

# EIR

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'For whom the bank fails': crisis in Russia  
Prominent Bosnians on the embargo, 'lost' cities  
Gross misconduct by DOJ aired at hearings

**The big commodities  
hoarding crunch of 1995**



**THERE IS GOING TO BE  
A RUDE AWAKENING!**

# Russia's future: dictatorship, chaos, or reconstruction?



- **DO YOU REMEMBER** when Boris Yeltsin aimed the Russian Army's tanks at the Parliament and started shooting?
- **DO YOU REMEMBER** last December's vote for Zhirinovskiy?

Were you shocked?

While you were shocked, *EIR* was acting. Informed by nearly two decades of analysis of the Soviet Union by such leading thinkers as American economist Lyndon LaRouche and Germany's Gen. Paul-Albert Scherer, *EIR*'s European staff put together this report to warn western policymakers that the countdown was on to what could be the century's biggest strategic disaster.

Then Lyndon LaRouche, released from confinement as a political prisoner in January 1994, traveled to Moscow with his wife, Schiller Institute Chairman Helga Zepp-LaRouche,

in April, for high-level talks and seminars at the invitation of the Universal Ecological Academy, of which he is a member. His briefing, on return from Russia, became the first chapter of this Special Report, and the warm reception he got shows that there is still time to reverse the criminality and descent into chaos in Russia, if we act now.

**AND ACT WE MUST**, for our own sake as well as Russia's. As LaRouche himself said: "Although we are focused upon the subject of Russia, only charlatans could speak of the future of Russia without taking into account explicitly the factors which are of immediately decisive importance for each and all nations of this planet. Indeed, the present crisis within Russia (as of all of eastern Europe) is a relatively mild form of the catastrophe which is soon to strike down every nation upon this planet. The way we treat the problems of Russia today is the mirror of the early- to medium-term future of China, of Japan, of North America, and of western Europe."

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## From the Associate Editor

**T**he *Special Report* which forms the “front end” of this issue, is an authoritative series of speeches, presented to the Labor Day conference of the Schiller Institute and International Caucus of Labor Committees, to prove Lyndon LaRouche’s insistence that we are in a *systemic economic crisis*—not a “recession” which can be mended by administrative measures. *EIR*’s economics staff has applied the LaRouche-Riemann method of analysis of the physical economy, to come up with an approximation of the 1967 U.S. market basket of production and consumption, and to compare this with what exists today. The result is a devastating picture of a formerly thriving industrial economy, whose productive portions have been collapsed to *about 60% of where they were a generation ago*. The productive workforce—those engaged in growing and manufacturing what all of us need in order to live—has been reduced to a relative handful, supporting a growing mountain of debt and financial paper.

The less stupid of the financial oligarchs, having their own in-kling of the fact that this situation cannot continue much longer, are moving their money out of speculative paper and into hard commodities. Hence the title of our report: “The Big Commodities Hoarding Crunch of 1995.”

We have rushed this material into print, especially for the benefit of those Schiller Institute chapter members around the United States who require it urgently, as they return from the conference and resume the job of organizing those around them with these “heavy ideas.”

In other coverage, you will note that the threat to French President Jacques Chirac which was the subject of our cover *Feature* last week, has escalated dramatically, as Greenpeace activists and members of the British Special Air Services (SAS) battle French police, and the French nation rallies to support Chirac because of his insistence on national sovereignty (see *International*).

The interviews conducted by *EIR*’s Katharine Kanter with senior Bosnian officials give a vivid sense of what that nation is fighting for—and it’s not what the international media claim, when they lie that it’s a civil war between “the Muslims” and “the Serbs.” Of the four Bosnian leaders interviewed, two are Serbian Orthodox, one is Croatian Catholic, and one is Muslim.

*Susan Welsh*

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## The end of an era: It's time for LaRouche's remedies

by Chris White

*The speeches that make up this Special Report were delivered at the semi-annual conference of the Schiller Institute and International Caucus of Labor Committees in Vienna, Virginia on Sept. 3.*

It is now just over a year since Lyndon H. LaRouche, Jr. published his Ninth Forecast on the economy [*EIR*, June 24, 1994]. Entitled, "The Coming Disintegration of Financial Markets," his report documented for all, the why's and wherefore's of the economic collapse that is now in progress.

In the course of this panel, we will retrace some of this ground, to show what kind of collapse is in progress and some of its principal features.

We are going to be discussing two kinds of processes, economic and monetary. The purpose of doing this is to highlight the absurdities of those who still insist, contrary to LaRouche, that there is no systemic crisis, no crisis that cannot be handled by resort to the traditional so-called administrative means. We will show, over the course of the panel, how, if only for consistency's sake, such people ought to be using their shoes for headgear, for they are surely not using their heads for any reason the Creator intended.

This is highlighted by the first two charts. In **Figure 1**, we see a view of the profit or loss of the U.S. economy, by selected intervals since 1960. Note that prior to 1967, the U.S. economy operated at a profit; further, that since 1967, losses have been piling up, year by year. I will elaborate on how this profile was assembled. Now compare this to **Figure 2**, the prices paid for materials and supplies and wages for manufacturing, agriculture, mining, construction, transportation, and services. This is the kind of consideration which goes into the calculation of so-called Gross National Product (GNP). The bar chart in Figure 1 goes one way, while the one in Figure 2 goes in the opposite direction. Both cannot be right. The second, what is paid for materials and supplies, ought not to be taken as a measure of economic performance at all. After all, it is only measuring the

FIGURE 1

### Surplus or loss in the U.S. economy

(tons, with reference to 1967 standard market basket of goods)

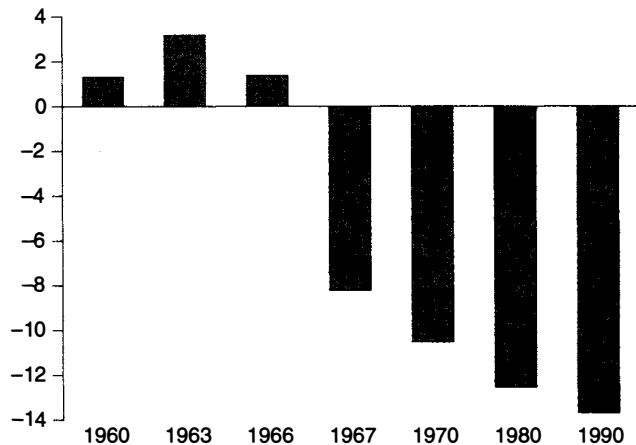
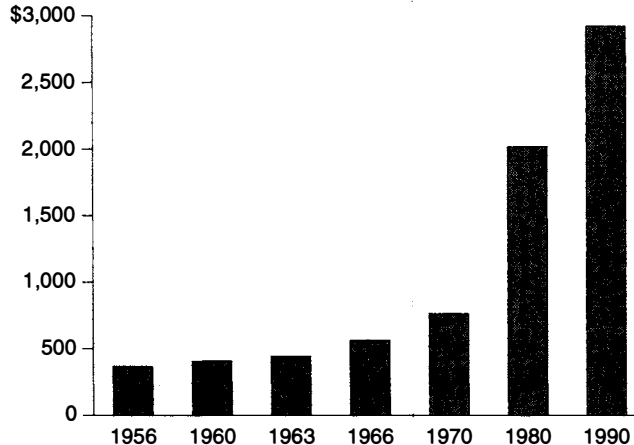


FIGURE 2

### Price of inputs

(billions \$)



increase of prices, but it is so taken, as it was this past week, when the revised GNP numbers for the latest period were released.

It ought not to be surprising that those who so take it, end up behaving like people who don't know the difference between their heads and their feet. Their view of the world is upside down. What they determine to do will have the opposite effect to what they intend.

The first summary chart on "surplus or loss" is calculated by comparing the performance of the physical economy against a standard market basket of goods, using the consumption patterns of 1967 as the basis for the comparison. It is the net result of comparing what we are capable of producing, with what we ought to be consuming, if our standard of living were comparable to what it was a mere generation ago. **Figure 3** shows this another way, showing the loss, by year, as a percent of that 1967 requirement.

Let such a sketch disabuse us of some other silly ideas. Look, first there wasn't any loss. Then, boom, there was. And, look at the subsequent generation-long slide. Take the dates. We're beginning here in 1960, the year JFK became President on a platform of reversing the "Eisenhower Recession" and rebuilding the country's strength. Remember, what became known as the Eisenhower Recession was the subject of LaRouche's first forecast, issued in late 1956. The Kennedy platform gave us growth, briefly. Kennedy was killed in November 1963. And then, between 1963 and 1967, as Kennedy's policies were reversed, what happened? The bottom fell out, setting a pattern which has continued to the present.

Go back again to late 1960, when LaRouche put out his second forecast, a warning of increasing monetary turbulence, building toward a monetary-system-shattering crisis

by later in the decade of the 1960s. The sterling and dollar crises of 1966-67 marked the fulfillment of his second forecast and the beginning of what he subsequently called, post-industrial drift, or the slide into collapse. And there's the drift, or the slide. Yes, for sure, the compression of data employed does iron out the bumps in the road. Only, though, to make the broader point, the road has been, and is, downhill.

Take all the so-called recession-recovery cycles we've had since the late 1960s, what has been their net effect? Nothing. Nothing done has changed the drift.

Why not? is what should be asked. In retrospect, the years between 1963 and 1967 also mark something else. Because, between the assassination of President Kennedy, and say, the "Summer of Love" of 1967, something changed. The whole world was changed. Without, even now, setting out to reverse, thoroughly and completely, the changes introduced during those brief three years, nothing useful is going to get done, anywhere on the face of this Earth.

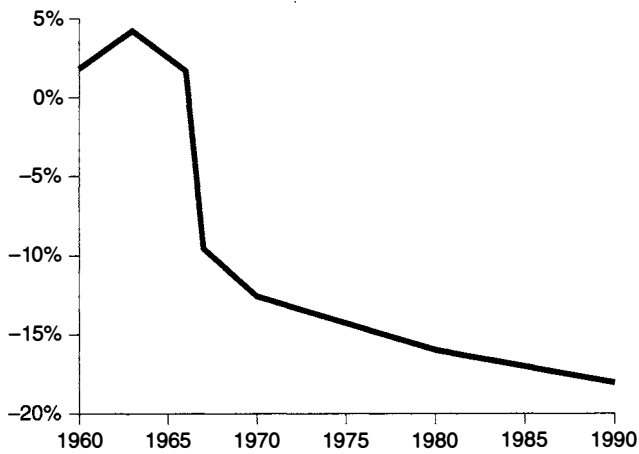
For example, if you want to do something about the economy, anywhere, forget about the momentary stuff, the so-called latest developments, in all their tremendous portent. Hey, don't you know? Where've you been? You're just looking at the results of things that were set into motion a generation or so ago. You didn't know that? Well, what do you think you're going to accomplish then? You don't even know what kind of world you are living in. You don't happen to be one of those people who buy their hats in a shoe store, do you?

Thanks to what Kennedy did, the economy was growing again. What did that growth represent? Principles embodied in western culture since the Golden Florentine Renaissance.

FIGURE 3

**Loss by year**

(percent of 1967 requirement)



Principles which made western culture uniquely different than any of its predecessors. Principles based on the idea that man, made in the image of his Creator, is absolutely superior to any other species, for reasons reflected in the growth of the population potential of the human species, or more recently, in the growth of human civilization on the shores of this continent. Two hundred years ago, there were 4 million or so newly free Americans, living under their new Constitution. More than four out of every five of them were involved in farming, of one sort or another. Two hundred years later, we've fewer farmers in absolute terms than at the beginning of the country's existence. But, each is now feeding more than 100 of his fellow human beings. That transformation typifies the kind of transformation in the existence of mankind as a whole which the makers and institutionalizers of the fifteenth-century Renaissance made possible. It is what the policy changes introduced between 1963 and 1967 were intended to reverse, in favor of the absolute bestiality of those failed societies which preceded the Golden Renaissance.

What does all this have to do with using a standard 1967-style market basket to assess economic performance? Well, put it another way. Turn to the secret knowledge of lost civilizations. What does it take to make babies? That used to be straightforward, didn't it? And, further, what does it take to make babies into citizens who can usefully contribute to the advancement of the society that has produced them? You see, we're talking about the reproduction of human society. You won't get very far with that if you don't know how, or don't want to make babies. But, if that's where you leave it, you might just as well have not started. We're talking about a species which has the unique capability to

develop ideas which can transform the conditions of its own existence, in such a way as to increase its power to transform its existence.

That's why we're talking about a 1967 market basket standard. Not because of the U.S. standard of living. Not to demonstrate and prove that there has been a collapse in the United States, even if there has. But for this reason: If since the mid-1500s mankind has had at our command principles of knowledge which have enabled us to willfully increase our mastery over nature, if over the last 200 years, those principles were applied with increasing success, as the development of modern methods of food production attest, then why, for heaven's sake, must four-fifths of mankind continue to be excluded from such benefits? Look to the populations of India and China if you want to know the significance of such a market basket approach in historical terms. Look to the populations of India and China if you want to know what the significance of the documented reversal in U.S. economic policy since the period 1963-67 has been. If, the then-greatest economic power ever assembled on the Earth turns its back on the universal principles which made its development possible, what then becomes of the rest of the world?

So, to the meat and potatoes, so to speak. The bulk of the rest of what I will talk about concerns work we have done on assembling such a standard market basket. I'm going to present this in summary form. Let me now develop briefly what the summaries are based on. What you will see, is the third level, so to speak.

On the first of those levels, we isolated a selection of products, and activities, essential to modern life, and classified them according to whether they are consumed as household goods, or as producer goods. We then traced out the bills of materials required to produce those products, or activities. This resulted in a matrix of inputs and outputs for the economy as a whole, in which, for example, the outputs would include basic economic infrastructure, transportation, power supply, water supply, social infrastructure, hospitals and schools, products of agriculture and mines, and so forth. The inputs would include the machinery, the semi-finished products, the raw materials, the fuel and power, the labor, the share of infrastructure, required to produce such output. This boils down to a 50x50 cell matrix approximately. The inputs were then recalculated on the basis of choosing the greater of production or consumption in 1967: what would be required to produce what we consumed.

This first-level matrix was then restated. Working backwards from the final products, household goods, producer goods, we reassembled the inputs into market baskets of goods and activities required to sustain the flow into such so-called final consumption. So, now we can say, if you want to increase food consumption, here's what you are going to need to do, all the way back down the line from



FIGURE 4

**Input-output matrix for 1967**

(percentage of total)

End-use	Inputs				Total
	Final	Inter- mediate	Raw material	Infra- structure	
Producers' goods	2%	12%	3%	8%	25%
Producers' overhead	4%	4%	1%	6%	14%
Household goods	6%	7%	2%	8%	23%
Household overhead	10%	11%	3%	4%	38%
<b>Total</b>	<b>23%</b>	<b>33%</b>	<b>8%</b>	<b>6%</b>	<b>100%</b>

the supermarket shelf, where many think food is grown, to the semi-manufactures and raw materials which supply the industrial products on which modern agriculture depends. This results in a much bigger matrix.

That second-level matrix was then restated in summary form. **Figure 4** shows the result for 1967. In the left-hand rows we have our four classes of end-use: producers' goods, producers' overhead, household goods, and household overhead, which I will come back to. The column headings denote the phases of the process, from final goods back through intermediate and raw materials to infrastructure, economic and social. The cells tell us what portion of the sum of the inputs is allocated to what activity. The column total, shows us what part of the total inputs goes to households and producers and overhead. And the row total shows us what part goes to each of the phases of economic activity.

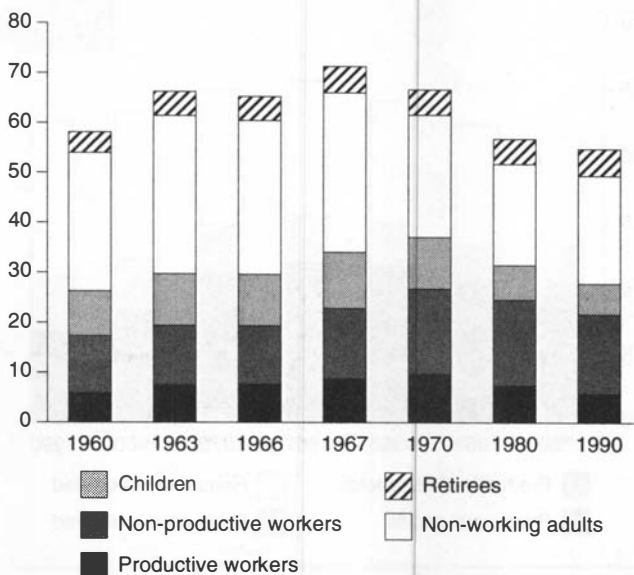
The totals have to balance, in accountant-speak, and they have to balance all the way back to the totals in the first matrix prepared. This they do in the case of our 1967 standard, to a margin of error of rather under 2%, which is to say that our calculated inputs, by product and activity, produce a result which is about 2% less than the reported consumption of those products and activities for 1967. This is about 100 million tons out of 5 billion. Or, just to point it out, the error bar is about the same magnitude as the sum of the inputs for final producer goods. So, it's rough, but ready.

So, now we can say that we know what we are dealing with. We don't have to use sophisticated tricks like, this is going down, therefore we can say the whole thing is going down. We have an estimate of the whole, and of the parts in relation to the whole, both by function, and by the way

FIGURE 5

**Distribution of per-household consumption**

(tons)



the components of the functions are produced. We can say, using this 1967 standard, if you want to produce producers' final goods by such a margin, these are the things you will have to take into account. Or if you want to increase household consumption, here is what the effect will be on the whole. We can now compare this whole with the organization of the population, by households, and by economic activity, e.g., employment.

We can do this in two ways. First, taking the magnitudes themselves, we can assort the physical components of society's economic activity among costs and expenses of reproducing the society. We're dealing with a unified reproductive cycle of population in its household consumption moment, and in its producer moment. We want to isolate what part of the total ought to go to households, by different age-group of the population, and what part is needed to sustain economic functioning itself. We want to separate out the costs of doing that in physical terms, from the associated administrative and other, e.g., sales, overhead, and from parasitism, speculation, and waste. Then we want to restate the whole, in terms of the ratios LaRouche developed which underlie his successful forecasting method, in more analytical statements about the productivity, or lack of it, of the whole economy.

In **Figure 5** we distribute the population by age-group, and by function, among the households, and allocate the total product proportionally. We see, first of all, the decline in consumption. We see the decline of the productive part of

FIGURE 6

**Distribution of market basket inputs**

(tons per capita)

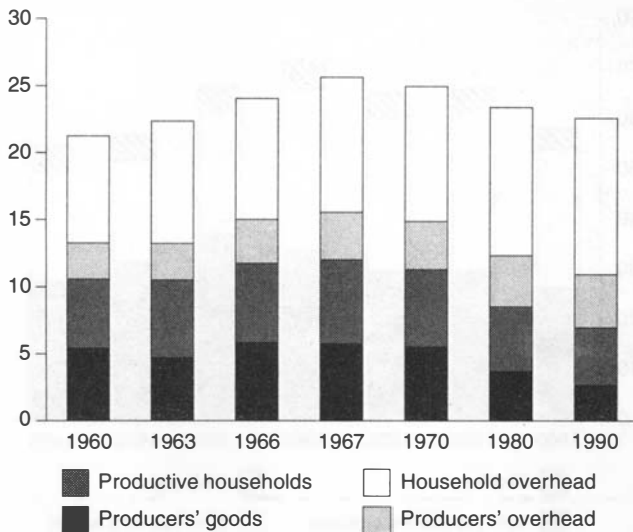
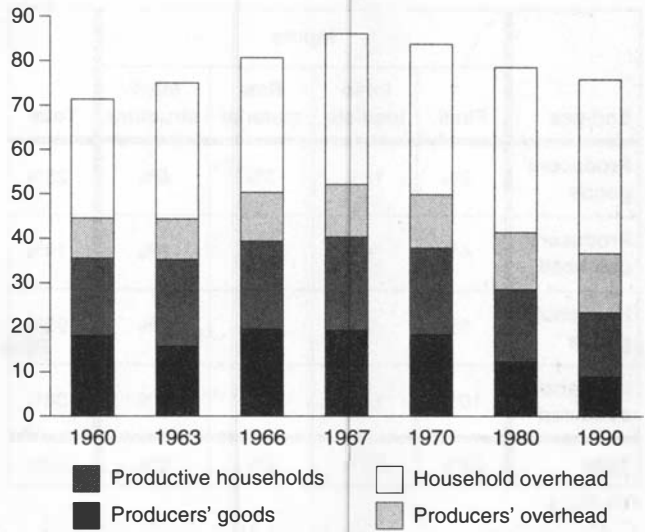


FIGURE 7

**Distribution of market basket inputs**

(tons per household)



the workforce, the increase of the non-productive workforce. The decline in non-working adults. The decline in the number of children. The increase in the aged.

They say there isn't any systemic crisis, that administrative measures alone will work. Look, if the reproduction of society, in an improved form, is the purpose, what are they talking about? How are we providing for future generations, let alone providing them with a better future?

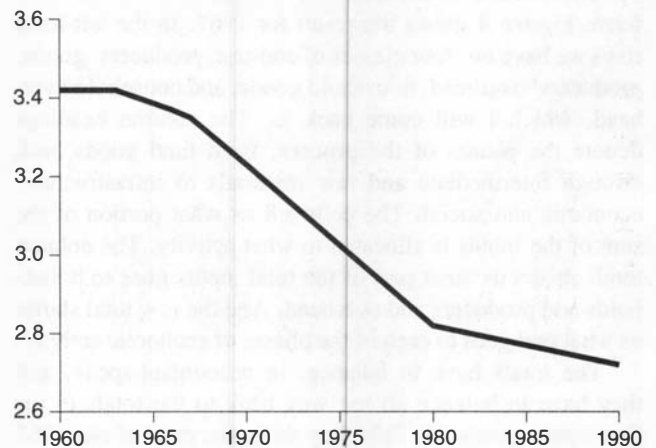
Look at this another way. In **Figure 6** we have the total product, by principal function, taken per capita. Note, number one, that the decline is less. After all, we're producing households much faster than we are the people fill them up. Note the declining portion of the total going to producers' goods and productive households. This ought to be the engine for supplying what is needed. It is shrinking faster than the whole. The same is shown per household (**Figure 7**).

But, wait a minute. The households of 1990 are not the same as the households of 1967. The workers of 1990 are not the same as the workers of 1967. Look what's happened, as shown in **Figure 8**. We've lost about a quarter of the population in the space of a generation. The losses are the children who never existed thanks to the shift that occurred between 1963 and 1967. And look at this the other way round (**Figure 9**). On a household basis, how many people depend on one worker? From over two, to just over one.

This takes us back to Gottfried Leibniz and the very beginnings of modern physical economy. The costs of employing labor are not simply the direct costs incurred as a result of the individual directly employed. The costs of

FIGURE 8

**People per household**



employing labor must include maintaining the household which produces the labor. If you don't do that, you aren't going to have any. Earlier, we did it. Now, as we converge on a dependency ratio of one to one, which will not ever be reached for obvious reasons, we've gotten clear away from that. It's something those like Newt Gingrich and company, who want to wreck Social Security, have no interest in understanding. If there is a contribution crunch coming because system recipients are going to be growing faster than contributors, hey, it's time to start thinking about not only increasing employment, but reversing the decline in

FIGURE 9

**Dependents per worker**

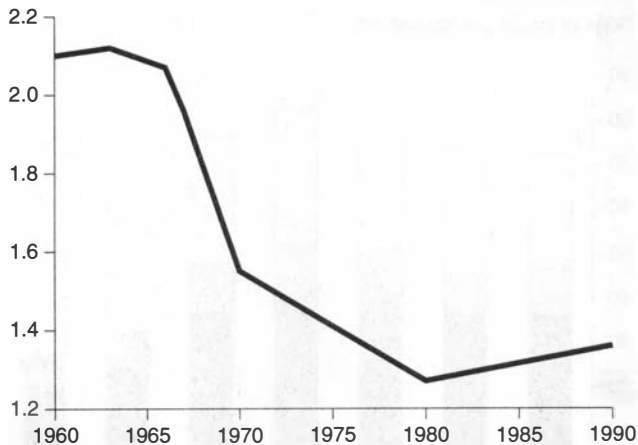


FIGURE 11

**Overhead deflator factor**

(1956=100%)

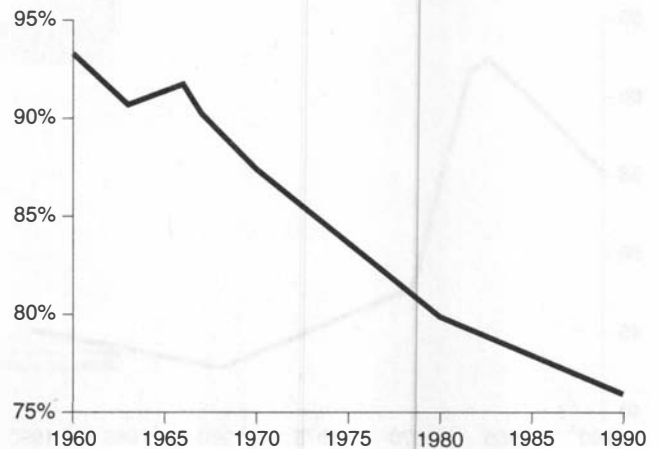


FIGURE 10

**Distribution of market basket inputs, based on 1967 household size**

(tons per 1967 household)

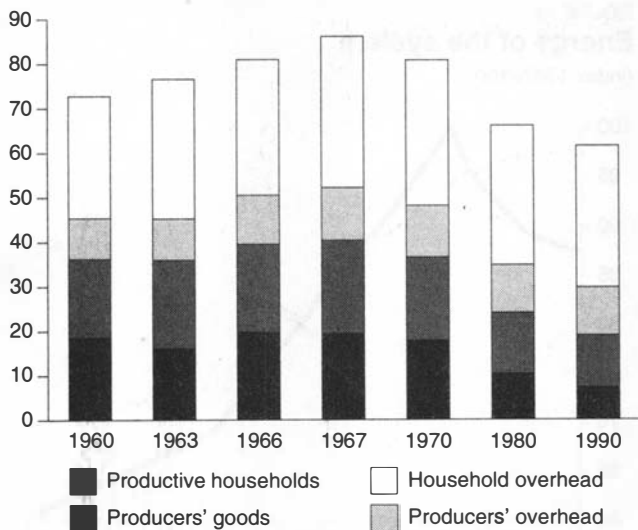
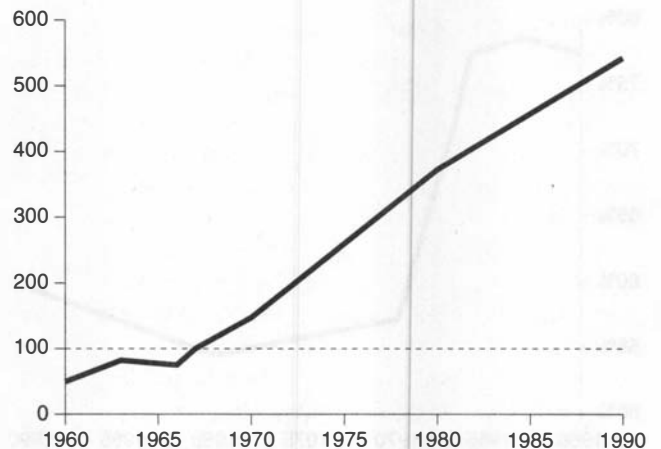


FIGURE 12

**Growth of parasitism**

(index 1967=100)

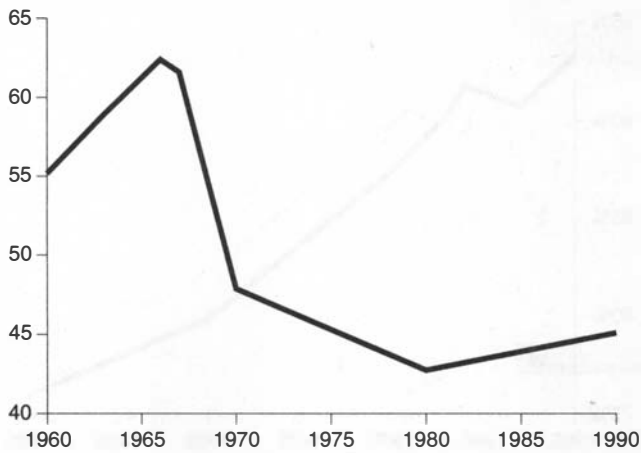


the birth rate. Away from the “me generation,” and back to basics, when people were more like people.

So, we have to restate these parameters, to make the whole consistent with 1967. And, we have to do that in such a way as to account for the missing people, and for the changed workforce. Obviously, we are going to be at least 25% down on providing for households of 1967 size. Here’s what happens (Figure 10). Let’s apply the same kind of procedure to the workforce (Figure 11). Let’s assume that there are overhead functions, administration, sales, etc.

which are necessary, but that we will confine such functions to the 56% or so of the workforce that they comprised in 1956. Growth beyond that level is unacceptable. So we can put together a “deflator,” to answer the question of what part of the transformation in employment patterns, other than the reduction of the productive workforce per se, is attributable to the effects of the post 1963-67 slide into a countercultural post-industrial society? What part of the employment represents what from an earlier period would have been called nothing but parasitism and speculation and waste? What part of the total product is thereby excluded from any reproductive function, because it just constitutes effort down the drain?

**FIGURE 13**  
**Inputs per worker**  
 (tons)



**FIGURE 14**  
**Inputs per worker, as percentage of inputs per household**

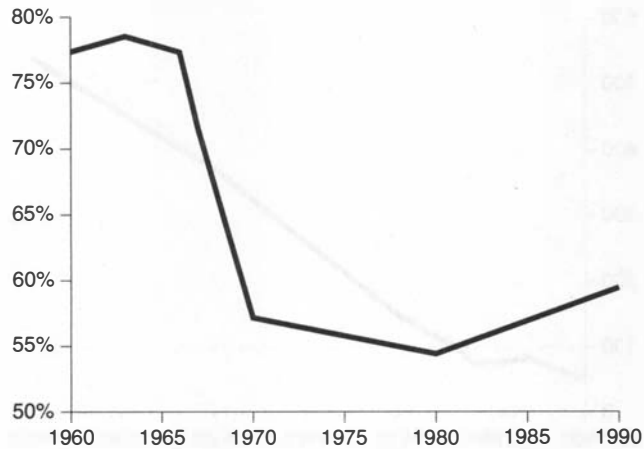
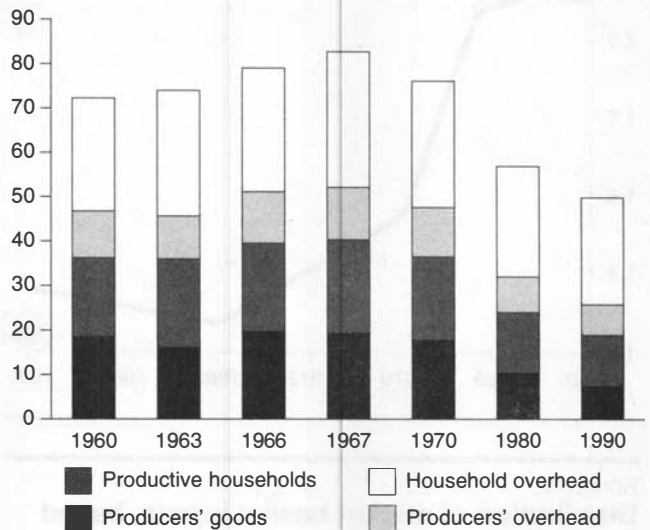


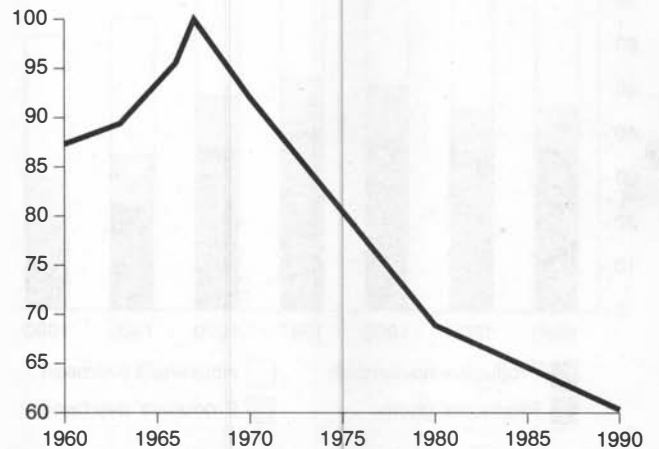
Figure 12 shows the growth of that part of the product, which by 1990 amounted to some 20% of the whole. The effects of the parasitical growth of overhead can be shown by restating the inputs in per worker terms, i.e., productive workers, plus overhead employment, without compensation.

In Figure 13 you see the first big increase in overhead employment, as the children of the baby-boom generation move into the workforce comes early on. The inputs per worker can be expressed as a percentage of the inputs per household, to reflect the declining power of the workforce to support the population (Figure 14).

**FIGURE 15**  
**Energy of the system (not including parasitism)**  
 (tons of inputs per household)



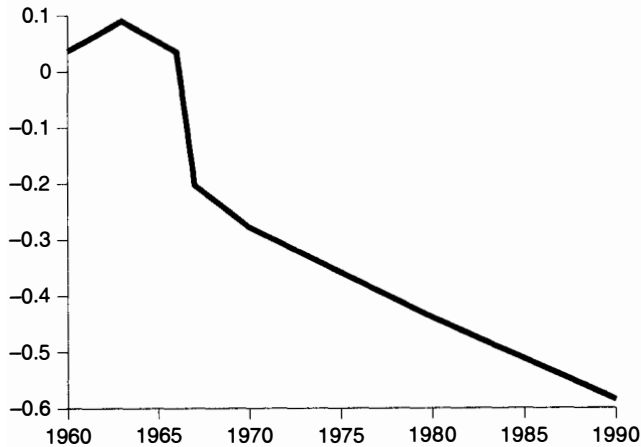
**FIGURE 16**  
**Energy of the system**  
 (index 1967=100)



Now we can restate these parameters in terms of not only quantity of goods and activities, but composition of households and workforce, to compare the functioning of that part of the economy which contributes to the reproductive purpose of the whole society. Figure 15 shows the result, by function. The whole assembly has been collapsed to about 60% of where it was a generation ago, with the productive portions, as distinct from the remaining overhead, collapsed

FIGURE 17

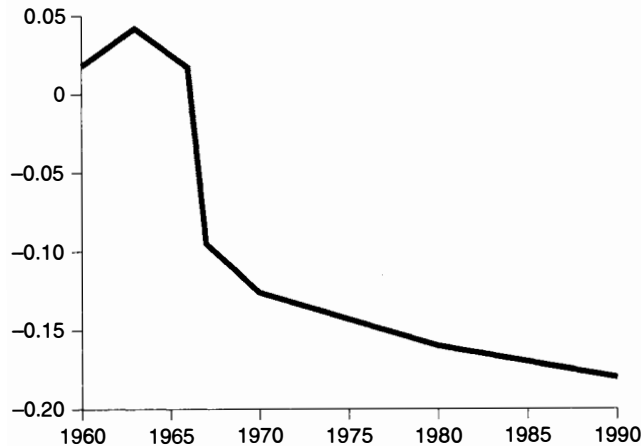
**Rate of profit of the economy (S'/C+V)\***



\* For definition of S'/C+V, see Lyndon H. LaRouche, Jr., *So, You Wish to Learn All About Economics? A Text on Elementary Mathematical Economics*, New York: New Benjamin Franklin House, 1984.

