

# EIR

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Balkans: Land-Bridge, or World War Three?  
Debt bomb set to explode in Mexico—again  
Mutuals mania sets Americans up for slaughter

**LaRouche launches global  
campaign to destroy IMF**





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## From the Managing Editor

**L**Lyndon LaRouche has launched a major international campaign to destroy the International Monetary Fund, which is the subject of our *Feature*. This attack on a key institution of the British-led oligarchy, was announced at an FDR-PAC policy forum, in Washington, D.C. on Feb. 19. The forum was entitled “Why IMF Policy for Eastern Europe and Russia Must Be Scrapped,” a message intended especially for the U.S. government. LaRouche was joined by three leading figures, who outlined what the IMF has done to their nations: Dr. Tatyana Koryagina, an economist, an Academician of the Russian Academy of Natural Sciences, and a leading political figure; and Natalya Vitrenko and Volodymyr Marchenko, Members of the Parliament of Ukraine.

In particular, I call your attention to LaRouche’s discussion of “just war” (p. 37), in the tradition of St. Augustine, delivered at the Presidents’ Day conference of the International Caucus of Labor Committees and the Schiller Institute, on Feb. 15-17, in Reston, Virginia. The IMF is deliberately destroying nation-states, and it must be annihilated if a New Bretton Woods monetary and financial system is to be organized to rebuild the world. Russia, Ukraine, and other nations “*will be destroyed, or turned into chaos*, unless something is done to defeat the IMF,” LaRouche said. “And, people want little suggestions on how to fix things, *despite* tolerating the IMF? . . . Our moral obligation for most of the problems on this planet, are, that we must destroy the IMF and what it represents: *annihilate it as a force upon this planet, with more urgency than the annihilation of Hitler.*”

The weakness of the IMF and the forces it represents, is that its policies are creating the conditions for effective organizing against it. In-depth coverage of the FDR-PAC forum and the Presidents’ Day conference will appear in forthcoming issues.

The destruction which the IMF is wreaking is examined in *Physical Economy*, in the case of Mexico, where the debt bomb is set to explode for a second time. In *International*, we examine how IMF/World Bank policies are priming the Balkans as the trigger for World War III. And in *Economics*, Americans are given fair warning to get out of mutual funds before financial institutions disintegrate.

As LaRouche said, no nation can be saved without destroying the IMF. This is the war that must be joined—it is the most moral thing that one can do.

*Ronald Kokinda*

# EIR Contents

## Interviews

### 11 Leon Ransom

The press liaison for New York City Councilman Enoch Williams urges the importance of fighting the privatization of the city's public hospital system.

### 42 Faris Nanic

A frequent *EIR* interlocutor, this official of Bosnia's ruling party and director of TWRA Press Agency in Zagreb, argues that only serious reconstruction of Bosnia will stop the shaky peace accords from crumbling into new warfare.

### 50 Gen. Mirza Aslam Beg

General Beg, the former Chief of Staff of the Pakistani Army and presently chairman of the Foundation for Research on National Development and Security, is the founder of a new political party.

## Book Reviews

### 52 A howler of a book on Machiavelli, Leonardo

*Machiavelli, Leonardo, and the Science of Power*, by Roger Masters.

## Departments

### 54 Australia Dossier

Billionaire consolidates press empire.

### 55 Report from Rio

The MST's monarchical ties.

### 72 Editorial

Africa, conscience of the world.

## Physical Economy

### 20 The debt bomb is set to explode in Mexico—again

The policies adopted since the December 1994 meltdown have failed to address the fact that global monetary and financial aggregates have expanded hyperbolically, out of all proportion to the physical economic activity which ultimately must sustain them. An *EIR* study shows how this new disaster is taking shape in Mexico.

### 24 Mexico's labor force: 50% unemployment, and rising

Adding to those "officially" unemployed, free trade policies have shrunk the manufacturing sector employment to less than 5% of the labor force, while slashing the number of those who do have productive employment, by one-third.

**Photo and graphics credits:** Page 5, EIRNS/Philip Ulanowsky; Inset: EIRNS/Chris Lewis. Pages 6, 7, 15, 44-45, EIRNS/John Sigerson. Page 9, EIRNS/Charles Hughes. Page 14, EIRNS/Carlos de Hoyos. Pages 20-31, EIRNS. Pages 33, 43, 59, EIRNS/Stuart Lewis. Page 51, EIRNS/Muriel Mirak Weissbach.

## Economics

### 4 Mutual fund exposure sets Americans up for slaughter

Some 40 million Americans have taken their money out of savings and gambled it in a teetering stock market, mostly through the vehicle of mutual funds. Those who stay in the market, despite numerous warnings of an imminent crash, are going to lose a lot.

### 8 Deregulation: the illness not the cure

The House Banking Committee is contemplating further deregulating banks to solve the problems created by deregulation, in the first place.

### 10 New York hospitals at the center of privatization fight

Medical care for the working poor is being threatened by plans by Republican Mayor Rudolph Giuliani to hand the city's public hospitals over to for-profit privateers.

### 12 New York State nurses fight hospital closing

### 13 In defense of New York's public hospitals

In December 1995, New York City Councilman Enoch Williams (D-Brooklyn), chairman of the City Council's Health Committee, released a policy document prepared in conjunction with 12 organizations, repudiating the privatization drive against the New York's public hospital system.

### 17 Currency Rates

### 18 Business Briefs

## Feature



A mass rally in Mexico City in 1982, in support of President José López Portillo's measures against the IMF.

### **32 LaRouche launches global campaign to destroy IMF**

Meeting with collaborators from five continents, Lyndon LaRouche issued a declaration of war against the International Monetary Fund, delineating a threefold program: A new "Bretton Woods" conference; large-scale infrastructure projects, led by the Eurasian Land-Bridge; and development of the strategic machine-tool design sector of national economies.

### **34 Washington gets first-hand briefing about the crisis in the East**

FDR-PAC hosted prominent Russian economist Tatyana Koryagina, and Ukrainian members of parliament Natalya Vitrenko and Volodymyr Marchenko, to brief U.S. and international policymakers about IMF decimation of their nations.

### **34 Warnings on the IMF's destruction of Russia**

### **36 Imminence of market meltdown sets off alarms**

### **37 LaRouche on justified warfare**

### **39 'New Bretton Woods' sought by Italian parliamentarian**

## International

### **40 Balkans: Land-Bridge, or World War Three?**

IMF and World Bank policies are destroying the region. The United States must initiate a serious economic development effort to keep this powderkeg from exploding.

### **42 Decisive U.S. initiative needed to spark Balkans reconstruction**

An interview with Faris Nanic.

### **48 OAS and NGOs human rights mafia lead British assault on the Mexican Army**

Her Majesty's minions write a new page for the "Bush Manual," on how to eliminate the armed forces of Ibero-America.

### **50 Land-bridge, India are key for Pakistan**

An interview with Gen. Mirza Aslam Beg.

### **56 International Intelligence**

## National

### **58 AFL-CIO mobilizes labor against 'neo-liberal' agenda**

The traditional winter convention was anything but traditional: As he did at the World Economic Forum in Davos, Switzerland, President John Sweeney ripped into the economic policies that "paint an ugly portrait of a country that has lost respect for workers and the jobs they do."

### **60 Starr out, then back; but can he indict?**

The British attack on the President promises to continue.

### **62 Lord Byron Foundation brings its 'Greater Serbia' cause to the U.S.**

The foundation's first-ever U.S. conference will focus on two items: attacking the U.S. policy of bringing peace to the Balkans, and assembling a new Southern Confederacy to secede from the Union.

### **64 Confederate Fleming pushes breakup of U.S.**

A profile of Thomas Fleming, founder of the Southern League and editor of *Chronicles*, the unofficial organ of all "Lost Causes."

### **67 Lord Byronists foment 'clash of civilizations' to protect the Empire**

**Documentation:** From the remarks of the Byron Foundation's Michael Martin Stenton to a Moscow press conference, on Oct. 6, 1995, warning the Russians not to trust American-led peace efforts in Bosnia.

### **70 National News**

## Mutual fund exposure sets Americans up for slaughter

by Richard Freeman

Increasing numbers of Americans are investing in stock market equities and mutual funds. In hopes of making a killing, American families are shifting money from bank accounts into mutual funds, which then plow the money into the stock market bubble.

The lure of the market is making Americans crazy, distorting their grasp of economic and strategic reality. Encouraged by stories in magazines and newspapers, tips from hot-shot newsletters and “insider” investment advisers, and talk-show gossip, Americans are betting their shirts on the market. So far, the Dow Jones Industrial Average is trading around the

7,000 mark, and other stock market indices are rising.

But this is untenable: these Americans are setting themselves up to be slaughtered.

Economist Lyndon LaRouche warned in a Feb. 5 interview with the “EIR Talks” radio program:

“The only thing I can say is that the persons—and there are about 40 million Americans, I think, who are exposed to this—who are betting that they have a pension, and a future invested in mutual funds, the stock market, or some plan of that sort, if they stay, they’re going to be slaughtered. They’ll lose everything.

### Mutual fund mania

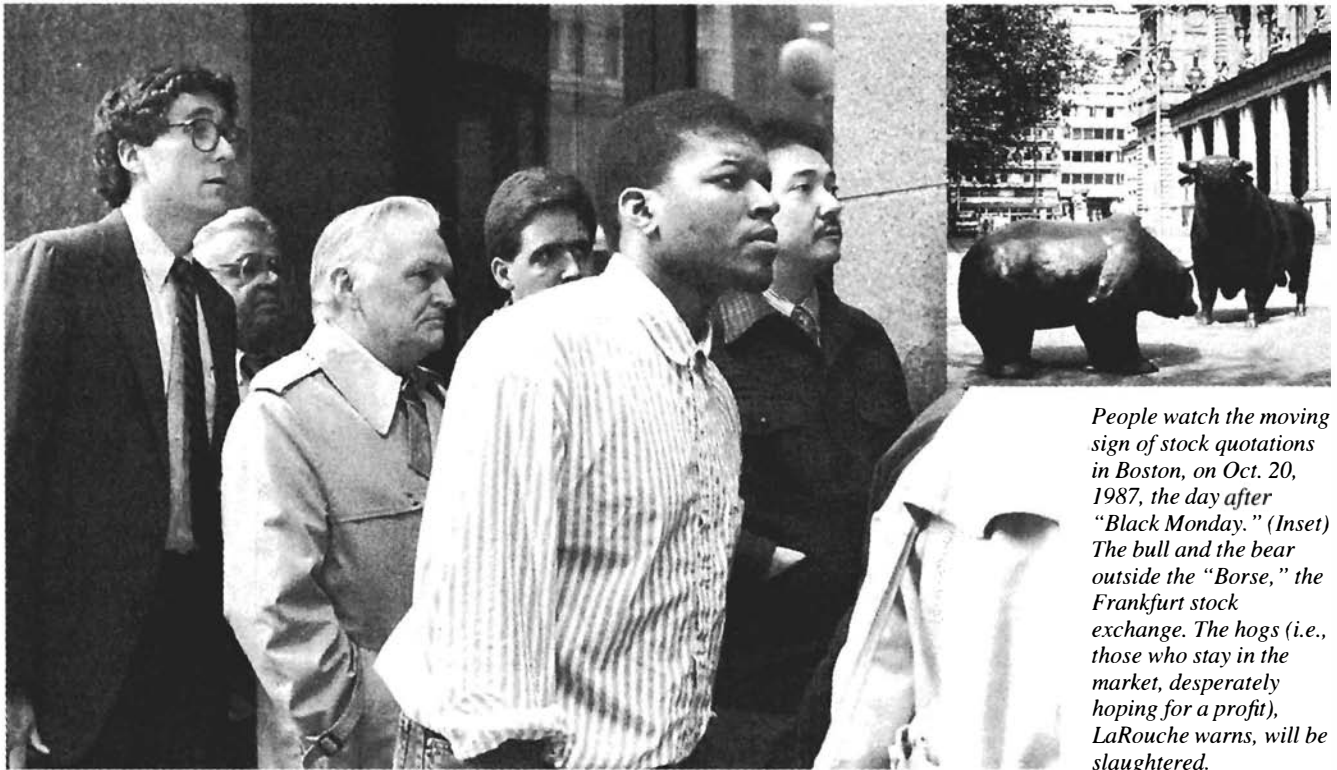
Mutual fund mania—reporting on the “hottest” funds, the highest yields, and the shortest path to making the most money—is a major topic of public conversation, and is shamelessly promoted by the nation’s business and financial magazines.

Although it never actually reported what was going on in the economy, *BusinessWeek* magazine, for example, used to have cover stories on the U.S. steel, machine tool, and construction industries—that is, real production. No more. The Feb. 3 cover story of *BusinessWeek* is “The Best Mutual Funds,” with sub-headlines: “Building a Winning Fund Portfolio,” “Up-and-Coming Funds To Watch,” and

“New Improved Performance Guide.” One article is entitled “Virtuoso Returns: In a Thrilling Year, These Funds Make the Sweetest Music.”

The Aug. 26, 1996 issue of *Fortune* magazine, which presented its “1996 Mutual Fund Survey,” featured an article entitled “Gambling with Mutual Funds.” It said, “Never mind investing—you want to be on the stock market’s direction. Here’s how you can use mutual funds for rank speculation.”

Leading the way in mutual fund investment is the Boston Brahmin-run Fidelity group of mutual funds, which is the world’s largest, with more than \$700 billion under management. During the 1960s, Bernie Cornfeld’s organized crime offshore mutual fund empire, Investors Overseas Services, used Fidelity funds to invest and launder its dirty money. —R. Freeman



*People watch the moving sign of stock quotations in Boston, on Oct. 20, 1987, the day after "Black Monday." (Inset) The bull and the bear outside the "Borse," the Frankfurt stock exchange. The hogs (i.e., those who stay in the market, desperately hoping for a profit), LaRouche warns, will be slaughtered.*

"Because, as I've said before, and I'll say it again. It's worth repeating, because I hate to see Americans get suckered this way, partly by their own greed: that on the financial market, bears can make money, bulls can make money, but, hogs are always slaughtered. The fellow who says, 'I don't want to get out of the market today; what if I lose a profit I could get tomorrow?' *That* is the guy who is accident-prone. He's going to be slaughtered. And, people who are ordinary Americans, should not keep their money in these things. It's going to go. The exact date, we don't know. . . . You won't be told in advance, most of you. It will come by surprise, and you'll lose everything."

Most Americans refuse to face reality. During the period 1990 to the present, the real physical economy of the United States contracted at the rate of 2% per annum. In this same time frame, the Dow Jones Industrial Average rose from 2,810 on Jan. 1, 1990, to 6,858 on Feb. 11, 1997—growing 240% larger. Thus, it is strictly true to say that there is *less* than nothing backing the market up.

*EIR* is now studying the individual household's exposure to the stock market today, compared with 1929 and with 15 years ago. Although we are still compiling the figures, the broad picture is clear. Fifteen years ago, Americans placed most of their money into savings and loan institutions and commercial banks; today most of their money is in the stock market.

The chief conveyor for this investment today is the mutual fund. Individual investors buy shares in a fund, which is an

investment vehicle, steered by City of London and Wall Street "managers." The mutual fund pools people's money, investing it in stocks, commercial paper, Treasury securities, corporate and municipal bonds, and so on. Although stocks are not the only thing that a mutual fund invests in, the mutual fund business is a major conveyor, channeling suckers' money into the stock market.

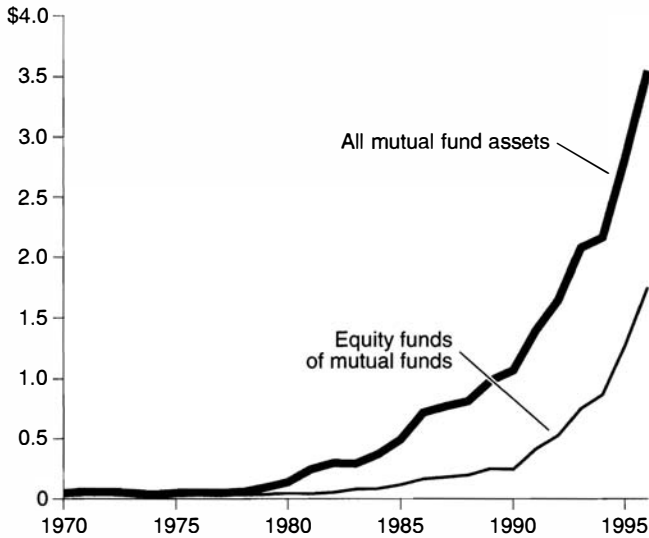
**Figure 1** shows the asset size of mutual funds, and the portion of the assets invested in stocks.

Notice that through 1978, the size of mutual fund assets was minor. It grew from 1978 through 1984, but still stayed below \$500 billion, reaching \$496 billion in 1985. Then it exploded, jumping to more than \$3.5 trillion by 1996. The amount of mutual funds assets in stocks went from \$246 billion in 1990, to \$1.752 trillion in 1996; that is, it had increased by more than \$1.5 trillion. In fact, mutual funds assets in equities (stocks) grew by \$483 billion just from 1995 to 1996. By 1996, one-half of all mutual fund assets were invested in the stock market. This fed the stock bubble, drawing households deeper into the mess.

### **Mutual fund assets rival bank deposits**

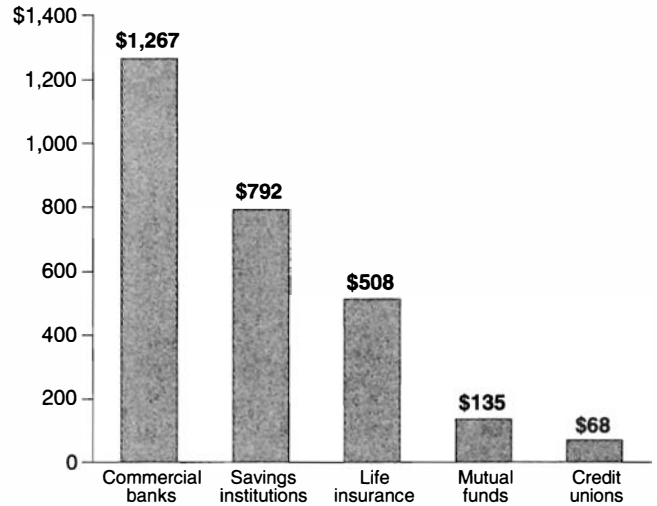
Over the past 15 to 20 years, U.S. households, as well as corporations, have shifted their assets and holdings out of savings and loan institutions, commercial banks, and credit unions, placing them instead in mutual funds. As a result, mutual fund assets are now almost as large as the total deposits of the entire U.S. commercial banking system (this

**FIGURE 1**  
**Rise in mutual fund assets**  
 (trillions \$ of assets)



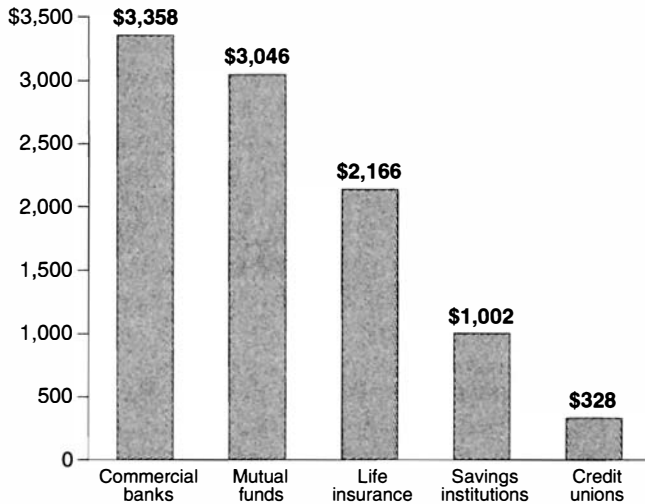
Source: Investment Company Institute, *Mutual Fund Fact Book*, 1996.

**FIGURE 3**  
**Total deposits and assets of the largest financial institutions, 1980**  
 (billions \$)



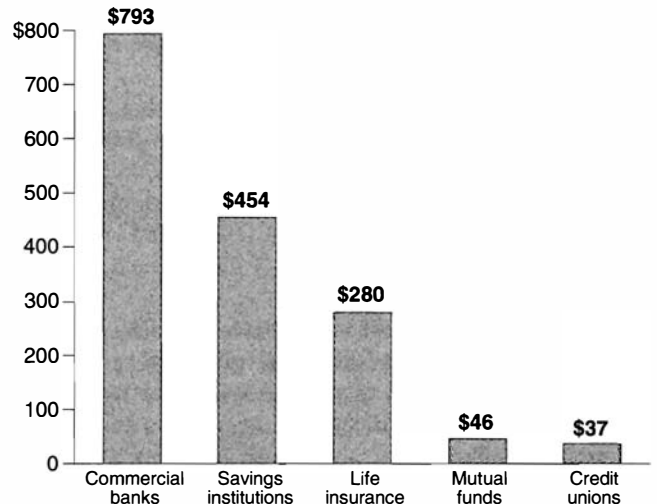
Source: Federal Reserve Board of Governors, "Flow of Funds Accounts."

**FIGURE 2**  
**Total deposits and assets of the largest financial institutions, second quarter of 1996**  
 (billions \$)



Source: Federal Reserve Board of Governors, "Flow of Funds Accounts."

**FIGURE 4**  
**Total deposits and assets of the largest financial institutions, 1975**  
 (billions \$)



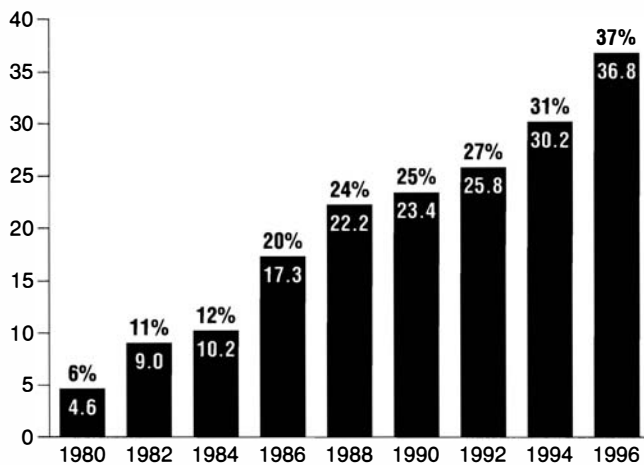
Source: Federal Reserve Board of Governors, "Flow of Funds Accounts."



FIGURE 5

### Ownership of mutual funds by U.S. households, 1980-96

(bars: millions of households; above: percent of all households)



Source: Investment Company Institute.

comprises only U.S. chartered banks, not foreign banks). **Figures 2, 3, and 4** depict the story. (Figure 2 employs second quarter 1996 figures. For mutual funds, *EIR* has figures for the entire year, but for the other institutions figures extend only through the second quarter 1996. To make the comparison consistent, *EIR* here reports only second quarter figures.)

In 1980, mutual funds assets were a fraction of their current size, and in 1975, they were merely a blip. Two post-industrial society measures spurred the shift of individual investors away from traditional financial institutions and into the speculative stock market: first, the move by Federal Reserve Board chairman Paul Volcker to implement a policy of “controlled disintegration” of the economy, by sending interest rates into the stratosphere in October 1979; and second, the 1982 banking deregulation pushed through by Vice President George Bush, as well as Sen. Jake Garn and Rep. Fernand St Germain, among others. These measures also contributed to the accelerated growth of derivatives, starting in 1987.

### How much are households exposed?

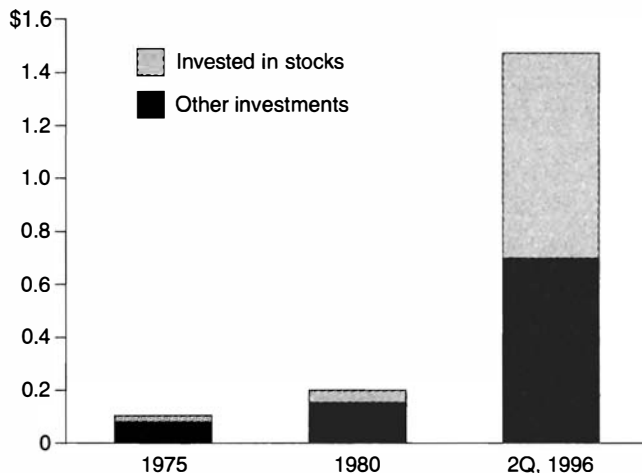
The exposure of the individual household is still to be fully determined, but here are the initial indicative markers:

**Figure 5** shows the number of households that have invested in mutual funds, and the percentage of all households that these investing households represent. (This includes mutual funds that a household owns through Individual Retirement Accounts [IRAs] and Keogh plans).

FIGURE 6

### State and local retirement fund assets, showing portion invested in stocks

(trillions \$)

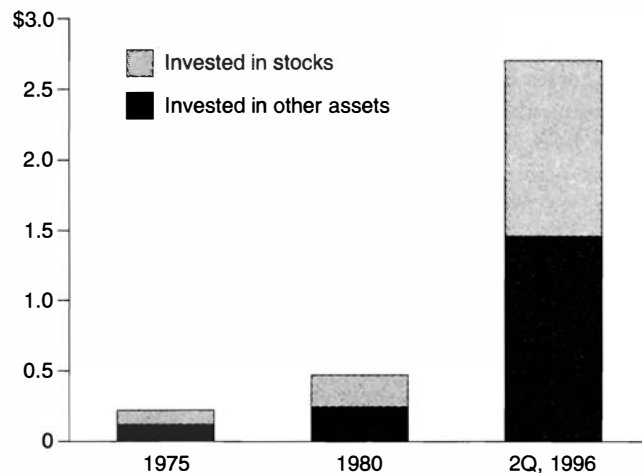


Source: Federal Reserve Board of Governors, “Flow of Funds Accounts.”

FIGURE 7

### Private pension fund assets, showing portion invested in stocks

(trillions \$)



Source: Federal Reserve Board of Governors, “Flow of Funds Accounts.”

In 1980, only 4.6 million households owned mutual funds, constituting 6% of all households. Today, 36.8 million households own mutual funds, constituting nearly 40% of all households.

A study titled “Family Finances in the U.S.: Recent

Evidence from the Survey of Consumer Finances,” appearing in the January 1997 *Federal Reserve Bulletin* (published by the Federal Reserve Board of Governors), reports that in 1989, some 19.6% of all American household financial assets were in either stocks or non-money-market mutual funds (which is primarily stocks). In 1995, this figure had reached 31.2% of all American household financial assets. This represents stock “acquired” either through direct purchase, or through purchase of mutual funds (but does not include stock ‘acquired’ through participation in pension and retirement plans).

There is also a poll conducted by John Zogby International for Reuters, completed Jan. 25-29, which surveyed 1,008 registered voters. Zogby reports that of registered voters in America, 54% own stocks or mutual funds, and 39% of those polled, who claimed an annual income of \$15,000 to \$25,000, were invested in the stock market. (Non-voters in the same income bracket would have a lower investment level in the stock market.) Of all respondents, 58% of whites, 35% of Hispanics, and 28% of blacks were invested in the market.

### **Pension funds also heavily in the market**

In addition to mutual funds, there are other forms of stock ownership through direct purchase (we will discuss this in a future issue), and through participation in a private pension plan or state and local government retirement plans. These latter plans invest a portion of their proceeds into stocks, in addition to other financial instruments.

**Figures 6 and 7** show that the pension and retirement plans are very significantly exposed to the stock market bubble. Both private pension and government retirement plans have grown dramatically in size over the last 15 years. In the second quarter of 1996, state and local government retirement plans held \$789 billion in corporate equities—that is, in stocks—out of their \$1.499 trillion in assets. In the second quarter of 1996, private pension plans held \$1.258 trillion in stocks, out of their \$2.742 trillion in assets. Together, private pension and public retirement plans held more than \$2 trillion in stock market investments. This \$2 trillion represents approximately one-quarter of all the money invested in the stock market.

Some of these retirement and pension plans are also invested into highly dangerous derivatives.

Readers who think that their pension is safe and will come to them automatically when they retire, should think again.

The multiple levels by which Americans are exposed to the stock market indicates a vulnerability that was not there 15 years ago, and that far exceeds that which existed in 1929. When the financial system’s final phase of disintegration comes, the loss of stock value will create an existential crisis for tens of millions of “average” households. The American population, while celebrating the market’s rise today, has set itself up for the slaughter.

# Deregulation: the illness, not the cure

by John Hoefle

According to conventional wisdom, one cure for a hangover is to take another drink, as if imbibing additional alcohol were a solution to a drinking problem. This observation comes to mind, when looking at the renewed push in Congress for further deregulation of the banking system.

On Feb. 11 and 12, the House Banking Committee’s Financial Institutions Subcommittee, held hearings on what subcommittee chairman Marge Roukema (R-N.J.), in her opening statement, called “financial modernization in general, and the Depository Affiliation and Thrift Charter Conversion Act, H.R. 268, in specific.” H.R. 268 is one of several banking bills currently under consideration, all of which will only make a disastrous situation worse.

That “financial modernization” is the latest euphemism for deregulation, was made clear by Roukema’s statement that her intent is to “replace the outdated Glass-Steagall Act of the 1930s.” “Glass-Steagall did its part in its day, but the financial world has changed,” Roukema said, noting that “technology and market forces have broken down the barriers between insurance, securities and banking. Our current statutory framework has remained stuck in the ‘30s.”

“In the absence of congressional action,” Roukema continued, “federal agencies and the industry have been forced to find loopholes and novel interpretations to allow financial institutions to adopt to an ever-changing marketplace.”

