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Executive Intelligence Review

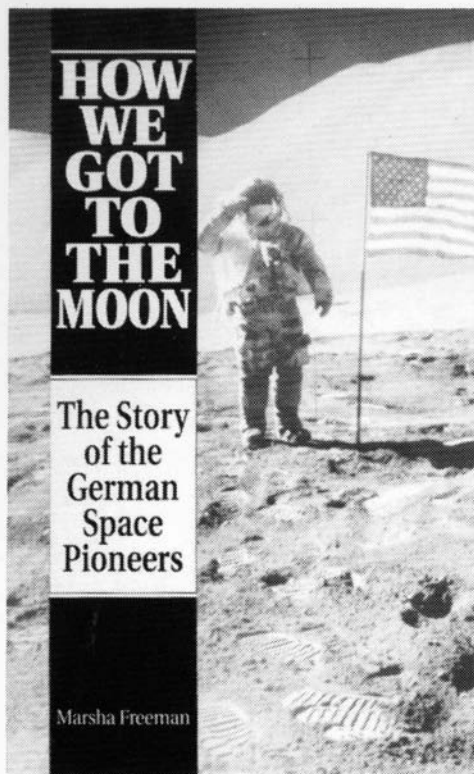
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## From the Editor

**I**deas make history, and bad ideas have a nefarious effect on physical reality. This has been brought home by the networks being probed in connection with the Oklahoma City terrorist atrocity, which reveal the frightful criminal insanity of the “anti-authoritarian” mind when it is directed against the very institution of the state. This is the opposite of a political movement aimed at rooting out government corruption or misconduct.

As Lyndon LaRouche’s article “Structures of Sin Still Rule the Nations,” showed in last week’s *EIR*, these same diseased ideas, when peddled in the antiseptic world of academic economics, are as murderous as a high-potency bomb in their impact on the millions of people to whom the resultant economic policies are applied. A case in point is described in the article on p. 6, reporting on a recent Vienna meeting of economists of “neo-liberal” stamp—a term which in Europe and Ibero-America means devotion to Adam Smith’s “free-market” capitalism and hatred of the nation-state.

This week’s *Feature* and several other articles in this issue highlight the role of the banking fraternity’s International Monetary Fund in destroying the lives and hopes of nations. On the front lines of combatting this veritable economic terrorism are the Schiller Institute and other institutions inspired by the principle that all men and women are created in the living image of God, which is the basis of Lyndon LaRouche’s approach to the science of physical economy and to politics.

With delegations representing the LaRouche movement intervening against the IMF’s policies in Ukraine, Nigeria, and elsewhere around the world, it was not much of a surprise when the IMF took the outrageous step of revoking the press credentials of *EIR* correspondent William Jones, who was assigned to cover the annual meeting of the IMF in Washington. The IMF’s press secretary told Jones that it is their policy never to allow anyone connected to LaRouche to attend their meetings. When Jones called the police and filed a complaint, the officer told him, “There were people here passing out a leaflet. That’s why they are so ticked off.” See *Economics* for Jones’s report.

*Nora Hamerman*

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Ukrainian parliamentarians and leaders of the Socialist Party, Dr. Vitrenko and Mr. Marchenko are members of the Parliament's Committee on Economic Policy.

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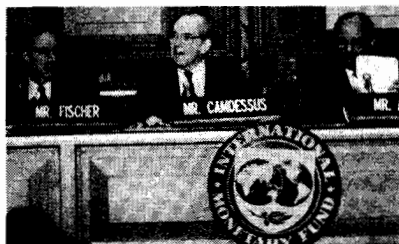
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# IMF demands more powers as financial chaos grows

by William Jones

The semi-annual meeting of the International Monetary Fund Interim Committee in Washington on April 21-27 occurred under the specter of increasing chaos in the world's exchange markets. This fact, although recognized by most of the participants, including the finance ministers of the Group of Seven (G-7) industrialized countries, was nevertheless downplayed by many of the participants, perhaps in the hope that it simply would go away. Attempts by IMF Managing Director Michel Camdessus to "talk up" the world economic situation was given a cold shower by the circulation at the meeting of a thousand or so copies of a statement by U.S. economist Lyndon LaRouche on the global financial crisis, entitled "To Be or Not To Be" (see last week's *EIR*), distributed to delegates by LaRouche supporters outside the meeting. The IMF Directorate was so incensed by the distribution, that they removed this author, an accredited Washington journalist assigned by *EIR* to cover the meeting.

In his statement, LaRouche notes the impossibility of "preventing both general financial collapse, and subsequent global monetary and financial disintegration, unless the IMF system and the central banking systems of all leading nations are placed under bankruptcy-reorganization measures by relevant leading governments." He also expresses grave concern about the refusal of the world's governments, including the U.S. government, to deal effectively with the currency instability now wreaking havoc with the Japanese yen. "Japan's relations with the United States are of a very special nature," LaRouche says. "A lack of adequate response to Japan from Washington could set forth a chain-reaction of collapse of every vital U.S. policy-interest in East Asia, and beyond."

Leading up to the IMF meeting, currencies had been hit by tremendous volatility. The dollar had fallen especially

hard in relation to the yen—the yen has appreciated more than 20% against the dollar since Jan 1 of this year—creating significant problems for Japanese exports in their traditional Asian markets. Camdessus placed the blame for this development on the United States, demanding that the Federal Reserve Board raise interest rates. Aware of the devastating effect of such a move on the U.S. economy, the Clinton administration has resisted such pressures.

At the same time, the Treasury Department and Fed Chairman Alan Greenspan have neglected to take *any* action to stop the fall of the dollar. Some pro-British policymaking institutions, such as C. Fred Bergsten's Institute for International Economics, are privately gleeful over this development, because they blame the instability on the Japanese trade surplus and see the shift in the currency rates as a means of "forcing down" that surplus—a rather risky line of thinking, indeed, since such instabilities could easily bring down the entire financial system. Unfortunately, this line of thinking was also reflected in the statements of Treasury Secretary Robert Rubin to the Interim Committee on April 26. "Japan needs to import more and to absorb more of its available savings," he said, "so that its external surplus adjusts to a more sustainable level."

## Takemura points at derivatives

Japanese Finance Minister Masayoshi Takemura had a different view of the cause of the present instability, pointing his finger at the increasingly volatile derivatives markets. In his statement to the Interim Committee on April 26, Takemura said, "I have the impression that speculative and erratic elements of derivative trading arising from the recent financial liberalization and technical innovations in the functioning of the exchange markets may have aggravated the fluctu-

ations of the exchange rates.”

The obviously destabilizing effect of the derivatives markets has led to ever-greater cries for regulation of the high-risk derivatives trading, including an increasing number of voices echoing LaRouche's call for a 0.1% tax on derivatives. This, however, is a bitter pill to swallow for advocates of the British “free trade” ideology, who continue to play down the problem. British Chancellor of the Exchequer Kenneth Clarke, at his press conference on April 26, when questioned about the role of derivatives trading in the collapse of Barings Bank, claimed, “I don't believe that derivatives were the cause of the Barings crisis, but rather a lack of internal regulation. . . . Derivatives simply tend to speed up the impact of dangerous overexposure.”

The concerns of the Japanese were reflected in comments by the French and the Germans, whose currencies have also been effectively revalued in relation to the dollar. This concern was also reflected in the statement issued by the G-7 finance ministers, who stated that “recent movements have gone beyond the levels justified by underlying economic conditions in the major countries,” and that “orderly reversal of these [currency] movements is desirable.”

### **No agreement on a course of action**

But no indication was given by any of the countries as to what steps should be taken to reverse these movements. Chancellor Clarke admitted that markets may have “overreacted,” but insisted that the markets themselves “will compensate for that.”

Emerging from Blair House with the other finance ministers directly after their meeting, Canadian Finance Minister Paul Martin was the only one willing to talk. “Currency rates have overshot,” Martin said, using the term that several ministers would use to characterize the volatility. At the same time, he said, “each country must do what it has to do.” In other words, the ministers agreed to disagree. Martin himself admitted as much, indicating that there was “no agreement on coordinated currency stabilization.”

More importantly, Japanese Finance Minister Takemura formally put forward his proposal for revamping the entire “floating exchange rate” system. In comments to the Japanese press on April 25, Takemura said that he had proposed “a mid- to long-term review of the current foreign exchange rate system.” He noted, however, that the response was muted. “I threw the ball only today,” he said, “so everything is up to future discussion from now on.”

In response to a question from this correspondent regarding the Takemura proposal, Treasury Secretary Rubin, at his press conference on April 25, simply remarked that he didn't think he should “discuss specifics with respect to proposals.” He added, “But I will say, I don't think there is any significant level of support for eliminating the flexible [sic] exchange rate system.”

However, the need for reforming the international mone-

tary institutions was a hot topic of discussion, both at the IMF and at the G-7. Despite all the “upbeat” talk, it is difficult to hide the fact that the Bretton Woods financial system is in an endgame scenario. The IMF, under fire for having “missed the boat” in failing to have “foreseen” the Mexican crisis, is demanding greater surveillance powers and more money. Camdessus is calling on member countries to raise their IMF quotas in order to vest the IMF with more dictatorial powers over the world's economies. “If we are to adapt the Fund to the problems of the next century, we must think big, of what kind of resources will be needed,” he said.

However, not even Chancellor Clarke, otherwise a strong supporter of IMF policies, seemed willing to raise IMF quotas, a measure that would undoubtedly evoke a heated parliamentary debate. Camdessus is also into “self-criticism,” claiming that the IMF has been too lenient in the implementation of its conditionalities! “We have a kind of tendency in the Fund at times,” he said in his April 24 press conference, “to give too much of the benefit of the doubt to our member countries.” Camdessus called for greater “frankness” and “harshness” in dealing with recalcitrant member nations. On this point, Clarke was in full agreement. Speaking to the Interim Committee on June 26, Clarke said, “I agree with the Whittome Report's analysis,” referring to a report on the IMF's actions in the Mexican crisis, “that too often the Fund has given undue weight to members' sensitivities and has pulled its punches as a result.” Ironically, Clarke has been praised for his call for reducing Third World debt, but he made his point quite clear in his remarks to the Interim Committee. “Writing down debt to manageable levels increases the chances that the debtor countries will actually meet those payments,” he said.

### **IMF is part of the problem**

Although lip-service is still being paid to the need for increased IMF surveillance, there is growing awareness that the world can no longer proceed as it has up until now. The fundamental instability created by the very IMF measures taken through the years to “roll over” the ever-widening financial crisis is now endemic to the system itself. There is no more “predictability,” apart from the predictability of increasing chaos, barring fundamental reform. And in such a reform, as LaRouche has time and again pointed out, the IMF is definitely a part of the problem, rather than part of the solution.

Although the G-7 finance ministers' statement seems to have papered over the intense policy fight going on behind the scenes over what the post-Bretton Woods world will look like, with the rapid pace of economic collapse, it will quickly “lose the name of action.” The ball now is in the court of the leaders of the G-7 when they meet in Halifax in June, and, more specifically, in the hands of President Bill Clinton. If fundamental financial reform is to be implemented, it must be the United States and its allies in Europe and Asia that must chart the way—not the bureaucrats of an anachronistic IMF.

# Beyond von Hayek: neoconservative anarchism

by Rainer Apel

In the neo-liberal think-tanks, the battle has been raging for months between “soft” and “hard” tendencies, with the latter accusing the former of watering down the Conservative Revolution by making concessions to the social market economists. (The “soft” tendency includes most of the German neo-liberals, such as Herbert Giersch and the late free-market guru Friedrich von Hayek himself.) The “hardliners” or, as they call themselves, “strict” free-market liberals, consider themselves as the only true Conservative Revolutionaries.

An insight can be gained into their thinking from the conference held in mid-March by the International Institute of Austrian Economics (IIAE) on the topic of “Hayek vs. Keynes,” counterposing the two most celebrated 20th-century schools of monetarist quackery: the one tied in with the German “right-wing” economist Friedrich von Hayek, the other with the British “leftist” John Maynard Keynes.

Not only did Keynesianism come under heavy fire here, and thus to a certain degree, the “social democratic system,” but even more so, the thinking of von Hayek himself. A whole series of speakers, including Gerard Radnitzki from Trier in Germany, who was presented as the spokesman for the “strict” school of the Mont Pelerin Society which von Hayek founded, claimed that von Hayek had sold his soul to the “creeping socialism” of the social market economists, and that he was to blame for the compromises which conservative politicians still make with electoral democracy today, years after his death.

Antony de Jasay from London started the IIAE conference by proclaiming that there are errors and serious inadequacies in von Hayek’s thought, that the “axe” which he applied to the roots of the welfare state “lacked important parts,” and that therefore he has only limited usefulness in today’s debate. Von Hayek’s failure in attempting to define the limits of the state has created a vacuum which others, invoking his authority, have filled with a “false conception of the state,” he said.

This was the introduction to a debate which Radnitzki, with his speech “Man, Market, and State,” took in a direction which could be summed up as: You talk about the Conservative Revolution? I’ll tell you what the Conservative Revolution really is!

Radnitzki acknowledged right off the bat that Friedrich

von Hayek, inspired by Austrian economic theorist Ludwig von Mises, had such a provocative affect on the social market economy grouping during the 1930s, that Alexander Rüstow, one of the fathers of market economic policy in postwar Germany, had sarcastically demanded, in 1938 at a symposium in Paris, that one should “preserve Hayek and his teacher von Mises in spirits and display them in a museum as the last remaining examples of a finally vanished species of liberal which is responsible for the current catastrophe.” In view of the rubble heap left behind by the monetarist liberalism of the Weimar period, exemplified by a Hjalmar Schacht or a Heinrich Brüning, people like Rüstow held free-market liberal theoreticians like Hayek responsible for the post-1933 catastrophe. (Chancellor Brüning’s policies paved the way for Hitler, while Schacht joined the Nazi government as economics minister.)

Radnitzki referenced this conflict of 1938 in order to clarify the irreconcilability of free-market liberalism with the social market economy, but also in order to explain that von Hayek had not recognized this front-line position but had indulged in illusions about the nature of the welfare state. “We must concede that Hayek’s theory of the social order and affirmation of liberalism remain imperfect, in many parts show a lack of cohesion, and offer no effective defense against the visions of the welfare state based on ‘creeping socialism,’” said Radnitzki.

To the “soft liberalism” of von Hayek, one must counterpose “strict liberalism” and understand this, above all else, as an uncompromising “freedom,” the absence of external compulsion, said Radnitzki. The politicians’ calls for “social justice” are indeed only raised in order to justify measures to limit individual freedom and to violate one’s inherent “ethic” of a spontaneous impulse to accumulate personal wealth, just to serve the supposed “ethic” of the welfare state. That would be nothing other than socialism, expropriation, and suppression of the actual “free market” by the supposed “social market,” charged Radnitzki. All the western social systems based upon this veiled socialism have altogether curtailed individual freedoms, have no moral authority, and will collapse, just like the undisguised socialist system. The “state” and the artificial “people” of the traditional democracies will be displaced by group interests and spontaneously worked out structures of cooperation—sort of the political counterpart to the restored “free market,” explained Radnitzki, since the market can manage without rigid legal structures. Private agencies such as today’s credit bureaus would be completely sufficient, Radnitzki opined. (The unacknowledged model is Benito Mussolini’s corporate state, the cornerstone of Fascism.)

## Profiteers and speculators

The deep crisis of the western economic systems should not be a cause for concern and for a call for an expanded state, continued Radnitzki, but are to be seen positively,



## Schiller Institute group warns Nigeria on IMF

A delegation led by Godfrey Binaisa, former President of Uganda, Lawrence Freeman of the Schiller Institute/U.S.A., and Uwe Friesecke of the Schiller Institute/Germany, has held a series of meetings with high-level officials in Abuja, Nigeria, and made calls for the reorganization of the international monetary system for the purposes of economic reconstruction, EIRNS learned on April 26. They were joined by Nigerians Lawal Idriss and Sennussi Dagash.

The delegation was received at the office of the secretary to the federal government, Akhaji Aminu Saleh, on April 17. In the next days, Mr. Saleh organized a two-hour seminar for the delegation with the director general for the foreign ministry, and representatives of the press and the constitutional conference, on the world economic collapse and the outline for a new monetary system. The delegation met separately with the ministers of industry, commerce, and with the acting director general for foreign affairs.

The visitors received widespread TV coverage April 17-18, and their visit was featured in the Nigerian daily *The Democrat* and in the *Abuja Mirror*.

The *Democrat* headline on April 24 for its page-one story on the visit read: "World Bank-IMF: Anti-Nigeria." The article reported that the Schiller Institute had warned that the world economic system under the International Monetary Fund is at a "dead end." In paraphrase, the *Democrat* said that the delegation pointed out that in face of the collapse of important infrastructure and declining buying power of the majority of the world's population, particularly in the developing sector, a revival of the world economy is immediately required, and this can only be done with major infrastructural development. They observed that the economic potential of Nigeria, with its vast agricultural and mineral resources, is being strangled by the present conditionalities of the IMF and World Bank, especially the demand that the economy be left to the mercy of free market forces.

Mr. Saleh confirmed to the delegation that Nigeria is now at the IMF's mercy. "We opened our doors and windows to the IMF and now they are demanding we open our rooftops. This is because the focus of our policy remains payment of the debt."

On April 25, the delegation gave a two-hour briefing to the economic intelligence committee of the government led by Prof. Samuel Aluko, who expressed his grave concern over the attempts to force the government into further concessions to the IMF, through political pressure, including the attempted coup of March 1995.

since previous "mild" crises, such as the one under Margaret Thatcher in England in 1979, had not led to an actual rolling back of the state and therewith to greater freedom. Deep crises lead to a no-holds-barred competition among the states, and thereby back to the "freedom" of the market, and especially also with the "information society," an element of individual freedom in the acquisition of knowledge would be added, that would make superfluous even the present state-run school system in the West, said Radnitzki. He continued, "International trade is a shining example of a nicely functioning 'anarchy,' for a spontaneous order, and therefore the markets stand outside the law. In all these cases, the state is not needed, quite the opposite."

Thus Radnizki arrived at the kernel of his ideology, the destructive "conservative anarchism," which seeks the downfall of the state itself and everything pertaining to it. Thus it seems consistent that he demanded an end to all financial regulation and applauded the formation of financial oases (off-shore banking) in the "legal no-man's land between the nation-states," thus championing the cause of speculation. It is also appropriate that Radnizki intimated that the spread of spelling books, as was practiced in England in the early 19th century, is enough for an educational system. The potential

of the "information society" would do the rest; nothing more would be necessary in the "free market" of the future. Above all, Radnitzki concluded his speech, the defeat of the ostensibly unfree "spirit of the Ecole Polytechnique," France's great scientific institution founded at the close of the 18th century, and "the Europe of Delors," the concept of a Eurasian economic recovery based on great infrastructural projects carried out by governments as proposed by former European Commission head Jacques Delors, must be defeated.

Radnitzki got backup at the conference from Gregory Christiansen (University of California), a follower of the so-called "Virginia School of Economics," which works with the conservative insurgents around Republican Speaker of the House Newt Gingrich (R-Ga.). Christiansen attacked the system of central banking and recommended a return to the system of "free banking" as it had allegedly existed in the United States after the national bank was abolished between 1838 and 1860, and the issuance of bank notes was left to the discretion of the individual private banks. The historical fact, that this very financial policy encouraged the secessionist movement in the southern states and paved the way for the Confederate secession and Civil War, went unmentioned by Christiansen.

# German municipalities face breakdown

by Lothar Komp

According to the German municipal finance report for 1995, German cities have to be prepared this year for "their most severe financial test ever." For the third year in a row, tax revenues from local businesses will shrink, despite all the talk about an ongoing "recovery." For the very same reason, social expenditures by municipalities, especially for unemployment compensation, are sharply rising. Deindustrialization and job cuts are taking their toll.

The reaction of German municipalities to their mounting financial problems is twofold. First, they have imposed in recent years more and more fees and charges, both on households and industry. Fees for waste water and waste disposal have seen dramatic increases. Second, despite a large backlog in infrastructure investment, construction outlays by municipalities will be further reduced. In 1993, they spent DM 45 billion (roughly \$25 billion) for construction; in 1994, it was DM 41 billion. This year it will be only DM 38 billion. But still the majority of the bigger German cities, especially in the west, will face huge budget deficits in 1995. The consequences are obvious: decay of transportation and other infrastructure, even higher social expenditures next year, reduction in household's purchasing power, and more debt.

In 1995, German municipalities will spend DM 60 billion for welfare payments. A large part of this will be for people who have run out of federal unemployment benefits. Today, far more than 2 million households are completely dependent on payments from municipal social institutions. Almost 5 million persons are receiving welfare payments, at least temporarily. After an increase this year of 8%, this area of municipal budgets is showing the fastest growth. Personnel costs were reduced by drastic job cuts. Municipal administrations in the eastern states alone have eliminated 112,000 out of 657,000 jobs from mid-1993 to mid-1994. Thousands of nursery schools in the east are being privatized or dissolved due to the expectation that eastern states will see a dramatic decline in the number of children between the ages of three and six—from 600,000 in 1991, to 215,000 in 1999.

In addition to the effects of deindustrialization, the eastern German municipalities are obliged this year to begin payments on "old debts" (Figure 1). These debts had been imposed arbitrarily on eastern municipalities by the former communist regime, and are related to real estate such as nursery and other schools, cultural institutions, and sports

facilities. Right after German unification in 1990, these old municipal debts amounted to DM 5 billion. Today they have risen to DM 7.5 billion.

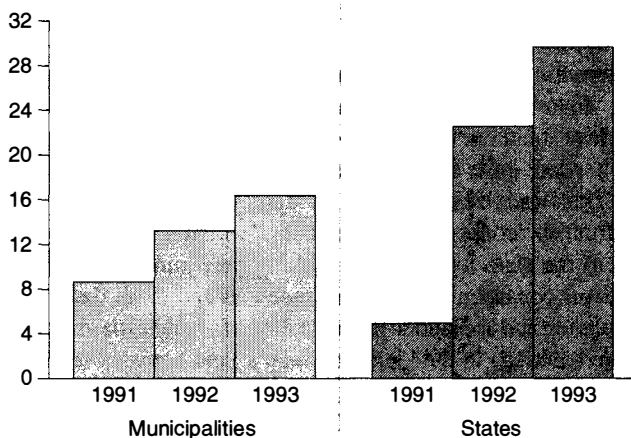
## New investments will be strangled

While eastern municipalities are rejecting their responsibility for these old debts, the German Finance Ministry has now established the "Society for the Old Municipal Debt in Connection with the Currency Conversion" as a debt collection agency. This would have devastating consequences, especially for the former industrial centers in the east. Urgently needed new investments would be strangled. In the eastern German city of Schwedt, for example, the old debt (DM 70 million) amounts to 50% of the municipal yearly budget. Cities such as Rostock (DM 414 million), Leipzig (DM 480 million), and Magdeburg (DM 280 million) are in a similar situation.

Tax revenues from local business are falling in western cities, and are still at an extremely low level in the east. This is no surprise, given the rapid deindustrialization in recent years: Today the share of output of eastern German states is less than 5% for machine building, less than 4% for electrical engineering, and less than 2% for chemicals. In order to make up for these revenue losses, municipalities are increasing fees and charges, this year by another 6%. The main factors here, however, are the exploding costs for waste and waste water disposal, because of the onerous environmental regulations. Since 1985, expenditures of German municipalities for these categories have increased by 152%!

Even more stringent waste water environmental regulations are now in preparation by the German Ministry for the Environment, which, according to the association of German

FIGURE 1  
**Public debt in Germany's new states, 1991-93**  
(without "old debt," billions of deutschemarks)



Sources: German Association of Cities, EIR.

municipalities, cannot be justified on environmental grounds. The regulations will ultimately surpass the financial capabilities of municipalities to meet them, and will lead to dramatic price increases for water usage—an expected several deutschemark increase per cubic meter for both households and industry.

The financial disaster will have catastrophic consequences for municipalities' budgets for construction investments. In total, municipal construction investments will fall by 5.6%. In western Germany, there will be a reduction of 7.1%. According to construction industry association estimates, many western cities plan even greater reductions: Frankfurt, -19.8%; Braunschweig, -17.0%; Cologne, -15.3%; Karlsruhe, -15.3%; Stuttgart, -14.8%; Hanover, -12%.

In February 1995, Friedrich Hassbach, the director of the German construction industry association, warned at a meeting in Bonn that "never before in the history of the Federal Republic has the public financial maneuvering room been so tiny." He noted that since 1992, public infrastructure investments are shrinking; public construction investments, if price inflation is taken into account, have fallen below the level of the mid-1960s; and this will soon lead to shortages in infrastructure equipment.

### Cuts will not improve finances

Apart from construction, many municipalities are planning drastic cuts in services this year. According to a poll by the German municipal association, 56% will reduce outlays for road maintenance, 38% will restrict street lighting, 59% will reduce energy consumption in public buildings, 46% will cut expenditures for school learning aids, 25% will cut school transport, 24% will reduce theater and opera events, 41% will cut expenditures for libraries, 20% will close libraries, and 33% will at least temporarily close public baths. But all that cost-cutting and fee collection will not improve municipal finances. In 1995, most of the big western German cities will still have huge budget deficits, such as Essen (DM 478 million), Düsseldorf (DM 282 million), Bochum (DM 177 million), Mainz (DM 148 million), and Hanover (DM 141 million).

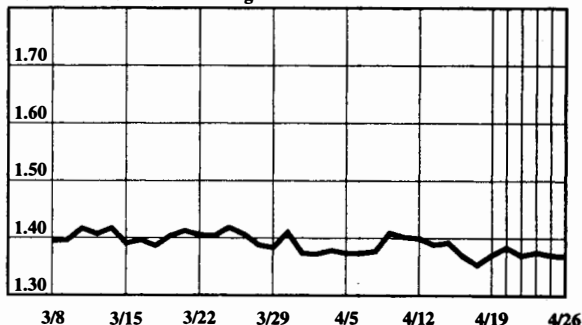
The financial crisis of the Federal Republic, states, and municipalities has reached dangerous dimensions. It is already threatening the German Unity Transport Projects, including investments of DM 230 billion into railways and DM 210 billion into highway modernization. In addition, there is a huge backlog in waste water infrastructure investments—up to DM 300 billion, about 50% of this alone in the east. Another DM 200 billion will be required in the years ahead for waste-processing plants, in order to keep up with new environmental laws.

Unless there is a fundamental break with liberal dogmas of infrastructure financing and "third wave" service sector utopias, formerly rich German municipalities will be turned into wastelands.

## Currency Rates

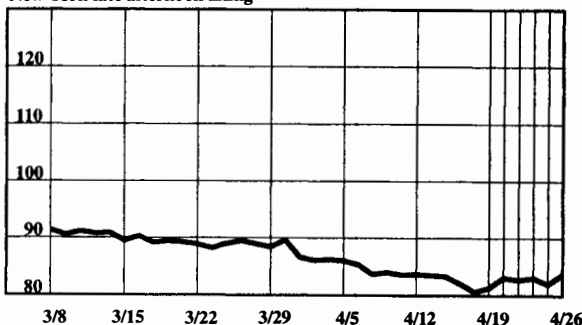
### The dollar in deutschemarks

New York late afternoon fixing



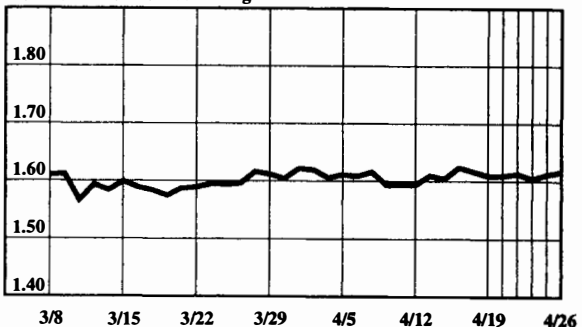
### The dollar in yen

New York late afternoon fixing



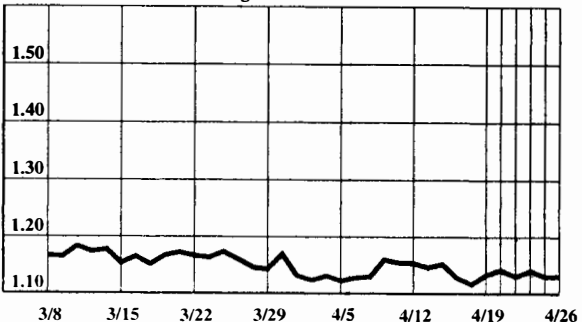
### The British pound in dollars

New York late afternoon fixing



### The dollar in Swiss francs

New York late afternoon fixing



### Shock program takes its murderous toll

*Timidly, the government has called for controlling speculative capital, but it continues to support the free market.*

**I**f the world perceives that our country is in shambles, it is mistaken," Mexican President Ernesto Zedillo told *Business Week* magazine at the end of March. From Copenhagen to Jerusalem, from Washington, D.C. to Dallas, Texas, President Zedillo as well as Foreign Secretary José Angel Gurria and Finance Minister Guillermo Ortiz have desperately delivered the same message: The Mexican debt crisis which exploded on Dec. 20, 1994 is in the process of being "reversed."

But reality is otherwise.

Thanks to the approximately \$40 billion financial rescue package offered to Mexico, a substantial portion of which came from the United States, at least \$14 billion has been paid to holders of short-term treasury notes, *tesobonos* (\$16 billion remains to be paid this year), and for the moment the peso has stabilized at about six to the dollar. But the destruction of the physical economy resulting from the International Monetary Fund's shock program has left the country on the brink of social upheaval.

The program's main goal is to achieve a trade surplus in the first six months of the year. This is being done because of the brutal drop in imports which followed the peso devaluation, and because of other measures described below, but not because of any significant increase in exports.

Because there are insufficient foreign reserves in the central bank, the Bank of Mexico, the government has

resorted to severe credit restriction as a means of halting the exchange of pesos for dollars. Since December 1994, monetary circulation has fallen by 12.8%; but internal credit of the Bank of Mexico, according to its quarterly report, has plunged by 145%.

The rise in interest rates is the highest since 1987, reaching the astronomical level of 120% before stabilizing at between 90% and 99%. The 50% increase in the Value Added Tax (VAT), from 10% to 15%, led to a 30% fall in retail sales and an 80% drop in industrial sales immediately following its imposition. The Mexican Association of Machinery Distributors reports that sales in this area have dropped to zero for the first quarter of the year.

So far this year, inflation stands at 26.2%, and according to official figures will reach between 42% and 56% for the year. But any citizen who shops at the local market knows that in many cases the rate of inflation has already reached 100%. Add to this the generalized increase of 31% in all public utility rates, and the planned privatization of remaining state-sector companies, excluding—for the moment—the state oil firm, Pemex.

The purchasing power of the minimum wage isn't frozen—it is destroyed. Its value in dollars dropped by 40.1% to become one of the lowest in the world: an average of \$2.69 a day. Even the price of the tortilla, a staple of the Mexican diet, rose by 26%.

In the first two months of this year alone, 753,000 workers lost their jobs, according to the government's national statistical agency. This represents 65.5% of the 1,149,100 people laid off in all of 1994. We are talking, then, about a total of 1,902,100 people who don't even work one hour a day. If we consider that 3.5 people depend on each one of those workers, then there are 10.4 million Mexicans who have absolutely no means of supporting themselves, out of a total population of almost 90 million.

Even prior to the release of these figures, the Mexican Workers Confederation (CTM) reported a total of 8 million unemployed, including officially recognized as well as "hidden" unemployed. Numerous other studies report that 44% of all Mexicans live below the poverty line.

The deep economic depression already brought on by the IMF program will cause a drop in the Gross Domestic Product of about 5.1%, according to Banco de Comercio estimates. The Mexican Banking Association reports that loan defaults have increased by 45%, from a value of \$5.1 billion in December 1994 to a value of \$11.9 billion at present. This means that banks' exposure relative to their loan portfolios has gone well beyond 12%, although in reality, that exposure is now 100%, given the insane increase in interest rates by almost 900%.

Add to all of this, the economic devastation brought about in the state of Chiapas by the actions of the narco-terrorist Zapatista National Liberation Army (EZLN), and a terrible two-year-long drought which has afflicted the central and northern plains states, especially Chihuahua, Durango, Coahuila, and Nuevo León. Six states—Sonora, Chihuahua, Jalisco, Baja California, Quintana Roo, and Chiapas—are on the verge of default.