FIGURE 18

**Ratio of free energy to energy of the system (F/ES)**

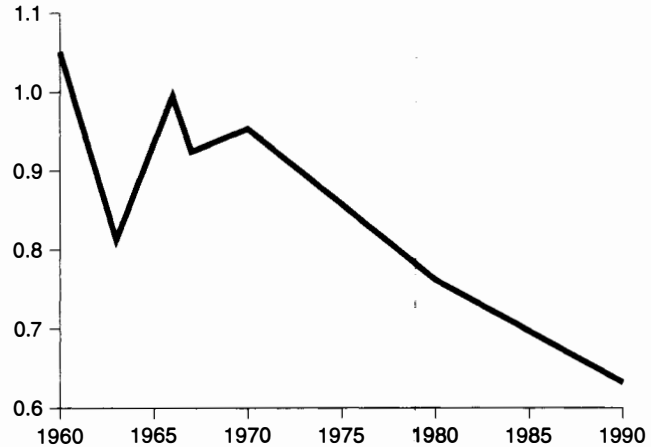


by more than 60%. The line graph of Figure 16 summarizes the overall result to emphasize the steepness of the slide.

There's one component of costs left missing: profit. We go back to the first chart of losses in Figure 1. Assume, when there was growth, in per household terms, that the growth, less the shortfall from the 1967 standard, represented the surplus available for reinvestment, subsequently, that the decline plus the shortfall from the 1967 standards represent loss. Now these parameters can be restated in terms of LaRouche's productivity ratios.

FIGURE 19

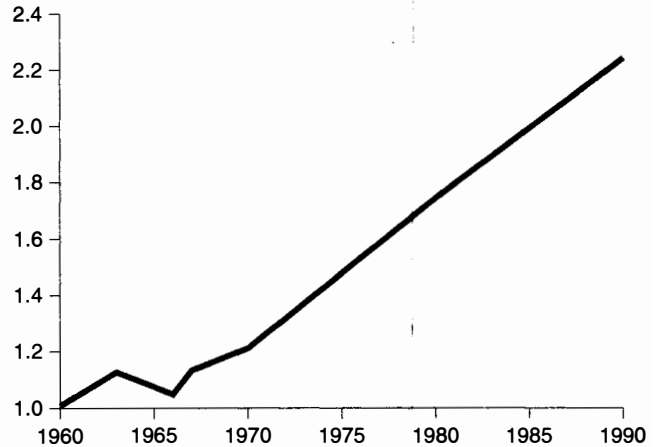
**Capital-intensity of the economy (C/V)\***



\* See note on Figure 17.

FIGURE 20

**Expense ratio of the economy (D/C+V)\***



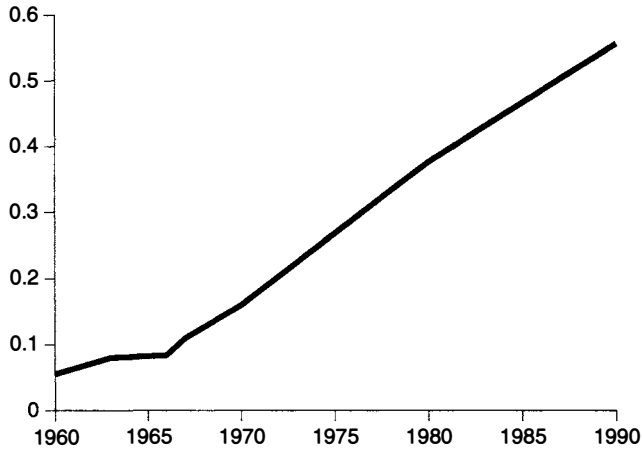
\* See note on Figure 17.

Figure 17 shows how to estimate a rate of profit for the whole economy, the ratio between the net profit, or loss, and the costs, producer and household costs, of producing the profit. Here's the transformation, and the slide again. We can restate this in terms LaRouche calls the "free energy ratio": net profit, or free energy, over costs plus necessary, i.e., deflated, overhead expense (Figure 18).

These ratios, in a healthy economy, ought to be increasing. That's what the history of mankind's existence teaches us. And they ought to increase in such a way that the market basket standard improves, in quantity and quality, while the capital intensity of production increases faster. Approximate

FIGURE 21

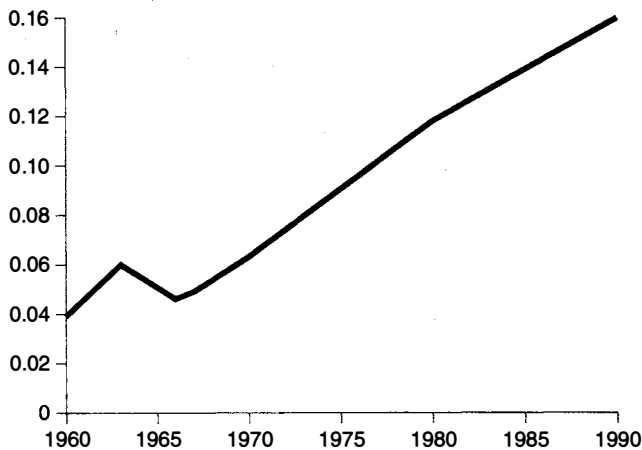
**'De-parasitized' (1956 base) energy of the system, minus rate of profit (S'/C+V)\***



\* See note on Figure 17.

FIGURE 22

**'De-parasitized' (1956 base) energy of the system, minus F/ES\***



See Figure 18.

that by taking the ratio between the inputs for producers goods, and the inputs for household goods (Figure 19).

Meanwhile, overhead expenses ought to be controlled, or brought down (Figure 20). These ratios can be restated, by subtracting from the "energy of the system" version that was stripped of countercultural parasitism (Figure 21). This is a better way, perhaps, of looking at the physical collapse, and the rate of collapse. The same procedure can be applied to the free energy ratio (Figure 22).

... That won't change until the policies which produced that

FIGURE 23

**Debt service plus taxes, compared to inputs (index 1966=100)**

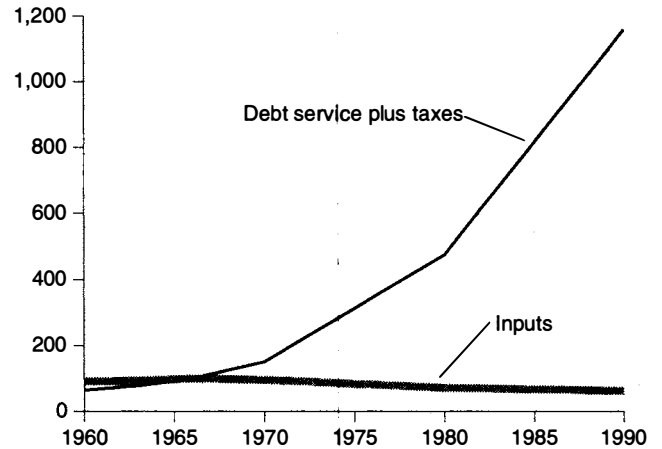
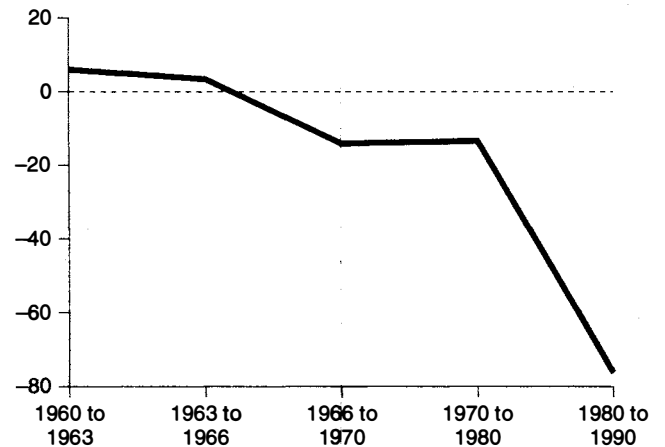


FIGURE 24

**Ratio of debt service and taxes to unit decline in energy of the system**



result are changed. That means reversing the shift engineered beginning with the assassination of John F. Kennedy.

What will change is something else. Let's say the overall drift, is a decline in the rate of profit of a bit more than 2% a year over 30 years or so, and the decline in the free energy ratio is about half that. What's happened on the monetary side of things? Well, without worrying about prices, let's simply take the growth of debt service and taxes, over the same period: 12-fold, or 1,200%—about 40% a year (Figure 23). You see, it doesn't work! Restate this in terms of the growth of debt service per unit decline in the rate of profit, as in Figure 24. This is why, as LaRouche warned a year ago, things won't be kept together.

# Speculation takes over the U.S. economy

by Anthony Wikrent

Chris White, the previous speaker, has shown how the post-industrial policy of the past 30 years has led to the present crisis. This post-industrial policy has radically altered the relationship of money and finance to the real economy. This question of finance is a stumbling block for many people. It is a stumbling block that has been dropped on their heads, inflicting severe brain damage, causing them to ask, when you explain to them the plan for economic recovery, silly questions such as, "How do you pay for it?" You can say it's a mental block.

The oligarchs have prevented governments from exercising the sovereign power to create and issue credit. All financing must be done by the creation of more debt, borrowed from—guess who. Investments in scientific and technological progress have not, under this post-industrial regime, created a rate of return high enough to pay off this debt, and yield a profit. Rather, debt is issued to fund more debt, creating a series of speculative bubbles, each larger than the one before. And, as each speculative bubble reached the point of collapse, it has been rolled into the new bubble succeeding it. That is how the oligarchs—and in the United States, I think of margarine, and call them oleogarchs; they're just wannabe oligarchs—have been able to postpone the day of reckoning for so long. With deregulation, the private *fondi* have been given carte blanche to use debt financing for whatever they see fit, including rolling over their collapsed speculative bubbles into new ones.

Not only have governments been prohibited from issuing credit, but "deregulation" has also prevented governments from imposing restraints on debt financing, to make sure it is limited to areas of socially useful, and economically productive activities. Today, the financial markets bear no resemblance to those of 20 or 30 years ago, and practices that would have been unthinkable then, are now accepted as common practice.

## The foreign exchange market

A clear example of this process can be seen in the foreign exchange market. In the 1950s and most of the 1960s, there were basically three reasons for someone to buy a currency other than their own. First, if you were traveling, it made sense to buy some of the currency of the country you were traveling to. Second, if you were buying something from another country—if you were an importer—you would have

to change your national currency into another. Similarly, third, if you were an exporter, selling something to another country, you would want to change the foreign currency you were paid with, into your national currency.

In 1970, the year before the collapse of the fixed exchange rate system, foreign exchange trading around the world was about \$12 billion a day, or \$2.9 trillion a year (based on 244 business days a year). World trade that year totaled \$593 billion—that's imports plus exports. So, there was about six times more foreign exchange trading than there was actual foreign trade.

After President Richard Nixon took the dollar off the gold standard in August 1971, forcing the world into a system of floating exchange rates, foreign exchange trading increased eightfold in just three years, to around \$100 billion a day. From 1970 to 1981, foreign exchange turnover increased twenty-fivefold—ten times faster than price inflation, and four times faster than the increase in the value of world trade.

Since 1986, the Bank for International Settlements has had a number of its member central banks survey the foreign exchange trading in their respective countries, once every three years. That survey was taken again this past April. Neither the BIS nor the U.S. Federal Reserve have released the results yet, but foreign exchange managers, at such institutions as Morgan Guaranty, believe that the figure will easily be over \$2 trillion a day. That would be nearly \$500 trillion a year. Even assuming world trade increases 6% a year, as predicted by the World Trade Organization, world trade this year would be \$8.4 trillion. Foreign exchange is now at least 60 times larger than world trade (see **Table 1**).

The U.S. Federal Reserve was the first to attempt to measure foreign exchange, in 1977. That year, the Fed surveyed trading at 44 banks, probably representing around 98% of all foreign exchange activity in the United States at that time, and found that there was \$4.8 billion in daily foreign exchange trading in the United States. Multiplied by 244 working days in a year, that is about \$1.2 trillion. In that

Wikrent

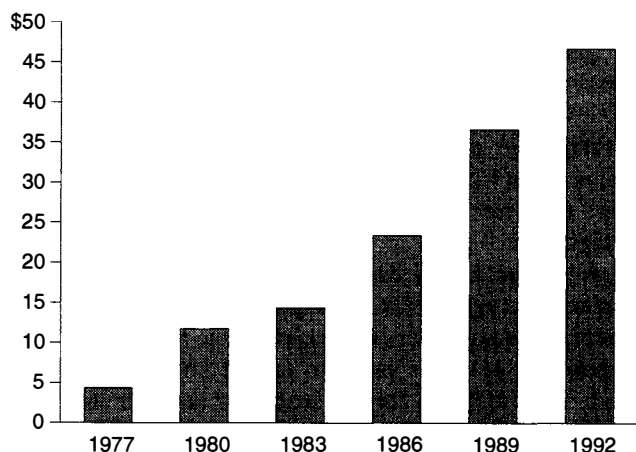
TABLE 1  
U.S. merchandise trade versus foreign exchange

Year	Annual U.S. merchandise trade (billions \$)	Annual U.S. foreign exchange (billions \$)	Number of dollars of foreign exchange for each dollar of merchandise trade
1977	\$ 271.6	\$ 1,179.0	\$ 4.3
1980	465.5	5,449.0	11.7
1983	475.5	6,820.9	14.3
1986	609.5	14,274.0	23.4
1989	856.7	31,451.6	36.7
1992	1,002.1	46,921.2	46.8

FIGURE 1

### The U.S. foreign exchange bubble

(dollars of foreign exchange for each dollar of trade)



year, the United States exported \$121 billion of merchandise, and imported \$150 billion. So, for every dollar of the \$271 billion in physical trade, there were over four dollars in foreign exchange trading (see **Figure 1**).

The Federal Reserve conducted another survey in 1980, this time of 90 banks, and found foreign exchange trading had increased to \$22 billion a day, or \$5.4 trillion a year. Merchandise imports and exports that year amounted to \$465 billion. So, for every dollar of trade, there were over ten dollars of foreign exchange.

By 1992, there was slightly over \$1 trillion in U.S. merchandise trade, but there was almost \$47 trillion in foreign exchange.

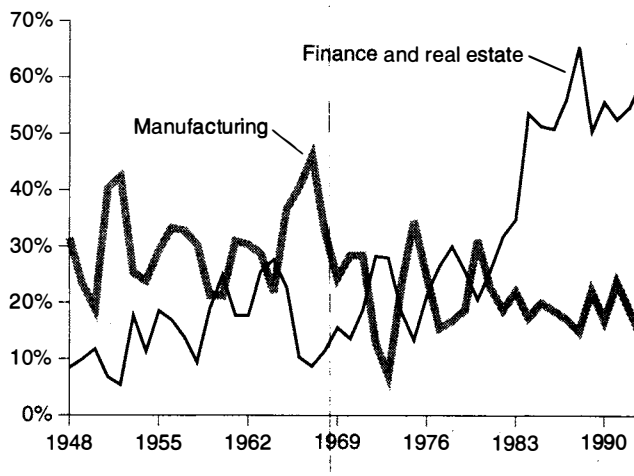
### New financing headed off course

If we look at the total amount of new financing raised in the United States, we find that the financial system was already headed off course by the 1960s. Since 1948, the Securities and Exchange Commission has tabulated, each year, the amount of all new issues of stock, all new corporate bonds, all new bonds issued by local and state governments, and all new bonds issued by the federal government. Figures for the amount of new financing going into the private sector is further identified by the broad economic category that new financing was provided to: manufacturing; extractive industries, including mining, petroleum, and natural gas; public utilities; transportation, such as railroads, airlines, trucking, and ship lines; and financial and real estate ventures.

**Figure 2** shows the percentage of new financing each year that was provided to two sectors: manufacturing, and real estate and finance. To give you some idea of the numbers involved, \$2.2 billion in new financing went to manufacturing in 1948, while \$594 million went into finance and real estate. The percentage going to manufacturing varied be-

FIGURE 2

### Percent of new financing, by use



tween 20% and 30% throughout the 1950s and into the 1960s. But the percentage of new financing going to financial and real estate ventures was in a general upward trend throughout the 1950s and 1960s. In fact, 1960 is the first time that more financing was provided to real estate and financial ventures, than was provided to manufacturing—\$2.5 billion went to real estate and finance, while \$2.2 billion went to manufacturing. However, this occurred only in seven of the 32 years from 1948 to 1980. New financing for real estate and finance never exceeded the new financing for the entire physical economy, i.e., manufacturing, plus mining, plus utilities, plus transport, from 1948 through 1982. When Ronald Reagan was elected President in 1980—forget it. It's not even a contest. By 1984, over half of all new financing was going to financial and real estate ventures every year.

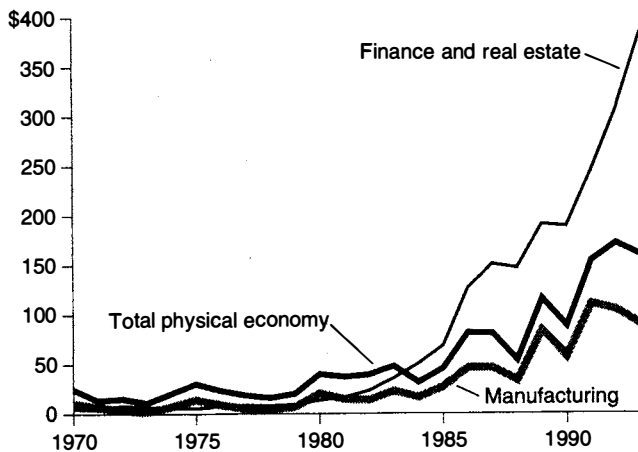
**Figure 3** shows the amount of new financing raised for three categories, finance and real estate, manufacturing, and total physical economy, from 1970 to 1993. You can clearly see the extraordinary change that occurs during the Reagan-Bush years, beginning in 1984, when the amount of new financing for finance and real estate ventures exceeded not only manufacturing, but the entire physical economy sector.

Unfortunately, not all new financing raised for manufacturing or the other sectors of the physical economy, went for anything good. **Figure 4**, for example, compares the amount of money spent each year for buying other companies, called mergers and acquisitions, to the amount of money spent on buying new plant and equipment. The significance of this is that new plant and equipment are what is needed to build new productive potentials for future economic activity, whereas in mergers and acquisitions, what is being bought is already-existing productive capacities. In other words, you are looking at the misuse of finance in the economy.

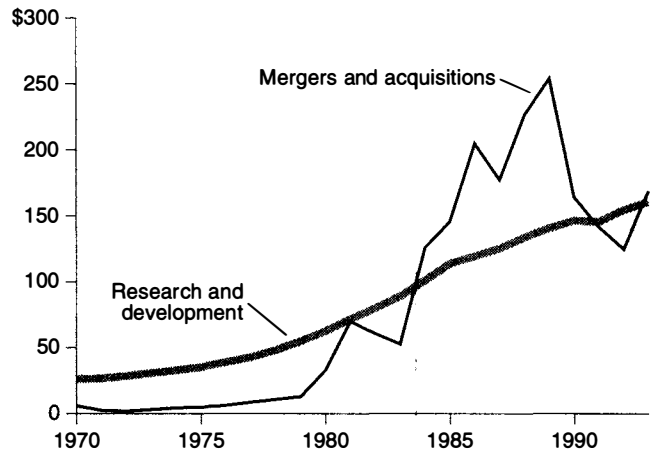
The two big dots on the left at the bottom of **Figure 4** represent \$1.5 billion in mergers and acquisitions in 1960, and \$3.3



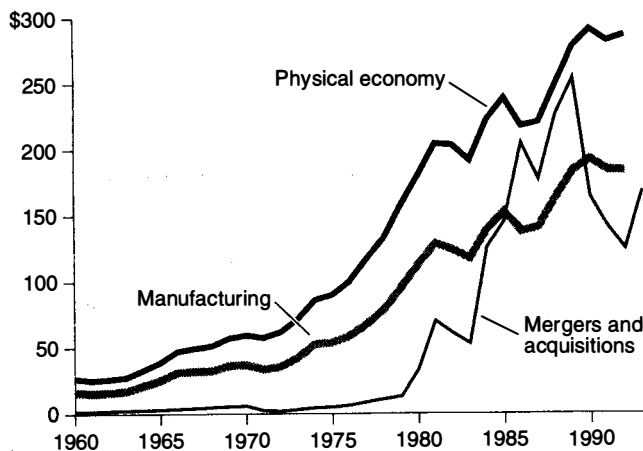
**FIGURE 3**  
**Where new financing went**  
 (billions \$)



**FIGURE 5**  
**Spending for mergers and acquisitions, versus research and development**  
 (billions \$)



**FIGURE 4**  
**Spending for mergers and acquisitions, versus new plant and equipment**  
 (billions \$)



billion in 1965. Note how the amount spent on mergers and acquisitions, surpasses the amount spent for new plant and equipment expenditures by manufacturing in the middle of the so-called Reagan boom. The collapse in 1989 has to do with the end of the leveraged buy-out craze, caused by Drexel Burnham Lambert and Michael Milkin going out of business. Actually, leveraged buy-outs were only about one-tenth of all mergers and acquisitions, even at the end of the 1980s.

In the line representing new plant and equipment expenditures for the total physical economy, that is, manufacturing, mining, utilities, and transportation, by 1986, the amount spent—I should say, misspent—on mergers and ac-

quisitions is almost as much as what is being spent for new plant and equipment in the entire physical economy.

**Figure 5** compares spending on mergers and acquisitions to spending on research and development. This includes the total amount of research and development by every sector in the United States—the military R&D programs funded by the Pentagon, R&D funded by NASA, R&D undertaken by private companies, R&D conducted by universities and other such institutions, and R&D by state and local governments, even the R&D by the federal government on such stupid questions as why people want to escape from prisons, or whether having mens and women's toilets discriminates against homosexuals. Research and development is very crucial, at least proper R&D, because this is how we as a species investigate the nature of our universe, and hopefully create new scientific knowledge and breakthroughs.

### Futures markets change

Besides the obvious damage, such as the collapse of the productive tax base, that has been done to the economy by the misapplication of finance, the financial markets themselves have become grossly distorted (see **Figure 6**). For example, for over 100 years, futures contracts were based on actual physical commodities, mostly agricultural goods. But within 12 years of the end of fixed exchange rates, futures contracts based on such things as the interest rate on U.S. 10-year Treasury Notes, or the valuation of the Japanese yen compared to the dollar, or on a particular index of stocks, came to dominate the futures markets.

In 1973, there were about 25 million futures contracts traded in the United States, 20 million of them based on agricultural commodities, and about another 4 million based on precious metals, mostly gold (see **Figure 7**). Financial

FIGURE 6

**Financials dominate futures markets**

(millions of contracts traded)

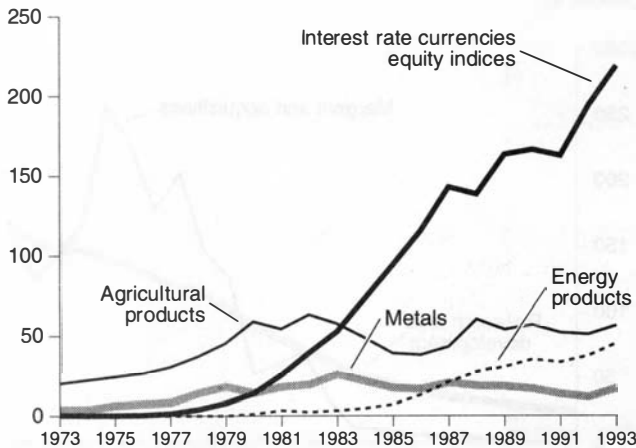
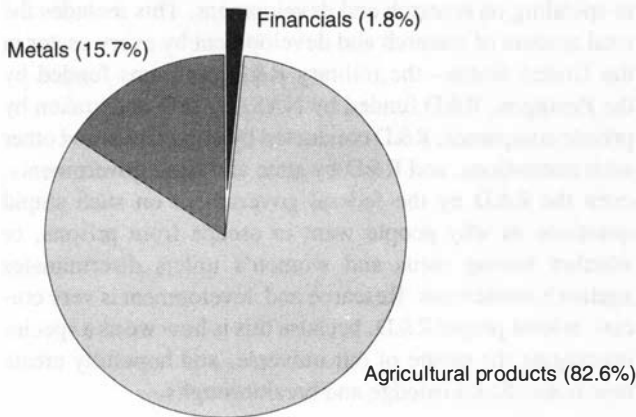


FIGURE 7

**Types of futures contracts traded in 1973**

(percent of total)



futures based on currencies, interest rates, or stock indexes, traded only 425,000 contracts that year.

In 1983, some 28 million contracts based on interest rates were traded, 12 million based on currencies, and 13 million based on equity (or stock) indices, for a total of 53 million financial futures contracts traded, which is just slightly under the 58 million agricultural futures traded that year (see **Figure 8**). By 1984, there were more financial futures contracts being traded than agricultural futures.

In 1993, there were 339 million futures contracts traded. Roughly 174 million were based on interest rates, 31 million were based on currencies, and 15 million were based on equity indices (see **Figure 9**). That is, 65% of futures contracts traded in 1993 were financial futures. The number of

FIGURE 8

**Types of futures contracts traded in 1983**

(percent of total)

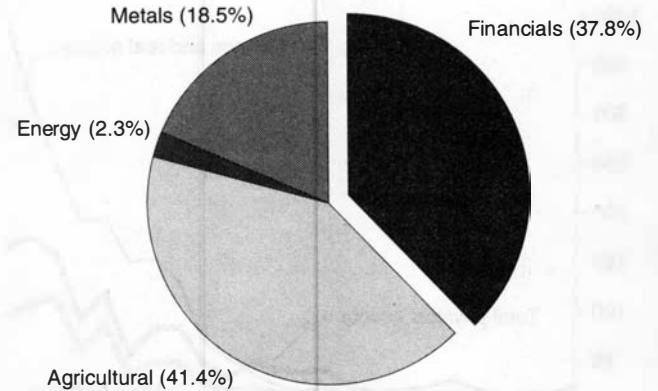
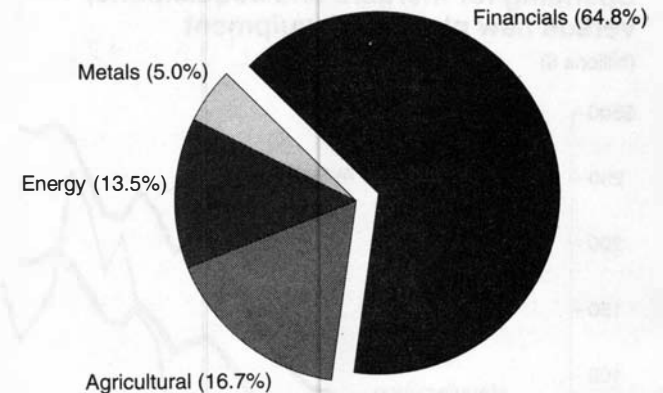


FIGURE 9

**Types of futures contracts traded in 1993**

(percent of total)



contracts traded, based on agricultural products, had actually fallen slightly from 1983, to 57 million.

I would point out that the first financial futures contracts, which were based on currencies, were created in 1972 by a fellow at the Chicago Mercantile Exchange, Mark Powers, who was advised by University of Chicago paganomist, Milton Friedman.

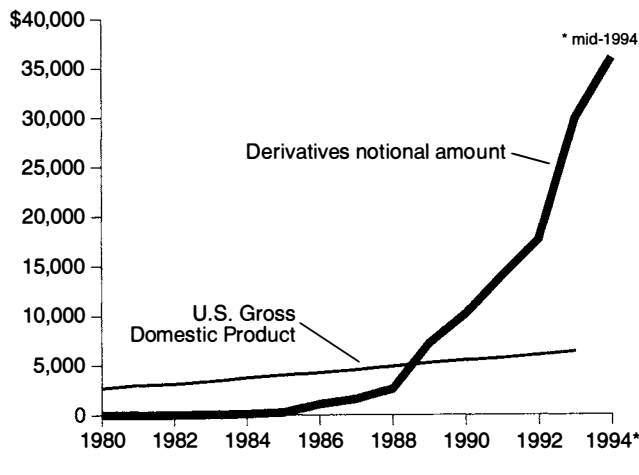
In 1973, the Chicago Board Options Exchange was created, with assistance from a junior partner at Goldman Sachs by the name of Robert Rubin, today our secretary of the treasury. If Bill Clinton is getting rotten information and advice on the economy, I have a hunch where to start looking for the source. By 1981, the volume of options trading had reached 92% of the total volume of all stocks traded on the New York Stock Exchange.

This incredible growth in options trading was made possible by some people associated with, again, Milton Friedman.

FIGURE 10

### Derivatives compares to U.S. Gross Domestic Product

(billions \$)



Two of Friedman's students at the University of Chicago, Myron Scholes and Fischer Black, developed a mathematical model in the mid-1970s, for relating the changes in prices of an option, to prices in the actual stock or commodity underlying the option. Options and futures traders were powerfully attracted to the Black-Scholes model because its complex mathematical formula led them to believe it was a scientific law of the universe. Where, before, the only way to forecast prices of options and futures was to employ the intuitive knowledge of a trader who had amassed years of trading experience, now, with the Black-Scholes model, any trader with a computer could calculate prices.

### The explosion of derivatives trading

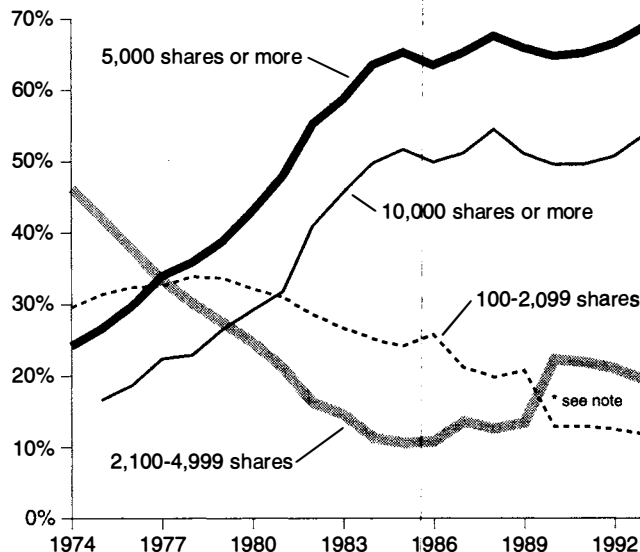
It was the various applications of the Black-Scholes model that made possible index arbitrage, and computer-directed program trading. The idea is that a change in the price of a stock or bond, or commodity, must be reflected in a change in the derivatives price, and that changes in the price of a derivative must be reflected in changes in the underlying stocks or commodities. If you can buy the lagging half of the equation before it catches up to the leading half, and then sell it once it has caught up, you can make a profit, with no risk. At least, this is what these speculators and financial rocket scientists believe. Hundreds of millions of dollars have been spent on computers to conduct such index arbitrage, as it is called.

These statistical computer models have been applied to the pricing and trading of all types of financial paper, resulting in the explosion of derivatives trading *EIR* has documented the past few years. (See Figure 10 for derivatives compared to U.S. Gross National Product.) It is this derivatives trading, directed by computers, that moves most of the stock market these days.

FIGURE 11

### Autopsy of stock trading on the Big Board, by size of transaction

(percent of all trading volume)



Note: The jump in 1990 of the category "100-2,099 shares" reflects a change in the New York Stock Exchange's category that year, from an upper limit of 1,000 shares, to 2,099 shares.

The stock markets have, traditionally, been the means by which entrepreneurs would raise money for financing new economic activity, by offering shares of ownership to investors, rather than having to borrow debt financing. By the way, U.S. tax laws, which allow interest payments to be deducted, favor debt financing, rather than equity financing.

Figure 11 shows what has happened to the stock markets. In 1975, only 27% of all the shares traded on the New York Stock Exchange involved transactions of 5,000 or more shares, while 42% of all trades involved transactions of 100 to 900 shares. By 1980, this ratio had been reversed.

Now, transactions of 5,000 or more shares account for almost 70% of all trading on the New York Stock Exchange. Just think of a stock that costs \$20—that's a block of stock worth \$100,000. How many people do you know, that have that kind of money to move in and out of the stock market day in and day out? Since 1984, over half of the total volume of trading on the New York Stock Exchange has involved trades of 10,000 shares or more.

Look at what happens to smaller investors, measured by trades of 100 to 3,000 shares: They accounted for almost 50% in 1974, but fell to only 10% by 1984.

So, if you explain our program for economic recovery to someone, and they respond by asking, "How are we going to pay for it?" and you explain the difference between sovereign governments issuing credit, and private financiers issuing debt financing, and they still don't understand, I'll give you odds of ten to one they'll never understand.

# The financial burden is not sustainable

by John Hoefle

While the energy of the system of the U.S. economy has been winding down, the financial claims against the economy have been rising hyperbolically. The ability to pay these claims depends upon the output of a relative handful of workers in the productive sector of the economy.

In 1956, out of 67 million members of the labor force, some 30 million worked in the productive sector, or 44 out of every 100 workers (see **Figure 1**). By 1990, only 33 million people out of a labor force of 125 million were involved in productive activity, or 27 out of every 100. If you compare that to the total population, only 13 of every 100 people were involved in production. It fell upon this 13% to support not only themselves, but the other 83% of the population, and all the financial claims against the economy.

When we say productive workers, we're making a scientific judgment rather than a value judgment. Productive workers are those involved in the manufacture and distribution of goods, and more broadly those who educate and maintain the health of those workers. Productive workers include non-supervisory workers in mining, construction, manufacturing, transport and public utilities, agriculture,

teachers, doctors, dentists, nurses, engineers, and scientists. Those not in the productive sector are, in economic terms, overhead. That is, they produce no economic surplus themselves, but are instead costs to be deducted from the economic surplus produced by the productive sector.

Some of the jobs classified as overhead are quite important to the proper functioning of the economy. The output from the productive sector must be sold and maintained, which requires salesmen, stores, and repairmen; enterprises require managers, supervisors, and clerks; people need grocery stores, restaurants, cultural events. These are useful functions, in proper proportion, but they are expenses.

Other overhead jobs are useless, or even destructive, such as prostitutes, drug dealers, and Wall Street speculators.

A properly functioning economy should have at least half of its workforce in the productive sector. As you can see, we did not meet that standard in 1956, but at 44%, it was bordering on acceptable. It's been downhill ever since.