Roukema’s admission that banks and their regulators have been “forced” to find ways around U.S. law, is a curious position for a regulator to take, and says volumes about the incestuous relationship between the international financier oligarchy and their supposed overseers. At minimum, it raises the question: What is Glass-Steagall, and why are the bankers so determined to repeal it?

### **The drive to reverse Glass-Steagall**

For years, bankers and regulators, including Federal Reserve Board Chairman Alan Greenspan, Senate Banking Committee Chairman Alfonse D’Amato (R-N.Y.), and House Banking Committee Chairman Jim Leach (R-Iowa), have demanded the repeal of the Banking Act of 1933, commonly known as the Glass-Steagall Act. The Glass-Steagall Act was passed in 1933, during the depths of the Depression, to correct widespread cheating of customers by banks. The National City Bank (known today as Citicorp), for example, had packaged bad Ibero-American loans as bonds, then sold those

bonds to their unsuspecting customers; Chase Manhattan had pulled similar swindles. To correct these abuses, the law mandated that commercial banks divest themselves of their investment banking interests. One particular target of the law was the infamous House of Morgan, the British Empire's main bank in the United States. The new law resulted in the breakup of Morgan into two separate entities, the J.P. Morgan bank, and the Morgan Stanley investment bank.

Numerous attempts have been made in recent years to repeal Glass-Steagall, under the guise of reducing the "regulatory burden" or of "modernizing" banking laws. These bills have failed, due mainly to infighting between the powerful banking, securities, and insurance sectors, over who would get the lion's share of the benefits. What makes H.R. 268 more of a threat, is that it was written by a coalition of banking, securities, and insurance trade associations. Members of this coalition, the Alliance for Financial Modernization, include the American Bankers Association, the Securities Industry Association, the American Council of Life Insurance, and the Investment Company Institute (mutual funds), among others.

H.R. 268 would dramatically restructure the so-called financial services industry. It would create a new regulatory body, the National Financial Services Committee (NFSC), which would consist of the Secretary of the Treasury, the Comptroller of the Currency, the chairmen of the Federal Reserve, the Securities and Exchange Commission, the Federal Deposit Insurance Corp. (FDIC), and a state insurance official selected by the National Association of Insurance Commissioners. The NFSC would supervise newly chartered Financial Services Holding Companies, which would be permitted to engage in banking, securities, and insurance activities—a replay of the situation which existed before the passage of Glass-Steagall.

H.R. 268 would also deliver a mortal blow to those savings and loan institutions which managed to survive the 1982 Garn-St Germain Act (formally, the Depository Institutions Act of 1982), which deregulated the S&Ls and opened wide the doors to a speculative frenzy, which led to the so-called S&L bailout of 1989 (the Financial Institutions Reform, Recovery, and Enforcement Act of 1989), in which the assets of many failed S&Ls were sold at pennies on the dollar to commercial banks and other friends of the Bush administration, at a cost of some \$500 billion to the taxpayer, according to official estimates. H.R. 268 would explicitly eliminate all federal savings and loan institutions, forcing them to either convert to banks, switch to state charters, or liquidate.

Another provision of H.R. 268 would create a class of banks whose deposits were not insured by the FDIC, allowing such banks to engage in riskier activities than permitted under current (and, ignored) laws. Given what banks are allowed to get away with now, this is a truly horrendous prospect.

While the debate over legal deregulation has raged, de facto deregulation has made great strides. "Over a brief period of little more than a decade," said a study published last fall



*Senate Banking Committee Chairman Alfonse D'Amato (R-N.Y.), who is pushing further, disastrous banking deregulation.*

by the FDIC, "the U.S. banking industry has undergone what could be called a structural change of seismic proportions." The study noted that just 5% of U.S. banking organizations hold 75% of all domestic bank deposits, and 13 banking organizations alone hold 25% of the deposits. By comparison, in 1984, the top 42 banking organizations held 25% of deposits.

The 1994 Reigle-Neal Interstate Banking and Branch Efficiency Act explicitly removed most state barriers to interstate banking, and beginning June 1, 1997, banks will be allowed to merge across state lines. By mid-1995, multi-state banking organizations held 67% of the combined assets of commercial banks and thrifts (up from 33% in 1984), and 59% of the nation's domestic deposits, up from 23% in 1984.

For the first time since the late 1800s, the number of commercial banks in the United States has fallen below 10,000, with just 9,586 banks remaining as of Sept. 30, 1996. From the end of 1985 through 1995, more than 6,000 banks and thrifts were absorbed through unassisted mergers, while another 2,400 were closed or merged into other institutions with Federal assistance.

What is driving this rapid consolidation, is the ongoing and escalating global financial blowout. The financial system has become one giant casino, in which suckers are lured in to be fleeced. What the bankers want, is the freedom to do precisely what Glass-Steagall was intended to prevent. But ultimately, absent the global financial reorganization outlined by Lyndon LaRouche, these regulatory moves will have no more effect than rearranging the deck chairs on the *Titanic*. More of the disease which has destroyed us, is no answer. It is time for a solution, beginning with a new Bretton Woods agreement, and a return to production, instead of speculation. It is time to cure the disease.

# New York City hospitals at the center of privatization fight

by Marianna Wertz

On Jan. 15, Queens Supreme Court Judge Herbert Posner squelched the plans of New York City Mayor Rudolph Giuliani to privatize the city's huge public hospital system. In a suit brought by the New York City Council, which challenged the legality of a proposed deal to lease Coney Island Hospital to the for-profit Primary Health Systems of New York for 99 years, Judge Posner ruled that both the city council and the state legislature have to approve of the sale, lease, or transfer of public hospitals. The ruling stops Giuliani's plan to privatize Elmhurst and Queens hospitals, as well.

At stake is medical care for the working poor, the uninsured, the indigent, and immigrants. New York's public hospital system, the largest in the nation, dates back to 1736, when Bellevue Hospital provided health care for the poor, including prisoners and the insane. In 1969, the state legislature created the Health and Hospitals Corporation (HHC), which has overseen the huge complex of hospitals and clinics since then. It is this complex—including 11 acute-care hospitals, 5 long-term care facilities, 6 diagnostic and treatment centers, 6 certified home health agencies, a network of more than 20 satellite clinics, and the Emergency Medical Services, a citywide ambulance service—which the mayor is threatening to carve up and sell to the highest bidder.

## 'A Healthy Balance'

Two major opponents of Giuliani's scheme are the New York Nurses Association and City Councilman Enoch Williams (D-Brooklyn). Councilman Williams, who chairs the City Council Health Committee, has offered a counterproposal to Giuliani's plan, dubbed "A Healthy Balance," which urges that the city's public hospital system not be dismantled, as Giuliani would have it, but be transformed into a new, independent corporation. That corporation would retain the original mission of New York's hospital system, defined under the New York City Health and Hospitals Corporation Act, of "providing high quality, dignified, and comprehensive care and treatment for the ill and infirm, particularly to those who can least afford such services."

In the accompanying interview, Leon Ransom, the press spokesman for Councilman Williams, discusses "A Healthy Balance," and why Williams has opposed Giuliani's privati-

zation plan. We also present a synopsis of Councilman Williams's plan, which is now awaiting action in the New York State Legislature.

Gloria Phipps, RN, MSN, and Nursing Representative for the Economic and General Welfare Program of the New York State Nurses Association, testified against the privatization at City Council hearings on Dec. 16, 1996. Her testimony also appears below. In an interview with *EIR* on Feb. 12, Phipps said that the Nurses Association is "elated" over Judge Posner's decision. "It doesn't mean that we're going to stop working," she said. "It means that we still have to keep pushing to get some changes made through the legislature. But certainly it buys us time."

Mayor Giuliani has filed an appeal, Phipps said, but he probably won't push to have it heard now because he's up for re-election in November.

The New York Nurses Association has been holding rallies against privatization at Coney Island and Elmhurst hospitals, and is also contacting the relevant political leaders. Phipps said, "We are out at the subways and streetcorners in the community groups, passing out material to inform them as to why we're opposed to privatization and what can be expected of them, and what they should expect, and the questions that they should be asking. We recognize the fact that we cannot let down our guard, because it's not a dead issue; it's just a slowed-down issue, and that makes a big difference."

Phipps noted that New York City requires a large number of public hospitals because of its large immigrant population. "These people certainly need the public hospitals," she said. California, with its large and growing immigrant population, is now facing a huge problem, Phipps said, because they don't have the kind of broad public healthcare system that New York does.

## Others protest

Organized labor is also up in arms against Giuliani's plan. James Butler, president of Local 420 AFSCME District Council 37 in New York, representing thousands of city hospital workers, told *EIR* on Jan. 27 that Judge Posner's decision was very welcome. "It means that the mayor cannot continue

to be a dictator in reference to health care in the City of New York public hospitals. He can't be the last word. He's got to answer to the decision from the judge," Butler said. "I'm so happy that Judge Posner is a humanitarian. He understands what we've been marching about in the streets. Coney Island belongs to the poor people, not to the Giuliani administration to sell to the profit-making companies."

*EIR* also reached James Dumpson, chairman of the board of the HHC during Mayor David Dinkins's administration. Dumpson said that he's opposed to the privatization plan for two reasons. First, "I believe that government has a responsibility to establish a floor beyond which people will not fall, whether they are in need of health care or in need of food or in need of income." Second, he said, "I don't think you ought to make money on the poor, and that's what privatization is about. It looks at the bottom line of a balance sheet and then orders its health service priority in accordance with the bottom line. . . . I don't think they ought to make money on providing anything for people who are too poor to provide it for themselves."

This battle for health care will build over the coming months, as the spread of managed care chews away at New York's once-proud hospital system, and the economic depression hits harder and harder at the city's residents. The fight against privatization will need growing public support to succeed.

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## Interview: Leon Ransom

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# New York's hospitals have a public mission

*This interview with Leon Ransom, press liaison for New York City Councilman and Health Committee Chairman Enoch Williams (D-Brooklyn), was conducted by Marianna Wertz on Jan. 27.*

**EIR:** I read Councilman Williams's comments opposing privatization of the New York public hospitals in the *Daily News*. Can you tell me his view of Judge Posner's decision [against unilateral privatization of the New York public hospital system], and where he thinks it will go from here?

**Ransom:** First of all, the councilman was glad that Judge Posner had agreed with the City Council position that the disposition of the hospitals is an issue that should not be decided unilaterally by the mayor or by the City Council alone, or by any other single entity alone, because, in fact, the public hospital system was created to meet a specific need in our communities, a need that does still exist.

**EIR:** The need to serve the poor?

**Ransom:** Right. For that reason, it is important that all interested parties, including the elected officials, the administration, the communities, and the actual consumers of the hospitals themselves, all take part in this discussion. Judge Posner's decision favoring our position in this lawsuit underscores the importance that such an open dialogue on the future of the public hospitals must hold.

**EIR:** Where will you go from here to get that dialogue started?

**Ransom:** We have already reached out to the administration. As a matter of fact, even prior to Judge Posner's decision to seek a sit-down with the administration, with public health advocates, and with the community as a whole, to discuss what can be done in terms of making the Health and Hospitals Corporation [HHC] an independent entity, and one that will be financially, as well as politically, able to meet the mission for which HHC was created.

**EIR:** Last week we covered the state legislation in Massachusetts, introduced by Sen. Mark Montigny, who is also a Democrat. Are you familiar with that?

**Ransom:** No, I'm not, other than just in general.

**EIR:** The state is facing a privatization of the New England Medical Center. He introduced legislation that would mandate that with any privatization of a hospital in Massachusetts, that privatizing entity would have to meet the same level—or better—of care of the poor than the entity which it replaced in the not-for-profit hospital. Have you considered doing that in New York?

**Ransom:** We have. However, we are currently pursuing a slightly different angle. The Council, under the direction of the Health Committee and its chair, Councilman Williams, has put together a proposal which is currently being considered by the State Assembly, to create a new HHC, to restructure the Health and Hospitals Corporation in the manner in which it was initially envisioned, which is as a public benefit corporation that is totally independent of any political control, and is also totally independent of any city financial control.

Recent events have borne out our contention that the Health and Hospitals Corporation can, in fact, exist on its own, as an independent corporation, raising its own revenues, issuing its own bonds, and paying its own bills, with no need for a city tax levy. The past two fiscal years, FY '96, and our current fiscal year, FY '97, have shown that HHC can, in fact, turn a profit. And it has.

**EIR:** Is that by reducing services?

**Ransom:** The reduction in services did contribute a little bit, but what actually enabled HHC to become financially independent was its ability to do its own billing, its own Med-

icaid reimbursement, and not have to rely upon a payback of city tax levy monies. What we envision is a corporation that currently now delivers about \$400 million worth of free services to the City of New York. That is money that, if HHC were a totally independent organization, they'd be able to bill the city for that. When I talk about services delivered free to the City of New York, I'm talking about free medical care for the uniformed services (police, fire, and sanitation), as well as the provision of medical services to the Corrections Department for inmates, as well as for corrections staff. This has an estimated value of a minimum of \$400 million.

**EIR:** So this would be privatizing HHC in a sense?

**Ransom:** Privatizing in a sense, but under the government. In fact it would still be owned by the people of the City of New York, but would no longer be beholden to the kind of political machinations that now make it difficult for HHC to make the necessary fiscal and executive decisions that any corporation should be able to make on its own.

**EIR:** In his interview with the *Daily News*, Councilman Williams said that privatizing would make it more difficult for the poor to get care. Would this then not be the case, if you changed the nature of HHC?

**Ransom:** That's correct. Because it would still be a public hospital system, as opposed to being owned by a private, for-profit organization. It would be able and would be charged with the mission of providing health care to those who can least afford it.

To put this in the proper context, understand that one out of every five residents of the City of New York has no health insurance. These are not necessarily the poor of New York City.

**EIR:** It includes the working poor?

**Ransom:** Absolutely. That's who we're talking about. We're talking about the people who work in the bodegas, the car washes, and the small Mom-and-Pop-type stores, who do not have those ancillary health-care benefits. They are the ones who are the prime constituency that we are looking at, in terms of those who would be hurt the most by turning over HHC to a private, for-profit entity. And, conversely, they would also benefit the most by a restructuring of HHC in such a way that HHC could continue its original mission of serving those who cannot otherwise afford health care.

**EIR:** So, has this legislation been introduced?

**Ransom:** Yes, it has. It is contained in a proposal that we put forth about 14 months ago.

**EIR:** When would this go into effect, presuming that the judge's decision is not overturned on appeal?

**Ransom:** It will go into effect if, in fact, we get approval from the folks up in Albany.

## New York State nurses fight hospital closing

*The following testimony was presented by Gloria Phipps, R.N., at the New York City public hearing on community hospitals, on Dec. 16, 1996. Phipps was representing the New York State Nurses Association.*

A week ago, New York Hospital closed Jackson Heights Hospital, which it had purchased just 60 days before. There were no hearings on the closure, no government oversight. Several neighborhoods lost their community hospital, and they never had an opportunity to object.

Is this the way we should fashion health care policy? A hand-picked committee by the mayor making crucial decisions about the health care of 7 million New Yorkers? Health care is the state's second largest industry, employing more than a third of Brooklyn and Bronx residents. Changes in health care have a direct effect on virtually every New Yorker as a resident, a patient, an employee, a vendor, etc., and the indirect effects are incalculable, but almost certainly even more widespread. We need a public dialogue on the integrated health care system in New York, public and private together, before we take drastic steps like selling public hospitals to private concerns.

With the major networks being formed, that is, New York University Medical Center/Mount Sinai Hospital, New York Hospital/Cornell Medical Center/Columbia-Presbyterian Medical Center and others, it is imperative that the Health and Hospitals Corporation is available to the working poor, and all citizens of New York City, regardless of their ability to pay. We know that the policy of the private sector is to stabilize and transfer the client who is either uninsured or underinsured. Welfare reform will definitely impact upon the client applying for Medicaid, and will result in an increase in the uninsured. The mayor has a responsibility to see that all New York City residents have access to health care. Isn't this why the Health and Hospitals Corporation was formed?

So far, we have heard almost exclusively from the market, and though it has barely begun to roar, the results are already chilling. Gag orders on caregivers. Drive-through maternity. Critical understaffing. Replacements of registered nurses with unlicensed, minimally trained workers. Did you know that the guidebook for HMOs recommends that heart bypass patients be discharged after 72 hours? That

cataract surgery be limited to one eye, because, after all, we only need one eye to see? That tonsillectomies only be performed on patients who have had six cases of tonsillitis in a 12-month period, despite the use of antibiotics? “We know that little Johnny has suffered through four cases of severe tonsillitis this year, Mrs. Jones. But he has to get sick two more times before the year is out. Then we will cure him.”

Lawmakers have been patting themselves on the back for outlawing gag orders and 24-hour deliveries, but the truth remains that health care in New York is governed by dollar bills, not legislative bills, and dollar bills do not care about access or quality. Already PHS [Primary Health Systems of New York] has told the City that it can tolerate caring for the poor only so long as they do not increase their use of the hospital by 15%. What are we going to do if further Medicaid reductions dull the appetite for poor patients of private, market-obsessed hospitals and for-profit insurance companies?

Few industries have gone through such rapid changes as health care, and none are so bereft of public oversight. A federal judge oversaw every aspect of the deregulation of long-distance telephone service, and Congress is shaping the emerging cable TV industry, but no one oversees or shapes the revolution in health care. As registered nurses, we have seen the early effects of market-driven care not from the bottom line, but from the ground floor. We see patients being discharged still in need of care, but without the family support they need to recover. We see the amount and quality of our care eroded by time constraints, to the point where the best we can hope to do for our seriously ill patients is administer their medicine and prevent them from dying.

Let me give you one example before I close, to illustrate how the market treats patients at their most vulnerable—in the hospital bed. It is not uncommon for nurses on ordinary medical/surgical floors to care for 16 patients each. That means that in an hour, each patient receives an average of 3 minutes and 45 seconds of the nurse’s attention. But research shows that registered nurses spend, on average, 50% of their time doing paperwork. And they are supposed to wash their hands for 20 seconds between patients, so as not to spread germs. That leaves one and a half minutes per patient, not counting the time it takes simply to walk from one room to the next. That is not even enough time to administer medicine, much less provide care. And if even one patient requires extra attention, other seriously ill patients could go whole shifts before seeing their primary caregiver.

You may hear from others about how the market is producing more cost-effective care. But I submit to you that what we often have is a cheaper product in every sense of the word. The New York State Nurses Association believes the public must guard the citadel during this health care revolution.

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## Documentation

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### In defense of New York’s public hospitals

*A policy document titled “A Healthy Balance: The Future of Public Hospitals in New York City,” defending the public hospital system against the proposed for-profit privatization plans of Mayor Rudolph Giuliani, was released in December 1995. Enoch H. Williams, chairman of the City Council’s Health Committee, and Committee members, worked with 12 organizations to prepare the document, including the Greater New York Hospital Association, AFSCME District Council 37, the Committee of Interns and Residents, and others. The Health Committee of the City Council held hearings in all five boroughs, on priorities for an alternative to privatization.*

*In opposition to the mayor’s privatization plan, the Council Committee proposes setting up a new non-profit corporation to run the public hospital system. Its 20-page 1995 report is subtitled, “An Alternative Proposal for the Future of the New York City Public Hospital System.” Because of the renewed fight in New York to prevent the for-profit takedown of public hospitals, and because the same battle is going on in other parts of the country, we publish here excerpts from the Health Committee’s report. Subheads and comments in brackets have been added by the editor.*

#### **I. Critique of Mayor Giuliani’s plans to privatize the New York City public hospital system**

“During Rudolph Giuliani’s campaign for the mayoralty, he promised to sell up to four city hospitals. In March 1995, J.P. Morgan released a ‘Report to the City of New York Concerning the Privatization of: Coney Island Hospital, Elmhurst Hospital Center, and Queens Hospital Center.’ The report concluded that the City would spend \$1.7 billion over the next 10 years to operate Queens, Elmhurst, and Coney Island hospitals if there were no changes in current conditions.

“The report did not attempt to quantify what the City would need to spend to purchase the services the three hospitals currently provide if they were privatized. Therefore, the report did not estimate the net effect of privatization on the City’s budget. . . .

“In August 1995, the mayor’s Blue Ribbon Advisory Panel released a report on the future of HHC [Health and Hospitals Corporation, the City’s non-profit corporation that runs the public hospitals system]. Its first recommendation was that the mayor create a committee, charged to take a comprehensive look at each public hospital and other respon-



*New York City has lost almost half of its operating hospitals since the 1960s. Above, a hospital closed down in the South Bronx.*

sibilities and assets of HHC with a goal of dissolving HHC.

“The mayor’s HHC Privatization Project is now [December 1995] in Phase II, during which the sale of Elmhurst, Queens, and Coney Island hospitals is expected to be completed. The project is being conducted by the Economic Development Corporation (EDC), with the assistance of J.P. Morgan as financial adviser.

“On Oct. 26, 1995, two sales memoranda were released, one for Coney Island Hospital, and the other for Elmhurst and Queens hospitals as a package deal. Buyers have been asked to submit ‘expressions of interest’ by Dec. 8 [1995] for Coney Island Hospital, and by Dec. 20 for the Queens Network.

[In 1996, a 99-year lease deal was concluded for Coney Island Hospital to be acquired and run by the for-profit, private company, Primary Health Systems. This was acclaimed as a great success by Mayor Giuliani and J.P. Morgan/Wall Street circles. On Jan. 15, 1997, the deal was stayed by Queens Supreme Court Judge Herbert Posner, who set conditions on such a privatization.]

“The mayor’s Blue Ribbon Advisory Panel report reflects more wishful thinking than reality, in that it recommends the dissolution of HHC, without a permanent system in place to care for HHC’s current client population. . . .

“The Advisory Panel’s report implies that private hospitals are willing and able to take care of both Medicaid and

uninsured patients in the absence of public hospitals. . . .

“The Advisory Panel’s report relies on an unspecified new funding system for the uninsured. In response to criticism of this vagueness, the mayor has asked the panel to produce a second set of recommendations, which would propose a new funding system for indigent care. No date [as of December 1995] has been announced for the issuance of these recommendations.

“Because it downplays the problem of health care for the uninsured, the entire panel’s report comes to the conclusion that HHC is not needed. . . . Despite a stated preference for the expansion of primary care, the panel makes no mention of any HHC facilities other than acute care hospitals. HHC includes six large diagnostic and treatment centers, dozens of hospital-based outpatient clinics, several freestanding outpatient facilities, and over sixty former DOH clinics, including full-service Communicare clinics, child health stations, and dental care clinics.

“Finally, the Advisory Panel assumes that New York City should reduce its services to the poor to the level of cities with few or no public hospitals. However, indigent residents of those cities have been found to receive 20 to 30% fewer hospital services—even when outpatient services are included. *In the absence of evidence that the private sector is sure to expand services to the uninsured, New York City cannot afford to dismantle its public health care system. The deterioration of the City’s public health system could threaten the City’s quality of life and economy which both depend on face-to-face encounter between people of all economic levels.*

## II. The role of public hospitals

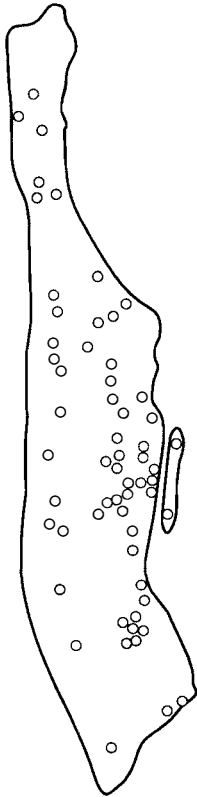
“What the City’s health care system most needs today is a stable foundation in the face of major changes arriving from Washington and Albany. The Federal government is considering the greatest changes in the Medicaid and Medicare proposals since their creation. . . .

“Now is the time for the City to take an explicit stand in support of providing indigent care. The City Council Health Committee believes that a commitment to HHC’s survival as the safety-net provider of indigent care in New York City is the most effective way to achieve this goal. The capacity of HHC to care for those patients who cannot be served by the rest of our health care system benefits all New Yorkers who use hospital care. Eliminating HHC would put a severe strain on the City’s voluntary hospitals at the same time that their revenues are being threatened by the combination of commercial managed care and Medicaid and Medicare reduction.

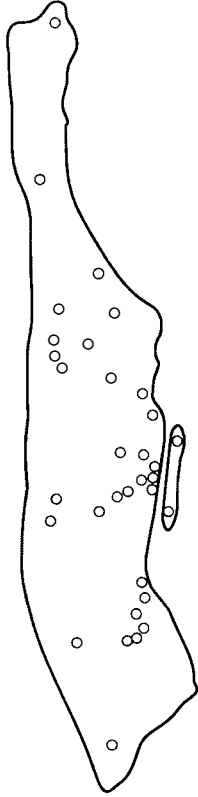
“As hospitals compete with one another for well-insured patients, they will have to face the reluctance of some of their clients to share a room or a clinic with the traditional HHC clientele, such as the mentally ill, substance abusers, and people with AIDS. Finally, there will always be the possibility of another public health crisis like that which



**FIGURE 1**  
**Hospitals in**  
**Manhattan, 1960**



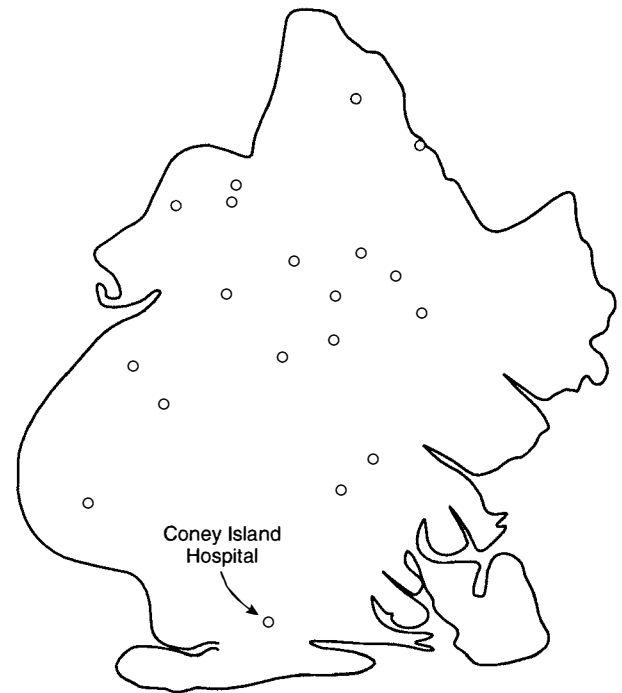
**FIGURE 2**  
**Hospitals in**  
**Manhattan today**



**FIGURE 3**  
**Hospitals in Brooklyn, 1960**



**FIGURE 4**  
**Hospitals in Brooklyn today**



*In 1960, New York City had one of the finest health systems in the world, thanks to the implementation of the Hill-Burton Act and other measures. Then, the bankers began dismantling the health system and shutting down hospitals. As the maps show, Manhattan had 60 hospitals in 1960; today, Manhattan has only 33 operating hospitals. In 1960, Brooklyn had 58 hospitals; today, it has only 28.*

*The hospital shutdown hit the poorest areas of the city hard. In the easternmost zone of Brooklyn, for example, known as East New York, there is no longer any hospital. This area is larger than many towns in America, with a population of 175,000, of whom 30 to 39% are below the poverty level.*

## New York hospitals cared for the indigent

In the 1940s, seven percent of all people treated at hospitals in New York City were indigent. They were treated by a system of 16 city public hospitals, which were run and paid for by the city. If you were poor, you walked into a public hospital, and the hospital treated you; no questions were asked. It was only in the 1950s, that the poor were charged for drugs—nominal fees of about \$1.50. And, these charges were rebated by New York State and New York City. Thus, during the 1940s and 1950s, New York City, effectively, had a policy of universal health care for the people with little or no income.

Over the years, five of the public hospitals were shut down, as part of the bankers' "rationalization" of the New York hospital system. New York City created the Health and Hospitals Corporation, as a city agency, to take over the administration of the city's public hospitals. Today, it runs a network of 11 hospitals, 76 clinics, and 5 chronic care centers, which are used by one in five New Yorkers. One-quarter of the 130,000 babies born in the city are delivered in public hospitals. The system has 50,000 employees and a budget of \$3.8 billion.

Though the system is beset by underfunding and understaffing, its existence keeps 1.5 million New Yorkers alive. Now the demand is to sell off this system to the managed care/health maintenance organization mafia, which will turn some of its components into "profit-making operations," slash health care for those with low income, and close down hospitals that can't turn a profit.

resulted in a serious shortage of hospital beds in New York City in 1988 and 1989, when the simultaneous, related epidemics of AIDS, tuberculosis, and 'crack' cocaine use resulted in patients lining up on gurneys along the walls of hospital corridors as emergency rooms received them more rapidly than acute-care beds could be freed for their use.

"Private hospitals do not have sufficient resources to treat all of New York City's 1.4 million uninsured patients without some form of subsidy. New York City hospitals recently reported an operating margin of 1.9%, or 0.2% for the voluntary hospitals alone, when the national average was 4.4%. This suggests that New York City's voluntary hospitals have minimal extra revenue with which to cover the cost of services for which they receive no reimbursement.

"Moreover, as a Federal study showed, financially distressed hospitals, when compared to solvent hospitals, served the uninsured and the underinsured to a much greater extent. Their share of the indigent care increased in the late 1980s, after rate-setting had lowered the margin for cross-subsidizing unreimbursed care from other revenues. In the future, private hospitals will have even less capacity to cost-shift, as managed care drives down the surplus from commercially insured patients which they have traditionally used to cross-subsidize their bad debt and charity care.