## U.S. food stocks for emergencies are gone

*The worldwide financial breakdown is evident in low grain harvests and food reserves.*

**O**n April 24, the head of the U.N. Food and Agriculture Organization (FAO) in Rome, Jacques Diouf, warned of the world's low food aid provisions, and the world's low harvests. Although the FAO, like other U.N. agencies, is no friend of mankind, the warning is more than in order.

In the United States, the world's largest food donor nation, there are now no government-owned surplus food stocks for either foreign or domestic food relief, for either emergencies or for "discretionary" donation. This is the first time that there have been no such stocks since the years immediately following World War II.

Under a 1949 agriculture law known as "Section 416" (amended in the 1985 farm law as "416 B"), government-owned surplus commodities (wheat flour, grain sorghum, butter oil, cornmeal, etc.) have been donated internationally from time to time for emergency food relief, and donated domestically to institutions, the school lunch program, and poor families as "bonus commodities." No stocks exist now.

As of 1992-93, all wheat flour for U.S. "bonus commodity" distribution had to be discontinued, causing hardship to many financially strapped school districts. Cornmeal and butter oil donations continued, until those stocks, too, ran out. There is still some milk powder, but this is not commonly used in foreign emergency assistance.

Therefore, the foreign aid statistics show that, under Section 416 B, in 1993, surplus food stocks worth \$639.7 million were used for foreign

food relief; last year, \$114.8 million worth was donated. This year, the total will be \$11 million worth; with nothing from now on. Under Public Law 480 (the "Food for Peace" act of 1954), Congress may authorize funds to purchase food, which is then donated, but this too is dropping.

Look at the picture in tonnage terms. Earlier this year, U.S. aid officials informed the World Food Program and others that the United States would cut its pledged tonnage of grains for aid this year from 4.47 million tons, down to 2.5 million tons.

On April 7, U.S. Agency for International Development (AID) director Brian Atwood informed the White House and State Department that no stocks or funds exist. "If we get hit with another massive flow of refugees, or another civil rights conflict breaks out, another national disaster, we're going to find we don't have the food," he said.

Earlier in the week, FAO Director General Diouf met with Atwood in Washington on the cuts in aid. There is now talk at the FAO of holding a world food summit on food security next year in Rome.

On April 24, in Rome, Diouf briefed the FAO Committee on World Food Security on the drop in food aid volumes. He said that "total cereal food aid committed for 1994-95, for example, is estimated at less than 10 million (metric) tons for the first time in more than a decade." In 1992-93, total cereals food aid distributed internationally amounted to 15.2 million metric tons (mmt). Since then, the need has increased, but the provisions have declined.

According to the combined data from the FAO and the International Wheat Council, world grain harvests and stocks are headed for new lows, relative to the current level of annual consumption (which is itself too low). Total world output of all kinds (wheat and small grains, corn and coarse grains, and rice) for 1994-95 is forecast at 1,916 mmt, when over 3,000 mmt are required to provide everyone with a decent diet.

Wheat harvests are especially low. U.S. and Ibero-American crops are down, Australian and South African harvests are severely hit by drought, and the Russian crop is down. The International Wheat Council forecasts a world wheat harvest for 1994-95 of 526 mmt, and it could be lower. Compare that to 593 mmt in 1990-91; some 547 mmt in 1991-92; about 566 mmt in 1992-93; and 565 mmt in 1993-94. Thus, world wheat stocks are falling to their lowest level in years—an estimated 105 mmt. Other staples are similarly low.

This year's world grain harvests are forecast to come in so low that even the FAO statisticians, who routinely understate the lack of food, warn that total world grain "carry-over" stocks, as a percentage of annual average consumption, is below the FAO's "danger threshold" of 17%. This ratio was already down to the 18-21% level over the past five years, but now is plunging further.

The falling harvests and stocks reflect decades of lack of installation and maintenance of agricultural infrastructure—land improvements, water systems, farm machinery, food preservation systems. In former food basket regions, family farmers have been shut down, replaced with nothing or with a few "factory" farms run by the food cartel companies. In Africa, the degradation of agriculture has reached the point of genocide.

# Business Briefs

## Aerospace

### South Korea, China agree on joint production

South Korea and China have agreed to jointly produce mid-sized passenger airplanes, an official at Seoul's International Trade and Industry Ministry said on April 23, after negotiations between government officials from both countries, Reuters reported.

Under the agreement, a South Korean consortium, led by Samsung Aerospace Industries Ltd. and the state-run Aviation Industry of China, would select a foreign partner from U.S. and European firms to provide state-of-the-art technology that Seoul and Beijing lack. The third partner would be allowed to take up to 20% of the equity in the project to produce 100-seat aircraft. Boeing of the United States, France's Aerospatiale, and Daimler Benz Aerospace of Germany will be considered.

The ministry last year said that the South Korean consortium would have to invest \$1.2 billion by 1998 to develop the aircraft.

## Nuclear Energy

### Vietnam needs nuclear to develop, says official

Do Muoi, general secretary of the Communist Party of Vietnam, said in an interview with South Korea's Yonhap news agency that "for national industrialization to be materialized, Vietnam needs nuclear energy." Reuters reported the comments based on their release by the official Vietnam News Agency on April 17.

Muoi said that South Korea and other countries, which were unidentified, have "expressed their preparedness to help Vietnam build a nuclear power plant." Muoi, during his first visit to Seoul, said experts could soon study possible cooperation in the nuclear field.

Meanwhile, Muoi signed an agreement with Japan on April 18 for a 58 billion yen loan (\$707 million), which is earmarked for eight infrastructure projects. The loan is for 30 years, with a 10-year grace period, at an annual

interest rate of 1.8%, bringing Japan's total yen loans to Vietnam to 165.6 billion (\$2.01 billion). About 17.1 billion yen of the loan will go for the first phase of construction of a thermoelectric power plant in southern Vietnam; other projects include rebuilding highways and railway bridges.

## Central Asia

### Turkmenistan, Iran, India boost cooperation

Turkmenistan Foreign Minister Boris Shikhmuradov announced during a visit to India in April that his country is planning a gas pipeline project extending through Afghanistan, Pakistan, and India, continuing to the Far East to Japan. Shikhmuradov said India and Turkmenistan are "strategic partners," following the signing of a tripartite agreement on April 18 by India, Iran, and Turkmenistan for increasing trade and cooperation.

According to the agreement, Turkmenistan will open up the "Silk Route" to India through the Persian Gulf, instead of the traditional route through the Khyber Pass. The Persian Gulf route is shorter and does not involve Afghanistan and Pakistan. Iran has offered a new land route through its territory for Indian goods in transit to Central Asia, and has urged greater bilateral cooperation in oil, natural gas, and petrochemical products. Iran, which signed six memorandums of understanding with India, has set up four new ports to facilitate trade. Iranian President Ali Akbar Hashemi Rafsanjani also expressed Iran's desire to deepen cooperation in science and technology and partake of India's expertise.

The proposed new route will take Indian goods by sea from Bombay to Iran's southern port of Bandar Abbas, and then overland, by road or rail, to Central Asia. The route runs through Sirzan, Karamex, Firdaus, and Mashad in Iran, to Sarrah on the Turkmenistan border.

Shikhmuradov said Pakistan has agreed to extend the gas pipeline to India through Pakistan, which will also deliver gas to Pakistan. A similar pipeline will supply liquid fuel to Europe. Shikhmuradov said Turkmenistan

has already invested \$3 billion in foreign and domestic funds in building up infrastructure to develop its huge natural gas reserves, and he called upon India to assess possibilities of participating in 32 projects, which he unfolded before industry representatives at a meeting organized by the Confederation of Indian Industry in New Delhi.

## Debt

### Nigerian urges relief for developing nations

Nigerian Foreign Minister Tom Ikimi called for at least 70% of the debt of developing countries, especially Africa, to be written off, Reuters reported on April 13.

Ikimi said that nearly half of Nigeria's debt was "a result of interest rate charges, the recapitalization of interest arrears, and debt rescheduling," as opposed to debt incurred in order to boost production.

Ikimi said the capacity of Nigeria to play a necessary leadership role in Africa depended upon its economy: "It must be understood that the well-being of Nigeria lessens the burden of the international community toward Africa—a responsibility which we have willingly shouldered since 1960."

## Medicine

### Adult human brain could renew itself

Dr. Steven Goldman at Cornell University Medical College has discovered that the human adult brain harbors precursor neurons (nerve cells), vestiges of embryonic development, which can be made to divide in tissue culture, if properly stimulated, he told *21st Century Science & Technology* magazine on April 18. Although the current understanding of what signals trigger these cells to divide is very crude, Dr. Goldman envisions that within a decade or two, clinically it may be possible to pharmacologically induce neurogenesis to



## Briefly

● **ISRAELI** Foreign Minister Shimon Peres arrived in Amman, Jordan on April 24 for a seminar on a multi-billion-dollar plan to develop the Rift Valley, Reuters reported. "It is a serious attempt to engage the private sector" of the United States, Israel, and Jordan, a Jordanian official said.

● **CHINA** is using Russian government loans for nuclear power plants, according to an article entitled "Liaoning Imports Russian Capital to Develop Nuclear Energy" in *Ta Kung Po*, a pro-Beijing paper in Hongkong. The acting governor of Liaoning province was quoted saying that they have made use of \$1.2 billion in Russian loans.

● **DONORS** have agreed to finance the cash-strapped Palestinian Authority's 1995 budget deficit, and have reportedly pledged to cover last year's remaining deficit, Reuters reported on April 15. Last year the authority received \$238 million out of \$820 million pledged.

● **INDIA AND IRAN** are discussing a pipeline to supply India with Iranian gas. Iranian Foreign Minister Ali Akber Velayeti told the Iranian News Agency in New Delhi that the two nations would share the cost of "a feasibility study" for a \$5 billion, 2,200 km pipeline, the London-based Arabic *Al-Hayat* reported on April 20.

● **CHILE** is facing a strike of 8,000 state hospital doctors, their second in less than a month, who are demanding a 50% wage hike. Most earn under \$1,000 a month. Earlier, a strike in Santiago, the capital, shut down 90% of the city's bakeries. Teachers were also expected to begin an indefinite strike.

● **CHECHNYA** is facing the imminent outbreak of typhus because of the prevalence of body lice, the chief disease control officer of Badakshan has warned Red Cross officials. Hospitals are short of soap, heating fuel, medicine, food, and other essentials.

guide and enhance the survival and migration of just-divided neurons to replace areas of the brain which have suffered damage. This would provide the basis for long-term rehabilitation and recovery of functions destroyed by acute brain trauma or diseases such as Parkinson's and Alzheimer's disease.

Medically, it has long been held that the adult human brain, once damaged by disease or trauma, cannot repair itself, because nerve cells cannot be made to divide beyond the embryonic phase.

Goldman reported that researchers are now working on techniques that will transform the care of acute brain trauma patients, so that more of the brain will survive the immediate trauma, providing a better basis for long-term rehabilitation.

This work is expected to provide an alternative to the use of fetal brain tissue transplants, and stands in marked contrast to the eugenics approach toward coma patients suffering from acute brain trauma.

### Currencies

## European aerospace hit hard by dollar fall

The European aerospace industry "risks disappearance," because of the collapse in the value of the dollar, Louis Gallois, director of the French firm Aero Spatiale, said in an interview in the French daily *Le Figaro* on April 19. "The current value of the dollar is giving an undeserved and destructive advantage to the aerospace industry situated in the dollar zone," he said.

While correct that currency fluctuations are destroying industry, Gallois offered no solutions. He backed up the International Monetary Fund, calling for pressure on the United States to balance its budget and lower its debt.

Jürgen Schrempp, the head of Daimler Benz Aerospace, said that if the dollar remains at less than 1.40 deutschemarks, another 10-20,000 high-technology jobs will be cut in DASA's German operations and transferred into dollar-zone countries. He said two-thirds of DASA's business is denominated in dollars, calculated on the basis of the dollar at 1.60

marks. DASA reported a loss of DM 438 million for 1994, after 16,000 jobs were cut and six DASA factories closed down.

### Finance

## Japanese industrialist warns of global crisis

Tadahiro Sekimoto, chairman of the Japanese Nippon Electric Co. (NEC), warned on April 19 that the Group of Seven nations "must take measures immediately to modify the floating rate currency system . . . along with other major actions," or "we are likely to experience a financial crisis on a global scale." Sekimoto, who is also the vice chairman of Keidanren, Japan's leading industrial association, issued a statement to the press intended to convey the concerns of Japan's elite. NEC is Japan's largest manufacturer of electronic equipment.

Sekimoto sharply attacked currency speculators. The fall of the dollar "is the result of a money game being played by fund managers and currency speculators simply for their own profits," he said. He pointed out that entire nations have been forced into dumping the dollar to buy yen, to salvage the value of their foreign currency reserves. Since this involves dollar sales in the hundreds of billions, it is a process which, if not halted, would quickly lead to the sort of Weimar financial mudslide predicted by U.S. economist Lyndon LaRouche.

Meanwhile, most of Japan's cabinet now questions the floating rate currency system. On April 21, Japanese Finance Minister Masayoshi Takemura repeated his call (first made on April 10 and then characterized as a personal comment by the Japanese Finance Ministry) for "rethinking" the floating rate currency system, Japanese official sources confirmed. On April 20, the source said that Prime Minister Tomiichi Murayama, Ministry of International Trade and Industry Minister Ryutaro Hashimoto, and Bank of Japan chief Yasuo Matushita all agreed in hearings of the Japanese Lower House Budget Committee that "something must be done" to stop the chaos in the currency markets.

## Schiller Institute thwarts the IMF's plans in Ukraine

by Karl-Michael Vitt and Susan Welsh

International Monetary Fund Managing Director Michel Camdessus told the IMF annual meeting in Washington on April 24 that the Fund must stop giving its member nations "the benefit of the doubt," and must shift to an even more draconian policy in order "to convince them to take the harsh steps they need" (see article, p. 4). Among the many nations whose economies are being destroyed by IMF austerity programs, Ukraine is one where Camdessus's "No More Mr. Nice Guy" threat is sure to send out political shock waves.

On April 12, as *EIR* has reported, the Parliament of Ukraine rejected the IMF's demand for sweeping privatization of state-owned enterprises, a central element of the "reform" package put forward by the Fund. Parliamentarian and economist Dr. Natalya Vitrenko, chairman of a subcommittee of the Parliament's Commission on Economic Policy, was among the chief opponents of the measure, as the *Wall Street Journal* reported the next day. You will find in the following *Feature* an interview with her and fellow parliamentarian Vladimir Marchenko, in which they mince no words describing the effect that the IMF's policies have had on Ukraine's economy. As Mr. Marchenko stresses, the economic crisis has reached the point where a social explosion of potentially devastating consequences becomes a real possibility.

Vitrenko and Marchenko had been hosted by the Schiller Institute for a visit to Washington at the end of March; they attended a conference of the institute, keyed by Lyndon H. LaRouche, and met with Washington policymakers to brief them on the current situation in their country. In return, a delegation from the Schiller Institute visited Ukraine in April.

### **Inflation and industrial decline**

Ukraine is sinking deeper and deeper into economic depression. The national currency, the karbovanets, has been devoured by inflation; it can now only be compared to the infamous German reichsmark of 1923, which was carried around in wheelbarrows to buy a loaf of bread. One U.S. dollar can be exchanged for 140,000



Ukrainian President Leonid Kuchma (left), and Ukrainian parliamentarians Vladimir Marchenko and Dr. Natalya Vitrenko. Kuchma's support for the International Monetary Fund's austerity program is being countered by parliamentarians who see their nation being destroyed almost overnight.



coupons. Meanwhile, the Russian ruble, which stands at 5009:1 to the dollar, is viewed in Ukraine as a "hard currency."

Even the modern factories are idled, because wages have not been paid for months. The wages themselves in many cases are below the level of subsistence. People on pensions have been reduced to \$7 a month for their livelihood, which leaves nothing for rent and electricity.

Since the outset of 1995, the IMF-ordered privatization has been moving ahead. Every citizen has obtained a share worth \$10 and is wooed to cede it over to one of many funds, which seek to earn private property with it. Organized crime is heavily mixed up with these funds, as is international speculative capital from the likes of George Soros and other derivatives privateers. The "Great Criminal Revolution" of Russia is also afoot in Ukraine. Strong opposition to this has been making itself felt in the Parliament, which is outspoken in its mistrust of the government.

The IMF pressure on Ukraine, and its Parliament, is very intense. The same Parliament that voted down the privatization package on April 12, a few days before had approved the 1995 budget of President Leonid Kuchma, an austerity plan dictated by the IMF. Yet of the \$2 billion long promised by the IMF, not a dime has been forthcoming.

Against the background of this power struggle between President Kuchma and the majority of Parliament over the future course of Ukrainian policy, two conferences took place on April 8-9. At one of them, those who want to stick to the monetarist shock therapy of ruthless privatization gathered around the Russian guest speaker, Yegor Gaidar. It was Gaid-

ar who set into motion the criminal revolution in Russia with his IMF-dictated "reforms" starting in January 1992, as the head of the Moscow government and finance minister. This conference was co-sponsored by the German ruling Christian Democratic Union party's Hanns Seidel Foundation.

The sponsors of the second conference were the University of Indiana and the U.S. State Department's Agency for International Development (AID). The topic was the division of power between the Legislative and Executive branches in times of social and economic crisis. Two former officials of the U.S. Department of Justice, from the time of the Reagan-Bush administration, were principally responsible for playing the role of "thought police" at this affair. Among the audience were 60 or so national legislators, government officials, and scholars. Some American professors trumpeted the "historic transition phase" of the recent past in countries like Chile, Spain, and France, as a model for Ukraine. In particular, the supposedly highly successful "transition from dictatorship to democracy" in Chile under General Pinochet was praised to the skies.

Since it was clear to several Ukrainian parliamentarians that the IMF "success recipe" was supposed to be sold in a moderate packaging at this conference, they decided to invite Dennis Small, Ibero-American intelligence editor of *EIR*, and Karl-Michael Vitt, from the German Schiller Institute, as speakers at the conference. The U.S. conference organizers tried to prevent both speeches from being given, but in vain. In fact, the speeches were the only ones which were greeted with applause. Small's speech is reprinted below.

# How the IMF's policies destroy the physical economy of nations

by Dennis Small

*This speech was delivered on April 8 in Kiev, Ukraine at a conference sponsored by the U.S. State Department's Agency for International Development and the University of Indiana, attended by 50-60 Ukrainian parliamentarians.*

There are those who maintain that the neo-liberal economic policies of the International Monetary Fund are just what the doctor ordered for the economy of Ukraine and other nations emerging from under the yoke of communism. There are those who will argue that the so-called "success stories" of Ibero-America prove that the policies of the IMF in fact work. There are even some who are trying to sell the smelly corpse of the "Mexican economic miracle" to the credulous.

The view I will present to you today is exactly contrary. My thesis is that there is in fact not a single case in recorded history of successful economic development premised on IMF and neo-liberal economic policies. I will prove this thesis using case studies from Ibero-America. I would also like to argue a related point: that every known case in modern history of actually successful economic development has occurred as a result of the more or less conscious application of neither Adam Smith liberalism nor of Karl Marxism, but of a third school of economic thought, that of cameralism or mercantilism. Cameralism springs from the philosophy and economic science of Gottfried Wilhelm Leibniz, and is responsible for the success of eighteenth- and nineteenth-century U.S. industrial capitalism, of the Meiji Restoration of Japan, the postwar German economic miracle, etc. The modern exponent of this school is the founder of *EIR* magazine, U.S. economist and former political prisoner Lyndon LaRouche.

Let's get one further preliminary point out of the way before proceeding: We must first define what we mean by "economic success." If a doctor defined success as reducing a patient's high blood pressure no matter what the cost, the quickest way to "succeed" would be to kill the patient: The blood pressure would drop to zero, every time. That's more or less the IMF approach to inflation, and financial stability more broadly. For example, this is the case of Jeffrey Sachs's model country Bolivia, where his policies did indeed reduce inflation back in 1985—with the minor complication that he also wrecked the Bolivian economy and promoted the drug trade.

*EIR* and LaRouche posit a different criterion. Success must be measured in physical-economic terms by a society's

increasing ability to produce market baskets of necessary consumer and producer goods, for a growing population, and to do so with progressively smaller proportions of society's total labor. This can only be achieved by continuous scientific and technological advance, by substantial investments in great infrastructure projects, and by organizing national credit and monetary policies to facilitate such real, tangible, physical economic growth.

That said, let us turn directly to the case of Mexico, perhaps the best available example of IMF-produced catastrophe.

## The debt bomb in Mexico

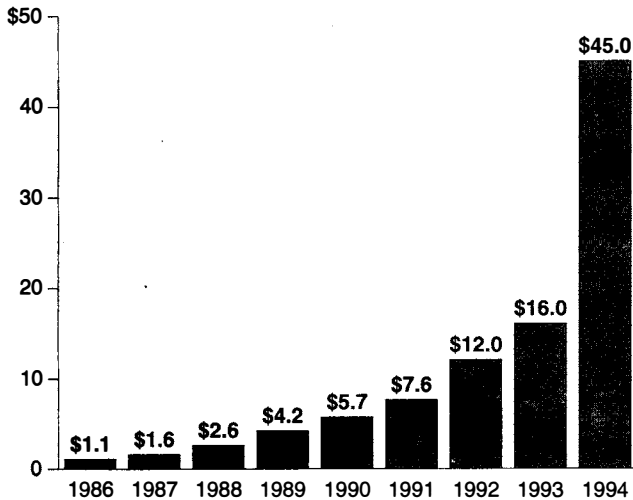
When the debt bomb exploded in Mexico at the end of last year, LaRouche noted that this was not a Mexican problem, but a New York and London problem, meaning a problem of the world financial system. He explained that it was the lawful follow-on to the Orange County, California blowout earlier in 1994, and that it would not stop in Mexico, but could hit next just about anywhere: Argentina, Hungary, some other American county, and so on.

Why did the debt bomb blow out in Mexico? Because of a world speculative frenzy called derivatives. Over the period from 1986 to 1994, the world derivatives market has grown from a mere \$1 trillion to over \$45 trillion—an annualized growth rate of 59% (**Figure 1**). As **Figure 2** shows, there is nothing on the face of the earth that has grown as fast as that speculative bubble—except some deadly cancers. The only thing that even came close was the world drug trade, which we estimate to be growing at the rate of about 25% per year—which might tell you something about just what is propping up the derivatives bubble. But as the speculative bubble has grown exponentially, the productive physical economy of the world—the food, steel, energy, and so on, on which the survival of the human race actually depends—has been collapsing. Over the last eight years, world steel production per capita has been dead flat. Grain production per capita has actually dropped by 1.3%.

Sooner or later, when the speculative cancer has devoured most of the physical economy underlying it, the system breaks down. The day or hour may be unforeseeable, but the process is inexorable.

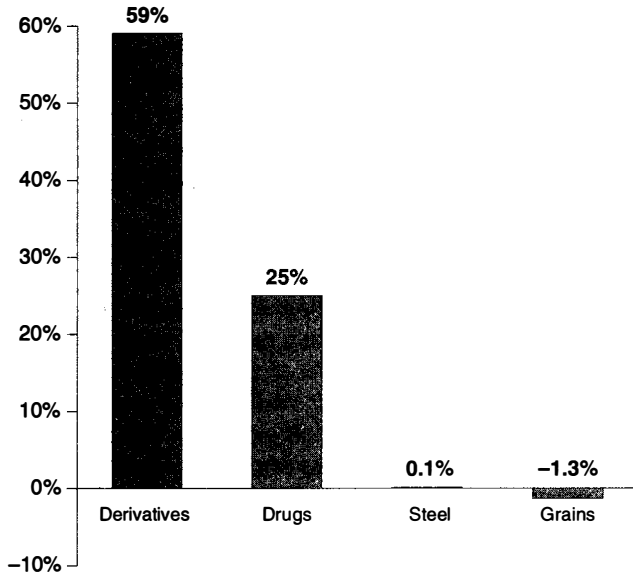
U.S. banks are heavily addicted to derivatives. Most of

**FIGURE 1**  
**World derivatives growth**  
 (trillions \$)



Sources: Bank for International Settlements, *Fortune*, *Swap Monitor*.

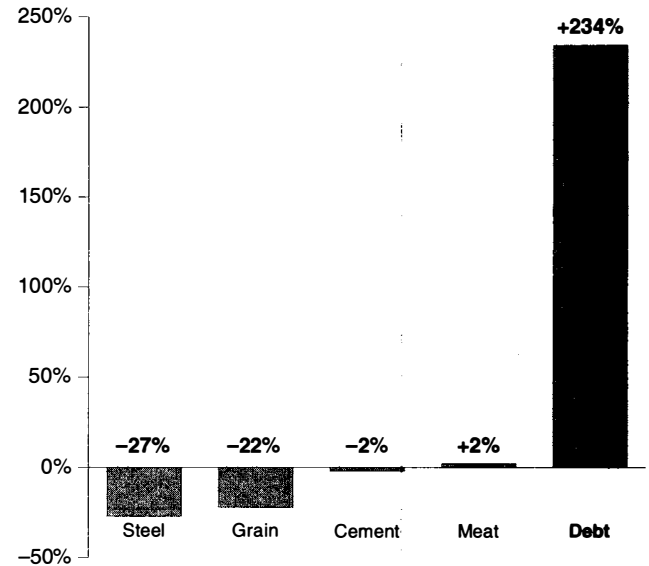
**FIGURE 2**  
**World growth rates, 1986-94**  
 (average annual percent)



Sources: U.S. Departments of Agriculture and Commerce, EIR.

these derivatives are held by a small handful of large banks, whose derivative exposure is generally an order of magnitude greater than their asset base. It is exactly this which hit Barings Bank like a ton of bricks, and there will be many more

**FIGURE 3**  
**Mexico: growth of foreign debt versus production, 1981-93**  
 (percent change)



Sources: World Bank, ECLAC (United Nations), INEGI (Mexico).

banks—British, American, and others—following them into bankruptcy soon.

What happened in Mexico is a microcosm of this big picture. Between 1980 and 1994, Mexico's official foreign debt soared, reaching \$141 billion by 1994. But in addition to the official debt, Mexico—like most of the so-called "emerging markets"—began taking on huge new quantities of other foreign obligations, such as dollar-denominated government bonds and foreign investments in the stock market. These speculative hot money flows increased Mexico's real foreign debt to about \$213 billion by the end of 1994. Those obligations are now being converted into official government debt through the so-called \$50 billion rescue package, which will bring Mexico's official foreign debt up to \$191 billion. And if the underlying policies which created the mess in the first place are not changed—which they certainly have not been thus far—Mexico is going to have a \$265 billion real foreign debt cancer by the end of this year.

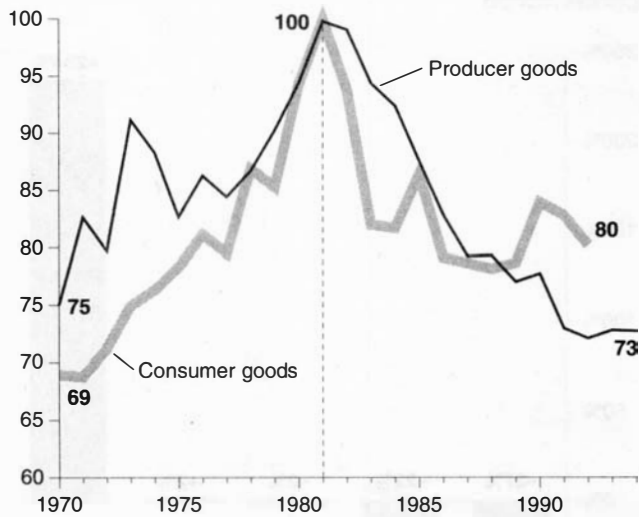
Did the productive economy keep up with this growth? Absolutely not (see **Figure 3**).

*EIR* has developed indices of Mexico's per capita physical production of a market basket of 15 important consumer goods (corn, beans, meat, clothing, autos, and so forth) and of per household production of a market basket of 17 producer goods (steel, cement, tractors, etc.). Both rose respectably during the 1970s, as Mexico positioned itself to launch in-depth industrialization in the 1980s, which was the policy

FIGURE 4

**Mexico: producer and consumer goods**

(index 1981=100)



Sources: ECLAC (United Nations), INEGI (Mexico).

adopted by then-President José López Portillo. But the bankers thought otherwise. Nineteen eighty-one was the last year of growth, and then the IMF and the oligarchy launched all-out war on Mexico. In the subsequent two administrations, of Miguel de la Madrid and Carlos Salinas de Gortari, every aspect of British free-market dogma was dutifully implemented—and the Mexican economy collapsed as a result. Bean production dropped by 37% per capita; milk by 22%; steel by 27%. Overall consumer goods dropped by 20%, producer goods by 27% (Figure 4).

How did this catastrophe happen?

**Bankers' arithmetic**

During the early and mid 1980s, Mexico—like the rest of Ibero-America, serviced its foreign debt by running a large trade surplus. On IMF orders, these nations slashed imports—they stopped purchasing everything that was needed to run their economies and sustain their living standards, from food to machine tools—and exports were driven up as rapidly as possible. The difference between exports and imports is a nation's trade surplus, the amount gained in foreign currency, which is then used to pay foreign debt. If you add up the total amount between the import and export lines, you have the total cumulative trade surplus.

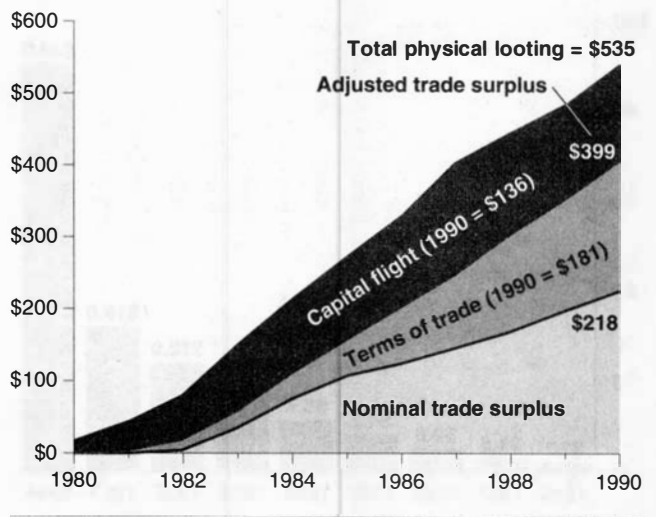
This adds up to a very sizable cumulative amount: \$218 billion between 1980 and 1990.

This is bad, but it is not the full story. During this period, we have an added factor: the collapse of the terms of trade for Ibero-America. This means that, if you are an Ibero-American country, each year you have to pay more for your

FIGURE 5

**Cumulative physical looting of Ibero-America**

(billions \$)



Source: EIR.

imports, and you get less for your exports. In other words, if you need to import a ton of steel, in year one, it takes a ton of your copper exports to get it; in year two, under worsening terms of trade, it takes two tons of copper to get the same ton of imported steel.

If the terms of trade factor is considered, we calculate an additional \$181 billion of physical loot which has gone out of Ibero-America since 1980 (Figure 5). So the actual adjusted trade surplus was almost \$400 billion. To put it differently, if the terms of trade had stayed exactly as they were in 1980, the cumulative trade surplus would have been \$399 billion which left the continent.

To that you have to add the amount that left illegally as capital flight, about \$136 billion cumulative for a grand total of physical looting of \$535 billion extracted, sucked out of the continent through this looting process over the decade. That corresponds to about 13% of the productive GNP of Ibero-America over the decade of the 1980s—and we are talking about a continent that was already in dire poverty at the beginning of the decade. This extraction of wealth needed for consumption and investment, in order to pay debt at all costs, produces "Africanization," a non-linear downward spiral of negative growth.