## The debt kept growing

While the productive sector has been shrinking relative to the workforce, the debt of the economy has risen sharply (see **Figure 2**). In 1956, the total debt in the economy was \$661 billion. By 1990, that debt had grown to \$14.5 trillion, an increase of 2,100%. In absolute terms, we gained 3.8 million productive workers over that 34-year period; while we gained \$13.9 trillion in new debt, or about \$3.6 million in debt for every new productive worker.

The result is that by 1990, we had \$435,000 in debt for every productive worker (see **Figure 3**), a jump of 1,850% from the \$22,000 in debt per productive worker in 1956.

Even an economist should be able to tell from these num-

FIGURE 1  
**Productive workers**  
(percentage of total workers)

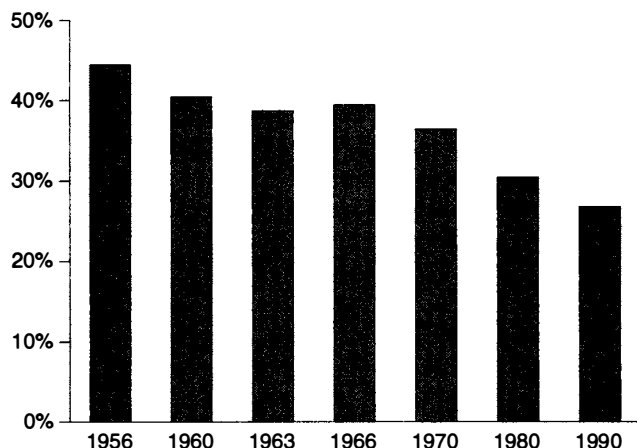


FIGURE 2  
**Total debt in the U.S. economy**  
(trillions \$)

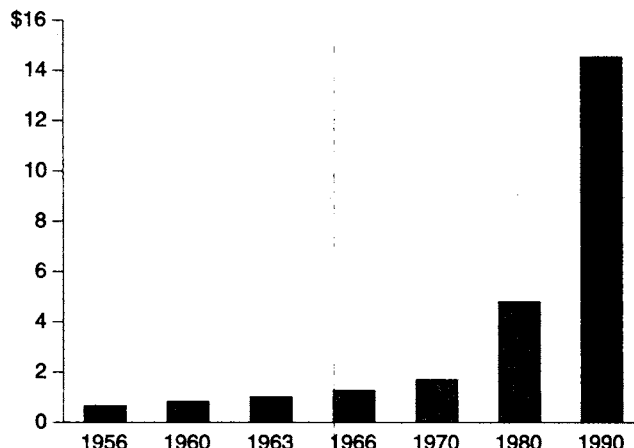


FIGURE 3

**Total debt per productive worker**

(thousands \$)

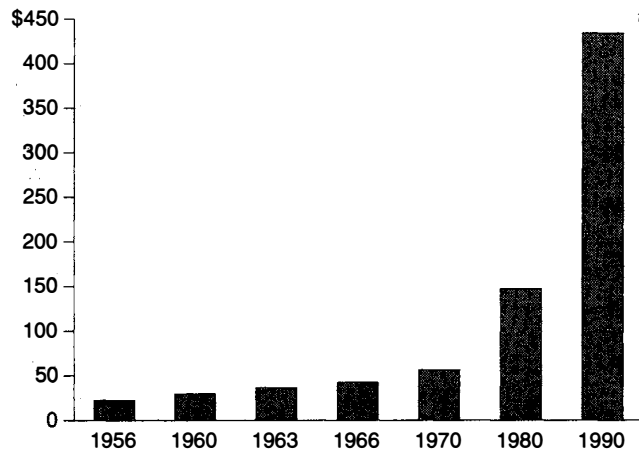
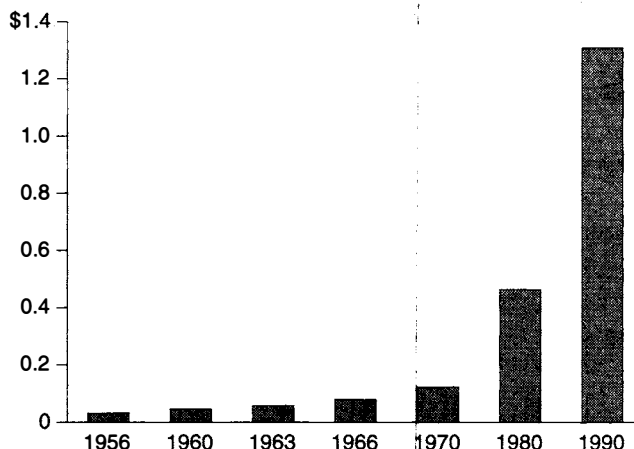


FIGURE 4

**Annual debt service**

(trillions \$)



bers that the economy is in what George Bush once called, “deep do-do.” It is clear that, in the current geometry, there is no possibility of paying this debt. It isn’t going to happen. The battle these days, is just to pay the interest, and even that fight is being lost.

This is actually well-known in informed financial circles, which is why we have had this series of financial bubbles, from real estate to junk bonds to derivatives, in which the unpayable debt is rolled over from one bubble to the next. It’s like the cartoon character who runs off the cliff: As long as he doesn’t look down, he thinks he’s okay. Some of these guys know what’s coming, and want to put it off as long as they can. Others don’t have a clue. In this class falls most of the financial columnists, gurus, and experts, who look at these numbers and see only the profits to be made from usury.

We are now paying \$1.3 trillion a year in debt service in the U.S. economy (see Figure 4). That’s a 4,000% increase over the \$32 billion paid in 1956. We now pay in annual debt service alone, twice the entire debt of 1956. Some of this money goes to pay principal, but most is just interest payments. The Federal Reserve’s policy of lowering interest rates between 1989 and 1994, allowed many of these borrowers to refinance their debt at lower rates. This sleight of hand allowed the banks to keep their doors open, but it did nothing to solve the problem.

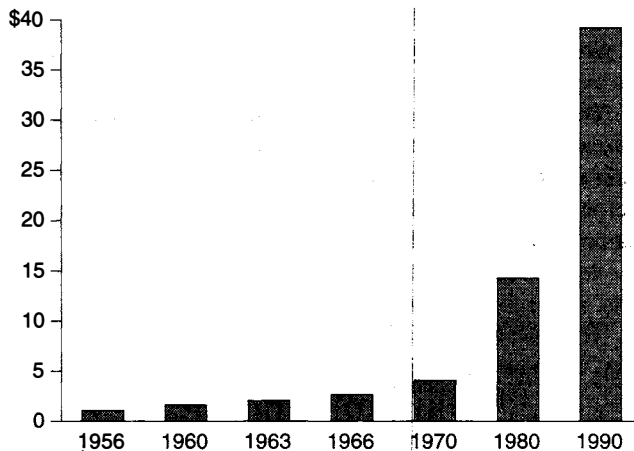
That \$1.3 trillion in annual debt service amounted to \$39,000 for every productive worker (see Figure 5). Since the median income of waged and salaried workers in 1990 was just \$22,000, each of these workers had to cover twice their annual salary in interest payments. No wonder so many people are working two or more jobs.

Debt and debt service are only part of the problem. We also have the matter of funding the federal government and

FIGURE 5

**Debt service per productive worker**

(thousands \$)



the state and local governments (see Figure 6). Some of the activities of these governments are useful, such as infrastructure development and maintenance, national defense, education, and the deployment of a social safety net. Other government activities are not. But ultimately, the productive sector has to pay for it all.

**The tax revenue base has collapsed**

Total government revenues were \$2 trillion in 1990, a 1,600% increase over the \$120 billion in 1956. Despite this sharp rise in revenue, there are those who say the government is broke, and cannot afford to pay for entitlements to protect

FIGURE 6

**Government taxes and revenue**

(trillions \$)

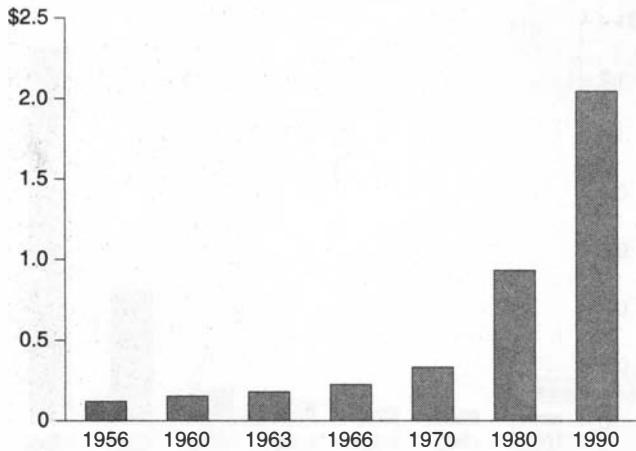
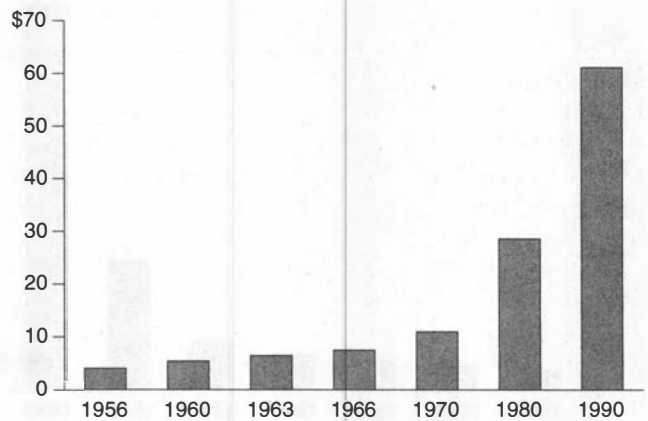


FIGURE 7

**Government taxes and revenue per productive worker**

(thousands \$)



the poor and infirm. There is some truth in this: The government does not have enough money to meet all of its obligations. But those, such as the British Empire's Lord William Rees-Mogg and his puppet, House Speaker Newt Gingrich (R-Ga.), who demand that large segments of the population be thrown on the scrap heap in the name of fiscal prudence, are using that to perpetrate an evil lie.

The problem has been the deliberate take-down of the productive sector, in the guise of building a post-industrial utopia. We have strangled the greatest economic engine in the history of the world, and we have gutted our tax base in the process. This is why we cannot meet our needs.

When one has more heads than hats, one builds more hats, rather than cutting off heads.

The effect of listening to Rees-Mogg and his predecessors, advocates of the post-industrial society, resulted in a cost of government of \$57,000 per productive worker in 1990 (see Figure 7).

All told, the debt service and the cost of government came to \$3.4 trillion a year by 1990 (see Figure 8), all of which must ultimately be paid by the productive sector.

That comes to just over \$100,000 per productive worker in 1990 (see Figure 9), or nearly five times the median wage. That means that every productive worker would have to work five full-time jobs—all in the productive sector, of course, no hamburger flippers here—just to allow the economy to break even. Since these jobs don't exist, it's not likely to happen. Instead, we'll just go deeper into the red.

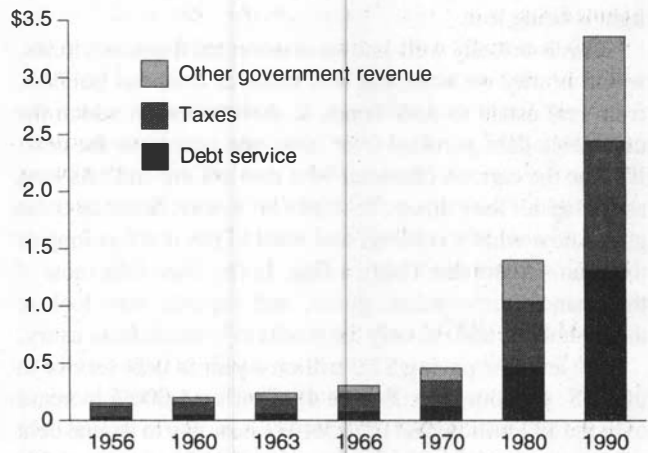
**Internal economic decay**

Now let's turn our attention to rock, drugs, and sex, that which used to be considered the counterculture, but is today just considered culture. The economic aspects of the rock-

FIGURE 8

**Annual financial drain**

(trillions \$)



drug-sex culture are many, and are in many ways immeasurable. How can one measure the cost to society, of a damaged young mind which has been robbed of its potential? How many potential geniuses have been destroyed, by a culture which turns minds inward, rather than turning them outward to master the laws of the universe?

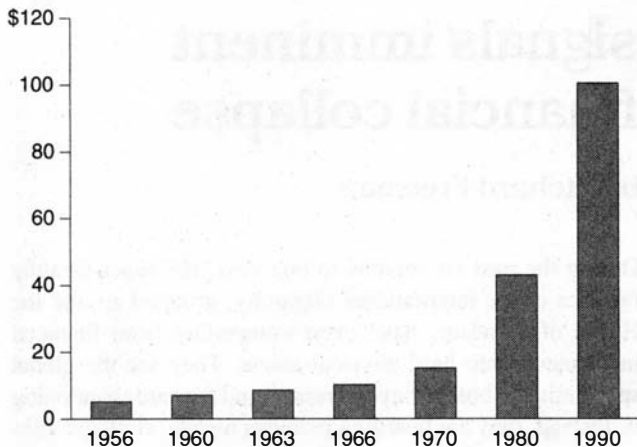
Certain lesser costs can be measured, such as the cost of keeping drug offenders in jail, and the loss of the wages those offenders might otherwise have earned.

For now, we have chosen to measure just two aspects, the money spent on illegal drugs and the money spent on illegal gambling. There was no drug trade to speak of in

FIGURE 9

**Financial drain per productive worker**

(thousands \$)



1956, at least by modern standards, but there was about \$3 billion a year in illegal gambling. That number has risen tenfold, to \$35 billion in 1990. But the real growth is in the illegal drug trade, which we estimate was \$400 billion in the United States in 1990. That brings the total to \$435 billion, which is more than the federal government collected in taxes in 1980, and about two-thirds of what it collected in 1990.

Take the annual debt service, add the cost of government and the cost of just the illegal gambling-and-drugs portion of the rock-drug-sex culture, and you wind up by 1990 with a drain on the economy of \$3.8 trillion a year (see **Figure 10**), or \$114,000 per productive worker. Now we're up to five full-time jobs and one part-time job.

**What should be saved**

What we're facing, is a reorganization of the global financial system, either voluntarily, or involuntarily. We can choose to take preemptive action and put the system through the equivalent of a Chapter 11 bankruptcy proceeding, wherein parts of the debt will be written off and other parts reorganized in a rational manner, or we can wait until the system disintegrates and take our chances in the law-of-the-jungle-style chaos which will follow.

In a bankruptcy reorganization, the debt would fall into three broad classes: 1) that which we will try to save; 2) that which we will freeze for 20-30 years, with the intention of repaying all or part of it out of the economic growth which would follow; and 3) that portion of the debt which will simply be written off.

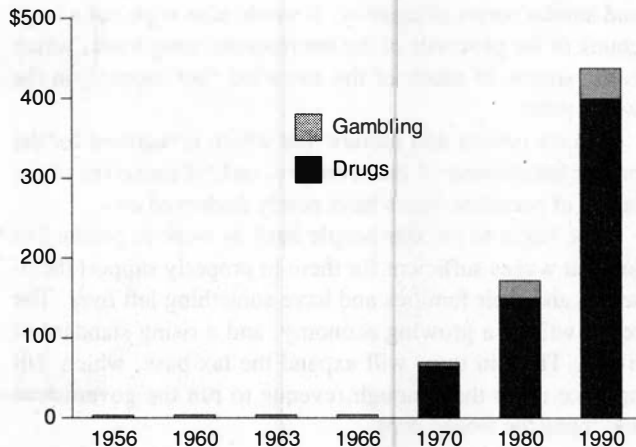
How do we divide up the debt into those categories? How do we decide what to pay, what to freeze, and what to throw out?

You start by making a list of what you need, what is

FIGURE 10

**Money spent on gambling and drugs**

(billions \$)



essential to the health and welfare of the population. We must ensure that food, water, and power are available in sufficient supply; that police, fire, medical, and other emergency services are maintained; and that the schools stay open. Trash must be picked up, sewage disposed of, potholes filled, and other essential services maintained.

We must not only protect, but expand our infrastructure, which provides the basis for productivity and efficiency. This includes "hard" infrastructure, such as water supply and distribution systems, electrical and gas power systems, roads, railroads, and water transportation grids. It also includes "soft" infrastructure, such as health-care systems, elementary and secondary schools, colleges and universities, trade schools, and scientific research and development institutions.

We must also protect and massively expand our productive industries, agriculture, mining, manufacturing, and construction. We will need, at minimum, another 25 million workers in the productive sector, an increase of 80%, just to bring the market basket up to the 1967 level.

To pay for all the materials needed as inputs in this economic expansion, we will need some \$4-5 trillion in new credits.

That is, credit, as opposed to debt. One of the first things to be done in this economic reorganization, would be to abolish the Federal Reserve, and replace it with a National Bank of the United States, similar to what was done by Treasury Secretary Alexander Hamilton. This new bank would issue long-term, low-interest credits for productive activity. The days of the federal government borrowing money through the Fed would be over.

What we would not protect, is the portion of the debt which comes from speculation, usury, and other parasitical

activities in the economy. If it wasn't honestly earned, it's gone. That would take care of the derivatives markets, junk bonds, most of the debts from corporate takeovers, real estate speculation, currency speculation, commodities speculation, and similar forms of insanity. It would also wipe out a large chunk of the proceeds of the international drug trade, which is the source of much of the so-called "hot money" in the world today.

So we protect and nurture that which is required for the proper functioning of the economy, and rid ourselves of the layers of parasites which have nearly destroyed us.

We begin to put our people back to work in productive jobs, at wages sufficient for them to properly support themselves and their families and have something left over. The result will be a growing economy, and a rising standard of living. That, in turn, will expand the tax base, which will produce more than enough revenue to run the government and repay the frozen debt.

None of this is new. These policies have worked every time they've been applied. They work, because they are ultimately based upon the premise that it is the creative power of the human mind that is the source of wealth. The ability of man, created in the image of God with the divine spark of reason, to transform the world around him, is the source of wealth. That is what is precious, and that is what must be saved.



## LaRouche Campaign Is On the Internet!

Lyndon LaRouche's Democratic presidential primary campaign has established a World Wide Web site on the Internet. The "home page" brings you recent policy statements by the candidate as well as a brief biographical resumé.

**TO REACH** the LaRouche page on the Internet:

<http://www.clark.net/larouche/welcome.html>

**TO REACH** the campaign by electronic mail:

[larouche@clark.net](mailto:larouche@clark.net)

Paid for by Committee to Reverse the Accelerating Global and Strategic Crisis: A LaRouche Exploratory Committee.

# Commodities hoarding signals imminent financial collapse

by Richard Freeman

During the past six months to one year, the super-wealthy families of the international oligarchy, grouped around the House of Windsor, have been stampeding from financial investments into hard physical assets. They see the global speculative bubble as beyond repair, and they are abandoning it. Instead, they are hoarding precious metals, strategic minerals, increasingly scarce food supplies, fuel resources such as coal, oil, and gas, and even stocks of blue chip companies that they think will survive the crash. As a report issued by the World Bank in mid-August, entitled "Toward Sustainable Water Development," indicates, they are setting themselves up to "privatize" and corner the world's entire supply of free available water.

The *WallStreetJournal* keeps clucking to tens of millions of suckers that the Dow Jones is at a record high, that now is the time to invest in stocks, bonds, and even derivatives. However, the rich oligarchs who manage family financial trusts, or *fondi*, who have been around 300-600 years, know from the inside that this is a lie. Their rush into hoarding is conclusive proof to anyone paying attention, that the collapse of the world's financial system is unstoppable and imminent.

The shift into hoarding represents a realignment by the international oligarchy with potentially horrendous consequences for mankind. The real purpose of the shift into hoarding is to fortify the Anglo-Dutch raw materials cartel's dominant control over the world economy. When the smoke clears from the crash, this cartel sees itself as controlling 60-70% of the flow of the world's most crucial commodities needed to support life.

The syndrome is governed top-down by the neo-Malthusian policy which Henry Kissinger, a prophet of genocide and a professed British agent at the time, wrote as U.S. secretary of state in 1975-76, under the title National Security Study Memorandum 200. This was a policy of genocide against the Third World, and eventually against the industrialized West. If 60% of food supplies, 60% of energy supplies, and 60% of metals and strategic minerals are controlled, this is the stuff on which human life depends. Based on historic holdings that in some cases go back centuries, the interlocked Anglo-Dutch-Swiss raw materials cartel has within its power the ability to cut back every phase of industrial and agricultural production. Don't think that the oligar-



chy will share its assets, even to sell them at marked-up prices to continue production. It will break nation-states and squeeze every form of production until mankind is reduced to the shrunken state of 500 million semiliterate souls roaming the Earth.

This report will present, for the first time ever, documentation of the extent of domination of the Anglo-Dutch raw materials cartel, with percentages for each commodity. It will show who runs the cartel, with names and addresses.

But first, to locate this hoarding process, I will present two of the many available examples:

- First, during the first six months of 1995, various individuals and wealthy families—and not just Asian families—imported 165 metric tons of gold into Japan, double the level of the first six months of 1994. Gold is a favorite metal for hoarders.

- Second, in the silver market, during the week of April 16, one large purchaser, whose name is still unknown, bought, according to several reliable sources, between 25 and 75 million troy ounces of silver to hoard. He took physical delivery of the metal by loading it onto trucks at the loading docks at the New York Commodity Exchange and then drove it to bank vaults in Delaware and Providence, Rhode Island. Twenty-five million ounces is 777 tons of silver, and 75 million ounces is 2,331 tons of silver. If the latter figure is the accurate one for the hoard, this single purchase represents one-sixth of total annual world silver output.

One further crucial point: While commodity prices are rising in the short term, the oligarchy is snatching up its commodity hoard at dirt cheap prices. Recently, commodity prices shot up, reflecting hoarding and/or shortages. The price of a ton of wheat, which stood at \$80 a ton in August 1994, today is \$185 per ton. Since 1993, the prices of copper and tin have doubled.

But by historical standards, commodity prices are dirt cheap. The farmer and the Third World nation do not see higher prices for their commodities. The speculative bubble of the last 35 years, and the ensuing physical collapse, causes many farmers and mining enterprises to operate below the economic cost of reproducing their farms or mines or society as a whole. The price of wheat is below where it was 20 years ago, and far below a parity price. The oligarchy which ran the speculative process of the past 35 years is pocketing the difference.

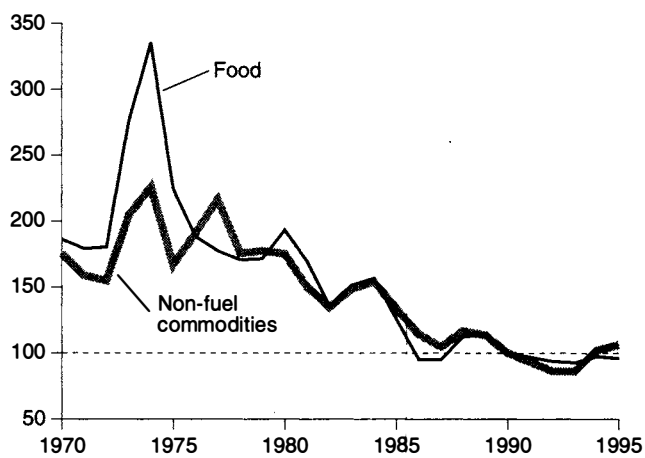
**Figure 1** shows the World Bank's price indices for food and non-fuel mineral commodities. They are set in 1990 constant prices, with the 1990 price set to an index number equal to 100. From an historical standpoint, the price levels of today, though showing an upturn since 1993, are a fraction of their 1970s high-point.

We now present the Anglo-Dutch-Windsor cartel's control of the flow of all commodities essential to life, a control which already exists and which the oligarchy is building up further. If anybody thinks that he or his nation will survive

FIGURE 1

## World Bank price indices for food and non-fuel commodities

(index 1990=100)



by outwitting this cartel's power, he is sorely mistaken. The degree of Anglo-Dutch control is greater than that exercised by any empire in history, including the Roman Empire at its height.

The world production of commodities is looked at from the standpoint of which five basic groups of nations and/or firms control physical production. We look at the percent of world production controlled by 1) London-based and British Commonwealth-based nations and companies, which are combined into one category; 2) the non-British industrialized nations, such as the United States; 3) the nations of the former Soviet Union; 4) Third World and other nations, including China; and 5) all other nations for which individual figures are not available.

We look at the Anglo-Dutch cartel's control of three basic types of commodity: 1) metals and minerals, which itself is broken down into precious, base, and strategic metals; 2) food; and 3) energy supplies, covering oil, gas, and coal.

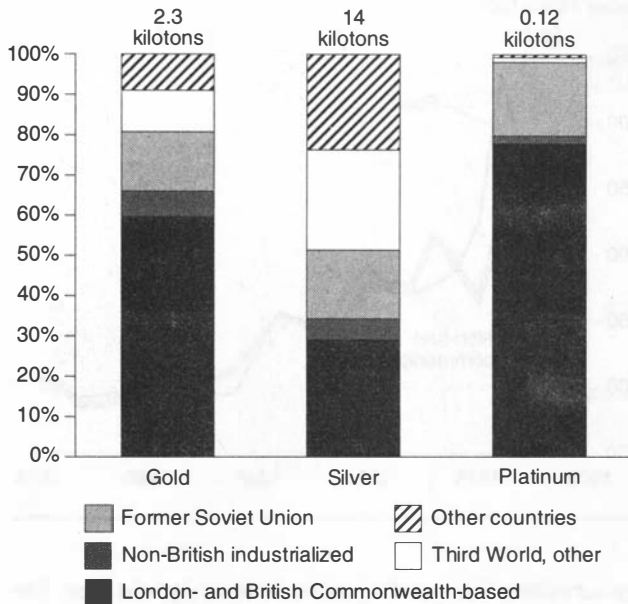
### Cartel control of metals

Start with the precious metals group (**Figure 2**): gold, silver, and platinum. They are called precious metals, because even though silver is used in film processing and platinum is used in catalytic converters, all three metals are often hoarded for their non-industrial value in the form of bullion, and sometimes in the form of jewelry.

In the case of gold, London-based and British Commonwealth-based firms and nations control 59.5% of world production. The top three gold-mining companies of the world, all British-controlled—Anglo-American Corp. and Consolidated Goldfields, both of South Africa, and Barrick Gold of Canada—control 20% of total gold production. The total

FIGURE 2

**Control of gold, silver, and platinum markets**  
(percent of total market)



amount of gold production is reported in Figure 2: 2.3 kilotons (2,300 tons). This gold production, by the time it reaches the market, is worth \$29 billion annually. The British have 60% of the take.

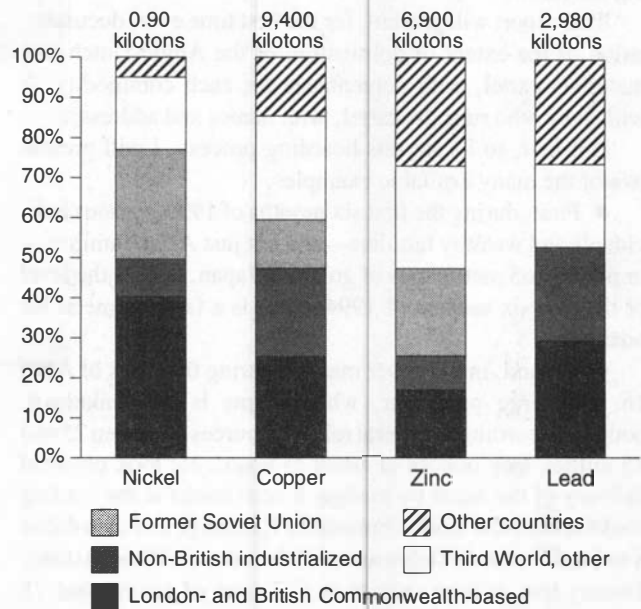
The London-based and British Commonwealth-based group controls 29% of silver production and a staggering 78% of world platinum production.

Next, we look at the Anglo-Dutch cartel's control of the base metals: copper, zinc, lead, nickel, alumina/bauxite, iron ore, and tin. These metals are not glamorous, but without them it is impossible to conceive of a modern economy. If one excludes crushed stone, and wood- and carbon-based materials, 70% of the weight of every manufactured good in the world is made up of just these seven metals. They are the mainstay of the finished goods that make up economic life, ranging from machine tools and tractors to electric generators and refrigerators.

Figure 3 shows that the London-based and British Commonwealth-based group controls 40% of the world's annual nickel production, which is 90 metric tons. Three of the four biggest nickel miners are British controlled: Inco Ltd. of Canada, which is allied to the Anti-Defamation League's Bronfman family; the ubiquitous Anglo-American Corp.; and Western Mining Corp. of Australia. Canadian, Australian, and South African mining companies are used as forward bases for the British to control a good part of world mining production. Britain also exploits the gigantic mineral and metal reserve deposits in these three Commonwealth

FIGURE 3

**Control of nickel, copper, zinc, and lead markets**  
(percent of total market)



countries. Outside of coal, Britain has no significant mining capability of its own.

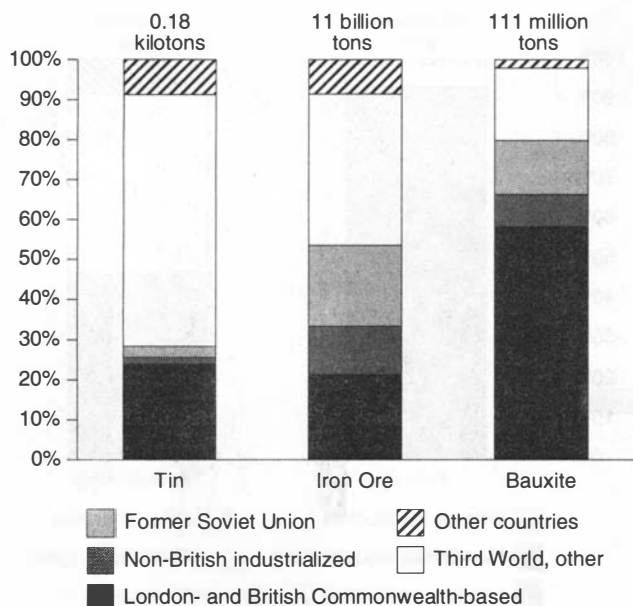
The British control 25% of the world's annual copper mining of 9.4 million metric tons. They control 17% of zinc mining—and 17% is the lowest percentage that British control of the metals ever reaches, everything else is higher. The Anglo-Dutch cartel controls 30% of the world's annual lead output of 2,980 kilotons.

Figure 4 shows that the British control a whopping 58% of alumina/bauxite mine production, from which aluminum is made. The British control 21% of iron ore mining, and 24% of tin mining.

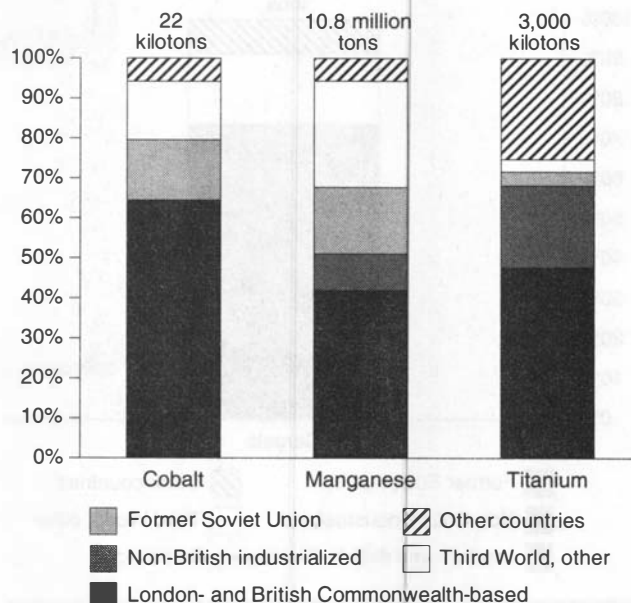
Next, we look at the strategic metals (Figure 5), so-called because they are often used in defense and high-technology goods. For the most part, they form crucial alloys, and are useful for their light weight, high tensile strength, or heat resistance. These strategic metals are the singularities in an economy: Some of them may not be produced in great quantity, but without them the modern electronics, aerospace, nuclear, and high-speed rail industries, to name a few, cannot function. For example, 40% of the strategic metal cobalt's use is in aircraft gas turbine engines, and 10% is in magnetic alloys.

The astounding figures speak for themselves. The Anglo-Dutch cartel monopolizes 64% of cobalt mine output, 42% of manganese output, and 47% of titanium output. The British control 32% and 39% of the output of vanadium and chromi-

**FIGURE 4**  
**Control of tin, iron ore, and bauxite markets**  
 (percent of total market)



**FIGURE 5**  
**Control of cobalt, manganese, and titanium markets**  
 (percent of total market)



um, respectively (Figure 6). In the case of these two metals, as with many other metals and minerals, notice that the Russians also have a high concentration of control. This is one of the reasons that the British are so keen to steal Russia blind, using the argument that the Russians should privatize their State-owned companies.

**The food cartel**

Next, we turn to the food chain. I'm not going to motivate this: You all like to eat, and our next speaker will also examine this. First, we look at cereals from the standpoint of exports: who controls the marketing (Figure 7). Formally, the British and British Commonwealth control 18% of world cereal exports. But here we have an anomaly: Look at the portion marked Non-British Industrialized. Most of the world's grain cartels have their corporate headquarters in the United States, and they are classified as Non-British Industrialized. But we know they are actually part of the British-Dutch-Swiss interlocked cartel. These five companies—Archer Daniels Midland of George Bush's ally Dwayne Andreas, Cargill, Continental Grain, Louis Dreyfus, and Bunge—control over half the world's cereal exports. So, if we add these companies into the British total, the British control three-quarters of world cereal exports.