"Finally, although it is not formally recognized as a medical specialty, the health care of poor people requires different skills and services than mainstream care. For example, it is a learned skill to be able to treat the physical symptoms of a mentally ill or developmentally disabled patient, and homeless patients require an experienced discharge planner to make sure they leave the hospital for a setting where they can have shelter, access to sanitary facilities, and safety that other patients take for granted.

### III. Recommendations for an independent Health and Hospitals Corporation

"The City Council Health Committee proposes that the Health and Hospitals Corporation become a truly independent public benefit corporation, retaining its mission to provide 'high quality, dignified, and comprehensive care and treatment for the ill and infirm, particularly to those who can least afford such services.' This initiative would require significant changes in the Corporation's funding mechanism, governance, and organization structure.

"In order to develop this proposal, the Council held public hearings on the future of HHC in each borough and consulted with organizations representing a broad spectrum of public health interest groups. . . .

#### Change in governance of the Corporation

"HHC must be removed from direct mayoral control. Its board of directors should govern it directly, and be truly independent of City influence. The City Council Health Committee proposed that the State Legislature amend the HHC enabling statute to create a new board of directors for the Corporation, composed of 11 voting members. The initial board would consist of three members appointed by state officials (one each from the governor, the speaker of the Assembly, and the Senate majority leader); three from the mayor; three from the City Council; one by the Community Advisory Board. . . .

#### Alternative contractual relationship

"The [current] HHC enabling statute mandates that New York City pay the Corporation an annual subsidy equal to \$175 million, adjusted for inflation and workload, to cover uncompensated costs. . . . The subsidy, by definition, cur-

rently only covers items *not* included in specific contracts between the City and HHC. For example, the Corporation will receive \$46 million in Fiscal 1996 from the City's Department of Mental Health, Mental Retardation, and Alcoholism to provide services to the mentally ill, developmentally disabled, and abusers of alcohol and other substances.

"The City Council Health Committee proposes that the State Legislature amend the HHC enabling statute to require that apart from indigent care, which would be funded . . . by a state collection and distribution mechanism, all other City-mandated services be covered by contracts providing volume-based payments by the City for services delivered by HHC. The City's contracts with private hospitals for prison-based care are now adjustable for inmate population counts. Its payments to HHC for hospital-based care should be similarly adjustable. Where a fair price cannot be agreed upon, the City should issue a request for proposal to solicit competitive bids to provide these services. . . ."

### Revise the funding mechanism for the uninsured

"The City Council Health Committee recommends that the State Legislature revise the funding system for the uninsured and underinsured. . . . The new system should have a permanent distribution system which reimburses outpatient care at a higher rate compared to inpatient care, and distributes funding to providers based on the volume of indigent care delivered. Funding should cover 100% of costs for public providers, or any other providers which demonstrate that they treat all patients regardless of ability to pay.

[Various sources of funding are noted, including such sources as parts of "fees for motor vehicle, hunting, and gun licenses, in recognition of the their contribution to trauma costs"]

### Greater flexibility in organizing service delivery

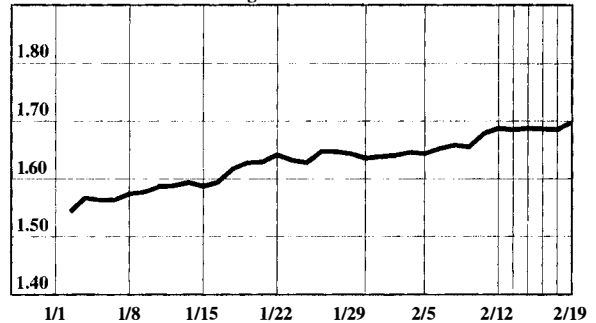
"There have been many excellent recommendations for the specific reconfiguration of HHC's services by experts both within and outside of the Corporation. Independent of City Hall, HHC would have the same opportunity that private hospitals have always had to make effective management choices as circumstances change. . . ."

"As an independent public benefit corporation, HHC would negotiate its own labor agreement with District Council 37 and other municipal unions, apart from any citywide agreements. An ability to control its salary levels would eliminate a major barrier to recruitment of skilled medical personnel. There would be no loss of flexibility to the Corporation from remaining a unionized public-sector employer, rather than transforming its facilities into private hospitals, as the mayor has proposed. In New York City, both the public and private healthcare sectors are unionized. Under the mayor's plan of privatization, District Council 37 would be likely to be replaced by Local 1199. . . ."

## Currency Rates

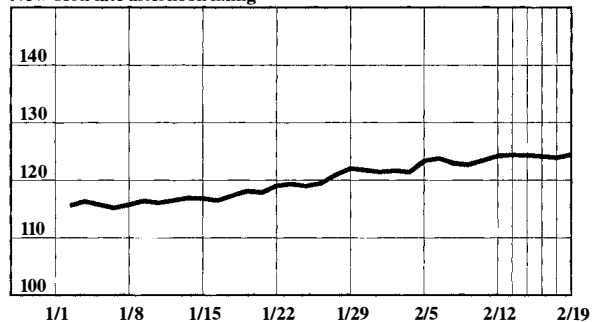
### The dollar in deutschemarks

New York late afternoon fixing



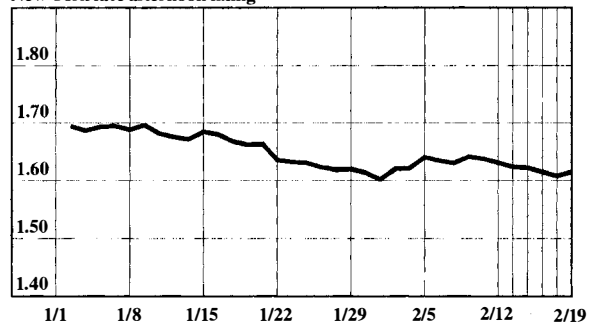
### The dollar in yen

New York late afternoon fixing



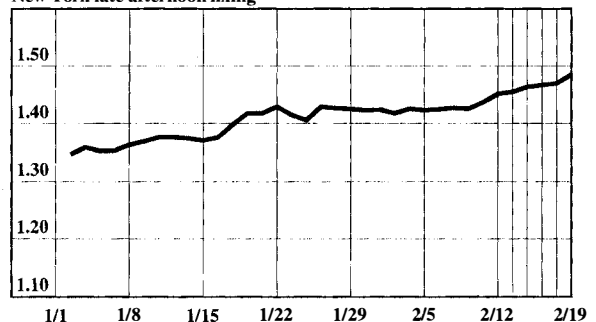
### The British pound in dollars

New York late afternoon fixing



### The dollar in Swiss francs

New York late afternoon fixing



# Business Briefs

## Myanmar

### Battle over development versus boycott heats up

The U.S. firm Unocal and French Total, the developers of the massive Yadana natural gas project, have signed another contract with Myanmar (Burma), to explore for gas in the Gulf of Martaban. The Myanmar Oil and Gas Enterprise will control 15% of the project, while Total will operate the venture with 52.5%, according to the *Asia Times*.

The firms are the focus of attack by George Soros's minions in the human rights mafia. Larry Dohrs, a spokesman for Soros's Free Burma Coalition, announced that the boycott movement will now focus on the oil companies.

PepsiCo recently cut all ties to Myanmar, thus joining a rogue's gallery of oligarchical companies in the boycott, including Carlsberg, Heineken, Apple, Hewlett-Packard, J. Crew, London Fog, Motorola, Walt Disney, and Wentz Vineyards, as well as 11 U.S. cities and the Commonwealth of Massachusetts. An Israeli petrochemical firm, Dor Energy Trade, which is partially owned by Disney, has recently signed a multimillion-dollar investment contract in Myanmar, which may provoke a conflict with Disney.

## Eurasia

### Cooperation proposed for India, China, Russia

The Confederation of Indian Industry (CII) has suggested that collaborative efforts between India, Russia, and China can evolve into "a powerful economic axis." According to *The Hindu* on Feb. 6, the Indian Foreign Office's semi-official mouthpiece, the CII reports that such an axis would "make the group the largest center for food production, the largest manufacturing area, the largest integrated market, a powerful trade bloc, and a large center for R&D activities."

A CII study has identified possible areas of collaboration among these countries, and the direction in which the partnership should

move. "The cooperation, it is felt, should not be looked upon as a mere attempt to create another economic bloc," the paper said. "Analyzing the significance of the combine, the study observes that China, Russia, and India together account for 42% of the world population, 22% of the world's geographical area, with an estimated arable land of 373 million hectares producing a wide variety of food and non-food crops.

"In agriculture the study notes all three countries are major producers of foodgrains. Cooperation among them can result in a vast exportable surplus besides meeting their entire requirement.

"In the industrial sector the study notes that China and India, with their transition toward a new manufacturing revolution, can utilize the substantial surplus capacity in some Russian industries caused by the current phase of deceleration in Russia. This will also help Russia in achieving higher capacity utilization in industries such as steel, fertilizer, and petrochemicals.

"The study says that infrastructure is a cause of concern for the three countries, and hence the scope for establishing road linkages for border trade, air transport linkage for promotion of trade and tourism, and establishing joint shipping arrangements."

## Asia

### ECO readies transport, communications projects

The Economic Cooperation Organization (ECO), meeting in Teheran, Iran for the sixth session of the transportation and telecommunications committee, reached agreement on a "10-year program of the organization which aims at expansion of regional transportation and communications networks . . . including improvement of the Mashhad-Sarakhs-Tajan railway, expansion of Asian railway networks, construction and renovation of roads, lowering prices on telephone charges, and reconsideration of transportation regulations and manpower training," the Iranian daily *Ettela'at* reported on Feb. 11.

ECO includes founding members Turkey, Pakistan, and Iran, plus Afghanistan,

Azerbaijan, and the five Central Asian republics that have joined since 1991. The agreement is of great importance for the Eurasian Land-Bridge.

The members agreed to convene an international transportation and communications conference in Teheran in June, and to form an ECO transportation and communications managing board at the ECO secretariat's office in Teheran. The priority is to be given to improving international roads, especially in the Central Asian republics. They also agreed to convene another conference, to "survey issues relevant to laying pipelines for oil and gas transfer among the ECO member states."

## Technology

### Maglev said necessary to create skilled jobs

Construction of a rail system based on magnetic levitation technology provides the only basis for the creation of new skilled jobs, Dietmar Zigan, mayor of the city of Perleberg in the state of Brandenburg, stated in a discussion with *EIR* on Feb. 13.

There is virtually no industry left around Perleberg and the surrounding region, which has an official jobless rate of 24%, including 19.3% for youth aged 20-25. The construction of the "southern" line, designed as part of the Transrapid line from Hamburg to Berlin, would give Perleberg a maintenance center for the trains, which could result in as many as 200 high-skilled jobs.

In addition, the region hopes that during the five-year construction of the maglev track, additional jobs could be created in the cement industry, so that a plant dating from the pre-1989 East German era, could begin producing the concrete pylons on which the maglev track would rest. The maglev train would also attract other investments, in the construction sector, feeder industries, and in skilled shops, Zigan said. A long-overdue 38-kilometer link-up to the highways around Berlin, would finally be built, along with other transport, communications, and industrial infrastructure.

The service sector would also benefit,

**THE BLACK SEA** Economic Cooperation organization met in Istanbul, Turkey, on Feb. 7 to discuss the creation of a free trade zone among its 11 members. Turkish Foreign Minister Tansu Ciller announced that the planned Black Sea Trade and Development Bank, to be based in Thessaloniki, will have \$300 million in contributions from member-states.

**IRAN** has been turned into one large construction workshop, President Ali Akbar Hashemi Rafsanjani said on Feb. 10, in celebrating the anniversary of the February 1979 revolution. Gas, oil, mining, agricultural, power, communications, educational, and industrial projects, he said, are under way throughout the country.

**THE WORLD BANK** is insisting on yet another "impact study" on the Nan Theun River Dam project in Laos, which is the target of environmentalists worldwide, Agence France Presse reported Jan. 29. David Iverach, the Australian-led development consortium director, said, "If the World Bank does not proceed with the project, nor would we."

**MONGOLIA'S** foreign trade collapsed by 19.6%, to \$37 million, from the same period in 1996, the Chinese news agency Xinhua reported on Feb. 13. Exports to Russia, Mongolia's traditional partner, fell by 86.8%. Mongolia's government is trying to emulate U.S. House Speaker Newt Gingrich's "Contract on America."

**AUSTRALIA** is interested in building a Transrapid maglev rail line from Sydney to Canberra, Thyssen head Eckhard Rohkamm told the German daily *Süddeutsche Zeitung* on Feb. 11. Rohkamm expects an Australian government bid by mid-1997.

**CHINA** is gearing up food production, *Agra-Europe* reported Feb. 3. Chicken production jumped 24%, to roughly 10 million tons in 1995, much higher than was expected. In the same period, exports rose by one-third, to 251,000 tons, most of which was exported to Japan.

and "tourist" incentives would be provided for visitors that would come to see "that train"—which is what Zigan visited in Lathen, Emsland, where the 34-km test track for the Transrapid is located.

Zigan emphasized, that even just a few hundred new jobs, linked to the maglev technology project, would make a big difference in a region that has lost 6,000 jobs since 1990, when the two main plants there, the Cellulose Works and the Sewing Machine Works at Neuruppin, were closed by the Berlin Treuhand agency, in the process of privatization.

## Asia

### Japanese industry eyes big projects in India

A record 132 Japanese industrial companies attended an engineering trade fair in New Delhi in the second week in February, at which almost \$3 billion in investment deals have been signed. Mitsubishi Corp. alone is discussing a handful of projects including a \$2 billion telecommunications joint venture with the Tata group, India's largest private-sector group, and RPG Telecom. They would build basic telephone lines in major cities, Parvesh Gulati, manager of Mitsubishi's office in New Delhi, told reporters on Feb. 10.

Mitsubishi said it is also in talks with India's Essar Steel Ltd. and Tata Iron and Steel Co. Ltd. to set up a joint venture company to make construction, steel, and port equipment. Mitsubishi is also discussing building India's first methyl methacrylate plant with Indian Petrochemicals Corp. Ltd. and the Aditya Birla group. Mitsubishi Chemical Corp., a subsidiary of Mitsubishi Corp., is negotiating a \$350-million contract for a turn-key petrochemical plant in the town of Haldia, in the eastern state of West Bengal.

Marubeni Corp. said it had earmarked \$100 million for investment in India over the next three years in textiles, automobiles, metals, and petrochemicals.

Liquefied petroleum gas distributor Iwatani International Corp. said it was in

talks with state-controlled Indian Oil Corp. to build an LPG import terminal in India.

Japan is India's biggest aid donor, and gave \$1.1 billion in aid in the fiscal year ending March 31.

Kazuhiko Yoshizawa, deputy president of the Bank of Tokyo-Mitsubishi Ltd., told a seminar at the trade fair that China attracted \$40 billion in direct foreign investment in 1996, compared with India's \$2.5 billion. He favorably compared India's market potential to that of China, and called for India to remove "red tape" so that foreign investment can increase.

## Finance

### Regulate derivatives, say Italy's fiscal police

The Guardia di Finanza (GDF), the financial police under the Italian Finance Ministry, called for regulating derivatives instruments, in a new study published in the GDF magazine *Rivista*. The daily *Corriere della Sera*, in its coverage on Feb. 10, entitled "Killers of the Balance Sheet," said the GDF is calling for "re-ordering the current control system."

Study authors Massimo Ricciardi, Marco Luca Pecoraro, and Filippo Ceccarelli, all GDF officers, reveal "how the fraudulent use of derivative products (mainly swaps) and other financial expedients allow the 'tuning' of a company's balance sheets," *Corriere* commented. The most common practice is to invent derivatives losses and backdate them. This is easily done through calculating a domestic currency swap on the basis of past currency performances.

The study includes a chart showing how a hypothetical company can fabricate derivatives losses. The owner of the company is called "Mr. Sauron," whose pronunciation in Italian is very similar to "Soros." The offshore subsidiary in the Bahamas used by Sauron, is called "Mordor Ltd."

The GDF is the main police body deployed by prosecutors in Rome and Naples in the investigation of George Soros and the 1992 attack on the Italian currency, the lira.

# The debt bomb is set to explode in Mexico—again

by Dennis Small and Carlos Cota Meza

*The following two articles are taken from a longer study of the Mexican physical economy which was published in the Feb. 1, 1997 issue of EIR's Spanish-language magazine, Resumen Ejecutivo.*

The band once again struck up a cheery tune on the deck of the sinking *Titanic* in early January 1997, as groups of bedraggled passengers in bankers' three-piece suits, with forced smiles plastered on their faces, strutted out onto the dance floor to go through their paces for the umpteenth time.

The government of Mexico had just managed to pre-pay a \$5 billion installment on the \$50 billion loan package it had lined up from the United States government and the International Monetary Fund (IMF) in the aftermath of the December 1994 explosion of the debt bomb in Mexico. The London *Financial Times* pontificated that this "marked something of a watershed for the embattled country," and applauded "Mexico's rapid economic turnaround." The British wire service, Reuters, pronounced that Mexico had finally "shed the stigma of the peso crisis." And Mexico's President Ernesto Zedillo happily concluded, "We have overcome the economic emergency." Mexico, the pundits all agreed, had once again "turned the corner."

It is now widely admitted, as only *EIR* had reported at the time, that the Mexican meltdown of 1994 nearly sank the entire world financial system. But the policies adopted since then, both in Mexico and internationally, have totally failed to address

the underlying cause of the crisis: that global monetary aggregates, let alone the financial aggregates that have been speculatively pyramided on top of that monetary growth, have expanded hyperbolically and out of all proportion to the physical economic activity which ultimately must sustain them.

This global problem has only worsened since December 1994. And for Mexico, specifically, the steps taken have *not* solved the problem, nor even turned the corner, contrary to what the world has been told. As the following study of Mexico's physical economy proves, everything that has been done to deal with the crisis since that time, has been exactly the opposite of what is actually required, and has thus made things worse. Rather than building up Mexico's productive apparatus, it has been further decimated, at the IMF's insistence. And, instead of containing the speculative debt bubble, that cancer has simply been fed and given a new lease on life—and it is once again growing out of control.

The picture that emerges is of a nation that is rapidly becoming "Africanized." Since the relative high point of Mexico's economic development in 1981, IMF policies imposed on Mexico have wiped out 22% of its per-capita production of consumer goods and 29% of its producer goods, and have left half of its labor force unemployed. Manufacturing workers have become a dying breed, plunging from 10% to less than 5% of the total labor force, and science and engineering have become lost arts. The cancer of the *maquiladora* assembly plants is rapidly taking over the econo-

my, setting up virtual Auschwitzes south of the U.S. border, as required by George Bush's North American Free Trade Agreement.

As a result, Mexico today, two years later, stands at the precipice of a debt bomb explosion—again. And just as it was two years ago, Mexico in 1997 is both a microcosm, and a harbinger, of what is to come in the world financial system as a whole.

## Two years of destruction

Precisely two years ago, in January 1995, *EIR* published an in-depth study of Mexico's physical economy in order to explain the causes behind the December 1994 meltdown. In that study, we looked at the production of standard market baskets of consumer goods and producer goods, during 1970-94. For each of the items included in our two market baskets, we calculated physical production per capita or per household, measured in actual physical units such as tons, kilowatts, and so on, taken principally from official government statistics published by the National Institute of Statistics, Geography, and Information (INEGI). These series were then converted into indices (1981 = 100), and combined into an equally weighted composite index for each market basket.

The result was a useful, if crude, first approximation of what had happened with key elements of Mexico's physical economy over the last 25 years. There was a consistent pattern of modest growth from 1970 through 1981, and then a visible, across-the-board collapse beginning in 1982 with the

application of IMF policies.

The study which follows below, both updates and expands significantly upon our report of two years ago.

In the case of *consumer goods*, our new market basket is made up of 12 items (as opposed to 11 considered in 1995), and updates the data from 1994 to 1996. Although the overall market basket had already declined by 16% from 1981 to 1994, another 6% was lost in the last two years alone—an acceleration of the crisis as a result of the policies adopted in the wake of the 1994 debt blowout. Total grain production per capita, for example, had already dropped from 370 kilograms per capita in 1980, to 302 kg in 1994, but it then fell again to 283 kg per capita in 1996—a 7% plunge in just two years. Furthermore, imports of food items to help fill the gap have also fallen off, because Mexico has no money for imports but only for debt payments, and hunger is now threatening to pass over into starvation in significant parts of the country.

As for *producer goods*, we have expanded our market basket from 8 items considered in our first study, to 16. Available data in this area are not as current as for consumer goods, so our earlier picture went up to only 1991, and the current one goes only to 1994—i.e., still before the big collapse of the last two years. Even so, the market basket of producer goods production also shows an additional drop of about 7%, from an index level of 76 in 1991, to 71 in 1994 (see **Figure 1**). It is certain that when the data come in for 1995 and 1996, they will show that production plummeted even more rapidly in these two years.

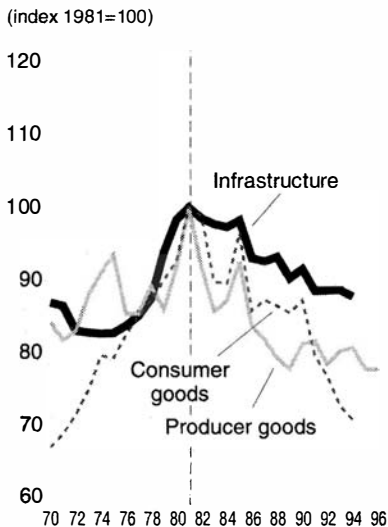
One typical example is that of iron production, which dropped from 548 kilograms per household in 1991, to 524 kg in 1994. Capital goods were hit even harder: The production of electrical machinery and equipment, for example, fell almost by half, from an index of 48 in 1991, to 26 in 1994.

### EIR's 'standard market basket' defined

In addition to updating our earlier study of consumer and producer goods, the current report includes a number of new features that allow for a broader and more thorough analysis of the Mexican physical economy.

In the current study, *EIR* has for the first time compiled a market basket of 10 *infrastructure*-related products and activities, in order to profile this critical area of economic functioning. Although preliminary, our findings are consistent with the picture in con-

**FIGURE 1**  
**Consumer goods, producer goods, and infrastructure**



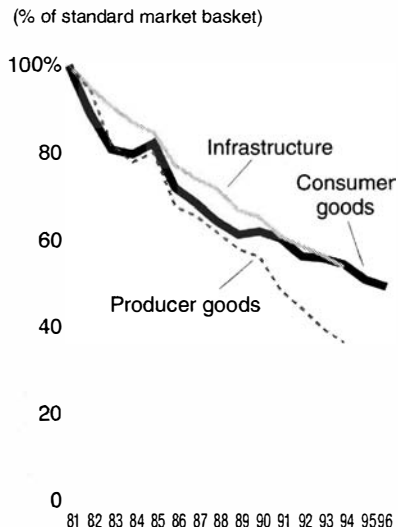
Sources: Food and Agriculture Organization (FAO); United Nations Economic Commission for Latin America and the Caribbean (ECLAC); United Nations (UN); National Institute of Statistics, Geography and Information, Mexico (INEGI); Bank of Mexico (BdM); National Population Commission, Mexico (Conapo); Ministry of Trade and Labor, Mexico (SCT); Federal Electricity Commission, Mexico (CFE); Ministry of Energy, Mines and State Industry, Mexico (SEMIP); Ministry of Agriculture and Water Resources, Mexico (SARH); Ministry of Finance (SHCP); Ministry of Commerce and Industrial Development (Secofi); *EIR*.

sumer goods and producer goods: The infrastructure market basket index rose modestly from a level of 87 in 1970, to a peak of 100 in 1981, and then fell back to a level of 88 by 1994 (see **Figure 1**). Here, as well, the data for 1995 and 1996 are unavailable, but will certainly show an accelerating rate of collapse.

The second new feature is the development of a “standard market basket,” or norm, for Mexico, for purposes of judging actual physical economic performance by comparing current levels to what they should be. In similar *EIR* studies of the U.S. economy, a 1967 standard market basket has been used, because that year marks the high water mark for the United States in most areas of physical economic activity, after which there has been steady collapse. As such, it reflects a level that must be returned to—as a jumping off point for subsequent development.

In the case of Mexico, however, it is not appropriate to use 1967 or 1970 per-capita and per-household levels of production as a standard, because there was real economic

**FIGURE 2**  
**Consumer goods, producer goods, and infrastructure**



Sources: FAO, ECLAC, UN, INEGI, BdM, Conapo, SCT, CFE, SEMIP, SARH, SHCP, Secofi, *EIR*.

growth for another decade or so after that. The 1981 levels, although the high point over the last 25 years, are not an adequate standard either, because the absolute levels of output that year, per capita and per household, in general were woefully inadequate to the objective tasks of development: It would thus be misleading to judge Mexico's current performance by simple comparison to such levels.

Although it would certainly be good if Mexico, as an interim step, returned to where it was in 1981, a far better market basket standard can be developed by calculating what the level of per-capita production would have been, in each successive year, had the average annual rates of modest growth over the 1970-81 period continued over the next 15 years, from 1981 to 1996. It is that standard, calculated on a year-by-year basis, which we have selected as *EIR*'s “market basket standard” or norm. Each year's current real output can then be described as a percentage of what it should have been in that year—or would have been, had IMF policies not been imposed.

Measured against this standard, the production of the market basket of consumer goods in 1996 was 49% of what it should have been; producer goods in 1994 were at 38% of the standard for that year; and infrastructure in 1994 was at 49% of the standard (see **Figure 2**). This is the shocking reality of what has happened to Mexico's physical

economic potential under IMF dictates: It has been more than halved.

### Labor force and metric

The third new element in the present study, is a survey of the recent evolution of Mexico's labor force, which we present in the section immediately below. Here is where we see the worst damage done to the Mexican economy—and further proof that current policies are leading to another blowout.

Out of a total population of about 95 million in 1996, there are approximately 34 million who are considered part of the “economically active population,” or labor force. Of these, 16.8 million are in reality unemployed—more than 2 million of them having joined the ranks of the unemployed in the last two years of “rapid economic turnaround,” as the *Financial Times* happily put it. In other words, as opposed to the laughable official figures, Mexico's real unemployment rate today is 49%—and growing. Soon, more Mexicans will be unemployed than hold real jobs. This is the surest sign of a dying economy, of what might be called the “Africanization” of Mexico.

The number who hold *productive* jobs (see section below for definitions of this and other categories) has stagnated at just over 8 million, ever since 1983, which has meant a proportional decline from 37% to 24% of the labor force. And the number employed in the all-important manufacturing sector has declined, from a high of 2.3 million in 1981, to 1.6 million in 1996. Rather than being employed in new manufacturing jobs at higher skill levels, hundreds of thousands of Mexicans have been driven, at best, to slave labor jobs in the *maquiladora* assembly plants along the border with the United States—the legacy of Bush's NAFTA. Thus, employment in manufacturing in Mexico proper, taken as a percentage of the labor force, shows a decline from about 10% of the labor force throughout the 1970s, to an abysmal level of less than 5% by 1996.

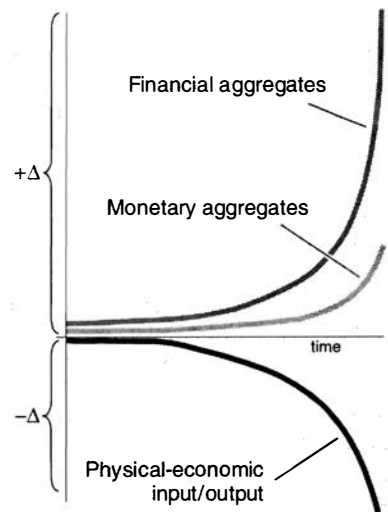
These labor force proportions raise the central question of the proper metric, or yardstick, to be employed in measuring the performance of a physical economy. Measuring in terms of dollars or other monetary units is clearly meaningless, because it has little or no connection to the physical economic reproductive process. Any fixed physical unit, such as tons, is also useless: It may seem to work to measure performance within one product line over a specified time frame (which is the limited use we have given it in our market basket approximations), but it is clearly inapplicable as a unit

of measurement across different products (that is, a ton of coal is not commensurable with a ton of wheat or, more to the point, a ton of machine tools). And, more important, such fixed physical units cannot take into account the changes in the actual value of given products that are brought about by the ongoing *technological* advance, which is the central feature of any successful economy. (For example, a ton of coal in the technological mode of 1920 is absolutely *not* the same thing as that same ton of coal in the technological mode of 1990.) This is the point at which all formal classroom mathematics breaks down, in being able to explain or measure the process which occurs in the physical economy.

In point of fact, as Lyndon LaRouche has explained his fundamental discovery in physical economy, economic growth is driven by constant technological progress, which produces discontinuous leaps as a society advances. Those technological breakthroughs are, in turn, *causally produced* by human creativity alone, which both generates new scientific concepts and spreads them throughout the economy. In this, the machine tool sector plays a critical role, as the strategic sector where such advances in ideas are transformed into machine tool designs.

