same time hiring more workers more than doubled their importance, accounting for 43% of manufacturing output at the end of the decade studied, compared to 20% at the beginning.

Management professor Eric Flamholtz at the University of California at Los Angeles commented on the study, "This is kind of a closet issue right now; no one wants to talk about it."



Peter Scott-Morgan, associate director of the management consulting firm Arthur D. Little, agreed that "most major corporate downsizings have failed to produce what was expected." He added that there is "a conspiracy of silence" to avoid talking about these failed objectives. Little has just concluded a study which found that two-thirds of companies that downsized in the United States and Europe ran into unanticipated woes, such as a demoralized work force. Scott-Morgan added, "In the future, the degree of failure will become even more extreme, because current cuts are becoming broader in scope."

## Europe

### Fund set up to finance infrastructure projects

The European Union finance ministers created a "European Investment Fund" (EIF) to provide state-guaranteed credits for infrastructure development, at their June 6 meeting in Luxembourg. With the sole exception of the Swiss daily *Neue Zürcher Zeitung*, the media in Europe have so far not covered this decision.

The EIF will be capitalized with 2 billion European Currency Units (ECUs), and will coordinate the flow of capital, both from private and public sector sources, for big transport infrastructure projects. Backed by the EU governments, the EIF will give long-term investment guarantees to private investors, and expects to generate a combined fund of ECU 15 billion for the financing of these projects.

What is new in the EIF structure is that only 30% of its capital will be provided by 55 private sector banks, while 70% will be provided by public sector sources—30% by the EU Commission, and 40% by the European Investment Bank.

The decision came as EU economic and finance ministers were attacked as a "monetary caste" responsible for sabotaging EU efforts to relaunch the economy around infrastructural projects, in an article by Pascal Riche in the French daily *Libération* on June 7.

According to Riche, when the EU decided last December to relaunch discussions on the infrastructure projects proposed by Jacques

Delors, president of the European Council, it was proposed that the ministers handle the entire project. Delors rejected the proposal, saying that it "would be the best way to bury the projects"! In order to avoid sabotage by the ministers, the heads of government then created an "ad hoc group" to supervise the projects composed of the "personal" representatives of the heads of states.

The group of ministers is not like any other group, says Riche. They are part of a "world caste" which includes the governors of central banks and the Treasury directors. "Not only does the caste stop any attempts of European politicians" to tackle the unemployment problem, but it increasingly "controls the reins of currency."

## Real Estate

### Soros a big player in Argentine market

International financier George Soros is calling the shots in the Argentine real estate market, according to the June 14 Buenos Aires newspaper *Clarín*. The daily cites Luis Donaldson, a representative of Britain's Richard Ellis consulting firm, who explains that "the goal is to transform Buenos Aires into a city in which large institutional investments occur, to create a market in which money flows into high-profit properties."

The large real estate firm Coindu has already made contacts with the British firm Smith New Court (belonging to the Rothschilds), Smith Barney, and Banque Paribas, in order to jump into this field.

Soros is "carrying the ball," *Clarín* says. He is the biggest shareholder in the IRSA real estate holding company, whose portfolio is \$115 million. Real estate vultures are drooling over the fact that the yields on real estate investment in Argentina are in the range of 12-17%, higher than in the United States or Europe. They are eyeing a number of large projects, but the "trigger for this business will be Buenos Aires's gradual incorporation into international financial standards, with lower rates, longer payment periods, and a higher percentage of financing," according to the newspaper report.

● **SPAIN** has written off five partially constructed nuclear power plants at a cost of \$5.3 billion, the June 7 London *Financial Times* reported. Construction was halted by the Socialist government 10 years ago, as part of a nuclear moratorium.

● **FOOD PRODUCTION** drops are leading to growing hunger in eastern Europe, Food and Agriculture Organization Director Abdou Diouf warned in Killarney, Ireland on June 6. "The transition to the market economy has jeopardized the living standard of the population to such an extent . . . that the national and regional supply of food has been put in danger."

● **THE U.S. COMMERCE** Department will cease publishing its annual *U.S. Industrial Outlook*. Commerce Secretary Ronald Brown has decided that it will be replaced by "quarterly examinations of one or more industrial or service sectors at a time, and an 'Annual Report on the Outlook for U.S. Trade,'" the June 10 *Washington Post* reported.

● **A HIGHWAY** linking the Jordanian Red Sea port of Aqaba with Israel's port of Eilat and the Sinai, has been proposed by Israel in tripartite talks on economic cooperation projects with Jordan and the United States, in Washington on June 6.

● **GERMANY'S** population is aging. The latest statistical report shows that there are now 16 million citizens (one-fifth of the entire nation) over 60 years of age and only 13.6 million under 20 years of age.

● **RUSSIA** has experienced a 26% drop in industrial production in the first five months of this year and one-half of the population is now living below the poverty line, President Boris Yeltsin acknowledged during a Moscow press conference on June 10.

## The coming disintegration of financial markets

by Lyndon H. LaRouche, Jr.

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

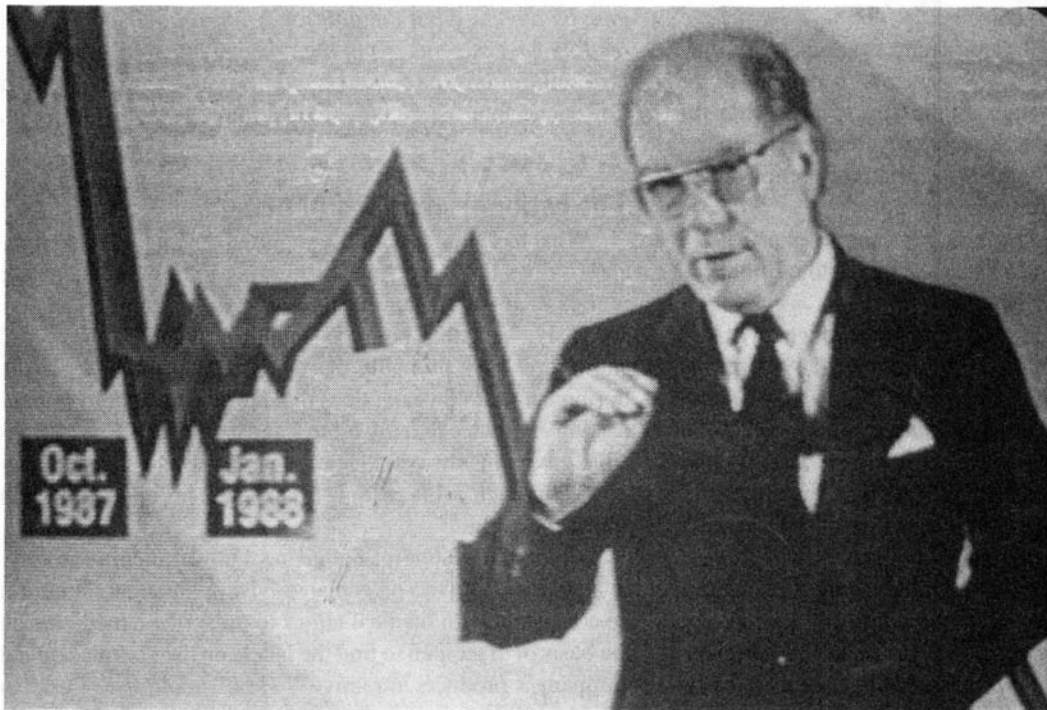
It is a matter of some urgency that responsible governments subject all incumbent and prospective economics and central banking officials to the sanity test which Eddie George would have flunked gloriously. Among the probable benefits of this, the least would be creating suddenly many encouraging vacancies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

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

### LaRouche as a forecaster

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

1) During late autumn 1956, in connection with a marketing study, I forecast the imminence of a major U.S. economic recession, triggered by the over-stretch-



*Lyndon LaRouche, during a nationally televised presidential campaign broadcast in April 1988, compares the collapse of the U.S. economy to a bouncing ball, whose rebound gets lower and lower with each successive bounce.*

ing of a post-1954 credit-bubble centered in financing of automobiles, housing, and analogous consumer goods. This recession broke out in February 1957 statistics, and was generally, if reluctantly acknowledged to have occurred several months later. The recession-spiral lasted into mid-1958, and was followed by a prolonged stagnation until an upturn appeared under the Kennedy administration.

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

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

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

4) In February 1983, in the course of an exploratory back-channel discussion I was conducting with Moscow in coordination with the Reagan administration, I informed the Soviet government, that if it were to reject what later became known as the Strategic Defense Initiative of March 23, 1983, the strains on the Comecon economy would lead to a collapse of that economic system in about five years. This forecast was repeated in an *EIR* Special Report, *Global Showdown*, issued July 1985. The collapse occurred during the second half of 1989.

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

6) In May 1987, I forecast, as published in *EIR* magazine and elsewhere, the outbreak of a major collapse in the stock

market beginning approximately Oct. 10, 1987. This was my first and only stock-market forecast.

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

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

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

Out of that same unequalled competence, I say to you now, as I informed various relevant scientific institutions of Russia during the last week of this April past: *The presently existing global financial and monetary system will disintegrate during the near term. The collapse might occur this spring, or summer, or next autumn; it could come next year; it will almost certainly occur during President William Clinton’s first term in office; it will occur soon. That collapse into*

*disintegration is inevitable, because it could not be stopped now by anything but the politically improbable decision by leading governments to put the relevant financial and monetary institutions into bankruptcy reorganization.* That is LaRouche forecast No. 9—the addition to the list of eight, above.

### **The rational standard of belief**

What has been summarily reported on the first eight forecasts shows that something is missing in the intelligence or morals of anyone who refuses to take the ninth forecast very seriously. Yet, that being said, although the public record shows that I am probably the world’s best forecaster living during the past 40 years, does that unmatched record in forecasting guarantee that my ninth forecast is right? Any responsible government says, “He may be the world’s best economist, but, even in his case, I still need the proof that his ninth forecast is right.”

Think of an economist advising a government as morally in a position like the physician advising a patient. Would it be consistent with medical ethics to prescribe a medicine on the basis of “I happen to find the labels on the pharmaceutical company’s products attractive”? How should the physician

## **Bank of England replies, defends derivatives**

*EIR* spoke to Bank of England Governor Eddie George’s press spokesman John Footman on June 13, and read to him the first couple of paragraphs of Lyndon LaRouche’s article, describing George as a case study of the dictum “whom the gods would destroy, they first make mad.” We asked whether George really believed what he was saying, or whether he was only mouthing such words to keep down the level of panic.

Footman replied, with his best City of London cool: “Our perception is that there is a need to monitor risks and regulators. We sympathize with some of the concerns that we see in the GAO [U.S. General Accounting Office] report on derivatives and other places. We are concerned about the derivatives transactions done by subsidiaries of securities firms. The generation of a speculative bubble would concern us if we saw that, but we see the risk being laid off in various directions, in an extremely complex way. What we need to be sure of, is that traders are not suffering undue risk, and that traders protect themselves from counter-parties, such as hedge funds. We need to watch all this very closely, and to make sure that all this is done in a professional way.”

Then the Bank of England sent an “urgent fax” to *EIR*’s office in Germany, the text of a speech by Executive Director Brian Quinn before a joint meeting of the Futures and Options Association and the Futures Industry Association on May 25. The speech is entitled, “A Central Banker’s View of the Growing Use of Derivatives.” Here are excerpts:

“The ingenuity of the specialists who design and price derivatives products . . . seems boundless. . . . No officer charged with managing other people’s money can afford to ignore the benefits that can come from a judicious use of the current range of derivative products; and business and finance courses at universities and colleges already see derivatives as a subject that must be covered in the curriculum. . . .

“Derivatives are here not only to stay, but probably also to grow, albeit perhaps at a less hectic pace. . . . Derivatives do not entail any new risks. . . . If the presence of derivatives makes prices of financial assets more volatile, does this necessarily mean the financial system is inherently less stable? The instinctive answer to this question seems to be ‘yes.’ However, academic work—while inconclusive—suggests that, if anything the opposite is the case. . . . More generally, the markets seem to be developing their own safeguards and sanctions, not least in the form of losses to shareholders.”

—Mark Burdman

judge? He is morally responsible for using scientific method, and for working in concert with those other members of the profession whom he knows to be governed in their utterances by obedience to scientific method (rather than some official of an insurance company controlled by investment trusts, for example). What is the comparable ethical requirement in connection with economic prescriptions?

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

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

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

The future will judge the governments and the electorates of the present by the way in which they respond, or fail to respond to their obligation to pose those policy questions respecting that ninth forecast. The future will demand: 1) If you had asked those questions, you might have foreseen the mass-murderous disaster which was about to hit your nation and the rest of the world besides. Did you ask those questions? 2) If you did ask those questions, did you receive an answer? 3) What would have been the result had you accepted that answer? *This moral accountability applies to government; it may determine whether or not certain economists deserve to sit in Hell; it is also a measure of the morality of the voting-age population in general.*

The reader will find all the crucial features of the method employed in all nine of the list of past and present forecasts identified adequately in many published locations, including two most recent editions of the quarterly journal

*Fidelio*. "On LaRouche's Discovery," (Spring 1994) is an account of the original work, over the years 1948-52, which produced my original fundamental discovery in the science of physical economy. This, including footnotes (pp. 37-55), is a concise report of the discovery. The second, longer treatment of the significance of economic policy in history, is found in "The Truth About Temporal Eternity," in the Summer 1994 issue.

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

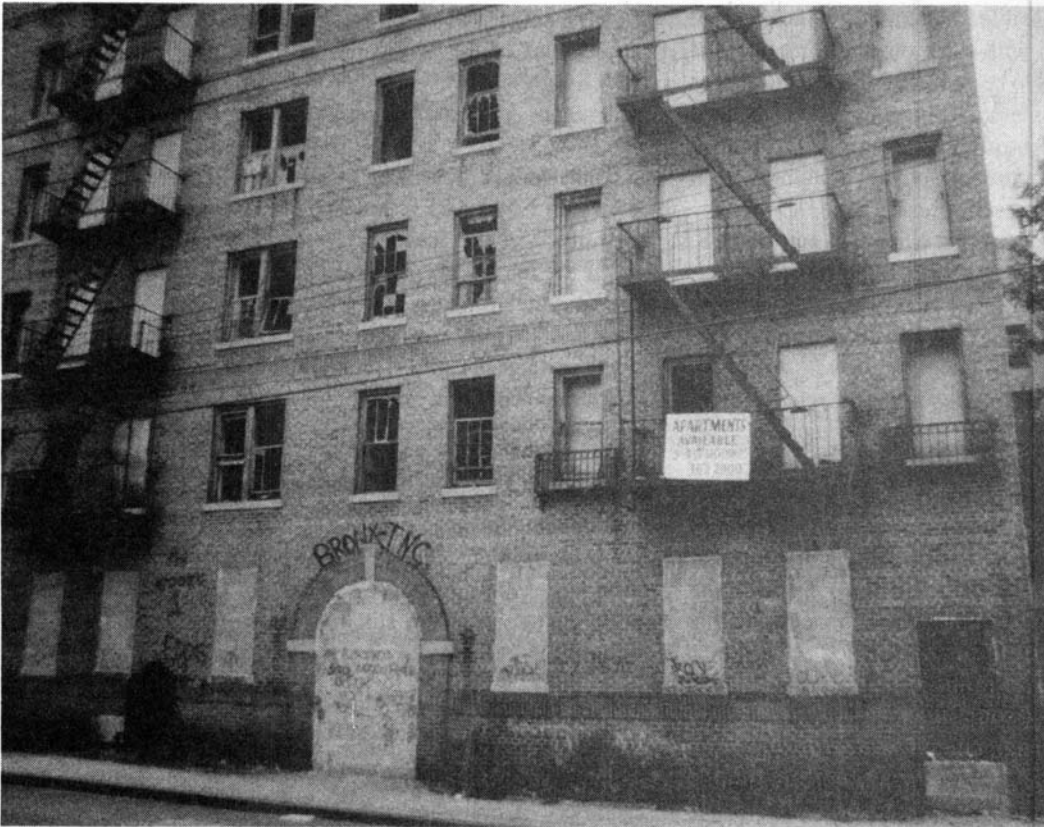
It is my intent, that any literate person, whether one with adequate scientific training or merely good moral sense in such matters, will be suitably informed by the following description of the proof for my ninth forecast.

### **What is a financial bubble?**

As the first step in understanding the derivatives bubble about to pop, ask yourself the question which I posed to members of my class in economics back in 1966, a class which included Virginia's present-day Democratic celebrity Nancy Spannaus and a number of other university graduate students. Why do slumlords find investment in New York City slum-housing so profitable? Nancy Spannaus, together with others among those graduate students, set up a field investigation, a project which involved many long hours at the New York Hall of Records, tracing the history of New York slum properties and their sites back as far as several generations. Spannaus and other members of the task force found and proved the answer to my question.

Take any income-producing investment, whether a factory, a farm, a retail sales outlet, or a slum rental-housing property-title. From the total revenue which the owner of that investment obtains annually, a certain portion is taken out of the total. By "taken out" is signified "not poured back into reproducing or improving the physical operations of the investment itself." Four elements of this withdrawn portion of the total sales revenue are of primary concern to us at this moment: Withdrawn *rent, interest, profit*, and a certain portion of the *taxes* paid.

Focus for a moment upon the withdrawn-rental portion—the portion of the rent not put back into either paying taxes on the real estate or maintaining and improving the structure. Let us suppose that the current holder of the title to that slum rental property decides to sell this property as a rental property; how do we determine the expected valuation used for determining the selling price? *That valuation will not be based on the cost of constructing a replacement building, or*



A scene in New York City's South Bronx. As LaRouche and his associates documented back in 1966, a slumlord can make more profit on properties used by poor families, than a legitimate landlord can take in from decent housing. This fact was a harbinger of the age of utter economic degeneracy which we have now entered—the age of junk bonds, hostile takeovers, and derivatives.

the depreciated original cost of the building; it will be based upon a multiple of the withdrawn portion of the rental income, or some analogous consideration.

Thus, for this classroom example, we have two values for that slum property. One is the depreciated value of the original construction, including depreciated value of improvements added. The other value is a multiple of the portion of the rental income withdrawn from the physical cycle of maintenance and replacement by the holder of the title. Let us give a name to the difference between the depreciated value of the original construction and the market value assigned to the rental income from that building. In 1967-69 New York City, the latter valuation was vastly greater than the first. The increase of the latter valuation over the former is termed *fictitious capital*.

The task force of which Nancy Spannaus was a member found that the slumlord system was extracting greater actual rates of return on slum properties used by very poor families, than more legitimate landlords were taking in from decent housing renting to middle and higher income households. By squeezing the rental income to the maximum, through non-maintenance and use of related tricks, a slum property realized a higher yield than a non-slum property. One could have seen in those facts a warning of the coming age of utter economic degeneracy, the age of junk bonds, hostile takeovers, and derivatives: one might say, the age of the keenest

admirers of George Bush and Maggie Thatcher. The landlord with the scummiest morality, and the least degree of redeemable value to society, was being rewarded more richly than a landlord with decent morals.

That economic category, *fictitious capital*, is key for understanding why the present-day derivatives bubble is precisely analogous to a cancer of the world financial and monetary system in its terminal phase. Let us describe the present global bubble in these terms of reference, before turning to analysis of some of the crucial points of our proof.

Instead of a 1960s slum rental property, take today's near-approximation of that: Milton Friedman, Margaret Thatcher, George Bush, and Wendy and Sen. Phil Gramm's (R-Tex.) U.S. economy. That is the "post-industrial" United States which has replaced its steel industry-centered economy with a free-to-steal marketplace economy, the present-day *Wall Street Journal*, *American Spectator*, and *Washington Times*'s economy of Michael Milken and kindred neo-conservative bandits.

It is visible that the net physical investment in maintenance and improvements of productive capacities of basic economic infrastructure, farms, and factories has long since dropped way below the level of zilch. The collapsing of farms (for the greater glory of George Bush's cronies in the grain cartel), and the collapsing of numbers of industrial

and other skilled operative's work-places shows conclusively that the U.S. economy is being contracted rapidly by a process of asset-stripping. This is a global process. It took off first in the developing sector, especially after the installation of the post-August 1971 "floating exchange-rate monetary system," in place of the former gold-reserve standard set earlier by the Bretton Woods agreements. After the introduction of the New York Council on Foreign Relations's 1975-76 "controlled disintegration of the economy" doctrine as Federal Reserve Chairman Volcker's October 1979 "Volcker measures," this disease of looting spread throughout the U.S. economy, into all sectors.

By the beginning of the 1980s, through the asset-stripping already in place during the "post-industrial" binge of the 1970s, the United States economy had lost the technological capabilities on which the successful 1960s manned landing on the Moon had depended. Under the guidance of Senate president and later President George Bush—as the late Robert Benchley wrote back in 1943—matters went "from bed to worse." From the end of 1982, the asset-stripping process ran amok under the influence of the Gramm-Bush push for radical deregulation of finance. The measures of deregulation pushed by Bush and Gramm could be fairly termed the "Kravis and Milken Junk-Bond Feeding Legislation." The "planned train-wreck" called the Gramm-Rudman bill, putatively intended to balance the budget, balanced nothing, but rather unbalanced much of what was left of the economy, and also the minds of its credulous supporters.

Look at this degeneration of our economy through the eyes of a 1960s New York City slumlord—his admiration would be orgasmic.

Look at the real income-stream taken away from the "reproductive cycle" of the process of production and distribution of goods and of such specifically indispensable services as education, health care, and science. Trace the profit, interest, rent, and taxes from these sources. Now carry that extraction away from reinvestment in the physical improvement of those cyclic processes of production and distribution of product, and sell those extracted sums of income-flow on the financial market. Sell them as slumlords sell property titles to slum-rental holdings—not the physical property, but rather the legal title to the rental income.

Generate thus large masses of fictitious capital. Now, in addition to the real-income stream from primary sources of rent, profit, interest, and taxation, a second kind of income-stream has been generated, *fictitious capital gains*.

In any market economy, even in the rural barter of live-stock, the occurrence of *fictitious capital* and of *fictitious capital gains* is endemic. Under certain kinds of conditions, the pyramiding of fictitious capital gains as an income-stream upon which a second order of fictitious capital is generated, sets into motion a process made famous in modern economic history by such disastrous lunatic binges as the seventeenth-century tulip bubble in the Netherlands, the early eighteenth-

century South Sea Island and Mississippi bubbles, and today's Bush-league practices behind the junk bond and derivatives bubble.

As long as money and assets discountable for money treat such property-titles and contracts as negotiable assets, money treats real-income streams and fictitious capital gains more or less equally. In this circumstance, a legion of worse-than-useless Wall Street, City of London, and kindred parasites around the world become immensely rich, while families of farmers, industrial operatives, ordinary honest businessmen, and the nation at large become increasingly poor, even as destitute as Russia under the policy-influences of Margaret Thatcher, George Bush, and Jeffrey Sachs.

As long as the prospective purchaser is prone to act upon the belief that a nominal capital gain in a contracted fictitious capital represents an expected and discountable income-stream, this imagined new income-stream can be assigned a fictitious capitalization in the same way a slum-property title is assigned a fictitious valuation based upon the purchaser's willingness to pay a market-price for acquiring title to the stream of rental income. Once this next phase in the spiral of financial speculation becomes the basis for a new market in such instruments, a process of "geometric" growth of nominal fictitious capital is unleashed. A ballooning of fictitious aggregates occurs. That is the distinction of a true speculative bubble, as contrasted with endemic forms of speculative activity within markets.

### **What is a 'cancerous bubble'?**

The present global financial and monetary bubble goes one fatal step beyond a mere ballooning of fictitious capital gains. It has a dimension which marks it as fatally cancerous for the financial and monetary systems which it infests.

*Asset-stripping* is the key to this point.

Let us use the term "leverage" to identify the implied multiplier which converts an imputable annual rate of income-stream into a corresponding magnitude of nominal fictitious capital. In the case of the slumlord, looting the tenants to increase the income-stream from rental income is a way of increasing the imputable income-stream, and thus the fictitious capitalization of the property-title. The valuation of the secondary and tertiary fictitious capitalizations spun off from the imputable marginal gains in fictitious capitals are themselves so based upon leverage against the primary, real income-stream.

The valuation of the interconnected whole market in fictitious capital gains depends thus upon both the relative and corresponding absolute magnitudes of the primary income-streams taken as a whole. This fact is illustrated dramatically by the case of the asset-stripping needed to sustain the massive creation of fictitious capital in the RJR Nabisco operations. Without massive asset-stripping against the economy as a whole, the speculative bubble as a whole would have collapsed approximately a decade ago.

This is complicated by the fact that without an increase in the flow of fictitious capital gains at the top of the bubble, the bubble as a whole would collapse. For, without a continuing growth of the magnitude of fictitious capital gains, the bubble as a whole would collapse under pressures of reversed leverage.

“Collapse” would be a most misleading sort of euphemism in that case. “Reversed leverage” in such a bubble is best approximated mathematically by the same Kolmogorov equations used to describe a chemical, fission, or thermonuclear explosion, or a firestorm like that which the British wartime Royal Air Force created at Hamburg and Dresden: in mathematical-physical terms, a “shock front,” and a very hard one at that. In effect, one evening the financial markets appear normal, stable; by the end of the next day, or something approximating that, everything is rubble; the financial and monetary system built up since August 1971 has disintegrated as it were in a single day’s trading.

As in the case of a heroin or methadone addict, the habit of looting the real-economic basis must be fed to prevent a collapse. Feeding the habit prevents the immediate collapse by hastening the date of total collapse. The addicted state is destroying the basis upon which it feeds to sustain itself. As is illustrated by the tragic fate of the enterprises gobbled up in the RJR Nabisco caper, this is the fate of the world’s economy under the rule of the cancerous financial bubble marked by derivatives speculation.

So, to sustain the bubble, the bubble must grow. To cause the bubble to grow, the real basis must be looted more savagely: asset-stripping. We see the result in the collapse of the constant-dollar value of the market-basket of per-capita and per-square-kilometer real consumption by households, farms, and manufacturing. We see the collapse of the similarly adjusted value of tax-revenue base per capita and per square kilometer.

Go back to 1913, to Paul Warburg’s notorious Federal Reserve System scheme. See Confederate agent Alan Bulloch’s nephew, Teddy Roosevelt, running a Bull Moose campaign to bring about the election of Ku Klux Klan booster Woodrow Wilson. Both are supporters of Warburg’s Federal Reserve and federal income-tax proposals. Roosevelt’s actions, and the later Wilson White House backing for the re-founding of the Ku Klux Klan, ensure three things: that the two acts will be declared legally enacted, and that the United States will be pre-committed to go to the side of Britain’s planned war against Germany (otherwise Britain would not have gone to war, and then there would have been no World War I, or its sequel World War II). Look at the present situation from the standpoint of the state of Paul Warburg’s original Fed and tax system proposals back about 1913, and look briefly at the relevant preceding development, the U.S. Specie Resumption Act of 1875-79. Look at the relationship between Federal Reserve-engineered U.S. debt-service

charges and the U.S. income-tax revenue today, and then the significance of the derivatives bubble is clearly symptomized: Doom is on the way.