The same situation exists with regard to meat. The U.S.-based, but British cartel-controlled Iowa Beef Processors, Cargill, and ConAgra slaughter half the meat in America, and IBP is the largest slaughterer in the world. Meanwhile, the drug-linked United Fruit Company, now called Chiquita

**FIGURE 6**  
**Control of vanadium and chromium markets**  
 (percent of total market)

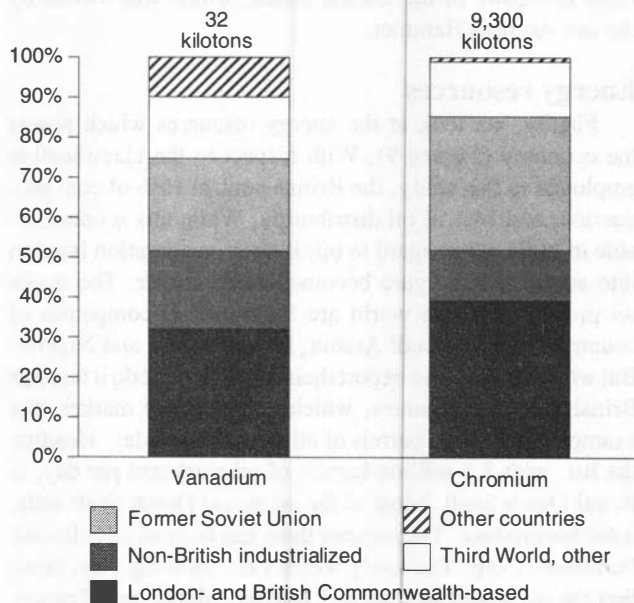


FIGURE 7

**Control of world cereals market**

(percent of total market)

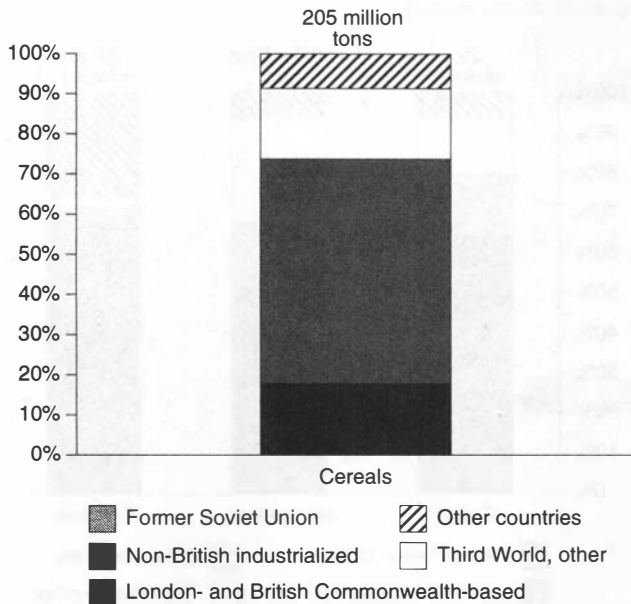
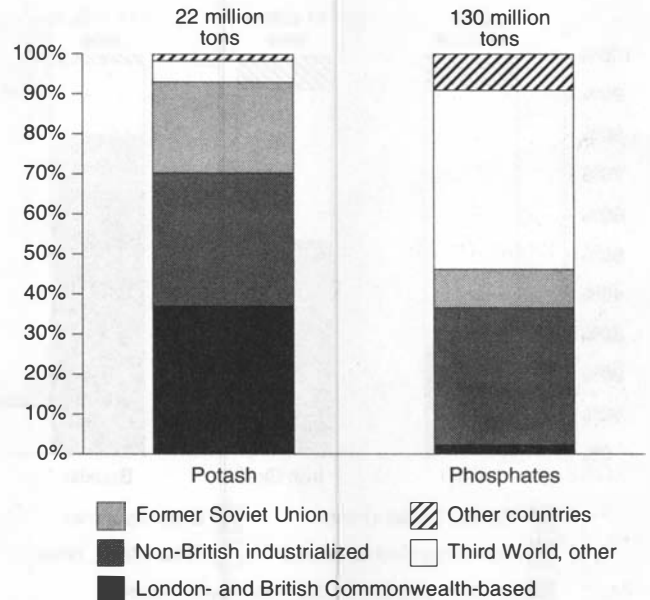


FIGURE 8

**Control of potash and phosphates markets**

(percent of total market)



International, is the largest marketer of fruits and vegetables in the world.

To produce food, one needs fertilizer (Figure 8). Potash and phosphate rock are used in making fertilizer, and the British control 37% of potash production. In the case of phosphate rock, it may seem that British control is minuscule, but British control is located in the Occidental Petroleum Company of the United States, which was owned by the late Armand Hammer.

**Energy resources**

Finally, we look at the energy resources which power the economy (Figure 9). With respect to the classification employed in this study, the British control 15% of coal production, and 14% of oil distribution. While this is considerable in itself, with regard to oil, if one consideration is taken into account, this figure becomes much higher. The major oil producers in the world are State-run oil companies of countries such as Saudi Arabia, Iran, Mexico, and Nigeria. But when they want to export their oil, they must do it through British-linked companies, which dominate the market. For example, 67 million barrels of oil are sold each day. Heading the list, with 5.5 million barrels of oil marketed per day, is Royal Dutch Shell. Most of the oil Royal Dutch Shell sells, it did not produce. The number three marketer of oil is British Petroleum Corp. The study which I am showing you classified the oil output of Exxon, Chevron, Mobil, and Texaco, which are the American components of the Seven Sisters oil

FIGURE 9

**Control of oil, gas, and coal distribution**

(percent of total market)

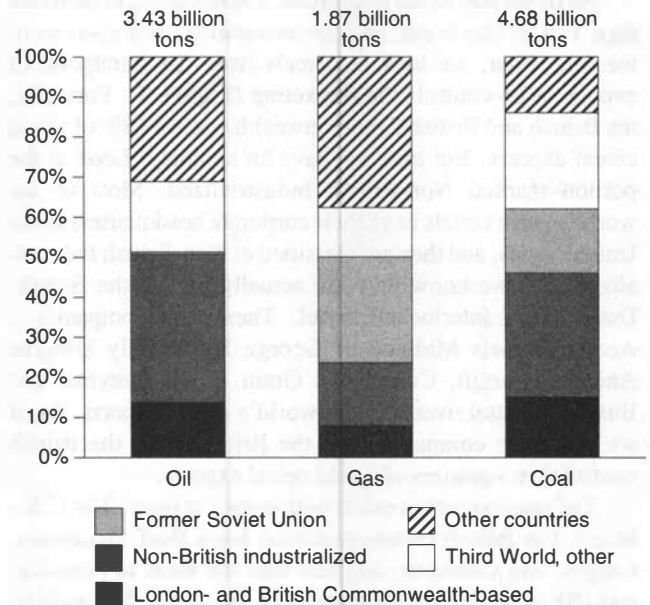


TABLE 1

**Crucial commodities production, by sector**

(kilotons)

	World total produced	London- and Commonwealth- based	Non-British industrialized nations	Former Soviet Union	Third World, other	Other countries
<b>Minerals</b>						
Gold	2.30	1.37	0.15	0.34	0.23	0.21
Silver	14.00	4.09	0.74	2.41	3.51	3.33
Platinum group	0.12	0.09	0.00	0.02	0.00	0.00
<b>Total precious metals</b>	<b>16.42</b>	<b>5.55</b>	<b>0.89</b>	<b>2.77</b>	<b>3.75</b>	<b>3.54</b>
Copper	9,400.00	2,391.00	2,061.10	1,140.00	2,440.20	1,366.70
Zinc	6,900.00	1,178.40	581.60	1,506.96	1,771.30	1,862.00
Lead	2,980.00	888.20	697.70	0.00	620.40	773.70
Tin	0.18	0.04	0.00	0.01	0.11	0.02
Nickel	0.90	0.36	0.08	0.25	0.16	0.04
Alumina/Bauxite	111,000.00	64,660.00	8,910.00	15,040.50	20,057.00	2,332.00
Iron ore	1,000,000.00	212,370.00	119,100.00	200,000.00	377,920.00	84,600.00
<b>Total base metals</b>	<b>1,130,281.08</b>	<b>281,488.90</b>	<b>131,350.49</b>	<b>217,687.71</b>	<b>402,809.17</b>	<b>90,934.46</b>
<b>Strategic minerals</b>						
Rare earths	57.77	10.24	17.25	8.00	22.26	0.00
Cobalt	22.50	14.50	0.00	3.40	3.30	1.30
Manganese	10,780.00	4,520.00	980.00	1,800.00	2,870.00	610.00
Titanium	3,000.00	1,430.00	615.00	104.00	94.00	757.00
Vanadium	32.40	10.40	6.30	7.50	5.00	3.20
Chromium	9,301.00	3,650.00	1,173.00	3,110.00	1,272.00	96.00
Beryllium	0.33	0.00	0.20	0.04	0.09	0.00
Niobium	20.48	3.54	4.50	2.20	10.24	0.01
<b>Total strategic minerals</b>	<b>23,214.48</b>	<b>9,638.68</b>	<b>2,796.25</b>	<b>5,035.14</b>	<b>4,276.88</b>	<b>1,467.51</b>
<b>Food</b>						
Cereals	205,000.00	36,400.00	115,700.00	0.00	36,000.00	17,700.00
<b>Fertilizers</b>						
Potash	22,000.00	8.16	7,325.00	5,000.00	1,157.00	358.00
Phosphates	130,000.00	3,000.00	44,600.00	12,500.00	58,200.00	11,700.00
<b>Total fertilizers</b>	<b>152,000.00</b>	<b>11,160.00</b>	<b>51,925.00</b>	<b>17,500.00</b>	<b>59,357.00</b>	<b>12,058.00</b>
<b>Fuels</b>						
Oil	3,430,313.78	467,860.85	1,270,214.73	18,474.76	601,478.31	1,067,291.95
Gas (ton equivalent)	1,869,146.00	148,337.50	292,927.50	494,666.50	230,157.30	703,057.10
Coal	4,675,708.80	726,667.20	1,435,979.20	740,275.20	1,108,598.40	664,188.80
<b>Total fuels</b>	<b>9,975,168.58</b>	<b>1,342,865.55</b>	<b>2,999,121.43</b>	<b>1,253,416.46</b>	<b>1,940,234.01</b>	<b>2,434,537.85</b>
<b>Grand total</b>	<b>11,485,680.55</b>	<b>1,681,558.68</b>	<b>3,300,894.06</b>	<b>1,493,642.08</b>	<b>2,442,680.81</b>	<b>2,556,701.35</b>

cartel (actually now Six Sisters), as Non-British Industrialized. But as the 1973-74 and 1978-79 Oil Hoaxes and other events have shown, the actions of Exxon et al. are, on many points, very British. If the four American Sisters are considered with the British, then the British control a commanding 34% of world petroleum distribution.

Table 1 summarizes the commodities. In the case of fuels, whose bulk weight accounts for nine-tenths of raw materials output, the Anglo-Dutch cartel has a sizeable, but not dominant position, but its real control comes from control of marketing. The British dominate the production of almost all other commodities. Beyond that, the real secret of the

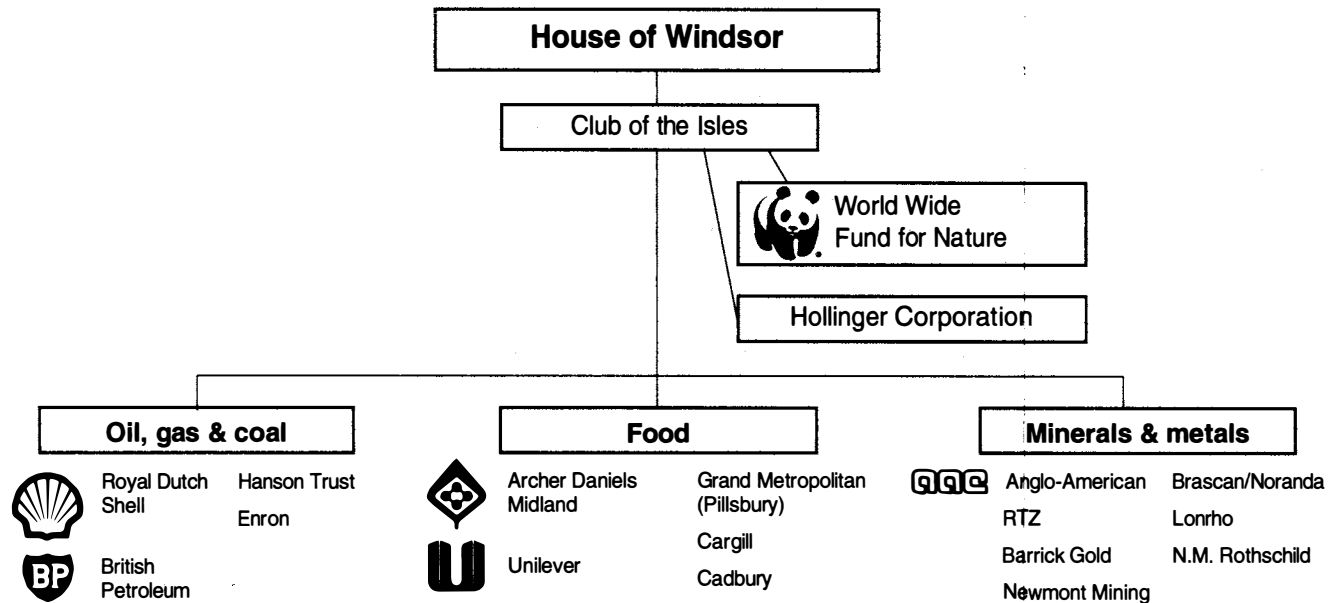
Windsor-led oligarchy is that it is the only force organized deliberately as a cartel. Only the Anglo-Dutch-Swiss have a coordinated global apparatus. Thus, even in the case where it produces only 20% of an item, it is an organized 20%, including control of markets and exchanges, whereas individual countries are forced to fend for themselves.

### The control apparatus

Figure 10 shows the cartel's control apparatus. At the top is the House of Windsor and the Club of the Isles, representing the collective oligarchies of Britain and principally continental Europe, with a select few eager, but junior,

FIGURE 10

**House of Windsor control of raw materials**



American partners. Right below are two of the principal appurtenances of the House of Windsor: the World Wide Fund for Nature, headed by the Duke of Edinburgh, Prince Philip, which leads the world in ethnic conflict and terrorism, such as the WWF-supervised destruction of the nation of Rwanda, and British intelligence's Hollinger Corp. of Conrad Black, which is leading the assault to destroy Bill Clinton and the American Presidency.

There are the three major cartel groups: energy, food, and metals and minerals. The various firms are listed in each cartel group. These are not really separate entities, although they may maintain the legal fiction of different corporate forms. This is one interlocking syndicate, with a common purpose and multiple overlapping boards of directors. While the House of Windsor and Club of the Isles superintend these companies, the flow works the other way as well: The oligarchy owns these cartels, and they are the instruments of power of the oligarchy, accumulated over centuries, for shaping world economic events, and breaking nations' sovereignty.

Let us give a brief history of a few key personalities and institutions, to show how this apparatus works.

Start with Shell Oil, which is 60% the Royal Dutch Company (which is, of course, Dutch), and 40% the Shell Trading Company (which is British). It was formed as the result of a merger during the early years of the century of Sir Henry Deterding's Indonesia-based oil company with Marcus Samuels's oil transport company, but it has always represented, in corporate form, the coincident interests of the Dutch and British monarchies. It is the largest private oil company in the world. Let's look at Shell's board. During the 1970s,

Jack Loudon was president of Shell. He was simultaneously the president of the World Wildlife Fund international. At the same time, five other past or current Shell officers were officers or the co-founders of World Wildlife Fund chapters around the world. On Shell's current board is Lord Armstrong of Ilminster, who from 1979 to 1987 was cabinet secretary of the Margaret Thatcher government. Lord Armstrong is a perfect demonstration of how this operates as one interlocked syndicate: He is simultaneously on the board of RTZ minerals company and N.M. Rothschild. Another example of overlap is Shell board member M.F. Van den Moven, who is the past chairman of Unilever.

The food cartel is next. Another example of a joint Anglo-Dutch oligarchy operation is Unilever, which represents the 1930 merger of a British and a Dutch firm. Today Unilever is one of the world's largest producers of oil- and dairy-based foods, including ice cream and detergents. On the Unilever board is Lord Wright of Richmond, G.C.M.G. From 1986 through 1991, he was head of Britain's Diplomatic Service and also permanent under secretary of state at the British Foreign and Commonwealth office. Lord Wright is also a director of Barclay's bank, which is a major force and funder of the WWF.

Another key part of the food cartel is Archer Daniels Midland, based in Illinois, which dominates the grain trade. ADM is being investigated by the U.S. Justice Department's Anti-Trust Division for fixing the price of corn-based sweetener. The chairman of ADM, George Bush's crony Dwayne Andreas, is a major force in the Anti-Defamation League, and a board member of British intelligence's premier press

propaganda company, the Hollinger Corp. Two other ADM board members, former Canadian Prime Minister Brian Mulroney and former Bush administration Ambassador to Moscow Robert Strauss, are on or have been associated with Hollinger's board.

It should be noted that just from this group of companies, there are six individuals who hold core positions in the Hollinger Corp., which gives one an idea of what that corporation really represents.

The undisputed leadership of the raw materials cartel belongs to Anglo-American and Rio Tinto Zinc, which is usually called RTZ. The Johannesburg, South Africa-based Anglo-American, which owns a large chunk of DeBeers Diamonds and is the world's largest mining company, was founded in 1915, with money from J.P. Morgan Bank of New York, the Rothschild bank, and from British and German financiers. It has locked up a huge part of South Africa's mineral wealth. On Anglo's board is Rupert Hambro, of the merchant bank bearing his name, who is on the board of the flagship newspaper of the Hollinger Corp., the *Daily Telegraph* of London.

As for London-based RTZ, there is the direct participation by the British monarchy. *Forbes* magazine author Geoffrey Smith reported that Queen Elizabeth II is an important stockholder in RTZ, a report confirmed by historian Charles Higham. This would correspond with RTZ's seedy past. RTZ was founded in the 1870s by Hugh Matheson, the head of the Hong Kong-based firm Jardine Matheson, then the world's biggest opium-trading operation. More recently, RTZ was under the direction of Sir Mark Turner, who from 1939 through 1944 was a leading officer in the United Kingdom's Office of Economic Warfare. As befits someone in that position, he studied the economic chokepoints of an economy, and is able to implement a strategy to cut off raw materials and economic flows to cripple an economy.

**Table 2** shows what Anglo and RTZ own. Between them, they produce one-eighth of the western world's mining output (this excludes countries from the former Soviet Union, principally Russia). For 16 of the 24 crucial minerals and metals listed, the combined output of Anglo and RTZ accounts for 10% or more of western world output, and in the case of 7 of the materials, this combine produces one-quarter or more of western world output.

Even beyond owning production, the British have other tricks up their sleeve to carry out their hoarding. The British supervise most of the metal and commodity exchanges in the world. A further prime instrumentality is Phibro, the world's biggest commodity trading firm, which was run by the Jesselson family, and is now nominally owned by Warren Buffet's Salomon Brothers. Under its old name Phillips Brothers, during the 1973-74 Oil Hoax, Phibro cornered all the oil on the spot market, so that oil could not be sold to break the fake oil shortage arranged by the Seven Sisters. Phibro maintains a computer system that rivals the CIA's: It can track a metal

TABLE 2

### Anglo-American and Rio Tinto Zinc combined share of Western world mining production

(percent of total)

Commodity	Share	Commodity	Share
Antimony	20%	Nickel	8%
Bauxite	10	Niobium	8
Chromite	15	Palladium	39
Cobalt	10	Platinum	45
Copper	12	Rhodium	41
Diamond	48	Silver	6
Gold	25	Titanium	31
Iron ore	10	Tungsten	18
Lead	7	Uranium	8
Lithium	5	Vanadium	36
Manganese	6	Zinc	6
Molybdenum	11	Zirconium	23

shipment on any boat on the high seas, identify which mine in the world has sold what metal to any wholesaler on any day, etc. This capability exceeds that of most governments.

### What next?

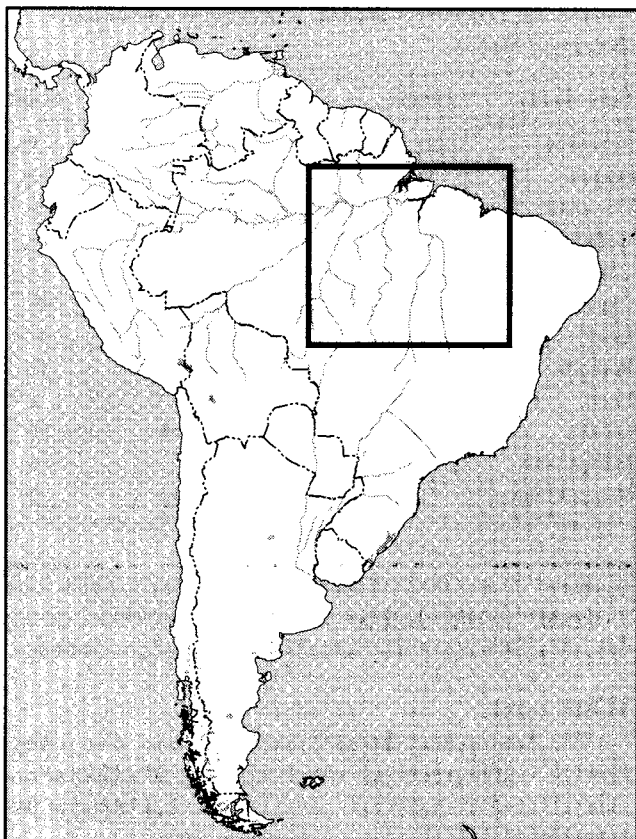
The Anglo-Dutch-Swiss commodity cartel is in a flight forward to grab resources, specifically to grab whatever raw material reserves it does not already control. I will give two examples of this.

One of the biggest grabs now being considered is to take the Gran Carajás in Brazil. Situated in the northeast of the country, in the middle of the Amazon (**Figure 11**), the Gran Carajás is a mountain of iron ore, copper, manganese, nickel, alumina/bauxite, and gold, in huge quantities. The best plans that Brazil has are to develop this region as a step in nation-building, turning it into a thriving region of a new population of 6 million, rich with ports, railroads, and manufacturing. Brazil assigned its State-owned company, CVRD, to develop the region. But Anglo-American and RTZ muscled in. They have signed with CVRD risk contracts to prospect for gold, and are working on joint mining projects with the CVRD in copper, and outside the Carajás in mining bauxite. Under intense pressure from the Windsor crowd, the Brazilian government is considering privatizing the entirety of the CVRD, and its mineral claims, for the paltry sale price of \$8 billion. RTZ and Anglo-American are ready to pounce.

Another market targeted for looting is Russia. As **Figure 9** showed, Russia produces a strong 26% of world gas output. This is produced by Gazprom, Russia's public stock-owned gas company, which is 40% owned by the government. Gazprom's sales last year totaled \$7 billion. Gazprom's gas reserves, at 24 trillion cubic meters, are enormous, approximately one-sixth of the world's total. Now the raw materials

FIGURE 11

The Greater Carajás region of Brazil



cartel is angling to buy them. Kleinwort Benson investment bank, which is a kissing cousin of RTZ, has been arranging for the sale of 10% of Gazprom's shares. A leading candidate in the running for getting these shares is Enron Corp., which is linked to George Bush, and a subsumed partner in the British-run energy cartel.

As the rush to raw materials hoarding intensifies, the Anglo-Dutch cartel hopes to put itself into a position that, with the collapse of the world monetary system, they will be the sole surviving power. Their thinking is flawed. They do not locate economic wealth where it really is, in the creative force of man's reason: man's individual creative act of discovery, which overturns accepted fundamental axioms, creates a revolution in scientific ideas, which drives the economy forward. Rather, the oligarchy sees wealth as the raw material holdings emanating from Mother Earth. This physiocratic view of economics underpins the plans of the oligarchy to strangle the economy until there is very little human existence left. At this point, all the raw materials in the world won't do them any good.

The cartel's power must be busted apart. The solution that will work is Lyndon LaRouche's method, which Marcia Merry Baker will now discuss.

# Do you want to eat next year?

by Marcia Merry Baker

I expect, you would all like to have food to eat next year. A decent diet has plenty of all the food groups—cereals, oils, dairy, animal proteins, spices, and the rest—but for today's purpose, we'll look at just grains.

In **Figure 1**, we see how, as of around 1990, the world already had a whopping food gap in basic grains. The bar on the left shows the annual level of utilization of grains. Now, this is *actual use* of grains—at the low diet levels for most of the world. Rice, wheat, corn, oats, rye, sorghum—all kinds. The amount of grains required for a decent diet would be twice as high—over 3,000 million tons, off the charts.

But look at the bar on the right, world grain production. It is *below* even the paltry utilization levels of 1990.

As you can imagine, you can't continue long eating food you are not producing. This shows conditions for famine. As you can see, we were in bad trouble as of 1990.

Now, break this picture down and look at the basic grains gap in the major geographic regions of the world. In all cases, we are taking the utilization rate at the highest year at or around 1990, and the year of the lowest production

FIGURE 1

## World grain deficit

(annual, 1990, millions of metric tons)

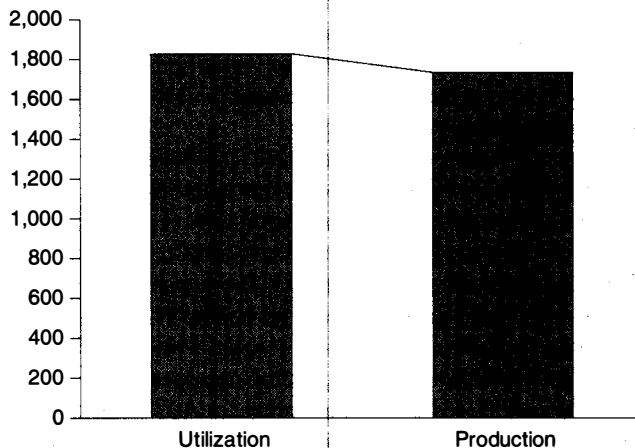




FIGURE 2

**South America: grain deficit**

(annual, 1990, millions of metric tons)

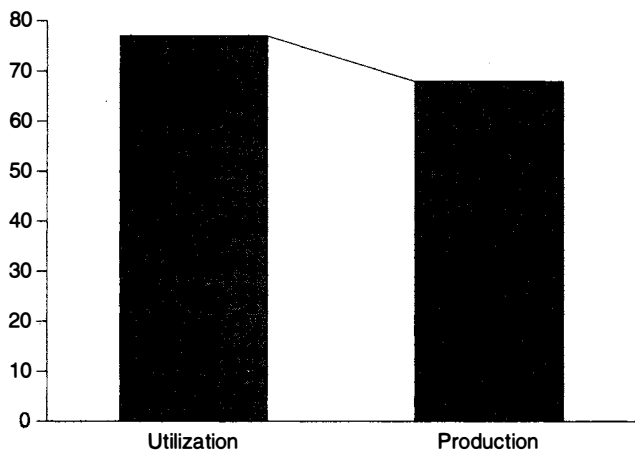


FIGURE 4

**Former Soviet Union: grain deficit**

(annual, 1990, millions of metric tons)

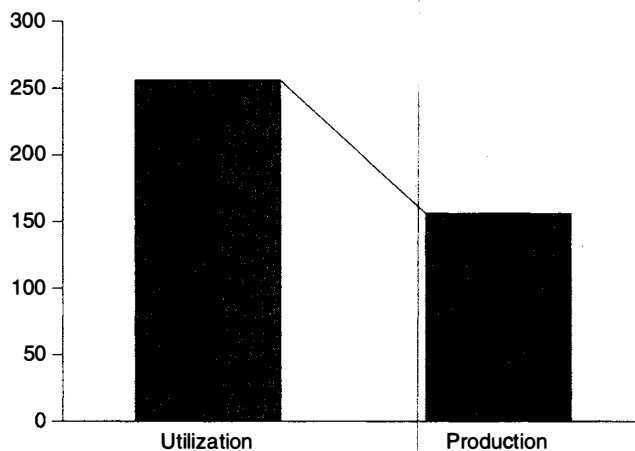


FIGURE 3

**Africa: grain deficit**

(annual, 1990, millions of metric tons)

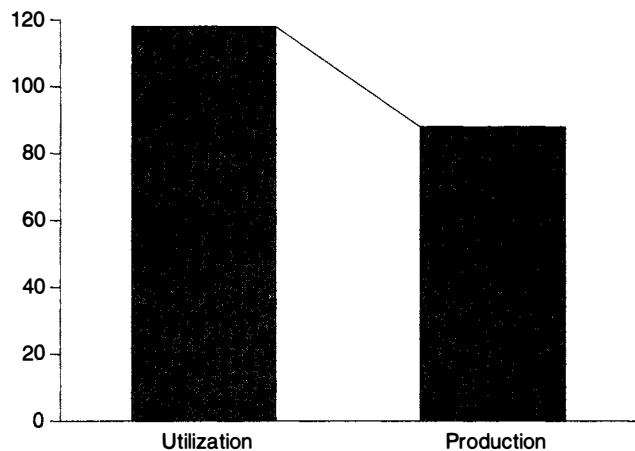
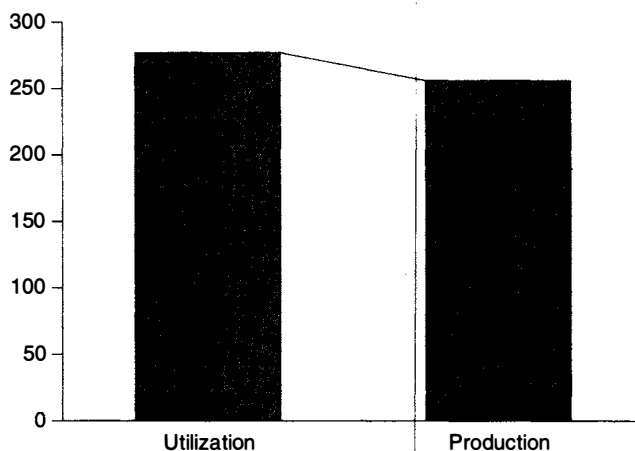


FIGURE 5

**Europe: grain deficit**

(annual, 1990, millions of metric tons)



around that time.

In South America, as of around 1990, grains utilization exceeded production on this continent by about 5 million tons (Figure 2).

In Africa, grains utilization exceeded production by at least 10 million tons (Figure 3). And remember, this is based on *below subsistence* average daily rations in many countries.

In Eurasia, in the geographic region comprising the former Soviet Union, grains utilization could exceed production by an amount approaching 100 million tons—if you take a nearby year of the highest utilization rate, as against a disas-

ter harvest year around 1990 (Figure 4).

In Europe, grains utilization exceeded production by a few million tons (Figure 5). This occurs because, when you look at the entire European geographic region, even the great grain surpluses of France in the late 1980s are cancelled out by the grains dependency elsewhere in the region.

Only in Asia, do you see some equivalence of utilization and production—accounted for by the relative self-sufficiency of the Indian subcontinent, China, and the Indo-chinese peninsula (Figure 6). But again, remember what low dietary levels are standard throughout much of this vast region.

FIGURE 6

**Asia: grain self-sufficiency**

(annual, 1990, millions of metric tons)

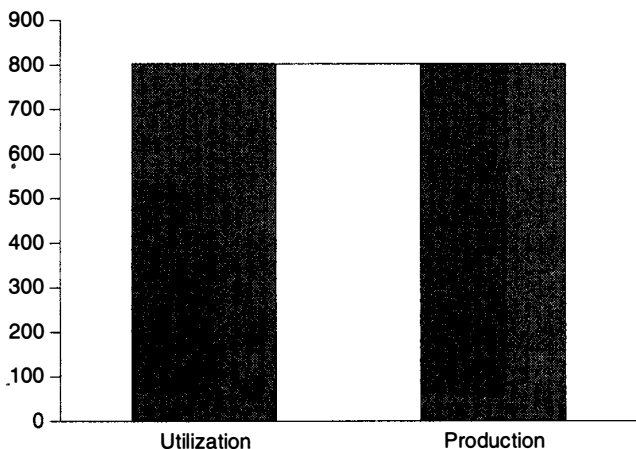


FIGURE 8

**Australia and New Zealand: grain surplus**

(annual, 1990, millions of metric tons)

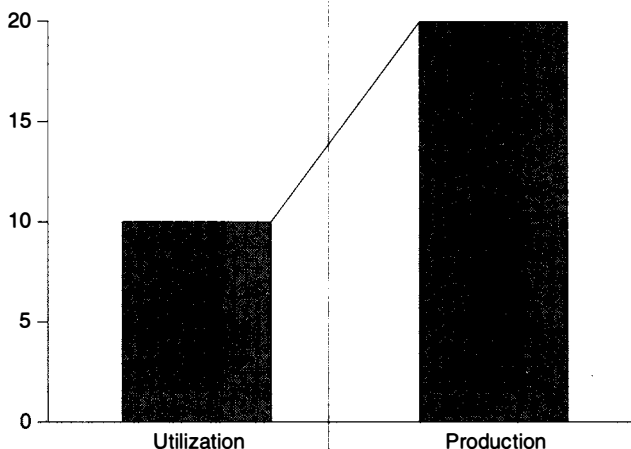


FIGURE 7

**North and Central America: grain surplus**

(annual, 1990, millions of metric tons)

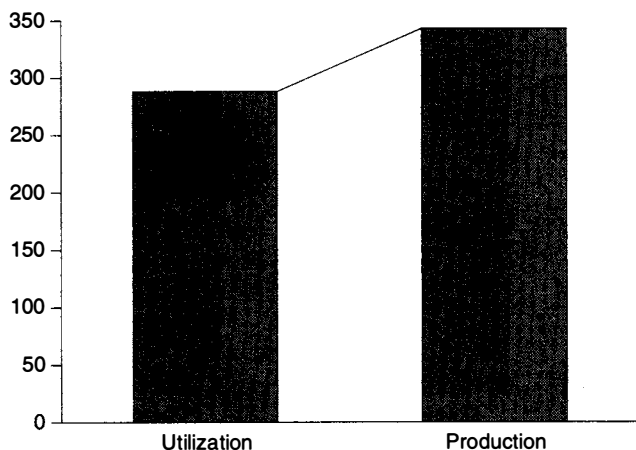


TABLE 1

**Decline in selected countries' cereals self-sufficiency**

(percent self-sufficient)

	1970	1990
Mexico	106%	73%
Haiti	94	46
Egypt	73	63
Algeria	76	44
Jordan	33	3
Japan	45	25

Where do you see absolute, sizable surplus over domestic utilization? Guess where. Only here in North America—in Canada and the United States—the British Commonwealth and crypto-commonwealth, about 70 million tons (Figure 7).

And in the British Commonwealth of Australia and New Zealand, about 10 million tons surplus (Figure 8).

Of course, the continental scale hides the extremes of grains shortages from country to country. So look now at certain individual countries, according to what degree they were self-sufficient in basic grains as of about 1990 (Table

1). Let's compare that to how they were 20 years ago, in 1970.

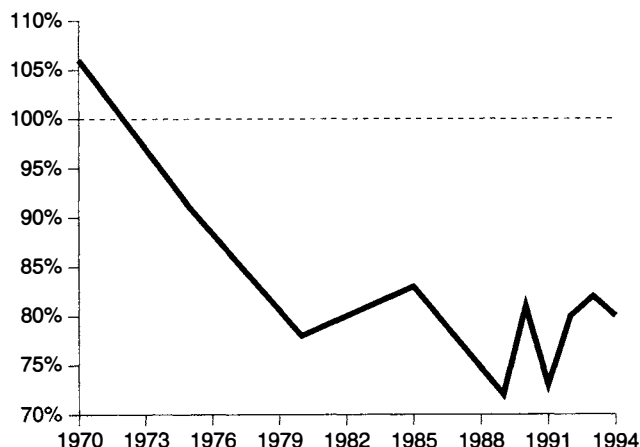
We start in the Western Hemisphere. You see that Mexico in 1990 was only 73% self-sufficient in grains. In 1970, Mexico was 106% self-sufficient. In the 1960s, Mexico was a net grain exporter to Ibero-America.