Thus, it is man's creativity, as reflected in the development of the productive powers of the labor force, through rising skill levels, which is the only proper (non-mathematical)

FIGURE 3  
**A typical collapse function**

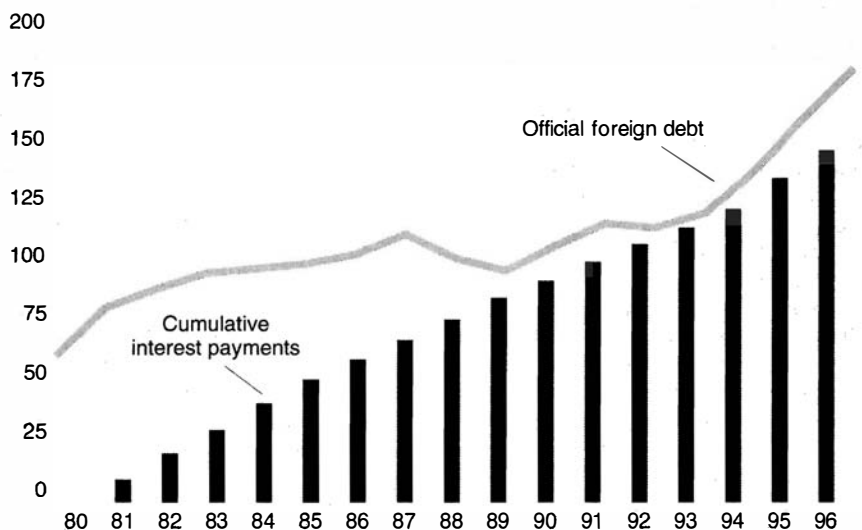


metric for an economy—and for the entire physical universe, for that matter. As Cardinal Nicolaus of Cusa explained in his 1450 dialogue, *The Layman: On Mind*, “mind is the measure of the universe.”

The relative success or failure of a society to foster such creativity, LaRouche has explained, is then expressed as the potential relative population density which that society is capable of sustaining.

FIGURE 4  
**Foreign debt and interest payments**

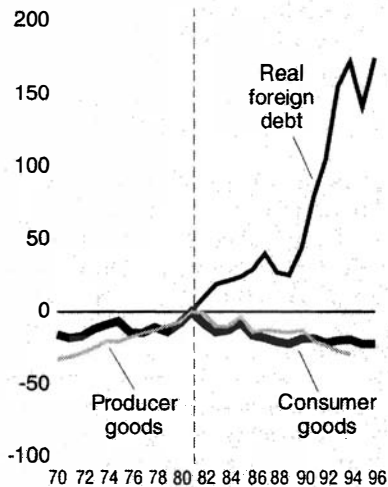
(billions of \$)



Sources: World Bank, SHCP.



**FIGURE 5**  
**Typical collapse**  
**function (Mexico)**  
(index 1981=0)



Sources: FAO, ECLAC, UN, World Bank, INEGI, BdM, Conapo, SEMIP, SARH, SHCP, Secofi, EIR.

It is with those considerations in mind that we have emphasized, wherever the data were available for Mexico, not the absolute numbers of employment, but the shifting internal proportions of the labor force (that is, the share of the total which is deployed to each economic task), as a superior metric for capturing actual economic trends.

### Mexico's typical collapse function

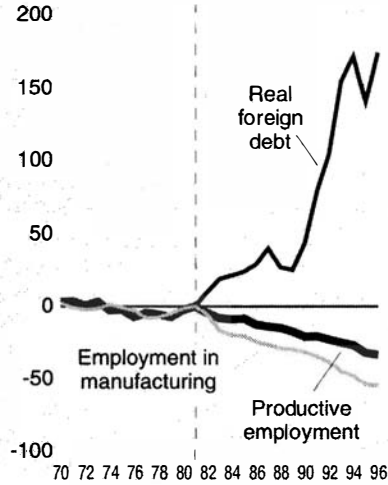
In the concluding section of this study, we contrast the collapse of Mexico's physical economy, with the continuing wild growth of its foreign debt obligations. It is the impossibility of continuing to sustain this debt bubble as the real economy collapses, which guarantees the imminent next explosion of the debt bomb in Mexico. This is, of course, only a microcosm of the global financial situation.

LaRouche has repeatedly described this global process, with the help of his famous "Typical Collapse Function" graphic (see Figure 3). Here we see how hyperbolically collapsing physical-economic input/output becomes incapable of sustaining the hyperbolically increasing curves representing monetary aggregates and financial aggregates, that are leveraged on top of it.

Mexico's basic economic and financial parameters are almost a carbon copy of this LaRouche graph.

As the physical economy was collapsing

**FIGURE 6**  
**Typical collapse**  
**function (Mexico)**  
(index 1981=0)



Sources: FAO, ECLAC, UN, World Bank, INEGI, BdM, Conapo, SCT, CFE, SEMIP, SARH, SHCP, Secofi, EIR.

by 7 to 10% over the last two years, Mexico's real foreign debt continued to skyrocket. In fact, the officially admitted component of this real foreign debt zoomed from \$136 billion at the end of 1994, to \$180 billion at the end of 1996—a 32% increase in two years. If we look back to 1980 (see Figure 4), we see that the official foreign debt was "only" \$57 billion in that year; \$150 billion in cumulative interest was paid over the next 15 years

(almost three times what was originally owed), and yet the total foreign debt rose to \$180 billion at the end of 1996. This is what we call "bankers' arithmetic":  $57-150 = 180!$  Other categories of de facto foreign obligations have also begun to rise again, after their forced contraction in the year after the 1994 debt blow-out (see Table 1). Thus, Mexico is back on the exact same track which led to the last meltdown—all the while proudly proclaiming that it has "turned the corner."

If we look at the growth of Mexico's real foreign debt, against the market baskets of consumer goods and producer goods (see Figure 5), the parallels with LaRouche's typical collapse function are startling. Using 1981 as a base of 0, the real foreign debt has climbed quickly to an index of 175, while consumer goods output has dropped to -22, and producer goods output to -29. In Figure 6, a similar comparison is made with total productive employment and real employment in manufacturing (both taken as a percentage of the total labor force). Here we see productive employment dropping by a third to -33, while the manufacturing component plunged by half, to -54.

These, unquestionably, are "typical collapse functions," which can be expected to play themselves out, until Mexico and the world return to their senses. What that means is that the entire IMF system has to be put through bankruptcy reorganization, and the development of physical economy must become guided, once again, by what Cusa rightly called the metric of the universe: man's creative mind.

**TABLE 1**  
**Real foreign debt**  
(billions of \$)

1) Public foreign debt	84	89	118	112
2) Private foreign debt	35	47	41	68
—owed by banks	20	25	21	?
—owed by companies	15	22	20	?
<b>Official foreign debt (1+2)</b>	<b>119</b>	<b>136</b>	<b>159</b>	<b>180</b>
3) 'Internationalized' internal debt*	26	32	5	3
—foreign-held Cetes, etc.	25	4	3	3
—Tesobonos	1	28	1	0
4) Foreign holdings in the stock market	55	44*	25	31
<b>De facto foreign debt (3+4)</b>	<b>81</b>	<b>76</b>	<b>29</b>	<b>34</b>
<b>Total (1+2+3+4)</b>	<b>200</b>	<b>212</b>	<b>188</b>	<b>214</b>

\*as of Dec. 15, 1995

Sources: World Bank, ECLAC, BdM, SHCP, Secofi.

# Mexico's labor force: 50% unemployment, and rising

by Dennis Small and Carlos Cota Meza

A nation's greatest wealth is its labor force, and the development of its productive powers through growing employment at increasingly sophisticated technological skill levels. Judged by that standard, the single greatest crime that

International Monetary Fund-sponsored neoliberal (i.e., free trade) policies have inflicted on Mexico's physical economy, is the decimation of its work force. Over the last 15 years of strict International Monetary Fund (IMF) conditionalities:

- Real unemployment has doubled from 25% to nearly 50% of the labor force.

- Of those lucky enough to still have a job, the proportion who are *productively* employed has plunged by more than a third.

- The all-important manufacturing sector has shrunk by half, from an already low 10% of the total labor force in 1970, down to less than 5% today. In fact, about 2.5 million manufacturing jobs that would otherwise exist today, were lost between 1981 and 1996, as a direct result of IMF policies.

The crime against the Mexican population begins at the top, and it has been committed against all of its 95 million inhabitants. Throughout the 1950s, '60s, and '70s, Mexico had a rapidly growing population, and therefore a relatively high proportion of children and youth in its "population pyramid." The historical policy of its governments was summarized in the dictum, "To govern is to populate," and the citizenry rightly viewed the growing population as a tremendous national asset and source of wealth. This earned Mexico the distinction of being one of the 14 countries singled out by Henry Kissinger in his evil National Security Study Memorandum 200 (NSSM-200) policy document of 1974, for supposedly being a threat to U.S. national security because of its demographic growth.

Beginning in the 1970s, under the Luis Echeverría administration, a concerted campaign by the Kissinger cabal in Washington and Wall Street, by the World Bank, the Club of Rome, and other proponents of Malthusian depopulation, imposed their policies of "population control" on Mexico. As a result, between 1965 and 1995, the natural rate of growth of the population dropped from 3.4% (a historical high) down to 2.05%. Although between 1975 and 1995 the number of women of child-bearing age doubled, the number of children per fertile woman fell from 6.0 to 3.0. According to Mexico's National Council on Population (Conapo), that is why the growth of the population in absolute terms has remained steady over the last two decades.

This overall trend translated into a steady

TABLE 1  
**Calculation of real unemployment**

(thousands)

	1971	1976	1981	1986	1991	1996
Disguised unemployment	416	1,508	727	4,117	6,627	10,958
Unemployment in manufacturing	289	249	264	391	475	886
Under-employment in agriculture	950	1,200	1,400	1,519	1,530	1,271
Mis-employment in services	1,000	2,250	3,250	3,564	3,834	3,638
<b>Total</b>	<b>2,655</b>	<b>5,207</b>	<b>5,641</b>	<b>9,591</b>	<b>12,466</b>	<b>16,753</b>
<b>% of labor force</b>	<b>18%</b>	<b>28%</b>	<b>25%</b>	<b>37%</b>	<b>41%</b>	<b>49%</b>

Sources: FAO, INEGI, *EIR*.

Our calculation of "real unemployment" includes the following four categories:

1. *Disguised unemployment*: This is the difference between the economically active population, or labor force, and the number of *remunerated jobs*, as per the data published by Mexico's INEGI.
2. *Unemployment in manufacturing*: In addition to what is reported as *open unemployment* or what appears as *disguised unemployment* in this sector, there is an additional element of real unemployment, corresponding to the difference between the official figure of remunerated jobs in manufacturing, and *EIR's* calculation of the actual level of employment in the sector. (Details of this calculation are provided in the text of the article on the labor force.)
3. *Underemployment in agriculture*: This category is derived from updated calculations based on the methodology employed in the Schiller Institute's 1986 book, *Ibero-American Integration: 100 Million New Jobs by the Year 2000!* That study explained that "a large part of the workers who remain in the countryside are in fact underemployed, either because they work only part of the year and are idle the rest, or because they are employed in agricultural jobs of such low productivity that their contribution to net output is virtually insignificant." The book then used proportional parameters based on South Korea, to calculate that in 1980 Mexico had 1.4 million underemployed in agriculture.

From 1980 to the present, we have estimated that any increase in the official number of remunerated jobs in agriculture is not real, because such numbers don't correspond to any actual increase in production in the sector—and we have therefore added this number to the 1.4 million of 1980, to obtain our total number for this category.

4. *Misemployment in services*: Here we have also used the methodology employed in the *Ibero-American Integration* book, which defines misemployment in services as "those who hold a physical job only part time or part of the year; those employed in clearly marginal activities, as street vendors . . . or other examples of the 'informal economy'; and those 'white collar' employees whose total numbers clearly exceed what is required for such activities." From this standpoint, we revised the Schiller Institute's earlier calculations (which had covered the period 1950 to 1980), to reflect the time span under consideration in this study (1970-80), which yielded an estimate of 3.25 million misemployed in services in 1980. We then added to this number, the increase in the official category of remunerated jobs between 1980 and 1996, for the same reasons as explained in the case of underemployment in agriculture.

growth of the “economically active population,” or labor force, from about 14.8 million in 1971, to an estimated 34.4 million in 1996, which is about 36% of the total population today. In other words, somewhere between 750,000 and 1 million young Mexicans have been joining the labor force every year.

(The economically active population, according to standard International Labor Organization [ILO] definitions, “comprises all persons of either sex who furnish the supply of labor for the production of economic goods and services”—that is, it is the labor force, including both those currently employed and those currently unemployed. It typically excludes children under the age of 10, as well as “students, women occupied solely in domestic duties, retired persons, persons living entirely on their own means, and persons wholly dependent upon others.”)

Until 1981, a fairly typical situation prevailed in Mexico. In that year, the economically active population was 22.407 million, and the category of “remunerated jobs” (presumably all paid job-holders in the domestic economy) was at 21.549 million. The difference of 858,000 between the two categories, was accounted for by about 131,000 people

employed in the *maquiladora* assembly plants along the U.S. border (which the government excludes from their remunerated jobs category), and by various forms of official unemployment totalling perhaps 727,000 Mexicans (about 3% of the labor force in that year). Real unemployment was of course much higher (as we explain below), but the point to note is that the labor force and the remunerated jobs categories were relatively close to each other.

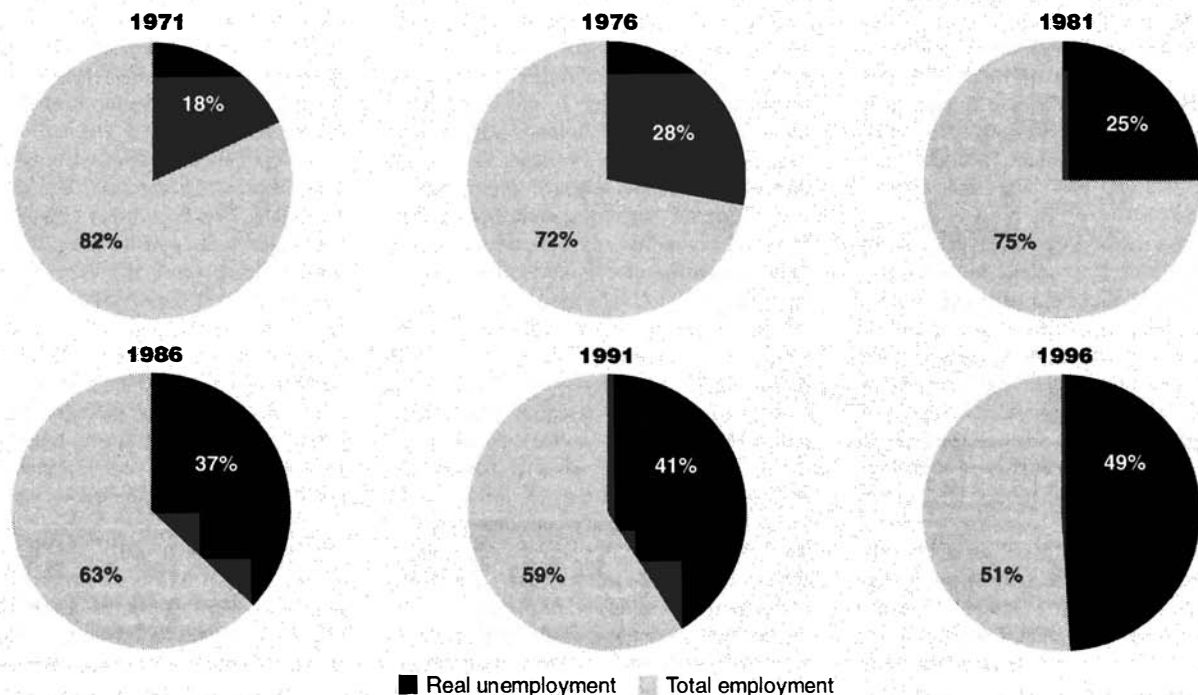
However, over the next 15 years, the economically active population grew by more than 50% to 34.435 million, while the remunerated jobs completely stagnated: From 21.549 million in 1981, it rose by only 6% to an estimated 22.770 million in 1996. The difference between this and the labor force in 1996, which is about 12 million people, is what we have called “disguised unemployment.” It is one of the most shocking indications of what real unemployment is in Mexico. In other words, these are working-age individuals, who are not otherwise excluded from the labor force for the reasons cited by the ILO (students, housewives, the disabled, and so on), but who are simply not counted among the officially unemployed. So, they have statistically vanished from the face of the Earth, although they are

in reality unemployed—thus, disguised unemployment. However, even that figure underestimates the reality of the unemployment situation.

### What is real unemployment?

In order to estimate actual unemployment, we must first define the real unemployment rate as that percentage of the total labor force which, for one reason or another, contributes nothing, or nearly nothing, to the production of physical economic wealth. From that standpoint, we must add to the disguised unemployment the following additional categories: real unemployment in manufacturing (as compared to the official statistics), underemployment in agriculture, and mis-employment in services. (For a more detailed explanation of the methodology employed, see the Schiller Institute’s 1986 study, *Ibero-American Integration*, chapter 4, and the note to Table 1 below.) If these categories are added, we see that real unemployment in Mexico today is conservatively estimated at 16.8 million, or 49% of the labor force. The growth of real unemployment, as a percentage of the labor force, is shown in five-year intervals in the pie charts in **Figure 1**.

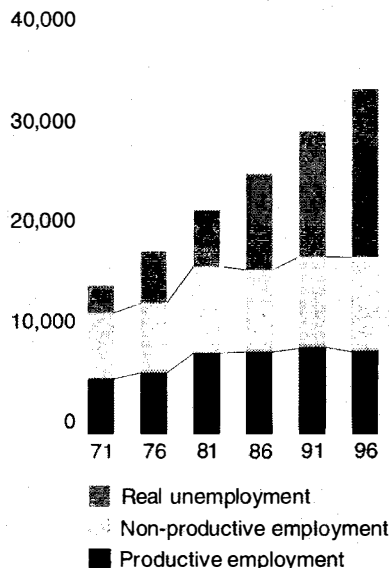
**FIGURE 1**  
**Total employment and real unemployment**  
(% of labor force)



Sources: FAO, INEGI, EIR.

**FIGURE 2**  
**Composition of the labor force**

(thousands)



Sources: FAO, INEGI, EIR.

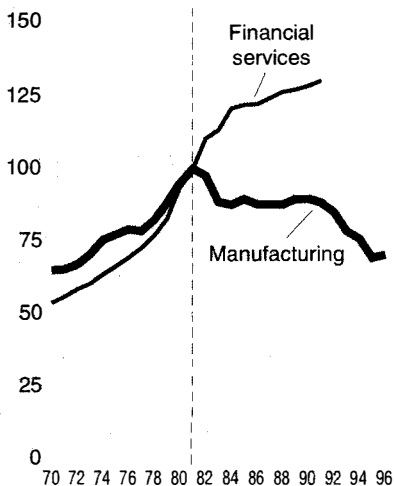
Compare this with the absurd figures of official “open unemployment,” which the National Institute of Statistics, Geography and Information (INEGI) estimated, at 5.3% of the labor force in August 1996—statistics which are rightly the laughingstock of economic analysts the world over.

Figure 2 shows that the steady growth of the labor force between 1971 and 1996, was channelled almost totally into the category of the unemployed—especially after 1981. Although total employment grew modestly between 1971 and 1981, after that period it stagnated. In other words, virtually all youth entering the labor force over the last 15 years have ended up on the human scrap heap: Some of them are officially unemployed; another large number have given up looking for jobs, and are thus no longer even counted, appearing only in our category of disguised unemployment; others remain virtually unemployed for most of the year in the devastated rural sector (underemployment in agriculture); and another large group have ended up in de facto unemployment, disguised as informal “jobs” as street vendors or hustlers, or in the more openly criminal components of the so-called informal economy (mis-employment in services).

None of this takes into account the more than 5 million Mexicans who currently reside in the United States, nor the various millions who enter the country yearly (some

**FIGURE 3**  
**Employment in manufacturing and financial services**

(index 1981=100)



Sources: INEGI, EIR.

legally, some not), in a desperate effort to find economic sustenance. Nor does it consider the 700,000 Mexicans currently employed in the slave labor sweatshops, euphemistically called *maquiladoras*, or in-bond assembly plants, principally along the U.S.-Mexico border (more on this below).

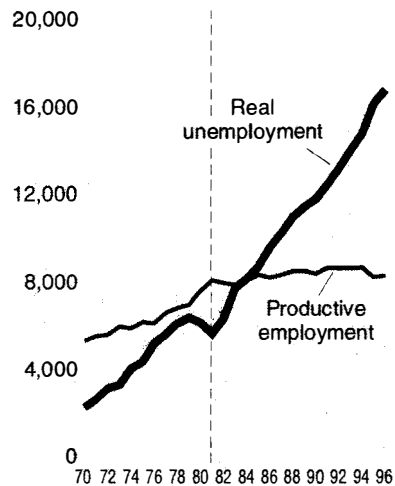
Figure 2 employs a further distinction within the employed labor force which is of great importance: productive versus non-productive employment. In this, we follow Lyndon LaRouche’s standard definitions, which consider productive labor to be only that which is directly engaged in the production of tangible output that contributes to the physical economic reproductive process. Thus, it consists of operatives employed in manufacturing, construction, agriculture, mining (including oil), and utilities such as electricity and water. We are also here including in our category of productive employment, certain essential “infrastructure” workers, such as teachers, doctors, and nurses, as well as operatives in transportation and communications. Scientists and engineers are also rightly considered part of this category, but unfortunately, their number in Mexico is so small as to be negligible for the purposes of this calculation.

The non-productive employment category, on the other hand, comprises all service and office employees, which are a kind of “overhead cost” to the productive economy.

Not surprisingly, productive employment,

**FIGURE 4**  
**Productive employment and real unemployment**

(thousands)



Fuentes: FAO, INEGI, EIR.

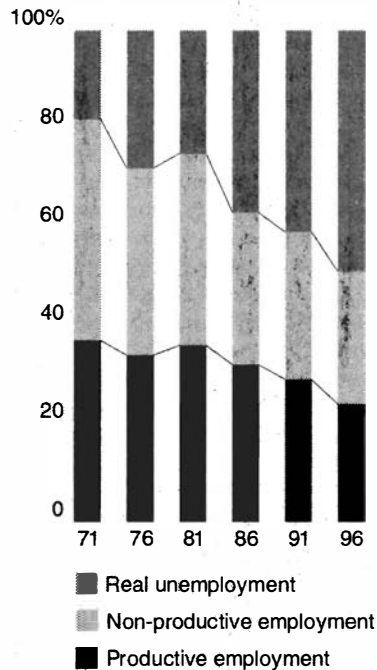
such as in manufacturing, has stagnated or collapsed under IMF policies, whereas non-productive employment, such as in financial services, continued to prosper (Figure 3).

Using these definitions, we see in Figure 4 that overall productive employment in Mexico rose slowly to the level of about 8.1 million in 1981, but it stagnated thereafter, rising to only 8.3 million in 1996—a pathetic 2% increase in 15 years. Real unemployment, by comparison, tripled during the same period, skyrocketing from 5.6 million to 16.8 million.

In both Figures 3 and 4, a particularly sharp dip can be seen in 1995, continuing into 1996. This is a direct reflection of the near disintegration of the Mexican economy which occurred in the aftermath of the December 1994 debt bomb explosion. Over the course of 1995, interest rates skyrocketed, credit dried up, huge amounts of non-performing debt piled up in the banks, manufacturing, agriculture, and other enterprises went bankrupt—in short, the economy imploded. Estimates vary, but most analysts agree that about 1 million jobs were lost in 1995 alone.

Figure 5 presents the employment data as percentages of the economically active population. This presentation is perhaps the best way to gain insight into the physical economic process. More than absolute numbers, what determines an economy’s ability to reproduce itself is the internal proportions of its labor force—that is, the share or per-

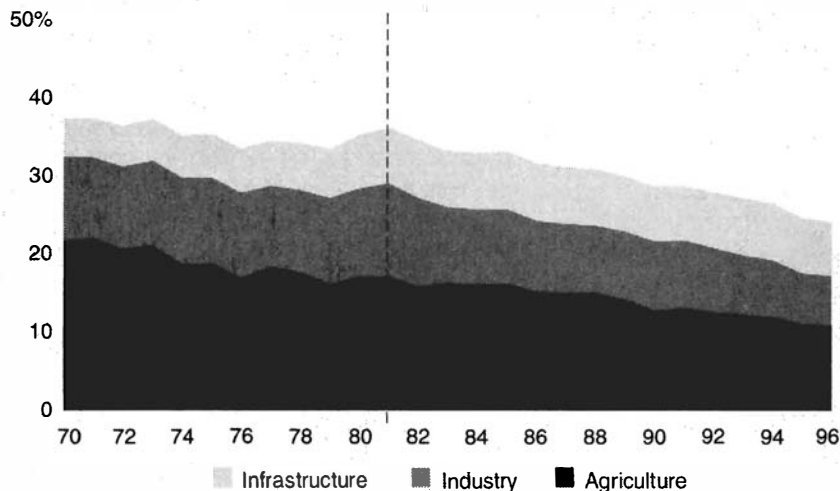
**FIGURE 5**  
**Composition of the labor force**  
(% of the total)



Sources: FAO, INEGI, EIR.

centage of the total available manpower which is dedicated to each economic task. Thus, in measuring an economy's trajectory, we are well-served to use this *shifting met-*

**FIGURE 6**  
**Productive employment**  
(% of the labor force)



Sources: FAO, INEGI, EIR.

ric, rather than any fixed yardstick.

Looked at this way, we see the shocking growth of the cancer of unemployment, to the point where it has taken over about half of the labor force. Meanwhile, productive employment remained constant throughout the 1970s at the (far too low) level of about 36% of the labor force, but then plummeted to a mere 24% today—a decline of more than one-third. Remember, it is this portion of the labor force which must produce all of the physical economic output required to sustain the entire population; it is they who, so to speak, carry the nation on their shoulders. Fifteen years ago, about one-third of the labor force did that; today, less than one-quarter does so.

Ironically, this trend in Mexico almost exactly parallels what happened in the United States during the same time period. U.S. productive employment was 36% of the labor force in 1970, and by 1996 had shrunk to 26% of the total. The only difference is that the United States showed a steady decline over this period, while Mexico was stable from 1970 until about 1981, and then fell apart rapidly.

When we look at the internal composition of Mexico's (shrinking) productive labor force (see **Figure 6**), we see that almost half of it is engaged in agriculture—a proportionally large share, which is a sign of Mexico's chronic underdevelopment. Thus, industrial operatives and essential infrastructure workers today make up only 6% and 7%, respectively, of the total labor force.

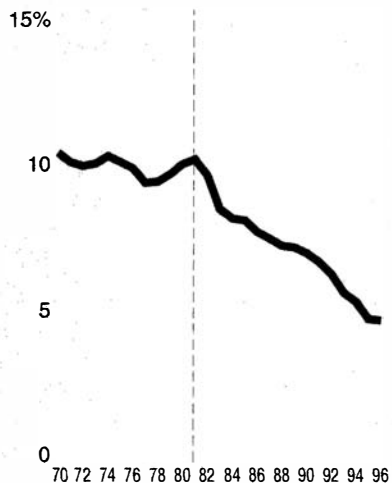
## Manufacturing vs. maquiladoras

But the true dimensions of the labor force catastrophe brought about in Mexico by IMF policies, only appear when we focus in on the situation in the manufacturing sector. Manufacturing is the direct transformation of nature to produce the market basket of consumer and producer goods which an economy requires to progress. Growing employment in manufacturing, reaching perhaps 35 to 40% of the labor force, at rising skill levels, is the sign of a healthy economy. Of that, a rising proportion must be employed in the all-important machine tool sector, which is the principal means whereby technological advances are introduced and spread throughout the economy by the rising skill level of the labor there employed.

Mexico's manufacturing sector is clearly moribund. As **Figure 7** shows, employment in manufacturing (including both operatives and administrative employees) remained relatively stable throughout the 1970s, at about 10% of the total labor force. This was not a particularly healthy level: For example, even Spain, a relatively undeveloped European nation, had about 20% of its labor force in manufacturing during this same period. But, with the imposition of IMF policies in 1982, things in Mexico rapidly went from bad to worse: Employment in manufacturing dropped off sharply, plunging to under 5% of the labor force in 1996.

In this and subsequent figures on manu-

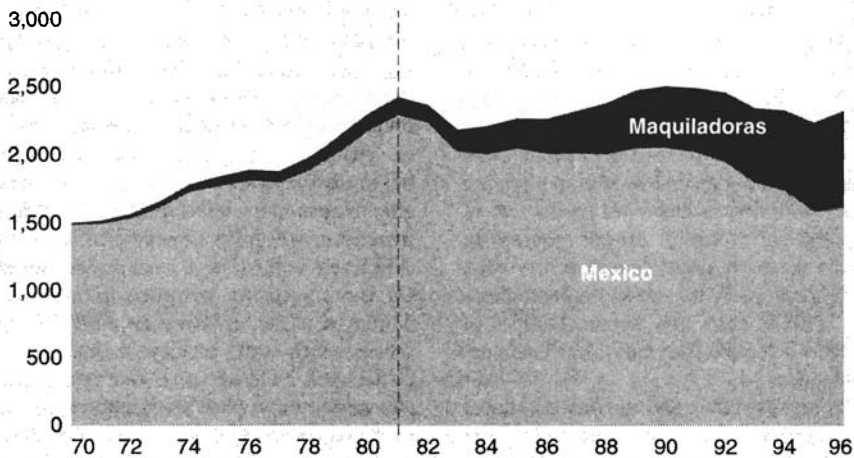
**FIGURE 7**  
**Total employment in manufacturing**  
(% of the labor force)



Sources: FAO, INEGI, EIR.

**FIGURE 8**  
**Real employment in manufacturing**

(thousands)



Sources: INEGI, *EIR*.

facturing, *EIR* has *not* used the official statistics supplied by INEGI for employment in this sector; instead, we have chosen to develop our own estimate. The reason is that the official numbers significantly overstate actual employment—even according to high-level officials of that agency, who admit that their standard presentation of “employed per-

sonnel, by division of economic activity” includes significant double-counting.