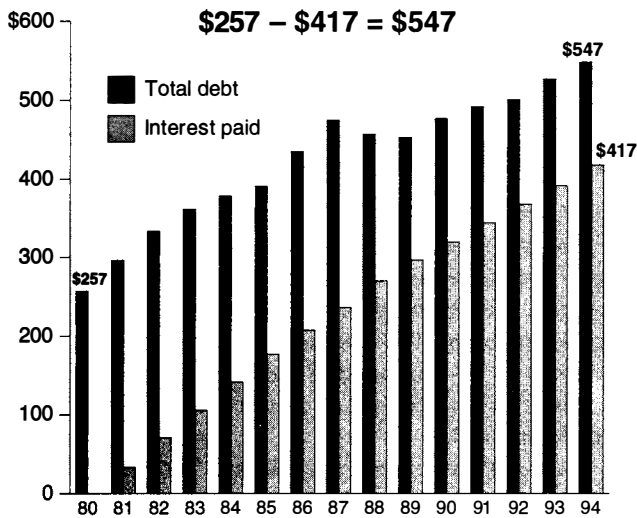
It is of course the payment of the foreign debt which is the principal mechanism through which this looting process works.

Ibero-America's total foreign debt in 1980 was \$257 billion (Figure 6). Over the course of the next 14 years, the nations of the region paid \$417 billion in interest payments alone, i.e., excluding amortization of principal. And yet at the end of that period, they owed more than at the beginning:



FIGURE 6

**Ibero-American foreign debt, and interest paid**  
(billions \$)



Source: World Bank.

\$547 billion. In other words, as you can see as clear as day, \$257 minus \$417=\$547. That's what is called "bankers' arithmetic."

The irony is that the IMF and its apologists frequently argue their case on the grounds that if you liberalize, money will come pouring into your country. Open your economy, they say, so we can ship in capital. But the door that is opened is the door through which capital leaves the country, not arrives. There is in every case net capital exports, a looting of the national economy.

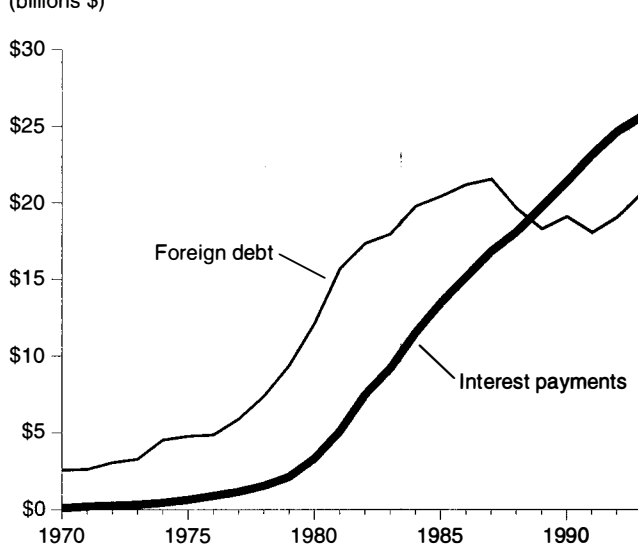
**The case of Chile**

The case of Chile also exemplifies this point. Although time does not permit me to present the evidence in full, the fact is that the Chilean crash of 1982-83 was caused by the "Chicago Boys' " neo-liberal policies. The modest recovery from those depths are a result of 1) abandoning the worst excesses of neo-liberalism after 1983; and 2) the high international price of copper over the last few years, which is Chile's main export commodity.

But the recovery should not be exaggerated either. GNP per capita is today scarcely higher than it was in 1973; and the small growth in employment, for example, has been principally in the non-productive services area—just like the rest of Ibero-America. As for Chile's much-promoted high savings rate, this is mainly related to the privatization of its social security system, which has simply meant that billions of dollars of these funds have been invested in large international financial institutions, such as Merrill Lynch or Bear Stearns. They in turn are heavy speculators in the world

FIGURE 7

**Chile: foreign debt and accumulated interest payments**  
(billions \$)



Source: World Bank.

derivatives bubble, so Chileans may soon find their savings wiped out, much like the citizens of Orange County, California, or the nation of Mexico.

Throughout, Chile has faithfully paid its foreign debt. In fact, the debt was very low when the Chicago Boys took over with Pinochet in 1973, about \$3 billion, but since that time it has grown to about \$21 billion today, despite the fact that over \$25 billion in interest has been paid (Figure 7). In fact, Chile has the second highest per capita interest payments record of Ibero-America from 1981 to 1990, after Venezuela.

In conclusion, let me shock you with the fact that Ibero-American foreign debt is actually the slowest-growing of any region of the world: It has been increasing at about 5.5% per year, compared to a world average of 8.0%. The countries of Europe and Central Asia have a foreign debt which is among the fastest-growing in the world, at 10.7% per year. This part of the world is also seeing bankers' arithmetic in action. The total debt of Europe and Central Asia was \$97 billion in 1980; over the next 14 years, \$192 billion in interest was paid, and at the end of this period, \$403 billion was owed. At this rate, and with IMF policies, this region is rapidly being transformed into Third World nations by the IMF.

The solution to this crisis lies in the opposite direction from neo-liberal reforms. Sovereign nations must take measures to protect their physical economies, and ally among themselves to have the political muscle to do this. And such nations must also act immediately to bring about a new world monetary system to replace the IMF, a system premised on the principles of mercantilist physical economy.

# IMF shock therapy is pushing Ukraine toward a social explosion

*Ukrainian Members of Parliament Natalya Vitrenko and Vladimir Marchenko were in Washington March 28-April 4 as guests of the Schiller Institute, where Mrs. Vitrenko spoke at the March 29 conference "Is There Life After the Death of the IMF?" (see EIR, April 14). Both are members of the Parliament's Committee on Economic Policy, and leaders of the Socialist Party. They were interviewed by Rachel Douglas on March 31.*

**EIR:** What measures were adopted under the slogan of reform in Ukraine? What was done at the outset, and what were the results?

**Vitrenko:** We can date the reforms from 1989, in what was still the Soviet Union. That year, a law on cooperatives was passed. Under that law, and then with the creation of small enterprises, state property began to be broken up. All this was done under the slogan of market reforms.

In 1991, Ukraine obtained its independence and such reforms really picked up. The essential point was that the command system had to be destroyed; an economy based on central planning was not justified, and it was to be replaced by a market system. But this meant "market" in the worst sense of the word: not a regulated market, not a socially oriented market, but the sort of market which, according to the doctrine of Milton Friedman and von Hayek, is supposed to be spontaneously regulated by supply and demand.

Thus the reforms boiled down to the elimination of price controls, the elimination of the fixed exchange rate, and the abolition of regulation and management of foreign economic activity. All of these processes, which previously were *totally* under state control, were 80-90% deregulated.

The jump in prices immediately dealt a blow against production, which began to fall. Then, under the slogan of sovereignty, economic ties with Russia and other republics of the former Soviet Union were broken. With the institution of a floating exchange rate, the national currency immediately began to lose value. Today, one dollar exchanges for 160,000 of our Ukrainian karbovantsy.

The deregulation of foreign economic activity led to the uncontrolled export of raw materials, commodities, and semi-manufactures, while we imported no new equipment or critical necessities, but rather consumer goods for those layers of the population who were beginning to get rich

from the ruination of the economy. They began to import foreign cars for themselves, gourmet food, appliances, tape-recorders. The majority of the population experienced a steep deterioration of life, while a small portion—we calculate about 15%—gained from the reforms. Their income began to grow, especially their unregulated income on which no taxes are paid.

That was the essence of our reforms. Naturally, we cannot term such actions reforms in the true sense of the word, because "reform" implies, first of all, consistent, gradual change and, secondly, improvement. Here, we have witnessed not gradual, but an avalanche-style change. A torrential change in prices. An avalanche collapse of our currency's value. An avalanche-style change in import-export policy. Avalanche-style privatization is commencing. All of this is done at breakneck speed, on a forced march.

But the most important reason this cannot be called reform, is that there has been no improvement, but rather a deterioration of the situation. We have seen a threefold shrinkage of Ukraine's per capita GDP in the past three years. From a level of \$2,228 per capita in 1991, it fell to \$778 per capita in 1994. The national income collapsed twofold during that period. If we look at the main categories of production, such as machine-building, consumer goods, agricultural products, we see four-, five-, eightfold and greater collapses. In some categories, a 50-fold collapse.

Naturally, there is no improvement here whatsoever, only a deterioration of the economic situation. The worst thing for the country is that this deterioration of the economic situation is transforming the majority of the population into impoverished, unfortunate people who are afraid of what tomorrow will bring. These are people without a steady source of income adequate to live on. This situation pushes them into various forms of resistance to the existing regime. We don't yet know where this will end.

**EIR:** Would you explain how such developments are a danger to not only the Ukrainian population, but the whole world?

**Marchenko:** I think the world knows that Ukraine suffered as a result of the Chernobyl accident. It has been extremely expensive to deal with the aftermath of that accident. There is also the question of closing the Chernobyl nuclear power

station altogether, as accident-prone. This also requires funds.

On the other side, Ukraine has proclaimed itself a state on whose territory there will be no nuclear weapons. But for historical reasons, there remained on our territory after the break-up of the Soviet Union a large quantity of missiles and nuclear warheads, which must be destroyed in accord with international agreements which Ukraine has signed. This also takes money.

For example: As of now, a technology has not even been developed for the orderly destruction of liquid-fuel rockets. But if they were to be eliminated by burning, the atmosphere, the ecology of all Europe would be affected. Here, too, funds are needed.

Therefore, when reforms are proposed, it is very important that these reforms stabilize the social situation in our state, the economic situation, so that Ukraine might be able to utilize its very rich, highly developed scientific and technological productive capacity. What has been proposed to us, however, is packaged as the unanimous demand of the West and the only possible direction for reform—politicians who see the destruction it is leading to, want to figure out whether this is really so. Because if Ukraine plunges into being a social earthquake zone, this turbulence in a state in the center of Europe will necessarily affect surrounding countries. It will be extremely difficult to extinguish such a conflict.

**EIR:** You speak of these reforms as “proposed to you.” What role does the IMF play here?

**Vitrenko:** Ukraine joined the IMF almost immediately upon achieving independence. The preparatory work had been going on for a long time beforehand, in the framework of the former Soviet Union, under Gorbachov, as soon as his reforms began to be implemented. In 1992, the government of Ukraine already completely openly, officially signed its first memorandum of understanding with the IMF, where it assumed the obligation to implement the prescription the IMF would recommend. That is where it was written that there should be decontrol of prices, the exchange rate, foreign economic activity, privatization—at stunning rates. All of this was signed and promised to the IMF. It was promised, against the credits to be received.

In order to introduce one’s own national currency, and for structural changes in the economy in general, of course, there is a need for investments. Credits were promised. Then a very interesting situation arose around these credits. Last week in Parliament, we posed this question: What happened to the credits allocated for Ukraine? The finance minister replied that out of \$500 million received from the United States, he could account for \$250 million—that is, half. As for the other half of the credits, he didn’t even give us any information about where they had gone. And those he *did* account for, did not go to finance new construction, new technologies. They were used to paper over the holes in the balance, which were

created by the government’s own policy.

Take, for example, the breaking of ties with Russia. Russia is our most important economic partner, both historically and, I am deeply convinced, for the future. We have an economic interconnection. The structure of production in Ukraine is such, that one-third of our output involves semi-manufactures. This means that we received some components or raw materials from Russia or we would send semi-manufactures to Russia. This production was designed as a single cycle, part of a single national economic complex. In breaking those economic ties, we pulled the rug out from under both Russian enterprises and our own first and foremost, because our economic situation is more difficult; we have fewer raw materials.

When these ties began to be pulled apart alive, instead of financing some kind of parallel productive enterprises to replace the suppliers which were now abroad—No! The credits were used for current incurred costs, to pay bills for oil and gas. Ukraine has no energy conservation policy, although production of fuels is falling. The resource-intensivity of production is growing. This is an illiterate use of credits, from an economic standpoint. We will never have enough credits, if we are constantly using them to pay Russia for growing volumes of fuel.

On the question of IMF credits, I would point to the reforms, intensified in October 1994, again under the influence of the IMF. As I understand it, the IMF was not satisfied with Ukraine’s fulfillment of the obligations it had assumed—because the memorandum of 1992 was unfulfillable. This is particularly clear regarding privatization. It was impossible to privatize in such a short period what was called for in that program. The legislative basis was not prepared. Most of our people didn’t understand, and still don’t, what a joint-stock company is—an open stock offering, a closed one, what a corporation is. When people take a look at this and see that they don’t understand it, their reaction naturally is to draw back.

The dissatisfaction with the course of reforms in Ukraine was also linked with the fact that the IMF was *very* closely monitoring the process of transfer of power: how the President was changed, what the turnover in Parliament was. The first guest to arrive in our country after the election of the new President was [IMF Managing Director] Michel Camdessus. He came with his new recommendations.

And in October 1994, Economics Minister [Roman] Shpek signed a new memorandum with the IMF. It was *not* ratified by the Parliament of Ukraine. It was virtually a secret document, which shows what Ukraine was supposed to do in order to receive a promised \$4 billion credit. Concerning the very sum of \$4 billion, I would like to note that our most conservative calculations show that Ukraine needs \$40 billion—investments.

And I would add this: Thanks to this policy of chaos and looting, experts estimate that Ukraine has lost \$60 billion in

capital flight, funds which are now at work in western banks. Instead of working to return these funds in a civilized fashion, the way any country defending its sovereignty monitors such things, we signed a memorandum with the IMF, saying: "Give us \$4 billion."

And what do we promise in exchange? Once again: price hikes, although in four years our wholesale prices have increased 71,000-fold and retail prices 49,000-fold! In 1993 alone, inflation in Ukraine was 9,250%. This means the devaluation of goods produced, the devaluation of labor, the devaluation ultimately of human life at a very rapid rate. But now new obligations are assumed which mean another rise in prices. And meanwhile, our economics minister pledges to restrain the increase of wages. He promises the IMF to slash subsidies for public utilities, housing, public transport, all social programs, and to reduce state support to agriculture. And he promises accelerated privatization. He even names the figure: 8,000 medium-sized and major, and 15,000 small enterprises are to be privatized. To orient yourself with respect to these figures, understand that the total number of medium-sized and major enterprises in Ukraine is 8,800, of which 8,000 are to be privatized in the course of one year.

For signing this memorandum, Ukraine received from the IMF \$371 million in December, and now, this spring, an additional \$1.8 billion is promised. But there are new conditionalities: The budget deficit should not exceed 5% and the budget should have been passed no later than March 21.

This means that Ukraine is being strictly held in the status of a semi-colonial country, under IMF protectorate.

**EIR:** Don't people, including politicians in Ukraine see these horrible economic results as a consequence of having accepted IMF conditionalities? How do various parliamentary factions view this, and what power do opponents of these measures have?

**Marchenko:** The psychological factor is influenced by the fact that our mass media, being in the hands of the Executive branch which signed the memorandum with the IMF, tells our population that there is no other way. As deputies, meeting with our constituents, we find that most people cannot accept this policy, because their life has deteriorated so much, has become so unbearable, that people are on the verge of a social explosion.

We can discuss why the prescriptions of the IMF are accepted, only knowing the structure of state rule in Ukraine. Our President enjoys enormous power. He appoints the Executive branch. He prepares and submits the economic reform program to the Parliament, as well as the budget. So far, no economic reform program has been submitted. Knowing that IMF prescriptions were being implemented, parliamentary deputies have repeatedly demanded: Give us the program! In other words, if there are going to be reforms, there is supposed to be a program. But there is no program.

Having agreed to implement IMF conditions in order to receive those credits, the President of Ukraine has the authority under the Constitution to regulate economic relations by his own decrees, which he calls reforms. If there is no legislation, he simply issues decrees—to implement the obligations he has assumed before the IMF.

The correlation of forces in Parliament is such that there is not, at present, a parliamentary majority which would stand up and say clearly, "No!" to implementing the policy imposed on us.

**Vitrenko:** I would add that nobody in Ukraine understands what the IMF means for an economy. Only the leftists have a sense of this. The center forces and the rightists, and the nationalists, are coddled by the IMF. They benefit from this policy, and they support it in Parliament. The leftists, being more representatives of the workers' interests, understood already yesterday what the tendency would be, see the results today, and know where this is leading in the future—and they oppose it.

It is quite a sneaky policy. First, the economy is really destroyed by following the prescriptions of the IMF. And *now* they say, without these credits, that's it! There will be no gas, because there will be no way to pay Russia. There will be no medicine. Diabetics will die, because there will be no insulin. To buy insulin we need hard currency; there's no hard currency, unless the IMF gives it. Hence the thought is constantly drilled into the mass consciousness: There is no other way out.

At the same time, public opinion—and people have a lack of real information, the information provided is very tendentious—is fed the line that things are really great where the IMF has been followed. Look how Poland is flourishing! Mexico! Argentina, having followed the IMF prescription for reforms, is flourishing! Our President is constantly talking about the reforms in Chile—that Ukraine needs reforms such as Chile had.

**EIR:** What was your impression from the Schiller Institute conference of March 29, where the result of the IMF policy in these countries was outlined? [See *EIR*, April 7, p. 58 for a report on the conference, which took place in Washington.]

**Vitrenko:** I was simply floored by the depth and civic responsibility of the organizers and speakers at the conference. All of the presentations, not only that of Lyndon LaRouche, but of those who spoke after him, were very professional and gave us excellent information.

Nobody knows this information! How South America has been brought to its knees before the IMF. That bar graph showing how much was paid on the debt, and the debt grew anyway. Nobody knows this!

I work on these questions professionally, and when it came out that Mexico was being given \$52 billion, the thought struck me right away: What's going on, if they barely deign to give Ukraine \$4 billion, and suddenly \$52 billion

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*"I am deeply convinced that the IMF was created to destroy the economies of various countries, to prevent them from rising to an equal level. To brake the progress of humanity."—Natalya Vitrenko*

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for Mexico? Something's not quite right here. Why were they doing this? I found the answer only here at this conference. They carried on so much about the success of the reforms in Mexico, but then the bubble burst, and they had to immediately save the situation, because the yawning wound in Mexico very clearly shows that IMF efforts are in vain. Their phony efforts, I mean, ostensibly to improve the economy.

I am deeply convinced that the IMF was *created* to destroy the economies of various countries, to prevent them from rising to an equal level. To brake the progress of humanity. To provide for a narrow group of countries—or, perhaps, not even countries, but rather influential groups within those countries—constant power over the world, over a world on the brink of famine and destruction. A world where the majority of people are inadequately educated and suffer from a low level of culture, so that they are easier to rule. That is the essence of IMF reforms.

**Marchenko:** I would also like to say that the conference made a big impression on me, not only because of the professional level of the speakers and the analysis, the exposition of the real state of affairs in other countries that have fallen under the influence of the IMF, but it was most important for me to discover that there exists in the West a totally different attitude to the problem of other countries' development. This is important, because upon our return home to Ukraine, we will tell our fellow parliamentarians that the West is not limited to the prescriptions of the IMF.

**Vitrenko:** Not only Jeffrey Sachs.

**Marchenko:** Not only Jeffrey Sachs, but here is Lyndon LaRouche, who has made his mission the development and preservation of national sovereignty, industrial development, the creation and development of a stable situation in society on the basis of productivity, cooperation among states on a peaceful basis, so that there be peace on Earth. And these are not just slogans, but concrete programs are provided for these goals. This is extremely important for us to emphasize, in order to show that the West is not only the IMF, not only privatization for privatization's sake, not only the myth of the successful property-owners which is failing in Ukraine right now, in particular. But the West also means entire other scientific tendencies, political tendencies, with very different goals and prospects for the development of both the national economy and relations among nations.

**EIR:** I would like to ask about specific sectors of the Ukrai-

nian economy. What has happened with the high-technology industry, and with agriculture?

**Marchenko:** Let me begin with a concrete example. I was elected to Parliament after being nominated from a major telecommunications equipment factory. I am in my second term. In the case of my factory, I see how in the economic conditions created under the banner of reform, productive capacities are being destroyed. Our factory, in eastern Ukraine, has cut the workforce twofold. Wage policy is such today, as to make it impossible to reproduce the labor force. People are abandoning work in those productive areas, which were the basis of our progress in science and technology, our quite advanced industry. They are going off into small structures, in order somehow to feed themselves and their families.

The biggest outflow is of the best-trained people. Once a working collective of such people is destroyed, it is practically impossible to reconstitute it.

Ukraine was an intellectual center, developing technologies for space exploration, the military complex. These are being destroyed. The wage policy and the lack of priorities, including for the priority development of science, for more efficient technologies, have led to entire scientific schools quitting Ukraine. Some of them, we believe, are already beyond the possibility of restoration.

Thus we have quite a difficult situation in science and production. I would like to take the occasion of this interview to ask the IMF: Don't they understand what a tragedy our country is being pushed into? What will the world community gain, if a social explosion occurs in Ukraine? Because by the IMF prescriptions, there is no responsibility. They give money, industry and agriculture collapse, and the people who prescribed this bear no responsibility.

**Vitrenko:** Concerning agriculture, I would add that for Ukraine, agriculture not only was an important sector of the economy, but also in the future, agriculture should define the place of Ukraine in the world community. This is because of the unique conditions. One-quarter of the planet's black-earth land is in Ukraine. Our geographical and climatic location is extremely advantageous for the development of agriculture.

With sane reforms, the task should have been to intensify agricultural production. Even if the form of property ownership were changed, it should have been not by destroying some farms, but by creating a competitive milieu for the existence of various forms of property ownership, thus increasing the volume of agricultural output, and making sure that what

is grown gets processed. But we lose between 30% and 50%, for various crops, even of what has been produced—from bad roads, bad storage, lack of processing capacity.

But now we see a total catastrophe in agriculture. In these last three years, the volume of agricultural production has collapsed between 40% and 60%, for various products. The cattle herds have shrunk by one-third, pigs by half.

We met with a representative of the U.S. Department of Agriculture, who spoke rather lightly about the problems of agriculture in Ukraine, saying—Ah, well, it's just the reform period. But he was a specialist in animal husbandry. I asked him, how many years does it take to build back up a herd of cattle? Twelve years, he said. Twelve years! That means that in three years, damage has been done which it will take 12 years to repair.

This decline in agriculture production means that not only is Ukraine losing its own food base, but also its export capability. In the past, we exported food. But if we lose both our productive base and our export potential, we lose our independence. By the destruction of agriculture alone, Ukraine becomes a dependent country.

Regarding what Mr. Marchenko said about the destruction of scientific schools: Ukraine had too high a portion of enterprises belonging to the military-industrial complex. But those were high-technology enterprises with the most skilled workers, the most modern machine tools. That means that during the reform process, they should not have been destroyed and the labor collectives should not have been broken up. Rather, these facilities could at least have been converted to civilian production, or—as some other countries have done—keeping them partially in military production, it would have been possible to trade military products for goods in short supply on our domestic market.

In Kharkiv, one of our major cities, military production comprised 90% of what was produced there. This was five years ago. In 1994, only 1.5%. It was not just a reduction in output, but a change in structure. Production at most of Kharkiv's factories, which were military, has collapsed tens of times over. So we obtain neither military output, nor civilian. Labor collectives formed over decades, and who know the technologies, are falling apart.

And it is not simply that people leave one factory for another. The workers are "reborn," so to speak. Not so long ago they were producers, they were proud of their factory, they valued their job. Today, losing their jobs or keeping them with just a beggarly wage, current policy forces them to steal. They steal things from their own factory, they speculate, they earn money in whatever way they can. We see thus a degeneration of the labor force from a creative one into semi-literate speculators. The damage to Ukraine, here again, is not something you will repair in a day. It will take decades to reclaim the positions that were lost.

**EIR:** Please comment on the latest developments between

Russia and Ukraine, including over Crimea.

**Marchenko:** The last session of the Parliament recognized the territorial autonomy of Crimea. This territory has a specific history. At one time it belonged to Russia, then it was given to Ukraine in 1954. After it was granted this autonomy, however, a treaty was signed between Russia and Ukraine which renounced any territorial pretensions. Thus Crimea today is Ukrainian territory. Both we and Russia, and the world community, proceed from this fact.

The process of drawing up legislation, the absence of legislation and lack of experience in statecraft, especially in cases when regions are granted more power, have brought to the fore some problems in both Crimea and Ukraine as a whole. The legislation adopted in Crimea does not always correspond to Ukrainian legislation. The contradictions had to be solved. The relevant commissions were established, working groups with participation from Crimea and Ukraine, to reconcile these questions.

In my view, the decision by the Parliament was premature: The Constitution of the Crimean Republic was abolished, rather than amended, as I think it should have been, in order that it be consistent with Ukrainian laws. The Presidency of the Crimean Republic was liquidated. It seems to me that this was a rash decision by our Parliament, after that President had already been elected. It was resolved that the government to be chosen by the Crimean Parliament will have to be ratified by the Parliament of Ukraine. The Constitution the Crimeans are drafting will have to be ratified by the Ukrainian Parliament.

Thus, while supporting the principle that the supremacy of national legislation over regional should be upheld, including in Crimea, it seems to me that our current Parliament's decision has planted problems which may now be aggravated—both within Ukraine, and between Ukraine and Russia. Abolishing the Presidency and Constitution of Crimea has created a situation where, at the elections slated for June, separatist attitudes will likely prevail. This will fan the centrifugal aspirations of the Crimeans.

At the same time, this forceful resolution of the problems, of the contradiction between Crimean and Ukrainian legislation—and our Parliament's decision is juridically imprecise and poorly grounded in some places—will of course provoke a reaction by Russia. It could take various forms, and insofar as Ukraine is very dependent on supplies from Russia, especially of fuels, and dependent with respect to the debt payments we share, pressure could be exerted on Ukraine which cannot lead to anything good. Therefore I think that the Parliament's solution to the Crimea question, and the President's backing of it, cannot help develop these relations in a calm, lawful fashion. A new potential for conflict has been created, a conflict we would not like to see.

**Vitrenko:** Such a conflict would be of no use to Ukraine or to Russia. It is when economic ties have been so disrupted, that the potential for such conflicts grows.



In Russia, the conflict in Chechnya flared up, because Russia is also experiencing an economic collapse. You can see this by many indicators. The material that became public after the change of leadership at the Russian State Committee on Property was very revealing. Mr. Polevanov took charge and then made public the results of privatization in Russia, which had led to losses for the national economy of Russia in many sectors and showed that the privatized enterprises worked worse.

As Russian citizens' dissatisfaction was growing, at that very moment the Chechnya card was played. First, they were given maximum autonomy; Yeltsin said, take as much as you wish. Then when Dudayev, a figure no less odious than Yeltsin, assumed great powers, a settling of accounts began. And the fact that tens of thousands of people have died or suffered during that settling of accounts does not bother the politicians.

There is a horrifying analogy in Crimea. Because the severe deterioration of the situation in Ukraine can no longer be covered up. It simply can't be! That should prove to any politician, that if his reform policy is severely worsening the situation, he needs to abandon that policy and change it. But instead of a radical change in economic policy to stabilize relations in society, a different question arises. Mr. Marchenko is correct: First, Crimea was granted excessive prerogatives. It's as if some state in the U.S. had been given the right to have its own banking system, its own currency, its own foreign policy. But *then* suddenly, this does not suit, and instead of calmly reaching a settlement, there are abrupt measures to restore the previous situation.

It would be very desirable for the situation in Crimea to remain under control. One would hope that both the Crimean and the Ukrainian politicians will have enough wisdom to review some questions, in the course of changing Ukraine's economic policy—as it will have to be changed—so as to allocate more authority to the regions in general. The Donbass, too, has its own specific problem zones. So does Transcarpathia. These are specific areas of Ukraine which do require something other than commands from a single center, more authority of their own. Crimea could be granted more authority in *that* context, and also the other regions.

This comes to the problem raised at the conference, namely that the state should be concerned with the key, major questions, leaving quite an array of matters to be resolved locally. I have always shared the view Lyndon LaRouche expressed in his speech, that the state is responsible for infrastructure. The productive and social infrastructure of society is the responsibility of the state. But how industry, agriculture, local transport, and so forth are to develop, let the regional authorities decide. Let the regions do some work. And those who are involved in more hands-on management will manage more effectively, although the *key* national economic questions will still have to be decided by the state. Like the space program.

**EIR:** You have read LaRouche's memorandum presented before hearings at the Russian State Duma, where he says that there will be no recovery in Russia or Ukraine without a systematic bankruptcy reorganization of the western economies [see text in *EIR*, March 17]. If the West wakes up, do you see the development corridors and other approaches outlined there as the basis for cooperation in Eurasia?

**Vitrenko:** Absolutely. In the memorandum, as in his presentation at the conference, Lyndon LaRouche begins with the need for a general debt moratorium, where payment and debt service would not be required at least until there has been a complete stabilization of the economy and it begins to develop. Take Ukraine: Debt service takes up 14% of our budget today. This is 273 trillion karbovantsy. For comparison, we spend 30 trillion on health care. Thirty-four trillion for education. But 273 trillion for debt service!

If the world community were to listen to LaRouche and break with the IMF, starting with a debt moratorium as the first step, it would allow our country to invest those resources in solving the most pressing domestic problems.

Furthermore, we understand very well that even if we succeeded in convincing the Parliament and the President and got our program adopted, Ukraine would not succeed alone. If the same policy of destruction were continued with respect to Russia, Poland, Mexico, and others, the policy of the strong devouring the weak, Ukraine would not gain. The world as a whole needs to change. The impulse for this change, however, has to come from what LaRouche calls in his memorandum "the National Party," that layer of what I would call the patriotic intelligentsia in each country. I understand that this layer is very thin, too thin, but these are the bearers of progressive ideas. Beginning with this in each country, and moving on to concrete actions by the authorities in each country. . . . If it will happen also in the more developed countries; this is of great value, when a stronger country extends a hand in friendship, it will be picked up by the poorer countries. I sensed this at the conference, when people came up to me from Cameroon, from Congo. I understand the conditions in Africa; they would be very glad if the IMF stopped torturing them, and other paths were proposed.

**Marchenko:** I would add that when a country's economy is destroyed and the country is pushed toward the stage of social explosion, the conditions are created for either a dictatorship or a fascist regime to come to power. History shows us how that increases the potential for conflict, war, human casualties. Therefore, the world must live by cooperation. I believe that all honest people must work for countries to live in peace and cooperation with each other, on the basis of democratic principles. The processes involved in the development of countries can foster either democracy, or the advent of authoritarianism, dictatorship, and fascism. The prescriptions for the destruction of industry and the economies of countries will only promote conflict in the world. We do not want this to happen.

## Great Britain unleashes global irregular warfare

by Linda de Hoyos

The April 19 car-bombing of the U.S. Federal Building in Oklahoma City signals that the perturbations that have shaken the world's institutions with the onslaught of global financial collapse, have now reached seismic proportions. The car-bombing, as President William Clinton stated, is "an act of war." At stake in this war, is whether world leaders will be able to take appropriate action to put into place a new monetary system able to make the transition from the current financial collapse to global economic reconstruction, or whether the systemic financial crisis results in chaos and the disintegration of nation-states and institutions.

Determined to bring the world to the second option is British intelligence, operating on behalf of the world's oligarchy, of which the British royal family is *primus inter pares*. Within the month leading up to the April 19 car-bombing, British intelligence unleashed its assets in global irregular warfare with an unprecedented level of terrorist violence and successful or attempted assassinations hitting world capitals. The aim of this "strategy of tension" is not to win on this or that particular point of policy within the targeted countries; the objective is to destroy or otherwise paralyze any institution that possesses the capability or potential capability to take independent action to avert or place obstacles before the oligarchy's drive for global *Götterdämmerung*.

The primary target for British intelligence is the United States Presidency of Bill Clinton, which has severed the "special relationship" with Britain. The "demand" behind the Oklahoma City car-bombing was delivered on April 1 by Otto von Hapsburg, heir to the throne of the Austro-Hungarian Empire. Writing April 1, Hapsburg decried Clinton's foreign policy and demanded that self-avowed British agent of influence Henry Kissinger be promoted to take charge of

U.S. foreign policy. "It is our great tragedy, that, at this moment, it is not Henry Kissinger who is directing U.S. foreign policy," Hapsburg stated (see *International Intelligence*).

Secondarily targeted are allies or potential allies of the Clinton Presidency who would support action for monetary reorganization.