Look at Haiti. In 1970, Haiti was 94% self-sufficient in grains; though, of course, at below-required nutritional levels. But in 1990, Haiti was only 46% self-sufficient, and with still low nutrition.

Turn to Africa. Look at Egypt. It was 73% self-sufficient in 1970. Then in 1990, this fell down to 63%. Look at Algeria. In 1970 it was 76% self-sufficient in grains. This fell to 44% in 1990.

Turn to the Mideast. Jordan was only 33% self-sufficient grains as of 1970. By 1990, this fell down to 3% self-

FIGURE 9  
**Mexico loses cereals self-sufficiency**  
 (percent self-sufficient)



sufficient, in other words—totally dependent on outside sources.

Look at Japan. In 1970, it was 45% self-sufficient, that is, 55% dependent on foreign sources for grains (not for rice, but for animal feed grains for its meat supplies, and for other uses). And by 1990, this self-sufficiency quota dropped further down to 25%, although Japan is still 100% self-sufficient in rice.

So you see what happened over a 30-year period: Nations representing millions of people became dependent in the extreme for the staff of life.

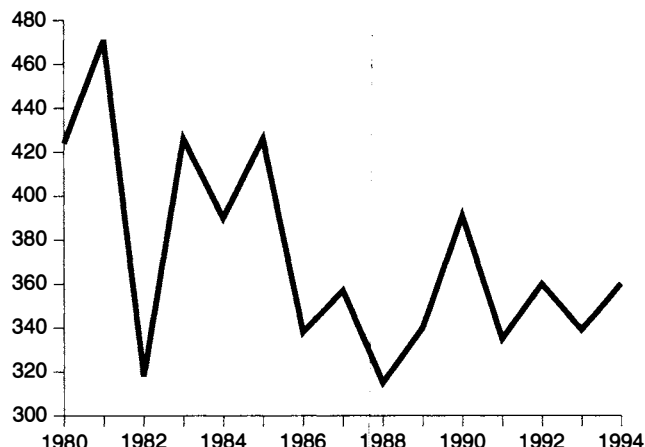
And don't believe for a moment that food self-sufficiency was lost because some nation overpopulated its turf, and the grass all died. Bunk! The slogan for this time period of the United Nations economic warfare division, called GATT (General Agreement on Tariffs and Trade), was "One World—One Market" (for the "Uruguay Round"), and you and your nation were forced onto the so-called world "free" market for food, controlled by the cartels.

This has meant a vast increase in malnourishment and starvation.

Now, look at one country over this 25-year period: Mexico (Figure 9). Here you see how Mexico lost the cereals self-sufficiency it had in the 1960s, and dropped down to about 80% self-sufficiency—meaning 20% dependent on imports—and stayed there. Above the 100% line is exports.

Now, was this gap in Mexico's grains needs made up by imports? No. Utilization of cereals went down. Figure 10 shows that, on a per-capita basis, annual cereals consumption falls. In 1980, it was about 470 kilograms per person per year; now it's down to 360 kg or less. In 1970, for every Mexican, there were maybe 20 bushels of grains

FIGURE 10  
**Mexico's per capita cereals consumption**  
 (kilograms per person)



a year going through the food chain. This dropped to less than 15 bushels on average.

At least one-third of Mexican people are now estimated to suffer undernourishment. That's 30 million people. Earlier this year, the government designated 15 emergency hunger zones in Mexico.

Look at all kinds of food dependence in Mexico (Table 2). Here is the total tonnage (cumulative) of specific agriculture products, consumed in Mexico over the 1988 to 1994 period, and the percentage of each product imported: Remember, the per capita consumption is falling every year.

	<b>Imported</b>
Rice	21%
Corn	12%
Wheat	16%
Beans	7%
Soybeans	79%
Sorghum	36%
Cotton (seed)	39%

What you see in Mexico is true for countries on every continent.

Now, stop for a moment, and think of the world food aid crisis in this light.

Earlier this year, the United States announced that beginning in 1995-96, the volume of U.S. annual grain donations to the World Food Program would be cut in half, due to lack of U.S. government grains stocks. This is the first such cut since World War II. Wheat supplies in the United States are so low that there is pressure for the U.S. government

TABLE 2

### Mexico's dependence on food imports, cumulative total, 1988-94

Product	Consumption (millions of tons)	Percent imported
Rice	3.5	21%
Corn	117.8	12%
Wheat	32.6	16%
Beans	7.8	7%
Soybeans	19.7	79%
Sorghum	50.6	36%
Cotton (seed)	2.5	39%

to dip into its Food Security Wheat Reserve (intended for international contingencies) to release stocks for domestic use.

In July, the European Union put a stay on granting new licenses for cartel export companies to ship out European Union grain, until Sept. 7, because grains stocks are so low. I cannot say what will happen after that date. EU grain stocks three years ago stood at 33 million tons, then fell to 17 million tons, and now are less than 6 million tons.

However, any talk you hear about "low stocks" of grains and bad harvests being the *cause* of today's world food shortages, is just devious, partial truth. What we have just seen about the years of "grains gap," between below-minimum utilization and production, illustrates that there has been a systematic takedown of the agriculture sectors around the world over the past 25 years. Wherever and whenever any sizable stocks were carried over from one year to the next, they were almost 90% in the hands of the cartel companies, and represent food taken out of the mouths of people who needed it. Otherwise, there are a few fortunate situations of food reserves, such as India, where there may be 40 millions of tons of grain in reserve stock at the end of 1995.

On Oct. 16, World Food Day, you can expect to hear all kinds of propaganda from the U.N. about low food stocks, because it is the 50th anniversary of the U.N. Food and Agriculture Organization (FAO), and a conference will be held in Quebec City.

Now look at Eurasia. We focus on Russia (**Figure 11**). Here you see that over just the past five years, both production and annual utilization of grains are falling. People have done every imaginable thing—turned to plots of potatoes, turnips, and so on.

Look at the production volumes of grain. In 1992, there was over 100 millions of tons produced. This year, the harvest may sink to 65 million tons. There has not been such a low level since the early 1960s. And no imports are

FIGURE 11

### Russia's grain utilization and production

(millions of metric tons)

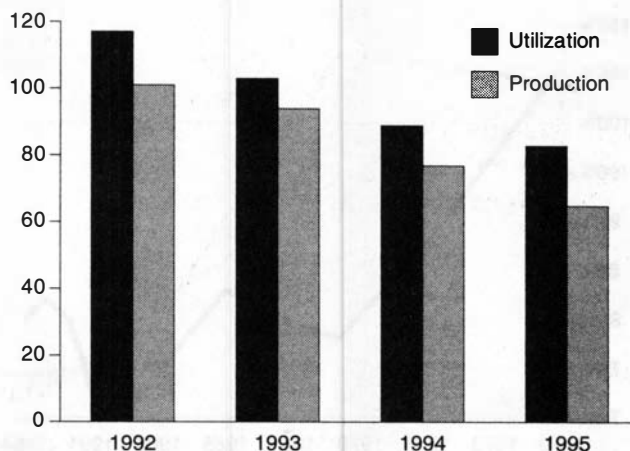
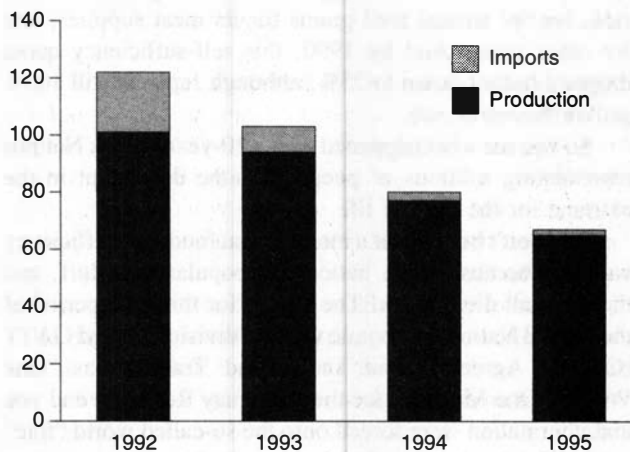


FIGURE 12

### Russia's grain imports and production

(millions of metric tons)



in sight (**Figure 12**).

Thus you are seeing not one or two bad harvest years, but the *breakdown of the economics cycle of reproduction of the physical means of existence of the society*. The breakdown of the *cycle of inputs and outputs*.

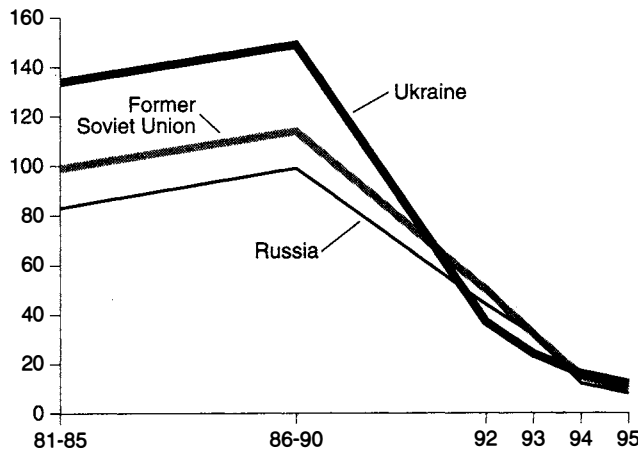
We illustrate that here with **Figure 13**, which shows the falling rates of application of fertilizer per hectare of farmland from the 1980s to this year. It is now down to next to nothing.

You could show the same thing about the ratios of other farm inputs essentials: farm machinery, fuel, farm chemi-

FIGURE 13

**Fertilizer applied in former Soviet Union**

(kilograms per hectare)



cal. Land under the plow itself has shrunk.

Not only that, the inputs are being scooped out of the country. The potash fertilizer has been sold off in the West.

Even the industrial inputs for farm machinery are being carted out of Russia and the CIS republics.

**Emergency measures are required**

We have reached the point of famine and breakdown that LaRouche warned about back in 1988—the year of the founding of the Food for Peace arm of the Schiller Institute, which has continued to the present. What is required are concerted efforts to build up infrastructure for water, power, transport, and so forth.

Of course, it is true that short-term, emergency actions are also called for. For example, it would be wonderful if tomorrow we would hear that President Clinton had announced an emergency food relief effort, and it were called something like “Operation Flourish,” instead of names only going for hurricanes and military actions. We would take such emergency measures as ordering Archer Daniels Midland to immediately cease and desist from processing 5% of America’s corn crop into ethanol fuel—for which ADM gets huge federal subsidies—and, instead, ADM would be under orders to mill the corn into supplementary food relief products to save lives in Africa, until permanent infrastructure is built.

We should innovate like that.

But we must have systematic action, and competent economics. So, what do you do? Think again on how we began this panel discussion—in terms of ratios of the physical economy. Take a benchmark time and place that more or less “worked.”

FIGURE 14

**U.S. food supply, inputs and outputs, 1967**

(millions of tons)

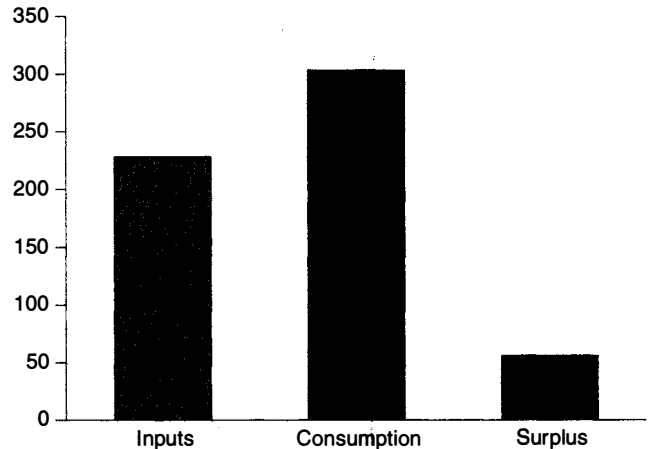


Figure 14 shows the ratio of inputs to outputs in the agriculture sector in the United States in 1967. Look at the relative sizes of tonnages on the left—these are inputs to agriculture (this means steel, chemicals, power, fertilizers, seeds, feed, farm machinery)—228 million tons.

Then look at the outputs of agriculture products consumed—in the middle—303 million tons. And on the right, there is a sizable surplus—55.5 million tons.

We can extract the ratio of tonnages of particular input to output, and apply that to set the targets for volume of inputs needed to reach the tonnages of world food supplies (of all kinds) that we want to create today. Let us consider the requirements for steel and farm machinery.

In 1967, about 1.5 tons of steel were produced as inputs into the economy for the agriculture sector, for every 1,000 tons of food products produced. Therefore, what that means today, if we want about 10 billion tons of foodstuffs of all kinds, is that there should be 15 million tons of steel produced to serve as inputs for the agriculture sector.

Look at farm machinery in the same way. In 1967 in the United States, as benchmark, there were about 2.1 tons of farm machinery produced as inputs for every 1,000 tons of agricultural outputs produced. On the basis of this ratio, if we want 10 billion tons of foodstuffs produced worldwide, then 21 million tons of farm machinery are needed each year.

This 21 million tons of farm equipment is the volume of machinery equivalent to the output of the U.S. automotive industry at its biggest. So this gives you an idea of what we need to create on a world scale to serve agriculture needs adequately. It can be done. There is no other competent way of thinking. This is how to guarantee food for next year, and for centuries to come.

# Opposition grows to Russia's IMF-dictated shock therapy

by Konstantin George

Senior intelligence sources are expecting the crisis in Russia to come to a head following the Dec. 17 elections to the State Duma (Parliament). The power wars among the contending factions in the Russian elite, broadly grouped into anti-national "comprador" elements versus national-patriotic forces demanding an end to the economic and social rape of Russia's population, will break fully into the open, with "dramatic actions," possibly including violence. The motor for this is the "accumulation of shocks"—the steady erosion of the economy, where industrial production was again down by 7% in the first half of 1995, and falling more during the summer; the impending collapse of the mass of private banks that had grown up during the speculative binge in currencies, etc., that had accompanied the government's shock therapy policies; and assorted scandals involving the looting of pension funds.

A sharp confrontation is now pitting Prime Minister Viktor Chernomyrdin and his electoral bloc, "Our Home Russia," known informally as the "Party of Power," against various powerful opposition forces. Moscow observers expect Chernomyrdin to play his "western card" to the hilt, arguing, in an echo of Mikhail Gorbachov, that "it's either me or chaos," and trying to fix his position into 1996 by securing western support. If a reversal of shock therapy policies is not effected relatively soon, the danger of Russia sinking into chaos becomes quite real. The ultimate demise and burial of the International Monetary Fund-dictated policies of the Chernomyrdin group are ensured; the overriding question is whether that burial occurs now, before chaos overwhelms the nation.

## Economic policy battle

One sign of hope in this critical situation occurred on Sept. 4, when the opposition group known as the Congress of Russian Communities held a Moscow press conference, inaugu-

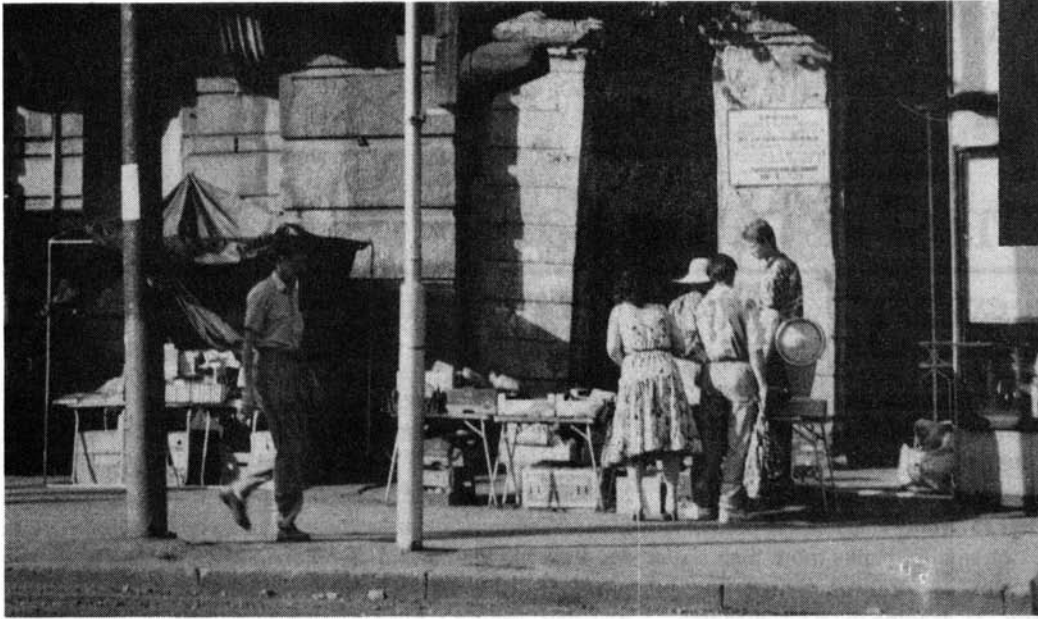
rating its electoral campaign by presenting its top five candidates. The five are: Gen. Aleksandr Lebed, a staunch opponent of government policies, who is presently considered one of the top vote-getters in Russia; Yuri Skokov, former head of the Russian Security Council, a leading figure in the military-industrial complex, and head of the Forum of Industrial Goods Producers; Sergei Glazyev, chairman of the Russian Duma's Economic Affairs Committee and leading Russian economist promoting the high-technology-based development of the physical economy; Lyudmila Vartazarova, head of the Duma research section and chairman of the Socialist Party of Working People; and Duma member Dmitri Ragozin.

The press conference was almost universally blacked out in the western media. One article appeared in the *London Times*, omitting any mention of what was presented on economic policy—which was the bulk of the press conference—except for a passing reference to the speakers' opposition to the privatization of State-owned companies. What was said was worthy of much more serious consideration by western media, and accordingly, we publish here key excerpts.

**Lyudmila Vartazarova:** "We disagree with the strategic course of reform being conducted. We believe it is destructive and bringing misfortune to an absolute majority of the people in our country."

**Sergei Glazyev:** "We cannot support the privatization that is being pursued by the present cabinet, which obviously makes decisions under the pressure of specific commercial structures, systematically violates laws and acts in an arbitrary fashion. . . . We see that privatization has in fact been carried out in the interests of a very narrow group of people, capital speculators closely linked with foreign capital."

(An interview with Glazyev was published in *EIR*, Nov. 18, 1994, and an article on his economic program in *EIR*,



*The shock therapy policies of Russian Prime Minister Viktor Chernomyrdin (inset) will most certainly be overthrown; the question is, will it happen before the nation is submerged in chaos? Shown here is an example of the "privatization" of the Russian economy: street vendors in Moscow, June 1995.*

July 7, 1995.)

**Yuri Skokov:** "The country is hit by a systemic crisis. This is not only a problem of the economy. We have a crisis of statehood, a crisis of society, a crisis of spiritual and moral life."

Skokov stressed that the Congress of Russian Communities electoral group had been formed by various organizations, parties, and individuals out of "a common sense of compassion for our humiliated homeland." Glazyev added that the collaboration that produced the Congress of Russian Communities had begun a year ago, around economic policy questions. At that time, the electoral group was joined by the Federation of Goods Producers. As Glazyev underscored, the decisions taken as a result of this collaboration have formed the basis of the program of the Duma Committee for Economic Policy.

Toward the end of the press conference, Glazyev commented on the electoral group's economic program, which he had drafted. It calls for lowering taxes to below 35% of value added on products, and introducing tax exemption for part of enterprises' profit, if they spend it for developing production, replenishment of working capital, scientific research, and for equipment purchases. He also proposed State guarantees for capital earmarked for adding new production, measures to protect the Russian market from cheap imports, and production-centered measures to combat inflation, as well as forms of price control.

The approach taken by the Glazyev group, with the clear intention of serving the national interest, can be contrasted with that of the government. The regime seems intent on a "flight forward" in its privatization policy in the final months of 1995. After months of bitter intra-governmental infighting, President Boris Yeltsin signed a decree on Aug. 31,

which was made partially public only some days later, authorizing the privatization of an unspecified list of 3,000 firms, through a bank-loans-for-equity scheme, first floated by Russia's top banks in March. While some of the details are still murky, the basic idea is that the banks would lend the Russian government up to 9 trillion rubles. In exchange, the banks would first have the right to manage the State firms up for privatization. This would occur by the end of 1995. Then, during 1996, the banks would be repaid through share holdings in these firms.

On Sept. 6, the national gas monopoly, Gazprom, announced that it would proceed with the privatization of 15% of its shares, though no target date or other specifics were given. The privatization of Gazprom, which would threaten to place the crucial Russian energy sector under foreign control, has quite legitimately become a subject of heated controversy, a "red line" which some refuse to cross.

The drive for accelerated privatization is proceeding from a position of weakness, as can be seen in the growing political troubles facing the Chernomyrdin electoral bloc going into the Duma election campaign. At the beginning of September, with the campaign barely off the ground, his bloc was hit by a major defection. His deputy prime minister, Sergei Shakhrai, pulled his Russian Unity and Concord Party out of the Chernomyrdin electoral bloc. Shakhrai smells which way the wind is blowing, and openly based his defection on the expectation that the Chernomyrdin bloc will do poorly in the elections.

That is certainly true, but the time factor for Russia is very critical. The fundamental question remains how much more damage, or even irreparable damage, will the current ruling comprador caste do to Russia before it is forced to renounce its hold on power, and it and the failed reforms get the political burial they deserve.

# For whom the bank fails

*Roman Bessonov explains the relationships between the August bank crisis in Russia and the election campaign.*

“Financial Market: The Apocalypse of Our Days.” Under that headline, the leading Russian analytical paper *Kommersant-Daily* contemplated the situation in Russia’s banking credit system on Friday, Aug. 25. Many analysts had predicted a series of bankruptcies of smaller banks more than six months ago, but the instantaneous paralysis of inter-bank credits that broke out on Aug. 23, leading to an unscheduled bank holiday on Aug. 25, was obviously unexpected for bankers, their clients, and financial analysts.

Pictured in *Kommersant-Daily*’s lead photo was a large group of people, gloomy and disappointed, waiting at the door of a Moscow bank to get back their savings. This sight has become as common as the TV chronicle of the war in Chechnya and the sound of gangsters shooting at night. Still, for every victim his own tragedy seems unexpected. But not necessarily for the authorities.

There are many indications that the government was aware of the looming danger, and was preparing to manipulate it for political purposes. Both President Boris Yeltsin and Prime Minister Viktor Chernomyrdin have strenuously resisted attempts by the commercial banking elite to remove Tatyana Paramonova as temporary chairman of the State Bank of Russia; the banks were relying on the large number of State Duma (Parliament) deputies, who themselves have a material interest in the private banks, to block her permanent appointment, but they did not get her fired altogether.

Already in late 1994, the private banks planned to restructure the whole financial system, depriving the Central Bank of its authority. It is probable that the infamous Black Tuesday (Oct. 11, 1994), when the Russian ruble lost one-fourth of its value in one week, resulted from this bankers’ conspiracy against then-Central Bank Chairman Viktor Gerashchenko.

Gerashchenko, former chairman of the U.S.S.R. State Bank, was appointed in June 1992, after Prime Minister Yegor Gaidar’s shock therapy resulted in an acute crisis in payments among industrial firms and other Russian economic entities. The Central Bank, under his leadership, was seen as a major obstacle to the plans of the radical liberal economists like Gaidar, Illarionov, Shatalin, and Yavlinsky, to destroy the centralized and capable banking system in Russia.

There was another twist to Gerashchenko’s resignation after Black Tuesday: Yeltsin’s advisers evidently suspected him of promoting the interests of Most Bank, whose chairman, Vladimir Gusinsky, was maneuvering together with Moscow Mayor Yuri Luzhkov, to undermine the President’s power. Most Bank garnered an immense profit from Black Tuesday, selling a huge amount of dollars at a high price. At the same time, Gusinsky openly praised Gerashchenko, which no doubt fed the suspicions of Yeltsin’s men.

His successor Paramonova, the acting Central Bank chairman despite the lack of Duma confirmation, is Gerashchenko’s pupil and former assistant. It is widely rumored, that Gerashchenko still runs the Central Bank. All summer, the Moscow mass media had been talking of her possible resignation. The gossip intensified after the Duma yet again refused to confirm her in June, and then, even more, after bankers’ anger at her grew in connection with the so-called currency “corridor” established on July 1. In a policy coordinated with the International Monetary Fund leadership, the ruble has been maintained in a band between 4,300 and 4,900 rubles to the dollar.

For the sake of the “corridor,” the Central Bank increased the private banks’ obligatory payments into reserve funds almost tenfold. This was a heavy blow for smaller banks, and many of them, such as the formerly prominent North Trade Bank in St. Petersburg, went bankrupt or were absorbed by stronger neighbors. This “purge” did not affect the biggest banks. But in late August, the situation shifted again.

## **The slower you go, the sooner you get there**

It is obvious that most of the private banks were waiting patiently for the end of the “corridor” period, slated for Oct. 1, when the ruble was supposed to take a dive—pushed also by the promised salary increase for State officials. Unexpectedly, the leadership of the Central Bank, together with Vice Premier Anatoly Chubais and presidential adviser Aleksandr Lifshits, announced on Aug. 24 that the corridor would be prolonged until December. Immediately, thousands of bank obligations based upon the expected rise in the value of hard currency, appeared insolvent.

At the time of the announcement, in fact, paralysis al-



ready affected over 80% of private banks. During the two months of the "corridor," the dollar equivalent of the ruble approached closer and closer to the lower "wall." Even if nothing had been decided about the corridor, the banking crisis would have flared.

The decision on prolonging the corridor just drew a line, defining the fate of the agonizing banks. On Aug. 26, several newspapers mentioned a list of insolvent banks that was circulating in select banking circles. According to different sources, the list included the names of 40 or 50 banks, among them some of Moscow's most prominent banks. Only two clearly insolvent Moscow banks were mentioned in papers: Lefortovsky and Mezhrefionbank. Some papers also mentioned severe losses at Chasprombank, Unikombank, and Menatep. The "Business Russia" TV program reported that Astrobank, one of the most prominent St. Petersburg banks, was bankrupt and could be saved only if it were absorbed by the stronger Sankt-Peterburg bank. Astrobank's leadership denied this story.

On Aug. 25, the "Business Russia" show, sounding the alarm about the developing paralysis of the credit system, gave the floor to Yuri Matyukhin, the Central Bank's chairman in early 1992 and a member of Gaidar's team who had scarcely appeared in public since his resignation amid rumors of his implication in the notorious Chechen false *aviso* swindle. Certainly, Matyukhin was speaking on behalf of the private banks' interests.

But the TV program, following the tradition of "pluralism of opinions," also featured Grigori Pelman, vice chairman of the Tyumen Credit Bank. Describing the grave situation of his own and many other private banks, Pelman charged that not only the Central Bank was to blame, but also the practice of short-term credits, the "hot cash" hunt that became widespread in private banking over the last two years, and the greatly increased volume of new paper instruments.

The leadership of Probiznessbank, a medium-sized Moscow private bank not belonging to the financial elite, claimed that its bank has not suffered from the crisis afflicting those giants "involved in risky operations." "If you conduct a clever and well-planned credit policy, avoiding speculative operations with inadequate backing, you will never get into trouble," the bank's expert said.

There is a Russian saying that, "The slower you go, the sooner you get there." Only some of the names of the bankrupt banks have been published, but it is already clear that many of them were trying to gain a high position as soon as possible, also extending their ambitions into active political struggle.

### **Jeffrey Sachs vs. the free market**

In the mass media discussion, the most fervent defender of the suffering private banks was presidential candidate Grigori Yavlinsky. He demanded that the Central Bank immediately cut the private banks' reserve requirements and the

refinancing rate. One interviewer asked Yavlinsky whether the banks in trouble appeared to be those banks that were supposed to finance the opposition parties' presidential campaigns. "It isn't so," Yavlinsky said. "Some of the banks that suffered were also those banks that Chernomyrdin was going to use for his own campaign."

In truth, the names of the undermined banks really are connected with Chernomyrdin's election rivals.

Two weeks before the catastrophe, a St. Petersburg bank analyst told me that the collapse of the North Trade Bank, or at least the fact that nobody moved to bail it out, was due to the fact that the bank was financing Yegor Gaidar's Democratic Choice Party. Other sources indicated quite a different political involvement of this bank, saying that its leadership is linked with the retired bureaucracy of the Communist Party of the Soviet Union, close to ex-U.S.S.R. Prime Minister Nikolai Ryzhkov and his leftist electoral bloc, "Power to the People." Two years ago it also supported a small group of radical democrats in an attempt to undermine St. Petersburg Mayor Anatoly Sobchak.

Astrobank has a more obvious connection to Gaidar's Democratic Choice Party. The St. Petersburg section of that party even used to hold its closed meetings in the building of the bank, beyond a post with armed guards. Yuri Derevyanko, the present chairman of the board of Astrobank, was elected to DemChoice's political council at its founding congress.

On Aug. 26, *Moskovsky Komsomolets* reported that the National Credit Bank whose president, Oleg Boiko, headed the executive committee of Gaidar's party and was supposed to now finance some other liberal election blocs, had contracted severe debts in excess of 350 billion rubles.

Unikombank was known in 1993, after the elections to the Duma, as one of the sponsors of Yuri Skokov's "Fatherland" bloc that failed to gather the required number of signatures at that time. Chasprombank is headed by a former U.S.S.R. prime minister, Valentin Pavlov. It would be strange if this person had no political sympathies. His associates from the abortive State Emergency Committee (GKChP) of August 1991 are now in the above-mentioned Ryzhkov bloc, which deliberately held its founding congress on Aug. 19, the fourth anniversary of the GKChP.

The group of politicians closest to Menatep is really a fragment within Chernomyrdin's "Our Home Russia" movement, but has ambitions for independence, and connections with First Vice Premier Oleg Soskovets, who is known as Chernomyrdin's rival and a man with backing from some of Yeltsin's close advisers, who unsuccessfully boosted Soskovets as a possible prime minister late last year.

Was this new "Black Thursday," then, supposed to solve some important political problems for Chernomyrdin's "Our Home," undermining the wealth of the banks supporting both political flanks, as well as a lot of local banks in the provinces? The latter was perhaps even more important:

After Edward Rossel's victory in Yekaterinburg, "Our Home" must be interested in ruining the financial base of its regional opposition. At the same time, the prolongation of the "corridor" was obviously in favor of the prime minister's popularity which is so important before the December elections.

Speaking on Radio Liberty, erstwhile Russian government adviser Jeffrey Sachs praised the "strong monetary policy of the Russian Central Bank" and emphasized that "there was too much freedom in the Russian banking system before, and this created a lot of banks with tiny starting capitals and tiny responsibility." Certainly, the Harvard shock therapy mouthpiece has not changed his liberal mind. He is just using the same double standard as the British used to do, when they adopt protectionist measures in their own country and disapprove of them in other countries. Sachs evidently regards Chernomyrdin's government as "useful" for the circles he represents, and is not going to attack Chernomyrdin's monopoly.

I don't know what Grigory Yavlinsky meant, in saying that the banking crisis had undermined Chernomyrdin's banks, too. The Imperial Bank, linked with the giant natural gas firm Gazprom, was mentioned among those few that successfully avoided crisis (knowing of it beforehand). So, the would-be President seems to be concealing the truth. For what purpose? Or should we address this question to his banker, who probably did not want to quarrel with the prime minister or the Central Bank, right at this time?

### **Buy them, and safeguard us**

It is remarkable that the Most Bank-supported *Moskovsky Komsomolets* mentioned Inkombank, the third largest Russian private bank, on the list of unlucky creditors, estimating its losses at 300 billion rubles. Unlike the above-mentioned banks and Most Bank itself, Inkombank is famous for *not* being involved in any political campaigns. It is also famous for its manner of promptly recouping money from debtors. In St. Petersburg, the Baltic Shipping Co. was forced to surrender the greater part of its premises to return its debt to Inkombank as quickly as possible.

Most Bank was not mentioned either in the papers or on TV during the crisis. It was astonishing that its leadership, owning a lot of mass media, did not start a new attack on the State leadership on behalf of the "poor bankers," as it has done before. I spent half an hour before I found a tiny mention of Most Bank in the *Moskovsky Komsomolets*, among photos of rock singers and crime reviews.

On Aug. 28, the strange silence about Most Bank got its explanation. It was included in a group of five privileged survivor banks, along with Sberbank, Vneshtorgbank (both have a large State share, being the savings and the foreign trade components of the U.S.S.R. State Bank, respectively), Inkombank, and Imperial. This new consortium is designed for making sure which bank is to be bailed out, and which is

insolvent. The profit these banks are to get is incalculable.

In the present situation, neither the Central Bank, the prime minister, nor the President could risk putting all banks in the same conditions. Some have to get privileges, in order to contain the others. In a popular play by Evgeni Schwartz, the minister of finances of a fairy kingdom said: "With your enemy, you may act twofold, either to 'K' him or to 'B' him." Not eager to be killed (K), the State leadership lets itself be bought (B), entering into a relationship of dependence on those privileged members of the financial elite, to which it offers vast perquisites in order to safeguard itself. A choice between "B" and "K" is a common rule of byzantine policy.

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In September, we shall probably be told the names of all the insolvent banks. The clients will get the news first, helplessly waiting at the gates without a hope to get their money back. How many people will set themselves on fire, like the woman in St. Petersburg whose last money disappeared with the director of the "Russian Real Estate" company? But the oligarchy never counts how many people it "K's" on a battlefield, or at a bank's gate. It is not in the rules of a byzantine power.

After the August crisis, the financial power of the government may enable it to control more than it controls now. It will have financial mechanisms capable of manipulating the election campaign. The government party will buy a lot of propagandists, speechwriters, sociologists, psychoanalysts, astrologers, and image-makers. They will try to control everything by buying everything. But the human mind can resist control, and a human soul cannot be bought or sold. No byzantine power is able to change the human identity, and the upcoming elections cannot easily be predetermined by byzantine methods.

# Bankers are jittery about Argentina

by Cynthia R. Rush

Top bankers from London and Wall Street are flocking to the defense of Argentine Finance Minister Domingo Cavallo, fearful that if, as rumored, the minister were to resign, the country's fragile financial system would shatter. The Harvard-trained Cavallo is the architect of Argentina's "convertibility plan," the radical free-market austerity program imposed in 1991, which pegged the peso to the dollar in a one-to-one parity, and transformed the country into one of Wall Street's favorite "success" stories.

Recently, however, opposition to Cavallo's economic plan has grown, both from within the government of President Carlos Menem, as well as from among industrial, labor, and Catholic Church circles, whose leaders warn that continued application of this International Monetary Fund-dictated policy will sow economic and social chaos. There are rumors that the official unemployment rate of 18.6% could jump to 26-28% by October, and protest demonstrations against government policy are going on in virtually every province. The credibility of IMF-imposed policies is so low in Argentina, the London *Guardian* reported Aug. 28, that economic "neo-liberalism" and "adjustment" have become swear words!