*EIR* has conservatively recalculated real employment in manufacturing, which appears as the bottom curve in **Figure 8**. Here we see that employment in manufacturing rose a respectable 50% from 1970 to 1981, from 1.494 million workers to 2.293

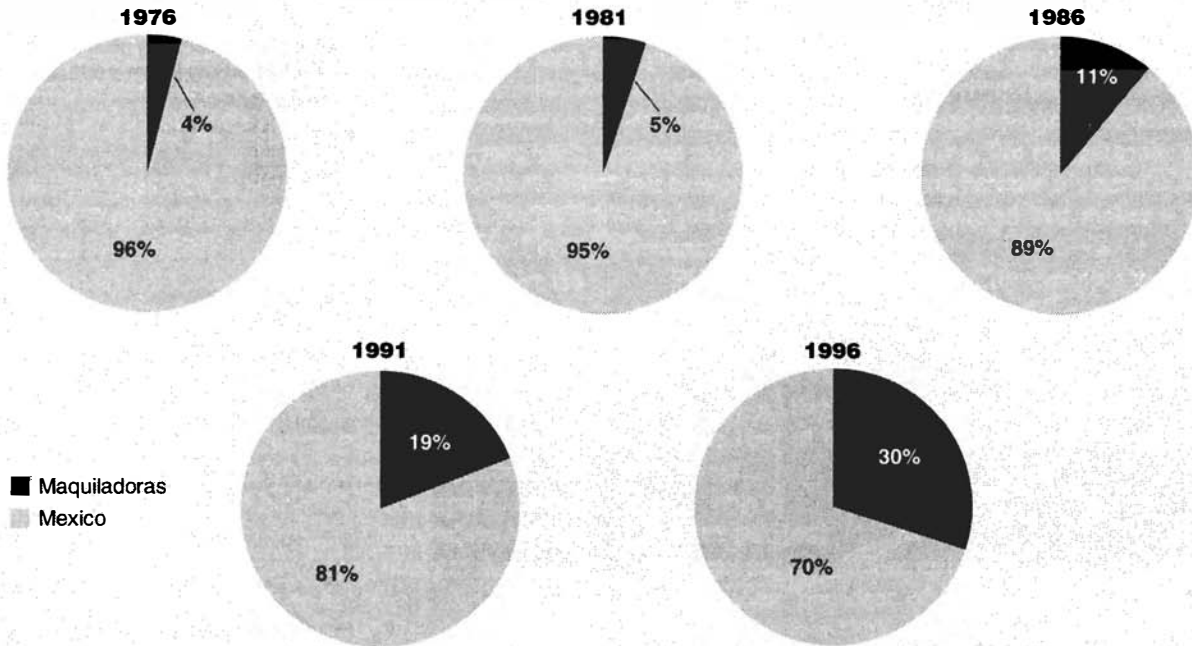
(i.e., about 800,000 new jobs were created). Note that the rate of increase was higher in the second half of the decade, when Mexican President José López Portillo began to use the country’s growing oil revenues to build up the industrial sector, especially heavy industry run by the state sector, including such areas as steel, petrochemicals, and fertilizer production.

But when the IMF descended on Mexico in 1982, in the last year of the López Portillo administration, manufacturing employment dropped sharply, never to recover. The collapse occurred in two, clearly discernible stages. From 1981 to 1988, total employment in manufacturing dropped by 283,000, or 12% of the total. This first ratchet down was then followed by a second, more severe one, from 1988 to 1996, where manufacturing lost another 440,000 jobs, which is an additional 19% of the total employed in 1981. Thus, in 15 years, more than 700,000 jobs were lost in this sector, nearly one-third of total employment in 1981.

Where did the jobs go? The IMF forced Mexico to stop producing for domestic consumption, and to export like mad in order to earn foreign exchange with which to pay the foreign debt. Thus, production of market basket items for the domestic economy shrivelled, and national employment fell

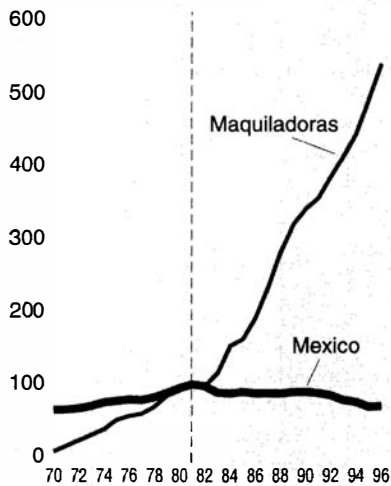
**FIGURE 9**  
**Employment in maquiladoras**

(% of total employed in manufacturing)



Sources: INEGI, *EIR*.

FIGURE 10  
**Real employment in manufacturing**  
 (index 1981=100)



Sources: INEGI, EIR.

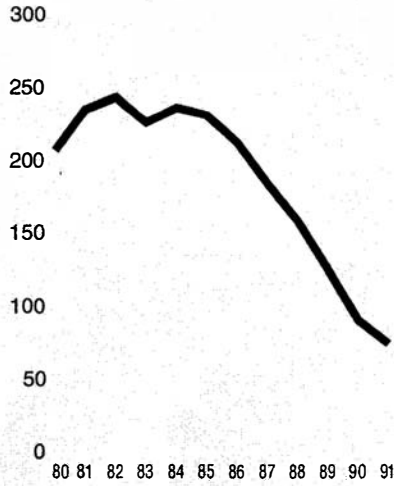
with it, while the *maquiladora* sector geared up significant manufacturing production—all of it for export. Thus, while Mexico proper was losing 700,000 manufacturing jobs after 1981, employment in the *maquiladora* assembly plants grew from only 131,000 to 707,000 in 1996.

It would be a mistake to consider the *maquiladoras* part of the Mexican economy, however. They may be located on Mexican soil; they may employ Mexican workers, but they are in fact nothing but foreign enclaves on Mexican territory, which assemble goods out of imported parts and export largely semi-finished and finished products, mainly to the United States. Even the miserable slave wages that the workers are paid scarcely have an impact on Mexico: It is well documented that a large share is used by the workers for purchases across the border in the United States.

The only thing the *maquiladoras* leave Mexico, is a monstrous social and political bill for the “privilege” of providing slave labor to facilitate debt repayment. Gigantic urban ghettos of *maquila* workers and their families have spread along the border, with little or no infrastructure available. The squalor and health hazards are matched only by the slave labor working conditions that the assembly workers (for the most part, young women and girls) are forced to endure.

In short, the *maquiladoras* are far worse than a foreign enclave on Mexican soil. By all rights, they must be considered an eco-

FIGURE 11  
**Public sector employment in manufacturing**  
 (thousands)



Source: INEGI.

nomic *cancer*, which has grown prodigious-ly on the body of the Mexican economy.

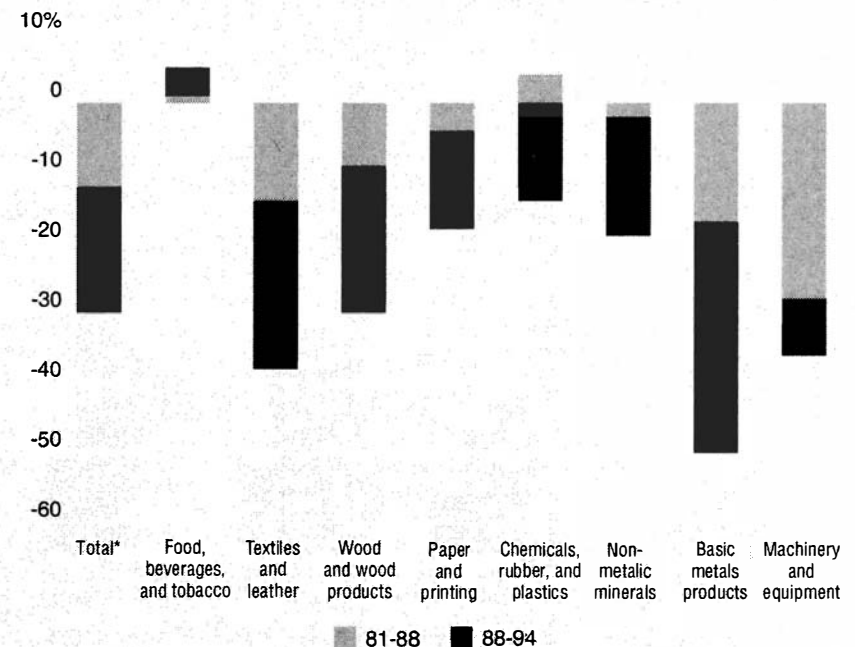
How big a cancer, can be seen from **Figure 9**. If we add the manufacturing workers employed in Mexico proper, and

those working in the *maquiladoras*—which, under other circumstances, would be the potential manufacturing labor force that Mexico has at its disposal—we see that back in 1976, those employed in the *maquiladoras* were only 4% of that total. That percentage grew rapidly, especially after 1981, to the point where today, more than 30% of the total has been taken over by the *maquiladora* cancer. If Mexican manufacturing continues to collapse, and the *maquiladoras* keep spreading under the North American Free Trade Agreement lunacy, then by the year 2000 there will be more *maquiladora* workers than manufacturing workers in the rest of Mexico combined: The cancer will have taken over most of the healthy tissue.

**Figure 10** shows the relative growth rates of the two categories: *Maquiladora* employment has grown more than fivefold since 1981, while manufacturing employment in Mexico has plummeted by about one-third.

Perhaps the most significant component of the fall in manufacturing employment—politically, if not in strictly quantitative terms—has been the shutdown of Mexico’s formerly productive *public* sector (see **Figure 11**). Under the guise of privatization, manufacturing employment in the public sector fell from 236,000 in

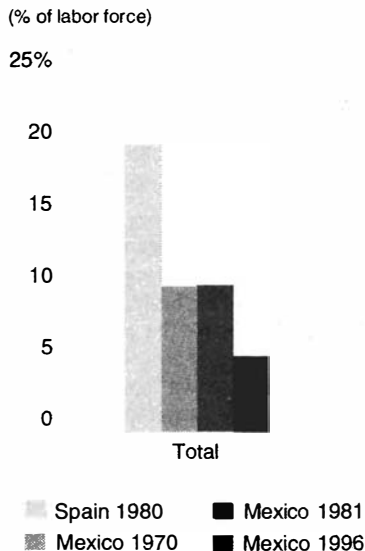
FIGURE 12  
**Loss of manufacturing jobs, by sub-sector**  
 (% change from 1981 level)



\*through 1996

Sources: INEGI, EIR.

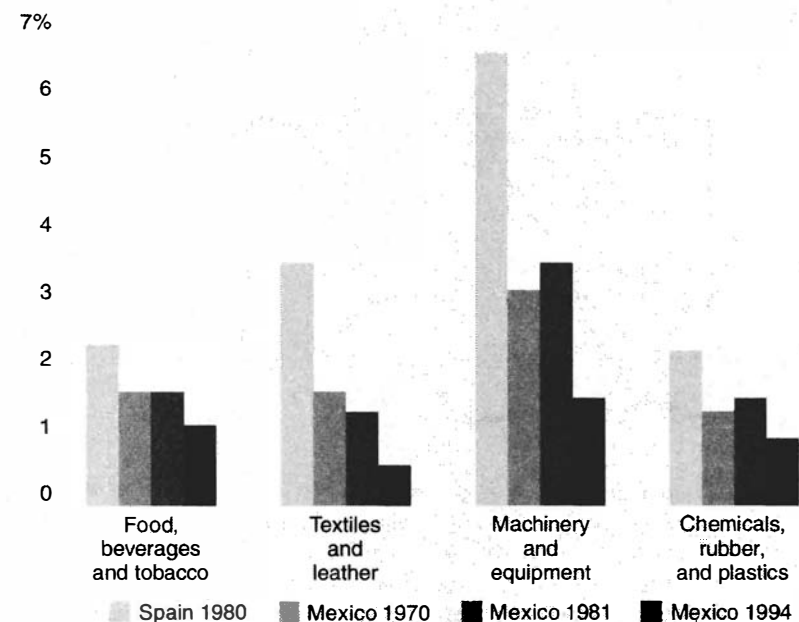
**FIGURE 13**  
**Employment in manufacturing, by sub-sector**  
(% of labor force)



Sources: OIT, FAO, INEGI, *EIR*.

1981, to 75,000 in 1991, the latest year for which there are figures (more recent data will show that the decline has continued). This is a two-thirds reduction in a decade, a far more rapid rate than the average for

**FIGURE 14**  
**Employment in manufacturing, by sub-sector**  
(% of labor force)



Sources: OIT, FAO, INEGI, *EIR*.

manufacturing as a whole.

What kind of public sector manufacturing jobs have been lost? Those at the priva-

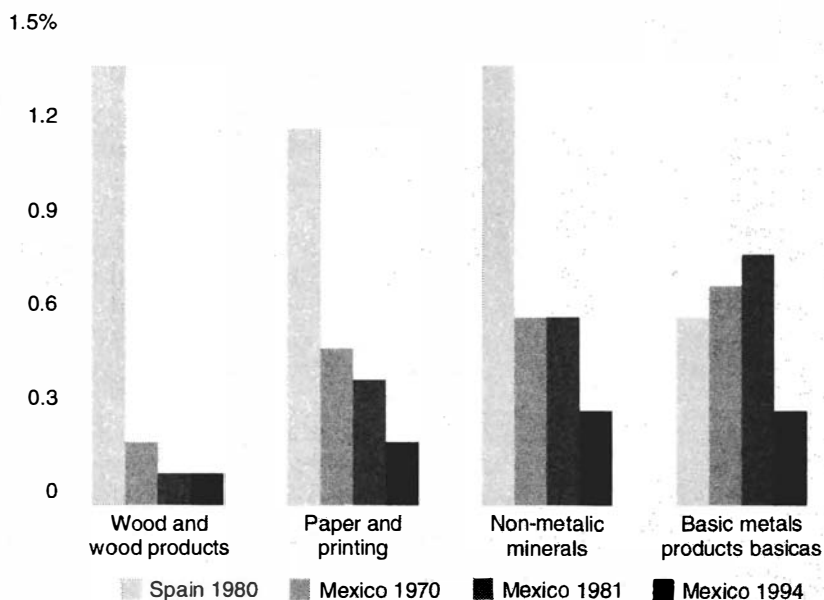
tized Lázaro Cárdenas steel complex on Mexico's west coast; at fertilizer plants once run by Fertimex; at petrochemical plants from the parts of that sector that have already been privatized—in short, the most skilled, among the best paid, and the strategically most significant to Mexico's overall economic health.

### Capital goods fared worst

Figure 12 shows manufacturing employment by sub-sector, using the eight standard divisions by ISIC codes (the ninth category, "other" is excluded). In each case, we present the loss of jobs from the 1981 level, divided into two time periods. As indicated above, the rate of collapse increased in the 1988-94 period, in almost every case.

The only sub-sector where employment grew at all during this entire period, was food, beverages, and tobacco. This does not mean that more food is being produced, or that Mexicans are eating more and better. The growth of employment in this sub-sector has occurred in the areas of bakery, tortilla preparation, and in the preparation and bottling of soda and alcoholic beverages. Much of this is rightly classified as "junk food" industries, given their low protein content and their relatively low prices, which make them accessible to the unemployed, the marginally employed, and other

**FIGURE 15**  
**Employment in manufacturing, by sub-sector**  
(% of labor force)



Sources: OIT, FAO, INEGI, *EIR*.



impoverished Mexicans.

The textile and leather (footwear) industries were among the hardest hit, with an employment drop of nearly 40% from 1981 levels. But of particular significance is the shocking 50% plunge in basic metals products, and also the more than 35% fall in metal products, machinery, and equipment. In other words, employment in the production of consumer and intermediate goods suffered, but the hardest hit tended to be the producer goods areas, and capital goods especially.

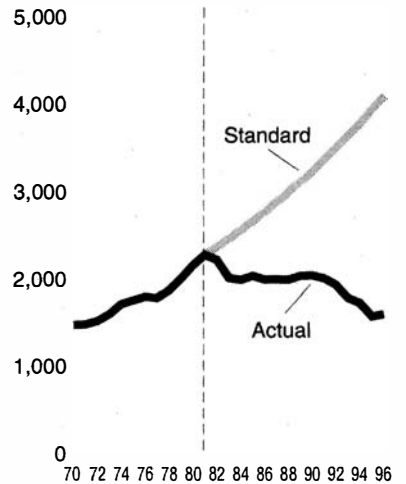
Figures 13 to 15 look at the same information, but from the standpoint of the employment in each sub-sector, as a percentage of the total labor force—which, as we noted above, is a more useful indicator of the relative health or infirmity of a physical economy. In each case, we present the corresponding proportions for Spain in 1980, for purposes of comparison, along with employment percentages in Mexico in 1970, in 1981, and then the sharp drop down to the 1994 level. In most cases, Mexico's 1981 level is about half of that of Spain in the corresponding year (1980), and then Mexico's level is halved again by 1994. Again, metal products, machinery, and equipment, which

is a decisive sub-sector for any successful economy, is noteworthy: Mexico's 1970 level of about 3.2% of the labor force rose slightly to 3.6% in 1981, but then plummeted to 1.6% of the labor force in 1994.

Many people have wondered what would have happened in Mexico if IMF policies had not been adopted from 1982 onwards, if the country had been able to continue the modest growth trajectory achieved during the decade of the 1970s. In fact, as we explained in the first section of this report, that projected 1996 standard serves as the best norm or point of comparison of what Mexico's employment and market basket output levels should be—and could have been—had IMF policies not been imposed on the country.

In Figure 16 we compare that standard for employment in manufacturing, with the stark reality of today. Had manufacturing employment continued to grow even at the modest rate of the 1970s (about 4% per year, on average), then employment in that sector would today be about 4.111 million, as compared to the 1.614 million it actually is. The difference is about 2.5 million manufacturing jobs, lost as a direct result of IMF policies. Some of the specific industries that suffered those job losses are depicted in Figure 17, for consumer goods, and Figure 18, for producer goods. The textile industry was particularly hard hit: If growth had contin-

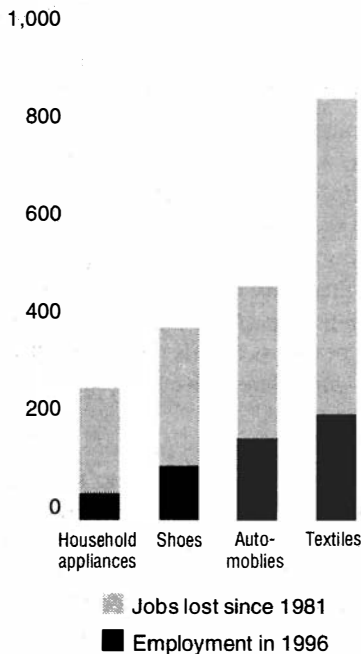
FIGURE 16  
**Employment in manufacturing**  
(thousands)



Sources: INEGI, EIR.

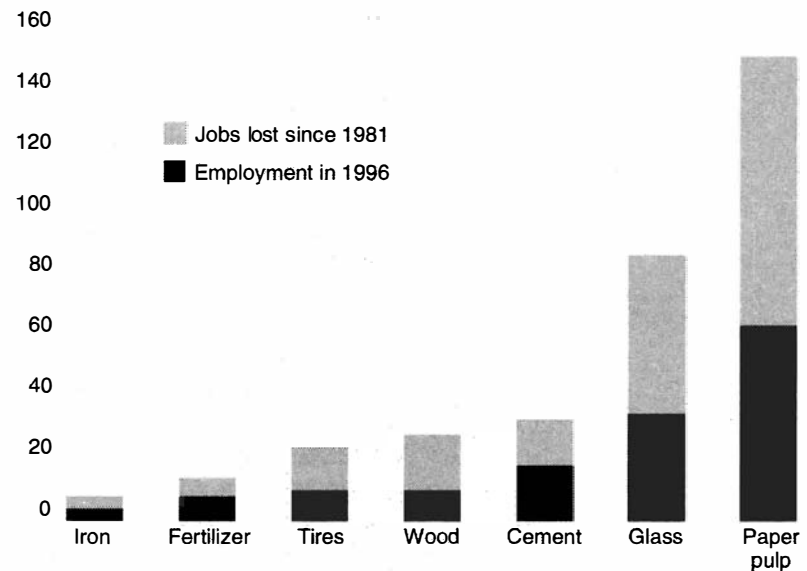
ued at the rate of the 1970s, that sector would today employ 644,000 more workers than it does. In both the consumer goods and the producer goods cases, the decline in employment is directly related to the drop in their physical output levels, per capita and per household.

FIGURE 17  
**Employment in the production of consumer goods**  
(thousands)



Sources: INEGI, EIR.

FIGURE 18  
**Employment in the production of producer goods**  
(thousands)



Sources: INEGI, EIR.

## LaRouche launches global campaign to destroy IMF

by Marcia Merry Baker

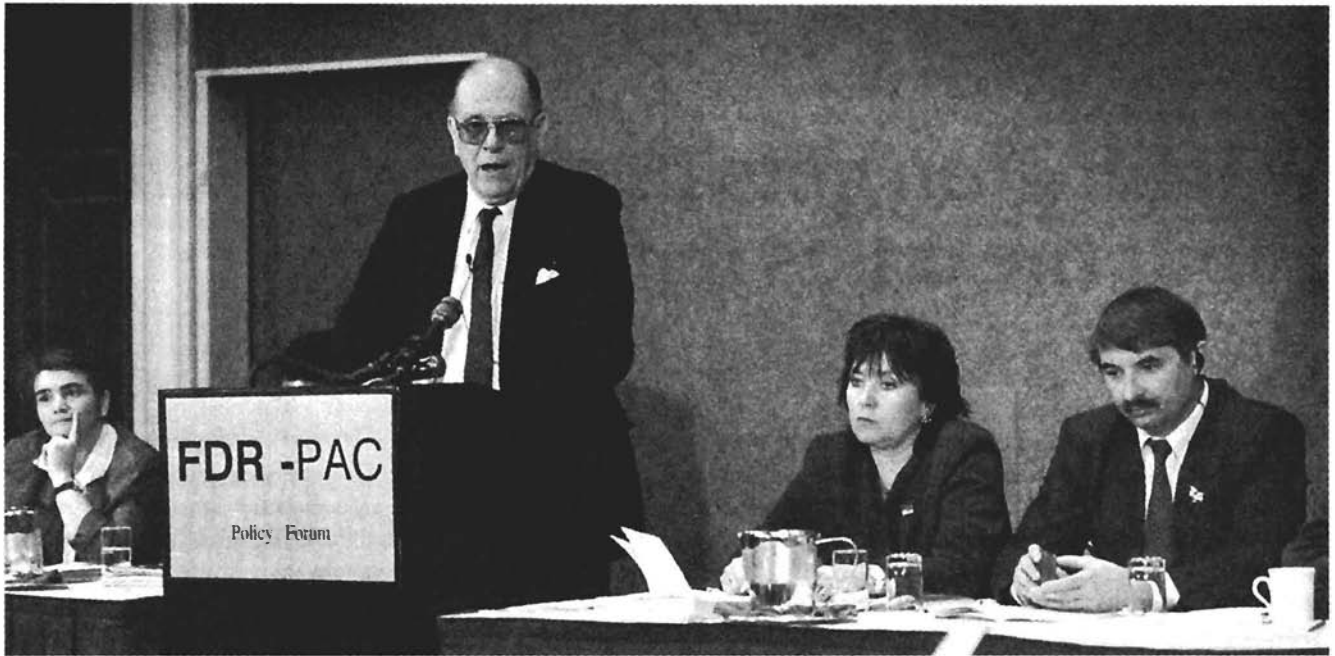
“Whole nations are being murdered by the International Monetary Fund. Many will say, ‘Well, you’ve got to defend reform and democracy. You must uphold the IMF’s authority.’ That’s like saying you must uphold Hitler’s authority! What’s the difference? This is worse. The IMF is more dangerous than Hitler.”

With these words, Lyndon LaRouche kicked off a week of intensive public and private meetings in Reston, Virginia and Washington, D.C. with over 800 leading political allies from six continents, during Feb. 16-21, to lay out the battle plan for what he described as a “war of annihilation against the IMF,” and the global financial oligarchy that stands behind it.

“You have come to a point, where the human race has a *casus belli* against the IMF,” LaRouche explained. “Now, according to Augustinus, the question is: Is there any other way of dealing with the IMF, except by annihilating its power over this planet? No. Can you save any country from the IMF, except by annihilating the power of the IMF? No. Then, why are you talking about trying to save individual countries, if you’re not committed to annihilating the power of the enemy, the IMF?”

“You see what our problem is? People are in a *state of denial*. We are under *casus belli*. Our moral obligation for most of the problems on this planet, are, that we must destroy the IMF and what it represents: *annihilate it as a force upon this planet, with more urgency than the annihilation of Hitler.*”

The public centerpiece of the meetings was a Feb. 16-17 conference jointly sponsored by the Schiller Institute, *Executive Intelligence Review*, and the International Caucus of Labor Committees (ICLC), titled “Toward a New Bretton Woods Conference,” which addressed the present global crisis, and spelled out a detailed plan of action to exploit the looming monetary and financial disintegration, to return the world to sane economic and cultural policies. In his Feb. 16 keynote address, LaRouche called upon the assembled leaders to forge the preconditions to enable President Clinton to convene, with other heads of state of leading nations around the world, a new Bretton Woods conference to create a new, stable, global



*Lyndon LaRouche (at podium) speaks at an FDR-PAC policy forum entitled "Why IMF Policy for Eastern Europe and Russia Must Be Scrapped," in Washington, D.C. on Feb. 19. At the dais are (left to right) Dr. Tatyana Koryagina, Russian economist, political figure, and Academician of the Russian Academy of Natural Sciences; LaRouche; and Natalya Vitrenko and Volodymyr Marchenko, Members of the Parliament of Ukraine.*

monetary system to replace the now-bankrupt IMF-World Bank system of global central banks. LaRouche defined the Eurasian Land-Bridge as the leading development project to carry the world into a new era of prosperity, and defined the "strategic Machine-Tool Principle" as the key to a competent industrial development policy for all nations of the planet.

The assembly voted unanimously to draft a formal call to parliamentarians around the world to endorse the convening of the new Bretton Woods conference, the implementation of the Land-Bridge, and the right of all nations to a "full-set" economy including a domestic machine-tool industry. It will be circulated in every country, and will form an important component of the "war of annihilation against the IMF."

The receptivity to such an initiative was signaled on Feb. 13 in Rome, where Sen. Publio Fiori, leader of the conservative Alleanza Nazionale, the leading opposition party, introduced on the floor of the Italian Chamber of Deputies, a "parliamentary question" to Treasury Minister Carlo Azeglio Ciampi, asking whether, in view of the ongoing disintegration of the international monetary and financial system, the Italian state should undertake emergency initiatives, such as a new Bretton Woods conference and a tax on derivatives speculation. Fiori's parliamentary question singled out George Soros, the British Crown's banker and a speculator, as typical of the kinds of financier-vultures who have brought the world's economy to the point of disintegration.

On Feb. 19, LaRouche joined three leading economists from the Ukraine and Russia, at a policy forum in Washing-

ton, D.C., where, for the first time, the murderous consequences of the IMF policies toward eastern Europe and the states of the former Soviet Union were spelled out in graphic detail. LaRouche was joined by leading Russian economist Dr. Tatyana Koryagina, and Ukrainian members of parliament Dr. Natalya Vitrenko and Volodymyr Marchenko.

Participants in the policy forum (the latest in a series of such events sponsored by FDR-PAC) were provided with copies of the Feb. 21 issue of *EIR*, which featured a policy dialogue between LaRouche and Dmitri S. Lvov, the Academician-Secretary of Sciences of the Central Economics and Mathematics Institute of the Russian Academy of Sciences.

In addition to the Lvov paper, "The Path of Russian Reforms," FDR-PAC participants were also informed that the proceedings of a Spring 1996 Moscow forum on the economic disintegration of Russia, attended by Dr. Koryagina, LaRouche, and a number of prominent Russian academicians and scientists, had been recently published in Moscow.

Increasingly, since the recent Davos, Switzerland World Economic Forum, leading bankers from Europe and the United States have been publicly issuing statements of "no confidence" in the crumbling IMF global monetary and financial system. On Feb. 18, the German daily *Frankfurter Allgemeine Zeitung* issued a front-page warning to its readers about the dangers of "Stock Market Fever." Lawrence Tisch, a Wall Street figure close to U.S. Federal Reserve Chairman Alan Greenspan, more recently forecast the imminent collapse of the Wall Street speculative bubble.

# Washington gets first-hand briefing about the crisis in the East

by Jeffrey Steinberg

Three prominent Russian and Ukrainian economists and political figures brought the reality of the crisis in the East to Washington, D.C. on Feb. 19, at a policy forum sponsored by FDR-PAC, the Democratic Party political action committee established last year by Lyndon LaRouche. Before a stunned audience of diplomats and Washington policy-shapers, Academician Dr. Tatyana Koryagina, of the Russian Academy of Natural Sciences, and Natalya Vitrenko and Volodymyr Marchenko, Ukrainian members of parliament and founders of the Progressive Socialist Party, delivered a devastating account of the decimation of the physical economy and social fabric of their countries, as the result of the past five years' imposition of International Monetary Fund-directed "reforms." The forum was titled "Why IMF Policy for Eastern Europe and the Former Soviet Union Must Be Scrapped."