### Target Tokyo

Dramatic escalation of Britain's global warfare occurred on March 20, when deadly sarin gas was released into the Tokyo subway system. The blind terror attack took place at the height of rush hour and affected the Kasumigaseki subway station, servicing the district for most government buildings. As one Japanese criminologist noted, "We can assume that these people [the perpetrators] wanted to send a clear message to the powers that be." The attack in Japan takes place at the point that Britain is working to break the long-standing alliance between Japan and the United States, bringing Japan into Britain's orbit, just as it did in the period leading up to World War I. Within a month of the Tokyo attack, two more releases of poison gas occurred in Japan, the last on April 19 in Yokohama.

Named as suspects in the gas-attacks is the Aum Adikhari Buddhist cult of Japan, which has an international following and is believed to be the repository for millions of dollars of "hot money." Leaders of the sect were trained by the Tibetan Tantric Buddhist guru, the Dalai Lama, a known asset of British intelligence with close ties to Prince Philip's World Wide Fund for Nature.

The attack itself and the surfacing of the Aum cult in connection with the terror had an explosive impact on Japan's

institutions. Immediate attempts were made to thwart the investigation. On March 30, Takaji Kunimatsu, director of Japan's National Police Agency, in charge of investigating the sarin attack, was shot and seriously wounded by a gunman outside his home. On April 24, in an incident reminiscent of the Jack Ruby killing of alleged assassin Lee Harvey Oswald on Nov. 24, 1963, the Aum cult's "science and technology unit" chief, Hideo Murai, was stabbed to death while he was holding a press conference, as millions of shocked Japanese watched on television. The head of the cult is still at large.

### Target Germany

In the last week, Germany, which Clinton has designated as the United States' key strategic partner, has again been rocked with "green terrorist" violence, as thousands of anti-nuclear campaigners battled police in an attempt to prevent shipment of nuclear waste from a storage center near Hanover. On April 24, the greens succeeded in halting service on six rail routes when they brought down power lines.

On April 23, Christian Democrat member of the Bundestag (Parliament) Theo Blank narrowly escaped being killed when a bomb exploded at his home in Düsseldorf. Wire services allege that the bomb was planted by a "leftist organization." However, new revelations surrounding the April 1991 murder of Detlev Karsten Rohwedder, then-director of the Berlin Treuhand agency, points to the more likely involvement of intelligence agencies. Rohwedder's murder was laid at the door of the Red Army Faction (RAF), but is now revealed to be more likely the result of a deployment of *spetsnaz* (special forces) by the remnants of the East German intelligence agency, the Stasi, which in turn has strong links to British intelligence (see article, p. 48).

### Target Pakistan and the Philippines

Also under siege are two allies of the United States in Asia: Pakistan and the Philippines. On April 20, those two countries signed an agreement to combat terrorism and narcotics jointly, as both have been the target of *Afghantsi* networks. Both countries cooperated with the United States in the apprehension of Ramzi Ahmad Yousef, who is wanted for his suspected role in the 1993 World Trade Center bombing. Such drug-terror networks, who have London as their support base, have been working to make Pakistan ungovernable for Prime Minister Benazir Bhutto, who came to the United States in April seeking closer ties with Washington and an overturning of the Pressler amendment, under which Pakistan has been denied military aid or delivery of F-16 fighter planes that it has already bought and paid for. Right before the February visit of Pope John Paul II to the Philippines, *Afghantsi* networks were arrested in Manila planning the pope's murder. Associated networks have also wreaked havoc on the Philippine islands.

A full security alert must also be placed on the lives of world leaders. On April 20, one day after the Oklahoma City

bombing, a pipebomb exploded in front of the provincial legislature in Charlottetown, Prince Edward Island in Canada. No one claimed responsibility for this otherwise completely unexpected event.

### Heightened security for world leaders

The bombing did, however, force a heightening of security around the Group of Seven industrialized nations heads-of-state meeting due to take place in Halifax, Nova Scotia, in Canada in June. On April 25, the *Globe and Mail* released security details on the upcoming summit. While not referencing the Prince Edward Island incident, the paper, citing the Royal Canadian Mounted Police, reported that a two-meter-high concrete and wire barricade will be erected around much of the one-kilometer perimeter of the summit site; military helicopters and patrol boats will be stationed to block boats and planes from nearing the site. Additionally, many of the 57 businesses near the site will be closed; all mailboxes and newspaper vending machines will be removed.

In South Korea, the combination of the Tokyo terrorism and the Oklahoma bombing has forced the country into a heightened security alert, a spokesman for President Kim Young-sam announced on April 22. Reinforced inspections are being carried out at airports and ports because of "the idea that there is a possibility of extremist attacks on many and unspecified people in our country."

In Japan, Prime Minister Tomiichi Murayama has ordered extra security at the homes of government ministers and all officials involved in the Tokyo gas investigation, after the attempt on the National Police director. Murayama's own security cordon was broken on April 1 by a man claiming to be a member of a "rightist organization."

Security concerns have also been raised in Turkey, which the Clinton administration had recently affirmed as "an invaluable ally in the region." On April 20, the day after the Oklahoma bombing, Turkish police arrested 21 people in Istanbul on charges of conspiracy to assassinate Prime Minister Tansu Ciller, then on an official visit to Washington. Police reportedly seized a hand-drawn map of Ciller's private residence in Istanbul and a large number of the group's intelligence reports, according to news wires.

Also on April 20, in Spain, the leader of Spain's conservative Popular Party, José María Aznar, narrowly escaped death, after a car bomb blew up his own car and injured 16 people. This is the first attempt on the life of a Spanish politician in over 20 years.

Taken as a whole, the pattern of violent threat to leaders and institutions is unmistakable—in contrast to the tendency of each targeted nation to view such terror attacks as a purely internal matter. Recognizing both the strategic purpose and ultimate London source of the derivative, local operations in global irregular warfare is the required first step to enable patriotic institutions to take countermeasures that are effective.

# French Presidential elections defy calculations of Paris nomenklatura

by Christine Bierre

The victory of Lionel Jospin, the Socialist Party candidate, in the first round of the French Presidential elections on April 23, was a surprise to all, and proves that in a time of crisis, even the best attempts to rig the elections through manipulation of polls and media, are bound to fail. Since mid-February, all of the polls predicted a sure victory for Jacques Chirac, the president of the nominally Gaullist party (Rally for the Republic, RPR), with over 25% of the vote, and a second place, but far behind, for Jospin. The results were almost the opposite: Jospin came in first with 23% while Chirac trailed behind with slightly over 20%.

What does this mean for the outcome of the Presidential race, which will only be defined in the runoff between Chirac and Jospin on May 7? Not much since, in reality, the main issue is one of program and not of personalities.

The entire campaign focused on social issues: what to do about the whopping unemployment, about the hundreds of thousands of homeless, how to solve the problem of the plunging living standards of the majority of the French popu-

lation. With the notable exception of Edouard Balladur, who didn't hide the fact that he intended to pursue an austerity policy in order to maintain the French franc and to fight against the budget deficit and indebtedness, all the other candidates—from the racist Jean Marie Le Pen to the Trotskyite Arlette Laguillier and the environmentalist Dominique Voynet—ran on platforms calling for state intervention to create jobs and increase wages.

But beyond election-campaign demagogy, who is willing to attack the real causes of the economic crisis? As Jacques Cheminade, the friend of Lyndon LaRouche who took part in the race, expressed it many times: To tackle the economic crisis in France, it is necessary to attack the Treasury, the Bank of France (central bank), and all the other financial authorities that are applying to France the monetarist recipes of Wall Street and the City of London. In the name of the defense of strong currencies and of the fight against inflation, the high interest rate policies adopted by the Bank of France and the others, have killed productive investment and pro-



*Jacques Cheminade on the campaign trail, visiting an industrial plant. He is calling for a break with "the markets" and the launching of an industrial recovery program.*

moted rentier capitalism instead. These policies are largely responsible for the soaring unemployment rate in the majority of the European countries. Anyone who promises wage increases and jobs must tackle those problems.

### **Cheminade's impact**

The importance of Cheminade's campaign is precisely that it was aimed at responding to those questions and at influencing the electoral and post-electoral debate with his solutions. Throughout the campaign, he denounced, as the main cause of the economic crisis, the speculative cancer which is pumping money out of real production. He also attacked the "incestuous little club made up of high-level civil servants of the Treasury, the Bank of France, and the Economics and Finance ministries," which serves as the transmission point in France for the monetarist theories rampant in Wall Street and the City of London. To counter those tendencies, said Cheminade, it is necessary to break with "the markets" and to restore to the state the means to run the economy. This means bringing to an end the autonomy statute of the Bank of France and its power to issue currency and to control credit flows. Finally, he said, it is absolutely necessary that Europe adopt a Marshall Plan perspective toward eastern Europe and the South, reorienting credit in the range of several hundred billions of dollars, toward great infrastructure projects.

In the extremely tense climate that dominated this election campaign, those themes did have a certain impact. One of the reasons is the fact that certain factions in Chirac's as well as in Jospin's camp are beginning to question the present monetarist policies. For many years, the monetary policies of France have favored "the markets" and rentier capitalism by keeping real interest rates extremely high. This policy has often been justified as a policy favoring a "strong franc," in a fixed parity to the deutschemark, a policy aimed at keeping inflation at a near-zero rate. Part of this policy is also the defense of the Maastricht Treaty of European Union, with its absurd "convergence" criteria which would force all of its participants, with the exception of Luxembourg, to adopt stringent austerity policies in order to reduce public deficits and indebtedness, respectively, to below 3.5% and 60% relative to the GNP.

This was the real debate behind the fight that broke out during the latter part of the campaign, between Chirac and the head of the Bank of France, Jean Claude Trichet, when Trichet made a public statement opposing anything but symbolic wage increases. Both Chirac and Henri Emanuelli, the president of the Socialist Party, immediately, and appropriately, intervened to tell Trichet not to meddle with what was none of his business: the state's wage policies.

The City of London and other financial headquarters, however, immediately recognized what was at stake. According to articles in the financial daily *La Tribune*, the group in the RPR that has steered Chirac's policies toward a "social"

## **Cheminade: I'll build a national movement**

*The following statement was issued by Presidential candidate Jacques Cheminade on the evening of April 23:*

My campaign gave me the chance to air my ideas and to present a real project for France. A certain press, reprimanded—but unfortunately to no great consequence—by the National Control Commission, prevented me from really making this project known to a majority of French men and women. Moreover, my honor was constantly attacked.

The very low level of the campaign, fomented and sustained by a handful of journalists, allowed the far right to score a worrying success.

I welcome, nonetheless, the good result for Lionel Jospin and the second place for Jacques Chirac. I am ready to conduct a dialogue with both of them in order to measure how committed they are to fighting the financial cancer which is eating away the economy and to supporting a new East-West and North-South Marshall Plan.

Around my candidacy, a new political force has been born and it will be around for a long time; the letters and encouragements which I received open up such a hope.

Gaullist policy and which is led by Philippe Seguin, the head of the National Assembly, is considering breaking entirely with the present policies, in favor of what is called here in Paris, the "Other Policy." The main points of this Other Policy include a break between the franc and the deutschemark, a franc floating away from the European Monetary System, and a lowering of interest rates in France in the hope that this would stimulate investment and make French products competitive.

Cheminade intervened to shape this debate, rejecting both the present and the Other Policy as incompetent, and calling instead for 1) burying the Maastricht Treaty; 2) establishing a reference currency and a system of fixed parities; 3) putting an end to the autonomy of the Bank of France; and, 4) most important of all, creating a positive climate for productive investment by launching a new Marshall Plan toward eastern Europe and the South. To the persistent questions that Germany's Bundesbank would never accept those policies, Cheminade insisted that one should not mistake Germany for the Bundesbank, that the German nation has every interest in adopting this Marshall Plan, in particular in light of the crisis



*Jacques Cheminade gives a press conference in the town of Nancy during his campaign for the Presidency. Although a nasty media slander operation against him kept his vote total below 1%, he has emerged as a nationally known figure, and his programmatic proposals are the subject of heated debate.*

looming in Russia and in eastern Europe.

Just days after, Jean Paul Fitoussi, the head of the French Foreign Trade Observation Post (OFCE), who has sometimes been called the leader of the French neo-Keynesian school—a man whom Jacques Cheminade praises as the best economist of France—gave an interview to *La Tribune* on precisely those issues. Known to be totally against the present policies, which he denounced in a recently published book entitled *The Forbidden Debate*, Fitoussi did not spare his attacks against the “Other Policy.” One has to be “mad” to defend, against the present policies, this “Other Policy,” which would amount to a weak franc, high inflation, and isolation, he said. He denounced the high-interest-rate policy as being a policy of “no future.” Instead, he called for France to lead the way and lower its interest rates. The International Monetary Fund or other European financial institutions could easily extend Special Drawing Rights or other currency instruments to the eastern European and southern countries, so as to make available the credit necessary to develop the infrastructure they desperately need. This, he said, would be a “magnificent way out” of the crisis, which would reinforce those countries and cause a real upswing in the industrialized countries.

### **Media assault against Cheminade**

It is in this type of debate that Cheminade’s intervention was crucial, during the election process and afterwards. A student of LaRouche’s school of “physical economists” dating back to Colbert and Leibniz—as well as of France’s national administration school, the ENA, where he learned all about Charles de Gaulle’s concept of a planned economy—Cheminade is the only one among the candidates able

to set the economy right once again.

This is the reason why France’s financial establishment, and its media outlets, attacked his candidacy with particular fury. Cheminade not only has the competence, but he also has the courage to stand up to “the markets,” something that neither Chirac nor Jospin has. It is interesting to note in this respect that as soon as “the markets” attacked the franc, following Chirac’s declarations against the head of the Bank of France, Chirac and Seguin immediately proceeded to reassure those markets, indicating that there would be no change on the policy of the strong franc, nor would the autonomy statute of the Bank of France be put into question.

During the two to three weeks that the official campaign lasted, a little gang of journalists in the national press agency AFP, *Le Monde*, the two largest TV channels (TF1 and France 2), and some of the Radio France-affiliated stations launched wave after wave of slanders and lies against Cheminade, in an effort to stop him from delivering his message. In spite of this, thanks to his official campaign, Cheminade benefitted from nearly two hours of national TV time, divided in spots ranging from 1 to 15 minutes. All these programs were aired on national public radio and on the international and overseas territories affiliates of Radio France. On top of this, his programmatic leaflet was distributed by the state to the homes of the nearly 40 million voters of France.

Cheminade the mystery candidate; Cheminade the surprise candidate; Cheminade the friend of LaRouche; Cheminade has now become a household word in France, and even though his vote tally was contained to a small 0.3% this time, this election campaign has offered him the airstrip from which his political movement will be able to take off in the months ahead.



# Kissinger offers Brazil a hemispheric condominium

by Silvia Palacios and Lorenzo Carrasco

Immediately after his March 29 speech at Chatham House in London, where he flaunted his disagreement with President Bill Clinton's determination to end the special relationship with Great Britain, Henry Kissinger betook himself to South America in early April, to visit Argentina and Brazil. His purpose was to placate the jitters aroused by the Mexican crisis, to keep up the illusions of both countries' rulers that things would be different for them, and to beat the drums for a hemisphere-wide free trade agreement to run the region's economies. This Kissingerian agenda was what then dominated the state visit of Brazilian President Fernando Henrique Cardoso to the United States on April 17.

For the well-connected private "consultant" and his British owners, one key to maintaining Anglo-American world power in the midst of the financial system's breakdown, is to make sure that Ibero-American nations don't attempt any solution of their own outside the British geopolitical scenario. Indeed, in both Argentina and Brazil, the president of Kissinger Associates sold himself and the pro-British machine he works for, as running a veritable shadow government to Clinton. In Brazil's case, Kissinger offered to relaunch the old "special link" with the United States which he himself had set up in 1975 when he was Gerry Ford's secretary of state, an arrangement broken up by Brazil's nationalists in 1977 in a revolt against submitting militarily and strategically to British geopolitics.

Back in the United States, Kissinger spelled out his plan in his monthly column, which appeared on April 23 in the *Washington Post*, in the German weekly *Welt am Sonntag*, and other places: "There is a need for closer cooperation between the United States and the Southern Cone countries, and particularly Brazil as an emerging giant. In 1975 Brazil and the United States signed an agreement to consult before undertaking major initiatives in the Western Hemisphere. The time is right to implement these provisions."

Kissinger's policies, which do have some backers inside the present U.S. government, do not represent the official Clinton administration line. Rather, they speak for the Anglophile political groups tied to ex-President George Bush, orbiting in the United States around House Speaker Newt Gingrich (R-Ga.) and other "Conservative Revolution" honchos. They orient to the so-called Enterprise for the Americas initiative, which Bush proposed during his December 1990

visit to Brazil. Speaking in the name of the British and their American stooges, Kissinger had the gall to suggest that Brazil take continental leadership and force Clinton's government into this kind of accord. "The United States is seen as scared to lose the leadership in the hemisphere to Brazil," he stated on April 8 in São Paulo, Brazil's business capital. Then he denounced Clinton's supposed "failure of foreign policy," due to his "intellectual crisis."

In an interview with the daily *Estado de São Paulo* on April 9, Kissinger made it clear that he backs every leftover policy Clinton has kept from the Bush era, but opposes whatever the President has done to free himself from that nefarious legacy: "I have criticized the Clinton government, but I emphasize that I support the NAFTA [North American Free Trade Agreement] accord, the emergency measures to support Mexico, and the policy of relations with China. I have some philosophical differences with [Clinton] on Europe, on relations with Russia."

## British geopolitics

The geopolitical idea of a U.S.-Brazilian power-sharing arrangement as the axis of hemispheric control, is not without historical precedent. Early in this century under President Rodriguez Alves, who pushed an extreme monetarist policy very close to the Real Plan now ruining Brazil's economy, the Brazilian Foreign Ministry at Itamaraty Palace was set up and controlled by the Baron of Rio Branco, a fan of British "balance of power" politics, for which Kissinger is the modern apologist. Rio Branco, together with his close friend Theodore Roosevelt, proposed to split the continent into two zones of influence—North America, Central America, and the Caribbean for the United States; and South America for Brazil, as the basis for Anglo-American policy in the region.

Kissinger's policies fit hand-in-glove with the pretensions of the current denizens of Itamaraty Palace, dominated by Rio Branco epigones, who dream of winning Brazil a permanent seat on the United Nations Security Council—even if it be only to keep the seat warm without the slightest overall decision-making power. We remind our readers that when he was foreign minister in the last government, President Cardoso, during a visit to London, openly mooted reviving the special link to Britain which prevailed a century ago, a proposal British Foreign Minister Douglas Hurd called "adorable."



*David Rockefeller and Henry Kissinger at a Council of the Americas Conference in April 1992 in Washington. Kissinger is working to revive the U.S. "special link" with Brazil.*

Next, it was the turn of Brazil's ambassador to London, Rubens Antonio Barbosa, to be the bearer of tidings of total submission to the financial power of the City of London and its Wall Street partners, via two signed articles in the newspaper *Folha de São Paulo*. On April 4, his article, entitled "Brazil and the City of London," conveyed to the Brazilian Congress the City's demands that they urgently pass the series of constitutional amendments projected by the Cardoso administration in order to liberalize the economy and allow the richest state enterprises, such as telecommunications, to be privatized, opening the country up as a looting ground for London. "The market experts in London clearly distinguish Brazil in the Latin American context," he wrote. "They know our structural advantages. They are capable of comprehending calmly decisions like those recently adopted to temporarily contain imports of certain products, measures which did not produce negative effects in the City in terms of investment decisions."

In an earlier article on Feb. 2, Barbosa gave unlimited backing to the policy of putting the Amazon under international control, capitulating shamelessly to the demands which the House of Windsor has made for the region. In "Brazil and the NGOs: A View from London," Barbosa claimed that the British Intelligence-steered "private" organizations recognized by the U.N. deserve the right to make decisions in this strategic region. "I have verified that the non-governmental organizations based in Britain, such as Amnesty International, Survival International, Anti-Slavery International, and the World Wide Fund for Nature, are following with interest the orientation taken by President Fernando Henrique Cardoso in his government's actions." Given that the World Wide Fund for Nature (WWF) is personally run by Prince Philip, the queen's consort, the will to cede

Brazil's sovereignty to the degenerate British monarchy could hardly have been more clearly expressed.

### **The Washington visit**

It was this Kissingerian, or Rio Branco-style, outlook which defined the main outlines of Cardoso's recent visit to the United States, which looked more like a pilgrimage to Wall Street than a state visit to Washington. Cardoso had his bags packed full of problems at home, especially, a political standoff with the Congress in Brasilia, which is balking at approving the sellout of Brazilian economic sovereignty demanded by the international banking fraternity. With power rapidly slipping through his fingers, Cardoso needed to quickly build up an image as a world statesman, an internationally recognized academic figure, to try and gain time for getting his domestic "reforms" through.

Before getting to Washington, Cardoso stopped in New York with his entourage to meet with U.N. Secretary General Boutros Boutros-Ghali, with the Wall Street bankers—to whom he practically pledged the Southern Cross, in exchange for their rapid return with their investments—and with Henry Kissinger, who reiterated, "Brazil is going to progress and will be the leader of the hemisphere. Brazil is successful. It is on the right path based on democracy."

Wined and dined by the Anglo-American financial elite, President Fernando Henrique Cardoso left New York as the heir to the position Mexico held until its economic crisis blew up last December—a questionable success. "I like stability, and Brazil today is this program of stabilization, with strong political support," commented Paul Volcker, the former chairman of the Federal Reserve Board, whose high interest rate policies, beginning in 1979, sent the world economy into a tailspin and set the fuse burning on the Ibero-American

debt bomb. The bankers were so euphoric over Cardoso's promises, that the president of Citibank in Brazil gushed, "The President in his trip to the United States definitively committed himself to the internationalization of Brazil."

From the Executive branch in Washington, it was Defense Secretary William Perry who fed the Cardoso administration's fantasies, stating that Brazil is not seen by the United States as a regional but as a "world power."

Speaking with Clinton, Cardoso pushed the Kissingerian notion that "it is time for a new partnership." He agreed that Brazil would "go ahead with programs on peacekeeping," he promised quick congressional action to reform Brazil's constitution as per Wall Street's demands, and he called for "giving more leverage to the IMF [International Monetary Fund] to act more promptly to solve problems." The United States and Brazil also agreed to take concrete steps to unify NAFTA and Mercosur, the free-trade accord of the Southern Cone countries, also as per Kissinger's policy line.

The Brazilian press did not fail to notice that Cardoso met with World Jewish Congress leader Edgar Bronfman at his private residence in New York, behind closed doors. This tête-à-tête with the chief of North American Zionism brought back to mind what Brazilian President Fernando Collor de Mello, later ousted for corruption, did on his first U.S. official visit—he gave Bronfman the privilege of being the only private personage to meet with him. The deference to Bronfman, the Seagrams liquor tycoon, so flagrant that even the Brazilian press found it odd, can only mean that Cardoso plans to continue Collor de Mello's overall project, particularly when it comes to implementing the plan for foreign bankers to grab the Amazon's resources under "environmentalist" cover, and the continuation of the process of dismantling Brazil's Armed Forces and their intelligence services.

## NAFTA and SAFTA

The groundwork for all of this had been laid by Kissinger's early April visit to Brazil. During his stay, the traditional dinner given always by his old friend Israel Klabin, took place as usual. Klabin's interests have been linked to the British-American intelligence networks built up since World War II under William Stephenson and Nelson Rockefeller. A select group of businessmen and politicians was at the dinner, among them former Foreign Minister Celso Lafer, Klabin's partner and the biggest propagandist for Frankfurt School brainwasher Hannah Arendt in Brazil; businessman Eliezer Batista; sociologist Helio Jaguaribe, who is in the Club of Rome, the oligarchist outfit which sold the "limits to growth" hoax; Gov. Tasso Jereissati; banker Walter Moreira Salles; and others.

The high point of the dinner was the intervention of Eliezer Batista, who, after declaring himself a full-time environmentalist and proclaiming a struggle for a "borderless world," laid out to Kissinger the form in which the new version of the Anglo-American-Brazilian condominium could be set up in

the hemisphere. According to a report in *Jornal do Brasil* on April 13, Batista proposed creating a huge free trade zone among the Amazon countries, establishing the Merconorte, which would integrate Brazil with the countries of the defunct Andean Pact. Then, this would tie up with Mercosur and the result would be SAFTA, the South American Free Trade Agreement, with Brazil as the mediator.

Batista, as usual, presented this Kissingerian scheme in seductive garb. He mentioned that it would be a matter of interlinking transportation, telecommunications, and energy infrastructure, using concepts of "physical economy" which are dear to the Brazilian nationalists. Yet at the same he played the part of defender of infrastructure, Batista attacked nuclear energy and other alleged "pyramid-building projects" which have been at the heart of the Brazilian nation-building effort.

This was typical of Batista's game in the 1980s with the famous Carajas mine project in the Amazon jungle, which he initiated. Carajas ended up being reduced to a big open-air, high-trade iron-ore mine, exploited efficiently for exporting the ore at low prices to the benefit of the transnational companies and Brazil's creditors, but producing constant losses for the Brazilian Companhia Vale de Rio Doce, which runs it.

Batista is joined in his militant ecogism by Kissinger's friend Israel Klabin. The two have formed the dynamic duo of the House of Windsor's causes in Brazil since at least 1991. When Prince Charles came to Brazil, an elite group of national and international businessmen—some of them members of the "1001 Club" of Prince Bernhard of Holland—met on the royal yacht *Britannia*, which was anchored at the port of Belem in the Amazon state of Para, to talk about "sustainable development" in two successive seminars.

The first seminar was sponsored by the Forum of Business Leaders of the Prince of Wales, instigated by Business in the Community, a British philanthropic group, created in 1981 by British Petroleum and other major companies. The second was organized by the Business Council for Sustainable Development (BCSD). These events were attended by the Batista-Klabin duo, plus banker Jose Safra, another chap "wired in" to Anglo-American power circles.

Later, in 1992, the Brazilian chapter of BCSD was founded, called the Brazilian Foundation for Self-Sustainable Development (FBDS), for the purpose of managing the international financial resources which foreign oligarchs were making available to environmentalist causes. Within Brazil this group is made up mainly of representatives of big Anglo-American interests like Shell, British Tobacco, British Petroleum, Brascan of Edgar Brofmann, and Metal Leve (Brazil) of Mindlin-Lafer-Klabin. It is particularly serious that the secretary of strategic affairs in the Brazilian cabinet is turning over to FBDS the task of coordinating the plan for the ecological-economic zoning of Amazonia, thus allowing the Batista-Klabin pair and their friends abroad a free hand in determining the economic development planning of the strategic Amazon region.

# Scandal rocks Israel: Will Sharon be hit?

by Dean Andromidas

On April 22, Israeli police arrested Ofer Nimrodi, editor of the mass circulation Israeli daily *Ma'ariv*, as he was about to board a flight from Tel Aviv to Zurich following allegations implicating him in Israel's most spectacular illegal wiretapping scandal ever. Ofer Nimrodi is the son of Ya'acov Nimrodi, a former member of the Mossad, former Israeli emissary to Iran, and one of Israel's biggest arms dealers, who worked with George Bush and Oliver North in the Iran-Contra arms-for-hostages operation.

The younger Nimrodi is accused of commissioning illegal wiretaps by private investigators, who were not only wiretapping *Ma'ariv*'s competitors, but politicians and government officials, including police, the secret services, the Defense Ministry, and even the office of the President of Israel. Both father and son have in the past been associated with Ariel Sharon, the agriculture, defense, and housing minister in previous Israeli governments under the leadership of the right-wing Likud Party.

Today, Sharon is spearheading the drive to wreck the Middle East peace process, and he has been coordinating this effort with circles in the United States, Britain, and France. He has been massively funded by these sources to, in turn, finance the provocative settlers movement, including the fanatic Kach movement which spawned Baruch Goldstein, who massacred Muslim worshippers in Hebron last year. Recently, Prime Minister Yitzhak Rabin accused the Likud of being "complicit" in the terror bombings by the Palestinian militant organization Hamas. Rabin's charges were bolstered a few weeks ago, when Israeli police broke a money-laundering ring which involved Jewish Yeshiva students and Palestinian money-changers who were suspected of transferring funds to the Hamas.

So far, the probe of the Nimrodi wiretapping scandal has not turned up any publicly released evidence linking it to the Sharon circle's efforts to bring down the Rabin government. Nevertheless, although under Israeli law, wiretapping is a misdemeanor punishable by no more than one year in jail (or three years for persons convicted of commissioning the taps), the case is being personally directed by Minister of National Police Moshe Shahal, and it is apparent that there is more involved here than a war between rival newspapers over circulation and advertising.

In 1992, Ya'acov Nimrodi purchased *Ma'ariv* for his son

following the death of its previous owner, British media mogul Robert Maxwell. The latter committed suicide or was killed following a lifetime of service to at least three intelligence services—the Soviet Union, Britain, and Israel's. It has also been alleged that he had ties to the Russian mafia. Nimrodi, as a former civil servant employed by the Mossad, apparently became a millionaire as a result of being the key intermediary in arms deals to Iran during the 1980s. He is currently partners with a Saudi arms dealer of Iran-Contra fame, Adnan Kashoggi, in an enterprise they claim wants to invest in Gaza and the West Bank, but has so far failed to build anything.

Nimrodi made his son, Ofer, editor of *Ma'ariv* soon after the latter graduated from Harvard University. The paper has expanded rapidly, now challenging *Yediot Aharanot* as the top circulation newspaper in Israel. According to Israeli sources, Ofer had been part of Ariel Sharon's legal team when the latter sued *Time* magazine for libel a few years ago.

## An ongoing investigation

According to Raine Marcus, an investigative journalist with the Hollinger Corp.-owned *Jerusalem Post*, the probe into wiretapping has been ongoing for over a year. Wiretapping is a widespread abuse by private investigators.

Arrested along with Ofer was his lawyer, Motti Katz, who has close links to the Israeli Defense Forces. Also arrested was Ofer's personal security chief, David Ronen, who is a former senior official in the Shin Beth, Israel's internal security service. It was Ronen who commissioned the wiretappers, allegedly on behalf of Ofer Nimrodi.

The wiretappers themselves enjoy close links with the Israeli security establishment. Ya'acov Tsur, one of those indicted who turned government witness, giving authorities the evidence required to arrest Nimrodi and the others, through his Agam private investigation firm, was able to acquire a \$100,000 apparatus that could tap fax machines and cellular phones. That machine, which was too expensive for Israeli police agencies to purchase, was "loaned" to him by its manufacturer, ECI Telecom Ltd., which developed the machine for sale to government security agencies.

Another side of this case involves the other leading Israeli daily, *Yediot Aharanot*, whose chief editor, Moshe Vardi, is accused of ordering the wiretapping of Dov Yudkovsky, a former editor of both *Yediot Aharanot* and *Ma'ariv*. Yudkovsky was a close relative of Robert Maxwell. Although the publisher of *Yediot Aharanot*, Arnon Moses, is said to be close to the Labor Party, his wife is the sister of Silvan Shalom, deputy head of the Likud Party. According to testimony by one of the private investigators charged with wiretapping, Vardi hired a firm whose principals had been arrested last March for conspiring to kill three leading Russian mafia leaders living in Israel.

This byzantine story promises to have a significant impact on Israeli politics for years to come.

# The unfolding of Russia's 'Great Criminal Revolution'

by Roman Bessonov

*The following is the second and final part of an analysis on Chechnya, the first and most outstanding example of Russia's "Great Criminal Revolution," where fighting has already claimed over 40,000 lives. Part 1 was in last week's issue.*

## Moscow politics

Recently Gen. Lev Rokhlin, commander of one of the two Russian military units that proved able to score victories against Chechnya leader Dzhokhar Dudayev's forces, explained the reason for the outcome (or the half-outcome, more precisely) of the war in one sentence: "Dudayev was relying upon Moscow, his people in Moscow, but they could not help him."

This usually untalkative general did not mention support from Afghanistan or Iran, from Lithuanian and Ukrainian radical nationalists, or from supporters of Dudayev in the United States. The "Moscow factor" in the Chechnya events has to be examined in earnest.

Not only ordinary Russians, but even members of the Russian Federation Council (the upper house of Parliament) are puzzled. Why, they say, if it was desirable to prevent Chechnya's separation from Russia, wasn't it stopped at the outset, when Dudayev declared independence? Why not defeat him before he created his own army, why not block the fuel supplies to Grozny, why give him arms, including heavy artillery and aviation?