## Cavallo and supporters dictate terms

In mid-August, when Cavallo responded to public and private criticism of him by charging that "mafias" inside the government were trying to sabotage his policy, he unleashed an internal crisis which threatened his tenure in office and the stability of the government.

Ibero-America is reeling from the same lunatic economic policies applied by Cavallo in Argentina, and there is fear among the international banking community that another shock similar to Mexico's 1994 devaluation could set off an uncontrollable chain reaction on the continent. London and Wall Street see Cavallo's continuation in office as key to Argentina's stability, and the political backlash provoked by the minister's accusations brought an unprecedented response from his international backers.

Most remarkable was the Aug. 24 statement of support for Cavallo signed by such figures as IMF Managing Director Michel Camdessus, World Bank President James Wolfensohn, Citibank Vice President William Rhodes, and former Bush administration Treasury officials Nicholas Brady and David Mulford. Unabashedly dictating orders, the signators demanded that Cavallo—not President Menem—

be reaffirmed as the "director of the Argentine economy" and that his powers in no way be curtailed.

Just a few days later, Citibank's William Rhodes arrived in Buenos Aires for a "surprise visit," and met with Menem and Cavallo. In a press conference which followed, Rhodes had the chutzpah to tell reporters that "Menem openly and fully backs his minister and his plans for managing the national economy." Rhodes threatened that "any change or modification in the Argentine economic situation will be viewed with great concern by international banks. We are all watching Argentina . . . because any change could generate a difficult situation [here], as well as in the Mexican and Brazilian markets."

## Who's afraid of dinosaurs?

Stewart Brittain, an analyst at London's Stephen Rose & Partners, offered insight into the mental processes of these international usurers, when he told the daily *La Nación*, "If Cavallo goes, Argentina might fall under a dark shadow." Most probably, he warned, this would give an opening to the Peronist "old guard," more identified with dirigistic economic policy and opposed to the radical free-market opening up of the economy for looting.

What Brittain and other pro-British bankers refer to as the "dinosaurs" of Peronism, who they warn will reverse the "tough policies" already implemented, is not Peronism per se, which is considerably dissipated from its heyday of the 1950s. Rather, it is a protectionist tradition which, although dormant, has shown signs of life recently in the increasingly heated debate over economic policy. During the Aug. 10 conference of the Argentine Industrial Union (UIA) in Mar del Plata, for example, business leaders demanded greater protection for industry and warned of growing unemployment as a result of free-market policy. In opposing Cavallo's policies, former UIA President Roberto Favelevic said, "It is better to foster investment and employment, if necessary even with 'heresies' such as subsidies, lower taxes, and protection against subsidized imports."

The UIA was founded originally in the 1880s by protectionist and pro-industrial circles grouped around political leader Carlos Pellegrini and his mentor Vicente Fidel López, who pointed to the industrial development of the United States as a model for Argentina to follow. "I know of no system more hateful and merciless than that of free trade, applied to newer countries," López said in an August 1876 speech before the House of Deputies.

In Argentina's charged political environment, even discussion of such pro-industrial sentiment causes teeth-gnashing among London's defenders. In a commentary, "Protectionist Winds," in the Aug. 24 *La Nación*, a worried former Trade Minister Alberto de las Carreras lamented the "confrontation between industrialists and [economic] liberals" which had characterized the UIA conference, and warned that a return to protectionism would wreck Argentina's future.

# Business Briefs

## Aerospace

### India, China, S. Korea will form consortium

India, China, and South Korea have formed a consortium to manufacture what could be the Third World's first 100-seat passenger aircraft, which is expected could be put into operation by the turn of the century, according to Chinese and Indian press reports. The deal is a giant step forward for industrial cooperation in Asia.

A memorandum of understanding was signed in Shanghai on Aug. 29, officials in New Delhi said. Details were not yet available, but indications are that India and China would have 30% equity each while South Korea would have 40%.

China has begun assembly of McDonnell-Douglas passenger jets, according to the overseas broadcast of the China Central TV program on Aug. 29. It reported that the manufacturers from 10 major cities of China will supply parts, which could account for up to 70% of the McDonnell-Douglas jetliner components. The Chinese-assembled planes will take to the sky in 1998.

## Agriculture

### Italy hit with drastic output decline in 1994

Figures published by Coldiretti, the largest association of Italian farmers, show serious production declines in almost all agricultural commodities in Italy in 1994. Coldiretti said that the main reasons for the decline are the European Union agricultural policy and General Agreement on Tariffs and Trade.

National agricultural production decreased overall by 2%, led by drops in wine (-8%), olive oil (-17%), and citrus fruit (-14%) production. Meat (cattle) production has decreased by 1 to 2%. Employment in agriculture decreased 3.8%, causing the closure of many farms, especially in hill and mountain areas. Roughly 450,000 hectares of farmland have been set aside. Value added compared to costs has decreased from 4.9% to 4.4%.

The Italian Association of Pasta Producers

denounced the scarcity of durum wheat and called for a change of the European agricultural policy, in a statement in late August. "The European Commission announced a production deficit of about 1.5 million tons relative to industrial consumption, and a reduction of stocks to the zero level," it said. Such a situation, "considering that prices of raw materials in Europe have had, at the beginning of the marketing campaign 1995-96, increases of more than 40% compared to last year, with expectations of further increases, will have repercussions also on prices of semolina and food pastas."

The Confederation of Italian Agriculture, another farmers' group, supported the association's criticism and proposed "a self-governing of production, together with a treaty between agriculture, industry, and trade sectors," and common action of all European farmers organizations to defend "consumers' interests."

## Banking

### Japan crisis has 'global implications'

The banking crisis in Japan is becoming more serious. On Aug. 30, several hundred customers of the credit union Kizu Shinyo Kumiai stormed the 27 branches of the bank to pull their money out, until the offices were closed on government order. It is the biggest of the 400 Japanese credit unions, and is twice as big as Cosmo, which was hit by crisis in August. According to official data, Kizu Shinyo Kumiai has about \$6 billion of bad loans. On the same day, the liquidation of the regional bank Hyogo was announced by the government. Most of its branches will be closed down, and remaining business will be taken over by other banks. European press, such as Deutschlandfunk economic radio news, said the crisis had "global implications."

The government is putting together a bank restructuring plan. The final cost to Japanese taxpayers of the bailout is estimated to be "between \$700-800 billion before the problem can be settled," one source close to Tokyo financial circles told *EIR* on Sept. 1.

According to the source, the Kizu credit union and the Hyogo Bank were problems that

"were known for months. It was a deliberate political decision to surface the press reports of their troubles just now and trigger another mini-panic. Understand that the Ministry of Finance is trying . . . to create a new popular consensus where taxpayers will somehow accept the idea of paying the huge bank bailout costs," the source said. "But no one inside Japan is asking the really fundamental questions of how such an incredible bubble was allowed to be created in the first place. That is the worrying aspect."

## China

### Township structure to use higher technology

The Chinese plan to change the nature of the vast township enterprise structure, away from low-technology process industries toward high-technology manufacturing, Vice Minister of Trade and Economic Cooperation Tin Shanzai said at a conference on exports from the township enterprises, the Chinese daily *Nongmin Ribao* reported from Beijing on July 6.

Tin laid out the changes necessary during the Ninth Five-Year Plan, which begins next year: "1) a change of emphasis from quantitative growth to qualitative improvement; 2) a change from simple manufacture of low-grade primary products to precision and in-depth manufacture of high-grade quality goods; 3) a change from blind production of commodities to production of exports in line with international market demand . . . ; and 5) a change from the operating modes of small and decentralized to intensive operations of scale."

## Germany

### Economy may be on the Titanic, banker warns

Norbert Walter, the head of the research department of Deutsche Bank, warned that "all of us Germans may be on board the *Titanic*." He said, in an interview with the British Broadcasting Corp. on Aug. 29, "We are acting as

# Briefly

if things were normal, but we have already hit the iceberg, and we just don't want to admit it."

According to the August 1995 monthly report of the Bundesbank (German central bank), nothing really can be said right now on the state of affairs of the German economy, because of the ongoing restructuring at the Federal Statistical Office in Wiesbaden. From the beginning of 1995, all statistical data are supposed to be in accordance with European Union standards. This has created a "statistical fog," just at the moment when unemployment and bankruptcy figures signal the end of the "shortest recovery in German history."

However, the wave of bankruptcies is expanding. On Aug. 28, the German Association of Factoring Companies in Mainz announced a 29% increase in business in the first half of 1995, compared to 1994, due to the unprecedented rate of bankruptcies. The fear of bankruptcy among trading partners has led more and more companies to sell their expected payments to a factoring company. The association said that international business was also up 62%. This is because companies outside Germany are worried about the level of German bankruptcies.

## Nuclear Energy

### Use plutonium in nuclear reactors, experts urge

A blue ribbon panel of international nuclear experts urged that surplus weapons plutonium be burned as fuel in civilian power reactors in the United States, Russia, and other nations, in a report on plutonium management released on Aug. 22. The panel was convened by the American Nuclear Society and chaired by Dr. Glenn T. Seaborg, who discovered plutonium, and included former government officials, weapons and disarmament specialists, and international nuclear experts such as Bertrand Goldschmidt from France, who was a student of Marie Curie and pioneer of the French nuclear program, and Nikolai Ponomarev-Stepnoi, vice president of the Kurchatov Institute in Russia.

Burning plutonium as fuel is the fastest and most effective way of disposing of surplus

weapons plutonium, the report said. The panel recommended that the United States reverse its decision to stop work on reprocessing and on breeding nuclear fuel. "Plutonium is a valuable energy resource, not a waste material to be buried," it said.

The report also called for the safe storage of surplus weapons plutonium in the short term under the "strict non-proliferation safeguards" of the International Atomic Energy Agency. Unfortunately, in its environmental section, the report makes the case for nuclear energy by citing the fraudulent "global warming" thesis and mandated CO<sub>2</sub> emission limits. However, the report affirms that the developing sector should not have "to forgo the benefits of abundant energy that the industrialized world has enjoyed for many decades" and that there is "no need for international uniformity" in how individual countries configure the nuclear fuel cycle.

## Dope, Inc.

### Let Laos become a 'tax haven,' says FEER

The *Far Eastern Economic Review*, a Hong-kong-based mouthpiece for the British oligarchy, called for Laos to become a new Cayman Islands for Asia, i.e., a center for money-laundering, in its Aug. 17 issue.

Sherry Buchanan wrote that Laos, "whose main resources are electricity, timber, and opium, does not have the resources for an export-driven economy. . . . It would likewise be difficult for Laos to become a manufacturing base." The solution? "Laos' real future lies in becoming a service economy for both its rich neighbor Thailand and its upwardly mobile ones, Vietnam and China." To achieve this lofty goal it should "become a tax haven." Laos already gets advice from the World Bank, the U.N., and Harvard, she wrote, but they would "get much better value for their money—and some more pointed advice—were they to fly in a few bankers from the Isle of Man, Bermuda, the Cayman Islands and Switzerland."

The same issue also reported on calls for Cambodia to forgo industrial development and turn the entire country into a national park.

● **INDIA AND RUSSIA** signed a memorandum of understanding covering cooperation in the fields of ferrous, non-ferrous, and precious metals, Indian press reported on Aug. 16. Russia has shown high interest in the alumina smelting capacity in India and in the copper sector.

● **CHILEAN** investments abroad have risen to \$6.6 billion, \$1.6 billion in the first quarter of 1995, the Peruvian daily *Expreso* reported on Aug. 17. Half of the investments were in oil. Chile has long been a platform for British operations and money in Ibero-America.

● **ISRAELI** Foreign Minister Shimon Peres and Jordan's Crown Prince Hassan, during a meeting on Aug. 28, discussed plans for a joint airport near the Red Sea resorts of Eilat and Aqaba. The project, which has already received a \$500,000 grant from the U.S. Trade and Development Agency, will be presented at the upcoming economic summit in Amman.

● **CHINA** and India will cooperate in a \$170 million iron ore mining project, according to an agreement signed on Aug. 11, Indian press reported. China will supply equipment and coking coal for the project; India will export iron ore to China.

● **IN LONDON**, "smart money has quietly started to liquidate holdings in the New York Stock Exchange," a financial source told *EIR* on Sept. 1. "The peak of the 1929 U.S. stock market bubble was not October 1929, but many weeks before, whereupon insiders quietly began to unload their stocks on the naive who were still convinced stocks were rising. Similarly in 1987. . . . So, today."

● **CHEMICAL BANK**, the fourth-largest banking company in the United States after having swallowed Manufacturers Hanover in 1991, is buying Chase Manhattan, the sixth-largest banking company in the country, in a \$10 billion stock swap, the Aug. 28 *Wall Street Journal* reported. The bank will take the Chase name.

## Greenpeace caught in Norway, runs amok in South Pacific

by Helmut Böttiger

After Operation Brent Spar—a campaign against the alleged pollution risk because of the dumping of a disused oil platform in the Atlantic—the environmentalist multinational Greenpeace organized its “major action” against the underground atomic tests by France in the South Pacific. The propaganda with which Greenpeace is draping these “actions” and seeks to justify them, is based on willful disinformation and flat-out lies.

In the case of the Brent Spar oil platform, on Sept. 5 Greenpeace was forced point-blank to answer for its reckless disregard for truth.

It must be understood that Greenpeace is just not some simple association of “idealistic environmentalists,” but runs a bang-up “ecology business” which involves hundreds of millions of dollars on a world scale. At the same time, Greenpeace—and this is actually more important—is an instrument for the political destabilization of governments which are still committed to national sovereignty, to scientific-technical and industrial progress, and to great infrastructural projects. Behind Greenpeace stands the British oligarchy, which fundamentally rejects such aims, and has a deep dislike for the course of national independence undertaken by French President Jacques Chirac.

France’s break with the policy of his predecessor, François Mitterrand, with respect to Bosnia-Herzegovina and to the Anglo-French “Entente Cordiale,” is the real basis for the present demonization of France. The nuclear weapons test in the South Pacific is the pretext, and Greenpeace is the vehicle, for creating a united front against President Chirac on London’s part.

### Prince Philip and Greenpeace

In an interview on Aug. 18, one close adviser to Prince Philip, the consort of the British queen, said that there exists

an “effective division of labor” between Greenpeace and the World Wide Fund for Nature (WWF), whose international president is Prince Philip. “The WWF works on the level of governments and corporations.” If these large entities oppose WWF proposals, then the WWF warns that they run the risk of protests from the population. “If that does not work, then the WWF representatives hint, that Greenpeace can stage something dramatic.”

In the case of the underground French nuclear tests in the South Pacific, the “something dramatic” staged by Greenpeace has included, up through Sept. 7:

- The storming of the Papeete airport in Tahiti by some 600 rioters, as well as the looting of businesses in the city, through the concerted actions of “defenders of the environment” and local separatist groups. One hundred people who were in the airport fortunately escaped injury, but it was burnt to the ground.

- The deployment—on orders from Greenpeace—of two “former” members of the British SAS commando unit to the atomic test sites in Mururoa. This involved combat swimmers Mathew Whitting and Ian Mark Baker. The SAS is an elite military formation which specializes in guerrilla warfare operations in the intelligence milieu.

- The general staff-like deployment of a flotilla of Greenpeace ships, which systematically attempted to penetrate into French territorial waters around Mururoa. Back during the first protest trip by Greenpeace against French atomic bomb tests in the South Pacific, in 1972, Navy Lt. Nigel Ingram, an officer of the British Royal Navy, rendered expert assistance.

- The production and distribution of a film which calls in a barely disguised way for the murder of French President Jacques Chirac (see cover story in *EIR*, Sept. 1, 1995). The film was produced by the firm Media Natura, which works

for Prince Philip's WWF and whose co-owner is Chris Rose, the campaign director for Greenpeace-U.K.

● At least indirectly, the effort to hijack a passenger jet belonging to the French airline Air Inter on Sept. 3, belongs to the spectrum of actions of Greenpeace.

In addition, a computer-manipulated, disfigured image of Chirac, his face burned like a Hiroshima victim, was splashed across the front page of Paris's *Libération* newspaper on Sept. 6. The artist, Oliviero Toscani, heads the advertising division of the Italian fashion house Benetton, a backer of the Italian "ecology" movement and close to the WWF.

## The Greenpeace Militia

But Greenpeace is not just made up of elite campaign specialists. A huge army of contributors belongs to it, especially in Germany. These donor-supporters have absolutely no democratic rights to participate in the leadership of the organization. This incredible fact is indeed somewhat embarrassing for the Greenpeace leadership. So now they want to grant some sort of opportunity to participate, without, of course, changing the organizational structure.

The head of Greenpeace in Great Britain, Lord Peter Melchett, stated in the *Guardian* newspaper of Sept. 6 that he wants to set up a Greenpeace Militia. His Lordship wants to invite the 350,000 Greenpeace contributors to a "training session" in "direct action." "They will be a powerful new force of imaginative protest . . . to deliver big punches, with audacious and large-scale actions. . . . It's easy to get people to do 'soft' things. The challenge now, is to respond to the desires of members to really confront. Greenpeace argues," Lord Melchett concluded, "that there is, now, widespread disillusionment, that conventional politics can effect environmental change, and that an increasing number of people want to get involved in protest." Perhaps the civil war-like uproar in Tahiti on Sept. 6 was the prelude performance for the Greenpeace Militia.

It is a baldfaced lie to claim that the underground atomic tests in Mururoa are a threat to the life and health of the inhabitants of the region. The tests are being done in a location between 500 and 1,000 meters deep in a basalt rock. If, several thousand years from now, the residues of irradiated substances should finally make their way into the sea, nothing will be left of their radioactivity. Even if the worst fears come to pass and this were to happen after 500 years, one would have to drink 300 liters of lagoon water in order, minimally, to get the effect of the annual radioactive background radiation in the earth's atmosphere.

This affirmation was not put forward by some French official entity. It was made by the Australian Radiation Laboratories and the National Radiation Laboratory of New Zealand—both of which *oppose* the tests. They were broadcast on Aug. 23 on the Quantum science program over Australian government television. Quantum concluded, "The weight of scientific evidence is that the tests pose no danger to humans and the environment."

## Systematic disinformation

The targeted disinformation policy of Greenpeace was described as follows by Robert Hunter, one of the founders of Greenpeace and a producer on Canadian television: "It's not that we had ever lied—that's one thing you must never do with modern propaganda—but we had painted a rather extravagant picture of the multiple dooms that would be unleashed . . . tidal waves, earthquakes, radioactive death clouds, decimated fisheries, deformed babies. We never said that's what would happen, only that it could happen." Thus, Greenpeace can leave it to devoted "ideologically steadfast" journalists to whom the truth means nothing, pure and simple. The *Frankfurter Allgemeine Zeitung* of Sept. 8 had no choice but to speak of a "declaration of bankruptcy for journalism" in connection with Greenpeace actions.

Three months after the unparalleled mass hysteria which Greenpeace and the media generated in connection with the "alarming" sinking of the Brent Spar oil-drilling platform the truth comes out: The whole campaign was based on a crude lie. For Greenpeace, the "Brent Spar hysteria," like previous "environmental" anxiety campaigns, is a well-calculated affair. The campaign not only brought Greenpeace out of relative oblivion and back before the international television cameras, but permitted the dwindling flow of donations to start streaming in again. Some \$20 million was supposed to be brought in for this action—if at least in this regard, we can believe Greenpeace's own statements.

But when the surveyors of the Norwegian firm DNV said they wanted to climb up on the Brent Spar, anchored in a Norwegian fjord, in order to test what kind of sludge—sand and mud mixed with oil—is really deposited there, suddenly Greenpeace took back all of its previous assertions respecting the drilling platform.

Greenpeace even apologized to the owner, Royal Dutch Shell. Whether Shell, which incurred enormous costs because of the "environmental" hysteria, will be handing on these costs with a damages suit which could financially ruin Greenpeace, is doubtful.

Greenpeace had long asserted that it can prove that "5,000 tons" of petroleum, heavy metals, and radioactivity were deposited in the old oil platform. The gigantic campaign against the sinking of the Brent Spar was hence based on the idea that these "5,000 tons" of toxic materials represented a terrible danger to the ocean environment. The Greenpeace leadership apparently believed that in the Brent Spar case, it was best for the organization's image to engage in a flight forward.

Had they not suddenly recanted, it would probably have gotten even more embarrassing for Greenpeace, if the investigations in Norway had convicted Greenpeace of lying beyond any doubt. But on the matter of deliberate disinformation, Greenpeace's retraction changes nothing. In Norway there has been a judgment about Greenpeace since long before the Brent Spar affair: "Greenpeace recruitment deliberately works with falsifications."

# Prominent Bosnians express concern over arms embargo, 'lost' cities

by Katharine Kanter

Between Aug. 31 and Sept. 4, as the Contact Group met in the nearby Petersberg fortress, the Göttingen Society for Endangered Peoples held a conference in Bonn, Germany, on the subject of Bosnia. During the conference, which will be covered more fully in next week's issue, *EIR* was able to interview several prominent Bosnians, including members of the Presidency. We believe that these interviews reflect very accurately, not only the concerns, but also the aims and intent of the Bosnian leadership, in particular, with respect to the arms embargo, and to the question of Srebrenica, and the other allegedly "lost" cities.

The echo of these interviews was perhaps heard in Ankara, Turkey. Emerging from meetings with American and other diplomats there on Sept. 5, Bosnian President Alija Izetbegovic told the Turkish press that he would not accept partition, nor the schemes put to him on eastern Bosnia by the Contact Group: "We will never give up Zepa and Srebrenica, nor accept for the Brcko Corridor to be widened. The only State on the territory of Bosnia-Herzegovina, is and remains Bosnia and Herzegovina."

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## Interview: Muhammed Filippovic

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### There will be no division of Bosnia

*Muhammed Filippovic is a professor at Sarajevo University, ambassador to London of the Republic of Bosnia-Herzegovina, and a member of the Presidency of the Republic of Bosnia-Herzegovina.*

**EIR:** What have you to say about the planned Geneva talks?

**Filippovic:** People should start by asking Bosnia what it thinks. This, they seem to prefer not to do.

For my part, I can say: There will be no division. If there

is division, then there will be more war.

What would you say to talks, where a country is, first, plunged into war, and, *whilst that war still rages*, dragged to talks? Let there first be a cease-fire. Then, there can be talks.

Throughout this war, the status on the ground has been the basis on which to conduct "negotiations." Curious, don't you think?

As for the Geneva Conference on "former Yugoslavia," I believe this is the first time in history that an *international conference* has been dealing with the *internal* affairs of one country. There has been *aggression*, violation of *international law*, and the conference concerns itself with *our* Constitution, *our* internal affairs!

The Geneva Conference itself questions the sovereignty of a nation. And now, it is culminating in giving parts of our territory to Serbia, giving them the space to make a so-called "homogeneous" Serbia, and the right to make a confederation with Serbia—which means the *dissolving* of Bosnia.

The people who have worked out this "framework" are just technicians of different political wills and interests.

**EIR:** What about the arms embargo?

**Filippovic:** It is unnatural and unlawful. It is a breach of the U.N. Charter. It should be lifted.

**EIR:** Returning to the Contact Group plan—

**Filippovic:** Personally, I am against it. Bosnia is a sovereign state. We can discuss *bilaterally* with England, with France, and so forth.

The Contact Group plan was made on the supposition that we had lost the war. There is no reason for that supposition now. There is a new strategic situation, and therefore, we need a new plan.

No one knows exactly what the new proposals are. But from the rumors circulating, they are even worse than the old.

I am not for imposing peace like some magician. The will of the people can be freely expressed only when that people is free to express it. Presently, there does exist a highly unnatural situation, where our people are under enormous pressure and have not the leisure to think freely.

So, let there be a cease-fire. Let all the roads be opened,



let the communications be restored. Let human rights be respected in the regions presently ruled by Serbia. Then we shall see.

**EIR:** Is it advisable that Bosnia not attend the talks at all?

**Filipovic:** We cannot directly change the will of President Clinton. I am concerned that *we not accept anything*. We should never give into *anything*. It is the only defense we have.

**EIR:** What of the new 28th Division, "Return to Srebrenica"?

**Filipovic:** Three years ago, I said we should form a special force, named to be the force for restoring the authority of Bosnia-Herzegovina over the region of the Drina. I insisted, we should form a Drina Corps to declare our *strong will with military force* on our eastern border.

I am glad the 28th Division has been formed. It will fight, and I know that eastern Bosnia will be gotten back.

You see, I am from the Krajina region of Bosnia, from Banja Luka. I have often visited soldiers who come from that region, and they tell me they will not put down their arms, until we get back to Banja Luka, Prijedor, and the rest.

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## Interview: Stjepan Klucic

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# Three principles are needed for peace

*Professor Klucic is a member of the Presidency of Bosnia-Herzegovina and head of the Republican Party of Bosnia. He is a Catholic of Croatian origin.*

**EIR:** What do you say to the Contact Group plan?

**Klucic:** Bosnia must remain sovereign. We can discuss the plan, only to the extent it be sovereign within its present international borders. We can discuss, only to the extent, there be no *Anschlussung*—no federation, neither with Serbia, nor with Croatia.

We are going on the basis that the West's intentions be good—and it is in the interest of the West, that Bosnia be a sovereign state.

Should the international community not support this, then "peace" will be short-lived.

**EIR:** What has to be done now?

**Klucic:** My party, the Republican Party, has presented a de-

mand to the Bosnian government: For 100 years, for the next *century*, no one shall be allowed to emigrate from Bosnia. No one shall leave the country. That is, if we are to rebuild an integrated state.

There are three further principles we insist upon. First, the return of *all* refugees, regardless of their religion, to Bosnia; second, the prosecution of the war criminals; third, a Marshall Plan, for which the financial basis to rebuild our country must now be defined.

Should these principles not be respected, mark my words, *war will break out again*.

Should they not be respected, we will begin, *now*, to make all needful preparations in order to relaunch the war within a couple of years.

**EIR:** What about the Serbians in Bosnia?

**Klucic:** The issue is to win back over to the Bosnian side the Bosnian Serbs. With western aid to rebuild the nation, and to the extent we do respect human rights over the entire territory, it can be done.

We have got to find political leaders able to sweep away the hatred. It will take time, and neither Belgrade nor Zagreb shall be involved, because they were concerned before to divide this country.

**EIR:** Most observers consider England to be the principal begetter of the war. At the World Court in the Netherlands, there lies a suit against it for conspiracy to commit genocide, regrettably, now in abeyance.

**Klucic:** We have let the suit lie a while in abeyance, to give England a chance to change its actions. But what you say is true.

You see, Unprofor [U.N. Protection Forces] has not put the U.N. Security Council resolutions into effect, but rather, those policies of the respective governments whose troops are engaged. There has been an "Anglo-Saxon" bloc—Gen. [Louis] MacKenzie, Gen. [Michael] Rose, and now [Gen.] Rupert Smith.

One should bear in mind that war crimes have no statute of limitations. Time has not run out for us to prosecute. And the English know that time is on *our* side.

**EIR:** What about France?

**Klucic:** There were two battles to be waged at once: We had to force [Croatian President Franjo] Tudjman into war against [Serbian dictator Slobodan] Milosevic. And we have *forced him to split* from Milosevic, once and for all.

And then, we were much exercised to get France to break with England, through [President Jacques] Chirac.

Bosnia-Herzegovina must remain a single unified state, and every nation must be got to understand that.

**EIR:** Were the bombing raids this week called off too soon?

**Klucic:** Yes. We have got to see the artillery batteries around

Gorazde, Sarajevo, and other cities taken out. The airports at Banja Luka, as Mr. Roy Gutman has just said here, must be taken out. And the way to the capital must be cleared.

**EIR:** What about the Posavina Corridor?

**Kluic:** If Croatia throws itself 100% onto our side, we can cut the corridor. Unfortunately, the Americans are swayed by their apprehension that the Yugoslavian National Army will launch a massive onslaught were that to be attempted, or were the Croatians to move to free East Slavonia and Baranja, or to take the hinterland of Dubrovnik, i.e., Trebinje.

**EIR:** Senate Majority Leader Robert Dole has just said he will *yet again* put off the vote to lift the arms embargo.

**Kluic:** I say, *let us have the arms now*. Then, you can announce afterwards, that the embargo is lifted. We have no heavy artillery, no missiles.

Our soldiers and officer corps need these weapons *now*, to train. We should have had them in 1992. Let us be sent them *now*, then lift the embargo. Otherwise, Serbia will attack, probably at Gorazde.

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## Interview: Mirko Lazovic

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# 'We believe in the existence of Bosnia'

*Mirko Lazovic is a member of the Presidency of the Republic of Bosnia-Herzegovina, president of the Parliament of the Republic, and a member of the executive, Social Democratic Party of Bosnia-Herzegovina. He is Serbian Orthodox.*

**EIR:** I'm asking everyone the same question. What do you think of the Contact Group plan?

**Lazovic:** This plan is all unclear. There is talk of percentages, here and there. We cannot accept any plan which calls for dividing our republic according to ethnic criteria. We cannot accept this idea of "federations." There will be no "ethnic entities." We will allow ourselves to be bound by confederation, neither to Serbia, nor to Croatia.

Bosnia can deal with these neighboring countries, only as a *sovereign State*, and in no other way. I believe the Americans, and the Germans, have understood that.

Neither will we allow *political division*. We can let the conflictual Serbian-inhabited areas enjoy a certain degree of autonomy, but that is all, nothing like a German *Land*, or

their own state. That is out of the question.

The same goes for the Croatian-inhabited areas: There may be intellectual ties, there may be cultural ties, but that is all.

**EIR:** Like Spain and Mexico?

**Lazovic:** Exactly.

**EIR:** What about the recent events in France?

**Lazovic:** I feel a certain optimism about [President Jacques] Chirac. France has made it clear that [Bosnian Serb leader Radovan] Karadzic's Serbs must accept the existence of Bosnia-Herzegovina. France—that was not the case under [former President François] Mitterrand—has said that it considers it *French interest* to uphold a multi-ethnic Bosnia.

England is now very much occupied to avoid being alone in a corner—with *Russia!* And, of course, it is much occupied to prevent America and Germany from having any influence here. It is she who wants the status quo, because of her *interests*.

**EIR:** You have seen terrible things. How have you kept such a high morale and such grandeur?

**Lazovic:** We believe in the existence of Bosnia-Herzegovina. It exists as a State, and it will continue to exist. I was born in this country. During this war, I have become very deeply conscious of what it means, *not* to have a State and not to belong anywhere.

I have to find this strength, for myself, and for my children. Over the past centuries, Bosnia has known wars, and it has suffered. But it exists.

I believe in a civil State, in which all those of Bosnia and Herzegovina shall live, no matter whether Catholic, Muslim, or Orthodox.

This country has been a land of great tolerance for centuries. And we did *not* start this war. It was started from outside.

The people of this country will surely find a way to work together again, much more swiftly than their politicians. A great number of secular political bodies will doubtless spring up, in which people will *not* be organized on a so-called "ethnic" basis. You know, I'm a leader of the Social Democratic Party.

**EIR:** You are Serbian Orthodox. The British press speaks of Bosnia as a "Muslim State."

**Lazovic:** Such affirmations are simply, *untrue*. Western politicians speak of a "Muslim State," so they can get on with dividing Bosnia.

It is perfectly logical that there should be a greater number of Muslims in the Army or other institutions. But the Army is *not* fighting for "Muslim interests" alone. They are fighting for our State, in which all religions will freely share.

**EIR:** What do you want from the U.S.A.?

**Lazovic:** We need America's help. The Serbian artillery must be silenced, period—whether by more bombing raids, or by diplomacy, but it must be silenced.

And we need material aid to rebuild our country.

**EIR:** What has to be done in eastern Bosnia?

**Lazovic:** Grabbing Srebrenica and Zepa was a great mistake by Serbia. Because not only did Croatia then recover the Krajina—it moved on Bosanko Grahovo and Glamoc where the Serbians had been the majority before.

I repeat: No part of this country can be joined to Serbia.

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## Interview: Jovan Diviak

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# We cannot accept the Contact Group plan

*Jovan Diviak is a general of the Army of Bosnia-Herzegovina. General Diviak is Serbian Orthodox.*

**EIR:** What do you think about the Contact Group Plan?

**Diviak:** Eighteen months ago, perhaps we entertained the idea it might just possibly work. The Serbians rejected it. Our President was put under enormous pressure, also by the Americans, to accept it. He said, under that pressure, that perhaps he would.

At that time also, the Bosnian Army was very weak, and there was no unity in the Islamic world about what to do for our country.

But it is now clear to everyone that the Contact Group plan is a terrible plan. It is negative for the victims of this war of aggression. The aggression of a sovereign State would be rewarded. The aggressor State, would be granted territories, over which it never before in history has ruled!

Today, the situation is totally different. We cannot accept this plan. The Twelve Point Proposal put forward by our President, Alija Izetbegovic, is a better basis upon which negotiations may be conducted.

**EIR:** How do you see the next weeks?

**Diviak:** Both the government, and the Army, are favorable to the idea of putting an end to the war. This means, we would prefer a political, to a military option.

Since Croatia recovered the Krajina, our own military posture is to some degree, unfortunately, worse. Srebrenica

and Zepa fell, and the Serbian Armed Forces were freed up, to take up positions around Gorazde. Thirty thousand, I repeat, 30,000 heavily armed and fresh Serbian troops, were brought into Bosnia from the Krajina.

Write this down, so that your readers remember these details, because they are important: We have no heavy weapons. The Serbian Armed Forces have 400 tanks, we have but 60. The Serbians have over 2,000 pieces of heavy artillery, missile-launchers, vehicle-based mine launchers, and so on. We have less than 400. The Serbians have 40 helicopters. We have but four.

We need anti-aircraft guns, heavy artillery, and tanks. We need transport material, military logistics, mountain gear, bivouac gear.

We need this to win the war.

**EIR:** How are things with Croatia?

**Diviak:** It could be better. For example, I ask what will happen at Bosansko Grahovo and Glamoc. After they recovered the Krajina, the Croatians took those Bosnian cities from the Serbians. But do the Croatians understand, that this is the territory of the Republic of Bosnia-Herzegovina? There is talk about putting there, Croatians who have been forced by the Serbians to flee Vojvodina.

The relations between the HVO [Croatian Army] and the Bosnian Army are not good enough. We need infantry support, infantry engagement, from the HVO, and we are not getting it. That is also the question of the Posavina Corridor. And that is one of the reasons why our operation to break the siege of the capital is not good enough. I fear that Croatia is not sufficiently concerned with the fate of our capital. I fear that it may be satisfied with what its late victories have brought it.

**EIR:** You are of Serbian origin. What do you say to the western press prattling on about the "Muslim State"?

**Diviak:** The territories which are under the control of the government of Bosnia, are presently in their majority populated by Muslims. It is therefore understandable, that the Muslims should be a majority in the Army. In the Fifth Corps, about 95% of the troops are Muslims.

But there are units, where between 10 and 15% of the troops are Serbian. There are many Serbians in our Interior Ministry. In the Second Corps, there is an HVO unit, which is 70% Croatian. In the units of the Interior Ministry, there is a still higher percentage of Serbians, up to 14%. In the Bosnian Army as a whole, 4% of the troops are Serbian. There is one battalion in the capital, which is 20% Serbian, and the battalion called Dobrinja, also in the capital, is 12% Serbian.