## LaRouche sets strategic parameters

Before the Russian and Ukrainian experts spoke, the forum was first briefly addressed by *EIR* Contributing Editor Lyndon LaRouche. LaRouche named Britain's Margaret Thatcher, and the man she described in a recent autobiography as her "pet poodle," George Bush, as the two Western politicians most responsible for devising the "clinically insane strategic policies" of imposing brutal IMF austerity conditions on Russia and the other nations of the former Soviet Union, while simultaneously pushing for the extension of the North Atlantic Treaty Organization (NATO) into eastern Europe—a policy he characterized as "an irrelevancy with dangerous implications." After detailing the series of looming systemic collapses of the global monetary and financial superstructure, LaRouche said that the great challenge of the day is to "change from these lunatic policies to the safe ground of a new policy."

He cited the nineteenth-century American System political economist Henry Carey as the author of the present concept of the Eurasian Land-Bridge, which LaRouche has revived and has been actively pushing since 1989. Carey, based on the successful construction of the U.S. transcontinental railroad, with its accompanying development corridors, urged his co-thinkers in Europe and Asia to embark on a similar project, stretching from the Atlantic to the

Pacific coasts of Eurasia. Today, as in the days of Carey and Abraham Lincoln, it is in the vital strategic interests of the United States for such a Eurasian Land-Bridge project to move forward, as the cornerstone of a "new conception of security," LaRouche concluded.

## A picture of devastation

Dr. Tatyana Koryagina presented a graphic picture of the utter destruction of the Russian economy, since the collapse

## Warnings on the IMF's destruction of Russia

The current signs of impending explosion in Russia, in response to the destruction of its economy by the International Monetary Fund, became increasingly visible over 1996, as leading figures warned about the consequences of IMF policies, and began an open debate on the policies needed to replace them, including the policies of Lyndon LaRouche. We note some highlights here:

**April 1996:** LaRouche participated in a roundtable discussion sponsored by the Institute for Socio-Political Research of the Russian Academy of Sciences, the Free Economic Society of Russia, and the Schiller Institute for Science and Culture. The event, held in Moscow, was chaired by Leonid Abalkin, head of the Institute of Economics of the Russian Academy of Sciences. LaRouche stressed the ongoing world financial disintegration, as well as the specific policy questions involved in reviving the economy.

**April 1996:** Sergei Glazyev, a graduate of the Central Economics and Mathematics Institute (CEMI) of the Russian Academy of Sciences, a leading opponent of IMF reforms, and a sometime member of the Parliament and government since 1991, issued a report to CEMI's Scien-

of the Soviet Union. Dr. Koryagina is currently a member of the Scientific Research Institute of the Ministry of Economics. During the 1980s, she was a leader in the movement for economic reform, and, as the result, was placed on the Commission on Economic Reform, established by the U.S.S.R. Council of Ministers, during 1987-88. The following year, she was elected to the Supreme Soviet of the Russian Republic, and was backed, in 1990, by Boris Yeltsin, for its deputy chairmanship. By 1993, however, she had broken with Yeltsin, and was inside the White House (i.e., parliament building in Moscow) when it was stormed. In 1996, after being elected to the Russian Duma (lower house of parliament), Dr. Koryagina was a lead author of the economic program of the opposition candidate for the Russian Presidency, Gennadi Zyuganov.

She began her description of Russia's economic plight by noting, ironically, that at least two of the most well-known Russian advocates of IMF programs—Yegor Gaidar and Gregori Yavlinsky—were former mental patients. She pointed out that, during the first five years of the so-called economic reforms, no leading figures in Russia were aware of the devastating consequences that the policies of Milton Friedman et

al. had inflicted on countries in Ibero-America and elsewhere. Nevertheless, she herself had publicly assailed the Harvard University-designed Yavlinsky "500 Day" reform plan, predicting, in 1990, that the word "democracy" would soon be turned into a curse word throughout the East, as the result of the murderous policies being put forward by some of Russia's leading self-proclaimed democrats.

Dr. Koryagina explained that, under the IMF-directed Gaidar reforms, the number-one goal was to reduce inflation from its 1992 level of 2,600% at the consumer level, and 3,300% at the wholesale level, down to 25-30%. Indeed, by 1996, inflation had been driven down to 22%—but at the cost of a complete drying-out of credit, triggering a total collapse of production, a dramatic collapse in wages, and arrearages in wages and pensions, as of Dec. 20, 1996, of 47 trillion rubles. Today, the average employed full-time worker receives \$150 per month in wages. And this figure does not include unpaid back wages!

In the agricultural sector, farmers were forced to sell off their livestock when they ran out of money for feed. However, there were not sufficient refrigerated storage areas, so that in many instances, cattle were slaughtered and the meat just

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tific Council, entitled "The Theory of Economic Growth in a Transitional Economy." The paper scathingly attacked the destruction of the Russian economy under "the ideology of radical liberalism."

**October 1996:** Prof. Lev Makarevich, a leading Russian expert on finance, made a presentation to a conference of CEMI, in which he exposed the looting created by the IMF's imposition of financial "liberalization" in Russia.

**October 1996:** Economic desperation in Russia began to lead to strikes, and dramatic suicides by scientists who are no longer being paid.

**November 1996:** George Soros, interviewed in France's daily *Le Monde* of Nov. 2, warned that Russia is in general bankruptcy, as a result of "savagely capitalism," and could soon explode.

**November 1996:** Russian Defense Minister Gen. Igor Rodionov warned on Nov. 12, according to the London *Independent*, that "if extreme measures are not taken to reform the Army in the near future, the consequences for the state could be catastrophic." He was referring to the desperate plight of soldiers who had not been paid for four months.

**December 1996:** Rodionov, in an interview with a Russian daily, said that funding shortfalls have left Russia's soldiery impoverished and humiliated. He warned that many military families were literally starving, and that some soldiers have been reduced to selling their blood in order to buy necessities. His assessment was backed up

by Gen. Igor Sergeyev, commander of Russia's strategic nuclear forces.

**December 1996:** The Institute for Social and Political Research of the Russian Academy of Sciences published the full proceedings of the seminar held with LaRouche in April 1966.

**December 1996:** CEMI published "The Path of Russian Reforms," a working paper by leading Russian economists, who documented the disaster of IMF reforms, and proposed measures to restart production (published in *EIR*, Feb. 21, 1997).

**January 1997:** Gen. Aleksandr Lebed, on a visit to Germany, predicted disaster if current policies for Russia are continued, and cited the early-twentieth-century Russian Prime Minister Pyotr Stolypin, and turn-of-the-century Finance Minister and Prime Minister Count Sergei Witte, as models for reform.

**February 1997:** Gen. Lebed, in an interview with the Spanish newspaper *El País* on Feb. 3, warned that if serious political and economic steps are not taken by the spring, when the crisis will worsen and reserves will have been depleted, then the situation could become explosive.

**February 1997:** Economists from the Russian Academy of Sciences joined members of the Conference on Industrial Policy in Russia, in a roundtable on how to get Russia's industrial base back on its feet. Major presentations were made by Academicians Dmitri Lvov and Leonid Abalkin.

## Imminence of market meltdown sets off alarms

In recent days, as the Dow soared past 7,000 and stock markets from London to Frankfurt follow into the stratosphere, a growing number of voices are warning that the international financial bubble could rapidly collapse. "By all traditional measures of stock value—price to earnings, dividend yield—these markets are way overheated. The only question is when the liquidity flowing in will dry up," said S.J. Lewis, a City of London financial strategist.

Lewis's comments were underscored in a Feb. 17 article in the *International Herald Tribune*, which cited New York financier Lawrence Tisch. "If you look at charts of the last six months in the U.S. stock market, it rises at an ever-increasing rate in a parabolic curve. We have seen that shape curve twice before, in the U.S. in 1929 and in Tokyo in 1989," Tisch was quoted.

The following day, amid news of the Dow Jones Index's latest record high, Jürgen Jeske, the chief economics editor of the *Frankfurter Allgemeine Zeitung*, the conservative German newspaper of record, wrote a rare, signed, page-one piece under the headline, "Stock Market Fever." Analyzing the current Wall Street arguments that the trend will continue upwards unabated—the so-called argument

that some make, "why this bubble is different from all other bubbles"—Jeske concluded that this bubble, in fact, is not any different." Such optimism was found in the earlier phases of the stock market as well, not least just prior to the great crash at the end of the 1920s. Stock market moods were and remain mass psychology phenomena, which can rapidly shift, as the Mexico peso crisis showed," he said.

Today, which of any of hundreds of nominal triggers could detonate such a global systemic meltdown, is impossible to forecast. It could be Japanese banks, as hinted by the fact that Japanese officials have been forced repeatedly in the past week to proclaim their willingness to bail out the country's (and the world's) 20 largest banks, amid rumors of looming bank failures. Or, it could come from the explosive social unrest sweeping across Europe, as governments impose the most savage budget austerity since the 1930s, creating record high unemployment. Equally a threat, is the growing possibility that a new European currency crisis could erupt, one far more serious than that of 1992-93. Central bankers of the Bank for International Settlements, for example, are worried sick about the danger of a major financial derivatives counterparty somewhere in the global payments system going under, triggering a chain-reaction crisis in the \$1.3 trillion daily interbank settlements system. All are merely indicative of the present state of what leading bankers at the recent Davos World Economic Forum termed "financial system fragility."—*William Engdahl*

rotted; and large amounts of milk from cows that were kept alive, had to be dumped because there was no way to get it to market.

Under these circumstances, Dr. Koryagina asked, "What do people do?" They turn to the underground economy for their survival. The social consequences of the total collapse of the above-ground productive economy, as the result of Russian policymakers accepting the IMF diktats, has been an amazing jump in black market criminal activity. Criminals control 45% of Russia's Gross Domestic Product, Dr. Koryagina reported. In the past several years, 600 bankers were assassinated. There is a flourishing "organ harvesting" industry in Russia, in which corrupt and desperate surgeons remove hearts, kidneys, and blood to sell on the international black market. She reported that, during the war in Chechnya, the corpses of Russian soldiers and Chechen rebel fighters were found with some of their organs removed by looters.

Dr. Koryagina prefaced the remarks of her two Ukrainian colleagues, by warning the audience that if anything, the Ukrainian situation is far worse than that of Russia.

### Leaders who are looters

Dr. Natalya Vitrenko, who served in the Ukrainian Parliament as a subcommittee chair of the Commission on Economic Policy, and who gained notoriety for her public clashes with "shock therapist" Jeffrey Sachs, began her remarks by quoting from the speech delivered recently at the Davos, Switzerland World Economic Forum by Ukraine's President Leonid Kuchma, in which he, incredibly, claimed that the economy was prospering under the reforms, and that there had even been a slight growth in industrial production. Dr. Vitrenko documented that the President was not only lying: He was trying to conceal the fact that he has personally profited off of the IMF's looting of his nation.

She pointed, with pride, to the fact that the Ukrainian workforce enjoys the highest level of education of any country in the world. Some 974 out of every 1,000 workers have received higher education. Yet, under the IMF reforms of the past five years, Ukraine's GDP has collapsed at a faster pace than any nation in history, falling by 68% over the past several years. She catalogued a 90% collapse in investment in the vital machine tool and tractor production sectors. Out of a

total workforce of 22 million, over 8 million jobs have been lost since 1990. Instead of total food self-sufficiency, Ukraine is now a net importer of high-priced, low-quality food from abroad—despite the fact that Ukraine has the finest black soil in the world.

She presented detailed statistics, showing that two-thirds of the GDP of her country is currently in the black market. “We have seen dangerous, monstrous criminal growth,” she reported. “The President and the majority of the Parliament took IMF money and political support and implemented their recipes. The IMF hooked Ukraine on debt by 1992,” she recounted. “And now, every year, President Kuchma goes to Davos to report to his masters on the progress.”

Proving that Dr. Koryagina’s comparison of Russia and the Ukraine was correct, Dr. Vitrenko offered detailed charts showing that 71% of Ukraine’s employed labor force earns an average of \$25 per month. Families receiving assistance from the state receive only one-third of the minimum wage—an average of \$3 per month for a two-person household. “How do people live?” she asked. “They go into the black market, or they go abroad to sell their labor power there.” The latest atrocity, Dr. Vitrenko noted, is that the government, at the behest of the IMF, is now moving to increase the retirement age for men from 55 years to 65 years. Yet, today the average male life expectancy is only 62 years. That’s one way to avoid paying pensions, she observed wryly.

### **IMF shaped Ukraine’s Constitution**

Volodymyr Marchenko filled out the horror story that is today’s Ukraine, by giving the audience a detailed account of the new Ukrainian Constitution, which concentrates so much power in the hands of the President, that legal impeachment proceedings—certainly warranted by Kuchma’s treasonous collusion with the IMF—are an impossibility. This, he said, is the key to the IMF’s take-down of the Ukrainian economy. He cited public statements by Dr. Vitrenko, labeling the day that the new constitution was enacted as “the blackest day in Ukraine’s history.” The new Russian Constitution, he reminded the audience, was imposed by Yeltsin’s tanks firing upon the White House in October 1993. In Ukraine, the President threatened to shut down the Parliament and abolish all political parties if the Constitution was not ratified.

In response to questions, Dr. Koryagina summed up the message which she and the other speakers had traveled to Washington to deliver: The IMF policies have created social stress, destroyed the family structure, triggered a meteoric rise in the rate of abortions, and driven the death rate above the birth rate. Yet, such quantitative descriptions are inadequate. “When a nation is destroyed and subverted, it loses all of its humanity. The IMF is guilty of crimes surpassing those for which the Nazis were condemned at Nuremberg. The international financial oligarchy behind the IMF is more terrible than the fascists.”

## **LaRouche on justified warfare**

*The following exchange took place at the President’s Day conference of the International Caucus of Labor Committees and the Schiller Institute, on Feb. 17, in Reston, Virginia.*

**Q:** I came to Canada in 1989, as a political refugee. Bulgaria is an extreme example of the implementation of the International Monetary Fund policy, which has already destroyed many eastern European countries. Bulgaria is now undergoing the biggest destruction since the First World War. Many citizens are asking themselves whether they will die from starvation, or from the cold. There are many suicides in Bulgaria right now. The country might be on the brink of bankruptcy right now.

What can we do to change the situation? There are going to be elections in about two months from now, to protect democracy. What would be possible? Would it be possible to inform the politicians in Bulgaria, mobilize them, inform them of the ideas of the Schiller Institute, and this sort of thing?

**LaRouche:** There are indications; we have been contacted by some people on this, and there are indications, of course, that our work and our views in these matters are known, among some political circles in Bulgaria. I’ve not had a chance to talk to anyone from there, in the period of this crisis, because my own schedule got in the way.

But, in general, what we’re looking at, is the reality of the world today. For example, in the United States, to make a comparison between individual life and life of nations; many times in the United States today, children willfully kill their parents. They kill their parents for reasons of greed or for reasons of ideology. They are conditioned to believe, as if they were hypnotized, that it’s the right thing to do. And so, they use their influence to cause their parents to be killed, or their death to be accelerated.

There are children who go to induce their parents to sign a “Do Not Resuscitate” order—murder. There are people who die in the streets, because they don’t have the right identification and credit cards to be admitted to care. There are people who die, because somebody decided to close down a hospital, which meant that there was no hospital available to treat them when their lives could have been saved, and they were in dire distress.

These things, and similar things, are the commonplace, characteristic realities of life in the United States today. *And, in Washington, on these issues, nobody, but almost nobody, gives a damn.*

*We now have come to the time, when the same evil logic applies to the fate of entire nations.* Rwanda was destroyed, and no leading nation gave a damn. Millions of people were subjected to genocide, at the direction of a British Privy Council puppet and agent, the so-called President of Uganda. Nobody gave a damn. Even some of our active African-Americans cheered, and said, "This is good! It's against Mobutu." Nobody gave a damn.

In all of Africa, in most part, including, as I've said plainly, most African-Americans, the loud voices you get in the press, don't give a damn. Or, they're on the wrong side,

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*Is there any other way of dealing with the IMF, except by annihilating its power over this planet? No. Can you save any country from the IMF, except by annihilating the power of the IMF? No. Then, why are you talking about trying to save individual countries, if you're not committed to annihilating the power of the enemy, the IMF?*

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like Randall Robinson, altogether. They're working for the murder, for the mass assassination. And, when it comes to Africa, we speak of the Black Congressional Caucasians, that quarter. Nobody gives a damn.

*Albania is dying.* It's a poor country, a fragile country, which is dying of a swindle, a pure financial swindle of the most naked type, an Orange County-style swindle, but worse, against poor people. Bulgaria is faced with death. Bosnia is on the chopping block.

*Whole parts of this planet are dying, whole nations,* just like the individuals in the hospitals, with somebody shoving a clipboard with a "DNR" sign on it in front of them.

We have to understand, that this is not a problem of one country at a time, a problem of what the policies in one country at a time are. Bulgaria would not be *allowed* to do anything. No government of Bulgaria would be allowed to survive in opposing the present policies. The plight of Bulgaria is the IMF. If you can not destroy the IMF, which is strangling Bulgaria, and has continued to strangle it, you can not save the nation from extinction.

*There are no simple little reforms.* See, this is justified warfare. You're in a situation, where an intolerable condition exists, a condition which you must not tolerate morally. We have a condition inside the United States, as I described, in terms of an epidemic of morbidity, willfully caused, even by

children killing their parents; Baby-Boomers are murdering their parents, and think it's the "right thing" to do.

Whole nations are being murdered by the IMF. Many will say, "Well, you've got to defend reform and democracy. You must uphold the IMF's authority." That's like saying you must uphold Hitler's authority! What's the difference? No difference. This is worse. The IMF is more dangerous than Hitler.

## **The human race has a 'casus belli' against the IMF**

You have come to a point, where the human race has a *casus belli* against the IMF. Now, according to Augustinus, the question is: Is there any other way of dealing with the IMF, except by annihilating its power over this planet? No. Can you save any country from the IMF, except by annihilating the power of the IMF? No. Then, why are you talking about trying to save individual countries, if you're not committed to annihilating the power of the enemy, the IMF?

You see what our problem is? People are in a state of denial. We are under *casus belli*. Our moral obligation for most of the problems on this planet, are, that we must destroy the IMF and what it represents: *annihilate it as a force upon this planet, with more urgency than the annihilation of Hitler.*

Where are we? Are we waiting for a Pearl Harbor, to mobilize us to war?

But, the problem we face, is, until we get to the point that you have a Pearl Harbor effect, that people stop denying the reality, both on an individual basis, within countries, and the fact that now, *entire nations, the entire continental area of sub-Saharan Africa is now being murdered,* and will, in a short time, be exterminated, in terms of any political existence, unless we *stop* the IMF and what it represents.

Russia and Ukraine, which are represented here, *will be destroyed, or turned into chaos,* unless something is done to defeat the IMF. And, people want little suggestions on how to fix things, *despite* tolerating the IMF? Can we make a pact with the devil who is committing the crime?

I said years ago, our slogan ought to be, "Kill Satan." And, I got a lot of so-called Christian fundamentalists very upset. "You can't kill Satan! What are we going to complain about!? Nobody will come to church any more!"

That's the point. Our problem is, we are in a state, where the world is in a state of war, that is, *casus belli*. And, under Augustinian rules, we must go to war to annihilate the power of the IMF, by appropriate means. We must not, however, behave as fools. It is a crime to commit war in a foolish way. Because you are then defeated, and you bring upon the disaster of war, on top of the defeat. So you must *win* war: annihilate the force of the IMF, and what it represents.

I'm committed to that. My concern is to find enough people in the right place, with the right combination, who are committed to that, and doing it properly. And, if I react



## 'New Bretton Woods' sought by Italian parliamentarian

Publio Fiori, a member of Italy's Parliament and a leader of the conservative Alleanza Nazionale (National Alliance), the leading opposition party, introduced on the floor of the Italian Chamber of Deputies on Feb. 13, a parliamentary interrogatory to Treasury Minister Carlo Azeglio Ciampi, asking if, in the context of the ongoing disintegration of the international monetary and financial system, the Italian state should undertake emergency initiatives, including a New Bretton Woods conference and a tax on derivatives instruments.

Fiori had been a Rome-based leader of the Christian Democracy (DC) throughout his political career, until the 1993 dissolution of the DC party, which came under internal and international attack, leading to the prearranged indictment of former Prime Minister Giulio Andreotti. Fiori was the leader of the DCers who, with the MSI of Gianfranco Fini, created the Alleanza Nazionale in the wake of the DC's dissolution. During the Berlusconi government, Fiori held the Transportation Ministry. In the 1980s, he was an outspoken supporter of the Strategic Defense Initiative, and a strong anti-terrorism fighter, who became a target of a Red Brigades' terrorist attack. Fiori was a speaker at the Schiller Institute's 1986 conference

on Saint Augustine in Rome.

In his interrogatory, reported in the *Atti parlamentari* under number 2-00400, after giving a detailed report on derivatives speculation, the Italian and Japanese banking crises, and related events, Fiori asked:

1. that an inquiry be opened and that necessary measures be undertaken against derivative speculators such as George Soros, who bears contributing responsibility for the economic collapse of the eastern European countries as well as for the 1992 devaluation of the Italian lira;

2. that rigorous controls be promoted against tax evasion and dirty-money laundering carried out through the use of derivatives instruments;

3. that a 0.1% tax be introduced on all derivatives operations, with the aim of deflating the speculative bubble;

4. that, together with the United States and other interested nations, a new Bretton Woods conference be promoted, from which should result a decision to create a new stable international monetary system oriented toward the reconstruction of the world economy;

5. that an emergency program for the industrial reconstruction of Italy, and for a productive new start through the development of large infrastructure projects, including new investment credits of 200,000 billion liras (roughly \$130 billion) every year, be initiated, and that small and medium-size industries which produce machine tools and instruments be especially promoted, in the context of a reform of the central bank, which should result in the creation of a National Bank for development.

abruptly, it's because I emphasize: Stop playing games! Do not deny the reality. Admit that's the reality, and concentrate on how we can mobilize forces for the necessary action to annihilate, as immediately as possible, the power of the IMF. And, if you're complaining about anything else as an alternate issue, you're missing the point. You're outside reality. There's no hope for anyone.

For example, the United States has the power to buck the IMF. What happens if President Clinton tries to buck the IMF? Bang, bang, bang. That's real. That's the game we're in. That's the reality.

Don't try to judge things, without considering that environmental reality. *We have to organize a form of war to effect the annihilation of the enemy force.* And, if you're talking about other issues as alternative to doing that, you're kidding yourself. You're in a state of denial. You're being foolish.

What you have to do, is, let these issues persuade you, that you have to act to destroy the IMF now. That's a decision. That's a decision of war. And, until people are prepared to go to war to eliminate the oppressor, the oppressor is going to be tolerated. And, if the oppressor is tolerated, he is going to

succeed in perpetrating these atrocities. We have to change it.

I know it's fearful. But, you've got to find the resources in yourself, to rise above the petty things about little suggestions, alternatives. *We must destroy the IMF, now!* Not come up with a proposal which, five years from now, will enable us to take on the IMF. We have to destroy them now.

It's in our hands. We are in the situation. We have the ability to do so. I'm interested in working, as Jim says, "working on that question." Work on it. We've got to destroy it now. And, all the petty games, and the people who want to play foolish games, have to be told they're playing foolish games. Get serious! Join the army and fight the war. And, that's the Bulgarian question.

When you sit there and realize, *there's nothing we can do for Bulgaria to stop this horror show, because the successive governments are all going to submit to the program, and the result is going to be death, possibly the death of Bulgaria.* Therefore, you have to destroy this enemy now, and say, "How many of our friends, or how many countries, are going to be destroyed, before we finally get the gumption to realize you have to destroy this enemy?"

## Balkans: Land-Bridge, or World War Three?

by Umberto Pascali

As incredible as it may appear, Carl Bildt, the international High Representative to Bosnia, has just joined a semi-secret group, sponsored and financed by the notorious “financial pirate” George Soros. Bildt, a former prime minister of Sweden, is in charge of the implementation of the civilian side of the Dayton Accords, and, in fact, enjoys the power of a Viceroy in the Bosnian Federation. The “civilian” apparatus represented by Bildt, the World Bank, the International Monetary Fund (IMF), and the financial institutions of the European Union, has not even started any of the major tasks they are responsible for, despite more than one year having passed.

No serious economic reconstruction has been started. No major infrastructure has been repaired, in terms of transport, water and electricity supplies, or main urban areas. Bosnians have been repairing some of their houses, some minor building has been undertaken, thanks to isolated, personal efforts. But what has been established, is the so-called “pub economy.” Sarajevo and other major cities suddenly became filled with small pubs, fast food places, eateries, and micro-restaurants, in which most citizens spend their time waiting for something to happen.

### World Bank ‘capitalism’

The energies of the Bosnians have not been given a chance to be applied to reconstruction. The forced productive stagnation—when the impulse to reconstruct the country and to have a productive job was stronger—has had a dramatic demoralizing effect. The “pub economy” left the door open to the only economic activity allowed: the black economy; and, in its wake, organized crime began to raise its ugly head, challenging the newborn state institutions. *EIR* has first-hand knowledge of the insanity of the approach of some of those key groups that dealt with “reconstruction.” When confronted with the danger that organized crime was going to take over

key parts of the country if no economic development was allowed, some of these economic experts replied that the World Bank knew what it was supposed to do, and that, in fact, the black economy and some organized crime is the way “entrepreneurial capitalism starts.”

The World Bank and the IMF did not just avoid implementing reconstruction, they *opposed* and *defeated* any effort to launch any serious infrastructure building effort. Under the cover of the “multilateral approach,” no investor was allowed to establish any direct contact with the Bosnian government authorities. An intricate bureaucratic skein paralyzed any impulse for direct investment in Bosnia. The World Bank and the IMF had to approve any step, they had to know everything, and, above all, they had an omnipotent veto power.

### ‘Do not invest in Bosnia!’

The approach pushed by the late Commerce Secretary Ron Brown, to try to put American industrial companies in direct contact with Croatia and Bosnia, was forgotten after Brown and some of the most important U.S. industrial leaders died in a plane crash on April 3, 1996, near the airport of Dubrovnik, Croatia. The sabotage of the World Bank has been even more direct. It has been reported that business leaders who approached the World Bank to inquire about investment possibilities in Bosnia, were drawn into private talks. There, out of the public eye, the Bank’s officials did exactly the opposite of what they claim. They stated in the most clear terms that to invest in Bosnia is not a good idea. The investors must look for someplace else to put their money.

In an interview with *EIR* (see p. 42), Faris Nanic reiterated his appeal to the United States for a bilateral approach, away from the hidden agenda of the World Bank and IMF. Nanic, who has direct knowledge of this process from his former position as chief of staff to Bosnia’s President, denounced the

cover-up of the Bildt-World Bank's "donors conferences," and the hypocrisy of the humanitarian aid. He had stressed the same point in a series of meetings in January 1997 in Washington. The idea of putting together "donors" to aid Bosnia could not work and, in fact, it is not supposed to work. Through this mechanism, the World Bank achieves two goals. First, it can demonstrate "objectively" that there is no money for Bosnia, that the "pressure" and the moralistic exhortations to the "rich countries" cannot extract more than some absolutely inadequate amount. Second, it increases its blackmail power vis-à-vis Bosnia on behalf of the political agenda the Bank is determined to implement.

One of these donors conferences had been scheduled to take place in March, aimed at collecting \$1.4 billion. A ridiculous amount, compared to the absolute minimum of \$50 billion estimated necessary to begin serious reconstruction. But even that conference has been postponed. Rory O'Sullivan, the head of the World Bank's Sarajevo office, said, "I don't think if we organized the donors' conference in March any donors would come, so we really expect and hope that by mid-April things will be back on track."

Scratching the surface, however, we discover that what the World Bank wants is for the Bosnian governmental institutions to surrender more of the country's sovereignty. Bosnia has to adopt more "economic reforms," it has to give more guarantees on budget cuts, on servicing of external debt, and to accept a tariff law, plus other conditions dictated by the IMF.

It is clear that without an economy, Bosnia cannot even pretend to be able to satisfy those conditions. The non-implementation of the civilian provisions of the Dayton Accords has also favored the provocations of the so-called Republika Srpska (the entity incorporating 49% of Bosnia's territory that is dominated by the friends of war criminal Radovan Karadzic). Republika Srpska is opposed to any unified Bosnian economic and financial institutions.

In the anarchy that this "peace without economy" produces, the World Bank and Bildt can create a continuous state of *casus belli*. On Feb. 19, for example, they accused the Bosnian authorities of illegally having given a miserable \$200,000 to the city of Bugojno in central Bosnia, while the city council was under a World Bank "aid embargo" because of disagreements with the Croatian minority.

### **Destroying the Muslim leaders**

Such blatant sabotage of the reconstruction process is accompanied by a campaign of progressive marginalization of those leaders who have emerged during the resistance to the genocide. The most well-known case is that of Hasan Cengic, former deputy defense minister, and the individual who did the most to supply Bosnia with arms during its heroic resistance. Until 1995, Bosnia was under an atrocious embargo on armaments, and was left alone to face the genocide of the Greater Serbians. During the U.S. Presidential campaign, Cengic was the object of a vicious attack ordered by House Speaker Newt Gingrich (R-Ga.) and former Secretary of State

Henry Kissinger, aimed at embarrassing President Clinton as an alleged "friend of the fundamentalists."

Any time the domestic situation requires it, the Gingrichites do not hesitate to push the line that Cengic is an Iranian agent—it does not matter that there is no evidence. The last attack against Cengic was triggered by the confirmation hearing of Anthony Lake to become director of the CIA. Having participated in helping Bosnia survive, as national security adviser, Lake was attacked as a "fundamentalist lover." The attack against Cengic was so ferocious, from elements within Bosnia's main ally, the United States, that he is now out of any governmental position, when his contribution would be precious.