Through its relevant U.S. agent, the House of Morgan, London bankrupted the United States government during the last quarter of the nineteenth century by a congressional law called the U.S. Specie Resumption Act. This act, enabled through massive corruption of members of the Congress, unlawfully repealed relevant sections of Article I of the U.S. federal Constitution, by requiring the U.S. government not only to cease engaging in its sovereign constitutional right to issue currency, but to call in existing, Lincoln-series U.S. currency-notes to a degree conforming to the demands of the London gold-exchange market. This collapsed the United States into a protracted social crisis, manipulated from London, under which conditions London was able to buy up the choicest morsels of the still-growing U.S. economy. By the turn of the present century, London, which had been constantly the principal mortal adversary of the United States since 1763, was suddenly promoted in Jim-Crow Anglophile America into our closest ally! The natural follow-on to the protracted crisis caused by the Specie Resumption Act was the plainly unconstitutional Federal Reserve System.

The Federal Reserve System is key to the derivatives bubble of today. Without corrupt, virtually treasonous complicit officials at the Fed, the speculative mania which has ruined our nation and much of the world besides would not have been possible. The Fed is a privately owned central bank, chartered by the federal government, which has gained increasing, unlawful, extortionist power over our government itself. It is principally an agent of those major commercial banks and private banking and other financial houses based in New York City. During the recent 15 years, the principal functions of the Fed have been to manipulate the U.S. government in Washington, and to use the monetary authority usurped by the Fed to subsidize bankrupt and other banks and other wild speculators in New York City and associated localities.

The Fed operates in collusion with complicit Treasury officials to increase the private indebtedness of the U.S. government to the clients of the New York City-based market in U.S. bills and other securities. This debt-creating mechanism is used principally to feed the Fed’s process of generating its own unconstitutional, private U.S. Federal Reserve currency-notes; this generation of currency-notes is managed to generate a subsidy for the Fed’s true private owners, and, during the recent dozen years, to feed the Bush-leaguers’ wildly speculative financial bubble-building.

*When the Fed was originally conceived, the adoption of a national income-tax was designated as the lawful source of budgeted funds to meet the debt-service obligations upon the Federal Reserve-created U.S. government debt! Now, we see that the U.S. revenue from the income-tax is being gobbled up more and more by the debt-service requirements on*



*the federal debt! As the sign carried by the fellow wearing the white robe and beard says, "The end is nigh!"*

The constant-dollar value of the per-capita tax-revenue base is contracting, largely as a result of the asset-stripping impact of Bush-league speculation practices. To increase the tax rates on anything but the speculative financial markets themselves would be to increase the income-stream out of the real economy, accelerating the economic contraction, hastening the collapse. To cut entitlements, another persisting proposal made on behalf of the Wall Street speculative pirates, would have similar effects.

That relationship between federal debt-service and income-tax base is but one of numerous signs to the same critical effect. As the driver explained, bringing the bus to a halt before the washed-out bridge, "Brother, it looks like we are about to run out of road."

The cancer of speculative derivatives burgeons—an ugly growth. Worse, to exist, the cancer must loot the healthy tissue in at least equal degree. Thus the monster grows, while the human being is sucked to death so. Excise the tumors, kill the cancer without killing the healthy tissue. The task is destroy the parasite, to save its victim.

## The issues of method

The problem has been described. We are thus situated to consider the likely varieties of significant objections to that description.

Known objections to the foregoing description fall into three broad classes, of which two can be summarily discarded as cases of a speaker who offers no rational argument for his no less vehement objections. The three are:

- 1) What we may describe fairly as the Eddie-George-the-pantry-bandit syndrome: "Mommy, you are exaggerating again; there are no cookies in this jar."
- 2) The opinionated-common-gossip syndrome: "People whose opinion I respect say that you are wrong."
- 3) The academic standpoint: any one or a combination of several fads commonly taught in contemporary classrooms, textbooks, and economics and financial trade periodicals.

Only the last has any further interest for us here.

Within that third class of objections, the principal academic premises are, variously or in combination: a) the marginal intellects, the utilitarians who deeply resent personally any attempt to distinguish between productive and non-productive occupations; b) the idiot-savant mathematicians of the "Chaos Theory" cults; c) the ever-faithful gnostics chanting, with an obligatory uprolling of the eyeballs, "the magic of the marketplace." Conveniently, all three, and related other varieties of professionalist objections, including the lately fashionable "Chaos Theory," share the fundamental flaw of the late John Von Neumann's efforts to derive a mathematical dogma of radical marginal utilitarianism from a set of linear inequalities.

It greatly simplifies the discussion to begin with a thumb-

nailed historical account of the controversy over the appropriate method for study of economic processes.

Let us situate the internal modern history of political-economy in a nutshell. Modern political-economy began to be developed in Cosimo de' Medici's mid-fifteenth-century Florence, Italy through the initiatives of the Byzantine scholar George Gemisthos, also known as "Plethon." It began to assume modern form during the sixteenth century, in such expressions as the writings of France's Jean Bodin and the establishment of political-economy within a body of statecraft known formally as *cameralism*. The first work establishing a scientific basis for the study of political economy was Gottfried Wilhelm Leibniz's development of a branch of physical science known as *physical economy* over the interval 1672-1716.

At the end of the seventeenth century, Venice's far-flung intelligence services launched a vigorous campaign throughout Europe, mobilizing for the destruction of France and the discrediting of Leibniz. The key figure leading this eighteenth-century operation in the field—in France, Britain, and Germany—was a most senior Venetian nobleman, Abbot Antonio Conti (1677-1749), whose network included such notorious Venetian operatives against France as Giovanni Casanova (1725-98), Count Alessandro Cagliostro (1743-95), and the founder of late-eighteenth and nineteenth centuries' British radical empiricism, Giammaria Ortes (1713-90).

The point to be stressed here is that all of the doctrines for which Adam Smith, Jeremy Bentham, and Thomas Malthus are best known today were copied from the writings of Giammaria Ortes. It was through the work of Ortes that Smith obtained his dogma of "the invisible hand," and Jeremy Bentham his "hedonistic calculus." Malthus's 1798 *On Population* is a direct plagiarism, in more popularized language, of Ortes's 1790 *Riflessioni sulla Popolazione delle Nazioni*.

To situate the discussion, consider the widespread lie which asserts that the United States was founded upon Adam Smith's doctrine of "free trade." The fact is, the economic and social issue of the U.S. War of Independence against Britain was the American colonists' rejection of Britain's eighteenth-century version of "International Monetary Fund conditionalities," in favor of what was called later a "protectionist" economic policy.

"Free trade" was first brought to the United States in 1783, as a peace condition dictated to France and the United States by Britain's Lord Shelburne, in the 1783 Treaty of Paris. As a consequence of this concession to British "free trade," the economies of the United States and France were bankrupted by 1789. The United States used its head, wrote a federal Constitution which arranged the outlawing of "free trade," and recovered to prosperous growth under President George Washington and Secretary of the Treasury Alexander Hamilton. The king of France acted differently; failing to use his head, he lost it.

The strongly Leibniz-influenced economic policies of the

U.S. federal Constitution and the first George Washington administration were known officially from that time onward as the anti-British “American System of political-economy.”

“Free trade” was revived in the United States several times during the nineteenth century. Under the influence of British agent Albert Gallatin from within the second Jefferson administration and the Madison administration. Under the influence of British asset and New York banker Martin van Buren over the second Jackson administration, causing the Panic of 1837. “Free trade” was the doctrine of the New England opium-traders and the southern pro-slavery faction during the early nineteenth century. Under the treasonous Pierce and Buchanan administrations, the effects were ruinous. Every period of economic recovery into 1875 was the direct result of rejecting “free trade” in favor of reviving the “American System” policies of Franklin, Hamilton, Henry Clay, Mathew and Henry Carey, and Friedrich List.

Despite Cobden and Bright and their “Corn Laws” reform, throughout the late eighteenth and the nineteenth centuries, Britain never made a general application of a “free trade” dogma to itself, but only to those competitors and colonies which it looted for the enrichment of the London financial houses. To defend what Britain saw as its special economic or related interest, she was a jealous protectionist, to the point of war. Her policy on that point could be fairly described: “Free trade was meant for the suckers.” The “invisible hand” turns out to be her hand in your purse.

All of the grounds for putatively professionalist objections to my description of the speculative process, including the work of the utilitarians, of Walras, of John Maynard Keynes, of Von Neumann, of the modern “Chaos” theorists, and so on, are merely different disguises for the same underlying set of mid-eighteenth-century axiomatic assumptions introduced to Britain through the work of Giammaria Ortes. All of the issues posed by the third of the three named classes of critics can be addressed comprehensively, and most efficiently, by examining the crucial differences in axiomatic assumptions separating the method of Leibniz’s influential science of physical economy from the derivatives of Ortes’s hedonistic calculus.

The essential difference between Leibniz’s physical economy, on the one side, and the liberal, Marxist, and neo-conservative dogmas, on the opposing side, is between those, like Leibniz, who base the measure of economic performance on the starting-point of *human demography*, and those, like British economist Karl Marx, who are obsessed from the start with someone’s primeval hoard of “my money.” First, look at political-economy from the standpoint of Leibniz’s and my own science of physical economy, and then contrast that with the teachings of a mathematical pseudo-science such as John Von Neumann’s and Oskar Morgenstern’s famous *Theory of Games and Economic Behavior*.

## Demographic science

The science of physical economy is premised upon the conclusive proof that the human species is unique in the known universe, set absolutely apart from and superior to all other known forms of existence. The crucial evidence for this conclusion is found in studies of *the changes of the human species’ potential relative population-density*: Only mankind is manifestly capable of willfully increasing this potential population-density by decimal orders of magnitude.

The study of this phenomenon begins with scrutiny of two more readily measurable sets of phenomena: *changes in demography*, and *changes in the per-capita productive powers of labor*. First, we examine changes in relative population-density, and then their correlatives in, second, demographic characteristics, and, third, productive powers of labor.

As a matter of elementary scientific rigor, implicitly this study encompasses many different cultural series over thousands of years, and even longer, preceding our time. Of course, it also includes the past 600-odd years since the fourteenth-century European Black Death pandemic. *The scope of the investigation indicates that the question of money is introduced only as a tertiary feature of the studies. We are concerned primarily with the physical relationship between society and nature as a whole; the principles involved must be adduced without introducing any consideration of money. Money matters are studied later, against the background of the monetary system’s interaction with the physical-economic processes upon which money-systems are superimposed.*

In demography, we begin with the obvious considerations of fertility of households, and life-expectancy and conditions of health of households’ members by age-interval stratifications. We consider not only the typical individual household, and also the immediate society with which the household is associated, but also the reciprocal functional interaction of the individual person and the society with one and another, and of both with the entirety of the human species. We examine the productive powers of labor in terms of a demographic model of social reproduction of the household, the society and mankind as a whole. We measure these productive powers in terms of the market-baskets of both households’ goods and of means of production required to maintain improvements in demographics per capita, per household, and per square kilometer above a conjecturable “0,” or so-called “equilibrium level.”

We examine the effect of the development of basic economic “hard” infrastructure (e.g., water, general land-transport, power, sanitation, and communications) upon demographic and productive factors. We include three qualities of services—education, health care, and scientific and equivalent development—as “soft” infrastructure, and also include as “hard” infrastructure the logistical means required for

maintaining these three essential categories of services to households and productive facilities.

To shorten the account, sum up a number of steps in the following terms:

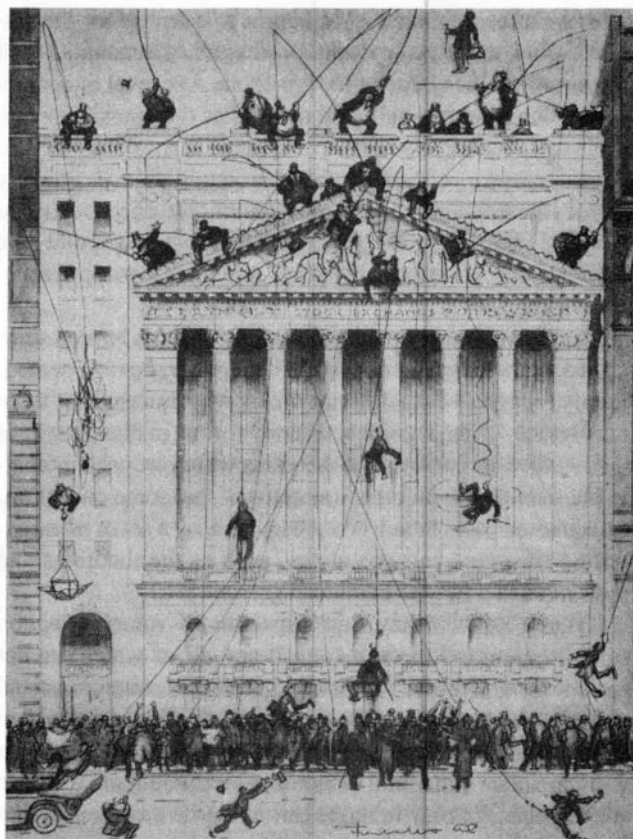
We define consumption in terms of a roster of goods included in market-baskets of consumption, whether by households, or by production of goods. *Excepting the three indicated special classes of services (education, health-care, and scientific progress), the designation of goods is limited to physical goods.* These goods are listed as elements of *market-baskets*, each associated with corresponding categories of the general social division of labor in employment. We have as broad categories of market-baskets: *households' goods, hard-infrastructure goods, soft-infrastructure goods, agricultural producers' goods, industrial producers' goods,* plus a general social-overhead allowance for consumption by other categories of employment as a whole.

We also define economic activity by categories of land-use. We have waste land, reserve land, land used for urbanized and rural residence, respectively, land used for urban administrative and general social functions, and land assigned to the categories of each of the principal elements of the social division of labor.

In practice, in a well-designed university curriculum, economic science starts with the study of the changes in these categories and their ratios during the recent 550 years in western Europe and the Americas. Once the student is familiar with the conceptions which are prompted by studying five centuries of changes in those locations, the student is prepared to contrast the modern European case with the qualitatively different cases during the preceding 2,000 years of European civilization, and with the older civilizations of Asia and Mediterranean Africa to about 6000 B.C. Those studies prepare the student to study pre-Columbian America, Oceania, and sub-Saharan Africa. This gives the student a global overview within the bounds of the intraglacial warming period in which we presently dwell. And, so on.

The ascertained cause for the somewhat correlated changes in potential population-density, demographic profiles, division of labor, land-use, content of market-baskets, and so on, is changes in human behavior of a quality typified by valid fundamental scientific progress. Such scientific progress merely typifies the quality of thinking common to the spectrum of changes in statecraft and in Classical forms of fine arts which, together with scientific-technological progress, cause the improvement in demographic performance. In other words, *what is reflected here is an increase in mankind's per-capita power over the universe, as measured in respect to per-capita power per square kilometer of the Earth's habitable surface.*

The subjective cause for the increase of this power admits of no description other than "creative powers of the individual mind." The case for a valid fundamental discovery within the scope we assign to the name "mathematical physics"



A 1921 cartoon entitled "The Anglers" shows speculators fishing for victims in the stock exchange. Today, the speculative mania has created the biggest financial bubble in world history.

typifies this argument. For our purposes here it will be sufficient merely to summarize the argument supplied in the indicated relevant sources.

### Technology as creativity

In any branch of science, there is no way to avoid certain deep-going conceptual problems without foundering forever in the incurable incompetencies of one's own foolish babbling. In economics, the key such conception is that of *creativity*.

The investigation of this conception begins, pedagogically, with the subject of those forms of creative discovery which are most easily represented, the mathematical form of what are justly called "revolutionary," or "axiomatic-revolutionary" qualities of fundamental scientific discoveries. The yardstick we apply to the study of such discoveries and their impact is the standard of *technological progress*, by which we signify increase in the qualitative powers of physical productivity of labor per capita, per household, and per square kilometer of usable land-area.

Once the idea of "creativity" is removed from the domain of emotionally colored, vague imageries, and is rendered an intelligible scientific conception of willful practice, the

entirety of economic science begins to open up for the student. Until that step is made, professors of economics will never move much beyond the pre-Stone Age level of competence, bungling and babbling over all of the crucial conceptions upon which this branch of science is absolutely dependent. Once creativity is rendered an intelligible, practically applicable conception, all of economic science begins to open up rapidly for the student. From that standpoint, the incompetence of all critics of the foregoing description becomes transparent.

To the degree any mathematical physics can be represented in a mathematically consistent way, it may be represented, if only for purposes of description, by what is termed a "theorem-lattice." That signifies, that any formal mathematics can be regarded as a network of theorems which are each mutually consistent with all other theorems of that some collection. This mutual consistency is representable by a set of interconnected theorems and postulates, such as the theorems and postulates of a formal Euclidean geometry.

Therefore, we may think in terms of some collection of interconnected theorems, each and all of which are not inconsistent with any among that set of interconnected axioms and postulates. In looking at this business in that way, we are able to conceptualize both the presently known and yet-to-be-discovered theorems which would satisfy those restrictions. We may describe this as all the theorems of that formal mathematical-physical type.

Against this background, consider the case, that one is able to define experimentally a theorem which is true in nature but which is not consistent with any previously known mathematical-physical type. Close analysis shows that this new theorem requires a specific kind of change in one or more of the axioms of the presently accepted form of mathematical physics. Enter Socrates: The fun begins.

The question is thus posed implicitly. Suppose we adopt a new set of interconnected axioms and postulates, one which conforms fully to the new experimental theorem, which introduces only the absolutely necessary modifications in the previously established collection of axioms and postulates. Can we secure an experimentally valid, revised version of the theorems of the old system which fit the new set of axioms and postulates?

In effect, that is what a revolutionary discovery in science forces us to do. In that case, a crucial experimental theorem of those troublesome specifications has introduced an axiomatic-revolutionary change into formal mathematical physics. That kind of successive axiomatic-revolutionary change has been the characteristic of both formal mathematics itself and of modern physical science since Nicolaus of Cusa's *De Docta Ignorantia* of A.D. 1440. The discovery of Dmitri Mendeleev's Periodic Law, Georg Cantor's transfinite, Max Planck's quantum of action, radioactivity, and nuclear fission typify the revolutionary changes which erupted at the close of the last century and the first three decades-odd of this.

Each of those required an axiomatic-revolutionary change in our notions of physics as a whole.

Over the millennia preceding A.D. 1400, the revolutions came more slowly, and there were even long periods of sterility, or even falling backwards in too many cultural strains. Yet, the same principle is reflected in the shards of very old prehistoric cultures. This type of willful increase in mankind's power over nature per capita and per square kilometer, is what most clearly sets the human species absolutely apart from, and above all other known forms of existence within physical space-time.

That brings the inquiry to a crucial point: "Why must one equate 'axiomatic revolutionary' with 'creative'?" The mastery of the science of physical economy depends upon the student's comprehending this connection. Once this point is grasped, the essential incompetence of today's politically correct university economists and their textbooks is shown readily. The immediate relevance of this is that it involves proof of the fraudulent character of the assertions of Norbert Wiener and John Von Neumann, and their followers the idiot-savant chaos-theorists, on the subject of the human intelligence and mathematics generally.

### Logic versus creativity

Given two theorem-lattices, separated from one another by only a single change in axiom. There is no consistency between any theorem in one of these lattices with any theorem in the other. The difference between the two is therefore, mathematically, a formal discontinuity. In real life, this signifies, that in the case of every valid axiomatic-revolutionary discovery in mathematics, or mathematical physics, once we have discovered the axiomatic change which defines the successor theorem-lattice, we shall always be able, on principle, to treat every theorem of the preceding lattice as a special case of the latter; however, no theorem of the second lattice can be reached by consistency with the axioms of the first.

This principle was well known to Plato and his associates. Plato's *Parmenides* dialogue is a demonstration of the way in which a creative discovery must appear from the standpoint of the mere formalist Eleatic (or the Aristotelian Immanuel Kant's *Critiques*). To the formalist, such a discovery appears as an inexplicable leap of the intellect.

The classical modern illustration of Plato's point is the solution to the paradox in Archimedes' quadrature of the circle by Nicolaus of Cusa.

Until Cusa, mathematicians were fooled by the fact that a series derived from Archimedes' construction may estimate the value of the ratio of the circular radius,  $\pi$ , to any required decimal position. Cusa showed (A.D. 1440, 1453) that this apparent arithmetic convergence had an embedded falsehood insofar as one assumed falsely from the apparent convergence in numeric values that a circular perimeter was constructable in this way. The values were, in fact, nearly equal, but never congruent. Cusa defined circular action as of a

different, higher mathematical species than the Greeks had assumed all incommensurables to have been. Later (1697), the physical significance of Cusa's discovery was proven for radiation of light by Jean Bernoulli and Gottfried Leibniz, and established as the basis for what they termed "non-algebraic" or "transcendental" functions.

Since 1697, this discovery, known under the rubric of the *continuum paradox*,<sup>1</sup> has continued to be the center of the principal methodological controversy, and a source of the most significant classroom and textbook frauds within mathematical physics.<sup>2</sup> A crucial treatment of this from the standpoint of Karl Weierstrass's work was given by Georg Cantor's presentation of the series of *Aleph* transfinities (1897); the exposure of the axiomatic fallacies of the entire life's mathematical work of Bertrand Russell, and also the related work of John Von Neumann, was given by Kurt Gödel in 1931.<sup>3</sup> Despite the conclusive proof, from these and other sources, the denial of the existence of what Riemann describes as the "continuum paradox" persists stubbornly as a leading, fraudulent feature of the standard mathematical physics curriculum today. As in the exemplary cases of Norbert Wiener's popular *Cybernetics* and the work on economy and the human mind by John Von Neumann, this popularized classroom fraud plays a dominant role in the mistakenly generally accepted versions of professionally taught and practiced economics doctrine today.

Back during the 1940s, this writer sometimes amused himself by asking some of the pompous varieties of academ-

---

1. See Bernhard Riemann's celebrated 1854 *Habilitationschrift, Über die Hypothesen, welche der Geometrie zu Grunde liegen*, in *Collected Works of Bernhard Riemann*, Heinrich Weber, ed., Dover, New York, 1953, pp. 272-287. For a passable translation, see Bernhard Riemann, "On The Hypotheses Which Lie At the Foundations of Geometry," Henry S. White, trans., in *A Source Book in Mathematics*, David Eugene Smith, ed. (1929), Dover Reprint, 1959, pp. 404-425, *passim*.

2. The cult-fad of "Chaos Theory" in political-economy, for example, is a delusion of those Bourbaki and kindred idiot-savants who confuse reality with arithmetic estimates assigned to computer algorithms such as Mandelbrot figures. The influence of the late John Von Neumann is largely responsible for the spread of this and kindred lunacies within political-economy and other areas. Norbert Wiener, the author of *Cybernetics* and co-author of "information theory," was justly expelled from a Göttingen University seminar by the great David Hilbert, for reason of the same methodological incompetence which Wiener later exhibited in his outrageous notions of "negentropy," and his own and John Von Neumann's sick notions of the human mind.

These and kindred pathologies explain some of the reasons for the high rate of insanity among many highly trained mathematical formalists. If one attempts to define a "general field" theory of mathematical formalism on the basis of the false assumption of Bertrand Russell, John Von Neumann, et al., that externally bounding limits can be accessed as a theorem of the externally bounded theorem-lattice, the person so deluded must either give up that assumption, as Kurt Gödel did (for example), quit mathematics, or become an obsession-crazed fanatic, a lunatic dwelling in some wildly mystical paranoid's fantasy world. Thus, in the ancient Greek cult of Delphi, it was recognized that peering out from between the cracks of the mind of Apollo there is a leering Friedrich Nietzsche, a Bakunin, a Richard Wagner, a Martin Heidegger, a raving Dionysos-Python, or, as Herodotus underlines, a Satan, an Osiris, a Siva.

3. Kurt Gödel, "On formally undecidable propositions of *Principia Mathematica* and related systems I," in *Kurt Gödel Collected Works*, Vol. I, S. Feferman et al., eds., Oxford University Press, pp. 144-195.

ics whether human life were statistically possible. The central premise upon which this writer's 1948-52 discoveries refuting Wiener and Von Neumann were based, was the position that a theory which cannot be shown to be consistent with the existence of the theoretician is bad physics. In later years, a few notable thinkers have expressed either the same or a very similar position.

Plato's Academy at Athens demonstrated their proof, that there existed geometric magnitudes which are not congruent with rational numbers, geometric magnitudes called "incommensurables." Later, Nicolaus of Cusa was the first to show us that we must divide those incommensurables into two distinct species, species which Leibniz later identified as the "algebraic" (the lower species) and the "non-algebraic" (the higher species), the latter commonly referenced today under the rubric of "transcendental functions." The continuum paradox, the central topic of Leibniz's *Monadology*, and the center of the work of Riemann later, must be recognized as showing us that there exists yet a higher species of mathematics. This is a higher domain in which the principle of cardinality is preserved, but not ordinality as we know it from the three lower species of mathematical domains. It is this last, the fourth and highest domain (from Cantor's *Aleph 1* and up) which enables us to represent scientific creativity and its effects, a representation which is impossible from the standpoint of lower orders of mathematical physics.

So, although we cannot represent scientific creativity by any of the mathematical methods taught in engineering schools, a proper comprehension of the work of Cantor from the standpoint of Leibniz's *Monadology* and the Riemann Surface shows us how to deal with this formal problem once we have identified the physics of representing a demographic process of development under the impetus of technological progress.

## Economic measurements

This problem was forced upon me during the 1948-51 interval of my efforts to define a rigorous refutation of the obvious frauds by Wiener respecting a Boltzmann H-theorem-based definition of "negative entropy," and Wiener and Von Neumann's mechanistic misconceptions of human thinking processes. My approach to that problem may be summed up as part of what ought to become standard pedagogy in any respectable university classroom in economics today.

The lesson of the internal history of mathematics, especially during the recent 550 years of the rise of European science, is that we must always seek to measure, but must not trust blindly the tape-measures which were issued to us as students in the classrooms or textbooks. Sometimes, we need to invent a new yardstick, just as we have today four distinct species of mathematics. Until the end of 1951, I knew of but three species of mathematics; I was about to learn a fourth, beginning January 1952.

Apply what was then, circa 1950-51, standard industrial

engineering knowledge of the structure of a successfully developing agro-industrial economy. Define as the relevant input and output of a function an array of households' and producers' market-baskets containing nothing *functionally significant* excepting a combination of physical products plus three categories of services: education, health care, and scientific progress. Draw a cut through the continuing cycle of production-consumption at any point. Measuring all inputs and outputs in terms of per capita, per household, and per square kilometer, compare the input (consumption by either households or producers) and output (products of infrastructure, agriculture, mining, and industry, plus services of classical forms of education, health care, and scientific progress).

Since any economic process trapped in a zero-technological-growth mode must collapse "entropically," our first concern is to maintain growth of productive powers of labor. Therefore, subtract input from output, and divide the remainder by input: The result must be larger than "0." The margin by which the ratio must be greater than "0" will be an amount greater than the rate of technological attrition.

Thus far, not problematic. Term the input "the energy of the system," and the remainder the "free energy" margin. See the ratio as a "free-energy ratio."

Then comes the problem: Not only must there be a rate of technological progress, to offset required growth plus effects of attrition of natural and man-improved resources; to sustain the needed, relatively rising free-energy ratio, the value of the energy of the system must increase per capita, per household, and per square kilometer. No matter how we adjust the list of items in the bill of materials and process sheets, that difficulty remains. That locates the crucial issue.