People who ask such questions seem to have forgotten what the real situation in Russia was when Dudayev declared Chechnya independent. This was in September 1991—after Boris Yeltsin had won power in Russia, but when Mikhail Gorbachov was still President of the U.S.S.R. It was *before* the Belaya Vezha agreement (which created the Community of Independent States), among the Presidents of Russia, Ukraine, and Belarus, when it became finally clear that Gorbachov had no entity over which to rule any more. It was when Yeltsin, lacking as yet any reliable team of his own, had to use his unqualified and inexperienced people from the Ural Mountains city of Sverdlovsk (where he had been a Communist Party official) to solve complex interna-

tional and regional conflicts.

Yeltsin's coming to power in August 1991 was not a result of a decision by some "unanimous majority" in the Central Committee of the Communist Party of the Soviet Union (CPSU). Actually, that was not even the case with Gorbachov in 1984-85. But more crucial changes between 1984 and 1991 affected the character of the power transition.

When Eduard Shevardnadze suddenly left his post as Soviet foreign minister in late 1990, it was already clear to the upper echelons of the U.S.S.R. leadership that something would happen in the summer and autumn of the next year. That is when CPSU funds were hurriedly placed in many banks and into many kinds of business. The last Central Committee of the CPSU evidently had a replacement for Gorbachov ready; in May 1991, according to unofficial sources, Shevardnadze was supposed to become his successor. Even after the "August Revolution" of 1991, Kremlin intriguer Aleksandr Yakovlev said, at a round table of activists from all political parties: "We have saved not the President [Gorbachov] but the *status of the President* [of the Soviet Union]."

Thus the secret meeting of Yakovlev, Yeltsin, Aleksandr Rutskoy, Shevardnadze, and Gavriil Popov in the White House (the Russian Parliament building) as they waited for it to be stormed on the night of Aug. 21, 1991, was *not* the moment when the final decision was made. Only several days later, after three sudden deaths—of CPSU financial manager Nikolai Kruchina, Soviet Internal Affairs Minister Boris Pugo, and Marshal Sergei Akhromeyev; after Gorbachov, returned from his detention by the coup-makers' forces, made two speeches within an interval of one day, in the first of which he still spoke about a "communist perspective," while in the second only about the "free market" economy; and after the CPSU was at last dissolved—only then did it become clear that Yeltsin was top man in the U.S.S.R. and that Gorbachov would be the last President of that state. The CPSU was the last *political* structure holding the remainder of the U.S.S.R. together. There were other structures, not yet split up—including the army.

FIGURE 1

## Chechnya and the Transcaucasus region



### The new pillars of power

How was it that the system of all-Union ministries, the powerful and numerous structures through which the Soviet economy was organized, gave up so quickly, without any resistance? They *didn't*. By this time, they had already been transformed into semi-private commercial structures. This was part of Gorbachov's reforms, which had fostered the creation of a number of powerful concentrations of capital. As events unfolded, these became the basis for a *nomenklatura*-based opposition to Yeltsin, who meanwhile relied on other sections of the *nomenklatura*, the old Soviet hierarchy.

This was the political basis for the future activities of Yuri Skokov, Aleksandr Sterligov, Arkady Volsky, and others who not only opposed the radical liberalizers around Prime Minister Yegor Gaidar, but eventually Yeltsin's own authority and power. (This did not, however, happen right away, for Yeltsin tried to satisfy their demands as long as he could.)

This was the source of power for Yuri Luzhkov, now mayor of Moscow, whom Yeltsin was forced to appoint instead of the inexperienced Gavriil Popov, who too openly tried to build up his own financial empire, also on the base of real-estate speculation.

This was the source of power for Yaragi Mamodayev in Chechnya.

This was the source of power for the "Great Criminal Revolution." The unofficial monopolies, left to their own devices, were feeding themselves and not the country. They

exerted control now not with the mechanisms of "party will," but with financial nooses, unsupervised and feeling no responsibility for the development of industries, infrastructure, science, and social aid. They were busy dividing up money, traveling abroad for "business trips" and again sharing money, lobbying their relatives and again dividing up money, selling raw materials abroad and real estate and again dividing up, dividing up, and dividing up money, converting and reconverting former state property. Where they could not manage for themselves, they hired bankers to "turn their money around," for a fast profit, making Russia "the country of banks." They hired KGB officers to acquire information about rival monopolies. Others hired pure criminals and energetic young fellows right off the street as debt-collectors. They were following Gorbachov's instruction, borrowed from the Soviet leader Bukharin in the 1920s: "Enrich yourselves!"

Foolish democratic activists, meanwhile, were certain that *anybody* would be able to get rich, just as soon as "radical reforms" were in place.

When Gaidar became prime minister in November 1991, he just did what his predecessors had done, converting the Russian ministries into private companies and trying to concentrate more capital in new locations that his government could control. The economic liberalization, as well as the tax reform, were designed to undermine existing powerful rivals. Gaidar relied on these tested methods, creating new unofficial monopolies. His close friends called him an "institutionalist" rather than a monetarist, since he *institutionalized* existing criminal relations.

His and Yeltsin's careers also depended on the International Monetary Fund (IMF). But he needed more money, from any source. Gaidar had an interest in money-making by any means, e.g., from a Chechen invention—the false *aviso* (banking letter of advice). Gaidar forced the entire productive economy into crime, because his tax law could not be obeyed without hiding income. He criminalized the entire society. Gaidar was a *continuer* of the Great Criminal Revolution, his father being Gorbachov and his mother being the IMF.

### A Soviet oil man

These Moscow notes are a necessary introduction to the third, most important aspect of the Chechen question, set against the total political, economic, and moral crisis that bred the Great Criminal Revolution.

Historians of Chechnya are quite right when they say that a *taip* (a tribal formation) is not a criminal structure, but a mode in which different groups of one people live together, understand each other, and share territory and influence without using force. It subsumes a mechanism for talks, or negotiation, which is also utilized in criminal relations, and in geopolitics. The special condition, however, is that *when money and personal ambitions become more important than*



*the fate of the country and its people, criminal relations ensue.*

The nationalist movement in Chechnya was criminalized when it became more important to amass big money, than anything else.

Doku Zavgayev (appointed First Secretary of the Chechen-Ingush Regional Committee of the CPSU in July 1989) was not the worst choice to rule Chechnya. He was the first Communist Party official in Russia to have allocated a portion of party property for the use of children and the aged. But he had power-hungry rivals, eager to control the oil and refined petroleum products in the whole republic.

Yaragi Mamodayev (who now heads "the Chechen government in exile" in London) had spent many years in Moscow, at the U.S.S.R. Ministry of Oil and Gas Extraction. He was quite happy away from home. But when the ministry system collapsed, a *nomenklatura* man accustomed to his perquisites was not about to give up what he had. He sought power and money, and the same privileges, but in another way. And he saw a brilliant opportunity to keep all this—not as a small parasite feeding on a lot of people, but as the *first parasite* on his own people. He launched a new career.

Mamodayev's people took absolute control at the All-People's Congress of Chechen People in May-June 1991. Yeltsin was not yet President of Russia. The future Chechen leadership, formed at this time under Mamodayev, was thus not controlled by Yeltsin. Nor was it loyal to Gorbachov; later, Dudayev would say he regretted the destruction of the U.S.S.R., but this is pure populist posturing, to attract communists and pensioners.

Zavgayev was making mistake after mistake, trying to please everybody. As a result, he looked weak and got a reputation as a local Gorbachov.

For Mamodayev, as for others who built financial clout on the basis of their former jobs, a former regional CPSU leader like Yeltsin was no great authority. Becoming the effective leader of an independent state, he considered himself Yeltsin's equal. But rather than run for President of Chechnya himself, he looked for a younger and easily manipulated man. He found him in Gen. Dzhokhar Dudayev, one of the two Chechen generals in the Soviet Armed Forces, an emotional person and a good orator.

On Aug. 19, 1991, Zavgayev made his last, fatal mistake—he supported the coupsters of the State Committee for the Emergency (GKChP) and not Yeltsin, being under the illusion that there still was reliable central authority. This spelled the end of his career.

### **Power shift in Grozny**

The leaders of the separatist opposition in Chechnya already in 1991 had their eyes on the Baku oil agreement, expecting it to be signed very soon. They knew that the most probable oil transportation route would lie across Chechnya

and Kabardino, or, otherwise, across Georgia. They were interested in exploiting any suitable occasion to take power, acquiring the oil-refining industry and local oil extraction. They were clever enough to hide their appetites behind a screen of anti-communist rhetoric, playing for time and additional support to seize power.

On Aug. 19, 1991, a great rally convened in Grozny under nationalist, anti-communist slogans. It lasted for two weeks, being declared the United Congress of the Chechen

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*There are two great lies about the Chechnya tragedy. The first is that there are patriots on one side and gangsters on the other. The second is that there are aggressors on one side and a courageous, bold, freedom-loving people on the other. It is not true.*

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People. Then, Zavgayev, chief of the Chechen Supreme Soviet, was kicked out of his building, with other councilmen.

This "people's revolution," sponsored by Mamodayev, took place on Sept. 6, 1991. Days later, Yeltsin's officials made their first visit to Chechnya: State Secretary Gennadi Burbulis, head of the Ministry of Press and Information Mikhail Poltoranin, Deputy Foreign Minister Fyodor Shelov-Kovedyayev, special presidential adviser on national relations Galina Starovoitova, and future Speaker of the Russian Federation Supreme Soviet Ruslan Khasbulatov. Eduard Shevardnadze also visited Chechnya. Burbulis and Poltoranin promised Dudayev a higher general's rank.

Khasbulatov took Dudayev at his word, that he would lift the blockade of government buildings, the former Chechen Supreme Soviet and the TV station. With Khasbulatov's assistance, former Supreme Soviet members met to elect 35 of their number to a Temporary Supreme Soviet, which was to conduct free elections to the new Chechen Parliament on Nov. 18, 1991.

### **Independence declared**

On Oct. 8, 1991, however, Dudayev dissolved the Temporary Soviet and set parliamentary and presidential elections in Chechnya for Oct. 27. Then he declared he had been elected President, although only about 17% really voted for him. Next, he declared Chechnya independent, and appointed his government. The prime minister was Yaragi Mamodayev.

On Nov. 6, 1991, Yeltsin ordered a state of emergency in Chechnya. The order was sabotaged.



## 'Human rights' protectors play a double game

Five months after war flared in Chechnya, Russian politicians and journalists learned that President Yeltsin had issued a decree earlier than his Dec. 9, 1994 order No. 2166. His secret statement No. 2137, with a description similar to No. 2166, was dated Nov. 30, 1994, before his ultimatum to stop the fighting in Chechnya expired. Statement No. 2137 formed a secret group under Gen. Pavel Grachov, the defense minister, to "direct the actions to disarm and dissolve armed formations" in Chechnya. On the secret group were Speaker of the Federation Council Vladimir Shumeiko and Speaker of the Duma Ivan Rybkin, as well as the heads of the defense committees in those respective houses of Parliament, Pyotr Shirshov and Sergei Yushenkov.

Thus, only on April 13, 1995 did it emerge that Yushenkov, probably one of the most violent opponents of Grachov and President Boris Yeltsin on the Chechnya question, was a member of the secret group overseeing the start of the war. On Jan. 15, 1995, Yushenkov told a Russian TV reporter that he was not alone in his opposition to Grachov and in backing the actions of the Russian military in Chechnya. He declared that the Bertrand Russell Foundation in Brussels, Belgium had launched a special commission to investigate human rights violations in Chechnya. Participation in launching a war and then a public struggle against the same war, however, are not as

contradictory as it might seem.

Yushenkov was never a recognized human rights activist before the Chechen war. As with many middle-rank liberal functionaries, he was granted a building for some "democracy-promoting" foundation in 1992, when he also took part in setting up the Russian Union of Cossacks Troops. His heroism was further displayed in his hearty support for Yeltsin's violent abolition of the Russian Supreme Soviet (Parliament) in October 1993, and then in organizing the electoral campaign for Yegor Gaidar's Russia's Choice liberal bloc in November-December 1993.

### A sudden alliance

Many Russians were astonished to see Gaidar's people, and radical left, Working Russia activists, together at public rallies in Moscow and St. Petersburg, in support of the "Chechen national-liberation movement." It was a sudden alliance begging attention not to the color of banners, but to the geopolitical background of the Chechen affair.

But the main part in the human rights performance was played by the Moscow mass media, controlled by Moscow Mayor Yuri Luzhkov and his close associates from Vladimir Gusinsky's Most Bank group. This financial group was also involved with the arms deals of "Rosvooruzheniye." In the summer of 1994, it was already clear that Gusinsky's networks were deeply involved in geopolitical games around Chechnya, even as they developed a widening system of contacts in the state leadership, including high officials in the Army and counterintelligence agencies, prepared to intrigue against Yeltsin. On July 30, the Most Bank-financed NTV television program

Khasbulatov related what happened, in a Jan. 27, 1995 interview in *Smena*: "Several planes with unarmed commandos arrived at the Grozny airports, while the weapons went to . . . Mozdok, North Ossetia. For two hours, the soldiers wandered around until they got an order from the Defense Ministry to fly back. [Minister of Nationalities Affairs] Shakh-ray asked me to fly to Grozny myself, explaining he 'could not find Yeltsin.' I called Arsanov, the head of Grozny administration. He said that the streets of the town were lifeless and Dudayev had fled. Dudayev really disappeared for some three hours but then was seen again, when it was clear that the state of emergency had failed. Then I was told that Marshal Yevgeny Shaposhnikov and General Barannikov (internal affairs minister at that time) refused to lead troops into the city, citing Gorbachov. I called Gorbachov and he told me that he had indeed ordered the troops not to be sent."

Thus, the dual-power situation—Yeltsin as President of Russia, Gorbachov of the U.S.S.R.—determined Yeltsin's

first flop in Chechnya. The fact that Gorbachov had greater influence on the Army than Yeltsin is easily explained: Not yet being "commercialized," Russian troops retained formal discipline, and obeyed U.S.S.R. commander Shaposhnikov, who was of higher rank than Russian Defense Minister Pavel Grachov.

Yeltsin's unlucky attempt to defeat Dudayev was evaluated by radical liberals, especially by the self-styled "antifascist" wing of Democratic Russia, as a "gross political mistake." The most pro-Dudayev person in the liberal circles was Galina Starovoitova, who had been active in the Caucasus region since her involvement in support of the Karabakh movement in Armenia in 1988. (Although vociferously pro-Armenian and anti-KGB, Starovoitova suddenly started speaking out in favor of Azerbaijan when Heidar Aliyev, the former Azerbaijan KGB chief and co-owner of the Caspian oil consortium, returned to power.) In 1991, she wanted to divide Russia into 72 separate countries; in the summer of

gave the floor to Sergei Filatov to declare that "there are healthy forces in the Chechen opposition to Dudayev, and Russia should support them."

If British Petroleum and/or other interests wished to block the Baku-Grozny-Novorossiysk oil pipeline project, they would welcome not a quick and effective military operation in Chechnya, but a long and bloody war that would destabilize the situation in the whole surrounding region. Both Yushenkov and the Luzhkov-Gusinsky media have given a boost to such geopolitical hopes, for the Caucasus and the Caspian Sea region.

The tilt toward arrangements preferred by London extends to the north, as well. When the European Bank for Reconstruction and Development refused to invest in the Primorsk port project on the Baltic Sea, one potential terminus for the Caspian Sea oil, its place was promptly taken by the Anglo-Dutch Shell Oil Co.

Control by British oil firms of the entire oil route from the Caspian Sea across Ukraine, Belarus, and Latvia to the Baltic, would reproduce the infamous East India Company that was designed not only for trade, but for long and bloody wars "in the queen's name." Today's oil pirates, assisted by the corrupt Russian elite, have created the bloodbath in Chechnya and will not hesitate if they have an opportunity to create bloodbaths in other countries and regions, too.—*Roman Bessonov*

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2. "Government Anxious About Future of Primorsk Port Project," *Delovoy Peterburg*, March 31, 1995.

1994, she spoke of "the peaceful return of Crimea to Russia." She often visits London, where her son already lives, and Washington.

Starovoitova insisted that the state of emergency be dropped, held phone talks with Dudayev, and explained to the mass media how "gallant" and "democratic" this person is. (Three cut-off heads of Dudayev's opponents were displayed in Grozny in November 1993 as a symbol of his power, perhaps also illustrating his gallantry.)

#### The arms caches

Supplies of weapons were left in Chechnya by withdrawing Russian troops. Recently, Shaposhnikov's name has figured foremost in this connection. But when Shakhray directly accused him during an Ostankino TV program in January 1995, the marshal replied that Grachov and Gaidar were responsible. The freshly appointed Gaidar had not been in a position to initiate such an arms deal, but it later emerged

that he had unofficial links to the same arms-trading companies and joint ventures in the Baltic states as Dudayev had.

Gaidar's team was more specifically involved in another notorious Chechen venture, the infamous false *aviso*. Criminal operations with huge amounts of money that appeared "out of thin air" started in March-April 1992, when it became clear that Gaidar's tax policy wasn't working, and the payments crisis could cause a social explosion.

The false letter of advice issue was exposed while Georgi Matyushin was Central Bank director; after his replacement by former U.S.S.R. Bank Director Viktor Gerashchenko, nothing more was heard about Matyushin. The mechanism of producing money "out of thin air" still functioned, but was used only by a limited number of special channels. This may explain the continuing material and propagandistic support for Dudayev from certain Moscow financial clans. The more than 4 trillion rubles, by preliminary accounts, derived from false *aviso* operations, along with the profits from unofficial arms sales, sufficed to create a powerful pro-Dudayev lobby in the Russian leadership.

In early 1992, Shaposhnikov, then commander-in-chief of the Community of Independent States (CIS) forces, reported to the Russian leadership that Dudayev had suggested sharing troops in two parts. Defense Minister Grachov later claimed that he had withdrawn all the weapons from Grozny. But the most reliable version is that none of them were withdrawn; when they were later sold, some high-ranking officials in Moscow shared the money, maybe in two parts.

When the two former state arms trading companies (the former Chief Engineering Department and Chief Technical Department of the Defense Ministry, after a two-year period of being half-privatized and, consequently, tremendously corrupted) were finally united into the State *Rosvooruzheniye* ("Russian Arms") Concern in 1993, Marshal Shaposhnikov was appointed the President's representative to the firm. It was later reported that First Vice Prime Minister Oleg Soskovets and Chairman of the Federation Council Vladimir Shumeiko were competing for influence in the concern. The former director of a military plant, Shumeiko was under investigation by the Supreme Soviet for large-scale corruption, in the summer of 1993. This resulted only in the resignation of Internal Affairs Minister Andrei Dunayev and Security Minister Victor Barannikov; Shumeiko did not resign. Subsequently, Yeltsin supported him to become chairman of the Federation Council, and for a while he was spoken of as a possible successor to Yeltsin.

#### Shumeiko and Dudayev

Shumeiko has evidently played an important role in the Chechnya events and in the personal fate of Dudayev.

In March 1992, when the anti-Dudayev opposition in Chechnya was planning its first demonstration to protest corruption and unemployment, the separatist Dudayev received 150 million rubles from Moscow. In August 1992, a week

before planned opposition actions, 500 million more rubles came from Moscow. In December 1992, Mamodayev himself went to Moscow, this time seeking 2.5 billion rubles. The opposition was preparing a republic-wide strike. The real problem was the deepening economic disaster, the starvation of old people who hadn't received their pensions for half a year, while casinos were booming and anybody who had the money could travel anywhere, to Saudi Arabia or the Emirates, even without a passport. The republic had become the most criminal region of Russia.

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*Yegor Gaidar forced the entire productive economy into crime, because his tax law could not be obeyed without hiding income. He criminalized the entire society. Gaidar was a continuer of the Great Criminal Revolution, his father being Gorbachov and his mother being the International Monetary Fund.*

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And, again, Mamodayev got the money, even despite the scandal with the false letters of advice. When, finally, Russian Supreme Soviet member Isa Aliroyev tried to find the source of these funds, he realized that the trail led to the First Vice Prime Minister of the Russian Government (today Speaker of the Federation Council) Vladimir Shumeiko.

### **Region in flames**

Late autumn 1991 was a peak period for separatist activity in the Caucasus. The Chechen opposition was trying to make an alliance with Georgia under Zviad Gamsakhurdia. Another group of Chechens was trying to ally with Adygea and Circassia, supporting the idea of "Greater Shapsugia" (Adygea).

Here, Dudayev and Khasbulatov's interests intersected for a short time. Khasbulatov, a descendant of a Circassian-origin *taip*, later supported the idea of a Confederation of Highland Peoples (Adygea, Kabardino-Balkaria, Karachai-Circassia, Chechnya, and Ingushetia), while Dudayev tried to create a wider bloc under his own rule—the Caucasus Home, including both Georgians and Abkhazians. He failed, even before the outbreak of war between Georgia and Abkhazia.

The Adygean-Circassian union has a religious base that is quite different from Dudayev's Kadireia *tariqat* (way). After Dudayev allied with Gamsakhurdia, the Balkar, Circassian, and Adygey leadership stopped supporting him.

The situation in Georgia was crucial in 1991-92. There were reports that the Georgian-Abkhazian conflict was about

to start already in 1990, except that a group of high-ranking criminal authorities gathered in Sukhumi and decided that the tourist season would be more profitable than a war. The war came in 1992, started suddenly by Abkhazia with its declaration to join Russia. After the bombing of Poti port, it was clear that the Caspian oil would not flow across Georgia. It was also clear that not only the Russian leadership stood to gain from the Baku-Grozny-Novorossiysk oil transport route, but also the elites of the North Caucasus republics (Adygea, Circassia, Balkaria, North Ossetia). It's no wonder they stayed loyal to Moscow.

There were indications also of outside interests at work in the region. The emergence of ideas such as "Greater Circassia" and "Greater Adygea" smacks of British intelligence, and may have had encouragement also from Turkey or Saudi Arabia. Dudayev got little support from nearby Muslim republics, except for some signs of sympathy for him in Dagestan. Therefore he sought support from Turkey, which has its own reasons for opposing the northern oil shipment route. Turkey does not support him directly, but the pro-Dudayev activity of the Bos Gurd (Gray Wolves) radicals in Azerbaijan is a sign of indirect support.

### **Dudayev in scandal**

In August 1994, some months after his brother's cut-off head was displayed in the central square of Grozny, Chechen opposition leader Ruslan Labazanov publicly revealed some secret Dudayev documents: Operation "Cobweb." Transportation of oil products to Minsk, Bryansk, and Alma-Ata. Five billion rubles [at 1992 rates!] deposited in a bank in Grozny. Oil products disappear. Dudayev orders a criminal investigation. Investigators are killed, case closed.

Another operation: 40 towns. A total of 640 million rubles and \$2 million. Money received, goods disappear. Again, investigator killed, case closed.

Operation "Impulse." In Dudayev's handwriting: "Close the case." Over two years, such operations have involved \$25 billion.

On March 20, 1993, some 18.2 tons of paper money with a total face value of 2.5 billion rubles were loaded onto two airplanes and sent to Chechnya from Tallin, Estonia. The old type of bills were to be exchanged for the new type. Nothing came back.

Once, Chechen officials themselves were fooled by a Mr. Krivoshapkin, who presented himself as an administrator of a nonexistent "Culture and Trade Center" in Yakutia, Siberia. He offered five tons of gold for 2.78 billion rubles. He took the money and was not seen again.

The easiest thing in Chechnya was to register a gun. You just said, "I bought it at a market," and it would be registered.

Thus, it is no exaggeration to call Chechnya a "free crime zone." When Dudayev approached his radical liberal friends in Lithuania and said, "We are your gate to the south and you are our gate to the West," everybody knew what he meant.

Drugs were sold openly in Chechen markets. More and more trains passing from Russia to Azerbaijan were robbed—559 of them in 1993, according to data from the Defense Committee of the Russian State Duma.

The more criminalized Chechen society was and the more chaotic its economy, the more tense the inter-*taip* relations became. In a criminal atmosphere, the authority of a person or a *taip* was determined by his or its amount of stolen money. Suspicions, envy, and hate flourished. The only way to get money was through speculation. Cultural life lay in ruins.

False independence, built upon doubled and tripled fraud, split the society. The richest *taips* were satisfied with the way of life as it was, but each wanted more influence. Ancient traditions that made *taips* a mechanism of concord were ruined. That is why Dudayev's power eroded. And that is why the inter-*taip* war became a Russo-Chechen war, when one of the *taips* called for help from Russia.

In the spring of 1993, Dudayev's position was deteriorating. After a huge opposition rally, he dissolved his Parliament on April 17 (just as Yeltsin was to do in Russia, five months later). The Parliament resisted and called a referendum. On July 4, Dudayev's people destroyed the election commission and referendum ballots. An opposition rally was crushed with armored personnel carriers.

Dudayev's cousin Shamil was killed. Dudayev dissolved the Town Assembly. Its chairman, Beslan Gantemirov, became his enemy. Four *taips* summoned Dudayev to a *shariat* trial. He would not come. Then, one of the opposition leaders, Umar Avturkhanov, declared the Nadterechnaya district to be the Terek Chechen Republic.

### Political solution scrapped

That situation calmed down until early 1994, when Avturkhanov visited Moscow and met Sergei Shakhray, the Minister of Nationalities Affairs. Shakhray agreed to pass a law in the state Duma to "regulate relations between the ruling bodies of Russia and Chechnya." It resembled the treaty signed previously by Russia and Tatarstan.

At the same time, Shakhray and Ramazan Abdulatipov (a prominent Russian politician, representing Dagestan in the Federation Council) suggested holding a "round table" of political organizations of the North Caucasus. Dudayev called Shakhray, saying he would speak only to Yeltsin himself. Here, suddenly, Shumeiko interfered; he said that Yeltsin should recognize Dudayev as President. Shakhray replied that it was impossible to override the statement of the (by then no longer existing) Russian Supreme Soviet, which had refused to recognize Chechnya's independence. He insisted that the Russian government should pay pensions to aged people in the Nadterechnaya district, and said that only free elections would solve Chechnya's problems. Several days later, Shakhray suddenly resigned from his nationalities post, being replaced by Nikolai Yegorov. (Unofficial sources say that Shakhray's resignation was not because of Chechnya,

but rather because Shumeiko was said to have been intriguing against him constantly.)

On May 27, 1994, an unknown terrorist tried to kill Dudayev; Dudayev used the attack to start an anti-Russia campaign. He wrote a harsh letter to Yeltsin, whereupon Yeltsin's chief of staff Sergei Filatov, having backed Dudayev until that moment, warned that "a Shevardnadze variant may happen in Chechnya"—meaning that Zavgayev might return to lead Chechnya, as Shevardnadze had in Georgia. Two months later, Avturkhanov (a member of Zavgayev's *taip*) met with Filatov. Avturkhanov now headed the Temporary Council, an institution the federal authorities in Moscow supported from this point on.

On Aug. 4, 1994, the Temporary Council issued a "Decree on Power," providing for free elections and an "agreement on distinguishing authorities" between Russia and Chechnya.

In July and August, Grozny was visited by the self-styled Russian nationalist General Sterligov and by Nikolai Kositsyn, an aide to Cossack leader Ataman Ratiyev. (The Russian Union of Cossack Troops, formerly led by Ratiyev, was originally formed as a guard service for "democratic businessmen." It is an alternative to the Cossack Union headed by Ataman Martynov.) Dudayev and Kositsyn, with Sterligov's assistance, signed a treaty under which the Cossack Troops and the Ichkeria Republic (Chechnya) promise to "follow and guard arms belonging to each other if they are for the defense of one of us." Stopping in the southern Russian city of Rostov, Sterligov tried to convince the Cossacks that they also should establish their own independent republic.

From that point, the following events unfolded:

**Aug. 11, 1994:** Dudayev announces the beginning of the military mobilization.

**Sept. 1-5:** Fighting between Dudayev's people and the opposition begins.

**Sept. 10:** Dudayev celebrates the third anniversary of independence.

**Sept. 20:** The Baku oil contract is signed.

**Sept. 28:** The first Russian *spetsnaz* soldiers are seen in Chechnya.

**Sept. 30:** Opposition helicopters attack Dudayev's airport.

**Oct. 6:** Russian Defense Minister Pavel Grachov meets in secret with President of Kabardino-Balkaria Valery Kokov.

**Oct. 13:** Zaindi Choltayev, head of administration of the Temporary Council, meets Sergei Filatov in Moscow.

**Oct. 15:** Opposition troops freely approach and enter the Presidential Palace in Grozny. The palace is empty. They withdraw and stop only 40 kilometers from the town. This foray is announced as a general rehearsal for the decisive battle with Dudayev.

**Oct. 19:** A sudden attack by Dudayev's troops. Beslan Gantemirov's unit is dissolved. Urus-M an is occupied.

## Coming soon in EIR

Next week's *EIR* will feature a *Special Report* on Britain's wars against the United States in Asia: in the 1890s, the 1920s, 1940-55, and again today. The conflict we are seeing now between London and Washington, is a conflict between the British monarchy and the United States which has been under way since 1763. The very existence of the United States has always depended upon Americans recognizing that our primary adversary on this planet was, and is, the British monarchy.

In this lengthy feature package, prepared under the direction of Lyndon H. LaRouche, Jr., we shall analyze:

- The U.S. fight with the British Pacific Empire in the 19th century: Commodore Perry, Abraham Lincoln, Henry Carey, and E. Peshine Smith.

- Winston Churchill's Pacific war against the United States, 1941-55, and how Douglas MacArthur and Frank



lin Roosevelt ruined Churchill's plans;

- War Plan Red and War Plan Orange: U.S. war plans during the 1920s and later, to defend the United States against the British by annexing Canada, as Lincoln had intended to do after the Civil War;

- Britain's Pacific war against the United States today: case studies of Japan and Korea.

**Oct. 21:** Umar Avturkhanov asks Yeltsin, Chernomyrdin, and Grachov to intervene into the situation and to stop the slaughter of peaceful inhabitants.

**Late October:** A so-called "transport blockade" is begun under the supervision of Filatov, Shakhray, and Presidential adviser Emil Pain. Troops go around chaotically, appearing and disappearing again, leaving nothing really blockaded. Foreign observers can't make out what is going on.

**Nov. 18:** Shakhray is removed from all activities concerning Chechnya. In Mozdok, General Kotenkov forms nine battalions of Chechen volunteers.

**Nov. 26:** Opposition forces attack Grozny from nine directions. The battalions are not coordinated, commanders have no maps of the town. The tanks go forward, leaving the infantry behind. As they stop by the Presidential Palace, Dudayev's soldiers shoot at them from the back with grenade launchers. The infantry enters the palace and begins to loot. They retreat, abandoning tanks.

**Nov. 29:** Yeltsin gives an ultimatum to both sides, threatening a state of emergency.

**Dec. 9:** Yeltsin issues decree No. 2166 on "reestablishing the constitutional order and disarmament of the illegitimate military forces in the Chechen Republic."

### The liberal 'moral creed'

The Sicilian mafia would have never appeared, if Italy itself were not ill at that time. The chronicle of events in Chechnya proves best of all, that it was the total criminalization of post-Soviet society that made Chechnya the Russian Sicily.

The liberal "moral creed"—live for yourself, for your

own pleasure, don't care for others and take as much as you can in any way possible—began to develop even before Gorbachov, during the so-called "stagnation" period of the 1970s and early 1980s, when leaders who could scarcely speak were unable to give the people any impulse of development. How could they, if they were just living for their own pleasure beyond the high fences of party dachas? That is the moral origin of Yegor Gaidar, a *nomenklatura* son of a *nomenklatura* general, brought up with no concern for his fellow citizens. That is the origin of the psychology of power based upon having property the proprietor never created. That is the origin of the criminal psychology, war psychology, and geopolitical psychology.

There are no heroes here. Yeltsin is no better than Dudayev, and Mamodayev no worse than Shumeiko. Relations are of the same quality in the Russian and the Chechen elites—relations of utmost mistrust, envy, and hatred.

There are two great lies about the Chechnya tragedy. The first is that there are patriots on one side and gangsters on the other. The second is that there are aggressors on one side and a courageous, bold, freedom-loving people on the other.

It is not true. The incessant war that goes on in Russia now is a war of half-criminal clans, just the same as in Chechnya. It is a war of one Russian *nomenklatura* clan manipulating its *nomenklatura* people in Chechnya against another *nomenklatura* clan with different allies in Chechnya. The tragedy is that neither those fighting, nor poor, good people killed on both sides, realize that all of them are manipulated by the same source of world evil, though in this case it is most evident.