The attack on Cengic is now leading to a renewed attack on Bosnian President Alija Izetbegovic. In this way, while Bosnia is being butchered economically, the only leaders who have the support and the respect of large part of the population are undermined. This process of fragmentation is leading to a potential social explosion, in which the population cannot count on its leaders, who are victimized by the psychological warfare tricks organized by London.

In this context, the situation in Mostar, where Bildt allowed Hercegovina to be kept under the domination of the so-called Herzeg-Bosna, an organized-crime, Croat-chauvinist entity, is enlightening. The policy of anti-Muslim ethnic cleansing and armed provocations has led to a pre-war situation. The "Administrator" of Mostar is Sir Martin Garrod, an experienced British specialist in unconventional warfare. In the 1950s, Garrod was in Cyprus; in the 1960s, in Malaya and Borneo during the conflict with Indonesia; in the 1980s, in Northern Ireland. In 1993, he arrived in Bosnia at the height of the conflict between Croats and Muslims, when British SAS operatives were caught red-handed training Croat gangs and Muslim counter-gangs to ignite the "war of the victims."

### **Bosnia and the Land-Bridge**

It is clear that there is an agenda that the World Bank is following. The "peace without economy" is making a reigniting of the war extremely easy to provoke. It is also making collaboration between the different religious communities in Bosnia impossible. If one considers the situation throughout the Balkans, including especially Albania, it is obvious that this powderkeg can explode in a more violent and uncontrollable way than happened in 1992-93 with the Greater Serbia aggression. The difference is, that the area has been looted to the bone by the policies of the World Bank-IMF, i.e., by the shock therapy first promoted by Soros in the former Soviet Union, the same Soros that now "employs" Carl Bildt. The real target though, as Nanic stresses, is the perspective of the Eurasian Land-Bridge. As Milosevic received the green light for his aggression in order to stop the industrial development of former communist Europe, so, now, the whole Balkans are being condemned to an explosion to stop the project for which Bosnia, the only European country with a multi-ethnic majority, is the keystone, and the conceptual vanguard.

# Decisive U.S. initiative needed to spark Balkans reconstruction

*Until October 1996, Faris Nanic was the chief of staff of Bosnian President Alija Izetbegovic. He is currently general secretary of the Croatian branch of Bosnia's ruling Party of Democratic Action, and director of TWRA Press Agency in Zagreb, Croatia. Mr. Nanic was a guest of the Schiller Institute and the FDR-PAC in Washington, D.C. in early January, and he was interviewed in Zagreb by telephone on Feb. 14 by Umberto Pascali.*

**EIR:** Mr. Nanic, on your recent trip to the United States, you talked with officials in Washington and stressed the need to change the approach toward Bosnia and former Yugoslavia. What were your proposals, and what response did you get?

**Nanic:** First, I said that the Dayton Accords had stopped the hot phase of the war, but had not led to reconstruction. I told them that the Dayton Peace Accord, or any other peace accord which will be invented for Bosnia in the future, is not viable as a multilateral effort. We believe a decisive U.S. bilateral effort toward development and reconstruction of Bosnia is needed. Leaving such an effort in the multilateral area will not bear any fruit, and has not borne any fruit during this year's peace period. I wanted to see what the reaction would be from the American side to these ideas. I also addressed the FDR-PAC forum [Jan. 4 in Washington] on these same issues.

The impression I got is that it seems there is a certain level of understanding and awareness of the situation among the political circles in the United States. I don't know whether this is the case with the decision-makers, but with the second tier of politicians, there is a certain awareness that, so far, the approach to the reconstruction of Bosnia was almost a failure and that something should be done. But I think that there is not sufficient resolution, readiness, or even courage to undertake the necessary measures to launch a larger unilateral or bilateral U.S. action, or take a leading role, in the reconstruction of Bosnia.

**EIR:** You have stressed the concept of a "Marshall Plan for Bosnia" in your meetings and in your presentation as a guest of honor with the American-Muslim Council in Washington, D.C. You have also mentioned Bosnia in the context of the Eurasian Land-Bridge idea, and I noted that the Iranian ambassador in Sarajevo recently said that Bosnia is very important as an economic partner for the new D-8 group of develop-

ing nations.

**Nanic:** I think that the crucial relationship Bosnia has to develop is the relationship with the United States, which means that Bosnia should be considered as a possible long-term economic and political partner of the United States in this part of the world. This bilateral approach has been reaffirmed on several occasions by President Alija Izetbegovic and by the Bosnian leadership, and I think that there is no doubt about it in Bosnian political circles, especially among the decision-makers. There is a certain feeling in Bosnia, that America is actually the one nation that can initiate the solution to the problems—as it did with a unilateral action in 1995, when the war was over.

As far as the second part of your question is concerned, I think that Bosnia also has its place in the Eurasian Land-Bridge; Bosnia is a part of a land through which some of the main Land-Bridge corridors will develop.

**EIR:** Just before World War I, there was a great project, on a smaller scale, but like the Eurasian bridge—the Berlin-Baghdad railway. There was incredible opposition to this project from the British representative in Serbia, who explicitly said, "this threatens the life of our empire," and "we have to prevent this connection between the North and the South," the Christian and the Muslim, and so on, because this would mean the end of the British Empire.

**Nanic:** That is quite correct. I think that this idea of Eurasian Land-Bridge is much more extensive, but similar to the idea for the Baghdad-Berlin railway, which was initiated by the Germans and the Turks. Bosnia, as a bridge between the East and the West, between the Muslim and the Christian world, not only is capable of being incorporated in this huge project, but also it is vital that Bosnia be included. Bosnia has several advantages; as a European state with a Muslim majority, it is capable of communicating on an equal level with the Muslim and the Christian world, with the East and the West. Bosnia is therefore an ideal springboard for launching this project more widely into the Asian-Eurasian continent. Doing so would also help solve the problem of Bosnian development and Bosnian reconstruction.

**EIR:** What is the possibility for this kind of development to move forward?

**Nanic:** Some encouraging moments have occurred in the Middle East, especially the role of the Turkish Prime Minister Necmettin Erbakan in signing very important long-term agreements and contracts with his Iranian counterpart. Also, there is the wish of Central Asian Muslim countries to be involved in the long-term transportation infrastructure building. I think that the most important is that the United States should jump on the train before it is too late! This huge project will go forward with or without the United States, but if the United States would like to retain a presence in this part of the world, and be able to economically influence development here, it should join the effort and advocate the idea in the international fora. If the United States helps this effort, it can be implemented in a reasonably short period.

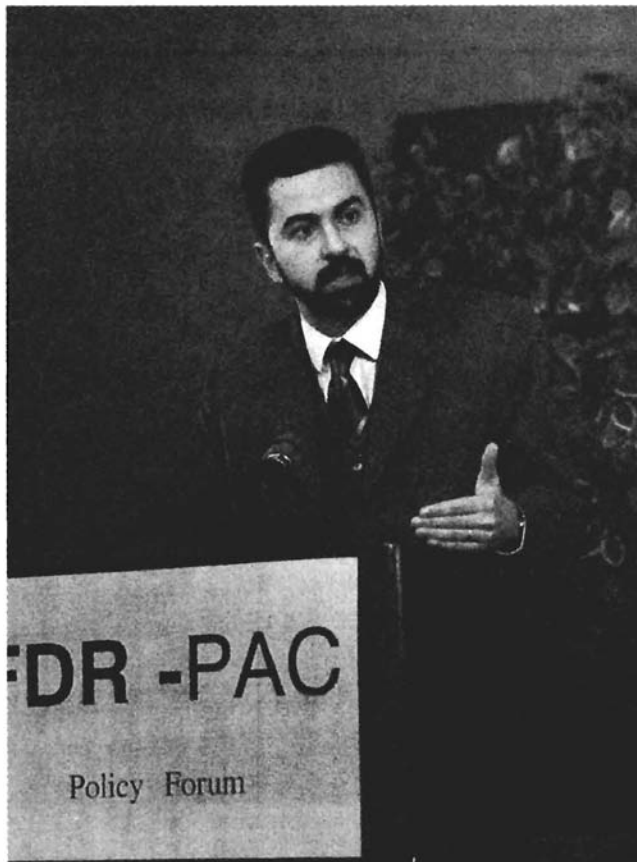
**EIR:** Let me go back to the subject of what the United States is doing in Bosnia now. What happened on the question of the administration of the town Brcko, which was left open by the Dayton Accords to be resolved by an Arbitrage Commission? Apparently the decision is to put it under Serb control for a year and then reconsider the decision next February.

**Nanic:** First of all, there is a certain feeling that this “arbitration” [putting Brcko under Serbian control] was more of a political nature than of a legal one. At Dayton it was agreed by the five parties involved that Brcko’s administration would be resolved by the Arbitrage Commission, led by the American Roberts Owen, with other members being one from the Federation of Bosnia-Herzegovina, Mr. Cazim Sadikovic, and one from the [Serb] Republika Srpska, Mr. Vitomir Popovic.

All the legal arguments were on the side of the Federation. The city of Brcko had been Muslim-dominated, and the area of Brcko, which is a part of the so-called Bosanska Posavina Region, had an absolute majority of Croats and Muslims, which means that if the basis for a legal decision were the population census from 1991, Brcko should have been allotted to the Bosnia Federation.

What happened in Brcko during the war, was that 7,000 Bosnian Muslims were killed, slaughtered, and tortured in the concentration camp in the Brcko harbor. It was one of the worst scenes of ethnic cleansing and genocide in Bosnia, and by all legal and moral standards, Brcko should have been allotted to the Federation.

After the genocide was committed, many Serbs were [brought in both by force or came of their own free will] to inhabit the city and the area. So the Serbs won a majority there, but this was a direct result of genocide and their aggression. Unfortunately, due to some pragmatic military and political reasons, it seems that this “arbitrage” decision was just a postponement of the final decision, because the “arbitrage” decision was very clear: The Brcko area still remains under Serb control. It will also be controlled by the so-called international supervisor, who will be in charge of supervising the



*“The crucial relationship Bosnia has to develop is the relationship with the United States.” Here, Faris Nanic addresses an FDR-PAC policy forum, entitled “Bosnia: Bridge to the New World,” in Washington, D.C. on January 4.*

local authorities—meaning the Serb authorities—and the supervisor’s word would be the last word, so to speak, in all decisions. The supervisor will be responsible to [European Union] mediator Carl Bildt’s office, and will probably be an American. The final resolution on the city and the area has not yet been made, because, legally speaking, the Brcko territory has not been allotted either to Republika Srpska or to the Federation. However, in actuality, the Serb authorities will be in charge there, supervised by the Americans.

The main point is that the supervisor will also be responsible for opening the communications—roads, bridges, and the Brcko port—and, at the end of this first stage, the refugees (the Muslims and the Croats) should be allowed to return to their homes and full freedom of movement should be assured. Within a one-year period of postponement, Mr. Owen as the international arbitrator, is supposed to reconsider today’s decision.

**EIR:** What is the guarantee that the refugees will be let back into the area?

**Nanic:** The preliminary decision is not clear on this. It will be up to the supervisor, but I don’t know how he will be able

FIGURE 1

**The Republic of Bosnia and Hercegovina**



to enforce this; it was not discussed. I think that the Arbitrage Commission was not in charge of inventing instruments for accomplishing the goals. It is left to further political consultations to define the instruments to implement the decisions taken.

**EIR:** So, will the enforcement mechanism be left to Bildt's office?

**Nanic:** It will be up to the [Stabilization Forces] SFOR units, the military units primarily in charge of the demarcation and the cease-fire, or the IPTS, the International Police Task Force, or somebody else.

**EIR:** But the decision on this matter of enforcement will be Bildt's office?

**Nanic:** Yes, unfortunately, because Bildt's office is in charge of the so-called civilian implementation of the Dayton agreement.

**EIR:** So, as I understand it, the Bosniacs and the Croats fear that these enforcement mechanisms have been discussed theoretically many times, but implemented only a few times, including the question of the capture of the war criminals.

**Nanic:** The problem is, that it seems that NATO military circles are quite restrained when it comes to the so-called "extended military engagement." They think that they have fulfilled their task only by demarcating the military units, by

establishing a durable cease-fire, and they are quite unwilling to take any other assignments from the international community, including the capture of the war criminals or their indictment.

**EIR:** So, I understand that there was some reaction from the victims of the genocide in Brcko.

**Nanic:** My news agency's correspondent from Tuzla, informed us today that the first information leak from the diplomatic sources regarding the Brcko [preliminary] resolution, before it was officially announced today, had already caused a tense situation. Some 200 expelled Bosniacs from Brcko, who are now residing in the wider area of Tuzla, yesterday blocked the Tuzla-Orasje motorway. This is the motorway leading from Tuzla, the main industrial center, to the Bosanska Posavina Region, to the northern border with Croatia—and in the vicinity of the U.S. McGovern base and the U.S. SFOR unit.

After this sign of protest against the "arbitrage" decision proposal, the Brcko municipal council held an extraordinary session and expressed its discontent with the "arbitrage" decision resolution. The council also requested withdrawal of the U.S. SFOR unit to the base. Before the announcement of the decision—it was a couple of days ago—the U.S. SFOR was moved from the base to a secure area, because it was predicted that there might be some problems. The unit was reinforced by some 800 British soldiers from the British contingent in Bosnia. As the decision was put out by the municipal secretary Adnan Pasalic, some anti-American sentiment was expressed among expelled Bosnians, which is a very dangerous [matter].

**EIR:** This seems to demonstrate the counterproductive effect of the pragmatism of American military leadership in Bosnia, which was probably thinking that this decision on Brcko was the way to keep things calm and sleepy; instead they got exactly the opposite, a reawakening of the mechanism of confrontation.

**Nanic:** Yes, that is quite right. There is a certain delusion that no military conflict can break out during the military presence of NATO forces in Bosnia, which is the case when you can at least solve problems step-by-step. But if you do not solve major problems—and Brcko is the major problem of the Dayton Peace Accord—then I would not exclude the possibility of a military conflict breaking out again, despite the military presence of the United States and NATO.

**EIR:** What is the background of the decision to keep Brcko under the occupation of Republika Srpska?

**Nanic:** It seems that it had a military background. It is reported that Owen had the idea of giving Brcko and the whole area a special status, which would be directly under the Bosnian central government rather than that of the Federation or Republika Srpska, and this seems to have been the idea from

the very beginning. But after Owen's consultation in the United States, mainly with Pentagon and some other military circles, apparently he dropped the idea. This suggests to me that anything that requires a more considerable military engagement is not acceptable for the U.S. military.

**EIR:** The second issue in which the United States could play either a very positive or a very negative role, is the question of Mostar. The situation there is very hot; there is even the suspicion that some foreign force is trying to repeat what was done in 1993, provoking the Croat-Muslim war in central Bosnia. What is your sense of the situation there?

**Nanic:** Apparently, for more than a month, there has been a series of provocations from the Croat side in the canton of Neretva-Herzegovina, and in the city of Mostar, but also in some other parts of the Bosnia Federation. When armed robberies and the mistreatment of passengers along the central motorway going from the coast to Sarajevo, via Mostar, increased all of a sudden, then there was an increase of provocations from the western part of Mostar (controlled by Croats) toward the eastern part of Mostar. Some grenades were fired, and the remaining Bosnian Muslims in the western part of the city started to be expelled from their houses and apartments.

The tensions grew and grew, and there was no way to calm it down, and then the cemetery incident happened. It seems to me that there were certain instructions from the extreme Croat circles in Zagreb to the Croat officials in Mostar to increase the tension as much as possible. But at a certain point, this got out of control. On the second day of the Muslim festival [Ramadan], a group of Mostar citizens announced their wish to go to the cemetery in the western part of the city, which is a tradition on the second day of the festival. When they went there, they found a group of armed Croat policemen who started shooting at them. They started to run away, and they were shot in the back. One person was killed and several injured. But this was only the peak of what had been going on in the last month and a half in the area.

**EIR:** Do you think this has anything to do with the fact that the person in charge in Mostar is Sir Martin Garrod, who has an unparalleled background in unconventional warfare?

**Nanic:** It is quite interesting. I do not know why we have so many of these special forces personnel from Great Britain. Of course, the best known of these was Sir Michael Rose, the military chief of Unprofor [the UN Protection Forces], who was definitely pro-Serb. You remember the crisis in Gorazde in 1994, and the crisis in western Bosnia in 1994-95. It is a very interesting point.

Anyway, Sir Garrod is the European Union official in Mostar. So far, we do not have reason to believe that he has been raising, instead of calming down, tensions between

FIGURE 2  
The Balkans



the two communities. But the main problem is that nothing has been done to implement the basic provisions of the Federation agreement and the Dayton Peace Accord; that is, the creation of joint bodies. Unfortunately, this has been constantly obstructed by the Croat side, especially in this very sensitive region of Mostar and Herzegovina.

**EIR:** There were other provocations, particularly concerning Bosnian special forces, with the burning and destruction of houses, or the remains of the houses of Muslims on or inside the border of Republika Srpska, under the eyes of the NATO forces.

**Nanic:** The Russian contingent was in charge of supervising things and guaranteeing the basic conditions. The fact is, that expelled Bosniacs are not even allowed to come back to their houses in the demarcation zone—not to mention that they are not allowed, at all, to come back to Republika Srpska. Unfortunately, the burning of the houses, the maltreatment, the terrorism these people were subjected to, was actually tolerated by the Russian contingent.

**EIR:** Another issue on which the United States lost a precious opportunity is the question of Mr. Hasan Cengic, the former deputy minister of defense. Recently, the *Los Angeles Times* came out with a further attack on Mr. Cengic, repeating the stories already pushed by Henry Kissinger, Yossuf Bodanski, and other propagandists of the “clash of civilizations” between North and South. This story of Cengic’s alleged Iranian “connection” is being repeated without any attempt to tell the truth. The defamation campaign started during the

Presidential campaign here as another way for the Gingrichite conservatives to attack President Clinton. But such domestic dirty tricks have provoked devastating consequences in Bosnia.

**Nanic:** First of all, I think that the whole case of the Iranian connection is still used by the opponents of President Clinton to somehow compromise his efforts in Bosnia. This is my first impression. It is interesting that the attacks on Mr. Cengic, who is the main partner of President Izetbegovic in Bosnia, were made a couple of days after Mr. Anthony Lake was released from charges of lying in front of the Senate Committee investigating him for his nomination as director of the CIA. I think that this so-called argument will be taken up whenever the circles opposed to President Clinton, will need to attack him and his policies—and not only in Bosnia.

The United States should jump on the train before it is too late. I mean that the United States should re-establish its relations with Iran. I think the case of Bosnia is ideal to be used as a springboard to re-establish this relationship, which has been lost because of the lunacy of the past. The idea is, that Bosnia is a unique case in the world—a country that has good relations both with the United States and with Iran.

I was reading what Iranian President Rafsanjani said recently in a major speech. There was not a single word against the United States. I think that the Iranians are ready to reconsider relations with the United States.

In fact, I would say that forces that are using the word Iran as an insult, as in the case of this vendetta against Mr. Cengic, are against the fundamental interests, not only of Bosnia, but, in the long term, of the United States.

**EIR:** These continuing attacks against the main Bosnian Muslim leaders, what the *Washington Post's* John Pomfret labeled as the TWRA network, what do you think this is producing in Bosnia? Is it weakening respected authority in the Muslim community and creating fragmentation?

**Nanic:** Mr. Cengic is a very respected person. To a large extent, these attacks put him out of circulation. Of course, it means also that people who were collaborating for many years with Mr. Cengic, and also, therefore, with Mr. Izetbegovic, are also put aside. This gives space to the forces who are more corrupted, and more dangerous, to the best interests of the country.

**EIR:** The crucial question for cooperation between the United States and Bosnia is economic reconstruction. We've heard a lot here about how well the reconstruction is going, but when you were here, you made the point several times that this is an illusion—that the International Monetary Fund and the World Bank still run the show.

**Nanic:** Well, the mechanism is very simple. The American idea was "Okay, we'll take care of the military aspects and the others must take care of the civilian aspects"—the main part of that being, of course, reconstruction. Once you let

others take care of this, you provoke the only possible approach—the so-called multilateral approach. This means going to the supranational banking and finance organizations, namely the IMF and the World Bank. This means that the World Bank has been given too much authority to govern, or direct, any reconstruction effort initiative which comes from any part of the world.

This is the problem. The bilateral approach can be very fruitful, meaning full cooperation between the two governments, sovereign states. These governments would be creating conditions for the public and private sectors to invest. This is, unfortunately, not the case at the moment. This is why I think the idea of going all around the world, organizing donor conferences, collecting bits and pieces from governments or NGOs will not be efficient at all.

What we need is what I call a Marshall Plan for Bosnia—a long-term plan for the reconstruction and development of the country.

**EIR:** Do you see any openings—even small—in the positive direction?

**Nanic:** I don't know whether it will change. There are some bilateral attempts; some countries are interested in cooperation on their own. But is this feasible, or possible, while avoiding the World Bank and the multilateral approach? I don't know. Maybe in some minor projects, yes. But this means that the best that you can get is some \$20 to \$25 million in loans for some reinstallation, or rebuilding, of damaged industrial capacities in some regions, or small infrastructure projects, such as water or sewage systems in small towns and villages. Okay, this should be utilized also, but we won't get, in this way, the billions of dollars of investments needed for major infrastructure projects and modernization of industrial capacities and agriculture. This is what would create immense change, and is the only way to stabilize the country.

**EIR:** Can you give us an assessment of what is really going on now in Serbia, with the demonstrations against [Serb President Slobodan] Milosevic?

**Nanic:** This could be a democratic revolution, but led by an undemocratic force. This is the problem.

**EIR:** What about the fact that Zoran Djindjic and company said that they accept the Dayton Accords?

**Nanic:** It doesn't mean too much, because a lot of Serbian leaders have sworn to respect the Dayton agreement, and they simply do not. So, we reserve the right to be suspicious, as far as these people are concerned. Their moves, so far, in the last six to seven years of changes in this part of the world have been very dangerous, very much against Bosnia, very much against co-existence; they were very much Greater Serbians. What we fear is that the new leadership, if imposed, will look for compromise with Milosevic—as they were clearly told to do by the French foreign minister, with whom Vuk Draskovic



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*These countries are not looting fields. The Balkans will be stable if these nations are given a chance to develop and to take part into the development of the whole world. Otherwise, this is the powderkeg of the world which can explode any minute.*

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and Djindjic met.

I think that the outcome of this Serbian turmoil will be some sort of compromise between the opposition that has won only the local elections (which are not so important), and Milosevic, who will then perhaps gain a new infusion of power to go on and survive this political crisis. We reserve the right to suspect that their intentions are not honest, concerning Bosnia.

**EIR:** And if this compromise occurs, what is your understanding of the vote in the Serbian Parliament on Milosevic?

**Nanic:** Milosevic instructed his party members to vote for the law because he was pressed by the western powers.

**EIR:** What is this law?

**Nanic:** I haven't seen the law itself, but it overturns the decision of the court concerning confirmation of the local election results [in which the opponents of Milosevic won]. And it calls for the formation of commissions to check the election results.

**EIR:** So they will accept that the elections in all 14 cities went to the opposition?

**Nanic:** Yes, I think so. This must be done. Of course, speculatively, it is possible that after three months someone could have manipulated the written ballots. Especially, in Belgrade, which is a very sensitive thing for Milosevic—this is some 75% of the power in Serbia.

**EIR:** What do you see in the future for Serbia? If there is a compromise between Milosevic and his opponents, what does this mean for Bosnia, and especially Republika Srpska?

**Nanic:** Everything depends on whether the Americans and the rest of the Western world will press upon the Serbs to respect the Dayton Peace Accord. If they do, and the Serbs comply, then I think such a compromise will not have a major impact on the situation in Bosnia. But, if not, then these Greater Serbians are partners in authority, partners in the Parliament, and partners in local authority, and can restart the whole idea of Greater Serbia. So, a lot depends on the supervisors of the Dayton agreement and the stability of the Balkans as a whole.

**EIR:** What do you think about the other hot spots in the

area, such as Albania?

**Nanic:** Unfortunately, Bulgaria, Romania, Albania, as well as Serbia, are the typical results of the reinforcement of primitive capitalism in the former Eastern bloc. These nations were totally impoverished, and their economies are completely destroyed. Some estimate the the average monthly salary in Bulgaria is 20 deutschemarks [roughly \$12]. How can you live on that? It's impossible. A group of criminals have gained a lot of power and have impoverished the whole nation.

What happened in Albania, if it were not tragic, would be comical. Ordinary people in Albania actually sold their houses, their properties, whatever they had, to invest into this financial engineering, as they call it, and they lost everything they had. Now people are enraged. They have lost everything. They have worked so hard during a very harsh period—because communism in Albania was one of the most rigid—and now they have lost literally everything, because they have given their trust and credit to the so-called financial institutions.

What you have now all over the Balkans is a wave of mass strikes. You have a total mistrust of the governments, total mistrust of the political system. You have total mistrust of the West, total mistrust of the East, total mistrust of every possible human and moral value. And there is a large possibility that the Balkans will end up in fire, as it did in 1912 and 1913, which was only an introduction to World War I.

**EIR:** And what is the alternative to that?

**Nanic:** The alternative to that is a complete change of approach, a final break with the economic reforms, the blind privatizations and uncontrolled robbery of these nations. What's needed is to reimpose a real democratic system and mutual cooperation—economic, political, and cultural cooperation among the countries of the Balkans. This means greater involvement of the West, but it also means a radical change in the mind of the Westerners. These countries are not looting fields. These peoples are not slaves, who are there only to have their money and natural resources extracted. The Balkans will be stable if these nations are given a chance to develop and to take part into the development of the whole world.

Otherwise, this is the powderkeg of the world which can explode any minute.

# OAS and NGOs human rights mafia lead British assault on the Mexican Army

by Hugo López Ochoa

Once again, using the cover of “defending human rights,” those forces controlled by the British Crown which are out to annihilate the armed forces of Ibero-America, are using the case of Brig. Gen. José Francisco Gallardo to assault Mexican sovereignty, and especially the Mexican Army, the guarantor of that sovereignty. Heading up the offensive is the Organization of American States (OAS)—today dominated by the English-speaking countries of the Caribbean which form part of the British Commonwealth—as well as various of the non-governmental organizations (NGOs) which claim to defend human rights.

“Operation Gallardo” is not incidental, but rather the application of a model already used elsewhere, as in the case of Peruvian Gen. Rodolfo Robles. The model is simple: to find a soldier prepared to attack the Armed Forces, and to use him to try to discredit and factionalize that same Armed Forces from within, thereby destroying it. Thus far, the Robles case has not succeeded in Peru, nor has the Gallardo case succeeded in Mexico.

The offensive—both domestic and foreign—against the Mexican Army, has intensified in recent months. Internally, the NGOs are leading the charge, slandering the Army for violation of human rights. From abroad, British-dominated press such as the *New York Times* and the *Financial Times* of London, are carrying the banner. But the offensive took off on Jan. 23, when the Inter-American Human Rights Commission (CIDH) of the OAS, issued a finding stating that the Mexican government is supposedly violating the rights of General Gallardo, who has been held in a military prison since November 1993. The OAS is also demanding his immediate release. With this, the British hope to force a supranational decision upon the Mexican government, in a situation in which national institutions have *already* issued their decision.

Gallardo was jailed on charges of corruption and violating military discipline. In legal terms: embezzlement, destruction of Army property, and illicit enrichment, all of which constitute “serious crimes committed against the patrimony of the Mexican Army,” according to a Feb. 10 statement by the government delegation designated to deal with the CIDH.

The OAS, however, absurdly argued that General Gallardo was imprisoned because he wrote his master’s thesis in sociology on alleged cases of human rights violations by the Mexican Army, that he recommended in his paper that civilian authorities name a military “ombudsman,” and that Congress supervise the Army’s budget. In its finding, the OAS specifically demands that “the campaign of persecution, defamation and harassment” against General Gallardo immediately cease, that he be released, and that those who jailed him be “investigated and punished,” and even forced to indemnify him.

## Why the campaign against Mexico’s Army?

*El Financiero* columnist Jorge Fernández Menéndez wrote that among the possible reasons for this campaign against Mexico’s Army is that “it has something to do with abroad,” with “the effort to get the Mexican Air Force to become part of a ‘Multinational Air Force.’” Fernández Menéndez is referring to a proposal to establish a combined Air Force, drawn from several Ibero-American countries and from the United States, based at Howard Air Base in Panama and supposedly charged with fighting the drug trade. The idea was first released as a trial balloon by the *Dallas Morning News*, which attributed the idea to the U.S. National Security Council.

The Mexican government and Air Force have systematically opposed this and other such proposals to establish a supranational force in the Americas, under the OAS. For example, in continental meetings of the defense ministers of the continent, organized by the Pentagon and held first in Williamsburg, Virginia, and later in Bariloche, Argentina, Mexico’s defense secretary did not attend, and the country was represented only by an observer.

Such opposition by the Mexicans to this supranational project pleased neither London nor the “anglophiles” in Washington. Thus, “Operation Gallardo.”

It is not the first time that these circles are turning a rogue into an international “hero” against “military authoritarianism,” as was done with, among others, Peruvian division general Rodolfo Robles Espinoza, known throughout Peru as “the scoundrel Robles.” In 1993, Robles accused several military

figures of responsibility for the assassination of a group of terrorists (the infamous La Cantuta case), without offering any proof; he then took refuge in the U.S. Embassy in Lima, fled the country for Argentina, and ended up in Washington, where he repeated his accusations and promised to come up with evidence to back his claims. The Peruvian Army expelled him from their ranks “for teachery,” and opened up a criminal case against him on five charges, among these “deceit” and “abandonment of duty, against the Nation.”