The next step, is to refine the picture by writing down and verifying a series of linear inequalities corresponding to the direction of changes in the social division of labor, and demography, which accompany the indicated, twofold transformation in the apparent functional form of rising free-energy ratio. The principal such inequalities describing successful economic growth of economies during the recent 500 years are described in my 1984 textbook *So, You Wish to Learn All About Economics?* It is easily shown that, during the same centuries, all economies which violated those constraints suffered decline, that violation of these constraints is the characteristic of declining economies.

There should be nothing surprising about the fact of my lines of inquiry into these matters during 1948-52.

During the late 1940s, after the 1930s depression, and following the war, experiencing the recession of 1947-48, and the 1949 economic recovery sparked by the Cold War revival of the Korea conflict, all we veterans who were reasonably sentient were aware of the anomalous fact that, during the twentieth century to date, the only prosperous periods had been those associated with relatively larger expenditures for the costs of war. During those days, the U.S. and other governments were frequently charged with seeking warfare

as a way of organizing an economic recovery! Thinking about the story behind that apparent economic anomaly did not make warfare less wasteful of life and material; tracing out a few economic facts made clear the reasons for the anomalous appearances.

The characteristic of modern regular warfare is exceptionally high rates of technological attrition. Technologies are developed during a few years of forced-draft, which would have required decades otherwise. As some of the Manhattan Project's veterans described this to me in some detail, the intensity of scientific collaboration in that undertaking packed decades into about five years of research and development. If the history of "crash program" technological development is traced from its origin in the 1793-1814 technological leadership of France by Lazare Carnot and Gaspard Monge, through the military and aerospace crash-programs of the subsequent 150 years, what stands foremost for one's attention is what may be fairly described as a four-step process for injecting high rates of prosperous growth into any modern economy.

The top of the mountain is fundamental (axiomatic-revolutionary) progress in science. Slightly down the slope, there is the elaboration of these most crucial discoveries at the summit of the mountain into subsidiary discoveries. At both levels, the new discovery prompts the design of demonstration-of-principle experiments. As these experiments are refined, the lessons of the successful experimental designs are taken to a place a short distance down the slope from the two levels of scientific work: Here we encounter the transformation of the successful experimental designs into machine-tool or equivalent principles. Downstream from the advanced machine-tool-design sector, we have the new machine-tools revolutionizing product designs and productive powers of labor at the base of the mountain, where production occurs.

In "crash program" mobilizations, not only scientific and related progress at its most intense, but every new conception is quickly turned into improved military or other applications. The machine-tool sector is expanded rapidly to accommodate to this. The rate of flow of tools proven in the highly mobilized military or aerospace applications, for example, spills at exceptional rates into the economy in general.

The way in which to think about such experiences is stop all the wimping and whining about budget-balancing and kindred mind-crippling, dog-like obsessions, and concentrate upon the crucial lesson to be learned from examining such an anomalous appearance. Concentrate upon the end-result, the effect of delivery of large masses of technologies, at accelerated rates, into both the improvement of product-designs and increase of the productive powers of labor. The lesson is, that if we would use our heads, unlike the King Louis XVI who failed, during 1783-89, to use his, we should always have the "moral equivalent of war-mobilization." To wit: We should insist that a large part of the total labor force be engaged in developing, investment in, and production by

high rates of massive injection of newly discovered science and newly developed technologies into the promotion of improved product designs and high rates of increase of the productive powers of labor overall.

That object-lesson should reenforce our appreciation of a point which ought to have been clear beforehand. The sum-total of the lessons for statecraft from history and pre-history, is that creative, revolutionary progress in scientific and analogous knowledge is not an occurrence on the periphery of man's vision: It is the essence of human existence, it is what distinguishes us as the Mosaic heritage specifies, as in the image of God the Creator by virtue of our developable individual potential for creative reason.

The anomalous aspect of the mathematical picture of a growing economy is that the essence of the economy is not the production and consumption of objects, but rather the upward transformation of the cycle of consumption for production of the means of improved human existence. The creative powers of reason are the source, the cause for that growth upon which the avoidance of social collapse depends absolutely. The anomalous aspect of the economic process is that the characteristic feature of a viable economic policy of performance is human creative reason, that principle of reason which the economic doctrine of the late John Von Neumann and the contemporary "Chaos" theorists implicitly deny to exist.

### **Adam Smith has no morals**

No nation as a whole has ever profitted from the dogma of "free trade" except by employing the doctrine as a ruse for looting another nation. The technical flaw in Adam Smith's dogma is not derived from a defect within his nonexistent science, but originates purely and simply in his lack of all human decency. One has but to read the moral basis for his dogma of the "invisible hand," in his earlier, 1759, *Theory of the Moral Sentiments*. Ortes is the key.

From the beginning of Venice's deployment of the Fourth Crusade to loot and ruin the competitor power of its former master, the Byzantine Empire, in A.D. 1204, until the collapse of the Lombard debt-bubble during the middle of the fourteenth century, Venice ruled the Mediterranean and European usury as an imperial maritime power. This power was threatened by the A.D. 1440 Council of Florence, leading to the alliance of nations—the League of Cambrai—which came close to conquering and destroying Venetian power during the first decade of the sixteenth century. In the aftermath of that, Venice survived by placing each and all of its enemies against one another's throat, the Papacy, France, Spain, the German Empire, the Ottoman Empire, and England, chiefly. By playing upon the sexual susceptibilities of a possibly insane King Henry VIII of England, Venice split England from its close relations with Spain and with the Tudor House's ally in France. Thus, by the close of the sixteenth century, the leading circles in England had been cap-

tured as Venetian dupes: Walsingham and his circles around Queen Elizabeth, and the evil Francis Bacon, and so forth, around the unfortunate King James I. Even during the Civil War in England, Venice controlled both sides, including the Pallavicini-linked Oliver Cromwell, and the Restoration Stuarts after Cromwell's son and heir had been overthrown.

Those points are key to understanding the great control Venice exerted upon not only Adam Smith, Jeremy Bentham, and Thomas Malthus, but the entirety of what came to be identified as British political, social, and economic thinking from the middle of the eighteenth century to former President George Bush riding like a sick cat on the tail of Prime Minister Margaret Thatcher's broom. During the late seventeenth and early eighteenth centuries, in Britain, the Liberal Party of the Duke of Marlborough, Walpole, King George I, and the notorious Hell-Fire Clubs were already known as the "Venetian Party," as Disraeli referred to the imperial party of mid-nineteenth-century Britain.

Venice saw London as becoming the "Venice of the North," a worldwide maritime power, building a global empire, and moving on to establish a system of world-government consistent with Venetian financial and social principles. London's Liberal Party, in turn, was content to be guided by its Venetian mentors. Still, during the eighteenth century, until the city was weakened somewhat in its quarrel with the Genoese asset Napoleon Bonaparte, the Venetian intelligence service was very widespread, deeply embedded, ferally capable, and still very powerful.

The portrait of Venice's decadence during the seventeenth and eighteenth centuries would probably turn the stomachs of even the citizens of old Sodom and Gomorrah. Vile creatures such as Conti, Grandi, Ortes, Casanova, Cagliostro, and, later, Capodistria, were the appropriate instruments to devise the ultimate extreme in systematic immorality copied from Ortes's writings by Adam Smith, et al.

Nothing could be further from the truth than the British empiricists with their dogma respecting "human nature"; no one was more inclined to the unnatural than these Venetian bachelors who taught them. Man is not a creature of mere appetites and sensual passions; were man as Bacon, Hobbes, Locke, Hume, Smith, and Bentham portray the individuals of our species, our species would never have ascended above the level of baboon-like Yahoos subsisting precariously upon a few berries mixed with decayed flotsam cast upon the beaches of Africa's coast.

*Human nature* is that essential characteristic which sets our species as a whole absolutely apart from, and above the beasts. That quality is the potential for development of creative reason in every person, the quality which the tradition of Mosaic monotheism recognizes as man in the image of God the Creator. *Human nature* is a child whose mind and morals have not yet been destroyed by a modern Frankfurt-school-style day-care center, a loving child asking parents, relatives, neighbors, and virtually everyone else besides: "Why?"

## Calls grow to boot out IAEA and develop Korea

by Kathy Wolfe

Despite the demands emanating from Great Britain and the neo-conservative press in the United States that the Clinton administration take military action against North Korea, the Clinton administration took steps the week of June 13 to cool out the crisis that erupted when officials of the International Atomic Energy Agency (IAEA) declared that North Korea had blocked the inspection which the agency demands.

After full briefings from the Clinton administration, former President Jimmy Carter traveled to Pyongyang for direct talks with North Korean leader Kim Il-sung. On June 17, Carter emerged from meetings with the North Korean leader to announce that Kim had repeated the North's desire to scrap its plutonium reactors, if the West would help Pyongyang replace them with new modern light water reactors (LWRs). Carter said President Clinton was receptive to this, and in return, is willing to drop his previous insistence that the IAEA conduct all inspections first, before talks could resume. The administration is also considering "North Korea's desires for some kind of U.S. declaration against using nuclear weapons in Korea," Cable News Network reported. The North has been seeking diplomatic recognition from the United States and a pledge of "no first use" of nuclear weapons.

At the same time, voices began to be heard protesting the orchestration of the crisis by the United Nations' IAEA. Rep. Gary Ackerman (D-N.Y.), chairman of the House Foreign Affairs Committee's Asia Subcommittee, told hearings on June 9 that IAEA actions in North Korea infringe upon U.S. national sovereignty. "One of the lessons we supposedly learned from Somalia was to avoid diluting our decision-making sovereignty," and not to let U.N. bodies like the IAEA nuclear police direct us, he said. "Is our reliance on IAEA decisions consistent with U.S. regional leadership and prestige?"

U.S. policy needs to be "liberated" from the IAEA, Dr.

Selig Harrison of the Carnegie Endowment told a June 16 Washington press conference, in response to a question from *EIR*. "The IAEA has simply taken over this situation, as you suggest," said Harrison, who had returned from a June 4-11 visit to Pyongyang where he interviewed Kim Il-sung. "The U.S. has become a tail to the IAEA kite."

IAEA chief "Hans Blix is a lawyer," he said. "They go into North Korea and say: 'Section 3 says you must do this,' " to preserve the IAEA's power to threaten the nuclear programs of all nations. "The IAEA is only concerned with restoring its effectiveness, which it lost in Iraq. . . . This is an invasion of sovereignty."

Ackerman and Harrison both called for the "package solution," developed in 1991 by North and South Korea in reunification talks; it specifies that the United States, Japan, and South Korea would aid Pyongyang to build a new non-plutonium LWR nuclear power industry, in return for shutting down its decrepit 1950s plutonium reactors. The North Koreans proposed this to President Clinton's negotiator Robert Gallucci last July in Geneva, Harrison revealed. Gallucci accepted, but IAEA provocations caused discussions to break down.

### The Bertrand Russell doctrine

Until Carter's trip, these interventions for development had been blacked out by the media. They contrast with the war cries now filling American airwaves. "Military air strikes are called for . . . [although] they would lead to enormous carnage," Sen. John McCain (R-Ariz.) told ABC News on June 12. Sen. Alan Simpson (R-Wyo.) called on President Clinton to tell Pyongyang that nuclear missiles in Wyoming, once targeted on Moscow, have been "recalibrated" to target North Korea. McCain and Sen. Phil Gramm (R-Tex.) on June 16 announced a trip to South Korea to assess U.S. "readiness," and rammed a resolution through the Senate,



demanding buildup of U.S. troops.

A new Korean war is a threat—not because of Kim Il-sung, but because British followers of the late Bertrand Russell, author of the “Dr. Strangelove” doctrine, would like another Hiroshima, or threat of one. Russell got the United States to drop the bomb in 1945, to terrify nations into creating the United Nations, *EIR* founder Lyndon LaRouche pointed out recently. Now, London wants us to grant the U.N. full powers of government, in which the IAEA’s Nuclear Non-Proliferation Treaty (NPT) would have power not only over all nuclear weapons, but over nuclear power plants and even economic policy.

The British, it is well known, would also like to torpedo President Bill Clinton’s re-election.

“Why would people vote for a hoax?” said LaRouche on June 11, speaking of the “sense of Congress” resolution passed 415-1 by the House on June 8, which demanded sanctions against North Korea. “Why did people support what was done in Panama? What was done in Iraq? Because the U.S. is in a state of collapse! You’ve got some jo-jos over at the Pentagon, and the foolish citizen on the street, who wish to divert themselves from their perception of impotence, decay, and collapse, by getting drunk and beating up some poor guy half their size. . . .

“We’re prepared to get into a holocaust with North Korea over nothing, for no reason.”

“The game being played with the IAEA, is a game run by the Thatcher-Bush crowd entirely,” LaRouche said June 15. “Take John McCain, who doesn’t want to do anything to stop the genocide in the Balkans; that to him would be a ‘quagmire.’ But he wants to go full force into North Korea, saying we can bomb them into the Stone Age. McCain is a typical Bush-leaguer in the Thatcher-Bush crowd.

“North Korea and China are related,” he added. “The same people behind this ‘Bomb North Korea into the Stone Age on any pretext,’ are lined up behind the British,” such as the London International Institute for Strategic Studies’ Asia division, “trying to promote a civil war in a post-Deng China.

“This is also being used to hammer Japan.”

Much of the U.S. military establishment is against war in Korea, a defense intelligence source told *EIR* June 15. “If the IAEA and the U.N. ‘new world order’ decide they want to bomb Kim Il-sung, they’d better have their own air force.” he said. He cited several chiefs of the service branches and members of the Joint Chiefs of Staff. “John McCain is a nut case,” he said. Air Force Chief of Staff “Anthony McPeak told the Senate Armed Services Committee recently that North Korea’s nuclear facilities are not susceptible to our strikes. They are buried too deep, and we don’t have the on-the-ground intelligence which would allow us to pinpoint anything.”

### **A nuclear-powered solution**

The necessity for the Clinton administration to negotiate a settlement is made all the more urgent by the reactions of

U.S. allies in the region—South Korea and Japan, which want a diplomatic solution to the crisis, and also the People’s Republic of China, which could use its veto power in the U.N. Security Council to stop any U.N. action against North Korea.

After the IAEA announced that it was dissatisfied with the North Korean response to its demands, U.N. Ambassador Madeleine Albright announced a new U.S. proposal for “modest” sanctions against North Korea June 15; but both China and Russia turned down the draft. It calls for an arms embargo, a ban on non-passenger air traffic, a cutoff of aid, and bans on scientific, technical, commercial, cultural, educational, and sports exchanges.

But the next day, President Clinton, after speaking to President Carter by telephone after Carter’s first meeting with Kim Il-sung, expressed a desire for “an alternative path” to avoid sanctions and get North Korea “more engaged, in ways that would be much better for their own people.”

Dr. Selig Harrison, at his press conference, called on the President to drop all sanctions and other such IAEA “conditionalities” and negotiate.

Last July in Geneva, he said, Assistant Secretary of State Robert Gallucci “was quite surprised” when North Korea proposed “that their nuclear power program be changed, from a graphite-based plutonium program, to a light water reactor program. They said, ‘We don’t have enough money to do this, but if you’re willing to help us, then, to show you we’re not trying to make weapons, we’re willing to shift to LWRs.’ ”

On June 5, Kim Il-sung, Harrison said, agreed “to freeze the operation of the [Yongbyon] plutonium-reprocessing plant, and freeze construction of their new 200-megawatt plutonium reactor, as soon as there is a firm, binding contract for one or more light water reactors—when the financial arrangements have been concluded, and the credits are guaranteed. . . .

“That proposal is an important initiative which opens the way for a settlement of the nuclear issue. Their offer is serious and specific,” Harrison said. “If the U.S. wants North Korea to change its position, the U.S. should immediately enter into *unconditional* negotiations on the proposed package agreement.”

“Acting Foreign Minister Kang Jok Su,” said a press release by Harrison, suggested that the United States “earmark some of your aid to Russia for the purpose of providing us light water reactors, helping them, and resolving your concerns about our nuclear program. Japan and South Korea could contribute financially.”

Also part of a package solution would be normalized diplomatic relations, a peace treaty formally ending the Korean War, and general economic cooperation, he said.

President Clinton wants to do this, administration sources have told this news service, but the IAEA objects. The British just don’t want Third World countries to have nuclear power, since they know that such a program could create a nuclear-power based development boom in East Asia.

# Haiti invasion means disaster for Clinton

by Cynthia R. Rush

At the June 6-12 meeting of the Organization of American States (OAS) which took place in Belém, Brazil, member nations approved a joint resolution recommending a “total embargo” against the starving island-nation of Haiti, including the added ban on all commercial flights to Haiti to begin on June 25, and suspension of any bank money transfers to Haiti, announced by President Clinton. These newest sanctions, in particular the ban on money transfers, mean an end to the \$200-300 million a year which Haitians living abroad have sent to family members at home, keeping many Haitians alive—barely.

With these measures, the majority of Ibero-America’s “democracies,” many of them with their own problems of political instability, have thus capitulated in large measure to the pressure campaign coming from the United Nations and from elements in and around the Clinton administration who are demanding a “surgical” invasion of Haiti in the immediate period ahead. Pro-invasion factions in Washington, as well as several Ibero-American governments, have chosen to ignore the implications of the actions they are so casually contemplating.

The consequences for President Clinton, were he to endorse such a genocidal action, would be strategic disaster. Not only would he be discredited, but the U.S. presidency would be enslaved to the U.N.’s one-worldist colonial apparatus. Any “peacekeeping” force sent to Haiti would have to be deployed on a long-term basis, thereby destroying the principle of national sovereignty in Ibero-America.

## National dignity is the issue

The history of Haiti gives some indication of how their government is liable to respond. Haitian historian Georges Michel has written, “In modern times, a sense of Haitian nationhood began as patriotic resistance during the 1915-1934 occupation.” Historian Roger Gaillard explained in a recent interview that “the fight against the occupation was a fight for Haitian dignity, a fight against injustice. Still, in many ways you can say that Haiti is still occupied. The U.S. Marines aren’t here, but they are still controlling us, keeping us hostage.”

According to several reports, in anticipation of an invasion, the Haitian military is said to be planning a “strategy of evaporation”—that is, disappearing into civilian clothing and carrying out guerrilla attacks rather than directly confronting

a U.S.-led invasion force. There is a precedent for such action in the guerrilla resistance to an American occupying force during 1918-20. The U.S. Marines finally wiped out the guerrilla movement, at the cost of thousands of civilian casualties, and stayed in the country until 1934.

On June 12, Haitian President Emile Jonassaint, citing the threat of foreign invasion, declared a state of emergency, and his government is now considering expelling the joint U.N. and OAS human rights observer mission. Sen. Osner Eugene charged that the mission “was destabilizing Haiti.” There are also reports that the government may impose a curfew, restrict movements in the provinces, expel foreigners who are believed working against Haitian interests, and possibly close down foreign embassies.

## Voices of opposition

Although most Ibero-American nations are still resistant to participating in the first wave of a military invasion, many governments have agreed to commit troops to a multinational peacekeeping force in Haiti, under the mandate of the United States. That U.N. mission would serve as a police force as well as protect elected officials, embassies, and humanitarian supply personnel.

However, some recognize what such action means. In El Salvador, which experienced U.N. “democracy” when its government was forced to drastically “downsize” its defense forces and share power with the Marxist Farabundo Martí guerrillas, the editors of the newspaper *El Diario de Hoy* wrote: “A military attack on Haiti, like the embargo currently ongoing, seems designed to send a message to all of Ibero-America more than anything else. The support for [ousted dictator Jean-Bertrand] Aristide is a kind of unwritten support for the extremist movements of the continent to not fear taking power: Washington will back them, come what may, even if it leads to the ruin of the people who have the misfortune of suffering them.”

The Roman Catholic Archbishop of Santo Domingo, Cardinal Jesús López Rodríguez, who is also president of the Latin American Bishops Conference, has repeatedly attacked the U.S./United Nations embargo against Haiti. On June 13, he characterized it as “cruel and unjust” and said that it was subjecting an innocent population to “cruel, inhuman, dishonest and immoral” treatment. He demanded the immediate departure of U.S. military personnel who have been sent in to “help” the Dominican Republic, with which Haiti shares the island of Hispaniola, “monitor the border” and enforce the embargo against Haitians. The Balaguer government’s agreement to send its own troops, and accept these foreign “advisers” was the result of blackmail by the U.S. State Department which threatened to embargo that country’s exports to the U.S. if the government didn’t acquiesce to its demands.

Tragically, Dominican troops deployed to the border with Haiti have already shot to death a Haitian attempting to smuggle a few gallons of gasoline into his country.

# Opposition wants IMF program for Nigeria

by Lydia Cherry

Multi-millionaire Nigerian business tycoon Moshood Abiola is now in hiding in Nigeria, after he announced on June 12 that he would head an alternative government, and urged that the international community withdraw recognition from the military government of Gen. Sani Abacha. By throwing in his lot with the International Monetary Fund, Abiola has cleared up any remaining questions about what his "democratic" government would actually mean: Both he and his representatives in the United States made clear the first week in June that an Abiola government would mean full rapprochement with the IMF.

## Abacha measures would be reversed

Speaking in Lagos on June 9, Abiola pledged that his regime will immediately scrap the economic controls that head of state Abacha put into effect early this year in an attempt to rescue the country from the effects of seven years of IMF structural adjustment programs. "There can be little meaningful economic growth if the economy is run through commands issued by those better suited to the battleground," Abiola said in Lagos, Reuters reported. Reuters made clear that Abiola has now "pledged to reverse the Abacha measures which had marked a major retreat from seven years of International Monetary Fund-backed free market reforms."

Responding to a question whether the IMF and World Bank are supportive of Abiola's proposed economic program, at the National Press Club in Washington on June 13, an official spokesman for Abiola claimed: "We have the program, and this program is something that the United States will feel comfortable with. . . . We believe that, by and large, [Abiola's] economic program will be something that those two bodies [IMF and World Bank] would want to try."

In an announcement that sent tremors throughout the world of Anglo-American finance in early January, General Abacha pointed out that "the military still remains the only institution in the position to put an end to the drift toward total collapse," and announced that the days of applying IMF structural adjustment programs to the Nigerian economy were over. He announced decrees fixing interest and currency exchange rates, imposing controls on foreign exchange trading and imports, and, most important, providing that 60% of all bank credits will be directed to agricultural and manufacturing enterprises.

The western-linked "Project Democracy" apparatus

within Nigeria, in the United States, and in London had pledged to go ahead with demonstrations and strikes beginning over the weekend of June 11-12 to force the Abacha government to step down, but this action subsided after the first day. June 12 was the one-year anniversary of an election stopped in mid-stream because of "irregularities." Abiola insists that he would have won this election, and has been campaigning in Washington and London for these two governments to assist him in securing power.

## The danger of civil war

Members of the Nigerian military and civilian elite appear to be keenly aware that, without real economic development, there are fissures within the country that could again, as they have in the past, lead to civil war. However, many Nigerians in the West, particularly those who left Nigeria during the 1980s when the military government of General Babangida imposed the IMF prescription that nearly brought the country to its knees, are now caught up in the worst of the United Nations blather of "democracy" at all costs. At the National Press Club gathering, which was sponsored by various interlocking Nigerian non-governmental organizations, none of the spokesmen seemed to have any notion that democracy in a decaying economy is meaningless.

Instead, people such as former U.S. congressional staffer Randall Echols, Abiola's official representative in the United States, and E.C. Ejiogu of the Nigerian Democratic Awareness Committee, touted their connections with people in high places within the Anglo-American power structure. This included the announcement by Echols that on that same day, British Conservative Member of Parliament Alan Duncan had introduced into the House of Commons a motion supporting Abiola's claim to office, which, Echols said, "calls for General Abacha to step down immediately," and "urges individual governments and the United Nations to support Chief Moshood Abiola in his legitimate claim to the office to which the people of Nigeria have elected him." Echols was furious that the western press had not reported his claim that Abiola's swearing-in ceremony on June 12 had been attended "by more than 10,000 Nigerians." Anyone who doesn't believe this could contact the British Broadcasting Corp., because "BBC reporters were there," he told the press. (Showing lousy coordination, if nothing else, Reuters, which for weeks has been seemingly regurgitating every word the Nigerian democracy crowd has been saying, let slip that no reporters were present at the swearing-in ceremony.)

Ejiogu focused on the upcoming "social explosion" coming in Nigeria unless the military relinquishes power. "All around the borders of Nigeria, people are arming for the upcoming battle with the military," he said. He insisted that large supplies of military equipment were coming into the border areas. Without immediate international recognition for the Abiola government, Nigeria will become "another Rwanda," he promised.

# European Parliament elections show impact of economic crisis

by Rainer Apel

In the June 12 elections for European Parliament, 10 of the 12 governments of the European Union (EU) lost considerable percentages of votes. One might argue that the European Parliament is an assembly without real power, like the parliaments of 19th-century Europe, so that not much attention should be paid to the results of this election. But the reality is that the election was a test of voters' views on the performance of their own governments, in-between or shortly before elections for the respective national parliaments or (in the French case) for the presidency.

What is one to make of the following picture: In Britain, the Conservative government lost massively; in Spain, the Socialist government lost; in France, the conservative adversaries of the pro-European Union establishment advanced; in Germany, Chancellor Helmut Kohl consolidated his support, while the leftist opposition to the establishment drew most of the protest vote; and in Italy, the new Forza Italia ("Go, Italy") party of Prime Minister Silvio Berlusconi, whose politics in many ways resembles the populism of America's Ross Perot, was the big winner.

Ideological interpretations won't explain why in one case the leftists won, and in the other, the rightists, and in the third case, a "mixed bag." To explain voters' choices, it makes more sense to look at the worsening economic situation in the key European Union countries.

## **Ideologies are out the window**

In Britain, vote losses for the Tories, the Conservative government party of Prime Minister John Major, were substantial enough to cost the party almost 50% of their 34 seats in the European Parliament and give the opposition Labour Party 62 of Britain's 88 seats. This political landslide corresponds to the fact that the Major government has the worst ratings in public opinion of the past 64 years. This has to do, first of all, with the devastating domestic employment situation in industry and the public sector, which also translates into a worsening social situation—mainly the heritage of the previous Thatcher era, but something that has become associated with the name of Major in the three years since Margaret Thatcher left office.

There is also increasing disgust among British voters at

the continuous sex and corruption scandals implicating an impressive number of senior administration or Tory party officials, which has built a sentiment of revolt and non-confidence inside Major's own party that may soon cost him the post of prime minister—maybe as early as this autumn, if parliamentary elections are held earlier than the anticipated late-1995 date. The outcome of the European elections is expected to accelerate this process of Major's replacement.

In France (see article, p. 45), two recently created protest parties, one of bankrupt businessman Bernard Tapie and the other of media mogul Sir James Goldsmith and of Vendée region nobleman Philippe de Villiers, received 12% of the vote each. This means that the two newcomers will be in a "kingmaker's" position for the presidential elections next spring.