# Celebrate the victory over fascism, by destroying fascist policies today

by Nancy Spannaus

*Mrs. Spannaus is president of the U.S. Club of Life.*

As the world gears up for celebrating V-E Day on May 8, the 50-year anniversary of the military defeat of fascism in Europe, it is high time we carried out some serious reflection on the crimes of the Nazis. Not the normal kind of hand-wringing on the horrors of the past, or revenge against 85-year-old former concentration camp guards. Let me be blunt: We must stop patting ourselves on the back at a point where we are condoning the *same kind of crimes* coming from the *same kind of ideology* promoted by leading institutions today. We must stop the perpetration of Nazi-like crimes today.

Now, I am well aware that the crimes to which I refer, are not necessarily the ones which others proclaim. Among the mythologies which have been spread since World War II have been the identification of fascism with nationalism, military establishments, "authoritarianism," and even certain specific nations, like Germany. Those who made up these stories, like Prince Philip or Margaret Thatcher, are covering up for their own crimes against humanity.

Lyndon LaRouche and those of us who have worked closely with him for decades now, have pointed to two major sewers of fascist policies today—the dividing lines between those who value human life, and those who seek to turn man into a beast. LaRouche's first economic forecasts warned in the 1950s of the resurgence of *fascist economics*, this time on a world scale. The practices of austerity, which used up human labor as the Nazi concentration camps did, were on the agenda of the world's leading financial institutions, LaRouche charged, if scientific and technological progress were abandoned.

In 1982, LaRouche's wife, Helga Zepp-LaRouche, launched the Club of Life, an organization to fight such a fascist resurgence in other areas of policy as well—from the cultural and social realms, to economics per se. The Club of Life set out to destroy the rationale for all policies which relegated groupings of people to the status of "useless eaters," and concentrated its sights against all its manifestations, including cultural pessimism.

Not only were these warnings not heeded, but the grisly

toll from these fascist policies gets worse by the day. The bankrupt global financial system, presided over by the International Monetary Fund (IMF) and the World Bank, is dictating conditions to nations everywhere that condemn people to death in order to pay the debt. The fascist cultural policy, which defines the human being as a consuming beast, is leading to additional massive sacrifice of human life in widespread practice of euthanasia, abortion, drug-use, and other degradation.

To those who now find themselves shocked at the mass death in Africa, or the outright murder of helpless individuals in nursing homes in order to cut costs, we can apply the dictum of the Nuremberg trials after World War II: *You knew, or should have known*, that your policies would lead to such crimes against humanity. We warned you from the late 1960s forward of what the consequences of IMF conditionalities would be. We warned from the 1970s forward, that Malthusian ideology would lead to genocide as well.

We could once again review where these fascist policies have come from—showing the continuity of the policymakers from Hitler's period to today. But today, let us concentrate on the two policy areas where our warnings have been the loudest: economics and health care. Let us hold up a mirror before you, and demonstrate without a doubt that we as a civilization are now repeating the very policies which led to the necessity for the worldwide mobilization to defeat Hitler 50 years ago. Then let us recommit ourselves to defeating fascism, by stopping these anti-human policies in their tracks.

## **Nazi euthanasia: the Earle Spring case**

There is no question but that the major industrialized countries of the world today are deliberately, explicitly reinstating the Hitlerian policy of Nazi euthanasia. This crime, for which the World War II victors tried Nazi doctors for "crimes against humanity" at Nuremberg, is now being rationalized as economically, socially, or morally necessary. The courts are approving it; the referenda ("popular opinion") are approving it; and some parliaments, such as that in the Netherlands and China, are doing the same.





Associates of Lyndon LaRouche rally against the International Monetary Fund in Washington in 1983. Many defenders of the "single issue" of the "right to life," support economic policies that are leading to the deaths of millions.

Lyndon LaRouche and the publications associated with him first raised a major alarm about this practice back in January 1980, in the case of a 78-year-old Massachusetts pharmacist by the name of Earle Spring. Spring was ordered by Massachusetts Probate Court Judge Sanford Keedy to be removed from kidney dialysis treatment, medication, and the special diet he needed to survive—so that he might “die with dignity.”

While this practice was evil in itself, there was another complication here. *Earle Spring did not want to die!* In the course of an international mobilization against the court decision, the LaRouche Presidential campaign was able to get nurses to interview Spring. In an affidavit eventually submitted to the Massachusetts Supreme Judicial Court judge who ordered Spring to be placed back on dialysis, nurse Donna McDonough put it this way:

“I asked him if life was good. He said, ‘Yes.’

“I asked him if he wanted to die. He thought for a moment and said, ‘No.’ ”

The Spring case contained all the elements which advocates of the Nazi practice of euthanasia champion today. First, it was Spring’s family which petitioned the court to take him off dialysis. Second, the excuse was that Spring was not “mentally competent” to decide to live. Third, it was argued by some medical personnel that kidney dialysis treatment had to be rationed, and that giving him the treatment, as was eventually ordered by Judge Francis Quirico, was “extraordinary,” too costly, and therefore unjustified.

Even at the time, LaRouche’s fight to save the life of Earle Spring went against the pro-fascist tide. Other Presidential candidates refused to respond to LaRouche’s plea to intervene. The *New York Times* had already gone on record back in May 1978 to the effect that “the effort to provide all the medical care anyone might want—or even need—is simply beyond the nation’s resources.”

### LaRouche on the ‘Right to Life’

As the Earle Spring case raged, and LaRouche’s associates sought support for his right to live, quite naturally we were in touch with organizations which claimed to be concerned with the fight for the Right to Life. To say that the response was disappointing, would be an understatement. Some leading individuals responded, but not the organizations as such.

In response, LaRouche wrote a document entitled “The Truth About the ‘Right to Life,’ ” published in *New Solidarity* newspaper on Jan. 25, 1980. The document identifies the critical economic area of continuity between Hitler’s fascist crimes, and those crimes being committed in the area of medicine today. We quote at length:

“The principle of the ‘right to life’ zoomed into importance as a major international issue during 1973 and 1974. This fight for the principle of life was prompted chiefly by the evil proposals of a United Nations-linked organization called the Club of Rome.

“The Club of Rome commissioned an evil, fraudulent report entitled *Limits To Growth*. The Club of Rome used that fraudulent report to support the argument that the human population must be reduced to as little as 1 billion persons by about the year 2000.

“In the context of that Club of Rome propaganda campaign, a variety of anti-life proposals were circulated by immoral professors and other influentials. Leading Club of Rome spokesman Aurelio Peccei promoted an ‘objective discussion’ of the conditions under which cannibalism might be regarded as ethically tolerable, as a means to solve problems of hunger. There was an attack, chiefly from leaders of the British medical profession, against the U.S. medical practice of ‘overuse of kidney machines’ to keep patients alive, and proposals for denying medical procedures to senior citizens



as a way of 'letting nature take its course' in cutting down that portion of the human population. . . .

"Despite the shift in public-relations posture by the Club of Rome, that evil association continues the same genocidal doctrine and practice to the present time. It is supported by such United Nations institutions as Unesco, Unitar, Unctad, Unido, and by the World Bank of Kennedy ally Robert S. McNamara.

"Because of the spread of such evil, genocidal policies through the 'conditionalities' policy of the International Monetary Fund and the 'appropriate technologies' policy of the World Bank, the question of the 'right to life' has rightly become one of the leading moral issues of political concern today.

"The practical form the principle of the 'right to life' takes in political affairs is this. Positively, we who support the principle of 'life' say that we will tolerate no economic or other policy, either nationally or internationally, which requires or promotes genocide by any means or in any guise. Negatively, all of those who actually support the principle of 'life' agree, we denounce as satanically immoral any political figure or governmental administration which supports the 'conditionalities' policy of the International Monetary Fund or the 'anti-technologies' policy of the World Bank and so-called Brandt North-South Commission. . . .

"In this context, the moral issues of abortion properly occupy a prominent position. Unfortunately, some evil persons who support every anti-life policy but abortion have infiltrated the 'right to life' organizations in an effort to make abortion the *only issue* of those organizations. Such persons are to be denounced as either immoral fools or willful frauds. Abortion is a proper issue, but it is immoral to pretend that abortion is the beginning and end of the issue of the 'right to life.' It is immoral to do nothing against the proposed genocide of half the human population, and to defend only the fetus in the early term of pregnancy."

### **Who is the enemy of life?**

LaRouche elaborated on the way in which demands for fascist economic policies necessarily lead to genocide, although advocates of such policies may attempt to justify them on the basis of other reasons.

"In its early form—the 1973-74 propaganda of the satanic Club of Rome—the promotion of mass death and even cannibalism was plainly advertised as a product of a certain economic policy. The argument was that the utopian 'zero' economic and technological growth required a massive reduction of the earth's human population. It was proposed that the world must let three horsemen of the apocalypse—famine, epidemic, and homicidal social chaos—take their 'natural course.' It was proposed that this general approach be supplemented by measures of euthanasia (against the old and grievously ill) and various modes of intensified birth-control, especially in undeveloped nations.

"Unless this economic motivation behind the anti-life forces is pinpointed, one cannot properly identify the enemies of life, nor can one combat those evil forces effectively.

"The supporters of the Club of Rome and of entities allied to the Club of Rome all premise their arguments for genocidal policies on the policy of 'zero' economic and technological growth. They argue, quite consistently, that without technological and economic growth the world cannot sustain its present level of human population, about 4 billion persons, let alone the 6 billion who should exist by the end of this century or thereabouts. Therefore, their argument continues, in order to achieve the goals of 'zero growth,' we must reduce the world's human population to levels which can be sustained without such necessary measures as the development of nuclear energy. The estimate of the world population which could be sustained without nuclear energy and other advanced technology is somewhere between 1 and 2 billion persons. Therefore, to achieve their economic utopia of 'zero growth,' the human population must be reduced by at least one-half during the coming two decades.

"Every proposal for eliminating human life—whether Peccei's earlier efforts to have cannibalism regarded as an ethical solution to the food-shortage problem, the euthanasia provision of various health bills, and increased emphasis on abortion almost as a way of day-to-day life—are all products of that economics-rooted determination to halve the human population by the year 2000 or thereabouts."

### **How genocide would occur**

LaRouche then noted how parallel this genocide is in form with Hitler's, although in fact, Hitler's crimes are dwarfed in numbers of people killed.

"The present-day model for reducing the world's population by half or more over the coming two decades is Adolf Hitler's Nazi Germany. The 'fiscal austerity' policies introduced to Germany by Nazi Finance Minister Hjalmar Schacht were a form of economic cannibalism. An economy ruled by the kind of 'fiscal austerity' policies introduced by Hjalmar Schacht cannot survive without cannibalizing parts of its own economy and population, and without proceeding further to cannibalize the economies and populations of its neighbors. Once such a policy is adopted and maintained, the remaining policy question is which sections of the population shall be condemned to a slave-labor/death-camp elimination, which nations shall bear the greater relative brunt of the looting and genocide. In the Nazi case, it was Jews, Slavic people, gypsies, and communists who were placed at the head of the line leading into the slave-labor/death-camp slaughter.

"It is the economics of Hjalmar Schacht which stand behind the present policies of the Club of Rome, World Bank, International Monetary Fund, and U.N.O. organizations such as Unesco and Unitar. . . . Today, Nobel Prize-winner Milton Friedman is the leading American supporter of the policies of Nazi Minister Hjalmar Schacht. Most leading U.S. academic economists support the same drift in economic and monetary policy as Lerner, Friedman, and other bald-faced defenders of Schacht's economic policies.

"This adoption of Nazi economic doctrines by most leading

professional economists in the United States today is not inconsistent with the influence of Cambridge University's John Maynard Keynes. Keynes's famous 'General Theory' was first published, not in an English-language edition, but in a 1936 German-language edition. For the 1936 Berlin edition of his 'General Theory,' Keynes wrote a special preface. In that preface he identified the Nazi regime as inherently better suited to carrying out his policies than the Western democracies. Lerner, Galbraith, and others are therefore able to 'defend' their present-day policies as a consistent outgrowth of their stand as leading Keynesians. Friedman has been rightly identified by Cambridge University's Mrs. Joan Robinson as a 'degenerate Keynesian,' as a relatively stupid person who cannot comprehend the subtler features of economics. . . .

### No 'single-issue' defense possible

"Therefore the only efficient defense of the principle of 'life' is a direct attack on all those professed 'environmentalist' and others who support 'neo-Malthusian' policies. It is the neo-Malthusian policies of Barry Commoner, Governor Brown, and others, which are the premise and motive for the promotion of genocidal policies pushed variously by the Club of Rome, the World Bank, the International Monetary Fund, the U.N.O., and the Georgetown University-based Kennedy Center for Bio-Ethics. Remove the motive for genocide and the danger of genocidal violations of the principles of life is easily pushed aside.

"Although prominent New Hampshire supporters of the candidacy of Gov. Ronald Reagan have publicly supported a 'Right to Life' amendment, Reagan supports economic and monetary policies which are fully consistent with the 'neo-Malthusian' doctrines of the IMF, World Bank, and so forth. It might be that Reagan himself would oppose abortion now, contradicting his earlier signature on a pro-abortion law enacted in California. However, such an anti-abortion stand by Reagan supporters is a fraud. They might take a posture of defending fetuses, but continue to support economic and monetary policies which threaten to reduce the population of the world by half or more.

"Therefore, one's suspicions are rightly aroused whenever one encounters persons and groups who allege that abortion is the one and only issue of the 'right to life' effort. They are misusing the issue of abortion to pull supporters of life away from the leading issues of life in the world today. They are immoral individuals who implicitly insist that they are willing to let half the world's population be wiped out in genocide, clinging to the pretext that they have saved, perhaps, one or two fetuses."

In conclusion to his 1980 statement, LaRouche made the following statement of principle:

"There is a commitment to a pro-life position embedded in the U.S. Constitution. There is a commitment to scientific and technological progress, to the development of the productive powers of labor—all through fostering the creative potentialities of the individual. Our nation's heritage obliges

us, the custodians of that heritage today, to not only foster scientific and related progress in knowledge, but to base the practical relations of one citizen to another on the practical realization of those reflections of the divine qualities of the individual citizen.

"Each life is potentially sacred to us. A scientist may make a discovery of universal importance, a discovery which serves as the foundation for subsequent further advances in seeking atonement of the mind with the lawful ordering of Creation. A teacher assimilates and disseminates that knowledge, realizing the creative work in a universalizing way. A working person translates that into universal practice. A parent nurtures the young minds capable of becoming such scientists, teachers, working persons. Each such individual life adds something irreplaceable to our species' labor as the instruments of God in the continuing work of Creation. Each life is sacred.

"To develop a fetus into a human being is a sacred undertaking, an act of creative work of an instrument of continuing Creation. To develop a child, once born, communicating the power of love to the newborn infant, is also such sacred work. On this point, no admissible differences exist among moral persons.

"Nor does any man have the right to terminate his own or other lives because that life has been savaged by illness or pain. We lack the power to know what another smile of lovingness might contribute. We have no right to practice euthanasia against the sacred mind of a single living person, even if those mental powers are reduced. . . ."

### IMF conditionalities are a Nuremberg crime

The emphasis which LaRouche has put on fighting fascist economics flows from the fact that such economic policies deny the nature of man as *imago viva Dei*, in the living image of God. But it is worth recalling at the current juncture, that LaRouche wrote a very specific document drawing out this point back in August 1982, in an open letter addressed to governments which were members of the IMF.

"Conditionalities" are a "Nuremberg crime," LaRouche wrote, addressing in particular the fact that the usurious practices of the international bankers had unleashed the Four Horsemen of the Apocalypse in the least developed countries, which amounts to genocide. The so-called developed countries will come next, LaRouche warned, citing the international bankers as "Lombards" in the following context:

"To employ Lombards' austerity measures, is to reduce investment in production and basic economic infrastructure. This is a reduction in the living standards of populations, which, at a certain point, lowers the average conditions of life of many below the level at which individual life can probably survive. When the screws of Lombards' austerity are tightened to a certain degree, now as during the 14th century, a genocidal, savage reduction of the population—mass-murder, pure and simple—erupts."

In a section entitled "The Echoes of Nuremberg," LaRouche wrote:

"The aggravated degree of austerity being practiced, has reached the point that officials of governments and supranational institutions are placing themselves personally at jeopardy under provisions of the 'Nuremberg Code.' In Africa and elsewhere, ladies and gentlemen, you are already complicit in what *you know or should have known* to be mass-murder against entire nations.

"To this point, the worst among you reply with words to the effect: 'So, what?' Such fellows have argued, to the effect of these words: 'Perhaps, we are increasing the death rates, even to as great a degree as you accuse us of doing. So, what? There are too many people living already, especially among the darker-skinned populations of the world. So, what, if many of them must die for the sake of our monetary policies? Show me anywhere today, a court which has the inclination and power to put me and my friends on trial because of these policies. We are running the world's monetary institutions, and we shall do as suits us. Good day! I have nothing more to say, wasting time arguing with you on this subject.'

"This is a fair description of arguments this writer has heard from financial officials and others repeatedly since late 1975 and early 1976: in Basel, Paris, the Federal Republic of Germany, London, the United States, and elsewhere.

"The racist component of such arguments is no exception. Such racialist motivations for the policies of the Club of Rome were volunteered by a former official of the OECD [Organization of Economic Cooperation and Development], recently, Dr. Alexander King. King identified himself as the creator of both the Club of Rome and of the present career of Aurelio Peccei. . . .

"Not only the policies of the Club of Rome, but the *Global 2000* and *Global Futures* reports issued by the outgoing Carter administration, are explicit policies for genocide against, especially, populations of the developing nations. The same policies are espoused by London's Chatham House [the Royal Institute of International Affairs] in its 'Year 2000' proposal. Although economic warfare against populations did not become generally a component of U.S. government policy until Henry A. Kissinger became national security adviser in 1969, the first law to this effect was enacted on the sponsorship of Sen. William Fulbright (D-Ark.) as early as 1963.

"These racialist, neo-Malthusian policies are endemic among the policymaking public and private institutions of nations, and extend into eastern European capitals through such institutions as the International Institute for Applied Systems Analysis (IIASA). It is the influence of such neo-Malthusian policies and their supporters which is chiefly responsible for widespread condoning of economic-monetary measures of genocide against targeted LDCs [lesser developed countries] and other nations today.

"To such political figures and their accomplices, a clear warning must be issued. Remember: The Nuremberg tribunal was created *after 1945*. 'Where is the court which would try you for your support of genocidal policies today?' Perhaps there is none. Can you be certain one will not spring into

being tomorrow?

"Unless the recent 15-year direction in international monetary and economic policies is reversed immediately, we must divide the otherwise unforeseeable course of future developments into three categorical ranges of possibilities. If the worse among the sponsors of neo-Malthusian doctrines have their way, this new depression will lead through a 'new dark age' into what is best described as one-world-government modeled on Malthusian world-federalist policies afoot today: the end of civilization. Second, there is the likelihood of thermonuclear war erupting because of the extent of destabilization and maddened desperation the foreseeable collapse of institutions will produce. Third, peoples may arise to resist these two alternatives, and with such effectiveness that the perpetrators of genocidal policies are brought to justice, justice applied with more vigorous resolution than during the Nuremberg proceedings.

"The long moribund Nuremberg Code of justice for crimes against humanity will be then revived. It will be revived, predictably, because the victors' sense for the importance of law will prompt them to revive previously existing law, where it is available from recent history, to order the indictments, trials, and sentencings."

### **The tasks before us today**

It is all too hideously clear that the warnings which LaRouche gave in the early 1980s and earlier were not heeded. Hundreds of millions have died needlessly due to IMF actions to deny development to areas such as Africa and Ibero-America. A similar process of strangulation by IMF policies is dramatically visible in the former East bloc, and in the so-called advanced sector as well.

The cultural pessimism which has resulted from these horrors has been overwhelmingly ugly. There are intellectual circles which have raised again the argument that fascist policies and methods will be "necessary" to deal with a world driven mad by economic and social collapse. Already, we see the reemergence of fascism's ugly twin, communism, in eastern Europe, as a "reaction" to the depredations of the IMF austerity. In the West, the disaffected and enraged are being inundated by fascist ideology by the likes of the Conservative Revolution think-tanks, in hopes of building a popular base for fascism once again.

It is high time we looked into the mirror—and recoiled. The emaciated concentration camp victims in Bosnia, the starving elderly patients in the nursing homes, the children dying of disease in refugee camps—these are the totally foreseeable results of a fascist ideology and economics that denies the value of human life. We must take decisive measures now to rip those policies out of our ruling institutions, and out of ourselves.

Then we can say that we rightly commemorated the victims of fascism, and the heroes of the war against fascism, 50 years ago. We carried on their work, and ensured that they didn't die in vain.

## A step closer to the truth

*New evidence sheds light on the assassination of public figures, confirming what EIR reported four years ago.*

In most of the big cases of political assassination of the past 10 or more years, *EIR* has stood alone in its effort to cut through the blather of the “experts” and, based on independent investigation, provide the strategic background to these acts of “terrorism.” Finally, some other journalists have concluded that, indeed, the truth is quite different from what the “experts” have said.

For example, a television special on the death of Detlev Karsten Rohwedder, the director of the Berlin Treuhand agency which oversaw the reorganization of the state sector industries of East Germany after reunification, was recently produced by a team of Germany’s WDR-3 station. (Rohwedder was killed by a sharpshooter on April 1, 1991.)

Although the incident had all the characteristics of a professional contract killing, the authorities and the media blamed it on the leftist terrorist group of the Red Army Faction (Baader Meinhof Gang). What remained mysterious, however, was the fact that, among the core RAF terrorists put on trial, none was ever charged with the assassination of Rohwedder.

The WDR-3 special, aired on April 18, for the first time buried the “RAF terrorist” theory before a broader public audience. It presented a story that might not be true on all accounts, but definitely is much closer to the truth.

According to the documentary, Rohwedder was killed because he fell in with powerful, intelligence-related underground networks of the former East German regime. Sources told WDR-3 that in trying to gain an over-

view of the state sector properties in the turbulent weeks after the collapse of the East German regime, Rohwedder’s Treuhand staff had come across evidence that Socialist Unity Party (SED) and state security apparatus (Stasi) members had been involved in illegal transfers of upwards of DM 500 million (\$310 million) to bank accounts in the West.

Threatened with exposure, the sources said, these networks deployed specialists from a former Stasi *spetsnaz* (special forces) unit, belonging to the Willy-Sänger paratroop special forces regiment that operated out of a remote military base in Lehnin, near Berlin. This unit was trained in the use of NATO high-precision weapons of the type used in the attack on Rohwedder.

Experts of the West German BGS (border police, which also commands special anti-terror units) told WDR-3 that Rohwedder was killed with the first shot, fired through the window of his house—something that only a sharpshooter of special forces quality, not the RAF, could do.

After the collapse of the East German regime, “western” firms hired members of the Lehnin-based special unit, and some of them were stationed in the Düsseldorf region, where Rohwedder lived in 1991.

This may lead to the doorsteps of certain British-linked agencies, which *EIR* has always suspected to be involved in Rohwedder’s death.

It is known, though not proven on all accounts yet, that the SED and the Stasi used banks and investment funds in London for illegal money transfers. There were secret mutual

“business” interests between British investors during the late-Thatcherite period, and East German leaders, not only to sabotage reunification, but to smuggle huge sums of money out before the integration of the eastern economy with the western one was completed. In this context, Rohwedder came under attack in the British press for his plan to slow down the privatization of the East German state sector industry, and instead to preserve production and jobs, stopping the sell-out of properties to “free market” interests.

Also, a Monitor TV special on the national ARD TV channel revealed on April 20 that there are secret files in the archives of the Russian military intelligence agency GRU in Moscow, that back the hypothesis that West German Christian Democrat Uwe Barschel did not commit suicide in Geneva on Oct. 11, 1987—as official analysts would like people to believe—but that he was killed by arms-dealing networks operating between the East and the West. According to this report, Barschel had made contact with a special section of the U.S.S.R. Defense Ministry as far back as 1979.

In particular, Monitor mentioned a GRU file that reports that on June 6, 1984, Barschel paid a considerable sum of western hard currency to an East German intermediary, to enable Moscow to secretly purchase then-embargoed western high-tech equipment. In return, the Soviets sold arms via East Germany, to select Arabian regimes where direct western arms sales were too delicate.

This refers to the arms-peddling cabal of Oliver North and George Bush which, in the early 1980s, operated covertly between the East German port of Rostock and the Persian Gulf. The program didn’t name these names, but its revelations are directly related to the North-Bush affairs.

## On the heels of the Cali Cartel

*President Samper is growing nervous, as drug investigations take on the country's political elites.*

After 10 months of vacillation, Colombian Prosecutor-General Alfonso Valdivieso has moved against the Cali drug cartel, and the ruling Liberal Party and President Ernesto Samper Pizano are starting to sweat.

On April 21, Valdivieso announced that he had asked the Colombian Supreme Court to begin a criminal investigation against Comptroller General and former presidential candidate David Turbay Turbay, as well as against nine Liberal congressmen, among them House of Representatives President Alvaro Benedetti. Several of those named were active in Samper's 1994 presidential campaign. They are all facing allegations that they are on the payroll of the Cali Cartel.

In addition to the investigations, former senator Eduardo Mestre Sarmiento, an ex-president of the Liberal Party, has been arrested and sent to a maximum-security jail, along with Cali Cartel "executive" Eduardo Gutiérrez Arcila. Arrest warrants have been sworn out against cartel chieftains Gilberto and Miguel Rodríguez Orejuela and 12 others who allegedly handle the finances, accounting, and business fronts of the cartel. Among these is journalist Alberto Giraldo, the public relations man for Rodríguez Orejuela who surfaced last year in the infamous "narco-cassettes," in which Giraldo and the Rodríguez Orejuela brothers can be heard discussing the millions of dollars being given to the Samper campaign to assure his presidential victory.

Among others called to testify are Germán Bula Hoyos, former Colombian ambassador to the Soviet Union;

Mauricio Guzmán Cuevas, the mayor of the city of Cali; "Gaviota," the country's leading soap opera starlet; and Santiago Medina, Samper's former campaign treasurer. Also among the accused is Sen. Alberto Santofimio Botero, who in 1982 was active in the Liberal Party faction controlled by then-head of the Medellín Cartel Pablo Escobar. Both Santofimio and Escobar were bitter enemies of then-Justice Minister Rodrigo Lara Bonilla, who fell to a cartel assassin's bullets on April 30, 1984. The latest charges against Santofimio could prove to be the death blow against his long and tainted political career.

"We have only just begun," stated Valdivieso in an April 20 press conference. Evidence already in hand could implicate a majority of the country's political elites.

According to information from the Prosecutor General's office, the investigation began with a July 1992 raid conducted jointly with the U.S. Drug Enforcement Administration, against a cartel warehouse in Panama. Five tons of cocaine were discovered, hidden in a 200,000-ton salt shipment contracted by the cartel company Exposal with a state company, Concesión Salinas. The manager of Concesión Salinas at the time, whose signature appears on the contract, was Monica de Greiff, a close associate of Samper who went on to become his 1993 presidential campaign treasurer. She is the daughter of the former prosecutor general Gustavo de Greiff, whose last act in office in 1994 was to absolve Samper in the narco-cassette scandal.

Then, on July 12, 1994, the offices of Exposal in Cali were raided. No traf-

fickers were caught, but vast quantities of documents were seized, including proof of cartel payments to politicians, businessmen, police officials, show business stars, and details on cartel business fronts and their representatives.

One of those business fronts is Litofarallones, which, according to the documents seized, sent various of Samper's political allies thousands of unspecified "units." Samper's 1994 campaign treasurer, Santiago Medina, received 20,000 such "units," which journalists conjecture refers to 20 billion pesos. Medina maintains that it means 20,000 campaign shirts. If so, one has to ask why a Cali Cartel front, which went "bankrupt" immediately after the elections, was used by Samper's campaign for its propaganda. Julián Murcillo, who was manager of Litofarallones at the time, is also the manager of Exposal.

Valdivieso stated in his press conference that "for now" he is only investigating the infiltration of the drug trade into the congressional elections, and President Samper has had no choice but to back such an investigation. But already, former justice minister Enrique Parejo González has called on Samper to reopen the "narcocassettes" case which "would be an unequivocal demonstration of your willingness to clarify that troublesome episode."

Various analysts speculate that Valdivieso's action was only taken under pressure from the United States. U.S. Ambassador to Colombia Myles Frechette has in fact issued a statement "applauding" the bold initiative. However, there is little doubt that the great majority of Colombians are remoralized by the fact that someone has had the courage to take up the task begun by Rodrigo Lara Bonilla, who gave his life to try to prevent Colombia from becoming a narco-tyranny.

# International Intelligence

## ***Ben Bella: West should support pope's strategy***

The West should support Pope John Paul II's peace strategy rather than launching crusades against Islam, former Algerian leader Ben Bella said in an interview with the Vienna daily *Die Presse* on April 24.

Expressing confidence that it will be possible to revive Islam as a cultural paradigm that promotes "real development by putting man at the center," with "poetry, literature, music and prayers," Ben Bella said that he hopes that one day, people in the West will be able to "understand that the [Persian] Gulf war has hurt the Islamic world as a whole and the Arab world particularly, and find the right words for those that the West has humiliated in a wild repetition of the crusades.

"The West has violently thrown back Iraq, which was the pride of all Islamic beings. They have humiliated and beaten an honest, serious, and hard-working people. And with the embargo, they have signed the death sentence for the weakest.

"If they paid attention to the words of their pontiff, peace would arrive faster—not just in Algeria," Ben Bella concluded the interview.

## ***Fronzizi dies at 86; was Argentine President***

Arturo Fronzizi, former President of Argentina, died on April 18 in Buenos Aires after a brief illness. Born in the province of Corrientes on Oct. 28, 1908, Fronzizi was one of 14 children of Julio and Isabel Fronzizi, an Italian couple that migrated to Argentina. He was accorded a state funeral.

Elected President of Argentina in 1958, his administration was marked by a foreign policy that stressed independence and total respect for national sovereignty. He met with some of the most renowned leaders of this century, including France's Charles De Gaulle, Germany's Konrad Adenauer, India's Jawaharlal Nehru, and U.S. President

Dwight Eisenhower, during whose administration Dr. Fronzizi became the first Ibero-American head of state to address a joint session of the U.S. Congress. Dr. Fronzizi's 1958-62 presidency also overlapped that of John F. Kennedy, with whom he developed a close working and personal friendship. His views and counsel on Ibero-America were sought by Popes John XXIII, Paul VI, and John Paul II, with whom he met several times.

Dr. Fronzizi, himself 12 times a political prisoner, worked tirelessly for the release of his friend, the jailed American statesman Lyndon LaRouche, and more recently, for his full exoneration. To this end, he exchanged several letters with the Vatican, and wrote to U.S. President William Clinton.

Upon learning of his death, LaRouche wrote to Fronzizi's family, "I believe that the great service done to me by our departed friend is generally known in Argentina and in high places in other parts of the world. He was a true and generous friend to me, and a treasured collaborator on world issues on which we have shared a profound concern since our first meeting, as dinner guests of two mutual friends, nearly eleven years ago. In him, I have met a soul of rare beauty and excellence.

"I shall miss his presence very much, while I carry my share of the torch which his tired hands passed to us during his last days."

## ***Hapsburg demands return of Kissinger***

Otto Hapsburg, the aged former pretender to the imperial throne of Austria-Hungary, penned an April Fool's Day article in the Austrian daily *Vorarlbergen Nachrichten* which begins by pronouncing: "American foreign policy under President Clinton has had, up to this point, negative consequences for the Free World."

According to Hapsburg, there is but one solution, to bring back the man who is the greatest living admirer of the devious Count Metternich who served Otto's ancestors un-

der the "Holy Alliance" of the early 19th century: Professor Henry Kissinger.

Hapsburg fawned, "Kissinger's articles demonstrate that the current situation would have been more successfully mastered, if people had listened to him. His analyses of questions, his in-depth knowledge of history, and his clear judgment, are impressive. For a long time, one has had the feeling, that it is the great tragedy of the U.S.A., that this man remains more an observer on the sidelines, and is not listened to by below-average people in the administration."