Many Serbians have been decorated for valor. In the Army, there prevails religious freedom; those who practice, observe the religious holidays of their own belief. Of course,

there are hotheads, there are clashes now and then, but on the whole, it is good.

**EIR:** What happened at the eastern enclaves?

**Diviak:** All those governments which took part in the London Conference in July, bear the guilt for the fall of Srebrenica and Zepa. Those governments acted in a partisan way. They were partial to the Serbian side. They delivered up those cities to the forces of Gen. [Ratko] Mladic.

**EIR:** Do you think that most Serbians in Serbia are pleased with the war?

**Diviak:** Three hundred thousand men of science, learned men, have left Serbia in the last two years alone. There are a great many deserters from the Army. A great many Serbs know that they can perfectly well live alongside the Muslims.

There are also many who protest in the Serbian-occupied parts of Bosnia against Radovan Karadzic's regime. They protest. But they are under pressure and they are not able to say what they think.

To wage this war, the Serbians were forced to bring in many people from other parts, especially, for example, from Montenegro. Because it was not easy to make the Serbians born in Bosnia to fight against their country.

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## Interview: Francis Boyle

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# Supply arms to Bosnia in the fastest way

*Francis Boyle is Professor of International Law at the University of Illinois at Champaign.*

**EIR:** Senator Dole has just put off the vote on the arms embargo again.

**Boyle:** If people really want to get those arms into Bosnia, the easiest, the fastest way, is to tack on an amendment to the Defense Appropriations Bill. It cannot be vetoed, or the entire defense budget goes. I think we just missed the boat on that one.

Or, the bill to fund the entire government is coming up. Half a billion dollars to buy weapons for Bosnia-Herzegovina could be tacked on.

This would require *leadership* from Mr. Dole and Mr. [Jesse] Helms [R-N.C., chairman of the Senate Foreign Relations Committee], but it can be done.

# First Lady takes Beijing by storm

by William Jones

Mrs. Hillary Clinton accomplished a diplomatic tour de force in her first visit to the Chinese capital on the occasion of the U.N. Fourth World Conference on Women that opened in Beijing on Sept. 5. Her address to the Beijing international women's conference denounced the attempts to impose a United Nations Organization-agencies dictatorship to intervene in the internal affairs of families within nations. "What we are learning around the world, is that, if women are healthy and educated, their families will flourish. . . . And when families flourish, communities and nations will flourish," Mrs. Clinton said.

Her attack on human rights violations against women was also a clear swipe at practices supported by anti-population non-governmental organizations, although the news media chose to interpret it as simply against China. "It is a violation of human rights when women are denied the right to plan their own families, and that includes being forced to have abortions or being sterilized against their will," Mrs. Clinton said.

She also attacked it as a violation of human rights "when women are raped in their own communities and when thousands of women are subjected to rape as a tactic or prize of war," the hardly veiled target of which was the Bosnian Serb leadership.

The speech garnered significant approval from such a strong right-to-life Republican as Rep. Chris Smith (R-N.J.), who characterized it as "eloquent."

## A pleasant surprise

A few weeks prior to the Beijing conference, things looked pretty dim for any possibility of having her attend the conference, in spite of intense lobbying by the Chinese to get her there. By August, relations with the Chinese government had fallen to their lowest point in years after an explosive and rather disproportionate Chinese reaction to the private visit of Taiwan's President Lee Teng-hui to the United States last June.

The Clinton administration had given President Lee permission to come to the United States strictly on a private basis to attend a class reunion at his alma mater, Cornell University. Senate Foreign Relations Committee Chairman

Jesse Helms (R-N.C.) had been a key promoter of the Lee visit, hoping to turn it into a major political demonstration against the Chinese government. But the Clinton administration was having none of that, asserting the "private" nature of President Lee's visit as well as U.S. adherence to a "one China" policy.

The Chinese government had withdrawn its ambassador to the United States in protest to the visit and had canceled a series of scheduled diplomatic exchanges at various levels. Then, on June 19, Chinese authorities arrested Chinese-American activist Harry Wu, then on a visit to China. Wu is an outspoken "human rights" activist, who has been strongly supported by Senator Helms and his colleagues. Wu had earlier angered the Chinese by his exposure of the Chinese use of prison labor in making products for export. The arrest of the controversial activist by the Chinese was grist for the mill of Helms and other Republicans who wanted to throw a monkey-wrench into attempts by the Clinton administration to improve relations with China.

A meeting was held between Secretary of State Warren Christopher and Chinese Foreign Minister Qian Qichen, and a visit to China of Undersecretary of State Peter Tarnoff was arranged for the end of August. At the same time, the United States was asking that the Chinese release Harry Wu for humanitarian reasons. It was while Tarnoff was in China that the Chinese announced that they were expelling Harry Wu from the country, after having convicted him in record time for illicit activities a few days before.

The release of Wu opened the door to a visit by the First Lady to the Beijing Women's Conference.

### Statesman-like performance

The visit itself immediately became the target of right-wing Republican sniping, with some Republicans warning that a visit by the First Lady would be equivalent to "acquiescing" in China's violation of human rights. In her first speech to the conference, Mrs. Clinton took the wind out of the sails of her critics, giving a very direct and hard-hitting speech on the rights of women, or as the First Lady defined it, the right of every woman "to realize her God-given potential."

The intervention of the First Lady also served to significantly shift the conference away from the bombastic posturing of radical feminists such as Bella Abzug, orienting it, instead, toward issues of economic and social development. Already on Aug. 24, U.S. Ambassador to the U.N. Madeleine Albright, the official head of the U.S. delegation, had indicated that the purpose of the Beijing conference, in the eyes of the United States, was to focus on the importance of the family, indicating that the U.S. delegation would be lining up more with the forces of the Vatican, also present at the conference, rather than with the radical feminists, who were present at the conference en masse.



*First Lady Hillary Clinton told the U.N. conference on women in Beijing: "If women are healthy and educated, their families will flourish. . . . And when families flourish, communities and nations will flourish."*

However, no individual nation was singled out by name, although the nature of the abuses to be condemned were delineated in no uncertain terms. Mrs. Clinton also asserted the rights of people "to assemble, organize, and debate openly."

Although such sentiments may also have rankled some Chinese leaders, and the Chinese government did not allow the Clinton speech to be published in the *Beijing Forum* newsletter and attempted to keep the conference within very strict limits, they took no public umbrage at her comments. The very presence of the First Lady at the conference was undoubtedly for them a clear indication that the Clinton administration was willing to work with the Chinese government.

That willingness was clearly conveyed by the First Lady, who stated that the President intended to remain "engaged" with China in a broad and comprehensive relationship, emphasizing that the United States was seeking to establish "an honest relationship" with the Chinese leaders.

# International Intelligence

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## **Carlos Andrés Pérez may face more charges**

Venezuelan Prosecutor General Ivan Badell has ordered an investigation of "illicit enrichment" against impeached President Carlos Andrés Pérez (nicknamed CAP) and his mistress Cecilia Matos, centering on their accounts at two New York banks. The two are already charged with misappropriating 250 million bolivars from a secret presidential account, converting them to dollars at a preferential rate, and then selling them for bolivars at the market rate, which turned the original sum into 2 billion bolivars.

Despite all this, Wall Street stooges continue to call for CAP's comeback, to replace his successor, President Rafael Caldera. The latest is columnist Alberto Quirós Corradi. In his Aug. 31 column for the Caracas daily *El Universal* he wrote, "There is a collective sense that Pérez already changed from being guilty to innocent. . . . Beyond a conscious act by public opinion in order to absolve Pérez, what does exist is the near-certainty that he will be free . . . to return to the public stage."

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## **Rees-Mogg preaches end of nation-state**

The end of the sovereign nation-state, and the Soviet Union-modeled "disintegration" of several European nations, China, India and Canada, are central events for the next decades, wrote British intelligence mouthpiece Lord William Rees-Mogg, in a London *Times* commentary of Aug. 31 entitled, "The End of Nations."

Rees-Mogg wrote, "The world in 2025 will differ far more from that of 1995, than our present world differs from that of 1965. Three themes stand out: the second stage of the revolution in electronic communications, the rise of Asia, and the weakening of the nation-state relative to the citizen."

By 2025, "other nations are likely to have repeated the pattern of disintegration of the Soviet Union. The European Union,

with many of its subordinate nations, as well as Canada, China, and India, are all threatened with disintegration, for the same reasons. . . . The United States may or may not hold together—the tax system and bureaucracy are atrocious, but the entrepreneurial skills and technology remain very impressive. . . .

"Yet the most successful country of all will have no geographical location. The bright people, the so-called cognitive elite, will deal with each other on the networks of cyberspace, outside the existing jurisdictions. . . . Cyber-country, rather even than China, could well be the greatest economic phenomenon of the next 30 years."

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## **Mozambican papers warn of British recolonization**

Two Mozambican papers published in Maputo, *Tempo* of Aug. 13 and *Demos* of Aug. 9, have both warned about the British-authored attempts at recolonization. Wrote *Demos*: "Much-vaunted sovereignty was announced two decades ago and continues to resonate in Mozambican ears, but now we are getting a subtle wind of new times ahead, times of a global village where the world is run by lords and masters. The tips of the iceberg are emerging in our country, as they have in other African and Third World countries. This week, the signs were very clear. There were two such signs. First the 'bifes' [slang for Britons] handed over street-cleaning equipment to be used in Maputo and, in the same breath, 'suggested' that the name of one of Maputo's streets should be changed [from Vladimir Lenin to Winston Churchill]. . . . We continue to watch passively suggestions of small changes in the name of democracy. However, these suggestions are beginning to pile up and take on frightening dimensions. The Mozambican government was the beneficiary of corn aid, but it was embarrassed to learn of clauses in the agreement that limit corn sales to Mozambicans who are not well off."

*Tempo* cited the same exchange with Britain, but also lumped the United States

into the scenario—seemingly in a more minor role. *Tempo* editorialized that Mozambique should not pursue its plan to join the Commonwealth. "The civil wars in Angola and Mozambique brought about the changes that Westerners wanted in those countries. With their economies ruined, and because of international aid, those countries missed the opportunity of asserting their independent status. What is more obvious, the West's return to Africa is today more open and daring. It even looks as though Mozambique as a state is *making a serious mistake by seriously considering joining the Commonwealth* . . . .

"Foreign and Cooperation Minister Leonardo Simão said in an interview that 'we are not selling the country.' It is true. One cannot sell something that has already been bought—that would be cheating."

The articles were translated from the Portuguese by FBIS.

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## **Akashi exposed as anti-population nut**

The United Nations' genocidal envoy to Bosnia, Yasushi Akashi, has played a major role in the implementation of the Carter administration's infamous *Global 2000 Report*, according to information provided by Canadian journalist Elaine Dewar, in her recently published book *Cloak of Green*, on the inner workings of the environmentalist movement.

According to Dewar, the Better World Society was created by former President Jimmy Carter and media magnate Ted Turner to implement the policies of the *Global 2000 Report*. This genocidal tract calls for the dramatic reduction of the world's population by the year 2000. Dewar reports that Yasushi Akashi was a member of the board of the Better World Society in the late 1980s, that is, during their most active period. That may explain Akashi's zeal in allowing the Serbians to exterminate the Bosnian population.

Some of the other members of the board that Akashi was working with at the time

## Briefly

included former President Olusegun Obasanjo of Nigeria; Canadian Maurice Strong, head of the U.N.'s Earth Summit in Brazil in 1992; Georgi Arbatov, director of the Soviets' U.S.A.-Canada Institute and former member of the Communist Party Central Committee; and, Norwegian Prime Minister Gro Harlem Brundtland, head of the Brundtland Commission.

### **Israelis can document terrorist connivance**

"The Israeli government and the Palestine Liberation Organization have acquired documentation on the cooperation between the Israeli right-wing extremists and Arab terrorists," the chief editor of a Palestinian daily newspaper told *EIR* on Aug. 31. After the recent raids on Islamic terrorists' hideouts in the West Bank and Gaza Strip, various materials were seized by the Israeli and Palestinian police, including 1,500 "blank" Israeli identity cards which the terrorists used to enter Israel and move freely once there.

"These materials were obviously provided by Israeli intelligence and military operatives to facilitate terrorist operations for certain radical Islamist groups," said the source. He added that Prime Minister Yitzhak Rabin's office spokesman expressed major concern about possible assassination attempts by Israeli right-wing extremists on Israeli government officials. The source elaborated that "the concern comes from the government's belief that such a threat is very likely to come from Israeli Army intelligence officers with links to these extremist groups, to target the Labor Party government and the peace process."

### **Italian daily: EIR was right on Bosnia, Russia**

The Sept. 1 issue of *Avvenire*, the Italian Catholic daily, quoted *EIR* on the predictable Russian non-reaction to a forceful NATO intervention against the Serbs. "NATO will hit the Serbs and Russia will not intervene," political analyst Konstantin

George "asserted three weeks ago in the *Executive Intelligence Review* magazine," wrote *Avvenire*. Mr. George "was right: NATO bombed the Bosnian Serbs and Yeltsin limited himself to a protest." The unsigned article explained that fear of Moscow's intervening on the side of Belgrade against the West "is a fear spread mostly by the British."

*Avvenire* interviewed Russian politician Givi Gumbaridze, head of the Reform Foundation, to explain that Moscow's main interest is to keep alive its military industry, and its number-one customer at this moment is the Islamic world. "Since the collapse of the Soviet empire," Gumbaridze stated, "Moscow has built a strategic axis with Iran. . . . By maintaining good relations with Teheran, Moscow has so far guaranteed the permanence of stable, pro-Russian regimes in the new republics of former Soviet Central Asia, with Islamic majorities."

### **Pope encourages women in politics**

Pope John Paul II, with the Beijing Conference on Women in mind, said that women are entering political life in greater numbers, and that the trend should be encouraged because politics needs the "complementary talents" of men and women. His comments on the subject were made in his Sunday Angelus address at Castelgandolfo on Aug. 27, and reported by news wires.

He said, "Women are showing that they can make a contribution at least as qualified as men, a contribution which looks like it is becoming particularly significant, above all in those areas of politics which touch on fundamental human rights.

"For example, the role that they can undertake on behalf of peace by getting involved in politics is a great one," since peace is not just a matter of guns falling silent.

"It needs a spiritual atmosphere which is rich in fundamental elements, such as a sense of God, the love of the beautiful, love of truth, solidarity, the ability to be tender and to have the courage to pardon."

● **PRINCE CHARLES** will keynote the Findhorn Community Conference in Scotland on Oct. 7-13. The conference, an annual event held by Findhorn College, the mecca of the New Age and pagan earth-worshippers, will lay the groundwork for the "planetary transformation," required for a "sustainable" world.

● **A HUNGARIAN** bi-monthly magazine, *Kapu*, which is also sold in Germany, Austria, and Slovakia, reprinted Lyndon LaRouche's speech to a December 1994 conference in Kiev, Ukraine on the subject of Eurasian infrastructure development. The speech had appeared in the Hungarian-language pamphlet of the Schiller Institute.

● **CHANCELLOR KOHL** of Germany broke protocol after he met Italian Premier Lamberto Dini in Stresa on Aug. 29, by publicly suggesting that Dini should keep leading the Italian government through the next Italian EU chairmanship, which starts in January. Sources say that when Kohl met Italian Christian Democratic Union leader Buttiglione last spring, he insisted that Italy should stop the process of "permanent electoral campaign."

● **NEW ZEALAND'S** parliament rejected a bill legalizing euthanasia proposed by National Party backbencher Michael Laws and former National MP Cam Campion, according to Australian papers of Aug. 17. It came in the wake of the passage of the most radical euthanasia bill in the world by the Northern Territory legislature in Australia.

● **THE ALBANIAN** newspaper *Rilindja* on Sept. 2 prominently reprinted an article, "Kosova Is a Ticking Bomb," which was published in *EIR* on Aug. 25, 1995.

● **MUSSOLINI** was assassinated on Winston Churchill's orders, says a new book by Renzo De Felice published in Italy, in order to cover up their previous collaboration.

## Gross misconduct by DOJ aired at special hearing

by Dr. Debra Freeman

A northern Virginia hotel, located just 15 minutes from the U.S. Capitol dome, served as the site of a series of extraordinary public hearings to investigate allegations of gross misconduct by the United States Department of Justice, on Aug. 31 and Sept. 1. The independent hearings, which were facilitated by the Schiller Institute, were prompted by the refusal of the House Judiciary Committee this past summer, in its probe of the incident in Waco, Texas, to hear evidence of rampant corruption inside the permanent bureaucracy in the U.S. Department of Justice (DOJ). Initially, those congressional hearings seemed to be driven by broad-based, bipartisan concern that the Waco case, along with other pertinent cases, was a predicate of a continuing pattern of behavior by certain elements attached to the DOJ. But, once those hearings were literally hijacked by a group of Republican congressmen, whose only objective was to pillory President William Clinton, the result was a massive cover-up of the flagrant DOJ corruption the Congress had promised to investigate.

The independent panel, which declared that they would investigate what the House subcommittees refused to hear, included former Congressman James Mann of South Carolina (who, while in Congress, served as a prominent member of the House Judiciary Committee); Sen. Robert Ford and Sen. Maggie Wallace Glover, of the South Carolina State Senate; Rep. William Clark and Rep. John Hilliard, of the Alabama House of Representatives; Rep. Toby Fitch and Rep. Howard Hunter, of the North Carolina House of Representatives; Rep. Ulysses Jones, Jr., of the Tennessee House of Representatives; Rep. Percy Watson, of the Mississippi House of Representatives; attorney J.L. Chestnut, one of the foremost civil rights lawyers in America today; and Msgr. Elias El Hayek, Chor Bishop of the Maronite Church and professor of law. International observers included Dr. Josef

Miklosko, former vice prime minister of the post-communist Republic of Czechoslovakia; Dr. Kofi Awoonor, former permanent ambassador to the United Nations from the Republic of Ghana; Marino Elseviff, a prominent attorney from the Dominican Republic; and Amelia Boynton Robinson, of the Schiller Institute.

### Focus on political targeting

The panel focused on cases where there was evidence of politically motivated targeting of groups and individuals by a concert of private organizations outside the U.S. government, working in tandem with corrupt officials inside federal governmental law enforcement agencies. The testimony was organized around three panels: the harassment of African American elected and public officials—the FBI's Operation *Frühmenschen* ("early man"); the conduct of the DOJ's so-called Office of Special Investigations (OSI), particularly the cases of John Demjanjuk, a retired autoworker from Cleveland, Ohio accused of war crimes charges, and former U.N. Secretary General and President of Austria Kurt Waldheim; and the case of Lyndon LaRouche, the largest-scale single case, involving the same corrupt DOJ apparatus that operated in the OSI and Operation *Frühmenschen* cases.

Congressman Mann also read into the record a request he had received from Gen. Manuel Antonio Noriega of Panama, who is currently incarcerated in a federal prison in Miami, that the panel, at some future date, also consider evidence of DOJ misconduct and human rights violations that pervaded Noriega's trial in the United States.

The proceedings opened with a Memorial Tribute and moment of silence in memory of Rep. David P. Richardson of Pennsylvania. Richardson, who was to have served on the panel, died suddenly just a week prior to the formal opening



of the hearings. He was the youngest person ever elected to the Pennsylvania state legislature, and, during 24 years of distinguished public service, was a national leader, and one of the pioneers, in the battle against Operation Frühmenschen. He was 47 years old at the time of his death.

Testimony on Operation Frühmenschen was presented by former office-holders Sen. Theo Walker Mitchell, Sen. Herb Fielding, Judge Tee Ferguson, and Rep. Frank McBride, all of South Carolina; former Judge Ira Murphy of Tennessee; and Councilman Roosevelt Bell of Alabama, and Patricia Moore and attorney Ollie Manago, of California.

Testimony on the OSI was presented by Yoram Sheftel of Tel Aviv, Israel, who represented Demjanjuk in his death penalty trial before the Israeli Supreme Court; Dr. Hans Koechler, of the International Progress Organization, Vienna, Austria; and William Nezowy, of the American Ukrainian Political Action Council of the United States.

Testimony on the LaRouche case was presented by Odin Anderson of Boston, who has served as Mr. LaRouche's attorney for over a decade; Lyndon LaRouche; Helga Zepp-LaRouche; and finally, wrapping up two days of startling testimony, former U.S. Attorney General Ramsey Clark.

In case after case, decisive evidence of rampant DOJ corruption, prosecutorial misconduct, withholding of exculpatory evidence, and conscious perjury and fraud upon the court, politically motivated and designed to deprive the American citizen of effective representation, was presented, not by the good word of the witnesses, but by government documents, records, and memoranda, first suppressed and later obtained under the Freedom of Information Act and other legal actions.

At the close of testimony, the panel, under the joint chairmanship of Mann and J.L. Chestnut, ruled that no summary statement could capture the shocking and dramatic nature of the testimony itself. By unanimous decision, the panel is now preparing a series of written and video-taped presentations of the proceedings that will be produced for international circulation, as well as submission to every member of the U.S. Congress. One by one, the panelists expressed their confidence, given that the nature of the evidence they had compiled was so compelling and so indicting, that congressional oversight hearings into the matter, as well as other governmental action, would soon be forthcoming. "Justice," stated Mann, "must finally be returned to the Department of Justice."

## LaRouche scores DOJ 'hit squads'

In his weekly "EIR Talks" radio interview on Sept. 7, Lyndon LaRouche delivered a damning indictment of the corrupt DOJ and FBI apparatus, branding it as the Establishment's "Murder, Inc." Asked to comment on the just-concluded extraordinary hearings, LaRouche said:

"There's a group, inside the Criminal Division of the Justice Department, centered around people like Mark Richard and Jack Keeney, who represent the equivalent of an organized-crime Murder, Inc. hit squad. They've gone after a number of cases that various Establishment figures have wanted run, like hired hit men.

"That is—there's no direct connection, say, between Demjanjuk and Waldheim, the operation against me and my friends, the operation to eliminate all leading black politicians who are not just toadies for the FBI. . . . But in each case, some part of the Establishment has wanted the operation run. A couple of times, Henry Kissinger has been the author of this kind of thing. And the Criminal Division of the Justice Department, with certain ancillaries, runs a dirty operation, like a hit squad operation: 'Get this guy, get that guy.' And until we get that crowd out of the Justice Department, which so far [Attorney General] Janet Reno has been loath to cough up, particularly out of

the Criminal Division, there is no justice possible for anyone, in the United States. That's the issue."

LaRouche added both the Waco and Randy Weaver cases to the growing list of instances where elements within the DOJ and FBI operated as a Murder, Inc. apparatus.

"Randy Weaver was a victim of that apparatus. . . . The Waco case was set up by, again, a group in the Southern Jurisdiction of the Scottish Rite of Freemasonry, with the help of the Cult Awareness Network, including agents based from Australia. It was a complete fraud from the beginning, and they set up a situation because this group was designated to be hit. . . .

"And in the middle of this, Janet Reno arrives on the scene, and this bunch of con men, convinces her, by playing her string in some way, to endorse an operation which is plainly outright murder. So, when those kinds of things can go on in this country, like the Weaver case, and the other cases, the obvious thing to say is not: 'What was the error made, case-by-case?' There was no honest error in any of these cases; they were all assassination jobs. And what's called an error is an attempt at a coverup, before the Congress, and before other institutions. And therefore it's important to get this 'hit squad,' this assassination bureau, headed by thugs like Mark Richard, and Jack Keeney, cleaned out of the Justice Department. And clean up the FBI, too, so we can have justice, and reasonable, trustworthy law enforcement once again here in the United States."

# LaRouche movement debates 'heavy ideas' to save civilization

by EIR Staff

About 1,200 political activists from around the United States and many foreign countries met in Vienna, Virginia over Labor Day weekend, for the semi-annual conference of the Schiller Institute and the International Caucus of Labor Committees. Under the banner of "1995-1996, The Year of Decision," leaders of the movement led by economist and Democratic presidential pre-candidate Lyndon LaRouche presented what LaRouche himself, in his keynote speech, called the "heavy ideas" required to prevent the destruction of human civilization, in the coming 18- to 24-month period of inevitable financial collapse.

LaRouche's keynote presentation situated the political tasks of the period from the standpoint of "universal history," the centuries-long battle between the forces of the Renaissance republican movement, and the Venetian-British oligarchical system. Provocatively titling his speech "How to Tell If the News Is Newsworthy," the candidate stressed the need for individuals to challenge the false assumptions of their fellow citizens, and to act to shape the policy of the U.S. government in the direction of the bankruptcy reorganization which he has outlined.

"We've come to the point," LaRouche said, "that the collapse of the economy, the change in the form of our economy, has brought us to the inevitable doom of the existing world monetary and financial system. *Nothing can stop the imminent doom of this system within the next 18 to 24 months, and it could come earlier.*

"That is, within 18 to 24 months, the entire world financial system and monetary system in its present form, *will have ceased to exist*, and nothing can prevent that. The only alternatives are that the government, if it has the guts, particularly the government of the United States, intervene to put the Federal Reserve System and the attendant banks and financial institutions into what is equivalent to a Chapter 11 bankruptcy reorganization, in order to freeze the situation and put it under bankruptcy control."

What can we do, LaRouche asked, to prevent this crisis from leading to the destruction of human civilization? This is a question of mastering *ideas* that can change the world, of learning the lessons of universal history.

"If we have the power to influence the course of history, as individuals," he said, "and the choice is between the doom of civilization and recovery from the grip of this crisis, then

each of us has a corresponding moral responsibility to muster from within ourselves those capacities which enable us to do our part in shaping the course of civilization.

"Now, under that rubric, I say, the question is: What kind of news is newsworthy? Because if what I'm saying is true, that *you* represent, as an individual person, a force which can change the course of history under conditions of crisis, then what kind of news do you need? What kind of news do you need to do your job as an individual, first to understand what's going on, what's happening to the world, and to locate yourself in such a way that you can say, 'Well, here's what it is I can do, under these circumstances.' If enough of us each do our particular part, we can get out of this mess. Therefore, the only news that's worth having, is news which performs those functions: which enables government, which enables you as an individual, *better to understand what is happening to this planet, to understand what the developments are that are shaping the course of history*; and, finally, to indicate to you the facts which you need to look at, so that you can judge what it is that you might be able to do, which can contribute to bringing about a solution, an escape from the collapse of civilization."

Modern history, LaRouche said, is a conflict between two forces. One is the force of the Golden Renaissance of the 15th century, typified by the development of the nation-state in France under Louis XI, and more generally by the Council of Florence. The other, opposing force, which emerges at the end of the 16th century as an organized force around Paolo Sarpi, is called the Enlightenment. "The Enlightenment," said LaRouche, "is typified by Sarpi, by Galileo, by Thomas Hobbes, by Francis Bacon, by René Descartes, by John Locke, by Isaac Newton, by David Hume, and so forth and so on. That's the Enlightenment. That's the enemy. That's the intellectual force created by the oligarchy, to undermine the ideas upon which the Renaissance is based." Today, this force is represented by the British monarchy.

The conflict between these opposing forces has now reached a turning point. If we, upholding the ideas of the Golden Renaissance, do not defeat the evil that the British monarchy represents, we are doomed.

"My job and our job, as an institution," LaRouche concluded, "is to get out the ideas which enable people who are good people, that is, people willing to be good, to devote

their lives to good, to make their lives meaningful, to give them the ideas, the knowledge they need, to situate themselves in current history, in modern history, in universal history, and in the current process of history, linking the present and the future, as individual persons, who each can find, through their own devices, where they stand, what is appropriate for them to do, to help the process of spreading the ideas which will ensure, that out of past history, at this junction point, comes the possibility of an acceptable form of future history.”

## History as tragedy

The moral demands on the citizen who wishes to prevent a collapse into a Dark Age, were next addressed from a different perspective by Helga Zepp-LaRouche, in her keynote address on “History as Tragedy.” She chose William Shakespeare’s play *Richard III* to exemplify the principle of oligarchism and corruption of character which must be fought, if the evil which is so prevalent in the world today is to be defeated.

“Shakespeare makes this point emphatically, that it is the character which defines the action,” she said. “Friedrich Schiller and von Humboldt, especially after the French Revolution, were absolutely convinced, that only through the ennoblement of the character, could there be an improvement in politics. Only through the ennoblement of each individual, could there be a political change. And for me, the lesson from history as tragedy, is that.”

The keynote panel included three other prominent figures, who gave brief remarks.

First was Amelia Boynton Robinson, a vice chairman of the Schiller Institute, who enlivened her introductions of Lyndon and Helga LaRouche by leading the audience in choruses of “This Little Light of Mine.”

Second was Prof. Josef Miklosko, former vice prime minister of post-communist Czechoslovakia, who now heads the Schiller Foundation in Slovakia. He spoke of his collaboration with the Schiller Institute against the International Monetary Fund, and noted that LaRouche is known in eastern Europe as the “American Sakharov.”

Finally, former South Carolina Congressman James Mann reported on hearings on prosecutorial abuse committed by the U.S. Department of Justice, which had been held Aug. 31 and Sept. 1 (see article, p. 54).

## Economic crisis and the threat of fascism

The Sunday morning panel on economics (which constitutes the *Special Report* in this issue of *EIR*) documented the systemic crisis of the world’s financial institutions, and of the physical-economic condition of the United States, in particular.

The final presentation was given by special guest Jacques Cheminade, a LaRouche associate who ran in this past spring’s French presidential elections. Cheminade reviewed

recent breakthroughs toward collaboration between Presidents Chirac and Clinton, situating this in the context of the economic relations developed between Presidents de Gaulle and Kennedy in the early 1960s. The success of Cheminade’s own presidential campaign in bringing about the shift in France was clearly inspiring—as the activists at the conference anticipated the 1996 U.S. election, and LaRouche’s own campaign.

The final panel of the conference was devoted to the threat of fascism today, starting with London’s Newt Gingrich. It was keynoted by Nancy Spannaus, who took on Newt’s pretensions to an agenda of “saving American civilization,” and showed them to be a most thinly veiled cover for British free trade, New Age policies of “every man for himself” murder.

The implicit question posed by the panelists, was: Will Americans get smart about what this republic is really all about, in time to reject this fascist demagogy? Newt is a buffoon, but he is dangerous because the typical American is stupid enough to fall for him.

The same point was addressed from different angles by five other panelists: 1) Graham Lowry, on “The Mandeville Model” of British-Dutch Satanist Bernard Mandeville; 2) Linda de Hoyos on “Britain’s French Revolution Paradigm”; 3) Jeffrey Steinberg, on “Friedrich von Hayek’s Free Trade Economics”; 4) Dennis Speed, on “How the Newtoids Use Race and Racism”; and 5) Ed Spannaus, on “The Plot to Destroy the U.S. Constitution.”

## The organizing process

There was an air of increased seriousness at this conference, compared to past ones, reflecting the composition of the participants. Many are members of the nearly 100 Schiller Institute chapters which have been formed around the country during the last six months. They were particularly attentive, because they had the intention of *organizing* with the ideas being presented.

Again and again LaRouche stressed the need for activists to take on the illusions of their fellow citizens, who have abandoned the fundamental premises of the American Revolution, for false ones. He was repeatedly called upon to discuss his political relationship, and that of his presidential campaign, to President Clinton, as well as his view of government.

His answers were unambiguous: First, “Only government can save us, because only government can do what has to be done.”

Second, the solution “is going to have to come, in large part, from the United States. It’s not going to come from the Republican majority in the Congress, is it? It’s not going to come from the news media, is it? It’s going to have to come from leadership, and the only leader in sight with power, whatever you think of him, is this guy who’s President, and what’s immediately around him.”

# Contract with America to sacrifice elderly, children, disabled

by Linda Everett

Congress is just weeks away from voting on the Conservative Revolution's proposal to sacrifice millions of Medicaid beneficiaries—the blind, disabled, chronically ill, poor, and elderly among them—in their unworkable attempt to balance the federal budget, and to hustle 37 million elderly and disabled Medicare beneficiaries into what has to be the biggest shell game in American history, their plan to “save” the Medicare Trust Fund.

Because the Medicare and Medicaid programs are so central to the country's hospital and health care financing structure, no one will escape the Contract with America's knife—which is not “to demagogue the issue,” as House Majority Leader Newt Gingrich (R-Ga.) so often likes to charge. As increasing numbers of national organizations and scores of advocacy groups for children, the elderly, the disabled, and AIDS patients are warning, the Republican proposals of Medicaid block grants and nearly a half-trillion dollars in combined Medicare and Medicaid cuts, will take a devastating toll in human life, and shatter the backbone of the country's hospital and health care delivery infrastructure in the process.

Consider, as the Clinton administration charges, that over one-third of the Republicans' combined Medicare and Medicaid cuts of \$450 billion between 1996 and 2002, would come from just four states—California (\$54 billion), Florida (\$38 billion), New York (\$37 billion), and Texas (\$28 billion). No state can absorb such sweeping cuts, especially given the austerity budgets many state, county, and municipal governments are already facing.

For example, New York faces a reduction of 27% in federal Medicaid funds in the year 2002, cutting coverage for about 700,000 recipients in that year alone. According to the Urban Institute, the only way states can avoid these reductions in coverage would be to *increase* their spending on Medicaid by 40%—by raising property or sales taxes, or by cutting other critical state spending. But, in reality, New York, like many states, plans to *cut* its Medicaid program by 9%, and cut its income taxes by more than \$3.6 billion and its business taxes by \$50 million.

California faces a reduction of 31% in federal Medicaid funding in the year 2002 alone, forcing a cut-off of health benefits to over 1.2 million Medicaid beneficiaries at that point. How would Los Angeles County make up for those

cuts? It has plans to slash its budget by closing its Los Angeles County-University of Southern California Medical Center, one of the busiest public hospitals in the country. The center handled 66,000 inpatient admissions, 13,644 births, and 850,000 outpatient and emergency room visits in 1993. It runs one of the county's three burn centers, treats most of county's AIDS patients, and delivers 10,000 newborns to high-risk mothers every year. By all accounts, its closure, along with four comprehensive health centers and 25 neighborhood clinics using it, would be a disaster for the county's entire health system and its patients. The county has already voted to cut funding for its hospital and clinic system by half, and to shut all six of its comprehensive health centers and 29 of its 39 community clinics. What's left to cut?

As California's most impoverished residents lose their health care coverage, the facilities and medical professionals dedicated to treating especially indigent, non-paying patients, disappear. That situation, already under way in major cities throughout the country, is likely to escalate into an explosive public health crisis, as Congress proceeds to slash other federal public health programs, such as the House's 50% cut in block grants to Maternal-Child Health and Preventive Health Services.