The situation in Spain is linked with the same mix of economic crisis news and public scandals as in Britain or Italy, although unlike the Italian case, no entirely new political movement is on the horizon. Spain's governing Socialists lost no less than 25% of their own constituency and finished at 30%, instead of the 40% they had received in the last European elections in 1989. The conservative opposition from the Popular Party almost doubled its vote from 21.7% to 40.2%, and the pro-communist United Left (IU), the other bloc of the opposition, more than doubled its votes from 6.2% to 14.9%.

The vote disaster was worst for the Socialists in the most densely populated region of Spain, Andalusia, which can be attributed to the rapid decline of industrial employment in that region which, along with the steel production in Asturia and the car-manufacturing complex in the Basque region, once belonged to the big boom areas which the Socialists launched in the early 1980s, at the beginning of their regime.

Spain, which has an unemployment rate of 24% (twice as high as France or Britain) has seen a pattern of strikes and other protest actions, some of them even supported by industry (as in Asturia), throughout the past 12 months, so that Prime Minister Felipe González's low public ratings don't come as any surprise. A majority of Spaniards would vote the Socialists out, if national elections were held right now.

## A paradox in Germany

Germany and Italy are the only countries where the government party did not lose votes, but gained. Chancellor Kohl's Christian Democratic Union (CDU) benefitted from the loss of votes on the part of the Social Democrats (SPD), as well as from losses by the liberal Free Democrats (FDP), who are no longer seated in the European Parliament. The FDP is the coalition partner of the CDU in the current government.

It might seem an overwhelming victory for Kohl, but that is not the case. Lyndon LaRouche, asked to comment on the election result in a June 15 radio interview with "EIR Talks," said, "I wouldn't make the mistake of assuming that Kohl is home free for the next elections on the basis of this result. . . . The collapse of the financial system, which is oncoming rapidly, is a great threat to Kohl in the next round."

The wave of spectacular collapses of industrial firms and financial institutions, combined with growing unemployment, stand in sharp contrast to the Kohl government's pronouncement that an immediate recovery of the economy lies ahead.

The protest in Germany against the economic decline did not send voters to the main opposition party, the SPD, but to the post-communist PDS and the ecologist Greens, which replaced the Free Democrats as the third-strongest party, with more than 10% (an increase of 2%).

This paradox, that Germans could have been expected to vote against Kohl's party but didn't, can be explained by the fact that, unlike in Britain or Spain, voters don't believe in the opposition as an alternative. The SPD does not give anyone the impression that it has an economic alternative to the present government. A significant percentage of German voters is no longer debating the pros and cons of the SPD, but is looking for other parties in the opposition; mostly this expresses itself as populism. It undermines the potential for forming the traditional kind of coalition government between one big and one small party, because no such combination will have enough votes for a parliamentary majority from now on.

This poses the threat of increasing ungovernability, as the Greens and the PDS, both being populist parties with no program that would be acceptable and appropriate for a modern industrial nation like Germany, can be expected to broaden their own voter base in the near future.

The ecologist Greens have been in the western states of Germany for 15 years, and the fact that the country's mainstream ideology now is environmentalism, in numerous colorations, worked to the benefit of the Green party on June 12.

In the eastern states of the country, the PDS, the "converted" former state party of the East German communist regime, managed to survive the collapse of the regime in late 1989 and consolidated its voter base in the five eastern states at a level above 15%, with recent trends pointing toward 20% and slightly beyond. The PDS was able to do so because of

the social effects of the deindustrialization policy of the Kohl government in Bonn, after German unification in 1990, which has led to a jobless rate in many eastern cities of 40-50%, and related to that, a rebellious ferment among voters there.

The PDS now has enough votes in the east to compensate for its weakness in the west; thus the party only narrowly missed the 5% threshold nationally on June 12 which is mandatory under German law for a seat in the national parliament. The PDS came out as the fourth-strongest party in the European Parliament elections with 4.7%, and it expects to broaden its voter base by mid-October and win 5% in the national elections then.

## What kind of Grand Coalition?

Another result of the June 12 elections in Germany is that the Free Democrats failed to re-enter the European Parliament, since they received only 4.2% of the vote. This has major implications for the next national elections: Throughout the entire postwar period, with the sole exception of 1957-61, when the Christian Democrats had an absolute majority of votes, the FDP has always been the minor coalition partner for governments led by either of the two big parties, the SPD or the CDU; the disappearance of the FDP into non-parliamentary status would imply either a combined "left-wing" majority of SPD, Greens, and PDS, or a "conservative" minority of the CDU, or—as a third and most likely option—a Grand Coalition of CDU and SPD.

The first such Grand Coalition was put in power in late 1966 and lasted through the economic recession of the late 1960s; both the CDU and the SPD have declared again and again in the past months that they want no new coalition of this type, except in case of a "national emergency."

With a large corporate collapse making headlines in Germany almost every other week, with banking and other scandals, increasing jobless figures, and a further decline of voters' preference for the SPD, that "national emergency" may well be there in October. If the option of a left-wing government does not come about for lack of SPD votes, there would be either a powerless minority government of the CDU, as the larger of the two big parties with an expected vote percentage of about 40%, or the aforementioned Grand Coalition of the SPD and CDU.

There has been a great deal of discussion in Germany about the latter option, but it was largely theoretical before June 12; now, after the European elections, it has turned into a much more concrete perspective.

A Grand Coalition could do much with a good economic policy, or could ruin everything with a bad one. Since Germany is the strongest economy on the European continent, and since Franco-German cooperation is essential for the effective functioning of the EU, the decisive battle to get out of the economic depression will take place in Germany, in the election campaign from now through mid-October.

## Zepp-LaRouche brings reality to election

by Ortrun Cramer

The victory of Germany's main governing party, the Christian Democratic Union, in the June 12 European Parliament election, was a pyrrhic one indeed. Chancellor Helmut Kohl's party should be alarmed about the fact that only 62% of the German electorate went to vote (a very low turnout by German standards), and of those, more than 8 million voted for parties such as the Greens, the former communist PDS, the right-wing Republikaner, or various kooky New Age groups (see preceding article).

Yet in this political environment, the voice of Helga Zepp-LaRouche and the Civil Rights Movement Solidarity (BBS) which she heads, introduced a much-needed dose of reality. Although the party's vote total was small (less than 1%), its impact was larger than the statistics would indicate. Four times, Mrs. LaRouche, the wife of U.S. statesman Lyndon LaRouche, appeared on German national television spots, where she addressed the reality of an immediate, unstoppable financial collapse in Germany: "Not only do we find ourselves in a global economic crisis, as we have warned for 20 years, but the final collapse of the financial system associated with the IMF [International Monetary Fund] and World Bank, has started." And further: "Speculation instead of production: This incompetent monetary economics has not only taken millions of work places, but the speculation has turned into a cancer, which is killing the patient—the real economy."

She reiterated the principal slogan of the BBS, "*Wir haben das Patentrezept!*"—"We have the cure-all prescription!" This slogan has created considerable turmoil in the political arena, since all other parties and leading industry spokesmen for years have hysterically denied that there is any such solution to the crisis.

### An international focus

On a poster which was put up on billboards in major cities and on smaller posters all over the country, Mrs. LaRouche appeared with African-American civil rights veteran Amelia Boynton Robinson. Mrs. Robinson came to Germany to campaign for almost six weeks, to support the party. Her presence was another element of reality injected into the elections, reflected in the fact that most her campaign events were well-attended, and several regional newspapers covered her



*Helga Zepp-LaRouche, leader of the Civil Rights Movement Solidarity: "We are the party of the future."*

presentations in favorable articles, with headlines like "Faith in Idea of Freedom" (*Zwickauer Tagblatt*) or "The Fight Has Not Yet Ended" (*Osterholzer Kreisblatt*).

Besides appealing to German voters to learn from the struggle of African-Americans for the right to vote, and not to throw away this precious instrument of policy-shaping, Mrs. Robinson supported the BBS's campaign to stop the United Nations depopulation conference, planned to take place in Cairo this September. This issue was the subject of a press conference held in Bonn on June 6, addressed by Mrs. LaRouche, Mrs. Robinson, and Moscow professor Dr. Taras Muranivsky.

Professor Muranivsky and Moscow civil rights activist Viktor Kuzin had been speaking at campaign events of the BBS, presenting the disastrous economic situation in Russia, and calling for implementation of Lyndon LaRouche's Paris-Vienna-Berlin "Productive Triangle" program for economic development of eastern Europe and the states of the former Soviet Union.

The next battleground will be the campaign for the Bundestag, the national parliament, with election day on Oct. 16. The BBS is now petitioning to run slates of candidates in at least eight states in Germany, and will continue to confront the public with the looming international financial crash. In her TV appearances, Mrs. LaRouche expressed confidence that this campaign will eventually succeed: "Vote for us; we are the party of the future."

## An Italian-style shakeup of the system

by Christine Bierre

The results in France of the June 12 European Parliament election indicate a great potential for rapid devolution of the French political scene on the model of Italy, where all the traditional parties of the postwar period have vanished, virtually overnight. In France, the two main established political groupings, the UDF/RPR right-wing majority and the Socialist Party, both ended up with very poor results, while two dissident groups, Bernard Tapie's Radical Energy List and The Other Europe of Philippe de Villiers and Sir Jimmy Goldsmith, made considerable breakthroughs.

If the UDF/RPR is the absolute winner, with 25.5% of the vote, one can hardly call that a victory, especially since that electoral alliance had been credited by public opinion polls with 45% at the beginning of the race. The Socialist Party fared even worse: Their 14.5% is the most catastrophic result they have ever gotten, and there is a real question now whether Michel Rocard will be able to remain chairman of the party.

If those parties deserve to be the victims of a citizenry more and more fed up with their inability to deal with the economic crisis, the new forces appearing on the scene are even worse than what they are replacing.

### **Bernard Tapie, a corrupt 'folk hero'**

Bernard Tapie is a variation on the Italian phenomenon of Silvio Berlusconi. Like the new Italian prime minister, Tapie is officially a "success story," having gone from childhood in France's poor suburbs to become a successful businessman. Tapie made his political career over the last few years, promoted by the Socialist Party. Two years ago, he held the post of Minister of the City in the national government, some six months before he had to resign in haste, just prior to his first indictment for corruption.

Tapie is one of the dirtiest individuals to have hit the political scene in a long time. He made his career in the 1970s as an asset stripper of the worst sort, buying up bankrupt companies for nothing, laying off personnel, restructuring and selling them for a bundle. Over the last couple of years, Tapie has had to face up to several indictments and legal investigations. After a first indictment accusing him of hav-

ing swindled a business partner of some 11 million francs, he now faces charges as head of the Marseille football team for corruption of players in an attempt to rig the game, as well as for embezzlement.

Why did he get 12.5% of the vote? After months of media lynching, Tapie comes across as a man tracked down by a system which is more and more hated by the population. Tapie, a kind of charismatic street fighter who has been fending off all attacks with incredible stamina, has become a kind of folk hero among workers, employees, and youth, drawing on sections of the population who no longer feel represented by the Socialist Party.

### **The Other Europe**

The 12.5% attained by The Other Europe slate was also very surprising. This was not a protest vote, but a very deliberate vote against the Maastricht Treaty that created the European Union. De Villiers and Goldsmith benefitted from under-the-table support from the anti-Maastricht Gaullists, such as Interior Minister Charles Pasqua, President of the National Assembly Philippe Séguin, and the head of the RPR parliamentary group, Bernard Pons. From that standpoint, the de Villiers vote is an expression of significant and well-justified discontent with a supranational Europe.

The problem, however, comes in with the personalities of both de Villiers and Goldsmith, as well as with the number-four man on the slate, "anti-corruption" judge Thierry Jean Pierre, a trio which has the potential of destroying the French Republic.

Goldsmith, a high-flying financier with dual citizenship in Britain and France, became popular by striking a very sensitive chord in France: the fight against supranational institutions such as the General Agreement on Tariffs and Trade (GATT) and the Maastricht Treaty. On this basis, he first won over Rural Coordination, a national movement of farmers which had strongly campaigned against GATT, and later on, Philippe de Villiers, a Republican Party deputy from the Vendée, a strongly Catholic region, who was well known as a champion of "values."

The solutions proposed by Goldsmith's group to these urgent problems, however, are totally wrong. They want to create a Fortress Europe and a Fortress France, stopping the flow of immigration. This, they claim hypocritically, would be sufficient to stop the drug plague—yet they know very well that it is banks and such financial interests in the North which benefit the most from that traffic.

Even worse is the bucolic oligarchism of both Goldsmith and de Villiers. In a recent book, *The Trap*, Goldsmith proposes a New Age dream. He attacks science and technology, in particular nuclear power, as the source of evil in society, and calls instead for a "society rich in villages, in artisans, in a multitude of small and medium companies . . . founded on local development rather than on urban concentration," and developing a "non-intensive agriculture." Sir Jimmy's para-

dise comes with its own brand of spirituality and sacred rituals, namely those of the Amerindian religions, and explicitly opposes the Judeo-Christian religions and the mandate of Genesis, that man should be fruitful, multiply, and subdue the Earth.

Unfortunately, the bucolic ideology of Sir Jimmy has found an echo in the worst tendencies of de Villiers's own "defense of the soil," and the racist, anti-immigrant mentality typical of those right-wing Catholic circles who joined ranks with Marshal Pétain, the premier of Vichy France, during World War II. Thanks to Sir Jimmy, de Villiers has now become as anti-nuclear as he.

### 'Clean Hands,' but dirty politics

As if this cocktail were not bad enough, add to it Judge Thierry Jean Pierre, who joined the slate with the specific purpose of using it to launch a "Clean Hands" campaign against alleged corruption in France and in Europe as a whole, along the lines of what was done in Italy already, for purposes which had nothing to do with "corruption," but everything to do with political blackmail. Jean Pierre's hand is behind some of the most important scandals hitting the government of President François Mitterrand over the past

few years.

It was he who leaked to the press his investigations on the Pelat affair, one of the main reasons for the suicide of former Prime Minister Pierre Bérégovoy. Jean Pierre has just published a *Black Book on Corruption* in France, targeting the two main public works companies, CGE and Lyonnaise des Eaux-Dumez, as being responsible for 80% of the political corruption in the country. No sooner had this been done, than the report made the front page of the *Wall Street Journal*, provoking massive selling out of those companies on the part of London and New York investors. In the meantime, the City of London was awash with rumors that two officials of those companies were soon to be indicted, a campaign which was considerably reenforced by the Hollinger Corp.'s *Sunday Telegraph* in London.

"Will France Be the New Italy?" asked the *Sunday Telegraph* even before the results of the election were known. France can still avoid such a fate, on condition that the country is steered, as Gen. Charles de Gaulle once steered it, away from a chauvinist "defense of the soil," and is given a mission to bring economic, scientific, and technological progress to the world, and in particular, to the poorer nations of the planet.

## What is the UNDP doing in your country?

It turns out that the United Nations Development Program (UNDP) has gone into the business of running elections in sovereign countries. Case in point: Malawi. On May 17, ninety-year-old President Kamuzu Banda stepped down from office after a 30-year dictatorship. Enclaved and isolated from the world, Banda ran Malawi as a regimented society where the Malawi Congress Party reigned supreme. In 1971, Banda declared himself President for Life. But the ending of apartheid in South Africa, the extreme poverty and economic dependence of Malawi, and Banda's own deteriorating health, culminated in forcing him to bow to pressure from donor countries who were conditioning their aid on the introduction of "democratic governance" and a "free-market economy."

In stepped the UNDP to dictate the change. In July 1993, a representative of the UNDP, Australian judge Michael Kirby, presided over a constitutional conference with financial assistance from Britain. A new constitution was drawn up, without even the participation of Malawi nationals! A "United Nations Election Assistance Secretariat" was set up in the capital, Lilongwe, with regional

offices in the north and south of the country.

Banda, however, insisted on organizing a referendum on the principle of a return to multi-party politics, in which the President's grouping garnered only 37% for retaining a one-party system. In his wounded pride, Banda wanted to prove through the referendum that he was not capitulating to international pressure but to the will of the people. Eight parties contested the May 17 elections with three presidential candidates—Banda of the Malawi Congress Party; Cakufwa Chihana, an exiled trade unionist backed by the U.S. AFL-CIO; and Bakili Muluzi, imprisoned secretary general of Banda's party, who later created the United Democratic Front. Muluzi, a Muslim from the south, won the elections, and Banda conceded defeat.

The election is now being openly used as a feather in the cap of the UNDP. UNDP administrator James Gustave Speth wrote a letter to the *New York Times* to say that the Malawi elections show "the bright side of the United Nations." The UNDP, he said, has "been involved in practically all steps of the elections. . . . The United Nations helped organize the Malawi elections, including provision of support for human rights reforms that have also found a place in the country's new constitution"—which of course the UNDP wrote!

Now, who's really running Malawi?

—Lawrence Eyong-Echaw



## Open skies for cocaine

*Peruvians are charging the U.S. with "defecting" from the war on drugs, and with pursuing legalization instead.*

**O**n May 30, the U.S. State Department abruptly announced that it had suspended all its support for the identification and interception of drug planes in Peru and Colombia through the withdrawal of U.S. surveillance planes and radar in those two countries. Implementation of the new policy had already begun on May 1.

The news hit like a bath of ice water on those two countries, which have relied heavily on the AWACS and radar as the key ingredient in anti-drug cooperation between the drug-producing countries and the leading drug-consuming country. "This unilateral and inexplicable decision affects the war against drug trafficking," said a high-level Colombian official the next day. "Every moment that the radars don't operate, the flights of the drug traffickers increase. . . . For 30 days, they have been freely coming and going, without any control."

Peru's political leaders and press fully agree that Washington's "open skies policy toward the drug trade" can only benefit the cartels. Influential Peruvian journalist Patricio Ricketts went even further, charging in his June 1 column in the daily *Expreso* that the United States had "defected" from the war on drugs. "After we have put up with years of accusatory insolence and minimal participation in the war on drugs, they open the skies to cocaine," Ricketts bitterly protested.

And in a June 3 column, Ricketts described as "unacceptable" the manner in which the United States had

informed Peru and Colombia of the suspension of its anti-drug cooperation, especially in view of the fact that "the decision was backed by an argument that we should reject. To insinuate that the identification and interception of drug planes might not be in agreement with U.S. and international law is stunning. . . . A new human right is born: that of the drug flight. Woe to the country which dares to ask a narco-plane where it comes from, where it is going, and what it carries."

The State Department has justified the withdrawal of its anti-drug collaboration with the argument that providing information to a state which might use that intelligence to shoot down a "civilian aircraft" (carrying drugs) is in violation of the 1944 Civil Aviation Agreement.

The truth behind this argument, wrote Ricketts, is that "the United States is moving toward the legalization of drugs. The incident of the radars is nothing more than a link in a long chain. But it is a very important one, because with it, the entire program is now evident to all." Ending this last level of U.S. anti-drug cooperation with the Andean nations also provided one more excuse to the would-be drug legalizers, who immediately surfaced to demand that Peru *officially* abandon its war on drugs.

For example, the daily *Expreso* on June 8 editorially proposed that, given that Peru cannot fight drugs singlehandedly and that the United States has deserted the fight, "it were better to begin to evaluate in coordi-

nation with the United States and the international community . . . the possibility of legalizing the drug trade."

The most hypocritical arguments against the war on drugs come from those who seek to smear its prosecutors with corruption charges, namely the police and defense forces. Such is the case with Hernando de Soto, the advocate of a black market economy. It is also the case with the anti-military Andean Commission of Jurists, which is linked to the "human rights" organization Americas Watch. Americas Watch gets money from international speculator George Soros, who is also a funder of the pro-legalization Drug Policy Foundation in the United States. One of Americas Watch's directors is Peter Ball, who is also a director of the pro-legalization and anti-military Inter-American Dialogue.

U.S. Assistant Secretary for Narcotics Affairs Robert Gelbard had declared on April 4, "Still worrisome is the fact that Peru's government is not trying drug traffickers . . . and the continued corruption of the Army in the [coca-growing] region of the Upper Huallaga Valley." On May 30, Peruvian Armed Forces commander Gen. Nicolás Hermoza denounced such charges as originating with "the real protectors of the drug trade," and added that "surely they seek to take away the moral force [of the Armed Forces] and give time to the narco-terrorists to regroup."

While the military authorities announced that the war on drugs would continue, the Peruvian Congress approved a contrary law on June 2, which ratifies the decriminalization of the "micro-trade" and "personal consumption" of drugs. Strangely enough, with the exception of the Ibero-American Solidarity Movement and a handful of journalists, nobody has protested.

# International Intelligence

---

## **Yeltsin calls for cutting Army troops**

"The Army should be more active in cutting the number of servicemen, I cannot understand their hesitation," Russian President Boris Yeltsin declared on June 10, in response to demands from the military that the defense budget be increased and that more money be allotted to help servicemen who are in an increasingly desperate economic plight.

Yeltsin insisted that "we cannot, society cannot, today maintain a 3 million-strong Army." This was the figure from Soviet times, but is not necessary in the Russia of today, Yeltsin said. Furthermore, he said it is "necessary to cut orders for military equipment."

Marshal Yevgeny Shaposhnikov, former head of the Community of Independent States (CIS) defense structure, issued an article warning that the combination of budget cuts and "regionalization" of Russian military operations could lead to an "explosion which can make the Army unmanageable."

As an indication of how serious things have become, Air Force pilots in the Russia Far East have yet to receive any pay in 1994, according to *Sovetsky Sakhalin* newspaper, as quoted by the *Aerospace Daily*. In protest, the wives of pilots set fires on runways. Air Force representatives sent out to deal with the protesters told them they could supplement their income with prostitution.

---

## **Salvadoran daily blasts phony democracy**

The Salvadoran newspaper *El Diario de Hoy* devoted an editorial in May to drawing the conclusion that the "pro-democracy" line used to justify U.S. policy toward Haiti is not only immoral and hypocritical, but constitutes support for radical movements across the continent.

The editorial pointed out that the U.S. justification for placing an embargo upon Haiti is to reinstall as President Jean-Ber-

trand Aristide, a man who is "mentally unstable, declares himself a Marxist, pledges to take away the property of the 'wealthy,' threatens to exterminate his opponents, and seeks an alliance with Castro." Military leader Gen. Raoul Cédras is not the ideal statesman, but is clearly the lesser evil, insisted *El Diario*, adding that "more frightening moral incongruences exist in this drama," such as the United States' readiness to smash the Haitian regime, but refusal to take on other dictatorships, ranging from Cuba to Egypt.

"A military attack on Haiti, like the embargo currently ongoing, seems designed to send a message to all of Ibero-America more than anything else. The support for Aristide is a kind of unwritten support for the extremist movements of the continent, not to fear taking power: Washington will back them come what may. . . .

"Electoral democracy is a means to an end: that of preserving the rule of law. If it does not, democracy becomes a potentially fatal masquerade, since elections become the instrument for destroying essential rights and liberties, as very probably occurred under Aristide. . . . No one should forget that Hitler and the Nazis came to power through free elections; if the German army had overthrown them, the U.S. would have hypothetically come to the Führer's defense. The absurdity is clear."

---

## **In memory of France's Gen. Revault d'Allonnes**

Gen. Jean-Gabriel Revault d'Allonnes, a companion of Gen. Charles de Gaulle in the wartime Resistance and a friend of Lyndon LaRouche and the political movement associated with him, passed away at the end of May and was buried in a military ceremony in his hometown of Pagny, France.

The general had fought in the Second Armored Division of General LeClerc during World War II. He joined the Resistance in the African campaign and participated later in the Syrian and Fezzan campaigns. He was part of the Normandy landing and

fought for the liberation of Paris. He was later involved in the Alsace and German campaigns. In peacetime, he served as military commander of the Antilles/Guyana military region when de Gaulle started building a military-civilian rocket launch site at Kourou, French Guyana.

The general was among the first military figures in France to recognize the importance of the Strategic Defense Initiative and to support LaRouche's SDI concept. At a time when most French military figures rejected the SDI in favor of a dogmatic defense of a nuclear deterrent policy, General Revault d'Allonnes showed them that Gaullism had nothing to do with clinging to old doctrines. On the contrary, Gaullism meant revolutionizing human practice according to new demands placed on it.

When Lyndon LaRouche was thrown in jail as a political prisoner of the Bush administration, the general agreed to head up the International Commission on Human Rights Violations in the United States.

---

## **Ibero-American leaders avoid pro-life resolution**

Argentine President Carlos Menem's proposal for a joint statement calling for the defense of human life from the moment of conception, "divided the 21 Ibero-American rulers assembled in Cartagena, Colombia at the Fourth Ibero-American Summit" which concluded on June 15, according to an AFP report published by the Dominican Republic daily *Hoy*. Menem's proposal was a response to the malthusian draft document of the U.N.'s Cairo '94 depopulation conference.

Menem had wanted the statement to be part of the Cartagena declaration. But, "the proposal was rejected by Spain's Prime Minister Felipe González, on the basis that the laws of his country forbade him from backing the statement." He was joined by Cuba's Fidel Castro, "who said that although none of the Presidents is opposed to the right to life, he could not support the declaration condemning abortion because it

is legal in his country, although he affirmed that his government strives to avoid it."

Taking the prize for cowardice, Portugal's Prime Minister Mario Soares urged that the subject "be left in the hands of the foreign ministers, for them to deal with it at the upcoming Cairo conference." Colombia's President César Gaviria, the host of the summit and incoming secretary general of the Organization of American States, came up with a compromise plan for drafting a separate document, so that those against abortion could sign it, without embarrassing the others.

## *China's Jiang names 19 new generals*

The Chinese Communist Party's Central Military Commission, chaired by head of state and Communist Party chief Jiang Zeming, has raised 19 officers to the rank of general, in the biggest promotion since the People's Liberation Army restored military ranks in 1988. The number of generals rose from 23 to 42.

The move shows "the political determination to bind the Army to the Communist Party, and that would indicate that Deng Xiaoping is not very well," said a European military expert in Beijing quoted by AFP.

In his speech, Jiang called on Army leaders to study the thought of Deng Xiaoping and "apply and uphold the party line to the letter." Jiang, Deng's successor apparently, recently made a statement justifying the Army's crushing of the 1989 pro-democracy movement.

Seven commanders of military regions and eight political commissars from four of the same regions are among the new generals, which makes the promotion more remarkable in terms of the posts held, than the total number of men promoted.

According to a new report by the London International Institute of Strategic Studies (IISS), China's total military expenditure is now the third largest in the world, if both unofficial and official figures are counted. Official Chinese military spending has

grown sharply in the past three years, and rose 25% to 52 billion yuan last year.

However, with the devaluation of the yuan, in international terms that means that official Chinese military spending is only \$6 billion—the same as it was in 1992 in dollar terms. That compares with official figures that year of \$300 billion for the United States, with less than one-quarter of the Chinese population; \$275 billion for the Community of Independent States; and \$30 billion for Japan, which does not officially have an army but only "self-defense" forces. China's Army has 3 million soldiers, meaning that expenditure per soldier is minuscule. However, expensive areas, including research and development and pensions, are not included in the official expenditure figures.

## *Arafat closes PLO offices in Tunis*

The beginning of a new era: Palestine Liberation Organization Chairman Yasser Arafat has ordered the formal closing of PLO headquarters in Tunis. The move is seen as preparation for his return to Jericho and the formal establishment of the Palestinian Authority in Gaza and Jericho.

The move coincides with the announcement that international donors will release \$42 million to the Palestinian Authority for the payment of startup costs and operating expenses of the self-governing authority.