Hapsburg calls on the Republicans, after their victory at the polls, "to promote Kissinger's career, in view of the catastrophe of Clinton's policies." Yet the Austrian oligarch can't avoid the sticky lucre issue: "It would not be easy for him, since his success as a scientist, writer, and speechmaker, pays off handsomely."

## ***Fascist economics feeds violence in Bolivia***

The Bolivian government of Gonzalo Sánchez de Lozada declared a 90-day national state of siege on April 19, after raiding the headquarters of the Bolivian Labor Federation (COB) with elite police units and arresting more than 100. The raid capped weeks of increasingly violent confrontations between the police and strikers from the COB, specifically, from the teachers' union, which shut down schools six weeks ago over wage demands and rejection of the government's New Age-flavored educational "reform."

Sánchez de Lozada is a former prominent member of, and remains close to the Inter-American Dialogue, the Wall Street-run think-tank which promotes free trade, legalized drugs, and dismantling of the military throughout Ibero-America. His government has been on a privatization spree ever since he took office in 1993, deepening the conditions of desperate poverty in the country.

The Bolivian situation appears to be a set-up for brewing a "Zapatista" insurgency

against the nation-state like that in the state of Chiapas in Mexico. Although the COB is the powerful umbrella organization of the whole Bolivian labor movement, its leadership has always been a nest of leftist provocateurs. Among those arrested was Evo Morales, the head of the coca-growing farmers' association who has led a violent campaign against the eradication of coca crops.

There is a separatist movement afoot in at least six Bolivian provinces, several leaders of which have been arrested after declaring themselves "a provisional government." Morales was arrested during a military raid on a clandestine meeting of the so-called Andean Council of Coca Producers, according to sources in La Paz, who said he was accompanied by 17 foreigners, including Peru's leading pro-drug journalist Roger Rumrill.

As of April 24, coca growers in Bolivia were battling authorities and threatening to block highways in a massive "resistance" to the state of siege, wire reports said.

## *Jane's of London flaunts Asian 'threat'*

The May 1995 edition of *Jane's Intelligence Review*, the British Defense Ministry's think-tank in London, charges that China, Japan, and India, because of their large economies, are arming fast enough to pose a dire threat to each other and to the United States within 15 years. The article is by Paul Dibbs, former deputy secretary of Australia's Defense Department, and head of strategic studies at Australian National University.

Mr. Dibbs is evidently a cothinker of London's International Institute of Strategic Studies operative Gerald Segal and British Foreign Office agent Henry Kissinger, for he argues, just as they do, that economic growth in China and Japan must be stopped, because it is a strategic threat. His argument feeds Segal's proposal for the breakup of China and Kissinger's proposal that Asian nations go to war each against the other.

"Given sustained economic growth, the

military capabilities of the great powers in Asia—China, Japan, and India—will be substantially greater by 2010," Dibbs writes. "The real danger is not the export of finished weapons to East Asia, but the transfer of technology, that enhances the ability of the region's states to build the next generation of weapons themselves."

Dibbs charges that China will modernize and purchase weapons enabling it to target all of Asia from positions close to China. "Japan's highly advanced technological base by 2010 will mean that it could expand its military capabilities very rapidly indeed and with little warning," he writes. India's military will remain at the same size, but it will press ahead with its nuclear capabilities, targeting China and Pakistan, according to the *Jane's* analysis.

## *Say State Planning Ctte downgraded in China*

China's State Planning Committee, the most powerful body in the planning and implementation of economic policy in China, has been reportedly downgraded through the stripping of its authority to allocate funds for infrastructure projects. This is called a "radical change in the mainland's political power balance, with the position of Vice-Premier Zhu Rongji consolidating significantly," by China editor Cary Huang in the *Hongkong Standard*, a colonial paper, on April 3.

Henceforth, the State Development Bank and the State Economic and Trade Commission, both under Zhu's control, will have the final say on allocations. According to this report, the conservative Planning Commission, under Li Peng and the State Council's control, had accused Zhu and the banking sector of being responsible for the inflation crisis, while Zhu had blamed the Planning Commission for approving too many projects. "Beijing sources" are reported to have confirmed that Zhu had convinced the leadership that checks on the Planning Commission's power in capital investment was crucial to stop the inflation.

● **A VENEZUELAN** mass-circulation magazine, *Elite*, reproduced in its April 25, 1995 issue the full text of the April 1993 *EIR* article by Dennis Small, Carlos Cota, and Peter Rush in which the collapse of the Mexican miracle was forecast.

● **TURKISH** Foreign Minister Erdal Inonu was quoted by Reuters as telling the parliament in Ankara on April 18, "If [The Netherlands] do not stop this movement we will take other measures and they will have to bear the consequences." Inonu was referring to the "Kurdish parliament-in-exile," which the Dutch allowed the terrorist PKK to form in The Hague on April 12.

● **PAKISTANI** Prime Minister Benazir Bhutto continues to press ahead with her drug crackdown. According to an AFP report from Islamabad, Pakistan's elite Army anti-narcotics force has seized a record 40 tons of hashish after a gunfight with smugglers on the Arabian Sea coast in Baluchistan on April 15.

● **SINN FEIN**, the political arm of the Irish Republican Army, will enter peace talks with the British government for the first time at the ministerial level, Prime Minister John Major's government announced on April 24. A White House spokesman said that President Clinton welcomed the announcement. The step reflects U.S. pressure to upgrade the talks.

● **SAUDI ARABIA** signed a debt agreement with the Algerian government, currently embroiled in a deadly civil war with Islamist rebels. The Arabic daily *Al-Hayat* reported on April 19 that the governor of the Saudi Monetary Institution met with the deputy governor of Algeria's central bank Abdulqadir on April 17 to sign a deal to reschedule \$500 million of Algerian debt to Saudi banks.



# House of Windsor escalates war against United States

by Jeffrey Steinberg

While it is still far too early, despite the media hype, to draw any definitive conclusions about who bears ultimate responsibility for the April 19 bombing of a federal building in Oklahoma City, a pattern of evidence has surfaced about that bombing, and about a recent series of irregular warfare attacks against the United States and allied nations. This pattern strongly suggests that the recent wave of "blind terrorism" conforms to the current offensive being waged by Great Britain's House of Windsor and the Club of the Isles against the Clinton Presidency, the United States, and the fragile configuration of nation-states lining up alongside.

Three broad categories of evidence contribute to this preliminary evaluation. First, an across-the-board pattern of gloating on the part of the leading City of London news media over the Oklahoma City attack, particularly over the crisis into which it has thrust the Clinton Presidency, indicates that the recent terror attacks are consistent with the well-documented British assault against the Clinton Presidency. That assault has included efforts to manufacture phony scandals against the President, to instigate violent attacks against the First Family and the White House, and, most recently, to trigger a long, hot summer of civil disorders across America.

Second, the Club of the Isles assets, including British intelligence figures Lord William Rees-Mogg and Ambrose Evans-Pritchard, and such organizations as the Anti-Defamation League of B'nai B'rith (ADL), the Cult Awareness Network, the Southern Poverty Law Center, and Cambridge Political Research Associates are demonstrably involved in orchestrating a climate of deep paranoia leading up to the Oklahoma City bombing. Not only does this show a strong, premeditated involvement by Windsor-linked capabilities;

their role conforms precisely to a NATO-vintage "strategy of tension," employing the "gang versus countergang" methods tested and perfected by the London Tavistock Institute's Gen. Frank Kitson in Kenya during the 1950s counterinsurgency campaign against the Mau Mau.

As *EIR* documented in a *Special Report* last autumn titled "The Coming Fall of the House of Windsor" (Oct. 28, 1994), the kind of Kitsonian destabilization now hitting the United States was devised as part of Britain's post-World War II drive to reassert control over its former colonies, using the World Wide Fund for Nature (WWF) as a leading instrument.

Third, information made public to date about the milieu from which the Oklahoma City bombers were deployed, strongly suggests that the apparatus of rogue intelligence and paramilitary operatives of the Reagan-Bush era, who were in and around the Bush and Oliver North-led "secret parallel government" team of Iran-Contra infamy, may have played a part in the recent irregular warfare attacks. The fact that this apparatus, known broadly as "the Asteroids," is fomenting a new secessionist insurgency against the U.S. federal government, is just one of many indications that this apparatus is in league with the Club of the Isles in the assault on the Presidency.

The origins of these currently active networks can be traced in many instances directly back to the period of the failed 1961 Bay of Pigs invasion. At that time, a manipulated network of disgruntled and corrupted covert operators provided a cover for British intelligence's Permindex assassination bureau to murder President John F. Kennedy and successfully cover up the crime. The parallels to the Kennedy assassination in the current confrontation between the Wind-

sor-Club of the Isles apparatus and the Clinton Presidency, cannot be emphasized enough.

### Strategy of tension

From the early days of the Clinton Presidency, when the administration first showed signs of a strategic policy break with London over the genocide in the Balkans, the United States has been a target of a "strategy of tension," similar to the kind of broad-based political and psychological destabilization that hit Italy during the period from 1969 up through the 1978 kidnapping and assassination of Prime Minister Aldo Moro. In both instances, British-centered networks were behind the strategy. British agent-of-influence Henry Kissinger's involvement in the Italy destabilization, and his prominent role at a recent London Chatham House (Royal Institute for International Affairs) conference to map out the next phase of the Club's war against the United States, is illustrative of this continuity.

The use of irregular warfare to target the Clinton Presidency began within days of his inauguration. The shooting spree outside the headquarters of the Central Intelligence Agency in late January 1993; the Feb. 26, 1993 bombing of the World Trade Center; and the ADL-CAN-instigated government assault against the Branch Davidian compound in Waco, Texas, were all identified in a March 1, 1993 memorandum by Lyndon LaRouche as evidence of the revived "strategy of tension." The fact that the Waco assault was carried out nominally by elements within the federal government, in no way contradicted the fact that the attacks were directed at destabilizing the Clinton Presidency before it ever got off the ground.

President Clinton's commendable handling of the Oklahoma City bomb blast stands in sharp contrast to the administration's mishandling of the Waco affair, which occurred in the first days of Clinton's tenure. Sources close to the White House told *EIR* that one of the crucial lessons learned from the Waco tragedy, was that neither outside agencies such as the ADL and CAN, nor permanent government bureaucrats, such as Mark Richard and other career Department of Justice officials who dominated the command decision-making process at Waco, could be relied upon. Within hours of the Oklahoma City bombing, the President set up a war room at the White House, and he reportedly took personal command of the relief effort and manhunt from day one. Moreover, while the President has come under sharp criticism for not going far enough in censuring federal law enforcement officials for the tragic 1992 Randy Weaver shootout in Idaho, he has been careful to avoid giving federal agents a clean bill of health in those two hideous affairs.

### Waco revisited

One of the most disgusting aspects of the American news media's sportscast-style coverage of the Oklahoma City bombing, has been the trotting out of the ADL's Tom Halper-

in and Chip Berlet, along with Morris Dees of the Southern Poverty Law Center, as purported "experts" on the radical right.

Less than two years ago, the ADL was under criminal investigation for running an illegal private espionage and dirty tricks campaign against hundreds of legitimate political, religious, and civil rights organizations, and against an estimated 1 million American citizens. ADL agents provocateurs were identified as some of the most violent members of white supremacist groups, and at least one League undercover sleuth was caught by the FBI and the San Francisco Police Department selling U.S. government classified data to (pre-Mandela) South African government spies.

The year-long San Francisco District Attorney's Office criminal probe of the ADL was ultimately shut down, as a result of heavy-handed intervention by the ADL's friends inside the Justice Department, the FBI, and other federal agencies. That coverup alone is an ominous bit of evidence that the permanent bureaucracy of the federal government is honeycombed with subversives.

More recently, the major daily newspaper in Montgomery, Alabama ran an eight-part series exposing Morris Dees, the director of the Southern Poverty Law Center, as a money-hungry con man who did nothing to advance the cause of civil rights.

The fact that the mass media, from Cable News Network (CNN) to the *Washington Post*, systematically covered up the ADL and Dees scandals, and has now touted those agencies as "experts" on the right-wing militia movement, should serve as a warning to honest citizens that nothing coming out of the media on the Oklahoma bombing can be taken at face value.

In fact, it is the ADL and its allied Cult Awareness Network that bears the greatest burden of responsibility for the April 19, 1993 disaster at Waco. As *EIR* documented at the time ("Kidnapping 'Experts' Bid to Take Over Justice Dept.," May 14, 1993, p. 58), it was the ADL and CAN that instigated the government investigation of the Branch Davidians by manufacturing and internationally circulating an inflammatory disinformation report on the group. A year earlier, the ADL played a similar provocateur role in jacking up federal agents in Idaho, when they attempted to serve an arrest warrant on Randy Weaver.

The ADL and CAN played the identical kind of role in fostering a federal and state law enforcement raid on the Leesburg, Virginia headquarters of LaRouche-linked publishing companies on Oct. 6, 1986. Government documents reveal that ADL-controlled "informants" had provided federal prosecutors with fraudulent information aimed at inducing a bloodbath. Federal and state police officers were told that they would be walking into an armed camp; that office doors would be booby-trapped with bombs; and that file cabinets would be outfitted with incendiary devices. The raid was called off after 24 hours as the result of a personal telegram

from Lyndon LaRouche to President Reagan, alerting him to the events on the ground. However, the Leesburg invasion led to a series of Bush-era federal and state frameups of LaRouche and associates.

As this cursory summary should make clear, no competent review of the Waco and Weaver cases is possible without a full review of the circumstances and personalities behind the October 1986 Leesburg raid and the railroading of LaRouche. And no review of any of these incidents or the Oklahoma bombing is possible, without facing up to the filthy role played in each of these situations by the ADL and its cohorts.

### 'Nine Nations of North America'

Less than a week after the Oklahoma bombing, a sophisticated mail bomb claimed the life of a timber industry lobbyist in Sacramento, California. Federal authorities have tentatively linked the murder to a string of letter bombs and package bombs that have killed or injured a score of people over a 17-year period. The bomber has been nicknamed "The Unabomber" by FBI investigators. A day after the killing, the *New York Times* published a letter it received from the purported bomber, which indicated strong ties to the radical environmentalist movement.

While the Oklahoma City and Sacramento terrorist attacks are being attributed publicly to very different networks, there are at least two common threads that run through both incidents. First, they both are part of the continuing pattern of ever-escalating, low-intensity warfare directed against the United States, Japan, China, Ibero-America, the Indian subcontinent, and Turkey.

Second, they both are consistent with the Club of the Isles's revived efforts to balkanize North America and thereby destroy the United States as a sovereign nation-state.

In 1982, Joel Garreau, then a reporter with the *Washington Post*, wrote a book, *The Nine Nations of North America*, which called for the breakup of the United States, Canada, Mexico, and the Caribbean into nine separate states, along ethnic and geo-ecological lines. One of a string of books written over the past two decades advocating the bustup of the United States, Garreau's book won him a promotion within the Club of the Isles apparatus, so that today he is the spokesman for the Global Business Network, a project of the Club's Royal Dutch Shell Corp., which, in conjunction with the Stanford Research Institute's Willis Harmon, devises and then works to implement scenarios for a New Age one-world future.

In Garreau's original "Nine Nations" scenario, the Pacific Northwest was to be a separate nation called Ecotopia, dominated by radical ecologists under the thumb of Prince Philip's WWF. The adjacent Empty Space, covering the Rockies and Northern Plains regions of the United States and Canada, was to be the redoubt for the anti-federalist, populist rabble now being linked by the media to the Oklahoma terror.

Today, the impetus to accomplish the British Crown's goal of destroying the United States, is greater than at any time since the assassination of President John F. Kennedy, and perhaps since the British assassination of Abraham Lincoln. The world financial system is in a collapse, verging on a disintegration crisis. When the moment of breakdown occurs, the fate of civilization will hang or fall on what actions are taken by the President of the United States, and there is a strong possibility that the moment of reckoning will occur while William Jefferson Clinton is occupying the Oval Office. And no American President in recent memory has been engaged in such a war-and-a-half with the House of Windsor and the Club of the Isles, as President Clinton is at this moment.

### Venom from British pens

Every effort to date by the Windsors and the Club to bring down the Clinton Presidency has failed. Partly in response to that persistent failure, London's frustration at the President came spilling out in a string of incredibly callous and impolitic attacks against him following the Oklahoma City bombing.

The London *Guardian* of April 21 reported that Conservative members of the Parliament, "still resentful at the U.S. administration's red carpet welcome for Gerry Adams, the Sinn Fein president, in Washington last month, responded to the Oklahoma bomb outrage by claiming that it had taught the Americans a lesson." The story went on to quote from a letter to U.S. Ambassador to the Court of St. James, William Crowe, from Tory parliamentarian David Wiltshire, demanding that "as a consequence of your tragedy," the U.S. government "must rethink its feting of apologists for terrorism in Northern Ireland."

The London *Economist's* April 22-28 issue pointed its warning directly at the President: "Suddenly everywhere [in America] seemed vulnerable. But, of course, it has been so for years. America, famously free of terrorism, is indeed still as wide open to it as the fundamentalists boast. . . . And although America's leader may take his morning jog in a daunting phalanx of Secret Service agents, cranks last year found no difficulty in firing on the White House or crashing onto it in small aircraft."

This pattern of gloating British commentaries also followed the World Trade Center bombing, when *Daily Telegraph* writer Frank Johnson gloated: "One good thing might come out of it. It might teach Mr. Clinton that terrorism is no longer something which happens in other countries, and about which it is therefore safe for American Presidents and Presidential candidates to posture. . . . He might give up posturing about Northern Ireland."

After reviewing this pattern of British press venom, Lyndon LaRouche observed: "The tremendous British elation leads one to the suspicion that the British are implicated in the terrorist incident."

# British pawprints on Oklahoma bombing

*Lyndon LaRouche had the following comments on the weekly radio program "EIR Talks" on April 27.*

**EIR:** What do you see as the critical elements in analyzing the bombing of the Federal building in Oklahoma?

**LaRouche:** First, one must take all the sociologists and put them in a zoo someplace, and don't let the press interview them, because the idea of looking for the motivation of "some poor schnook," as we would say in Brooklyn, who actually may have been involved in the incident, is the most stupid kind of investigation in the world. The characteristic of all terrorist acts is that some poor dupe is manipulated on some pretext into doing something which has nothing to do with the motivation in the mind of the person who does the manipulating.

What we're looking for here, in a fairly sophisticated type of terrorism which was not seen in the pre-1989 period, that is, not seen in practice, is obviously some large agency which is conducting similar or related acts of terrorism throughout the world. And therefore, we're not looking at "some poor schnook," or some militia, this or that. We're looking at trying to find out who's behind it.

**EIR:** The *Strategic Investment* newsletter of British Lord William Rees-Mogg about a month and a half ago had a scenario involving the militias and U.S. Attorney General Janet Reno. How does that fit in?

**LaRouche:** The problem is that all of the capabilities involved, seem to be a continuation of the same group of people who organize the motivation of assassination threats against the President from Britain, and Lord Rees-Mogg; Ambrose Evans-Pritchard, the *Telegraph* correspondent in Washington; James Adams, all these kinds of characters, going through the *American Spectator*, and so forth, using Larry Nichols, this guy who was tied in with George Bush in drug-running operations . . . all seems to be the same sort of thing, with the same motivation, the same profile.

Remember, the militias were started by George Bush, essentially, under his Presidency, as a concomitant feature of launching of the Persian Gulf war in 1990-91. And so, they do have a kind of a pedigree. They also have a political pedigree, along with some of the other funny right-wing groups which are on the Bush league side of the neo-conservatives, of trying to destroy the United States through privatization, decentralization, destroying the federal govern-

ment, which conforms to a plan which is sometimes called the "Nine Nations of North America." They are, in profile and in ideology, at least from the top down, dominated by something coming out of Britain. . . .

You have a notorious fellow by the name of Liebman who's got quite a track record, and this fellow was used by Rees-Mogg and company, to spread the report that the militias were going to be targeted for a Waco-style operation by the FBI, or words to that effect. That was the Davidson report. This was seen to drive everybody crazy; this made no sense, there was no track of such an operation. It was just through this Liebman connection via Rees-Mogg, Davidson, and so forth.

However, later, when the terrorism incident occurred in Oklahoma City, then people played back to that, and said that because of that report which had been circulated by Rees-Mogg, that some desperadoes in the militia or related environment, had suddenly taken to the hills, pulled out big explosives and blown up the Oklahoma federal office. This was their dirty role.

So obviously, the British played a crucial part *before the fact* in creating the pretext which the British exploited *after the fact* to try to explain the provocation authorship of this terrorist incident. This is typical sociology. They all want to say: "Here's the motive of the group for doing it," as if the big motives for this act were anywhere but London.

*We cannot yet prove* that the British monarchy, as typified by the faction of the monarchy which is associated with Rees-Mogg, directly deployed a terrorist act of a type which did not exist prior to last year anywhere in the world, but which has been on the British books of the Tavistock Institute et al. for years. And that the British deployed it, in the same general Tavistock mode that the British monarchy created the Mau Mau in Kenya through their influence over people like Jomo Kenyatta. And then, once Kenyatta and others had deployed the Mau Mau, a British-designed operation, then the British sent in Kitson and others, with South Africans and what-not, as Kitson describes in his book, to set up a counter-Mau Mau to drive the Mau Mau crazy and into corners, and then the British Army cleaned them up.

What you had in this case, was a Mau Mau/counter-Mau Mau operation, in which both sides of the operation are set up by the British, using a British-designed type of terrorism, in a very sophisticated application. And then saying that a couple of "Jomos" came out there with a big pile of ammonium nitrite and oil, and somehow just violently, madly, whatever, did this act—that's a bunch of bunk.

The point is that you've got the British pawmarks all over this place, Rees-Mogg's pawmarks; and even the people they claim were assets of the terrorist operation, are their own assets, that is, part of the Evans-Pritchard following, pro-Bush league, anti-Clinton crowd. The thing stinks up and down, and the obvious suspects are within the British monarchy-oligarchy.

# OSI targets more innocent people

by Scott Thompson

The U.S. Justice Department's Office of Special Investigations (OSI, better known as the Office of Special Inquisitions) has launched a last-ditch effort to salvage its track record as the government's ace Nazi hunters by carrying out a shameless extortion and blackmail campaign against hundreds of naturalized American citizens, according to sources close to a number of these cases.

OSI suffered a major setback several years ago when the Israeli Supreme Court overturned the conviction, instigated by the OSI, of retired Cleveland, Ohio auto worker John Demjanjuk on charges that he was the concentration camp guard "Ivan the Terrible," and allowed Demjanjuk to return to the United States. The U.S. Sixth Circuit Court of Appeals followed up the Israeli Supreme Court ruling with its own finding that the OSI had committed fraud upon the court in its handling of the Demjanjuk case.

The OSI has now begun a campaign against about 600 minor figures in World War II who are still alive, including several *Volksdeutsche* (ethnic Germans living in eastern Europe) who had been dragooned into the Waffen SS and were forced at pain of death to be perimeter guards at concentration camps. OSI officials are reportedly threatening these people with prosecution and deportation unless they agree to sign an admission of guilt—in return for which the OSI agrees not to pursue deportation. For the majority of these targets, now in their late 70s and 80s, the prospect of battling against the U.S. Department of Justice is out of the question. And so, the OSI is amassing a string of "victories" aimed at fending off a growing chorus of critics charging that the entire Nazi-hunting effort was so rife with corruption and hidden agendas that it was a major national embarrassment.

## Justice denied

In a recent letter to Elizabeth Holtzman, who was instrumental, with former Secretary of State Henry Kissinger, in establishing the OSI, William Nezowy, president of the American Ukrainian Political Action Council of the U.S., reviewed how justice had been denied by the OSI in one show trial case after another:

"You probably feel like a proud mother for giving birth to the OSI through your amendment to the INS [Immigration and Naturalization Service] Act. . . . You've tried to impress your constituents and Congress of your womanly, maternal

warmth toward humankind. Yet in 1979, with your colleague from Philadelphia, Joshua Eilberg, you both concocted a law to negate the most valuable document in the world, 'The U.S. Constitution.'

"Your law, 'The Holtzman Amendment,' is out to get septuagenarians, who supposedly were working in concentration camps, under the Nazi occupation of eastern European nations. Ms. Holtzman, has it ever occurred to you, that the selected victims of the OSI had no choice under the 'Gestapo,' or have you considered being a guard at this horrendous time, did not mean that these people were murderers. . . .

"For example, **Frank Walus**, a native of Poland, was one of OSI's first victims. He was the only one telling the truth, while 11 Israeli witnesses committed perjury. The presiding judge, Julius Hoffman, denaturalized Walus. Later it was proven that Walus did in fact state the truth and was reinstated with his U.S. citizenship. . . .

"We cannot forget **Karl Linnas**, an Estonian native who was deported to the U.S.S.R., and seeing your sadistic pleasure being revealed while Aeroflot flew him to Leningrad, where he died in a hospital, for being a traitor to a regime which occupied his native land and murdered his kin. OSI accused him of being a camp commander. If you have any human compassion or common sense, you would realize that the Nazi government would not and never did permit a foreigner to be in charge of a Nazi camp. This man would never have been killed if it wasn't for your machinations, sneaky methods and the way your bill was put into law. We hope you realize that this man's blood is on your hands. . . .

"Another case on hand is victim [**Andrja Artukovic**, a Croatian native. Artukovic suffered from Alzheimer's disease and sclerosis of the brain, and didn't know what time of day it was and had to be fed. OSI, with armed Federal Marshals, broke into his home, backed up with a hovering Coast Guard helicopter and two ambulances waiting to take him away. He was deported to Yugoslavia where he died in prison. . . .

"The point here is, that none of the aforementioned victims were ever proven to have physically abused any person."

## Hundreds of innocents targeted

According to Nezowy, the OSI, recognizing that most potential targets are dead or dying of old age, has launched a new campaign targeting 600 people, largely of German extraction, who were forced under threat of death to join the Waffen SS at a time when its ranks were depleted by war. Two among these hundreds are the baker **Nikolaus Schiffer** and **Hans Breyer**. Briefly, a review of their cases show that they were victims of the Nazis, not Nazi war criminals:

**Hans Breyer**. Breyer became a naturalized U.S. citizen in 1957, and he has spent much of his leisure time since then singing in the United Singers of Philadelphia and the Franklinville Quartet Club. Almost 50 years after the end of World War II, the OSI charged that Breyer had entered false

information on his immigration papers. Breyer had been invited to enter the United States, after an initial rejection, because he was a skilled tool-and-die maker.

In 1943, Breyer was drafted at age 17, because he was of ethnic German ancestry, based on a farm in the remote mountains of Slovakia. He was forced against his own and his parents' will into the Waffen SS, which by that time had been broken into a hodge-podge force of 900,000, conscripted from everywhere. He was taken to Buchenwald where, after minimal training, he was made to stand perimeter guard 12 hours a day. When he criticized the commanding officer, he was threatened with prison. Breyer was himself a de facto prisoner of war, only he stood outside instead of inside the walls of the prison. After three months at Buchenwald, he was given leave in August 1944; he went home, whereupon his parents hid him until the family itself was expelled as Volksdeutsche in January 1945. Hans was next sent by the Germans to the Russian Front, where he had several narrow escapes with death. Eventually, he was captured and sent to a Russian POW camp, where many died from starvation. At six feet tall, Breyer weighed 98 pounds when he left the Russian camp nearly blind.

One of the further complications in the OSI's case is that Hans Breyer's mother is American-born. The OSI began a campaign to manipulate the Justice Department and the courts into deporting him anyway. The case has been re-

manded by a three-judge panel back to the INS.

**Nikolaus Schiffer.** Schiffer was born in Philadelphia on April 9, 1919 to Romanian parents of German extraction. One year after he was born, the family returned to Romania, where he grew up in the small town of Moravitz. After his father died, he worked as a baker.

In 1940, at age 21, he was inducted into the Romanian Army. In 1942, he was wounded near Stalingrad and returned to Romania for treatment. The next year he was conscripted into the shattered Waffen SS and, as a Volksdeutsche, he was assigned guard duty, which he did at four concentration camps, serving as a perimeter guard with the rank of private. In 1945, Schiffer was captured by American forces. He was sent to Dachau for interrogation and investigation of war crimes. In 1947, he was released as a civilian, and a German civilian court cleared him of wrongdoing. In 1953, after a period in Austria with his mother, he received papers to immigrate to the United States, where he has been a pastry chef ever since.

On Aug. 25, 1993, after a seven-day trial, a Federal District judge issued an order in a case brought by the OSI to revoke Schiffer's citizenship. After three years of investigation, the OSI could only claim that Schiffer had lied on his immigration papers, not that he had harmed anyone. As we go to press, Schiffer is scheduled to appear before a deportation judge.

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# Unique view of Italian Renaissance painting in Morgan Library exhibit

by Nora Hamerman

New York City's J.P. Morgan Library is displaying, until May 7, more than a hundred rarely seen painted manuscripts and incunabula (the earliest printed books), in the exhibition called "The Painted Page: Italian Renaissance Book Illumination, 1450-1550."

The show offers a historic opportunity to see the colors and craftsmanship of Renaissance painters. Unlike the era's better-known frescos, altarpieces, and panel paintings, most of the books have been protected for more than 500 years from the assaults of light, weather, and restoration. The glow of the rich tempera colors and gold leaf on parchment (the prepared skin of a sheep, calf, or goat), the medium of most of the objects, cannot be captured even with the best of modern reproduction techniques. This is not to denigrate the catalogue, edited by the exhibit's guest curator Jonathan J.G. Alexander (published by the Royal Academy of Arts, London, and distributed by Prestel-Verlag, 1994; \$39.95 soft cover, \$75.00 hardbound, with illustrations of each work in the show, scholarly essays, and bibliography), which will be a treasured reference for years to come.

This gathering of manuscripts demonstrates how after 1450, Renaissance ideas about reviving the achievements of classical antiquity and joining them with Christianity radiated out from Florence into many north Italian cities, including especially Milan, Ferrara, Padua, and Venice as well as to papal Rome, with each leading center developing its own distinctive style. Florence, the cradle of Renaissance culture, was also the birthplace of the new style of book illumination, and continued to be the unrivaled capital of book production and patronage—the workshop of Attavante degli Attavanti became a veritable heavy industry of the day—but the show at the Morgan reveals how important other centers were, such as Ferrara.

The number and quality of painted manuscripts from Ferrara reminds us that the watershed ecumenical church Council of Florence of 1438-44 opened in that city to the north of Florence and is officially called the Council of Ferrara-Florence. (The court at Ferrara was also key in the development of the earliest polyphonic choral music.) In the 1470s, one of the finest specialists in manuscript painting from Ferrara, Guglielmo Giraldi, illuminated a celebrated codex of the *Divine Comedy* of Dante (Vatican Library), which appeared in the London edition of this show but was not lent to New York.

However, other masterpieces by Giraldi's hand are visible here, such as the delicate watercolor paintings in the borders of a superb copy of Virgil's *Aeneid* produced in Ferrara in 1458 for a Venetian patron, which, as the catalog entry puts it, show "a perfect mastery of the rules of perspective and unusual skill with the handling of space." Although Dante was the most popular non-liturgical subject of illuminated books in the 14th and 15th centuries, Giraldi's *Inferno* illustrations were the first in which the landscape matches the action of the poem and the figures capture the real drama of the character's torments.

## Art wed to technology

The Morgan Library show, which opened on Feb. 15 (it was seen at the London Royal Academy of Arts on Oct. 27-Jan. 22), stresses an aspect of Renaissance bookmaking little noticed even by experts: the existence of many incunabula which were designed to be hand-illuminated after printing. This part of the show demolishes some oft-repeated assumptions about the alleged rupture between the era of hand-copied books and the age of printing. The first German printers set up shop outside Rome at the Benedictine monastery of Subiaco in 1465. In the 1470s, a Frenchman, Nicolaus Jenson, became the major producer of these remarkable early printed books in Venice. Although paper does not offer as luxurious a surface for the tempera colors as parchment, nonetheless one can only rejoice at the idea of combining the art of illumination with the new technology that obviated the time-consuming work of producing the text by hand.