Worse, a study by the National Health Law Program and Consumers Union warns that emergency and trauma care for *all* Americans could be at risk if current congressional proposals for Medicaid cuts and block grants are approved. The report, released on July 27, examines what occurred in the 1980s after California reduced its Medicaid spending by 18%—just two-thirds of what the Republicans propose to cut today. Nearly 300,000 California Medicaid recipients lost their coverage, many showing up for treatment in emergency rooms. Los Angeles County emergency rooms were continually closing, shifting overflow patients to trauma centers. The strain of providing costly care to large numbers of uninsured patients, forced 11 of the county's 23 trauma centers to close permanently, leaving 800,000 residents without access to nearby trauma care. Lack of access to emergency care meant more patients died of cardiac arrest and high blood pressure. One hospital emergency room director concluded, “You're better off having a heart attack in Mexico City right now than in Los Angeles.” The study concluded, “The tragic human toll resulting from California's 1982 Medicaid cuts . . .

could be replicated in nearly every state," should congressional proposals be approved.

### **Contract aims to dismantle Medicaid**

Medicaid is the federal- and state-funded program that provides medical treatment, long-term care, shelter, medicine, and daily assistance for 36 million Americans. The Conservative Revolution aims to arbitrarily "cap" the annual growth of federal Medicaid funds to the states at 4% (instead of 10%), and apply the \$187 billion in "savings" over seven years (1996-2002) to reducing the deficit.

Republican legislators propose to give the federal Medicaid funds to states in one lump sum, or block grant, with no strings attached. Republican governors applaud the proposal, because each state, not the federal government, would decide how to use the funds. In the process, however, Medicaid, as enacted by Congress in 1965, with its national goals and guarantee of an individual's legal entitlement to benefits based on income or type of disability, would simply no longer exist. Thirty years of legal protections and recourse for those denied care would be wiped out.

What most Americans do not realize, is that 67% of Medicaid funds go to the disabled and frail elderly. Some 39% of Medicaid funds provide for the acute care and long-term needs of 5 million blind and disabled beneficiaries. And, Medicaid provides care for 40% of all AIDS patients, and pays for health care for over 90% of the children and infants with AIDS. These vulnerable populations will not survive these federal cuts, let alone the untested managed care or health maintenance organization (HMO) experiments that states are depending on to further cut costs.

The American Hospital Association warned Congress that there are very real limits to the cuts in costs that can be drawn from managed care programs for elderly and disabled patients who have complex, often costly health care needs that cannot be dismissed. Most "savings" in Medicaid managed care programs are mythical. Studies that do show savings from HMO and managed care programs, link the savings to the lower utilization of services by their relatively young, healthy patient base. Managed care and HMOs are largely untested for the medical and nursing home services required for the disabled and elderly who represent 70% of Medicaid spending, so it's no cost-cutting panacea for Medicare either, as Republicans, among others, claim.

Over 50 national professional, health provider, consumer, and scientific organizations that are members of the Consortium of Citizens with Disabilities, testified to Congress in August that the needs of these disabled individuals, including children with cerebral palsy or mental retardation, young adults with spinal cord or traumatic brain injuries or serious mental illness, middle-aged persons with cancer or Alzheimer's disease, or elderly persons with Parkinson's disease, are not going to disappear just because Medicaid funds have been reduced.



*Nurses protest against health care cuts in Washington, D.C. on March 31, 1995. The demands of Newt Gingrich and Phil Gramm to cut Medicare and Medicaid will gut the U.S. health care system, and throw the sick and the elderly on the scrap heap.*

Besides the vulnerable Medicaid beneficiaries, such as the physically or mentally impaired, it is the poor elderly who could end up in the streets, given both the cuts and the loss of any legal guarantee of their Medicaid entitlement. About 28% of Medicaid funds are expended for indigent seniors, largely for their nursing home care, and for the state purchase of their Medicare hospital and physician insurance. Thus, a state Medicaid program that purchases Medicare for its indigent elderly and disabled beneficiaries, will have to pay any increases imposed on Medicare premiums or deductibles.

Removing federal guarantees of Medicaid eligibility also endangers millions of other Americans with disabilities or severe chronic illnesses, who have no other option but Medicaid, once they have reduced themselves to poverty in order to provide the acute care or long-term care services for which the health insurance industry refuses to provide coverage. For example, the industry denies coverage to anyone with mental impairments other than Alzheimer's. To whom do these families turn? Do the Republicans propose that we hide our mentally ill in the attic for the duration of their New Dark Age?

### **Cuts destroy children's safety net**

Gingrich and company claim that massive cuts in health care are needed to cut the deficit, in order to ensure the

nation's children will have a future. In fact, the GOP is set to gamble with the lives and welfare of some 18 million children, one in every four children in the country, who receive health care benefits through Medicaid.

A recently released Government Accounting Office (GAO) report warns that the Medicaid cuts may lead to a significant increase in the number of uninsured children in the country. One-third of the nation's children are either without health insurance or are enrolled in the Medicaid program. As the number of children covered by their parent's employer has declined significantly in recent years, the Medicaid program was able to serve as a safety net and to pick up coverage for many children.

Now, Congress is set to reverse those protective Medicaid expansions that they enacted just six years ago. These expansions guaranteed coverage to any child under age six, whose family's income is under 133% of the federal poverty level; and, to any child under 21 whose family's income fell below the federal poverty level.

The National Association of Children's Hospitals, whose member hospitals treat 50 to 80% of children with Medicaid coverage, joined with the American Academy of Pediatrics to warn that block grants to the states will hit children the hardest if these national standards for Medicaid coverage are not upheld. Projected cuts of future growth in Medicaid spending are so large, they warn, that states will be forced to significantly reduce future Medicaid coverage.

The GAO report also warned that, as poorly educated Americans take lower-paying jobs that don't offer health care coverage, families need expanded Medicaid help. Yet, as states radically cut welfare, forcing families into a severely depressed job market, where they will need this Medicaid "safety net" for their children, Republican governors appear hell-bent on imposing some of the most stringent eligibility requirements in years. There is genuine concern that some states may return to the days, for example, when Alabama provided Medicaid to children *only* if the annual income for a family of four was under \$2,000!

The Medicaid block grants may eliminate another federal regulation, the Early and Periodic Screening, Diagnosis, and Treatment program (EPSDT), which requires states to provide children with medically necessary care, using appropriately trained doctors and certified pediatric specialists. For good reason, the National Association of Children's Hospitals and Other Institutions warns that "children's health should not be decided on a state-by-state basis without some national standards." The tremendous benefits that the EPSDT program provides, by screening for and treating serious health disorders or disabilities in children and pregnant women, will be lost because of maniac budget-cutters. Without these federal standards of care, Republicans make the unconscionable choice of allowing millions of disenfranchised children, pregnant women, and families to suffer or die from curable diseases and controllable conditions.

The Clinton administration estimates that as many as 9 million indigent children, elderly, and disabled individuals would lose their Medicaid coverage as a result of the Conservative Revolution proposals. Elderly and disabled individuals who are unable to meet their increased Medicare premiums and co-payments may also be forced to go without hospital and physician care. They will join the growing ranks of uninsured Americans, who are expanding at a rate of more than 1.2 million a year. They, like the 44 million currently uninsured (about 18.8% of all those under the age of 65), will eventually turn to public hospitals for care. These facilities, although chronically underfunded and short-staffed, provide whole communities with trauma care, burn centers, and neonatal units. Some 90% of their services are provided to Medicare, Medicaid, and low-income, uninsured patients. But, as is indicated with the likely privatization of New York City's hospital system and the closing of the Los Angeles County-University of Southern California Medical Center, public hospitals are seriously threatened with each federal or state cut in health care programs.

### **The Medicare shell game**

Congress's cuts will drastically cut Medicare reimbursements to hospitals and physicians in general, with additional cuts in the extra funds that support teaching hospitals and in the disproportionate share programs that assist hospitals that treat mainly homeless, indigent, and uninsured patients. When a Medicare patient is treated at a teaching hospital, the government reimburses the facility about 30% more than a regular facility, to cover the costs of training doctors, or the use of new drug therapies or surgical techniques. That extra payment will be cut 30 to 60%, under the GOP budget plan. Such cuts have a direct impact on how both teaching hospitals and public facilities, which often utilize the residents and interns of such teaching programs, are able to treat large numbers of uninsured patients.

Medicare cuts of this magnitude will cause a reduction of the attending physicians required for oversight in a teaching program, as well as its research projects. These cuts could lead to the loss of a teaching program's accreditation, as recently occurred with Howard University's Obstetrics and Gynecology (OB-GYN) program. Howard, located in the District of Columbia, which has the highest infant mortality rate in the country, is one of the nation's four predominantly African-American medical schools. The loss of its program exacerbated OB-GYN staff shortages at D.C. General Hospital, the only hospital in the city that delivers thousands of high-risk infants to uninsured mothers annually.

The Republicans' sweeping plan to shift Medicare beneficiaries into HMOs and managed care plans, will further erode the ability of most facilities to provide free care, since managed care programs refuse to pay for the extra costs of medical research and for training new physicians.

The Contract with America's Medicare cuts depend on

hoodwinking Medicare beneficiaries with promises of “more choices” and bigger savings with HMOs. First, there’s not much “choice” involved, if, as the House plan requires, seniors are to be heavily penalized with higher premiums and deductibles should they stay with a fee-for-service plan. GAO studies have found that Medicare HMOs pressured elderly beneficiaries into signing up with plans that systematically refused to provide critically needed treatment, and refused to acknowledge a beneficiary’s right to appeal the HMO’s denial of treatment. For-profit HMOs not only ignored the oversight authority of government agencies who monitored Medicare contracts, but they cost the federal government more money than fee-for-service contracts.

A GAO study released in August found that, despite the Health Care Financing Administration’s newly instituted monitoring and enforcement of HMO performance standards, Medicare HMOs still have serious, documented quality problems, such as incorrect diagnoses (bladder cancer), inappropriate assessment of test results, inappropriate treatment plans, incentives to underserve beneficiaries, repeated denial of access to care (patient died as a result), delays in treatment, and incompetent or untimely treatment. Medicare HMOs still, after eight years, subject beneficiaries to abusive sales tactics and undue delays in their appeal of HMO denials of treatment for six months or more, which causes high out-of-pocket costs for beneficiaries, who are forced to disenroll from the HMO to obtain needed services.

But, that’s not the end of the Gingrich Medicare scam. The Clinton administration has charged that the Republican-proposed cuts in Medicare and Medicaid would not be necessary barring their proposed \$245 billion tax break for well-off Americans. After his July 29 radio address, President Clinton and Hillary Clinton labeled the Contract with America’s claim that Medicare must be cut by over one-quarter of a trillion dollars to “save” the Medicare Trust fund, nothing but a “shell game.”

The Medicare Trust Fund, which is projected to become insolvent by 2002, involves Medicare Part A, which provides hospital care and some nursing home care, with a sizable deductible and co-payments, for the elderly and disabled. The \$160 billion in “savings” proposed by the GOP in Medicare Part A, would allegedly shore up the Trust Fund, while causing “a lot of pain” for hospitals.

However, the Clinton administration points out that the Republican-planned cuts of up to \$120 billion from Medicare Part B, which is funded out of general revenues and user premiums, has nothing to do with the Medicare Trust Fund. Cuts or “savings” in Medicare Part B, which pays for physician services and laboratory tests, “will not put one red cent into the Medicare Trust Fund,” the President said. Elderly and disabled Medicare beneficiaries will pay for the majority of the Republican’s Medicare Part B “savings.”

The costs of Medicare Part B premiums are linked to the overall costs of the program. In January 1996, premiums will

comprise about 20% of the program costs. Republicans hope to increase premiums up to 30 to 50% of the program costs—a hefty increase. The Part B deduction will not only increase from the current \$100 a year to \$150 or even \$250 a year, but the Republicans also want to index the deduction to inflation, which would keep it rising—and out of reach of increasing numbers of needy elderly. With each new burden that the Conservative Revolution piles onto the backs of older Americans, like new Medicare Part B co-payments, fewer and fewer seniors will be able to partake of the Medicare privileges that U.S. legislators fought to provide them with 30 years ago.

### **A health plan for a new underclass**

It is no surprise then, that the Conservative Revolution’s “Coalition to Save Medicare,” includes the same scoundrels who threatened the office of the U.S. Presidency, and last year, lied, fought, lobbied, and paid out millions to halt any health care reform that might have secured some of the basic health care programs that most Americans appropriately expect in an industrialized nation. The members of the coalition include the Alliance for Managed Care, which is comprised of major health insurance companies; the conservative front group, the Seniors Coalition; and the National Taxpayers Union (NTU), a key Conservative Revolution group that is tightly integrated with other rabid free-market ideologues such as the Cato Institute and the Mont Pelerin Society.

The NTU proclaims that its number-one goal since 1975 has been a balanced budget amendment to the U.S. Constitution. It also campaigned to eliminate America’s Social Security system for the elderly, a task which Gingrich says he’ll take on, as soon as he balances the budget—on the backs of Medicare and Medicaid beneficiaries. James Dale Davidson, NTU president, is working for the aims of Lord William Rees-Mogg, a principal spokesman for the British monarchy and its elite Club of the Isles, in forming an alliance of bankers and environmentalists to stop subsidies of energy and infrastructure products and to hold up the development of new technologies. Davidson co-authored *Blood in the Streets* (1987) and *The Great Reckoning* (1992) with Rees-Mogg, in which a period of economic collapse that will usher in a new feudalism and slavery in the form of an Information Revolution, is forecast. In the books, Rees-Mogg blatantly asserts that only 5% of the population—the elites—will be necessary, as the Age of the Renaissance ends, and Gingrich’s “let’em eat lap-tops” Information Age begins. The remaining 95% of society’s new feudal serfs will labor to benefit the few.

Not surprisingly, then, from beneath the Contract with America lies and pleas to the American people to save Medicare for our children, comes slithering the Phil Gramm-Newt Gingrich crowd, to gut what can be still be considered the most advanced health care system in the world and to prepare Americans for health care fit for an underclass.

# National News

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## Cato Institute hails pending govt. shutdown

On Sept. 5, the Cato Institute, a conservative Washington think-tank, hosted a forum entitled "Is a Budget Train Wreck Inevitable?" which featured, among others, former Rep. Tim Penny (D-Minn.), now with the Humphrey Institute, and Conservative Revolution ideologue William Kristol. Moderator Stephen Moore offered, in his opening remarks, the view that it would be a good thing if all but "essential government services" were to shut down on Oct. 1 as a result of a budget conflict between President Clinton and the Republican-led Congress. Carl Cannon, the White House correspondent for the *Baltimore Sun*, added that "there are plenty of Republicans in the Congress who think that \$5 trillion in debt is enough and that shutting down the government would be good."

Both Kristol and Penny said that a "train wreck" on Oct. 1, the beginning of fiscal 1996, or in November, when the debt ceiling is due to be raised, is unlikely, however, because there's enough common ground for the President and Congress to reach a compromise.

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## Phil 'Grammstands' on Bosnia policy

Trying to come up with some reason to criticize the NATO air strikes in Bosnia, which he claims to agree with, Sen. Phil Gramm (R-Tex.) dismissed the air strikes saying that they cannot be decisive, in remarks to ABC News on Sept. 3. Gramm, who is running for President, said that only ground troops—which he opposes being sent by the United States—could be decisive, and accused President Clinton of wanting "from the very beginning" to get the United States involved in Bosnia. Instead, he said, the arms embargo should be lifted.

Sen. Joseph Lieberman (D-Conn.) responded: "I disagree. . . . Obviously, air power will not end this conflict. There is a need for troops on the ground. But there are

over 100,000 troops on the ground. They're Bosnians, and all they need is the weapons to fight back."

Lieberman said that he thinks the Senate vote to lift the arms embargo was a factor, "together with the Croatian action in Krajina, that has led to the change of heart and the strong NATO action last week." Lieberman said that he would be for lifting the embargo any time the measure came before the Senate, but that he is not sure the votes now exist to override the presidential veto. "If we have the votes to override the President's veto," said Lieberman, "I think we should vote quickly, because it is part of the whole context of not only doing what's right and letting these people defend themselves, but to continue to put pressure on the Serbs."

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## Noriega: Bush cut dirty deals to convict me

Anti-drug fighter Panamanian Gen. Manuel Antonio Noriega filed a motion for a retrial on Aug. 31, based on new evidence that the government of George Bush cut secret deals with the Cali, Colombia cocaine cartel to secure his conviction. General Noriega has been in a Miami prison since he surrendered to the U.S. invasion force in late December 1989.

According to the *Washington Post*, the motion charges that in order to convict General Noriega, the Bush prosecution secured a sentence reduction for trafficker Luis Santacruz Echeverri, brother of one of the Cali Cartel's top seven kingpins, in return for the cartel's squeezing a Medellín Cartel trafficker, Richard Bilonick, to testify against Noriega: The cartel offered Bilonick "silver or lead," i.e., take \$1 million and do the job, or you and your family will be killed.

The general's motion is based on newly uncovered letters written to the prosecution in 1991 by the lawyer for Santacruz Echeverri, Joel Rosenthal. In one letter, Rosenthal reminds prosecutors that his client wishes to get "credit" for Bilonick's surrender and testimony, and adds: "Remember the appearance will be that you have made a deal with the Cali Cartel to secure the cooperation and specific testimony of a witness against the Medellín Cartel."

Santacruz's sentence was reduced from 23 to 14 years, but the details of what he offered the government, were sealed. Noriega's attorneys, in the new motion, seek to unseal those deals, and interview prosecutors about their contacts with the Cali Cartel. Bilonick walked practically free, despite admitting to having smuggled 22 tons of cocaine into the United States.

Rosenthal, a former federal prosecutor in Miami, was named in the Clinton administration's June indictment of the Cali Cartel as one of three U.S. lawyers who pled guilty to drug-money laundering.

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## 'Get LaRouche' gang loses one, wins one

Herb Bryant, a member of the Virginia private branch of the federal, state, and local concert of action to jail U.S. statesman Lyndon LaRouche and his associates, was sentenced to a jail term of six months, by federal Judge Royce Lamberth, on Aug. 31. Bryant had founded a private "law-enforcement" agency called Armed Response Group U.S. (ARGUS), along with Loudoun County, Va. Sheriff John Isom, which had provided an armored personnel carrier to the 400-man Oct. 6-7, 1986 paramilitary raid against publications associated with LaRouche.

Bryant had been convicted in a Washington, D.C. federal court of impersonating an officer (U.S. Marshal), after being caught in his stationwagon with guns outside a hotel where an Israeli delegation was staying. He tried to explain away the weapons to D.C. police by claiming that he was a Deputy U.S. Marshal.

Another member of the private wing of the "Get LaRouche" strike force, Anti-Defamation League (ADL) National Commissioner Murray Janus, was acquitted on Aug. 30 of a charge that he bribed his law partner's client not to pursue her allegation that the partner had attempted to sodomize her, according to the *Richmond Times-Dispatch*. Janus's law partner, James A. Baber III, pleaded guilty in June to a charge of attempted forcible sodomy. Under a plea agreement, the charge was reduced to a misdemeanor and he got a suspended jail term.

During 1990, Janus, with the ADL, of-



ferred to defend Judge Clifford Weckstein, who was presiding over the state "LaRouche" cases, against allegations of bias, at the same time that the ADL promoted the idea to Weckstein of electing a Jewish justice to the Virginia Supreme Court. Weckstein ultimately handed down barbaric sentences ranging from 10 to 77 years.

## Wine counterfeiting scandal rocks trade

Wine trade circuits are abuzz with news that a certain wine-counterfeiting operation in New York may be busted soon, which could lead investigating authorities to connections with world famous wine critic Robert Parker.

According to source reports, the owners of Royal Wine Merchants in New York City are being challenged by a major client, on the \$100,000 worth of 1949 Chateau Cheval Blanc they sold him. Cheval Blanc is one of the most prized red wines of Bordeaux, and bottles of this vintage could sell for thousands of dollars each. Rather than keeping them as a speculative investment, as expected, the client evidently decided to open some of the bottles, only to discover that the wine was some cheap red. The store is reportedly known to have purchased significant amounts of inexpensive French blends sold under the Dourthé Frères label, one found in many supermarkets.

One source said that Cheval Blanc labels for the wine could have been forged without great difficulty.

## Conservative think-tank wracked by infighting

One of the principal think-tanks of the Conservative Revolution has been split by infighting over the past several weeks, according to the Sept. 7 issue of the *Chronicle of Philanthropy*. Since June, 15 staffers out of 25 have resigned from the Center for the Study of Popular Culture. This center has received huge amounts of funding from the John M. Olin and the Scaife Family

Foundations.

The staffers who resigned worked for the Individual Rights Foundation, which was housed inside the Center. Led by John Howard, the Individual Rights Foundation drafted the "Wise Use" strategy to use property rights and states' rights arguments to undermine the national policymaking powers of the federal government. The strategy has been picked up by several counties in Nevada, Colorado, and Utah to contest government ownership of federal lands in the West.

The "right-wing" Center was founded by former radical leftists David Horowitz and Peter Collier. Horowitz supported the Individual Rights Foundation's land-rights program as part of "the center's efforts to scale back the authority of government over the individual." Horowitz had told the *Chronicle* earlier, "It's part of the power-to-the-people movement."

## One Whitewater charge dropped against Tucker

A federal judge in Little Rock, Arkansas, dismissed an indictment against Gov. Jim Guy Tucker and two other men, on Sept. 6, ruling that Whitewater special prosecutor Kenneth Starr had exceeded his jurisdiction, and had brought charges against Tucker and the other defendants that had nothing to do with the case assigned him. Judge Henry Woods said that the charges against Tucker were "not only insufficiently related [to Whitewater] . . . they were not related at all."

The three were indicted in June for loan fraud, and for what Starr called a scheme to devalue a cable TV business to avoid millions of dollars in capital gains taxes upon its sale.

Starr said he would immediately appeal the trial court's decision.

Tucker told reporters that Starr "clearly isn't through with me yet," referring to a second indictment against him returned in August. In that indictment, Tucker is charged along with James McDougal and McDougal's former wife, who were partners with the Clintons in the Whitewater real estate investment, and with David Hale.

## Briefly

● **WISCONSIN'S** State Supreme Court granted a preliminary injunction blocking the state from providing tax-financed tuition vouchers for children to attend parochial schools on Aug. 25. Vouchers and other "education choice" methods have been used to privatize public education.

● **CFC REPLACEMENTS** may be toxic to plant life, according to a study published in the July 27 issue of *Nature*. Dr. Tracey Tromp and colleagues from Atmospheric and Environmental Research, Inc. (AER) in Massachusetts, warn that the leading replacements for the refrigerant chlorofluorocarbons (CFCs), HFCs and HCFCs, react with atmospheric oxygen and produce a toxic compound in high concentrations. After an international environmentalist campaign, CFCs are being banned globally.

● **SENATOR** Carol Moseley-Braun (D-Ill.) questioned whether "African-American elected officials [are] more subject to scrutiny" after the Aug. 23 conviction of Rep. Mel Reynolds (D-Ill.) on charges of having sexual relations with a minor. "I think the answer to that is yes," she said, adding that she has raised the question with Attorney General Janet Reno, who is reviewing the Justice Department's file on the issue.

● **U.S. AIRLINES** may lose their tax exemption on aviation fuel taxes, when it expires on Oct. 1. Over the last two years, they have saved \$1.1 billion, thanks to the exemption of 4.3¢ per gallon, enacted by Congress. A three-year extension has been attached to the Budget Reconciliation Bill, which is facing a presidential veto.

● **MARCIA MERRY BAKER** blasted food cartel company Archer Daniels Midland in a lively hour-long radio broadcast in Kansas on Aug. 24. The *EIR* editor also particularly warned against the Orwellian "Freedom to Farm Act," which would end all kind of supports to farmers.

## Editorial

### *A pact with the Devil*

The so-called Contract with America targets, especially, the most vulnerable—the very young and the very old. Anyone who supports it, is guilty of the same kind of sin as the individual who decides to make a pact with the Devil.

Typical, is the case of an individual who wants more pleasure or power from life. Along comes a seeming person—in reality the Devil—who convinces this individual to accept a rotten deal: immediate gratification in return for selling one's soul. The denouement occurs as the gates of Hell are opening, and the individual attempts to avoid the fate he or she seems so richly to deserve. Tension arises from the need to answer the question, has repentance come too late?

In the case of the Gingrich-Gramm proposal to remove the safety net from children born to poor families and the elderly, we have been given a foretaste of Hell in the events which took place in Chicago, during this summer's extraordinary heat wave. The unnecessary and horrible deaths of the elderly which occurred, are genocide, which will become widespread should the proposed budget cuts be put into effect over President Clinton's veto.

The heat wave, which reached its peak in a four-day period during July 13-17, saw temperatures in Chicago of 106°—the effects of which were exacerbated by high humidity. It is estimated that in Cook County, Illinois, 589 people died as a direct consequence of the weather. During the period of July 13-21, a total of 1,177 deaths occurred in Chicago, an 85% increase over the same period in 1994, which saw 637 deaths.

In 83 cases, the body temperatures of the people who died were known to have exceeded 105°—cases of death from heat prostration. In other cases, where the bodies were found in apartments or houses where there was little ventilation, death from heat prostration could be inferred. The victims' rooms had in effect become ovens, with temperatures as high as 120°.

In many instances, these people, mostly elderly, had fans or air conditioners, but had not used them,

because they simply could not afford the added electricity costs. In some high-crime areas, landlords had nailed apartment windows shut. Many of these older citizens, who lived in poor areas with little police protection, were fearful of leaving their apartments to seek shelter in cool environments, such as libraries. Others were too weak to travel unassisted, especially because it was so hot.

The benefits of air conditioning were established in a study by the Centers for Disease Control in Atlanta, Georgia after a 1980 heat wave. The study found that access to air conditioning was the single greatest life-saver. They found that those without air conditioning had a 50% greater risk of dying from the heat.

The Gingrich-Gramm crowd proposes to remove from next year's budget, the paltry sum of \$100 million, which has in the past been made available to low-income families to subsidize home-heating and electricity payments. Some of this money was tapped to provide cool shelters for people during the recent heat wave (\$6 million for Chicago).

Because low-income households spend on average three times more of the share of their income on electricity and home heating, this cut would be devastating. Roughly 5.3 million households, around 1.5 million of which consist of elderly persons, benefitted from this program. Even so, due to limited funds, only 20% of the low-income households eligible for assistance received it, compared to 1983, when 36% of the eligible households received assistance. Next year there may be no funds at all. Gramm and Gingrich wish to remove children from the welfare roles, even when they are born to married couples, if their parents are already on the welfare roles. They propose to strip down social services, including food and medical assistance for the poor and elderly.

If Gramm and Gingrich have their way, what we saw in Chicago this summer will become the norm. The Contract with America is indeed a pact with the Devil, and if it is implemented—make no mistake—it will turn our nation into Hell.

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## ARIZONA

- PHOENIX—Dimension Ch. 22  
Wednesdays—1 p.m.

## CALIFORNIA

- E. SAN FERNANDO—Ch. 25  
Saturdays—10 a.m.
- LANC./PALMDALE—Ch. 3  
Sundays—1:30 p.m.
- MARIN COUNTY—Ch. 31  
Tuesdays—5 p.m.
- MODESTO—Access Ch. 5  
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- ORANGE COUNTY—Ch. 3  
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- PASADENA—Ch. 56  
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- W. SAN FERNANDO—Ch. 27  
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## COLORADO

- DENVER—DCTV Ch. 57  
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## CONNECTICUT

- BETHEL/DANBURY/  
RIDGEFIELD  
Comcast—Ch. 23  
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- NEWTOWN/NEW MILFORD  
Charter—Ch. 21  
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- WATERBURY—WCAT Ch. 13  
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## DISTRICT OF COLUMBIA

- WASHINGTON—  
DCTV Ch. 25  
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## IDAHO

- MOSCOW—Ch. 37  
(Check Readerboard)

## ILLINOIS

- CHICAGO—CATN Ch. 21  
*Schiller Hotline-21*  
Fridays—6 p.m.  
*The LaRouche Connection*  
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## INDIANA

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## KENTUCKY

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## MARYLAND

- BALTIMORE—BCAC Ch. 42  
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- MONTGOMERY—MCTV Ch. 49  
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- PRINCE GEORGES COUNTY—  
PGCTV Ch. 15  
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- WEST HOWARD COUNTY—  
Comcast Cablevision—Ch. 6  
Daily—10:30 a.m. & 4:30 p.m.

## MASSACHUSETTS

- BOSTON—BNN Ch. 3  
Saturdays—12 Noon

## MICHIGAN

- CENTERLINE—Ch. 34  
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- TRENTON—TCI Ch. 44  
Wednesdays—2:30 p.m.

## MINNESOTA

- EDEN PRAIRIE—Ch. 33  
Wed.—5:30 pm; Sun.—3:30 pm
- MINNEAPOLIS—MTN Ch. 32  
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## NEW JERSEY

- STATEWIDE—CTN  
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## NEW YORK

- BRONX—BronxNet Ch. 70  
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- BROOKHAVEN (E. Suffolk)  
TCI—Ch. 1 or Ch. 99  
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## BROOKLYN

- CABLEVISION (BCAT)—Ch. 67  
Time-Warner B/Q—Ch. 34  
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- SATURDAYS—4:45 p.m. Ch. 57

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Sun., Sept. 17—9 a.m.

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Ch. 14  
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Last Fri., monthly—4:30 p.m.

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Southern Westchester Ch. 19  
Rockland County Ch. 26

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- POUGHKEEPSIE—Ch. 28  
1st & 2nd Fridays—4 p.m.

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Fridays—1 p.m.

- RIVERHEAD  
Peconic Bay TV—Ch. 27  
Thursdays—12 Midnight

- 1st & 2nd Fridays—4 p.m.

- ROCHESTER—GRC Ch. 15  
Fri.—11 p.m.; Sun.—11 a.m.

- ROCKLAND—P.A. Ch. 27  
Wednesdays—5:30 p.m.

- STATEN ISL.—CTV Ch. 24  
Wednesdays—11 p.m.  
Saturdays—8 a.m.

- SUFFOLK, L.I.—Ch. 25  
2nd & 4th Mondays—10 p.m.

- SYRACUSE—Adelphia Ch. 3  
Fridays—4 p.m.

- SYRACUSE (Suburbs)  
Time-Warner Cable—Ch. 13  
1st & 2nd Sat. monthly—3 p.m.

- UTICA—Harron Ch. 3  
Thursdays—6:30 p.m.

- WEBSTER—GRC Ch. 12  
Wednesdays—9:30 p.m.

- YONKERS—Ch. 37  
Fridays—4 p.m.

- YORKTOWN—Ch. 34  
Thursdays—3 p.m.

## OREGON

- PORTLAND—Access  
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Thursdays—3 p.m. (Ch. 33)

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- EL PASO—Paragon Ch. 15  
Thursdays—10:30 p.m.
- HOUSTON—PAC  
Mon.—10 p.m.; Fri.—12 Noon

## VIRGINIA

- ARLINGTON—ACT Ch. 33  
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Wednesdays—12 Noon
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Comcast—Ch. 6  
Tuesdays—2 p.m.
- FAIRFAX—FCAC Ch. 10  
Tuesdays—12 Noon  
Thursdays—7 pm  
Saturdays—10 am
- LOUDOUN COUNTY—Ch. 3  
Thursdays—8 p.m.
- MANASSAS—Ch. 64  
Saturdays—12 Noon
- NEWPORT NEWS—  
Cablevision Ch. 96  
(with box: Ch. 58 or 01)  
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- YORKTOWN—Conti Ch. 38  
Mondays—4 p.m.

## WASHINGTON

- SEATTLE—Access Ch. 29  
Fridays—8:00 a.m.
- SNOHOMISH COUNTY  
Viacom Cable—Ch. 29  
(call station for times)
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Tuesdays—6 p.m.
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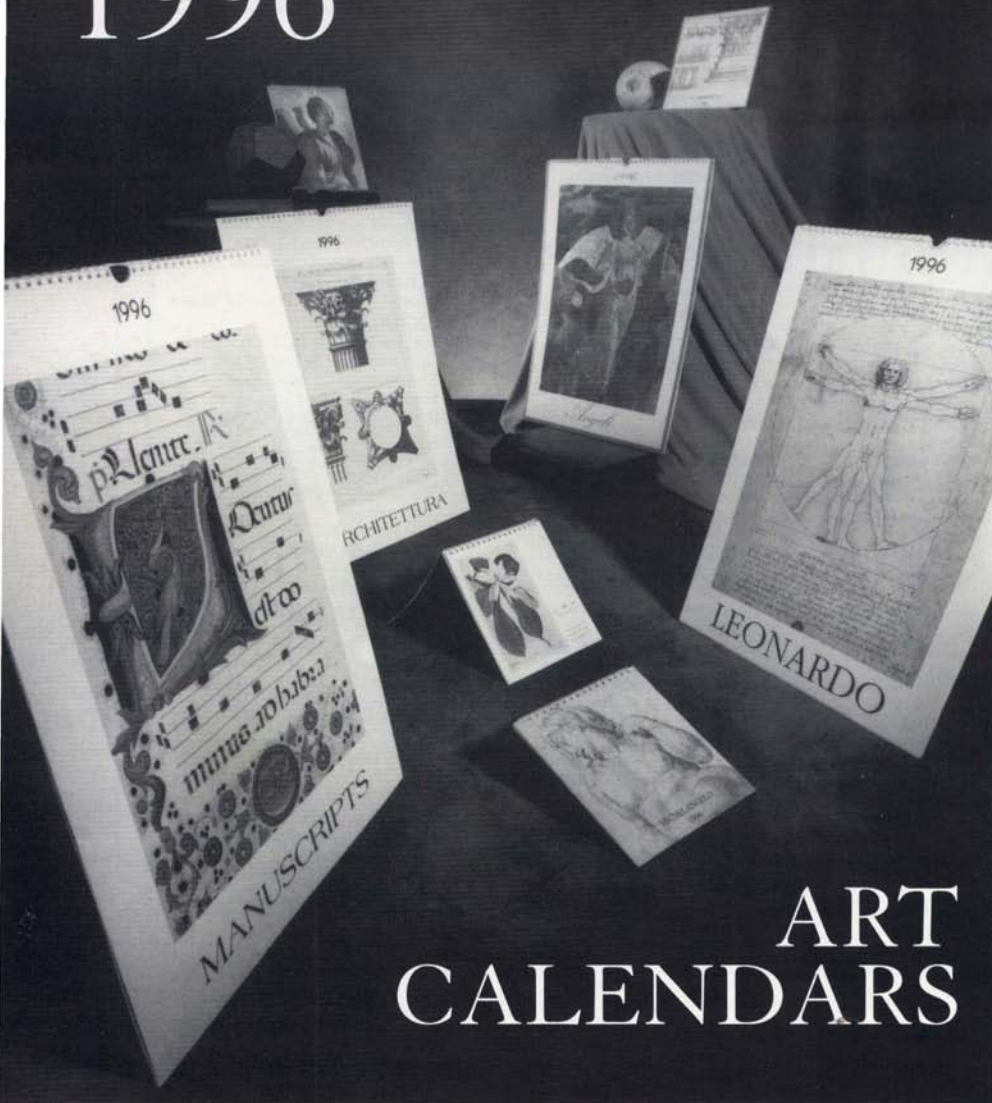
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