This announcement was made in Paris, where the donors' committee, chaired by Jan Egeland, Norway's deputy foreign minister, met with the PLO. Nebil Shaath, who headed the PLO delegation, said the outcome was "better than expected" and that he hoped to see another \$35 million released in July. Uris Savir, a senior Israeli Foreign Ministry official who was also on hand, told the press that Israel "believes the Palestinian side has created the necessary conditions for progress." He added, "We need the economic ingredient to make the Palestinian Authority a success."

● **TEN ASIAN** countries agreed at a secret meeting in May not to interfere in each other's problems with separatist groups, said José Almonte, head of the National Intelligence Coordinating Agency in the Philippines, according to Reuters. He said they also talked about creating a regional common market. The countries are Indonesia, the Philippines, Malaysia, Singapore, Thailand, Brunei, Vietnam, Burma, Laos, and Cambodia.

● **FORMER U.N.** Secretary General Javier Pérez de Cuellar has declared that he will be a presidential candidate in Peru's 1995 elections. In a private meeting in Paris, he determined the composition of his presidential and parliamentary slates, whose members come from the ranks of the human rights lobby, drug legalization advocates, and narco-terrorist sympathizers.

● **SWEDEN** on June 7 became the third Scandinavian nation to legalize marriage between homosexual couples. The Swedish Riksdag (parliament) voted 171-141, with five abstentions, to accept the Registered Partnership Laws. Denmark legalized homosexual marriages in 1989, and Norway did so in 1993.

● **IRAQ**, "being one of the most potent Arab countries, must be reintegrated into the world community," said Hans Stercken, chairman of the German parliament's foreign relations committee, in a radio interview on June 9 after returning from talks in Baghdad. Stercken met with Saddam Hussein and other Iraqi leaders.

● **TAJIKISTAN'S** Deputy Defense Minister Ramazan Radjabov was assassinated on June 15, along with five soldiers travelling with him, when their car was ambushed by Islamist guerrillas.

## Terrorist upsurge threatens entire Western Hemisphere

by Dennis Small

Over the next four months between now and mid-October, a tidal wave of armed uprisings, ethnic chaos, and other forms of civil war is slated to sweep across the continent of Ibero-America. Unlike the Marxist guerrilla revolts of the 1960s and 1970s, this explosion will be centered in the largest nations in the region—Mexico, Brazil, Venezuela, and possibly Argentina—and will involve foreign-controlled indigenist and other peasant populations, in the main. It will resemble the bloody rampages of Peru's Shining Path narco-terrorists in their heyday of the early 1990s, only this time spread across the entire continent.

This probable upsurge poses a major national security threat to the United States, both because of its proximity to the U.S. border, and because it will sink the entire hemisphere into something akin to the horror now visited upon Bosnia. No house is safe when the entire neighborhood is going up in flames.

The groundwork for this planned, imminent explosion was laid by a decade of financial genocide at the hands of the International Monetary Fund and the area's creditor banks, which has left the Ibero-American population exhausted and desperate. Over that time period, banks and other financial institutions have looted well over a half-trillion dollars worth of tangible wealth from the region. Yet despite the fact that most of that wealth was exported supposedly to pay off Ibero-America's foreign debt, the debt actually *grew* instead by 100% from 1980 to 1993, from \$257 billion to \$513 billion.

This cancerous debt structure has now metastasized into new forms of derivatives and other speculation, which has only accelerated the looting, and hastened the onset of an explosion.

But at the same time, it may come as a shock to some readers that the U.S. State Department has adopted a specific policy of *backing* the Ibero-American revolts and armed insurrections. The State Department is doing so in the name of defending its own self-serving definition of "human rights" and "democracy." This insane policy agenda was foisted on the Clinton administration by British intelligence and its Washington offshoots, such as the Inter-American Dialogue, the Washington-based bankers' lobby which favors drug legalization and other New Age atrocities. Their broader objective is to spawn and use the chaos to bring about a paradigm shift in Ibero-America, away from its traditional Catholic outlook and in favor of a more "modern," New Age cultural matrix based on the degraded premises of the French Enlightenment. They are in the process of cementing such a paradigm shift in new constitutions drawn up especially for this purpose, with the 1991 Colombian Constitution the model now being held up for emulation in Mexico, Venezuela, Argentina, Uruguay, and elsewhere.

In the eyes of the proponents of this bankers' new world order, the urgency of achieving this transformation in fundamental values is underlined by the current popular outpouring of Ibero-American hostility to the global depopulation policy which is to be featured at the planned United Nations International Conference on Population and Development in Cairo, Egypt.

### It all started with Chiapas

The upcoming wave of armed narco-terrorism was irreversibly set into motion by the Jan. 1, 1994 Zapatista (EZLN) uprising in Chiapas, Mexico, and the response to it from

Washington policy circles. The Chiapas revolt changed the continent of Ibero-America permanently.

On that day, British intelligence gave the green light for their assets in anthropological and Catholic Theology of Liberation networks to launch an armed uprising in the southern state of Chiapas. Although the Mexican government and armed forces could have easily put down the revolt, as was their initial reaction, before the week was out, a heavy-handed international pressure campaign coming from Wall Street, the U.S. State Department, and diverse human rights organizations, forced the Mexican government to back off, and instead to promote a policy of negotiation and dialogue—with a bunch of *armed, hooded* outlaws!

The evidence of State Department support for the Zapatistas is incontrovertible. As early as Jan. 15, Assistant Secretary of State for Inter-American Affairs Alexander Watson admitted that Washington had *preemptively* threatened the Mexican government about purported violations of EZLN human rights. “It was not reacting to information. It was preemptive,” Watson bragged. And on March 10, Richard Feinberg, a former president of the Inter-American Dialogue currently on loan to the National Security Council as its Latin American director, confided that “the North American Free Trade Accord [NAFTA, among the United States, Mexico, and Canada] is too young to have affected [the insurgents] in Chiapas, but some of them are probably alive today because of its existence.” Curiously, this exact formulation was used in early June by EZLN Sub-commander Marcos, in an interview with *Vanity Fair* magazine, when he explained that the Mexican military was in a position several times during 1993 to wipe out his narco-terrorist army, but that the government of President Carlos Salinas de Gortari had pulled back each time for fear of adversely affecting the imminent U.S. congressional vote on NAFTA. You could say, said Marcos, that NAFTA saved the EZLN.

Under this international mantle of protection, the Zapatistas have not used the hiatus in the fighting since mid-January to negotiate and come to terms with the government; in fact, they just formally rejected a peace treaty which was the result of almost five months of negotiations. Instead, they have used the opportunity to consolidate their positions, further arm themselves, and spread their legions to other parts of Mexico, where they are reportedly now receiving substantial quantities of modern weapons, including AK-47 assault rifles. The stage is now set for a massive, Mexico-wide outbreak of narco-terrorist violence in the days leading up to the August presidential elections, and immediately afterwards.

Moreover, Mexico’s forced capitulation to the EZLN’s blackmail has sent a message across the continent: Armed insurrection works, and Washington will back you up. This message is now being read loud and clear, especially by the parties which make up the São Paulo Forum, an alliance of leftist and narco-terrorist parties from across Ibero-America which was set up with Fidel Castro’s sponsorship in 1990.

Add to this the current U.S. policy fiasco around Haiti. Here we have the case of the United States government, again on the urging of the Inter-American Dialogue crowd, among others, starving a tiny nation into submission and threatening to go to war against it, in order to impose a hated, narco-terrorist member of the São Paulo Forum—Jean-Bertrand Aristide—as its President, all in the name of “democracy.”

This, too, is being watched with smug satisfaction by the São Paulo Forum’s candidates for President in Mexico (Cauhtémoc Cárdenas of the PRD), Brazil (“Lula” da Silva of the PT), and elsewhere. “If the State Department will go to bat for Aristide,” they are thinking, “they’ll do it for me, too.”

If the State Department additionally proceeds to pressure other Ibero-American nations to deploy their military to join in a multinational invasion of Haiti, or even a post-invasion “peace-keeping force,” it will irreversibly shatter those countries’ armed forces. It is a little-known but crucial fact, that the Feb. 4, 1992 attempted coup against the corrupt President Carlos Andrés Pérez in Venezuela was triggered principally by his attempt to deploy the Venezuelan military to reinstate his pal Aristide in Haiti.

And when the Ibero-American militaries are shattered beyond recognition, then who will contain the coming armed uprisings? Will the British propose that Clinton send the Marines to half a dozen Ibero-American countries simultaneously?

### Coming chaos

As we document in the articles that follow, the volcanic rumblings in Mexico are mirrored by developments in Brazil and Venezuela, in particular. In the former, a radical terrorist grouping called the Landless Movement, or the MST, has broken onto the national political landscape over recent weeks, and threatens to spread violent land seizures across the country as part of the presidential campaign of the São Paulo Forum’s Luis Inacio “Lula” da Silva. “Lula” is currently the frontrunner for the October presidential elections in Brazil, and he recently traveled to the United States, where he received the blessing both of the State Department and of the Wall Street banking crowd.

Washington may think that it can control “Lula” and his movement, and that his leftist rhetoric will be only that; but they are seriously missing the point. Even if the bankers do manage to control “Lula,” the fact is that “Lula” does not control the PT, the MST, and so on. At best, he may control 10% of the party and related apparatus. The rest is run by the Theology of Liberation fanatics who abound in the Brazilian Catholic Church, under the control of such individuals as Cardinal Evaristo Arns of São Paulo, who is a close ally and collaborator of Mexico’s Zapatista Bishop Samuel Ruiz. And like Ruiz, they fully intend to sink Brazil and the entirety of Ibero-America into indigenist, ethnic civil war over the months immediately ahead.

# Will the Zapatistas go Mexico-wide?

by Carlos Cota Meza

Allegations in the Mexican press about large-scale arms smuggling point to an international plot to create a bloody civil war that will carve up Mexico.

The allegations appeared in the June 1 issue of the daily newspaper *El Financiero*. Citing government sources, the paper reported that Memorandum No. 6454, dated Feb. 8, 1994, from the Mexican Department of Defense to the Department of Interior, indicated that “a reliable source” had alerted the Mexican military attaché in Washington to an “imminent arrival of 2,000 AK-47 assault rifles, which would be sent from that country into national territory.” The shipment, according to the memorandum, was presumably part of “a larger shipment of nearly 20,000 of this kind of weapon, destined for the state of Guerrero.” The report notes cryptically that in Guerrero, “some events have occurred which allow us to presume the possibility that drug trafficking and other criminal activities are associated with the nascent subversion.”

The news provoked an uproar. On June 2, the Department of Defense issued a bulletin stating that ever since the early January uprising in the southern state of Chiapas, investigations into the illegal introduction of weapons into the country had increased. All such information on arms trafficking is thoroughly investigated, the Defense Department explained, adding that “on various occasions the investigation, as in this case, has turned up nothing.”

Despite the official denial on this specific case, an operation is indeed afoot to spark armed insurrections over a large part of the Mexican territory. Although the armed actions of the Zapatista National Liberation Army (EZLN) were suspended in mid-January, when the government of Mexico buckled under to international pressure and agreed to negotiate with the hooded rebels, the Zapatistas and their narco-terrorist allies have exploited the lull to extend and organize their influence nationally, to arm themselves, and to prepare actions for the upcoming election period in Mexico. Their leader, Sub-commander Marcos, threatened in a recent interview that if there is “fraud” in the presidential elections this August, “the armed struggle” will expand “to other states of the country.”

The state of Guerrero (see map) is particularly worrisome. Historically it has been plagued by drug trafficking, and also by guerrilla activities, such as the cases of Lucio Cabanás and Genaro Vásquez in the 1960s and 1970s. More recently, well-organized narco-terrorist activities similar to

those of the Zapatistas have been observed there. According to an Agence France Presse news wire, “in the first days of February, an entire guerrilla training camp was detected in Guerrero, where there were more than 20,000 automatic weapons, probably AK-47 rifles.”

To evaluate the potential for an outbreak of “Zapatismo” on a national scale in the coming months, it must be asked how the Zapatistas managed to get arms for the first round of their uprising. An article by Manuel Mejido, published in the Mexican daily *El Sol de México* in early February, provides some useful information on this. Using a simple arithmetic calculation, Mejido estimated that the EZLN struggle has cost around \$12 million so far. For starters, there are an estimated 2,000 guerrillas who are heavily armed, each outfitted with an AK-47 (which on the black market sells for about \$2,500), and an average of four grenades (each worth about \$300). Thus, one combatant is equipped at a cost of \$3,700, meaning that the 2,000 heavily armed men need about \$7.4 million to equip them. Mejido makes a rough calculation that an additional \$6 million was spent on munitions for the EZLN, which adds up to a total of over \$12 million.

Add to this the cost of feeding a total EZLN army of 12,000 or so, and you are talking about another \$1 million per month.

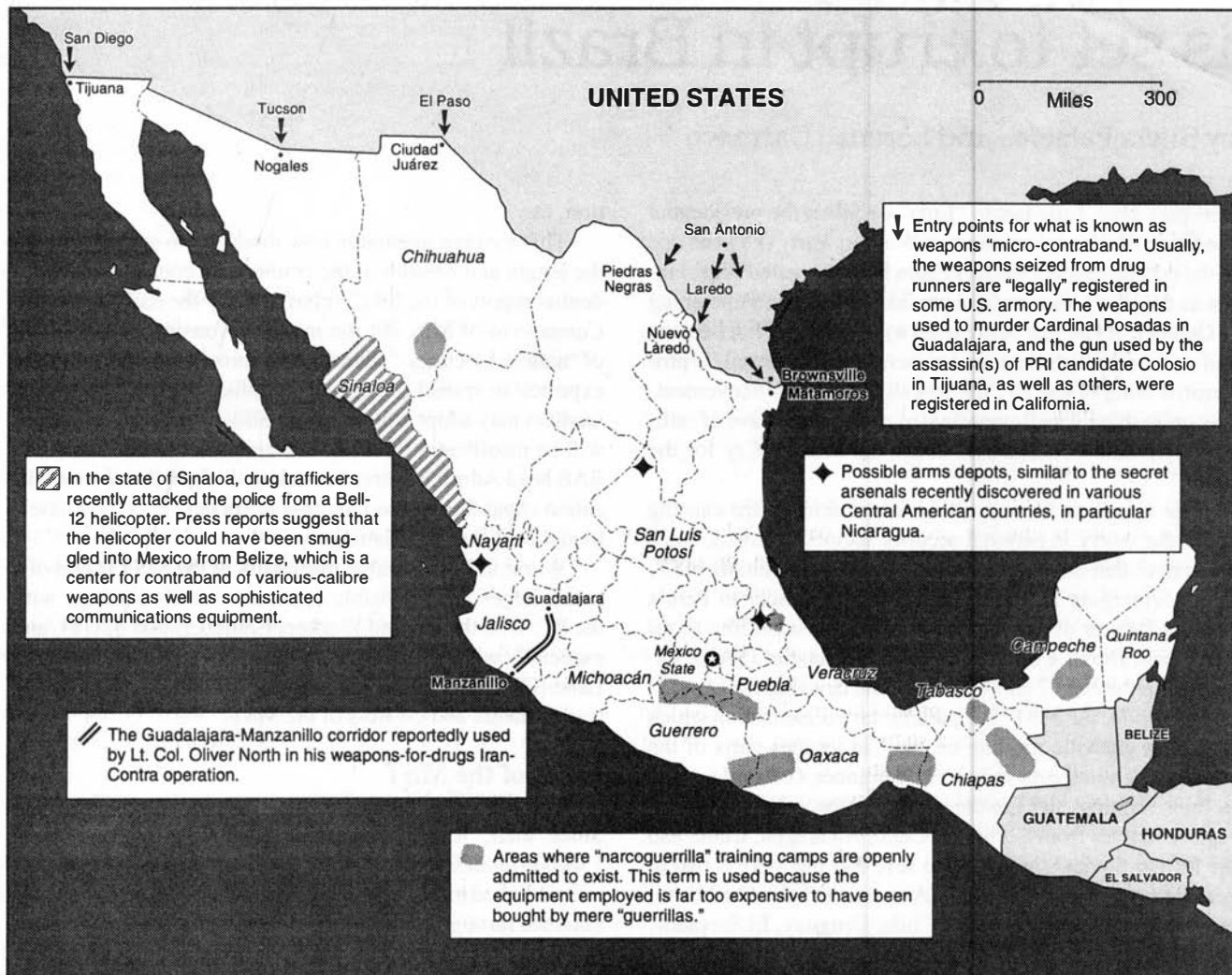
Which raises the obvious question: Where are the Zapatistas getting all this money from? Could it be from drug trafficking? Even the U.S. State Department is looking into that possibility, according to Crescencio Arcos, Assistant Secretary for Narcotics, Terrorism and International Crime.

## A Zapatista ‘Contra’

If that’s how things were in Chiapas in February, today they are worse. The bishop of Tuxtla Gutiérrez in Chiapas, Felipe Aguirre Franco, said in an interview with the newspaper *El Heraldo* on May 29 that official Army spokesmen reckon there are more than 10,000 insurgents in the Lacandona jungle of Chiapas: “3,000 without arms or in the training stage, 7,000 equipped with conventional arms, and 2,000 with sophisticated, high-powered weapons.” The prelate also charged that the creators of Zapatismo in Chiapas “hide behind the various human rights commissions—some of them, not all—and the non-governmental organizations, the NGOs, which were there in Los Altos de Chiapas mountains before Dec. 31.”

The alleged shipment of another 2,000 AK-47s, and of a possible lot of 20,000, would indicate that the problem has worsened by an order of magnitude—with hair-raising consequences for Mexico. Such an arms-smuggling operation involves millions of dollars and the shipment of several tons of cargo, which would have to originate from one of the new European republics, or from China, Vietnam, Korea, Iran, Cuba, Egypt, or Israel, among others, and then shipped from some European port to the United States, and from there to Mexico.

## The narcoterrorist weapons supply network in Mexico



Eduardo Valle, an expert and formerly anti-drug adviser to ex-attorney general Jorge Carpizo, noted that smuggling on that scale would have to involve "the large international arms-trafficking networks directly linked to intelligence agencies and, of course, in turn to the major drug-trafficking crime multinationals."

Valle wondered if this quantity of weapons would be distributed immediately in Veracruz, Michoacán, Mexico State, Oaxaca, and Nayarit, or if they would instead be warehoused for a while in the mountains of Puebla or in the ranches of the northern desert around San Luis Potosí. In all of these regions, it is known that drug-trafficking bands, kidnapping rings, Zapatista-style movements, and NGOs exist—all seeking the destruction of the Mexican state.

An operation of such magnitude has not been unleashed in Mexico since the end of 1988, when the Armed Forces

detected and seized a cargo of R-15 rifles and ammunition, plus various types of grenades and mortars, coming from Czechoslovakia. It was said at the time that the probable itinerary was from Veracruz on the Gulf of Mexico to Manzanillo on the Pacific coast. From there, they would be re-shipped to some port in Nicaragua as a part of the "equipment" being given to the Contra forces there.

None of this has ever been clarified. As CIA contract agent Terry Reed exposes in his book *Compromised*, Lt. Col. Oliver North's gang operated for at least two years (1986-87) in Mexico, using the Guadalajara-to-Manzanillo corridor as the base for transferring weapons and drugs in his famous Iran-Contra operations.

Events clearly show that we are not looking at so-called "micro-smuggling" of arms, but rather at the operations of one or more new Oliver Norths.

# A volcano of political violence is set to erupt in Brazil

by Silvia Palacios and Lorenzo Carrasco

This past May, Luis Inacio “Lula” da Silva, the presidential candidate of the neo-communist Workers Party (PT) and one of the coordinators of the São Paulo Forum, visited Washington as the likely victor of the presidential election upcoming in October. As he was being feted by myriad creditor bankers and other establishment spokesmen, back in Brazil, a pro-terrorist wing of the PT, the so-called Landless Movement, was unleashing a well-coordinated nationwide wave of military-style land occupations, under the motto: “Cry for the Earth.”

The Landless Movement’s violent actions are causing particular worry in national security sectors in Brazil, since they prove that this organization, known by its initials MST, is now emerging as an armed movement similar to Peru’s Shining Path or the Zapatistas in Mexico. According to reports from Brazil’s Strategic Affairs Secretariat (SAE), excerpted in the June 2 and 4 issues of the newspaper *O Estado de São Paulo*, the MST “is a paramilitary organization which possesses guerrilla training centers” in various parts of the country. “The reports indicate,” continues *O Estado*, “that in their training, the Landless rely on the collaboration of representatives from Germany, Chile, Nicaragua, Cuba, and the former Soviet Union. It also says that the MST is tied to peasant organizations in Latin America and the Caribbean, besides maintaining links with Chile, Uruguay, El Salvador, and Nicaragua.”

*O Estado* reports that “the document compares the MST to a paramilitary organization, with a primer on how to invade tracts of land, resist [efforts to eject them], and produce in the invaded zone in order to guarantee holding on to the land. The Executive Intelligence Service is specifically exposing the existence of two guerrilla training camps, one in Pernambuco, for invading the northeast region, and another in Santa Catarina, for those of the south.”

It is also reported that at one of the Landless encampments, the military police of São Paulo found “a booklet dated August 1987, on revolutionary methods of leadership. The text is attributed to the Sandinista movement in Nicaragua.”

According to the June 11 issue of the magazine *Veja*, part of the MST leadership was trained by the Cuban Communist Party. In the same report, *Veja* details the agenda that the MST has distributed among its affiliates and supporters, with the following holidays marked: the Cuban Revolution, Karl Marx’s birthday, the anniversaries of the deaths of terrorists Carlos Lamarca and Carlos Marighela, the Russian Revolu-

tion, etc.

This terrorist apparatus now threatens to spread through the length and breadth of the country. According to a confidential report of the SAE, referred to by the daily *Jornal do Commercio* of May 20, the matter is considered a question of “national security,” given that imminent new invasions are expected to spread the agrarian conflict, where “12 million landless may adopt violence as a political method,” and there will be insufficient forces of law and order to contain them. SAE head Admiral Flores has acknowledged that the mobilization capability of the Landless is greater, in certain cases, than that of the Brazilian Army.

Worse still, the visible machinery of the MST is part of a much larger semi-invisible apparatus which overlaps with the PT, with the Unified Workers Confederation (CUT), and especially with the networks of the Pastoral Movement of the Land (CPT) and of the Theology of Liberation, who are the true initiators and creators of the MST.

## Roots of the MST

The MST was created about 15 years ago by the CPT. Since then, it has succeeded in settling approximately 130,000 families on land which they occupied. These families remain linked to the organization, and its successes are always obtained through carefully planned and often violent land occupations. To that end, it has built up an intelligence infrastructure which enables it to know every detail, down to the legal status of each property, thereby anticipating possible responses by the owners and the government, etc. For example, at the present time, it holds some 91 occupied encampments nationwide, accommodating about 20,000 families who are ensnared by the hope of further land appropriations.

In the words of one of the MST’s most important leaders, Gilmar Mauro, they are doing everything to “prepare the hearts and minds to resist the police. That is why we prepare them for at least one year of hard living before getting the land.”

The MST traps miserably poor peasants in its nets, by making the subsistence of their families dependent upon the land occupations. This turns them into ideal instruments for unleashing a virtual caste war—poor against rich, landless against landed, peasants against farmers—fed by the generalized impoverishment that afflicts the nation and keeps 60 million Brazilians in a state of extreme misery.

The MST’s potential for insurrection is causing grave con-



cern not only because of the fragility of police services, but especially because of the state's flagging security intelligence capabilities, which were dismantled during the two years of President Collor de Mello's corrupt government, allowing the unchecked proliferation of these subversive groups. Even Collor de Mello's Navy Minister Adm. Mario Cesar Flores, today the head of the Strategic Affairs Secretariat (SAE), joined the ranks of the gullible who parroted the myth of the "end of the Cold War" in order to justify the takedown of the state's intelligence apparatus. The admiral went so far as to propose that Brazil cede its sovereignty to become a part of the global order—a position which led him to establish closer ties with political elements of the Workers Party.

It is for this reason that the MST's startling growth took government authorities by surprise, especially the SAE, which is now hurriedly trying to learn to play fireman just as the countryside is about to burst into flames.

### The MST's godfather

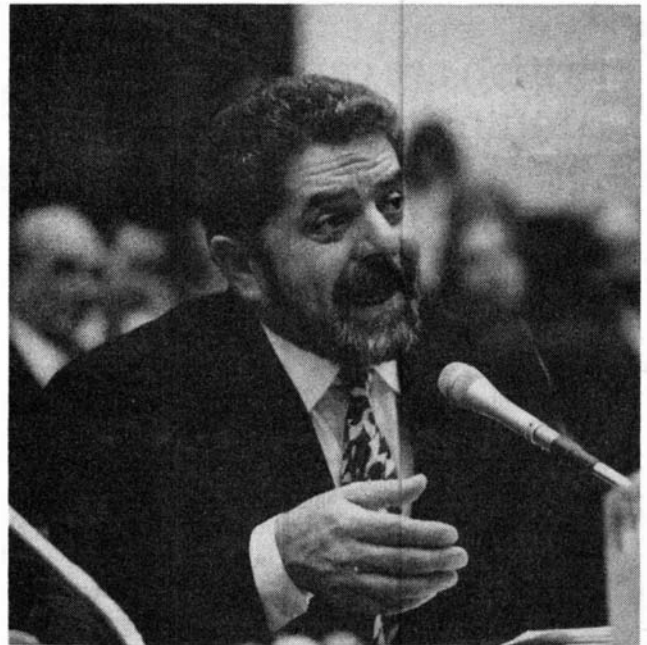
The MST's godfather, the Pastoral Movement of the Land (CPT), uses the MST as its political arm. In its capacity as official agency of the National Bishops Conference of Brazil (CNBB), the CPT cannot directly identify or take sides in conflicts (though the public proclamations of several liberationist bishops are well-known). The CPT supplies political justification for the MST to dedicate itself to land occupations, with the argument that "the state is the active agent of violence in the countryside."

The links between the MST and the Theology of Liberation are close and obvious. The MST's main offices, for instance, are located in a building provided by the São Paulo diocese, under Cardinal Paulo Evaristo Arns, the chaplain of the Ibero-American terrorist network gathered under the umbrella of the São Paulo Forum.

The CPT's membership includes the *crème de la crème* of the Theology of Liberation, such as the Basque bishop of São Felix of Araguaia, Don Pedro Casaldaliga, who is closely linked to the terrorist Central American network controlled by Fidel Castro, whom Casaldaliga calls his "elder brother, first comrade, Patriarch of the Greater Fatherland," *ad nauseam*. Don Casaldaliga is also intimately tied to Mexican Bishop Samuel Ruiz, not only through their mutual love affair with Fidel Castro, but also through the methods of the MST, which Don Samuel used to forge the Zapatista National Liberation Army (EZLN) of which he is the unofficial "Comandante Uno."

### British manipulation

Through the CPT, the MST is tied to several international entities which are enemies of Brazil's sovereign interests. In 1991, the British organization Right Livelihood Foundation (RLF) gave an "alternative" Nobel Prize to the CPT; the same award was given to Brazil's former ecology minister José Lutzenberger—an unbalanced ecologist who is considered to be one of the gurus of the equally afflicted Prince Charles,



Luís Inácio "Lula" da Silva during a visit to Washington.

heir to the British throne. The RLF is part of the Gaia Foundation, which was created to spread the theology of the New Age based on the pagan belief in Gaia (Mother Earth), and which counts among its ranks several of the more notorious members of British nobility.