The rate at which progress was made in the 15th century is also worth remarking upon, even in the period before printing caught on. For example, Professor Alexander writes in the catalog that starting around 1400, the distinctive Italic script "with letter forms which continue in use even in the age of electronic technology was evolved self-consciously by a small group of scholar-humanists in Florence, of whom Niccolò Niccoli and Poggio Bracciolini, with the encouragement of Coluccio Salutati, Chancellor of Florence, were the leaders. The way in which the new script caught on was spectacular, and within twenty years it had spread all over Italy as a style of writing. Its adoption by the printers in Italy after 1465 assured even wider dissemination, though other countries in Europe had begun to adopt it even before Guten-



berg's invention of printing in Mainz in the early 1450s." The new script went hand in hand with spelling reforms and efforts to purify texts of corruption, as well as a style of decoration of twining white vines, believed, like the rounded letter forms, to have been based on Antiquity but actually evolved from medieval models.

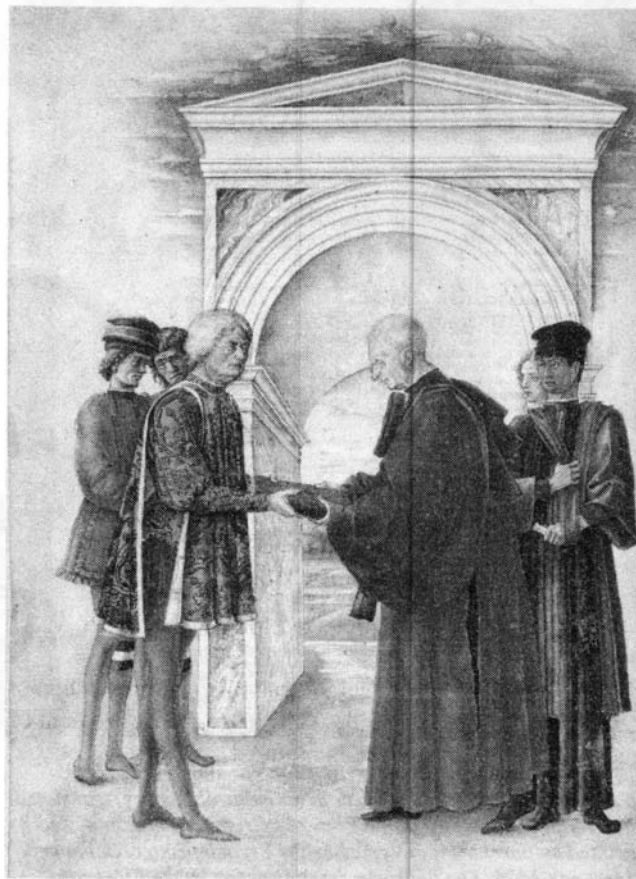
The script's analogy to the "round sound" in singing, which apparently developed at the same time, judging from the representation of musical angels in painting and sculpture, is striking. This was also the era when round paintings began to be made to commemorate very special occasions, such as a birth or marriage, and when, for the first time since antiquity, the idea of round or centralized ground-plans for churches became popular. The archeological pretext for this was the existence of some round (or regularly polygonal) early Christian churches, but it was also emphasized that the circular form most approximated the perfection of the Deity.

### Christian and classical themes blended

The show, encompassing over 100 of the most important surviving examples of Italian Renaissance manuscript painting, is divided into eight sections. The first deals with liturgical and biblical manuscripts. The second, which is particularly extensive, highlights Renaissance patrons and libraries. The third deals with classical and humanist (i.e., non-sacred) texts, ranging from works by the ancients, including Livy, Aesop, Homer, Ovid, Virgil, Ptolemy, and Aristotle to the modern Italians such as Dante, Petrarch, Poggio Bracciolini, and Leonardo Bruni. A fourth section, titled "All'antica," presents manuscripts imitating "Antique" style and content, including a particularly lavish Florentine version of St. Augustine's *City of God*, made in the 1470s for a Neapolitan patron, Inigo d'Avalos, of the celebrated Spanish family of patrons of the Renaissance.

The fifth section, "The Hand-Illuminated Printed Book," is followed by "Illuminators and their Methods of Work," "Choir Books," and "The Sixteenth Century," by which time the invention of printed books made manuscripts an uneconomic luxury restricted to exceptionally wealthy patrons. In this last part, the liturgical books made by Giulio Clovio in Rome in that era, with their vivid pastel palette, appear to add evidence to the arguments in defense of the recent cleaning of Michelangelo's Sistine Chapel ceiling, which has shocked some observers due to the unfamiliar bright colors revealed in the cleaning.

Among the choir books is one from the Piccolomini Library in Siena Cathedral, illuminated by Liberale da Verona. The miniature of the North Wind, a male nude with puffed out cheeks and a huge blue "Afro" hairdo, reproduced on the cover of the catalog, demonstrates the symbiosis between classical Antiquity and Christian themes. This picture appears in a Gradual with service music for the Thursday after Ash Wednesday in Lent, and has no direct connection to the Gospel text for that day. However, as the Morgan Library



Courtesy of the J.P. Morgan Library

*In a full-page unframed miniature, the great pedagogue Guarino da Verona (right) presents his translation of the ancient Greek geographer Strabo to a patron (Albi, Bibliothèque Municipale). This is one of the most famous Italian Renaissance manuscripts, important for its provenance, text, script, painted initials, miniatures, and its position in the history of manuscript illumination. The translation of this work (previously little known in the West), attests to the enthusiasm for geography awakened around the Council of Florence, which led to the voyages of discovery.*

label points out, St. Augustine referred to the North Wind as a "wakening call" to penitence for the unconscious sinner, a theme most appropriate for Lent, and this might have been in the mind of the illuminator's clerical adviser.

### Petrarch and individual achievement

The extensive section on "Renaissance Patrons and Libraries" introduces us to a large number of distinguished persons and institutions of the era, pointing up, again, the message of "The Currency of Fame," a Renaissance portrait medals exhibit held at New York's Frick Collection and the Washington National Gallery of Art in 1993-94. As Stephen K. Scher wrote in the catalogue for *The Currency of Fame*, the idea of individual achievement and the "good life dignified by practical activity and rendered delightful by beauty



Courtesy of the J.P. Morgan Library

“Pliny” is shown as a Renaissance scholar sitting at his desk pointing to an armillary sphere, in his *Natural History*, translated into Italian by the Florentine Platonist Cristoforo Landino, and printed on parchment in Venice by the French printer Nicolaus Jenson in 1476. The book was commissioned by the Florentine Strozzi family, and the illustrations added by hand by a Florentine miniaturist in the early 1480s. (Oxford, Bodleian Library).

and learning appealed strongly to the upper classes of the Italian city-state.” He went on to observe, “In the early fourteenth century one man in particular gave impetus to this development—Francesco Petrarca. . . . Petrarca assumed that human talent, if properly used, was certain of recognition. Therefore glory, or *fama*, was inevitably the result of excellence, or *virtus*, and this *virtus* was a function of a man’s entire personality. . . . It was this excellence that raised a man above his fellows regardless of his material or social status. Increased consciousness of one’s excellence resulted in an examination of one’s own personality with the need to comment openly about such observations and do so in a way that would survive the erosion of time and fragility of men’s memories. It was, in other words, important to establish a durable means of attaining earthly immortality.”

Petrarch (1304-74), was born to a Florentine family exiled with the great poet Dante Alighieri’s White Guelph party in 1302, and had survived the cataclysm of the Black Death of 1348. He had been involved in the effort to establish a republic in Rome at mid-century, and set up intellectual-political networks all over western Europe.

An Augustinian Christian, Petrarch was the first major

figure to explicitly reject the influence of Aristotle over science as it was studied in the universities and particularly in Venice. The Italian poet, who inspired England’s Geoffrey Chaucer and the parallel projects of vernacular poetry in France, Spain, and elsewhere in Europe, was the moving force behind a Europe-wide project to train a younger generation in classical Greek, recover Plato’s dialogues and translate them into western languages, and more generally to revive the treasures of Greek and Roman culture. (It was Petrarch’s network in Florence, around his pupil Salutati, which created the new script described above.)

The young Nicolaus of Cusa came into the orbit of Petrarch’s collaborators at least by the time he matriculated at the University of Padua in 1416, and in 1429 he was well known in Italy as a successful hunter of ancient manuscripts. Cusa’s library in his native town of Bernkastel-Kues, situated on the Moselle River in Germany, is filled with the beautifully illuminated manuscripts and incunabula which he once owned.

In “The Painted Page” show at the Morgan Library, we meet the image of the Petrarchan scholar over and over again. St. Jerome, the 5th-century translator of the Bible into Latin, is shown surrounded by the volumes and scientific paraphernalia of a 15th-century man of learning, as are the classical pagan writers Plutarch, Livy, Ovid, and Pliny, whose works appear in several richly decorated editions in the show.

Among the books and pages seen in this section are some commissioned by Ludovico Sforza, the duke of Milan who employed Leonardo da Vinci for two decades; a Book of Hours for Cecilia Gonzaga, the extraordinarily gifted pupil of Vittorino da Feltre, founder of the most famous Renaissance academy for children, who interceded on behalf of Cecilia to persuade her father, the duke of Mantua, to allow her to enter a convent and continue her intellectual pursuits rather than to marry; and a presentation page showing Vittorino’s colleague, the other famous Italian pedagogue, Guarino da Verona, as he presents to the Venetian nobleman Jacopo Antonio Marcello his own new translation of the *Geography* of Strabo, an ancient Greek writer largely unknown in western Europe before the Council of Florence, translated on commission to Pope Nicholas V, the founder of the Vatican Library.

Here we see a telling, albeit subtle, contrast between Florence and the areas most directly in the Florentine cultural orbit, and the Venetian orbit, even in the period of the second half of the 15th century when Florentine ideas swept into the City of the Lagoon. The difference is that in Venice, it is often difficult to determine the individual patron of a manuscript, because what appears in the book is the name only of the *family*.

It was, of course, in the wake of the Council of Florence that the sharpest polemics over Plato versus Aristotle broke out, as one manuscript in the “Patrons and Libraries” section (Cat. 10) reflects. It is the attack by Andrea Contrario (ironically of a Venetian family, although Venice was the epicenter of the Aristotle revival) on the Latin translations of Plato

made by the Aristotelian George of Trebizond. Contrario's text, written in Naples in 1471 and dedicated to the king of Naples, includes among its illustrations a portrait of Cardinal Bessarion, a leading protagonist of the Council of Florence, who also wrote an attack on George of Trebizond, as a "slanderer of Plato."

Petrarch's "Triumphs" (a cycle of vernacular poems celebrating the successive triumphs over each other of love, chastity, death, fame, time, eternity), were also a favored subject of these exquisite books. There are two versions in the "Classical and Humanist Texts" section of the show, a Florentine book of 1457 (Cat. 59) of the Triumph of Love, which includes a vignette of the humiliation of Aristotle by the shrewish Phyllis; and a book produced in Urbino in the late 1470s, with the Triumph of Death over Chastity.

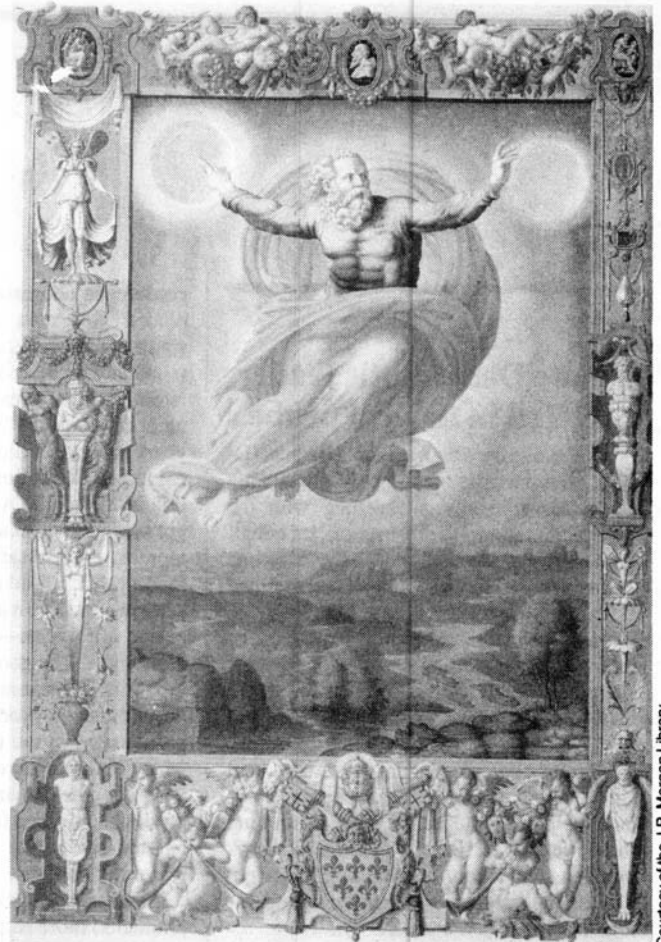
### Medici birth tray at the Met

Anyone traveling to New York to see the Morgan show, should also visit the Metropolitan Museum of Art, now celebrating its 125th anniversary. The Morgan show features several books that once belonged to the Medici banking family, Florence's unofficial rulers and greatest art patrons throughout most of the 1400s, such as a beautiful copy of Pliny's *Natural History* dated 1458, Aesop's *Fables* in Greek, a Book of Hours of 1485, and a sumptuous service book illustrating the Medici Pope Leo X being vested for Mass. Meanwhile, the Met has just put on display a new acquisition which was also made for the Medici, a *desco da parto* commemorating the birth in 1449 of Lorenzo de Medici, later known as "The Magnificent" and a seminal figure of European history.

Painted in tempera, silver, and gold on a circular wood tray measuring 36½ inches in diameter, the salver features the figure of winged Fame standing with outstretched arms, holding a sword in her right hand, and in her left a statuette of Cupid with his bow drawn. Winged Fame surmounts a globe pierced by six portholes, from which winged trumpets sound to herald the arrival of the newborn baby and his expected future fame. This imagery is drawn from Petrarch's "Triumph of Fame," in which Fame vanquishes Death, and reminds us of the new regard for earthly fame inspired by Petrarch in the Renaissance.

The birth tray, an altogether unique historic object, belonged to the New York Historical Society, which sold it earlier this year. The artist is Scheggia (Giovanni di Ser Giovanni di Simone, 1407-86), the younger brother of Masaccio, one of the key early Renaissance artists. The tray remained in the Medici family's possession until they were driven out of Florence in 1494. Thomas Jefferson Bryan, an American collector, bought it in 1851 in Paris and donated it to the New York Historical Society in 1867. The Metropolitan was able to raise the \$2 million to keep the picture in New York City, thanks to a generous donation from Mr. and Mrs. Walter H. Annenberg and other patrons of the museum.

It should be added, however, that private patronage alone



Courtesy of the J.P. Morgan Library

Full-page miniature of "God creating the sun, moon, and earth" attributed to Vincenzo Raimondi, a French artist who worked in Rome, inspired by the picture of the Creator on Michelangelo's Sistine Ceiling, from the Psalter of Pope Paul III, written in Rome, 1542 (Paris, Bibliothèque Nationale). By this date, *de luxe* illuminated manuscripts were only produced in exceptional circumstances, for particular patrons, like the popes and cardinals in Rome.

will never be adequate to sustain America's museums as teaching institutions, a role they have increasingly taken on for the millions of visitors each year, and with constantly dwindling resources. Every major loan exhibit, including the Morgan Library show reviewed here, is assisted by funding from the National Endowment for the Arts and the Federal Council on the Arts and Humanities, which often provide indemnities to cover the staggering costs of insuring loaned works of art. If the political agenda of some "conservative" insurgents in Congress is fulfilled, that crucial margin of funding will be reduced or vanish, with incalculable consequences on the future of our civilization. If we are to launch a new Renaissance, as many of us believe is desperately needed, then many people will need to see and be inspired by the Golden Renaissance of the Italian 15th century in shows like this one.

# National News

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## Senate Democratic leader targeted in federal probe

Senate Minority Leader Tom Daschle (D-S.D.) is reportedly the target of a widening probe for allegedly intervening with the Federal Aviation Administration, on behalf of a charter airline company owned by one of his friends. The Associated Press claimed from South Dakota on April 14 that Daschle is under investigation by the U.S. Department of Transportation's inspector general. According to AP, the probe was requested by FAA Administrator David Hinson and Sen. John McCain (R-Ariz.).

The purported scandal has been kept simmering in the South Dakota press since last September, surfacing at the same time that scribblers for Britain's Hollinger Corp. media began wildly bombarding President Clinton with unproven allegations concerning the so-called Whitewater affair.

A number of veteran observers of Capitol Hill politics have noted that Senator Daschle is more tuned than most to the reality of the international financial crisis—and to the fact that both Congress and the Clinton administration may soon have to respond to it.

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## Clinton defends gov't support for family farms

Addressing the Rural Economic Conference at Iowa State University on April 25, President Clinton raised important questions about the long-prevailing policy of cutting down federal farm-support programs. "I don't believe that we ought to destroy the farm support program if we want to keep the family farm," Clinton declared. "Should we modify it, can we improve it? I'm sure we can. Should we emphasize other things? Of course we should. But our first rule should be, do no harm."

The next five-year farm bill must be submitted this year to Congress, where the privateers of the Conservative Revolution are preparing to gut what remains of vital federal protection for American agriculture. The

conference addressed by the President included governors of leading agricultural states in the Midwest.

Clinton was also openly skeptical of the latest "official" readings of U.S. government economists. "We have, in the last two years, over 6 million new jobs, the lowest combined rates of unemployment and inflation in 25 years." And yet, he noted, "I just got the report this morning—in the last three months, compensation for working people in America, all across America, increased at a lower rate than it has in any three-month period in 15 years—totally against all common sense. The good news is, we have low inflation. The bad news is, nobody's getting any more money for working. And it is more pronounced in the rural areas of America, where incomes have stagnated."

As for the demands of the privateers that funding be slashed for agricultural research, Clinton said, "We need more agricultural research, not less. . . . As we give more responsibilities back to state and local governments, more responsibilities back to the private sector, the national government still has a commitment, it seems to me, and an obligation to support adequate research."

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## House Banking chairman wants expanded IMF role

In response to the accelerating meltdown of the global financial system, Rep. Jim Leach (R-Iowa) has recommended that bankrupt nations be subjected to financial reorganization under the International Monetary Fund (IMF). The House Banking Committee chairman was granted space for a commentary in the April 10 *Wall Street Journal*, to put forth "an alternative way to stabilize illiquid nation-states that puts the principal burden of restructuring on those who choose and can afford to take risks."

Leach recommended that the IMF, which imposes genocidal policies on nations, be given the authority to supervise and administer the international equivalent of U.S. Chapter 11 and Chapter 9 bankruptcy laws, designed to allow bankrupt corporations and municipalities to continue to function. Leach claimed his scheme is in-

tended "to keep nation-states and their people from the impoverishing implications of insolvency," instead of authorizing creditors to seize the assets of a country in financial distress.

Leach's proposal reflects a heated debate over the IMF's policy that debt-burdened nations should destroy or sell off their productive economic assets—which has repeatedly been enforced even without the threat of seizing them. The "wild card" is Lyndon LaRouche's program for global economic recovery, which includes putting the entire financial system through a Chapter 11-style reorganization, eliminating cancerous speculation and usurious debt-collection. LaRouche's proposals have been widely circulated internationally, as well as on Capitol Hill.

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## Solarz family charged with crimes

Former Brooklyn, New York Democratic Congressman Stephen J. Solarz and his wife Nina are back in the limelight, in roles they may wish had remained behind the scenes. So may the British-backed promoters of the National Endowment for Democracy (NED), the U.S.-based apparatus for plunging sovereign nations into chaos whenever London requires it.

Nina Solarz pleaded guilty on April 19 to federal charges of stealing \$7,500 in 1992 from the "American Friends of Turkish Women" charity organization, while serving as its president. She used the money to cover a bad check, written to the Internal Revenue Service on her husband's banking privileges as a member of the House of Representatives. In early 1992, a House ethics investigation found that the couple had written 743 overdrafts during a 39-month period. The Justice Department said no charges would be filed against Stephen Solarz.

Nina Solarz is the current executive director of the Fund for Peace, which works closely with the opposition-in-exile to the government of Sudan, based in London. Last year the Fund for Peace received \$44,000 from the NED, whose board of directors includes Stephen Solarz, to "support

continued publication of the London-based *Sudan Democratic Gazette*, a leading voice of democratic pluralism," says the NED's annual report. NED issued another grant for \$40,000 to assist "activists working inside Sudan and in neighboring countries to document and disseminate information" on alleged human rights abuses.

According to an April 20 report in the *New York Times*, the Clinton administration had considered Stephen Solarz for ambassador to India in early 1994. Any prospects for his nomination disappeared following disclosures of his relationship to reputed Hong-kong mafia leader Albert Yeung Shau-Shing, who was jailed in the early 1980s.

## Obituary reveals Olin role in British subversion

A recent *Washington Post* death notice inadvertently reconfirmed evidence of British sponsorship of the "Conservative Revolution" onslaught against the American Republic. In its obituary on April 18, the *Post* reported, "Spencer T. Olin, 96, a former executive of munitions maker Olin Corp., who was a prominent Republican Party supporter, died April 14 at his home in Hobe Sound, Florida."

*EIR* has previously documented that "Hobe Sound" is merely a pseudonym for Florida's coastal Jupiter Island—the heavily guarded, secret enclave of the Harriman and Bush families. For generations, the mystery island has been a retreat for leading British-allied figures, both in the U.S. intelligence community and among executives of arms, chemical, and drug companies. The exclusive colony was organized in the 1930s by Harrimanites in the DuPont and Remington companies, engaged in arming Adolf Hitler's Nazis and installing them in power in Germany.

The obituary's confirmation of Spencer Olin's residence on Jupiter Island puts a spotlight once more on the family's Olin Foundation—a prime sponsor of the Conservative Revolution phenomenon in the United States since World War II. The family fortune was based on the Olin Mathieson corporate conglomerate, whose co-founder

William J. Mathieson was president and chairman of the Harrimans' Cold Spring Harbor laboratory between 1906 and 1922. The Cold Spring Harbor operation was the leading U.S. branch of Britain's fascist "race-science" movement, otherwise known as "eugenics."

## Supreme Court orders new trial for death-row inmate

In a rare decision placing truth over mere procedure, the U.S. Supreme Court on April 19 ruled 5-4 that a condemned man be given a new trial, on grounds that the prosecution suppressed evidence which might have led to his acquittal. The majority decision was concurred in by President Clinton's appointees (Justices Ruth Baader Ginsburg, and Stephen Breyer), and Justice John Paul Stevens.

The ruling applies to the case of Curtis Lee Kyles, a Louisiana inmate who has spent 11 years on death row. The Supreme Court has ordered a new trial, because the prosecution failed to disclose witnesses and evidence supporting the possibility that the state's principal informer had framed the defendant, in order to avoid coming under suspicion himself for the 1984 murder of a woman.

Justice Antonin Scalia, a rabid supporter of execution without review, dissented, arguing that the "reality is that responsibility for factual accuracy, in capital cases as in other cases, rests elsewhere. . . . We do nothing but encourage foolish reliance to pretend otherwise." Justices Clarence Thomas, Anthony Kennedy, and William Rehnquist joined in the dissent.

In concurring with the majority decision written by Justice David H. Souter, Justices Stevens, Ginsburg, and Breyer rebuffed Scalia, emphasizing that "our duty to administer justice occasionally requires busy judges to engage in a detailed review of the particular facts of a case, even though our labors may not provide posterity with a newly minted rule of law." The opinion also notes that the "current popularity of capital punishment" made the Court's role especially important. Justice Sandra Day O'Connor joined Souter's decision.

## Briefly

● **BRITAIN'S HERITAGE** Foundation, the Fabian Society's free-market stand in Washington, D.C., released its program for destroying American agriculture on April 25. Over-ripe Fabian huckster Stuart Butler told reporters that "Congress should sweep away most farm programs." As an alternative to food, Butler offered the foundation's report, entitled "Freeing America's Farmers: The Heritage Plan for Rural Prosperity."

● **WHITEWATER** prosecutor Kenneth Starr is now probing allegations that the CIA traded in guns and cocaine through Mena airport in Arkansas in the mid-1980s, the *New York Post* claimed on April 21. While pushing the hope that the investigation might lead to President Clinton's door, the story made no mention of the roles of George Bush and Oliver North.

● **ROBERT JAY LIFTON**, a leading U.S. advocate of brainwashing methods developed by Britain's Tavistock Institute, told the *Washington Post* on April 21 that the "heartland" target of Oklahoma City for a terrorist bombing was a good choice, because "if you can attack there successfully, in such an obscure place, it can happen anywhere."

● **ROBERT DORNAN** became the seventh candidate to declare for the Republican nomination for President, on April 13. The California congressman said in a TV interview that he will address "social issues" ignored by Bob Dole and Phil Gramm, the "only two front-runners." Dornan added, "We are facing financial disaster, but moral decay is a bigger issue."

● **SENATE MAJORITY** Leader Robert Dole (R-Kan.) said that he and Sen. Joseph Lieberman (D-Conn.) will reintroduce their bill to compel the lifting of the arms embargo against Bosnia "sometime soon," on NBC's "Meet the Press" on April 16. Dole downplayed reports that Iran is providing weapons to Bosnia.



## Editorial

### *Irregular warfare: the name of the game*

On April 23, within the same timeframe as the Oklahoma bombing and the second poison gas attack in Japan, perhaps as many as 8,000 Rwandan refugees were either gunned down by government troops, or were trampled as panicked inmates of the camp tried to escape. The confluence of these events cannot be regarded as merely coincidental; they are all part of British global destabilization operations intended to strengthen the imperial aspirations of the House of Windsor and the international oligarchy.

The bloody hand of British irregular warfare is recognizable worldwide, whether in outright terrorism or the imposition of terror by a fascist state apparatus, such as that run by the Rwandan government or the Serbian government and its Bosnian Serb offshoot. That is the truth behind the most recent atrocity in Rwanda.

Some accounts have lowered the death toll to 2,000, but in any event, the 80,000 people who had been living in the Kibeho refugee camp have now been driven out to face certain death. The policy of the ruling Tutsi-led Rwandan Patriotic Front is to shut down all of the refugee camps to which Hutus had fled at the time of the Tutsi coup. The government has shown no sign of remorse for the action of the army; indeed, only one day after the massacre, they announced their readiness to flush out the last 1,000 Hutus holed up in the Kibeho camp.

"We are getting impatient with these people," said one soldier of the government's Rwanda Patriotic Army, as hundreds of troops massed at the camp. "Either they surrender and we take them to jail, or we go in and take them out. We are ready for them but we are just waiting for orders from Kigali."

While the refugee centers are being forcibly closed down, an even more brutal situation exists in Auschwitz-like death camps which are being operated to house imprisoned Hutus who have been identified as political leaders. Over 1,000 people are being sent from jails to these camps each week.

In contrast to other major governments, including the Clinton administration, which swiftly condemned

the atrocities, British Overseas Development Minister Lynda Chalker actually supported the actions of the Rwandan government. In a BBC interview on April 24, this apologist for genocide said: "These camps are full of Hutu extremists with weaponry who were breaking out at night, terrorizing the villages where people have [resettled]. It was in trying to empty these camps that some break-outs took place organized by Hutu extremists, and that's what started the stampede. The government troops panicked, undoubtedly, over the weekend, which added to the deaths and the injuries."

Chalker said that it was vital for the Rwandan government to restore order around the camps, where weapons and "extremists" were still to be found. "It must be for the government of Rwanda to restore order in the area and let the non-governmental organizations get through with food and medicine and water, otherwise more will die. I'm afraid we have a long way to go and probably some more tragedies on the way, but we'll try and prevent them," she added.

The British policy of giving full support to Tutsi genocide is identical to their policy regarding Serbian atrocities against the Bosnians and Croats. As with their early support of Adolf Hitler's rise to power, they are again attempting to bring the world's population under their boot, by bringing fascist governments to power. It is in this context that the role of Lord Rees-Mogg's newsletter in attempting to foment violence in the United States must be seen.

Since the publication of *EIR's Special Report* on "The Coming Fall of the House of Windsor" on Oct. 28, 1994, events are confirming LaRouche's ringing condemnation of the crimes of Britain's Prince Philip and his coterie. To quote from LaRouche's introduction to the report: "The world has tolerated for more than three decades a criminal conspiracy of an enormity already vastly exceeding in its toll upon humanity to date, the memorable atrocities of Hitler's crew."

The recent atrocities are beginning to take on the dimensions of actual warfare. As much as the war against Hitler, this is a war which we cannot afford to lose.

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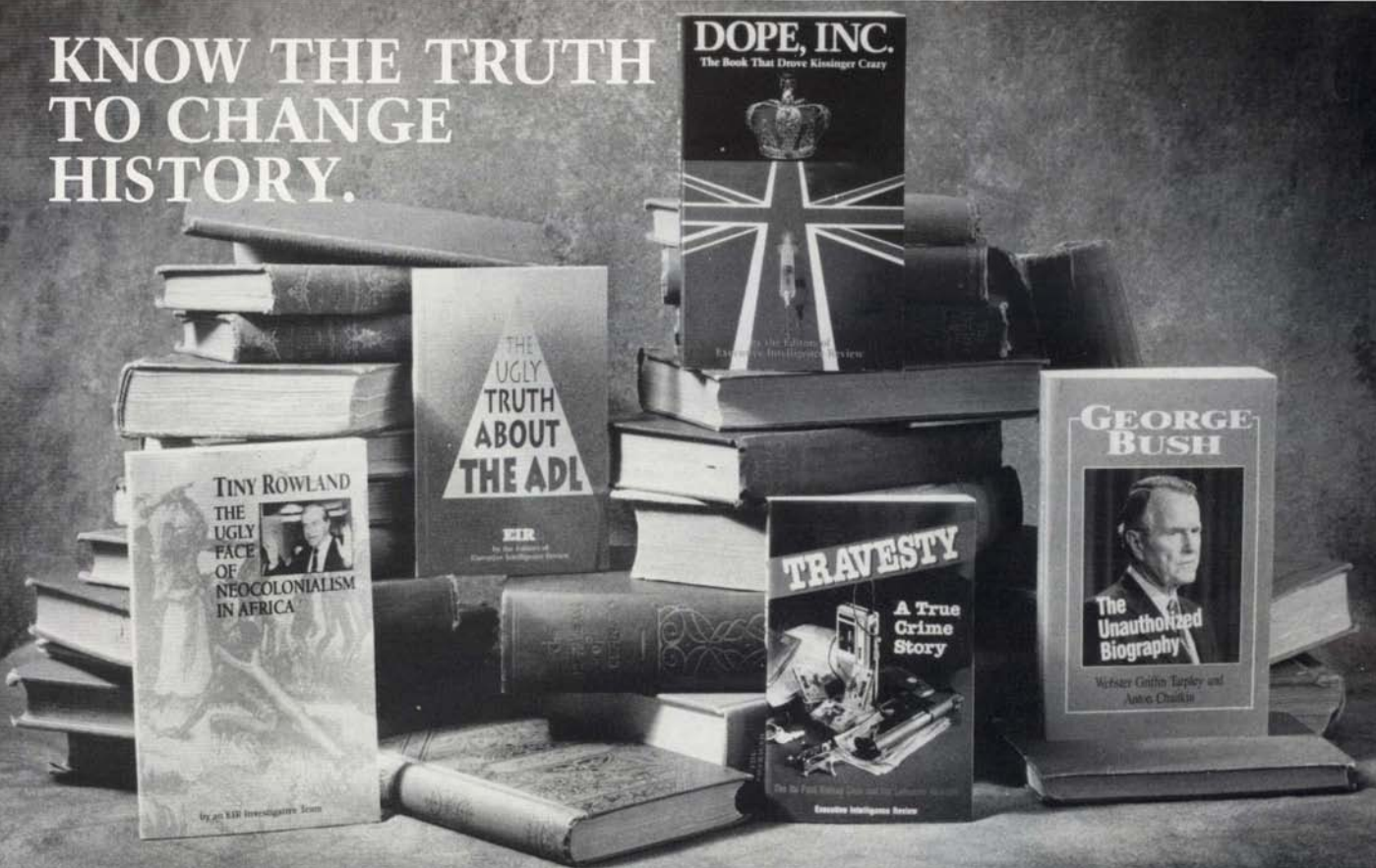
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