The CPT and the whole apparatus that surrounds it, is also closely related to London's Catholic Institute for International Relations (CIIR), which coordinates operations worldwide for the Theology of Liberation. The CIIR was founded in the postwar period, in the same initiative that also launched the World Council of Churches, with which it maintains close ties in the latter's Geneva headquarters. One of the CIIR's founders was Lady Barbara Ward Jackson, who is known for having introduced the bacillus of pagan environmentalism into nominally Catholic circles. Ward is also a prominent member of the International Institute for Environment and Development (IIED), headed and financed by the multinationals' Robert O. Anderson of Arco and Tiny Rowland of Lonrho. The CIIR's leaders identify Gustavo Gutiérrez (founder of Liberation Theology), Leonardo Boff, and Cardinal Paulo Evaristo Arns as their models.

In 1992, Cardinal Basil Hume of London, who is part of the CIIR network, awarded Father Ricardo Rezende, a spokesman of the CPT, the medal of the Anti-Slavery International (ASI), a group which, under the cloak of fighting slavery, actually promotes supranational interventions against targeted nations. Founded in 1787 and self-described as "one of the oldest human rights organizations," the ASI includes various of Britain's most renowned oligarchical families, such as Wilberforce and Buxton.

This international clique founded the so-called Brazil Network, with headquarters in London and Washington, so

## British are caught running terrorism

New evidence documenting the role of British intelligence in *directing*, hands-on, the combined narco-terrorist and so-called “indigenous” separatist assault upon the nations of Ibero-America has been uncovered by this news service. The two specific British intelligence operations presented in this package—London’s Anti-Slavery International (ASI) involvement with the Brazilian Workers Party’s terrorist arm, the Landless Movement, and the Canadian-centered indigenous support operation—which threaten the integrity of several nation-states as well as the hemispheric order, bear immediate investigation and action by national security and intelligence forces in the region.

Their goal is not to eliminate slavery or poverty, but rather to eliminate sovereignty. “Sovereignty, once achieved, dies hard,” ASI board member Lord Archer of Sandwell complained at the ASI’s annual meeting in 1992. But “one battle which is already won is the recognition in principle that the sovereignty of a government does not extend to a right to ignore the international consensus.” The next step, he said, is to enforce sanctions against governments that step out of line. A former chairman of the Parliamentary Group for World Government and of Amnesty International in Britain, and 12-year member of the Executive Committee of the Fabian Society, the proletarian Lord Archer exemplifies the oligarchs seeking world government deploying these fraudulent “humanitarian” concerns.

Take the case of the most recent operation launched by the Canadian government’s International Research Development Center (IRDC). Organizers of a Second International Encounter of the First Indigenous Nations of the

Americas announced that the IRDC will finance the creation of a computer communications network linking “indigenous” activists in Brazil, Ecuador, Mexico, Peru, Colombia, Guatemala, and Canada, according to *O Estado de São Paulo* of June 5. The computer network is scheduled to be operational within four months, and will allow Indian separatist activists to coordinate human rights campaigns, investigations, and joint projects against their respective national governments.

Given the well-documented role of foreign anthropologists in directing virtually every single “indigenous” separatist movement around the globe, the new supranational computer network clearly represents a potential capability for espionage and destabilization.

Canada’s IRDC had provided \$50,000 for the Second Encounter, held in early June in the Amazon jungle village of Poianaua, in Acre, Brazil, organizers reported, and they will now finance, set up, and train personnel for the new computer link-up project.

### Sustainable indigenous genocide

The central organizing role of the IRDC in this network demonstrates once again how the international indigenous rights movement is not indigenous at all, but rather is financed and run by British intelligence’s United Nations apparatus, which seeks to deploy native populations as cannon-fodder in its ongoing war to establish a malthusian world dictatorship under the aegis of the United Nations.

The IRDC, founded by the Canadian Parliament in 1970 as an official aid agency, functions as the Western Hemisphere branch of British intelligence’s Institute for Development Studies (IDS) at Sussex University, the latter set up in the 1960s as an informal continuation of the old British Colonial Office. Sussex institute founder Paul Streeten, for example, played a leading role in drafting

as to better coordinate the efforts of the leading non-governmental organizations (NGOs) such as Amnesty International, Survival International, Oxfam, World Wildlife Fund, Greenpeace, and Friends of the Earth. All of these groups are determined to limit Brazilian sovereignty through the pretext of environmentalist, indigenist, and human rights “causes.” In the United States, Brazil Network was founded with the aid of Franciscan groups, and “its first general meeting took place in the headquarters of the American Friends Service Committee in Philadelphia, in June 1987,” according to its own propaganda.

On Sept. 30-Oct. 1, 1989, in Sheffield, England, the Brazil Network and the CIIR jointly sponsored a symposium on “Amazonia: Whose Environment, Whose Struggle?” The symposium’s declared purpose was to organize an interna-

tional federation to supervise the campaigns to nullify Brazil’s sovereign control over the Amazon, supposedly because of environmental concerns, but actually for the purpose of seizing the Amazon for looting by raw materials multinationals.

The Brazilian subsidiary of the Brazil Network is the Institute of Socio-Economic Studies (INESC), which receives funding from several international foundations. The INESC serves as a lobby for those same international interests within the Brazilian Congress, while at the same time serving as an information and coordination vehicle for the NGOs tied into the Network.

Apart from the international financing of the Anglo-American foundations, the CPT, the MST, and the Unified Workers Confederation of the PT all receive abundant funds from the Misereor and Caritas foundations.

the just-released 1994 U.N. Development Program (UNDP) *Human Development Report 1994*, which outlines the project for world dictatorship.

Since its founding, the IRDC has played a central role in the United Nations' international intelligence and control operations. One of its founders was the former head of the U.N. Environmental Program (UNEP), raving malthusian Maurice Strong, who in 1992 chaired the U.N. Conference on Environment and Development, (Eco '92) in Rio de Janeiro. Rio '92's concluding document, Agenda 21, outlined a program to shut down industrial and scientific development globally. In 1984, the IRDC set up a Third World Network of environmental and anti-development non-governmental organizations (NGOs), to pressure national governments into participating in the malthusian Rio '92 summit; today, the IRDC has been given responsibility by the Canadian government for implementing Agenda 21 globally. The IRDC proudly proclaims that it is dedicated to imposing "sustainable development"—a fraudulent construct which their own publications proclaim was created to eradicate developing nations' commitment to "economic growth and prosperity."

It is only as they can be used to further this agenda that the IRDC is interested in the fate of impoverished native communities in the Americas. As far as the IRDC is concerned, native communities must be kept in miserable backwardness. A recent IRDC publication argued that "traditional environmental knowledge (TEK)," that is, "folk ecology," must be promoted worldwide, because "TEK challenges western science's foundation in the Judeo-Christian belief in humanity's dominance over nature," and promoted "shamanism," that is, pagan "ritual performances, myths and world views" as a better "political and religious technique for managing societies." Likewise, Indian children should be denied the right to "institutionalized childhood education."—*Gretchen Small*

## The bloody Gaia cult

What unites the ancestral British families with the Theology of Liberation movements, especially the MST, is their shared worship of the pagan Mother Earth goddess. It is to Gaia that the biggest propagandist of the Theology of Liberation, former priest Leonardo Boff, offers his most fervent allegiance. In the process of becoming a convert to the New Age, Boff elaborated an interpretation of his beliefs which identifies the "land-community" with Gaia.

For the MST and the CPT, as well as for the innumerable "base communities" linked to them, the key to their victorious insurrection lies in their ability to "spiritualize the land." They view the land as "a mystery" in the religious sense, and for them, "to free the land is to create a space for God to act in this world." With this thoroughly anti-Christian view—in

which the mystery of Christ is supplanted by the "mystery of Gaia," and the Catholic Church is replaced by the "land-community"—this apparatus celebrates its rituals of indoctrination and finds justification for acts of violence.

As a part of this, some priest always seems to be available in the vicinity of MST-occupied tracts, ready to offer a Marxist interpretation of the Bible. It is also common for the MST ranks to recite verses dedicated to agrarian reform, some of them written by Don Casaldaliga, and others by Frei Betto, compiled in the book *Liberation Psalms and Prayers*. The Uruguayan magazine *Tierra Amiga* explained the occupation method: "The settlements have their own schools, and the teachers come from among the settlers. They receive specialized information from various NGOs linked to popular education methods, and apply the pedagogy of Paulo Freire, the noted author of *Pedagogy of the Oppressed*."

## Lula's terrorist links

Although the candidate of Theology of Liberation, "Lula" da Silva, dishonestly denies any links between his PT party and these pro-terrorist movements, they are evident and many. The MST recently became a part of the so-called Peoples' Movements Confederation, in which the PT's labor branch, the CUT, also participates. The confederation was founded in 1993 for the purpose of seizing power, channelling the fury of the most impoverished sectors of the population. The confederation includes a series of informal groupings which constitute the cultural effluvia of the New Age—feminism, indigenism, ecologism, etc.—which are the intended shock troops for bringing "Ayatollah Lula" to power.

Lula's spiritual adviser Frei Betto had the following to say about it: "The peoples' movements began to proliferate in Brazil starting in 1970. Their strength today is notable, when one sees how it is that certain parties succeed in electing so many congressmen and mayors and, even more, head up the race for the presidency of the republic in 1994. However, those who think there is a political party behind each movement, are wrong. More frequently, one finds the churches, the NGOs."

At the same time, the MST acts in coordination with other entities which follow the PT's general policy orientation, without necessarily being an organic part of the party, such as the CPT and the Missionary Council (CIMI). The MST, together with the CIMI, the CUT, and other indigenous, black, etc. organizations, also form part of the "500 Years of Resistance People's Peasant and Indian Movement," which was created to decry the evangelization of America, whose fifth centenary was celebrated in 1992.

Thus, the MST's mentors have placed themselves in the privileged position that, regardless of whether Lula wins or loses, the conditions will exist for provoking social conflagrations that could destroy what's left of Brazil's fragile institutional framework. At the same time, the MST's actions prefigure the likely future dynamic of a PT government, whereby each sector of the party will tend to resolve their internal disputes through the violent deployment of their own constituencies.

# Left-right pincer is forcing Venezuela into civil war

by Alejandro Peña Esclusa

Not since the bloody civil wars of the last century, has Venezuela been so close to a mass bloodletting. Everything is on the verge of explosion, and it could happen before the year is out.

The scenario: Venezuela's international creditor banks pressure President Rafael Caldera's government to bend to the demands of the International Monetary Fund (IMF) and impose austerity. Leftist groups—some of them armed, like those behind Col. Hugo Chávez (see box) and the Radical Cause party—as well as corrupt sectors linked to former President Carlos Andrés Pérez (CAP), organize a “popular uprising” to protest the IMF package. The Armed Forces repress the disorder. A sector of young military officers, seeing no third option between neo-liberalism (“savage capitalism”) and the Marxists, join the latter, thereby splitting the Armed Forces. Sectors of the Catholic Church linked to the Theology of Liberation follow the example of Bishop Samuel Ruiz in Chiapas and join the uprising. The country is plunged into civil war.

## The pincer's left arm

On Feb. 4, 1992, all of Venezuela applauded the military coup headed by Colonel Chávez against the country's most despised President, Carlos Andrés Pérez. Although the coup failed, the pressures continued with the “pots and pans” protest of March 10 and the second failed coup attempt of Nov. 27, ending with CAP eventually being booted from office.

But a short time later, Chávez demonstrated that he was no alternative. In a televised interview from jail with journalist José Vicente Rangel, Chávez declared that his model for political strategic thinking was the Italian communist ideologue Antonio Gramsci. As his model for the kind of state he desires, he offered the theories of the Darwinian sociologist Max Weber, author of the fraudulent tract *The Protestant Ethic and the Spirit of Capitalism*.

Many Chávez well-wishers explained afterwards that Chávez had in fact never read those authors, didn't know what he was talking about, and had only quoted them in order to sound erudite. That may well be true; but Chávez suddenly began to appear surrounded by some of the most dangerous elements of the radical left and by Castroite ideologues such as Domingo Alberto Rangel.

In a recent two-part interview appearing in the daily *Ultimas Noticias* of Jan. 31 and Feb. 1, Chávez spoke of Fidel Castro in the following terms: “I deeply respect the achievements, especially the social ones, of the Cuban Revolution; we may have differences of focus with its leader Fidel Castro . . . but independent of any difference . . . we recognize that this man made history and represents a reference point in America.”

This is no mere courtesy, since Chávez also says in the interview that “I believe that Marxism as a science—because it is a science that goes beyond questions of political intent, as a means of analyzing reality and prospects for the future—continues to be valid, as do all the political currents that exist and have existed throughout the centuries.”

Chávez doesn't hide his sympathies for the Mexican Zapatistas who staged an insurrection this past January in the southern Mexican state of Chiapas: “What is happening in Mexico is a rediscovery of our roots. To return to Zapata is to return to [Venezuelan peasant revolutionary Ezequiel] Zamora, to the roots of America, to Tupac Amaru, to Guai-caipuro, Tamanaco, to the Indians who fought to rescue the lands that belonged to them more than 10,000 years ago.” Chávez knows, or ought to know, that the “indigenist” movements like the Zapatistas are manipulated by forces linked to British intelligence whose sole purpose is the balkanization of Ibero-America.

In the magazine *Zeta* of Feb. 1994, Chávez returns to the issue of the Zapatistas and Chiapas: “Without trying to offer the ultimate analysis of this development, so important for the future of Latin America, I nonetheless find certain similarities to the Feb. 4, 1992 insurrection in Venezuela.” Chávez explains that “Saying ‘Emiliano Zapata’ in Mexico is like saying ‘Ezequiel Zamora’ in Venezuela, both leaders of agrarian and peasant revolutions. It is thus that an ideology is no longer a simple system of ideas, but becomes instead the motor that drives the people's action against servitude.”

## Chávez and Radical Cause

Chávez's “people's action” is indeed no mere “system of ideas.” According to *El Nacional's* Nov. 13, 1992 issue, Lt. Raúl Alvarez Bracamonte, who stole a cache of weapons from a military installation on March 1, 1992, said that “Col.

## Hugo Chávez's pseudo-Zamora

Former Col. Hugo Chávez Frías tells the story that in 1975, shortly after he graduated from the Military Academy with the rank of first lieutenant, "Hunting in the headquarters library [at Fort Taware], I came upon *El Libro [The Book]*. Surely some curious officer had left it there among various U.S. military pamphlets and publications and a few booklets on Marxist-Leninist theory and guerrilla tactics. That night, I again read the master [Federico] Brito Figueroa (we had previously read him in the Military Academy when we studied 'the insurrections of the Negro slaves in Venezuela's colonial society'), this time in the fascinating pages of his *The Times of Ezequiel Zamora*. From then on, it became my most important book" (reported in *Ultimas Noticias*, May 16, 1993).

Chávez's bigger-than-life image of Zamora is the concoction of Brito Figueroa, who is currently an official in the offices of the the mayor of Caracas, Radical Cause party member Aristóbulo Isturiz. In reality, Zamora was a rather insignificant figure, molded ideologically by Leocadio Guzmán, the leader of Jacobin liberalism in the mid-19th century. Zamora went on to lead several Jacobin uprisings, before his death during the Federal War of 1859-63.

Brito Figueroa's pseudo-Zamora was one of many such socialist-realist figures created by Marxists who were being financed by the old Latin America Institute of the Soviet Academy of Sciences. In his essay *Ezequiel Zamora and Venezuela's History of Militancy*, Brito Figue-

roa constantly repeats that "our interpretation [of 19th-century Venezuelan history], which we once again reaffirm, coincides with that of Soviet historian Anatoli Shulgosky."

For Shulgosky, and therefore also for Brito, Zamora's 1846 uprising in defense of the candidacy of Leocadio Guzmán is the Venezuelan expression of the "struggle of the peasants sent by Pugachov," or the model of Emiliano Zapata in Mexico.

That was a time when in reality, the intellectual leader of the anti-liberal opposition, Fermin Toro, had already written his brilliant work in which he demonstrated that usury is responsible for all of society's ills. With his proposal for a society of solidarity based on the principles of the social doctrine of the Catholic Church, Toro was the antithesis of Guzmán.

For Shulgosky and Brito Figueroa, Venezuela's Federal War, the bloodiest of the last century after its war of independence, was simply a war between the wealthy and the exploited—a class struggle. The truth is that the Federal War wasn't in defense of federalism, but rather was a Jacobin uprising against the Toro's constitutional program. Even Guzmán as an old man admitted that had the Toro's program for the 1859 constitution been called a "federalist" program, the liberals would have raised the banner of centralism.

The first victim of that bloody war was Zamora himself. The tragedy was that the federalist victory brought Leocadio's son to power, the autocrat Antonio Guzmán Blanco, who made corruption a form of government. From then on, official liberal historiography simply removed all mention of Fermin Toro's anti-usury program.—David Ramonet

Hugo Chávez Frías gave the weapons stolen from Fort Tiuna to Congressman Pablo Medina, of the Radical Cause party." Alvarez Bracamonte belonged to Chávez's Bolivarian Revolutionary Movement (MBR).

According to a military intelligence report published on June 12, 1994 by *El Nacional*, Chávez began his political activities by putting distance between himself and Radical Cause. That separation was, and is, fictitious. Members of Radical Cause greeted Chávez in Charallave (a town on the outskirts of Caracas), and accompanied him in all of his tour activities there. The report adds that "Hugo Chávez Frías seeks to advance his strategy for power by trying to channel all accumulated discontent, especially among the poorest sectors, into insurrection."

Radical Cause belongs to a narco-terrorist organization controlled by Fidel Castro, known as the São Paulo Forum, to which the Cuban Communist Party and numerous Latin

American guerrilla groups also belong. The main parties in the Forum are all intimately linked to the gigantic arms depot discovered in Nicaragua in late 1993, along with detailed plans for kidnappings and other terrorist actions.

Rear Adm. Hernán Grüber Odremán, leader of the Nov. 27, 1992 uprising against CAP, wrote in a letter to Chávez and published in his book *The Military Insurrection of Nov. 27, 1992*: "By the way, Chávez, we are firmly convinced that it is inappropriate to arm civilians. Weapons are for the military." In clear reference to Chávez's project, Grüber reprimanded him: "We cannot adopt extremist or ultra ideas as our own, because we are certain that they contradict Venezuelan nature."

### The pincer's right arm

On June 1, *El Universal* reported that Defense Minister Gen. Rafael Montero Revette told the Defense Commission

of the House of Deputies that “leftist, rightist, and centrist groups are involved in a plan to destabilize the democratic system.” Days earlier, Interior Minister Ramón Escovar Salóm had said the same thing, in a veiled reference to CAP and his network.

The former ousted President has every reason to want to destabilize the government. President Caldera’s “war cry” has been the fight against corruption in Venezuela, and everyone knows that CAP has been the epicenter of that corruption. Today, CAP is being held in El Junguito prison in Caracas on charges of embezzlement, and he would not look unfavorably on a change that would free him from jail and restore him to political power.

The Cisneros Group, closely linked to CAP, also has reasons for wanting to destabilize the government. Stemming from the government takeover of the Banco Latino, an arrest warrant was issued against Ricardo Cisneros for robbery, fraud, and conspiracy. Former bank directors, such as Siro Fébres Cordero and Gustavo Gómez López, have publicly stated that the real controllers of the bank, as well as the primary beneficiaries of its soft credits, were the brothers Ricardo and Gustavo Cisneros. There is already a popular petition for the assets of the Cisneros Group to be seized, to cover the bank’s losses. The Cisneroses fear that Dr. Caldera could order this measure. In early June, *Zeta* implied that Gustavo Cisneros was using his television channel to feed the destabilization process.

The Cisneroses are self-declared neoliberals, but they also have their connections to the left. *EIR*’s book *Narcotráfico, S.A.* (the Spanish-language edition of *Dope, Inc.*), which was banned in Venezuela as the result of Gustavo Cisneros’s efforts, details the links of the Cisneros Group to Fidel Castro. In February, when the Venezuela Labor Party (PLV), which supports the arguments presented in *Narcotráfico S.A.*, denounced Radical Cause for its links to the São Paulo Forum, the leaders of the latter party found refuge with Cisneros’s television channel, which they used to attack the PLV.

Despite his formal ousting from the Democratic Action (AD) party, CAP still controls important sections of the AD, particularly in the powerful labor sector which is capable of organizing strikes and demonstrations like those which only recently rocked Venezuela, and which, leftist provocateurs will surely seek to infiltrate and sow chaos and violence. CAP’s links to Fidel Castro, who campaigned for CAP in the 1988 elections and was the first to express his support for CAP after the 1992 coup attempts, is a matter of public record.

Unfortunately, Venezuela’s current government has committed serious errors which are being used against it. For example, instead of embargoing the assets of the owners of such collapsed banks as Banco Latino, in order to guarantee reimbursement to bank depositors, the government allocated 700 billion bolivars—more than half the national budget—to bail out those banks. This, in turn, has caused a dramatic

hike in the inflation rate, which can only increase the chances of mass rebellion. In every strike and demonstration, the same complaint can be heard: “There is money for the corrupt ones of Latino, but no money for our petitions.”

### Venezuela’s ‘emerging bankers’

Various commentaries in both the national and international press have suggested that the group of bankers who enriched themselves under CAP’s protection (the so-called “emerging bankers”) and who allied with the centers of international financial power, are threatening President Caldera with a coup d’état to force him to embrace CAP’s deal with the IMF and to avoid or prevent implementation of nationalist measures that would protect the economy from disintegration and chaos.

Banker José Alvarez Stelling, partner of “emerging banker” Orlando Castro (who has been identified as Radical Cause’s principal financier), spoke on June 2 at the conference series “How to Have Confidence in Venezuela,” organized by the Alvarez-owned Consolidated Cultural Center. Alvarez complained that the emerging bankers are being blamed for the crisis afflicting Venezuela’s financial system. “If we respond to the financial crisis by turning the banks and the bankers into the targets of public enmity, confidence in the currency will be undermined, causing runs against our reserves which will make the macroeconomic adjustments the country has ahead of it that much more difficult to carry out,” said Alvarez. That same day, the bolivar, which had already been dropping in its value against the dollar, fell to 170 to the dollar.

But what has truly thrown fuel on the fire is the attitude of the international forces linked to the creditor banks and the IMF. An article written by Richard Freeman and published by *EIR* (June 3, 1994, p. 24), documents the efforts of the international banks to “slam the Venezuelan economy” and try to “put Caldera up against the wall.”

On June 1, Prof. Rüdiger Dornbush, adviser to the IMF, World Bank, and United Nations, traveled to Venezuela and threatened that if President Caldera does not apply the IMF’s draconian austerity prescriptions, “the crisis will worsen until the moment is reached in which a [Argentine President Carlos] Menem, a [Peruvian President Alberto] Fujimori, or perhaps someone very improbable, will impose stabilization in the most radical way possible.” In other words, if President Caldera doesn’t do it, “someone else” will surface to displace the President and impose IMF dictates by force. This is the most direct threat that has been issued so far against President Caldera. Dornbush was invited to address a series of forums organized by the Venezuelan-American Chamber of Commerce (Venancham). Two days later, U.S. Deputy Secretary of State Strobe Talbott completed Dornbush’s threat, saying that if the government did not deepen the measures of “economic opening” begun by CAP, the country would fall outside the sphere of U.S. “economic cooperation.”

# Why U.N. plans for world government must be stopped

a new special report from  
*Executive Intelligence Review*

with authoritative case studies of Iraq, Cambodia, El Salvador, Somalia, and the former Yugoslavia

- 240 pages
- maps
- charts
- illustrations



read the plan of the one-worlders in their own words

**\$250**

Make checks payable to:

**EIR** News Service, Inc.  
P.O. Box 17390 Washington, D.C. 20041-0390

## North candidacy is a test for the nation

by Ed and Nancy Spannaus

President George Bush's flunkey Oliver North has emerged as the front-runner in the Virginia U.S. Senate elections, following the June 14 Democratic primary and deadline for the filing of independent candidates. The outcome of North's candidacy will have major consequences for the political direction of the United States. Can a proven drug-runner, masquerading as a patriot representing "family values," get elected to the U.S. Senate?

The line-up for the Virginia seat begins with incumbent Sen. Charles Robb, who won the Democratic primary with 58% of a dismal 9% of the electorate voting. He is joined by independent candidates from both the Democratic and Republican parties: former Gov. L. Douglas Wilder on the Democratic side, and former Attorney General Marshall Coleman on the Republican side. While Wilder reserved his final declaration of candidacy until June 18, he filed double the necessary petition signatures, and is expected to go ahead.

Under these conditions, the section of the Republican Party which nominated North, over the opposition of former Reagan budget director James Miller, arguably commands the strongest base for any candidate in the state. In addition, North has a massive national base which has been cultivated under the ruse of his "victimization" by the special prosecutor in the Iran-Contra affair.

But North's popularity could evaporate in a flash if his real history as a drug-runner and operative in Bush's secret government mafia were publicized. In fact, North felt compelled to respond to charges from LaRouche Democrat Nancy Spannaus, who ran in the Virginia primary, claiming that they were "balderdash." This shows a sensitivity that could be effectively exploited, if North's opponents were willing to take on his true criminal record.

### Texas revelations

North's role in bringing planeloads of cocaine into the United States as part of the arms-supply operation to the Nicaraguan Contras in the mid-1980s, was never pursued by Congress or the special prosecutor. But the evidence on the public record is extensive, and devastating.

The most documented source is the Kerry Committee report, released in December 1988. The report concluded that "there was substantial evidence of drug smuggling through the war zones on the part of the individual Contras, Contra pilots, mercenaries who worked with the Contras, and the Contra supporters throughout the region." Investigator Jack Blum found that cocaine was brought into the United States by the "planeload."

There are additional sources of information readily available. One is the set of North's notebooks, in the public domain due to his trial on the more trivial charges of lying to Congress and receiving illegal gratuities. The other is a whole group of individuals in the intelligence community who were involved in the secret government operations, or in covering them up.

One of these individuals, Celerino "Cele" Castillo, has just gone public. His story has been published in a monthly magazine with a 10,000-copy circulation, the *Texas Observer*. Celerino, who was the Drug Enforcement Administration's main agent in El Salvador during the years 1985 to 1991, told authors Dennis Bernstein and Howard Levine that "a huge drug- and gun-smuggling operation . . . was run out of the Ilopango military airport by the 'North Network' and the CIA."

Castillo told journalists that he and his agents observed both cocaine and drug money being run out of Ilopango's hangars 4 and 5—both of which were owned and operated by the CIA and North's right-hand man, Felix Rodriguez (a.k.a. Max Gomez). Castillo wrote a memo in February 1989 to the U.S. attaché in



Guatemala, which identified more than two dozen known drug smugglers who worked out of those hangars. One was Carlos Alberto Amador; another was Walter "Wally" Grasheim, who was documented as a cocaine and arms smuggler.

Castillo made more than one effort to inform authorities of the illegal drug-trafficking which he had observed. In addition to his written report, he provided verbal reports to the ambassador to El Salvador, Edwin Corr; to FBI agent Mike Foster, who was working with Special Prosecutor Lawrence Walsh; and to Vice President George Bush himself.

Castillo told the *Observer* that he spoke directly to Bush at a cocktail party in Guatemala City on Jan. 14, 1986. After Castillo had detailed North's operation, Bush "shook my hand and he walked away," Castillo said.

This is not surprising since, as outlined in National Security Decision Directives 2 and 3, Vice President George Bush was in charge of the secret government apparatus which ran the Contra supply operation, and for which White House National Security Council aide Oliver North was the point man.

### Will it be exposed?

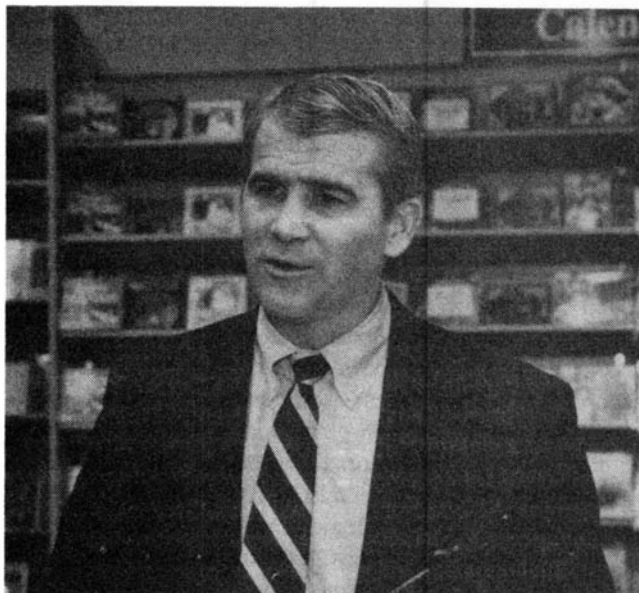
The *Texas Observer* story was picked up as a front-page item in the Charlottesville, Virginia *Daily Progress* on June 11, and was cited by Virginia's Lt. Gov. Donald Beyer, Jr. in a speech that same day. But, otherwise, the exposure of North's drug-running has been left to the LaRouche wing of the Democratic Party.

The coverup is coming from both Republicans and Democrats. On the Republican side, televangelist Pat Robertson is playing a crucial role in burying North's responsibility for the drug-running, even as he attempts to use the Contra operation as a weapon against President Clinton. Robertson's use of serious moral issues in his pursuit of making money, has built himself a large following in the nation among many citizens who are genuinely appalled by the destruction of family values. Revelations about how North embraced communists, drug-runners, and other advocates of free trade, would likely shatter Robertson's efforts on North's behalf.

Nor is it at all clear that North himself could remain cool in the face of the truth coming out. His history contains numerous examples of his going off the deep end under psychological stress.

More surprising is that the Democratic Party has yet to pick up on North's involvement in drugs as part of its arsenal against a formidable opponent. Sources have reported to *EIR* that Senator Robb will avoid this line of attack altogether. Indeed, the senator's public statements have consistently stressed his intention to confront his opponents on various social issues, from "reproductive rights" to "gay rights" and more traditional forms of human rights.

The LaRouche wing of the Democratic Party has committed itself to pursue the attack, of course. Candidate Spannaus has announced her intention to form a political action committee that will spearhead the campaign against North's



*Oliver North, the front-runner in the Virginia senatorial campaign. Have we reached the point that a proven drug-runner can be elected to the U.S. Senate?*

crimes, ranging from his drug running, to his illegal activities as part of the parallel secret government which was run by Vice President Bush. One of the targets of those activities was the prosecution of Lyndon LaRouche and his associates, who vigorously opposed the Contra operation at the time.

### Democratic Party values

It will take more than a negative campaign for the Democratic Party of Virginia (and nationally) to avoid disintegration. Democrats came back to the party to elect President Clinton *despite* their disgust with the party's agenda for gay rights and other radical anti-family positions. If the Democrats, including Robb, do not abandon Republican-style economic policies, they are likely to find their base eroding even more rapidly.

Democratic activists with long memories recall when the party stood for something very different. They remember the Democratic Party of Franklin D. Roosevelt and John F. Kennedy, which, for all its faults, stood for government action in favor of scientific and industrial progress. Today, the only place they find a continuation of such policies is in the LaRouche wing of the party. For this reason, certain sections of the party which have previously campaigned for ejecting LaRouche Democrats, are now eager to include the former pariahs—if only to ensure that the necessary ideas of reindustrialization are discussed.

There is no question but that a realignment of U.S. politics is under way—as the splits and chaos in Virginia's Senate race dramatize. Whether any of these parties will represent the American System values which the nation requires, is still an open question at this point.

## ARGUS head Bryant faces charges

A federal grand jury in Washington, D.C. has indicted hunt country millionaire J.C. Herbert Bryant, Jr. of Middleburg, Virginia on charges of impersonating a federal officer, possessing a hand gun in the District of Columbia without a license, and making false statements to a federal official.

Bryant, who calls himself a "major general," was the founder of ARGUS (Armored Response Group U.S.) with Loudoun County Sheriff John Isom. Through ARGUS, Bryant purchased military equipment, which he made available to the Loudoun County Sheriff's office. Some of this equipment was used in the notorious Oct. 6, 1986 armed raid in Leesburg in which an intended assassination of Lyndon H. LaRouche was thwarted only at the last moment. Through ARGUS, Isom provided Bryant with law enforcement credentials and access to Sheriff's Department computers and communications equipment. Bryant, in turn, took Isom and other top brass from the Sheriff's Department on hunting trips in Mississippi and feted them at his Middleburg estate.

Bryant was also a leader in the U.S. Marshals' Association, a private booster group for the U.S. Marshals Service. At one time, he was given a special deputy Marshal's badge even though he was not a sworn law enforcement officer. Bryant was forced to give up his badge after the FBI began investigating the Loudoun County Sheriff's office and its

ties to ARGUS.

Bryant becomes the latest member of the "Get LaRouche" task force to be indicted or convicted for criminal conduct. On June 3, former Loudoun County Sheriff's Lt. Donald L. Moore pleaded guilty to felony charges for his involvement in a 1992 kidnapping of a D.C. woman. Last year, Galen Kelly, a self-styled "deprogrammer" for the Cult Awareness Network, was convicted and sentenced to seven-and-one-half years in prison for his role in the same kidnapping.

The indictment stems from an incident in September 1992 when Bryant was stopped in front of the Mayflower Hotel in Washington, D.C. when Israeli security forces, who were protecting visiting Israeli diplomats, called the police. The police found three 9 mm handguns, a .44 caliber handgun, and a .22 caliber handgun in the car. Bryant avoided arrest by telling police he was a special deputy U.S. Marshal. A deputy U.S. Marshal was sent to the scene and Bryant was released.

After learning Bryant had lied to them, D.C. police filed misdemeanor weapons charges against him but were unable to extradite him from Virginia to D.C.

While a fugitive from the D.C. gun charges, Bryant was given an award by the Marshals' Association at a dinner in Los Angeles attended by U.S. Marshals head Henry Hudson. Hudson had previously been the U.S. Attorney for the Eastern District of Virginia, where he was in charge of the frame-up prosecution of LaRouche. During that investigation, government prosecutors and investigators under Hudson's direction engaged in illegal "black bag jobs," illegal wire-taps, witness tampering, instigating a fraudulent bankruptcy proceeding, and other violations of the law.



*Collaborators of the "Get LaRouche" task force: Virginia hunt country moneybags J.C. Herbert Bryant (right), who is now under federal indictment, and Loudoun County, Virginia Sheriff John Isom. Will Isom's be the next head on the chopping block?*

# Single-payer health care plan is no solution to medical crisis

by Linda Everett

Among the plethora of health care reform proposals inundating Washington, the single-payer, Canadian-style health care plan is one of the least known. Originally proposed by Rep. Jim McDermott (D-Wash.)—and Paul D. Wellstone (D-Minn.) in the Senate—H.R. 1200 has over 91 co-sponsors in the House. A slightly altered version (H.R. 3960) was introduced into the House Education and Labor subcommittee on Labor Management by Rep. George Miller (D-Calif.) in March. The bill would replace the health insurance industry with the federal government as the sole provider of health insurance for Americans, although insurers could still be utilized as fiscal intermediaries or administrators of the national program.

It's obvious why the health insurance industry doesn't care for this bill. And, since insurers are providing representatives of the media with honoraria into the tens of thousands of dollars for speaking engagements on health care reform, it's no wonder the media failed to notice that the McDermott-Miller bill passed by voice vote in the subcommittee on June 9 and will now go before the full committee. But despite the media blackout, a movement for establishing single-payer plans on the state level has erupted among health care providers over the recent months, almost as a backlash against the horrors inflicted by the insurance industry's managed care takeover.

In April, over 112 House Democrats sent a letter to President Clinton asking that he retain a provision in his reform plan to allow states to establish their own single-payer systems. It was later reported that the President said he would sign the single-payer plan if Congress passed it. Advocates of the Canadian-style approach see it as the answer to the managed care menace and to the inadequate health policies of the status quo. But that's not likely to be the case.

According to McDermott, the American Health Security Act would provide the most generous health care benefit package among the reform proposals, including preventive care, hospital services, prescription drugs, and substance abuse and mental health benefits for every citizen and lawful resident alien, no matter where they live or work. H.R. 3960 would shift the approximately \$100 billion now wasted on paperwork and administration of the country's more than 1,500 different health insurance policies into the expanded

delivery of health care services. Under the plan, 85% of health care would be federally financed, based mainly on revenues from an 8.4% payroll tax on employers with more than 75 full-time employees earning more than \$24,000 a year, a 4% payroll tax on employers with less than 75 full-time employees earning less than \$24,000 a year, a 2.1% employee payroll tax, a 2.1% non-wage/non-salary income tax, a \$2 per pack tax on cigarettes, and a 50% excise tax on handgun ammunition.

The original bill's levy of a \$65 a month premium for long-term care/health insurance on elderly citizens caused concern among the American Association of Retired Persons. Under the amended provision, payment for home- or community-based long-term care services are subject to a co-insurance fee of 20%. Social Security cost-of-living increases were factored into the 35% co-insurance fee required of elderly citizens for nursing home services.

## Unsustainable health care

McDermott boasts that a fundamental component of H.R. 3960 is its "enforceable cost-containment mechanisms," or global budgets, which are set by a single financing agency, the American Health Security Standards Board. Under the bill, the national health care budget would be *arbitrarily* limited to the prior year's health expenditures plus an increase in step with changes in the Gross Domestic Product. In other words, instead of evaluating what is needed to reestablish public health standards in a country faced with a crumbling public hospital and health care infrastructure, and faced with full-blown epidemics of the AIDS virus, tuberculosis, and hosts of new communicable diseases, this bill, like most reform efforts, ties the delivery of health care to our depression-level budget. You could call it "sustainable" health care. Only those health care services that the shrinking budget provides for are allowed. The federal global health budget would be divided into quality assessment, professional education, administrative, and operating components.

The American Health Security Standards Board, whose six members would be selected by the President, would allocate funds to the states based on a national average per capita cost of covered services, adjusted for differences in state costs, demographics, and the population's health sta-

tus. Individual states would plan their own program and allocate funds among providers according to the state's needs. States would negotiate fees annually with hospitals, community health centers, and doctors, who must accept fees as payment in full. They cannot bill patients beyond the negotiated fee.

The plan is highly decentralized, allowing states to almost exclusively administer their own programs as long as they meet federal qualifications and guarantee individuals free choice of private fee-for-service physician or health maintenance organization (HMO). This last provision is indicative of the single-payer advocates' fierce opposition to forced participation in HMOs and other managed care plans, which deny patients free choice of doctors and which heavily influence doctors to restrict patient services. The bill's focus on free choice of doctors is a marked departure from reform proposals built on managed care or managed competition formulas which allow insurance companies or HMO cartels to dictate how and when treatment or specialist referrals are allowed beyond the assumed guarantee of primary or preventive care benefits.

But all this focus on "choice" is deceptive, because nearly every aspect of health care delivery would be dictated under this bill by five different federal boards overseeing everything, including national and state funding levels, cost containment, benefits, approved prescription drugs, state programs, medical education, and medical practice guidelines. Should systematic reviews of physicians' practice patterns reveal that doctors are compromising care, such "outliers," as they are called, face "reeducation." There are a score of professional, technical, and temporary advisory committees operating on national and state levels as well.

Nevertheless, it is lawful that health care providers and patients alike would endorse a single-payer system, especially given the insurance cartel's ruthless takeover of medical delivery systems. Consider California's experience, where for-profit HMOs and managed care groups contract with the state to deliver health care services for the uninsured population. The HMOs essentially lied about their ability to provide services. They signed up large numbers of patients but few physicians, and never bothered to provide indigent families with a single doctor visit. The families were forced to obtain care at hospital emergency rooms. In effect, the state paid twice for their care! Insurers such as Blue Cross of California manage to wring nearly 30% in profits and administration costs out of their managed care plans, while enforcing totalitarian "utilization review" over doctors' medical care decisions in order to cut their costs of delivering services. California is expected to approve a voters' initiative on the November ballot to establish a single-payer health care system in the state.

Several states have also launched campaigns for single-payer plans. An example is Tennessee's new managed care system for the poor and uninsured, called TennCare. Ac-

ording to Larry Gage, president of the National Association of Public Hospitals, managed care organizations and insurers who contracted for TennCare beneficiaries engaged in illegal marketing practices to enroll large numbers of patients quickly. Prospective enrollees were offered life insurance policies and secured credit cards as inducements. Agents were paid on commission, new enrollees were given turkeys, hams, and even cash for signing up. The more patients they enrolled, the more profits and control for the HMO or managed care organization—while hospitals and doctors are being reimbursed at only 40% of their costs. While the public hospitals and facilities dedicated to providing the public health needs of the poorest population are forced out of existence, insurers rework the delivery of health care to their own ends.

### **The Canadian model**

But the single-payer plan would wipe out all utilization review programs except the federal government's. Will the delivery of medical care defined by the nation's plummeting economy be any different? Consider Canada's single-payer system, where the federal government used to fund about 40% of the cost of the basic package of services for its 10 provinces. But eroding tax revenues have radically reduced Canada's budget for the provinces to about 25%, forcing hospital closings, cuts in services and hospital beds, and long waiting lists. In March, the Quebec government mandated that the province must, by law, reduce the total employment level of their health system by 12.6% within two years. The directive called for a 20% reduction in executives and a 12% reduction of employees—an overall reduction of 21,000 full-time jobs, or 12.6% of the total employment level of the health care system of the province.

Last year, one survey found that residents in all 10 provinces wait at least two months for hospital procedures. The average wait for hip replacement in Manitoba is more than a year. In Prince Edward Island, it takes 27 weeks just to see an ophthalmologist. In Ontario, ophthalmology patients wait 4.3-51 weeks; elective orthopedic surgery patients wait 8.5-51 weeks. Patients needing cardiac bypass surgery wait a year, which forced the British Columbia government to contract with Washington State hospitals to perform the surgery on 200 Canadians—demonstrating how the United States is covering for the Canadian system. The number of patients waiting for procedures is also increasing, while the total number of operations performed has decreased. In 1967, patients on hospital waiting lists in British Columbia exceeded 12,000; by 1992, it was 32,671. Besides such rationing of services, triage of elderly and cancer patients is increasingly the rule.

Are well-intentioned supporters of the single-payer plan willing to shut down whole wards or operating rooms when the budget runs out, as hospitals now do in Canada? The solution lies in expanding our tax base, not collapsing health care to whatever the budget can "sustain."

## Letters to the Editor

### *Don't be defensive about Rostenkowski*

I was glad to see that the *EIR* editorial of June 10 took up the issue of parrying the attack on Congressman Dan Rostenkowski—and, more importantly, on representative government in America—that has been launched by the one-world “Bush league” apparatus that still runs a huge chunk of Washington. But I sure do wish that your defense were a whole lot less defensive.

There is no need for any extended discussion of the legal ins and outs of the Rostenkowski case per se, or of the inequities of the federal plea bargaining system, with which the bulk of the editorial was occupied. And conversely, the two real issues in the affair were either underemphasized or omitted altogether.

First, there exists a well-defined “neo-conservative” machine which has operated for years to eliminate the merest potentiality of an obstacle to the New World Order—for example, an elected leader exhibiting the effrontery of listening to his constituents be-

fore curtsying to the London-Wall Street crowd—on charges real or imagined. The fact that the wholly, provably innocent Lyndon LaRouche was so targeted is the critical-experimental demonstration that the alleged malfeasances have nothing to do with the legal witchhunt. Instead of meekly suggesting that we should let Congressman Rostenkowski have his day in court, *EIR* would do better to shout out: That evil apparatus must be broken up!

Second, what was completely left out of the cited piece is by far the most important aspect of Rosty-gate and its innumerable predecessor-scandals: the massive, repeated conditioning of the U.S. population to the point where the average American literally cannot comprehend politics except in soap-opera terms. Point out to Joe Blow that the Bush-Thatcher blockade of Iraq (tragically, continued thus far by the Clinton administration) has killed over 1 million people in that agonized nation long after its military defeat, and he shrugs his shoulders. . . .

Ahh, but whisper into Mr. Blow's ear that a local politician is rumored to have slept with some floozie, and suddenly, his

eyes open wide as he soaks in every juicy detail. Inform him that a Dan Rostenkowski has been charged with pilfering postage stamps—or worse, using the wrong zip code and thus tying up the entire mail system—and watch the veins virtually pop out of his neck, as he launches into his litany on “corrupt politicians.”

Poor Joe Blow is in no position to appreciate the howling irony that the one-world gangsters—mass murderers, dope overlords, and satanic enemies of western civilization—are the same forces running the legal frame-up operations that regularly bring down their potential adversaries on charges that are the political equivalent of jaywalking. No, I do not condone jaywalking. But I do believe most strongly that the editorial missed a golden opportunity to show the American people how they've been jerked around on this garbage—maybe to even get them to laugh at themselves—rather than simply soothing their media-fed impotent rage.

Sincerely,  
Doug Mallouk

## Stop the cult of 'political correctness'

### The Libertarian Conspiracy To Destroy America's Schools

**EIR** SPECIAL REPORT

152 pages

\$250



Under the banner of “political correctness,” the public school curriculum has been rewritten to eliminate real education, in favor of infantilism and hedonism.

Our report documents how the National Education Association worked over decades to implement this “reform.”

Many opponents of such kookery in the schools have fought rearguard battles, but have failed to stem the tide of “political correctness.” Not only did they fail to understand the enemy fully; they also lacked a real alternative. Our report features Lyndon LaRouche's proposal for a classical education curriculum, including reviving the concepts of the Humboldt education reform in 19th-century Germany.

High-quality public education is essential for a republic, and is the right of every child.

**EIR News Service**

P.O. Box 17390, Washington, D.C.  
20041-0390

## Sanctions against North Korea urged by House

The House urged sanctions against North Korea if Pyongyang does not allow inspection of its nuclear program, and urged the rescheduling of U.S.-South Korea "Team Spirit" war games, in a non-binding "sense of the Congress" resolution approved on June 8 by a vote of 415-1. The war games were suspended in an effort to win North Korean agreement to nuclear inspections.

Gerald Solomon (R-N.Y.) urged the House to act quickly, before the issue of sanctions were taken up by U.N. Security Council. Washington's U.N. Ambassador Madeleine Albright said on June 7 that she was negotiating a sanctions resolution for U.N. consideration.

Republican calls for action against North Korea are becoming louder. In hearings before a House Foreign Affairs subcommittee on June 9, the State Department's point man on Korea, Robert Gallucci, said the U.N. Security Council would need considerable time to work out possible sanctions against Pyongyang and that he could not predict whether China would agree to sanctions.

Jim Leach (R-Iowa), demanding "punishment" against North Korea, said: "We are operating a policy as if we can stop a crime being committed, but it is clear that a crime is under way."

## Rostenkowski vows to fight indictment

Rep. Dan Rostenkowski (D-Ill.), the former chairman of the House Ways and Means Committee, under indictment on "corruption" charges, has rejected any plea agreement and vowed to fight the charges and "wash away the mud that has been spattered" on

his reputation. At a press conference following a hearing before U.S. District Judge Norma Holloway in Washington on June 10, Rostenkowski said, "Talk is cheap" and "allegations come easy. . . . I will fight and I will prevail."

Rostenkowski's lawyer, Dan Webb, called the charges "completely overblown." Webb noted that the indictment "raises some grave and serious constitutional concerns. . . . Who determines what are official expenditures? We will examine that."

Rostenkowski is charged with defrauding the government of over \$500,000 by keeping employees on the payroll who did little or no official work, and misusing funds from the House Post Office. Because of the indictment, Rostenkowski was forced to temporarily step down from the chairmanship of the Ways and Means Committee.

## Health care bill passes first hurdle

The Senate Labor and Human Resources Committee, in the first step toward some sort of health care package, on June 9 approved a bill guaranteeing health insurance for all Americans. The bill's author, committee chairman Edward Kennedy (D-Mass.), hailed its passage as "the opportunity of a generation."

The vote was 11-6, with one Republican, Jim Jeffords (Vt.), crossing party lines to back the measure. "There was a lot of pressure for me to vote against this bill, and a lot of pressure for me to vote for it," said Jeffords, who plans to team up with other moderates to try to nudge the bill toward the center when it reaches the full Senate.

Republicans rejected the bill as too regulatory and too costly. They

found particularly objectionable the requirement that businesses pay 80% of workers' insurance, and a cost control measure that would set limits on insurance prices if they continue to rise too rapidly.

Daniel Moynihan (D-N.Y.), chairman of the Senate Finance Committee, unveiled his version of a health care bill which would raise the 24¢ federal cigarette tax to \$2 a pack and boost handgun ammunition taxes in order to finance health care.

Five committees are trying to write major health bills, and all have faced months of delays because of ideological and partisan conflicts as well as more mundane technical problems with budget data.

Kennedy said he hoped to get Republican support for a health bill this summer, after his bill is blended with whatever proposal comes out of the Finance panel. "We're looking forward to continue working with the Finance Committee, the majority leader, and the House to take what is really the opportunity of a generation before this Congress, to deal with an issue which is as compelling in importance as Medicare and Social Security," he said. Kennedy modified Clinton's bill, turning mandatory insurance purchasing alliances into voluntary ones, and allowing several alternative ways of buying insurance.

Companies with fewer than 11 employees and average wages of under \$24,000 will be exempt from the employer mandate, although they will have to pay a 1-2% payroll tax, depending on their size. Low-wage workers will get subsidies to help them purchase health insurance.

Moynihan's plan has a similar provision, although the exemption extends to firms with up to 20 workers. Kennedy's plan allows people the option of selecting from the identical menu of health plans that serve senators and other federal employees. It

also introduces a long-term care insurance program, with incentives for people in their 30s and 40s to start making provisions for their old age. Senate Minority Leader Robert Dole (R-Kan.) has said that he will refuse to support any health care bill which involves employer mandates.

## **W**hitewater hearings set to begin in July

The Senate approved a resolution sponsored by Majority Leader George Mitchell (D-Me.) by a vote of 56-43 on June 14, setting hearings on the so-called Whitewater affair to begin no later than July 29.

The focus of the hearings will be narrow, concentrating only on the first phase of Special Counsel Robert Fiske, Jr.'s investigation, including: contacts between the White House and the Resolution Trust Corp. regarding the failed Madison Guaranty Savings and Loan Association and its ties to Whitewater Development Corp.; the Park Police investigation into the death of White House Deputy Counsel Vincent Foster; and the White House handling of Foster documents, including those removed by the White House after Foster's body was found on July 20, 1993.

Republicans attempted to force a full-blown Senate investigation of the affair. An amendment to an unrelated bill, proposed by Alfonse D'Amato (R-N.Y.) and Minority Leader Bob Dole (R-Kan.), called for hearings on all aspects of the financial dealings surrounding Whitewater, as well as Hillary Rodham Clinton's commodity futures trading, which allegedly netted her \$100,000 on a \$2,000 stake.

But Mitchell insisted on a more confined inquiry. "We will not be a party to a political circus," he said.

Republicans wanted a panel of 18

senators equally divided between the two parties, and to allow Republicans to issue subpoenas without Democratic consent—a proposal Mitchell said was unprecedented.

Meanwhile, on the House floor on June 9, Robert Dornan (R-Calif.) and Dan Burton (R-Ind.) attacked Clinton's connections to Dan Lasater, an Arkansas businessman who had been indicted and convicted of dealing in drugs. The two are demanding that Fiske focus on the Lasater connections, warning that if he doesn't, they will attack the Fiske investigation as a "coverup."

Dornan and Burton are focusing on the drug-running operations around Mena, Arkansas, exposed in the book *Compromised: Clinton, Bush and the CIA*, by Terry Reed and John Cummings. Although the Mena operations occurred during the time Clinton was governor, they were an integral part of a U.S. intelligence operation under the direction of Oliver North and then-Vice President George Bush. If Dornan and Burton succeed in bringing to the fore the drug-running operations, the targets may not be President Clinton, as they hope, but rather Bush and Senate candidate North.

## **F**unding for Nation of Islam-linked firm hit

A group of 25 House Democrats and Republicans has appealed to Housing and Urban Development Secretary Henry Cisneros to terminate federally funded security contracts with a private firm associated with the Nation of Islam and its leader, Minister Louis Farrakhan. In a letter to Cisneros, they complained about funding going to a "hate group."

The Nation of Islam has played a major role in cleaning up some of the

worst drug-infested areas in the black community in at least five major cities. They have also initiated very successful programs in Washington, D.C. and elsewhere to combat and to treat AIDS.

In a letter to Rep. Peter King (R-N.Y.), the initiator of the action, on May 27, HUD Assistant Secretary William Gilmartin said that HUD "does allow all public and private owners of subsidized properties to procure the services of firms which have successfully met the procurement requirements."

The Nation of Islam has been a systematic target of allegations of "anti-Semitism" by the Anti-Defamation League. The attacks escalated when the group began to develop closer ties to the Congressional Black Caucus.

## **C**onservative Christians protest EEOC guidelines

A number of conservative Christian groups protested federal guidelines aimed at combatting religious harassment, warning that the proposals, far from helping to fight religious bigotry in the workplace, would in effect prohibit any expression of faith in occupational settings. The guidelines were issued last year by the Equal Employment Opportunity Commission.

In statements to the media and before a Senate subcommittee on June 10, representatives of a variety of religious organizations said that the guidelines would have a "chilling effect" on displays of faith at work and called for their removal.

Michael Whitehead, general counsel for the Southern Baptist Convention's Christian Life Commission, said the guidelines would encourage employers "to ban all means of religious expression in order to avoid a possible lawsuit."

---

# National News

---

---

## Connecticut fails to pass OBE bill

Legislation to implement the brainwashing curriculum known as "outcome-based education" died in the final weeks of Connecticut's legislative session after vigorous opposition was raised by grass-roots groups and the teachers unions, according to the *Westport News* in late May. The Commission on Educational Excellence in Connecticut drafted a report over 18 months recommending OBE reforms for a "world-class" education system, complete with a \$200 million price tag. Some legislators said they thought the plan could be brought back if reworked and public hearings were held.

The Committee to Save Our Schools (CTSOS) claimed credit for rallying the public to keep the bill from reaching the floor. In response to the criticism they mounted, the commission changed its wording to "Results-Based Education" from outcome-based education. CTSOS has set up opposition groups in many parts of the state, claims it has 70 chapters, and vows to now turn its attention to "the right reforms."

---

## Baltimore opened to USAID 'foreign aid'

Baltimore Mayor Kurt Schmoke has unveiled a plan that would make Baltimore the first U.S. city targeted by a new program sponsored by the U.S. Agency for International Development, according to an article in the June 20 issue of the weekly newspaper *New Federalist*. The program would apply its population-control methods used in Third World countries, to deal with the problems of teenage pregnancy in the United States. The program, called "Lessons without Borders," was born of a conversation late last year between USAID Administrator J. Brian Atwood and Marian Wright Edelman, the longtime head of the Children's Defense Fund.

Although by law, USAID, a State Department agency, is not permitted to implement programs domestically, with the "Lessons without Borders" program, AID hopes

that "by offering advice and cheerleading," they "can be the midwife at the birth of a new generation of U.S. social programs."

According to materials distributed at the Morgan State University conference where Schmoke announced the plan in early June, among the new "family planning methods" USAID hopes will be made available to stem the rapid rise in so-called "unwanted births" among the nation's poor are: Norplant II, a new plastic male condom; a new low-dose hormone-releasing IUD vaginal ring; new injectables and implants for men and women; and contraceptive vaccines for men and women. The program also boasts of its support for Norplant, the hormone-releasing contraceptive implant that is already being surgically inserted into the arms of Baltimore schoolchildren without parental consent, and without a comprehensive medical examination.

---

## Lubavitch 'messiah' dies in New York

Rabbi Menachem Schneerson, head of the Jewish Hassidic Lubavitcher sect, died on June 12 at the age of 92. Schneerson's education included studies of philosophy in Berlin in the 1920s and 1930s, and engineering at the Sorbonne in Paris. He took over the Brooklyn, New York-based group in 1951.

Schneerson's entirely secular education and his background in the machine engineering business contrast with his reputation as the messiah among his adherents, many of whom are said to be expecting Schneerson to rise from the dead. The Lubavitchers run social-work, psychiatric, and drug clinics as part of their far-flung missionary establishment. Many carry beepers—"for calls to alert them that the messiah has come." Members of the Lubavitcher sect have also participated in the kidnap-for-hire operations of the Cult Awareness Network's Galen Kelly.

The number of Lubavitchers worldwide is estimated at anywhere from 100,000 to 300,000. While reporting on the "intense struggle for power" among possible successors to Schneerson, the *New York Daily News* wrote: "Whoever gets the job will be the most influential Jewish religious leader

in the world, guiding 200,000 followers in 130 countries, controlling \$500 million in holdings and having the ear of political leaders."

---

## EEOC drafts 'religious harassment' code

The Equal Employment Opportunity Commission (EEOC) has drafted new work guidelines to outlaw "religious harassment," which may go so far as to outlaw any expression of religious profession. According to a commentary by Mary Senander in the *Minneapolis Star Tribune*, the new guidelines require employers to establish "an explicit policy against harassment" and to be "responsible for acts of harassment in the workplace." The measures are not yet in force, and the EEOC was to receive written public commentary until June 20.

Under the proposed guidelines, "Section 1609.1 (d) provides that employees have standing to challenge a hostile or abusive work climate even if the harassment is not targeted specifically at them." Senander continued that the EEOC would test "religious harassment" complaints not by standards that offend people in general, but by what offends members of the supposedly victimized class. According to the author, the display of anything religious could be deemed harassment under these guidelines.

---

## Barr, Hudson pollute Virginia parole reform

William Barr and Henry Hudson should be thrown off Virginia Gov. George Allen's Commission on Parole Abolition and Sentencing Reform, Lyndon LaRouche recently said. Both men are guilty of fraud with respect to the railroad prosecution against LaRouche and his co-defendants on the federal level, and, by implication, against five associates of LaRouche currently serving decades-long sentences in Virginia on related fraudulent charges.

The commission has begun a series of four "town meetings" to whip up public hys-



teria to force the state legislature to end parole for felons.

Henry Hudson, a prominent member of the commission, is the former U.S. Attorney for the Eastern District of Virginia who led the fraudulent legal prosecution of Lyndon LaRouche and his six co-defendants in 1989. Barr, co-director of the commission, was U.S. Attorney General under George Bush beginning in October 1991, and made sure that LaRouche stayed imprisoned while Bush held the presidency, in the face of overwhelming evidence showing LaRouche's innocence.

Barr has also been identified by authors Terry Reed and John Cummings as the attorney for Southern Air Transport who set up the covert arms supply operations to the Nicaraguan Contras in Mena, Arkansas and later in the State of Michoacan, Mexico. According to their book *Compromised*, Barr (alias Robert Johnson) was present at several key planning sessions for the illegal Contra supply and training effort. Lt. Col. Oliver North, using the alias John Cathey, was the White House case officer for the Arkansas and Mexico operations; both Barr and North reported personally to then-Vice President Bush. North's role as part of the "Get LaRouche" task force has been amply documented by *EIR*.

## 'Cannibal' film director backs necklacer Aristide

A major Hollywood backer of Haiti dictator Jean-Bertrand Aristide is one Jonathan Demme, the founder of Artists for Democracy in Haiti. According to the June 13 issue of the *Baltimore Sun*, Demme played an insider role in the creation of the pro-Aristide movement in the United States, including meeting with National Security Council official Richard Feinberg and his lobbying President Clinton.

Demme is best known as the director of the Oscar-winning film "Silence of the Lambs," about a serial killer named "Hannibal the Cannibal," who consumed his victims. Aristide, by contrast, merely advocates "necklacing" his opponents: killing them by setting a gasoline-filled tire around their necks on fire.

More recently Demme broke into the

"mainstream" with "Philadelphia," a sympathetic portrayal of an AIDS-stricken homosexual's legal battle to remain employed with his high-priced law firm, which is presented as America's leading civil rights battle.

Demme is making a film of the real 1960s civil rights movement, but based on Taylor Branch's book *Parting the Waters*. According to the *Sun*, Demme introduced Branch to Aristide, and Branch is now urging the use of the U.S. military to install Aristide in power in Haiti.

## U.S. has contact with Algerian FIS exiles

The subject of U.S. and French policy toward Algeria occupied an important place in a joint interview that President Bill Clinton and French President François Mitterrand gave to French TV in early June. The United States "wants the Algerian government to broaden its base by working with elements of its opposition who are not involved in terrorism," said Clinton, making his first statement on this issue. The United States has opened up contacts with moderate exiles from the Algerian Islamic Salvation Front (FIS), he said. The President insisted several times that the United States is against any form of violence, but that it "is on the side of the peoples of Islam who respect the international rules of life."

According to an article in the Paris daily *Libération* on the subject, until last autumn, U.S. policy considered the Algerian regime as a "lesser evil and a shield against Islamic integrists." Now, however, the United States considers the regime as "being part of the problem."

*Libération* continued that the United States, seeing how little hold the Algerian government has over the political and military situation, thinks that "there is no other choice [than] to recognize the strength of Islam in Algeria." Hence, White House strategy is to separate the moderate FIS leaders from the extremists who lead the armed groups, by encouraging the Algerian government to "show a serious intention of dialogue."

## Briefly

● **BALTIMORE SCHOOLS** Superintendent Walter Amprey has been forced to back off his plans to expand the role of the private, profit-making Education Alternatives, Inc. in taking over city schools. Amprey said he was slowing down his commitment to EAI after encountering strong resistance from the teachers union. Amprey had sent threatening letters to 10,000 employees warning of layoffs and reassignments over their opposition to EAI.

● **THE ANTI-DEFAMATION** League of B'nai B'rith (ADL) released a book-length attack on June 9 on what it calls the "Christian right." The ADL book purports to document the "movement's anti-Semitic rhetoric and the ferocity of its efforts to enforce its exclusionary orthodoxy on local governments and school systems," according to a *New York Times* commentary.

● **TELEVANGELIST** Pat Robertson's International Family Entertainment suffered a 65% first-quarter loss through derivatives trading. IFE owns Family Channel, which reported a \$2.106 million loss in derivatives trading, while IFE itself posted earnings of \$2.61 million, down 65% from \$7.36 million for the first quarter of 1993.

● **THE OHIO STATE** auditor has ruled that the treasurer of the Vermilion, Ohio schools is liable for \$127,000 lost in an investment in financial derivatives. He also found the company and salesmen who sold the instruments liable.

● **LAROCHE DEMOCRATS** in Massachusetts filed petitions for three congressional candidates on June 7. In all three races for the Sept. 20 primary, they are the only opposition to the incumbents. Denise Ham will run against Barney Frank in the 4th CD; Roger Ham will run against Gerry Studds in the 10th CD. Both Studds and Frank are homosexuals. The Hams are husband and wife. In the 9th CD, Dennis Ingalls will run against Joseph Moakley.

## Editorial

### *Out of the morass*

No one can honestly deny that the United States faces a crisis in medical care. More and more Americans are losing relatively well-paying jobs and are forced to subsist on makeshift part-time work or worse. What medical coverage they do have suffers from the overall decline in their standard of living. At the same time, a continued decline in the physical economy (as opposed to inflated speculative gains) is eroding the tax base which could otherwise help to defray these costs through the provision of social services.

In an effort to deal with the crisis under conditions of declining physical economic output, various health plans are now under debate in Congress. But they are all seriously flawed. For one thing, they are biased against what is termed "high-technology" medicine, which, it is claimed, diverts limited funds needed for base-line care for large numbers of people, to the special needs of a few. This argument is totally fallacious when one considers that early diagnostic and modern noninvasive therapies have reduced many hitherto fearsome conditions to outpatient treatment or shortened inpatient stays. But if these people are barred from productive employment, then shortening their recovery time does not show up as a benefit to the economy.

Any health care plan that does not encourage technological innovation will fail miserably to decrease health care costs while providing increased quality of health care over the long term. Only innovation can do that. Other administrative changes will, at best, lead to a one-time decrease in costs, followed by skyrocketing costs.

It has become fashionable to attack medical technology as responsible for the rising costs of medical care. Currently, 14% of the Gross National Product in the United States is spent on health care, and by the year 2000 it is projected to rise to 18%. With the GNP for 1993 at \$6,378.1 billion, that means total U.S. medical care costs were around \$892.9 billion. However, a careful analysis shows that this cannot properly be laid at the door of overutilization of advanced medical technology. At most, discounting for population growth, increased insurance and administrative costs,

and the side-effects of monetary inflation, including higher real estate costs which inflate the cost of hospital stays, medical technology accounts for only about 2% of the total bill.

Research investment in the health sector, as it does in every other sector of the economy, has an extremely high payoff. For example, National Institutes of Health-funded research that discovered the bacterium responsible for chronic ulcers, allowing ulcers to be treated with simple antibiotics, has a cost-benefit ratio of 1-28. For every dollar spent on that research, \$28 is saved from health care costs of ulcer treatment and lost income.

Over the past five years, laparoscopy has revolutionized most abdominal surgery, replacing traditional techniques for removing gall bladders and performing vaginal hysterectomies, colectomies, appendectomies, splenectomies, and even hernia repair. The technology involves making small cuts in the abdomen through which a small camera, a cutting tool, a light source, a laser, or electrocautery source are inserted. The camera allows the surgeon to guide his tools to the appropriate organ, which can then be properly treated.

If the health crisis in the United States is to be solved, it will be necessary to re-focus the discussion. Rather than debating how to cut costs, Congress should be discussing how to guarantee that there is sufficient funding to ensure a continued stream of new discoveries on the medical front, and to ensure that these benefits are immediately accessible to everyone. The Hill-Burton Act, which became law in the United States in 1946, is a paradigm of the correct approach. The funding proposals were based on a survey of need for hospital care, particularly in cities such as Los Angeles that had experienced rapid growth which outstripped medical care facilities. Funding was provided as needed to guarantee a proper ratio of hospital beds to the population of the catchment area.

Concern for the value of every human life, rather than financial considerations alone, is the only proper framework for the discussion.

# SEE LAROCHE ON CABLE TV

All programs are *The LaRouche Connection* unless otherwise noted.

- ALASKA**
    - ANCHORAGE—ACTV Ch. 40  
Wednesdays—9 p.m.
  - ARIZONA**
    - PHOENIX—Dimension Ch. 22  
Fri., June 10 & 17—12 Noon
  - CALIFORNIA**
    - DOWNEY—Conti. Ch. 51  
Thursdays—9:30 p.m.
    - E. LA to SANTA MONICA—  
Century Cable Ch. 3  
Fridays—6 p.m.
    - E. SAN FDO.—UA Ch. 25  
Fridays—7 p.m.
    - GLENDALE/BURBANK—Ch. 6  
Fridays—8 p.m.
    - HOLLYWOOD—Conti. Ch. 37  
Mondays—8 p.m.
    - LANC./PALMDALE—Ch. 3  
Sundays—8:30 a.m.
    - MARIN COUNTY—Ch. 31  
Tuesdays—5 p.m.
    - MODESTO—Access Ch. 5  
Thurs., July 14—6:30 p.m.
    - MTN. VIEW—MCTV Ch. 30  
Tuesdays—11 p.m.
    - ORANGE COUNTY—Ch. 3  
Fridays—10 p.m.
    - PASADENA—Ch. 56  
Tuesdays—2 & 6 p.m.
    - SACRAMENTO—Ch. 18  
2nd & 4th Weds.—10 p.m.
    - SAN DIEGO—  
Cox Cable Ch. 24  
Saturdays—12 Noon  
Southwest Cable Ch. 16  
Mondays—8:30 p.m.
    - SAN FRANCISCO—Ch. 53  
Fridays—6:30 p.m.
    - SANTA ANA—Ch. 53  
Tuesdays—6:30 p.m.
    - W. SAN FDO.—CVI Ch. 27  
Fridays—8 p.m.
  - COLORADO**
    - DENVER—DCTV Ch. 57  
Wed.—11 p.m.; Fri.—7 p.m.
  - DISTRICT OF COLUMBIA**
    - WASHINGTON—DCTV Ch. 25  
Sundays—12 Noon
  - FLORIDA**
    - PASCO COUNTY—Ch. 31  
Tuesdays—8:30 p.m. à
  - GEORGIA**
    - ATLANTA—Ch. 12  
Fridays—1:30 p.m.
  - ILLINOIS**
    - CHICAGO—CATN Ch. 21  
Weds., June 28—10 p.m.
  - INDIANA**
    - SOUTH BEND—Ch. 31  
Thursdays—10 p.m.
  - LOUISIANA**
    - MONROE—Ch. 38  
Mon.—7 p.m.; Fri.—6 p.m.
  - MARYLAND**
    - BALTIMORE—BCAC Ch. 42  
Mondays—9 p.m.
    - MONTGOMERY—MCTV Ch. 49  
Tuesdays—11 p.m.  
Thursdays—2:30 p.m.
    - WESTMINSTER—CCTV Ch. 19  
Tuesdays—3 p.m.
  - MASSACHUSETTS**
    - BOSTON—BNN Ch. 3  
Saturdays—12 Noon
  - MICHIGAN**
    - CENTERLINE—Ch. 34  
Tuesdays—7:30 p.m.
    - TRENTON—TCI Ch. 44  
Wednesdays—2:30 p.m.
  - MINNESOTA**
    - EDEN PRAIRIE—Ch. 33  
Wednesdays—5:30 pm  
Sundays—3:30 pm
    - MINNEAPOLIS—Ch. 32  
Saturdays—9:30 p.m.
    - MINNEAPOLIS (NW Suburbs)  
Northwest Comm. TV—Ch. 33  
Mondays—7 pm.  
Tuesdays—7 am & 2 pm
  - ST. LOUIS PARK—Ch. 33  
Friday through Monday  
3 p.m., 11 p.m., 7 a.m.
  - ST. PAUL—Ch. 33  
Mondays—8 p.m.
- MISSOURI**
    - ST. LOUIS—Ch. 22  
Wednesdays—5 p.m.
  - NEW JERSEY**
    - STATEWIDE—CTN  
Mondays—2 a.m.
  - NEW YORK**
    - ALBANY—Capitol Ch. 28  
Mon., July 11, 18, 25—5:30 p.m.
    - BRONX—BronxNet Ch. 67  
Saturdays—6 pm
    - BROOKHAVEN—(E. Suffolk)  
1 Flash or Ch. 99  
Wednesdays—5 p.m.
    - BUFFALO—BCAM Ch. 18  
Mondays—6 p.m.
    - HUDSON VALLEY—Ch. 6  
2nd Sunday monthly—2 p.m.
    - ITHACA—Pegasys Ch. 57  
(first 3 weeks each month)  
Tuesdays & Fridays—8 pm  
Wednesdays—5 pm
    - MANHATTAN—MNN Ch. 16  
x Compromised:  
Clinton, Bush, CIA x  
Tues., June 28—3 p.m.
    - OSSINING—Continental  
Southern Westchester Ch. 19  
Rockland County Ch. 26  
1st & 3rd Sundays—4 p.m.
    - POUGHKEEPSIE—Ch. 3  
(call station for times)
    - QUEENS—QPTV Ch. 56  
Saturdays—3 p.m.
    - ROCHESTER—GRC Ch. 15  
Fri.—10:30 pm, Mon.—7 pm
    - SCHENECTADY—P.A. Ch. 11  
Fridays—5:30 p.m.
    - STATEN ISL.—CTV Ch. 24  
Weds.—11 p.m., Sat.—8 a.m.
  - SUFFOLK, L.I.—Ch. 25  
2nd & 4th Mondays—10 p.m.
  - SYRACUSE—Adelphia Ch. 3  
Fridays—4 p.m.
  - SYRACUSE (Suburbs)  
NewChannels Cable—Ch. 13  
4th Sat. each month—4 p.m.
  - WEBSTER—GRC Ch. 12  
Wednesdays—9:30 p.m.
  - YONKERS—Ch. 37  
Fridays—4 p.m.
- OREGON**
    - PORTLAND—Access  
Tuesdays—6 p.m. (Ch. 27)  
Thursdays—3 p.m. (Ch. 33)
  - PENNSYLVANIA**
    - PITTSBURGH—PC V Ch. 21  
Mondays—7 p.m.
  - TEXAS**
    - AUSTIN—ACTV Ch. 10 & 16  
(call station for times)
    - DALLAS—Access Ch. 23-B  
Mon.—2 pm; Fri.—11:30 am
    - HOUSTON—PAC  
*The LaRouche Connection*  
Mon., July 4—5 p.m.  
*The Collapse is Coming*  
Tues., July 5—7 p.m.
  - VIRGINIA**
    - ARLINGTON—ACT Ch. 33  
Sun.—1 pm, Mon.—6:30 pm  
Wednesdays—12 Noon
    - FAIRFAX—FCAC Ch. 10  
Tuesdays—12 Noon  
Thurs.—7 pm, Sat.—10 am
    - LEESBURG—Ch. 6  
Mondays—7 p.m.
    - MANASSAS—Ch. 64  
Tuesdays—8 p.m.
  - WASHINGTON**
    - SPOKANE—Cox Ch. 37  
Wednesdays—1 p.m.
    - TRI-CITIES—TCI Ch. 13  
Mondays—11:30 a.m.  
Tue.—6:30 pm; Thu.—8:30 pm

If you are interested in getting these programs on your local cable TV station, please call Charles Notley at (703) 777-9451.

## Executive Intelligence Review

U.S., Canada and Mexico only

- 1 year . . . . . \$396
- 6 months . . . . . \$225
- 3 months . . . . . \$125

Foreign Rates

- 1 year . . . . . \$490
- 6 months . . . . . \$265
- 3 months . . . . . \$145

I would like to subscribe to  
*Executive Intelligence Review* for

- 1 year  6 months  3 months

I enclose \$\_\_\_\_\_ check or money order

Please charge my  MasterCard  Visa

Card No. \_\_\_\_\_ Exp. date \_\_\_\_\_

Signature \_\_\_\_\_

Name \_\_\_\_\_

Company \_\_\_\_\_

Phone ( ) \_\_\_\_\_

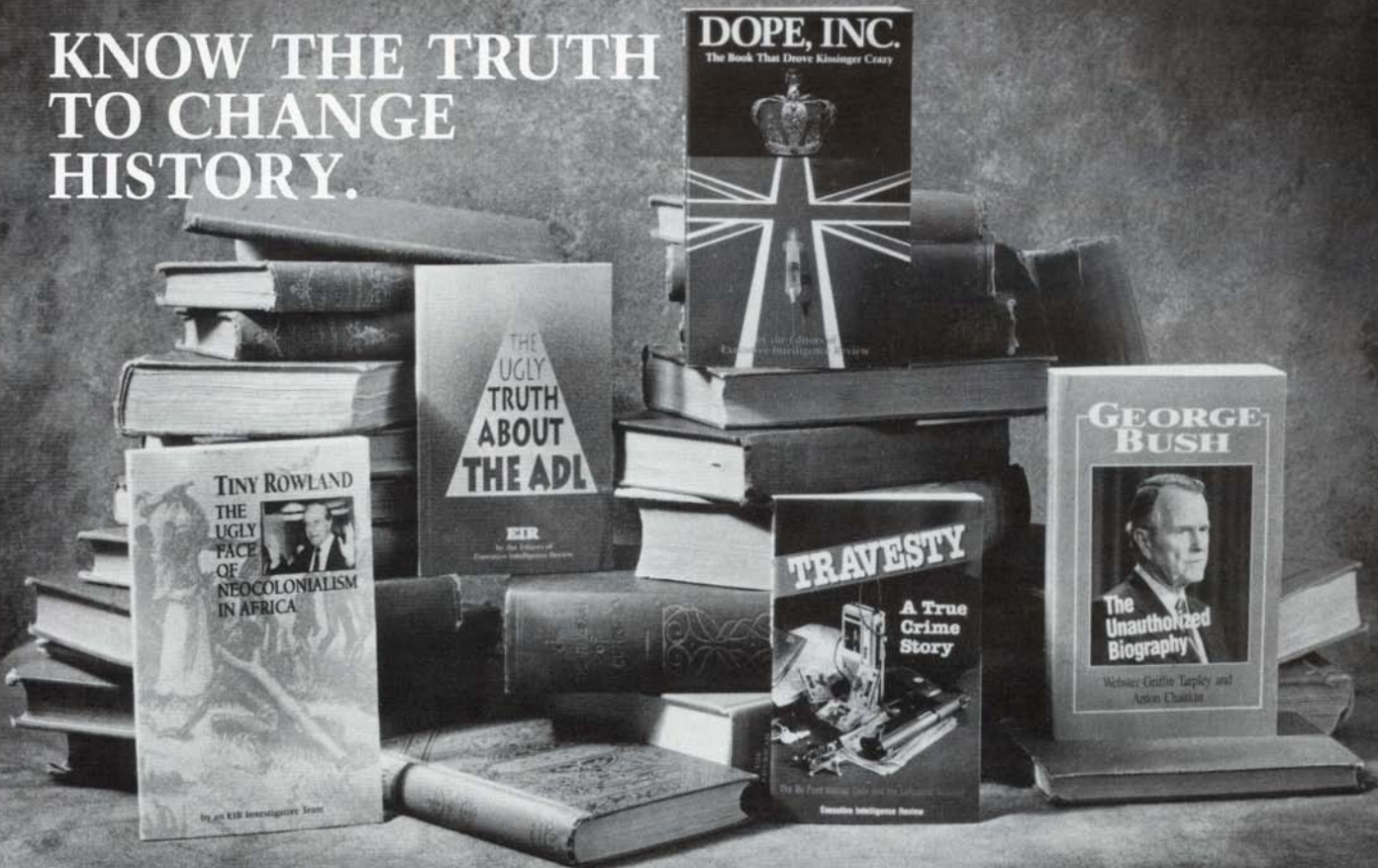
Address \_\_\_\_\_

City \_\_\_\_\_

State \_\_\_\_\_ Zip \_\_\_\_\_

Make checks payable to EIR News Service Inc.,  
P.O. Box 17390, Washington, D.C. 20041-  
0390.

# KNOW THE TRUTH TO CHANGE HISTORY.



## Recent titles by EIR editors

**Dope, Inc.: The Book that Drove Kissinger Crazy**, by an EIR Investigative Team (1992). Third edition of the book commissioned by Lyndon LaRouche in 1978 that dared to name the names of the people "above suspicion" who use the world drug traffic to keep their hold on political power. The cash revenues of the narcotics cartel have doubled every five years and now exceed \$1 trillion annually—while the legitimate economy plunges into depression. 667 pages, illustrated, index. \$16.

**George Bush: The Unauthorized Biography**, by Webster G. Tarpley and Anton Chaitkin (1992). Bush was voted out, but his policies, and even his top aides, seem to persist in power. Why? This detailed biography of the ex-President by two distinguished historians, tells the inside story of power in the United States in this century. 633 pages, illustrated, index. \$20.

**The Ugly Truth About the Anti-Defamation League**, by the Editors of EIR (1992). How a freemasonic front group for organized crime, masquerading as a Jewish civil rights organization, became the leading dirty-tricks arm of the liberal Anglo-American establishment in the U.S. government, Congress, and judicial system. 142 pages, index. \$7.

**Travesty, A True Crime Story: The Du Pont Kidnap case and the LaRouche Railroad**, by an EIR Investigative Team (1993). A millionaire socialite is put on trial, along with thugs-for-hire from the Cult Awareness Network, for conspiring to kidnap his 36-year-old son, an heir to the Du Pont fortune—just to stop him from practicing his political beliefs. This riveting story of the trial and the shocking acquittal is based on court records. 248 pages, illustrated, index. \$12.

**The Civil War and the American System** by Allen Salisbury. The "Civil War" which was in fact a battle between the American System of economics and the British System of free trade. Today that battle continues, over the British-inspired NAFTA and GATT agreements, whose purpose is to drive down American living standards and loot the nations of the Third World on behalf of Anglo-American financial institutions. 440 pages. \$15.

Call (703) 777-3661 or  
Toll-Free (800) 453-4108.

**Ben Franklin Booksellers, Inc.**  
107 South King Street  
Leesburg, Virginia 22075

|   | No.    | Total |
|---|--------|-------|
|   | copies |       |
| Please send me:   |        |       |
| <b>Dope, Inc.</b> \$16.   | _____  | _____ |
| <b>George Bush</b> \$20   | _____  | _____ |
| <b>Ugly Truth About ADL</b> \$7                                       | _____  | _____ |
| <b>Travesty</b> \$12  | _____  | _____ |
| <b>Civil War</b> \$15   | _____  | _____ |
| <b>Set of Five Books</b> \$58.50                                      | _____  | _____ |
| <b>Subtotal</b>   | _____  | _____ |
| <b>Sales Tax</b><br>(Va. residents add 4.5%)                          | _____  | _____ |
| <b>Shipping</b><br>(\$3.50 for 1 book, \$.50 each<br>additional book) | _____  | _____ |
| <b>TOTAL</b>  | _____  | _____ |

Enclosed is my check or money order,  
payable to Ben Franklin Booksellers, Inc.

Charge my  Mastercard  Visa

No. \_\_\_\_\_

Expir. Date \_\_\_\_\_

Signature \_\_\_\_\_