On Feb. 10, Mexico’s Foreign Affairs Secretariat (SRE) answered the CIDH, saying that the Mexican government “does not accept the imputation” that it has violated the American Convention of Human Rights in the case of General Gallardo, and that therefore, “as far as the Mexican government is concerned, the case is closed.” The SRE’s statement added that all judicial procedures in the case had closely followed the letter of the law. The CIDH’s response was to threaten that its annual report, issued in March 1997, would treat General Gallardo as a “prisoner of conscience,” and that the OAS would use the report in the organization’s general assembly next October.

### **Bush’s ‘human rights’ lobby**

The farcical operation collapses under its own weight, once we take a closer look at the agencies that are defending Gallardo’s “human rights,” and at the context in which this offensive is launched. The promoters of the Gallardo case before the CIDH include the Center for Justice and International Law (CEJIL), headquartered in Washington, and MariClaire Acosta, director of the Mexican Commission for the Defense and Promotion of Human Rights (Cmdpdh). Acosta is a member of the Zapatista National Liberation Front, as well as of the Inter-American Dialogue, a think-tank based in Washington that proposes the destruction of Ibero-America’s armed forces and the legalization of the drug trade, and which defends the “human rights” of terrorists along with indigenist “autonomy.”

MariClaire Acosta began her human rights career with Amnesty International, the British organization that defends narco-terrorists, and in 1993 used the Gallardo case to foster an environment of hostility against the Mexican military and to promote the creation of the so-called “Truth Commission,” used to falsely accuse the Mexican Army of the 1968 student massacre. The OAS based its ruling on a report presented by Acosta’s Cmdpdh, which, in turn, was financed by the U.S.-run National Endowment for Democracy (NED), also known as “Project Democracy.”

Most recently, the Cmdpdh has devoted its efforts, along with other NGOs, to spreading rumors of a supposed “coup threat” in Mexico. This rumor began when President Ernesto Zedillo decided to take on the serious problem of criminality in Mexico City, and of police corruption, as well as to reinforce the battle against the drug trade. He named several generals to take charge of several areas, which were tradi-

tionally under civilian control: the Federal District Police, the Federal Judicial Police, the Federal District Judicial Police, and others. Added to the list of NGO “concerns,” is the necessary presence of the Mexican Army in Chiapas, the Zapatistas’ stronghold, and in the states of Guerrero and Oaxaca, where the Revolutionary Popular Army (EPR) terrorists are active. More recently, two generals were assigned to command civil airports in two state capitals where the drug trade flourishes: Toluca, in Mexico State, and Cuernavaca, in Morelos.

Of course, the drug traffickers and their narco-terrorist friends are hysterical. This is reflected in the Anglo-American press. On Jan. 13, the daily London *Guardian* published an article which said, “Unlike other Latin American countries experiencing regular coups d’état, Mexico has kept its army on a tight rein for over half a century. But when unleashed—as it was in 1968 when it massacred hundreds of student demonstrators, and in the 1970s during the war against guerrillas—it has been no less willing to engage in torture and extra-judicial killings. Now human rights groups fear President Ernesto Zedillo may be untying the military’s hands again.” Significantly, the author of the article, Phil Gunson, cites Jesuit priest David Fernández, head of the Jesuit-controlled Agustín Pro Center for Human Rights, which defends the Zapatistas and regularly attacks the Mexican Army.

What Gunson doesn’t say, is that in November 1996, Human Rights Watch/Americas, financed by master speculator and drug legalizer George Soros, gave a generous award to Father Fernández.

On Jan. 25, the *New York Times* said the same thing about the Mexican Army, and on Feb. 10, under the headline “Mexican Army Participation in Civilian Activities Causes Concern,” the *Los Angeles Times* published an article in which a professor at Mexico’s Autonomous Metropolitan University (a well-known terrorist breeding ground), was quoted saying, “We’re going from an authoritarian system to a totalitarian system.” Martin Anderson, a former professor at Johns Hopkins University, warned that “putting the Army in charge of police work is like putting an infected bandage on an open wound.” The *Times* commented that the OAS “provided a memo on the Mexican Army’s human rights history, when its Human Rights Commission issued a harsh report on the case . . . of Brig. Gen. José Francisco Gallardo.” This “history of abuses,” says Fernando Tenorio, the professor from the Autonomous Metropolitan University, “could lead to more abuses in the future . . . especially at a time when the military is trying to suppress armed guerrillas in several states.”

On Feb. 9, speaking at an official gathering, Mexico’s defense secretary, Gen. Enrique Cervantes Aguirre, reiterated the Army’s loyalty to republican institutions, and underscored that its presence in civilian areas is temporary, to last only until it can rebuild the collapsed structure of these security institutions.

## Land-bridge, India are key for Pakistan

*General Beg (ret.), former Chief of Staff of the Pakistani Army, is chairman of the Foundation for Research on National Development and Security (Friends), based in Islamabad. He founded a political party, Amar mi qadat (Party of the People's Representation), one and a half years ago, which fielded candidates in the Feb. 3 Pakistan general elections.*

*The interview was conducted by telephone by our Wiesbaden bureau on Feb. 4, and is excerpted here. In the full discussion, General Beg explained that, in the Pakistani system, when the President and the "administration" support a candidate, there are various practices which have a significant impact on the electoral outcome. President Farooq Leghari, Beg said, "was totally in favor of [new Prime Minister] Nawaz Sharif. He promulgated various amendments in the electoral laws which favored him."*

**EIR:** What were the results of your party overall?

**Beg:** We did not win a single seat. Imran Khan [Sir James Goldsmith's son-in-law and former cricket star], who had fielded 171 candidates, has not got a single seat. I have no regrets. There were two or three seats where we were cheated, because we were not ready; our candidates were not strong enough, the preparations were not complete, so we lost it. But we have gained a lot of experience, which will help when we go to the polls again. But where Imran Khan has lost, with all the publicity and media that he had—that was a dismal performance.

**EIR:** Can you explain who stands behind the administration?

**Beg:** The institutions, very powerful institutions, which have their own British legacy, because it was through this administration that people were selected who rendered superior services. They owed their loyalty to the Crown, and we are still following the same system. Today, they owe their loyalty to the "crown," the head of state, in this case, the President; so, unwittingly, they act in a manner which shows their loyalty to the man on top.

Unfortunately, during the last 10 years or so, each elected member of the National Assembly and Provincial Assembly would always try his best, first, to have the man of his tribe posted in his constituency, as the deputy commissioner, the assistant commissioner, the superintendent of police, and other government officials, so that he would control the administration in his area. Through the control of the administra-

tion, he controls the masses, the people. For redressing grievances, for any work they have to get done, they approach him. And this is a practice which has changed the character of the administration completely. It is no longer responsible to the common people, it is only responsible to the people in power.

That's why the common man here suffers. If any injustice is done—if a man is murdered, or some offense is committed against a poor man, and he goes to the police, he goes to the administration, his report will not be accepted, unless there is a recommendation from somebody from the top. That is what has done maximum damage to politics in the country, and to the administration at the grass roots level. Social evils have taken on a new proportion, because the administrative agencies are not performing their duty.

**EIR:** The new Prime Minister, Nawaz Sharif, was quoted as saying that one of his top priorities was to negotiate a solution to Kashmir with India, and establish sane relations with India.

**Beg:** He will face a lot of difficulties. This had been said in the past. It had been said that India is a very big, powerful country, that Pakistan should accept Indian hegemony, that India would underwrite Pakistan's security, and then there would be no problem. It was said, we will forget about Kashmir. We will forget about our nuclear capability. We will cut down our Armed Forces. But, this is something that Pakistanis are not going to accept. One must understand the Pakistani mind and the way they think.

I think the first step that Nawaz Sharif has to take, is to find an answer to the Kashmir problem. That issue has to be settled, and it is a very live issue. The kinds of sacrifices that the people of Kashmir have made—more than 50,000 dead—cannot be bypassed. That's what the Americans and the Indians had been saying: "Let Kashmir be put aside, and then we'll talk, and negotiate, and have a free flow of trade and commerce between the two countries—there will be prosperity between the two countries." But how can you forget about the blood flowing, for a cause which is part of the agenda of partition of the subcontinent? You cannot forget this reality. If Nawaz Sharif says that he wants to start talking with the Indians, of trade and commerce, he can do that, but it will lead him nowhere, unless he settles the real issue, which is Kashmir. . . .

**EIR:** Regarding the economic perspective for the whole region, it is important to see that certain institutions in India have expressed support for the Eurasian Land-Bridge project. The newspaper, *The Hindu* carried an article on this in December, specifically saying that India was interested in cooperating with Pakistan on the southern route of the rail network from China to Europe. This is the route you talked about in a conference in Beijing in September. Do you see Nawaz Sharif thinking in those terms of regional economic cooperation?

**Beg:** . . . This was the idea that I floated from my platform in 1992, when I held a regional conference with all the Central

Asian states—India, Pakistan, Afghanistan, and everybody else. I said that this is the most important aspect that we have to look at. The only bottleneck that I found, was between India and Pakistan. The bottleneck was Kashmir, and I said in 1992, we cannot move an inch unless we solve this problem. So if we go for the Eurasian Land-Bridge, it is something which has to be done, but it cannot be unless this bottleneck is removed. We have a wonderful network of communication between India and Pakistan, but the borders have remained closed for the last half-century, which I call a geopolitical absurdity. It is the population on both sides of the border which suffers. I think if the Kashmir problem is solved, the border will be opened, and you see the benefits it will bring to the people in the subcontinent.

**EIR:** And what about the International Monetary Fund policy? We've seen the IMF role in the caretaker government, which was dominant. What are the perspectives for the new government?

**Beg:** On the IMF, I think, if Nawaz Sharif has the support of the people of Pakistan, he can follow a more independent policy, independent from American influence. Because all the governments which came—Benazir Bhutto in 1988, Nawaz Sharif 1990, Benazir again in 1993—were looking over their shoulders, seeking support to remain in power, and under those conditions, you can't have a government. This is not the case with Nawaz Sharif; he has got a majority, and I think he should follow a more independent policy; not to confront the Americans, but a more independent policy with regard to what we can do with our neighbors. We must have the best relations with Iran, but the Americans have come in the way, and have not allowed it. We must have the best of relations with China, but the Americans have come in the way, and have not allowed the countries to come close.

Vis-à-vis the IMF, Nawaz Sharif could follow a very tough policy. He could say, "Sorry, we are not going to ask you for any more loans," and I'm sure, as a businessman, he can mobilize the business community in Pakistan to increase the level of production in Pakistan, to revive thousands of industries, to invite Pakistanis abroad to invest. The one basic requirement is that he must bring peace in all of Pakistan, and that is the most difficult challenge he is going to face.

If you study the political divide which has taken place in Pakistan, it is more or less the same as it was in the 1970s elections, when in East Pakistan there was the Awami League, and West Pakistan had the [Pakistan] People's Party. Today, Punjab and Northwest Frontier [provinces] have the Muslim League [ML] and the People's Party has retreated to its base in Sindh. It has only one seat in Punjab. This is a very clear political divide. Within the divide there is another divide: within the province of Sindh, and that is between the PPP and the MQM [Mohajir Qaum Movement]. There is not



*Gen. Mirza Aslam Beg*

only a political divide, but a deep-rooted hatred between the two ethnic groups, because of what she [Bhutto] had done in the last three years, and before that, Nawaz Sharif.

The logical thing would be that, if he wants peace in Sindh, there has to be an understanding between the People's Party and MQM; logically, this is what Nawaz Sharif should allow to happen. If not, the Sindhis will be alienated, and that will be the cause of friction. At the national level, there is a political divide, and at the provincial level, there is a political and ethnic divide. I don't think that Nawaz Sharif is that far-sighted and intelligent to understand the problem and solve it the way it should be solved.

For the sake of peace in the province, there should be an understanding between the PPP and MQM, and they should form the government. Any other arrangement—ML has fairly large number of seats in Sindh province, 27; MQM has 48—they could form the government, no doubt, but that would be the beginning of the end of peace in Sindh province. It has been the problem for the last 15 years.

It is a very difficult period; I don't credit Nawaz Sharif with the wisdom required to handle the problems the way they should be. Unfortunately, neither Benazir nor Nawaz Sharif developed the mechanism for evolving such policy, leading to decisions in the best interest of the country. They don't refer the matters to the institutions who study the problems, to groups of scholars, or intellectuals. Actually, they keep a distance from such institutions, and that is where we have gone wrong. The decision-making process is very faulty.

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## Book Reviews

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# A howler of a book on Machiavelli, Leonardo

by Michael J. Minnicino

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### **Machiavelli, Leonardo, and the Science of Power**

by Roger Masters

South Bend, Indiana: University of Notre Dame Press, 1996

384 pages, hardbound, \$32.95

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Roger Masters's *Machiavelli, Leonardo, and the Science of Power* is an infuriating book which makes one want to howl out loud.

Unfortunately, I suspect that Professor Masters wouldn't see such howling as inappropriate behavior.

Allow me to explain.

The book's advertised subject is speculation on the relationship between the 16th century political philosopher Niccolò Machiavelli, and the polymath genius Leonardo da Vinci. "Speculation," because—despite the fact that both men were repeatedly in the same place, at the same time, and definitely knew each other—there is virtually no "hard" evidence that the two were any more than nodding acquaintances; neither man, for instance, cited the other's work. For decades, under the influence of people like the British art historian Sir Kenneth Clark, most scholars have shied away from a comprehensive investigation of the obvious Machiavelli-Leonardo link. Indeed, according to an article in the *New York Times* on Dec. 8, 1996, Masters's discussion of a strong link between the two has already been attacked by some of his academic peers as "simplistic."

To his credit, Masters argues that Leonardo's scientific and artistic outlook can be seen, albeit without formal attribution, in the younger Machiavelli's theoretical breakthroughs. Masters carefully documents the well-known points of connection between the two men, including Leonardo's preparatory sketches for "The Battle of Anghiari." This painting, never finished, was commissioned by the Florentine Republic, and was to be hung in the meeting chamber of the Republic's leaders; Machiavelli, a member of that government, himself co-signed Leonardo's commission for the painting.

Masters also highlights Leonardo's extensive study of dams, irrigation, and river diversion, which included some of the artist's most fascinating topological and hydrological drawings. The author demonstrates that Leonardo's efforts were intimately connected to attempts by Florence, coordinated by Machiavelli personally, to divert the River Arno in order to bring about the surrender of Pisa, a town which threatened Florentine interests.

In fact, the high point of this book is the eloquence with which the author compares Leonardo's plans for the technological mastery of the great waters of northern Italy, with Machiavelli's oft-repeated metaphor that Fortune is best seen as a wild river—a thing which might occasionally leap its banks and cause unexpected destruction, unless political leadership has taken the precaution of creating wise laws and an informed citizenry that will act to dam and channel the overflow.

This interesting discussion goes on for 85 pages. Then, on page 86, things get very, very strange.

### **Start howling now!**

Suddenly, we are asked to "consider the social organization of Hamadryas baboons," and to contemplate "exactly what does animal leadership teach us about human nature?" Professor Masters, it seems, is a political scientist with a strong predilection for that new academic peculiarity called "sociobiology." Within paragraphs, Masters is explaining to us that the effectiveness of Leonardo's sketches for "Anghiari" is partially due to the artist's depiction of "threat displays" in the faces of the portrayed soldiers, comparable to those proffered by certain primates.

Now, all this comes without much warning, so the transition from reasonable discussion to arrant nonsense is so wrenching as to be physically painful. Hence, the howling.

We find that Masters has two points on his actual agenda for this book. The first is to claim that Machiavelli is so thoroughly materialistic that he should be considered a precursor of Darwinianism and evolutionary biology. This assertion almost entirely rests on Masters's grotesque misinterpretation of another of Machiavelli's central metaphors. Masters uses Machiavelli's famous statement that society must sometimes act like the centaur Chiron—half man, and half beast—as proof that Machiavelli was trying to incorporate a crude form of modern biological determinism into his political theory.

Actually, Machiavelli's point is the opposite. As history's first, comprehensive theorist of warfare, Machiavelli insisted that citizens understand, without romantic illusion, that war is the worst and most bestial thing in which society can engage; as William Tecumseh Sherman, a reader of Machiavelli, put it: "War is hell." But Machiavelli also insisted, with St. Augustine, that this hell-on-earth may sometimes be justified. Therefore, Machiavelli's central problem was: What must a republic do to ensure that its

young men can act almost like beasts on the battlefield, without damaging their essential humanity? Machiavelli's metaphorical use of Chiron, the intellectual creature who, according to the myth, trained mankind in medicine and other arts, points to the Florentine's understanding of the need for republican education to combat bestiality, not amalgamate it.

Masters's second point is more destructive: that Machiavelli, under Leonardo's influence, marks the transition to the modern era, because his theory is completely "scientific," by which Masters means completely secular—indeed, completely anti-religious. Therefore, Masters claims, Machiavelli is also the precursor of Enlightenment atheists such as de Mandeville and Hobbes, and was one of the first to accomplish the "transvaluation of all values" dreamed of by Nietzsche!

### On 'virtù' and morality

For reasons of space, we cannot undertake a full-scale defense of Machiavelli on this more-complicated point. Suffice it to say, that Masters again hinges his argument on a misinterpretation which is so specious that it is probably conscious. The professor makes a very big deal about the definition of one of Machiavelli's favorite words, *virtù*. The word may have meant "virtue" in the Christian sense, claims Mas-

ters, but Machiavelli "trans-valuationed" it back to a pagan concept.

Nonsense! A Renaissance Italian would recognize *virtù* as a technical term. Leonardo used it to denote "power" in a physical process. Machiavelli broadened this, using the word to describe the potent mastery of an art or skill; even today, we talk about a "virtuoso"—someone who has the skill to make an instrument accomplish whatever conception the artist has. Machiavelli strictly understood that a "virtuoso" can bring an idea to reality, but that doesn't mean that the idea is "virtuous," moral, or correct—morality does not derive from power. The opposite of a "virtuoso," said Machiavelli, is someone who thinks that things can be accomplished by "half-way measures." The best modern synonym for Machiavelli's *virtù* is perhaps the German *Entschlossenheit*, popularized by a later theorist of war, Karl von Clausewitz, who wanted to describe the ability to courageously bring a conflict to its conclusion. Clausewitz was a close reader of Machiavelli; in fact, his famous dictum that "war is politics by other means," is based on one of Machiavelli's political parables.

So, despite its promising beginning, it were best to dump Professor Masters's book, and pick up a copy of the 1974 *The Unknown Leonardo*, edited by Ladslao Reti, a wonderful volume that outlines the Leonardo-Machiavelli link, and backs it up with beautiful illustrations.

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## Billionaire consolidates press empire

*The much-investigated Kerry Packer is planning to buy up Australia's largest newspapers.*

According to Melbourne's *The Age* newspaper on Feb. 8, the Australian federal government is preparing legislation to allow multi-billionaire Kerry Packer to purchase the "crown jewel" of Australia's media, the 167-year-old John Fairfax Sons Ltd., which controls the largest papers in Sydney and Melbourne: the *Sydney Morning Herald*, *The Age*, and the *Australian Financial Review*. Packer owns the Channel Nine television station in Sydney, and had been trying to acquire Fairfax for years, but was stymied by cross-media ownership laws which forbade it.

Packer's personal net worth is estimated at Aus \$5.5 billion (U.S. \$4.1 billion), centered on the magazine and publishing empire he inherited from his father, Sir Frank Packer. Son Kerry became one of the elite of that new form of the British Empire, the Commonwealth. He counts among his closest associates: Lord Jacob Rothschild (son of alleged Soviet spy, the late Lord Victor Rothschild); Rothschild-in-law, billionaire Sir James Goldsmith; Conrad Black of the Hollinger Corp. press empire; and British gambling tsar John Aspinall. For many years, current World Bank head James Wolfensohn sat on the board of Packer's main holding company, while Maurice Strong, the de facto ruler of the United Nations (as "adviser" to UN Secretary General Kofi Annan), was a director of another key Packer vehicle, his CP International Holdings.

Packer himself can be seen in the Queen's private box during polo matches in England. Although nominally Australian, Packer's business empire is headquartered in Hongkong and the Bahamas, dirty money and tax

havens for the empire.

In the early 1980s, an Australian royal commission under Francis X. Costigan investigated Packer for possible involvement in pornography, tax evasion, drugs, corporate fraud, money laundering, and murder. The commission had been established in 1980, following, ironically, an exposé in Packer's own magazine, *The Bulletin*, about criminal activity on Australia's waterfront. Witnesses to the commission reported delivering cash sums of \$250,000 to Packer, personally.

Packer fought the commission at every turn: Crucial documents which Costigan subpoenaed mysteriously disappeared, and Packer launched legal actions and other delaying tactics. Nonetheless, Packer's activities filled volumes 8, 9, and 10 of Costigan's final report—volumes never made public.

However, when the Labor government under Bob Hawke came to power in 1983, Packer's fortunes looked up. Hawke's government shut down Costigan's investigation, and replaced it with an ineffectual National Crime Authority (NCA).

Under the NCA, nothing happened with Costigan's material. Finally, at the insistence of Prime Minister Hawke, Attorney General Lionel Bowen told Parliament in 1987 that Packer had been cleared, a statement from which even the NCA demurred. Hawke, who publicly stated that Packer was a "close personal friend" and a "very great Australian," was later hired by Packer as a "commentator."

No charges were ever brought against Packer. But if he were a drug

kingpin, the structure of his business empire would be particularly well suited for the job, because it is mainly cash. He currently controls Sydney's only legal casino, and holds a major share in Melbourne's Crown Casino as well. In 1991, a team from *The Sunday Age* travelled all over the world, looking into Packer's empire. On Sept. 8, they reported that the "single biggest trading item" of Packer's empire, "is money itself. Documents . . . show the company bought and sold currency to the value of \$5.2 billion during a six-month period in 1986-87. . . ."

"Packer's empire is a massive cash box, with vast sums of readily available funds flowing between companies," *The Age* continued. "Cash is also harder to track and trace. Kerry Packer is a master of minimizing his tax bill. Conspress [a Packer company] uses a variety of tax havens, but principally channels money to the Bahamas-based Consolidated Press International Holdings. The directors are Packer, his man in Hongkong, Chris Mackenzie, and James Wolfensohn."

Hongkong is a center for laundering the world's narcotics money, which, as the best-seller book *Dope, Inc.* showed, is run through the Hongkong and Shanghai Bank, and old British Far East shipping and trading companies, such as Jardine Matheson. Curiously, a former managing director of Jardine Matheson is now Packer's right-hand man, while, as of 1991, at least, a director of the HongShang sat on Consolidated Press's board, right next to Maurice Strong.

The current controller of Fairfax, Conrad Black, would seem to have been a placeholder for Packer: Packer was the senior partner in its Tourang consortium move on Fairfax several years ago, when negative publicity and the cross-media ownership law forced Packer to drop out.



## The MST's monarchical ties

*The Belgian royal family's King Balduino Foundation rewards its pro-terrorist progeny in Brazil.*

News that the Belgian monarchy will award the King Balduino International Prize to Brazil's Landless Movement (MST), an affiliate of the narco-terrorist São Paulo Forum, confirms what *EIR* has been saying since 1994: The MST does not represent any legitimate movement to seek social justice in rural areas, but is simply a pro-terrorist tool of the British Empire, and its affiliates, to create the conditions of civil war inside Brazil.

Most astounding is the Belgians' justification for granting the award to the MST. They say that they selected the group in recognition of its work on behalf of "the socio-economic development of a Third World country." The Belgian monarchy's support for the MST is taken in full knowledge of their terrorist nature. The announcement of the award was made after the secretary of the King Balduino Foundation, Jean-Paul Warmoes, visited several MST camps at the very moment in which the group's leadership launched a premeditated offensive of land invasions in the Pontal de Paranapanema region in the western part of São Paulo state, for the purpose of turning it into an "autonomous zone."

Three MST leaders will travel to Belgium to receive the prize. They are José Rainha, a leader in Pontal de Paranapanema; Ivanete Tonin, from Rio Grande do Sul; and Egidio Brunetto, from Mato Grosso do Sul. On Feb. 19, King Albert II and Queen Fabiola will personally bestow the award on them, along with a grant of \$120,000.

In mid-January, the MST executive, including 80 regional leaders,

met for three days in Cajamar, São Paulo for its first annual meeting. According to the Jan. 17 *Estado de São Paulo*, the group's national leaders decided that there "will be no letup against the government this year." In addition to escalating land invasions, the MST leaders warned that they will also mobilize and recruit among urban populations.

Joao Pedro Stedile, one of the MST's national leaders who will travel to Brussels, explained that this strategy has a twofold purpose: to swell the ranks of those who intend to return to rural areas from the cities to take up farming (who represent potential recruits to the MST), and to mobilize urban populations to force the government to adopt agrarian reform policies favorable to the MST.

On Jan. 12, some 300 MSTers clashed with 15 armed employees at the Santa Rita Ranch, in Mirante (in the Pontal region), and destroyed 2,000 meters of fencing around the property. Police only intervened two hours after the attempted invasion, and arrested four MSTers.

Roosevelt Roque dos Santos, the head of the property-owners organization, Democratic Rural Union (UDR), told reporters, "I can't speak for the 800 UDR members, but I believe they were right and responded within the law, using properly registered weapons." Attacking the police for its laxness in dealing with the MST, Roque dos Santos warned, "We [landowners] have no other option; the situation in Pontal has reached the level of civil disobedience. There is a very small distance from there to civil war."

The MST targeted the Pontal de Paranapanema region for its separatist organizing. But, according to MST leader Walter Gomes, the group also intends to occupy lands outside that region, in Ribeirão Preto, Ourinhos, and Jau. The specific plan is to occupy areas close to the largest urban centers, in the south and southeast. "More than 80% of people who live in the peripheries of large urban areas have ties to the countryside. Our idea is that they go back to their roots."

Apparently, the Belgian monarchy finds it very useful to promote neo-communist personalities in advancing its colonial interests. In 1980, the recipient of the same prize was the "teacher" Paulo Freire, today an editorial board member of *América Libre*, the São Paulo Forum's publication. Created in 1990 by the Cuban Communist Party, the Forum includes the MST and all the other Ibero-American narco-terrorist groupings. It should be noted that Freire's "literacy" program is used in the MST's camps to indoctrinate militants, beginning with small children, in the principles of the most crass materialism.

Among the distinctions the Belgian monarchy has earned historically, is the fact that King Leopold supported Adolf Hitler, and applied brutal colonialist methods in the Belgian Congo—which is today the central African nation of Zaire.

Belgium's fellow royals also have honored the MST. The British Crown set the precedent when, in 1991, the Right Livelihood Foundation, a follower of the monarchy's lunatic environmental policies, granted its annual prize to the Brazilian Pastoral Land Commission (CPT), the brain behind the MST. In 1992, Britain's Anti-Slavery International bestowed its award on Father Rezende, an international spokesman of both the CPT and the MST.

# International Intelligence

## ***British SAS was involved in South Africa terror***

The British Special Air Services counterinsurgency force was linked to the "third force," so-called black-on-black terror during South Africa's transition to majority rule, as documented in a just-released finding of the "Steyn Report" inquiry, according to the London *Guardian* of Jan. 31. Earlier reports in the *Guardian* documented that a group of SAS officers working for KAS Enterprises, who had been hired by "wealthy conservationists" to fight elephant and rhinoceros poachers in South Africa, became involved in paramilitary operations with regional intelligence agencies.

The findings of the inquiry, headed by Gen. Pierre Steyn and ordered by former President F.W. de Klerk, were given to Nelson Mandela before he assumed the Presidency, but in 1994, Mandela refused to release the report, because he feared it would endanger South Africa's stability. He recently gave a copy of the report to Archbishop Desmond Tutu's Truth and Reconciliation Commission.

The report confirms that there was involvement of commando units in "random" violence, including terrorist massacres on trains; the use of poison by hit squads; and the supply of arms to the Zulu Inkatha movement. The report summary said that there was "a suggestion that there was close contact with the British SAS." The Steyn report declared that the violence was planned in order to create a pretext to "enable the military to step in credibly to create order."

## ***Pressure rises on Algiers regime to end civil war***

The Algerian regime of Liamine Zeroual is responding to the emergence of a debate in France over its policy toward the former colony, which is wracked by civil war. According to the Paris daily *Le Figaro* of Feb. 2, Zeroual is making a great show of being democratic, having held a planning meeting with the legal opposition (which he controls) on Feb. 11. These opposition parties were to

join a surveillance committee for the elections, which is to be expanded to include observers from the OAU, UN, and Arab League.

Both the Socialist Forces Front (FFS) of Hocine Ait-Ahmed and the MDA of former President Ahmed Ben Bella, favor the participation of the leading opposition group, Islamic Salvation Front (FIS), in any elections, but Zeroual rejects this. (It was FIS electoral victories in 1991 that led Zeroual to annul the elections.) The FFS and MDA parties have called for "concrete acts" for peace, among them, the freeing of political prisoners, the ending of martial law, and freedom of press.

Italy's Undersecretary of Foreign Affairs Rino Serri travelled to Washington in early February to meet with State Department and National Security Council representatives on Africa, with a focus on Algeria. "The elections, planned for three months from now, must be held according to regulations without any hesitation or limitation," he said, adding, "I believe that Zeroual and his government must enter a dialogue with the democratic forces, of whatever political tendency, and construct a political course which will open a new phase in Algerian history."

## ***Hutus demand resignation of UNHCR chief Ogata***

A group of Hutu intellectuals, who are refugees at a camp located south of Lubutu, in Zaire, now under siege by Laurent Kabila and Ugandan forces, called for the resignation of UN High Commissioner for Refugees Sadaka Ogata, because she has let "arms, hunger, and sickness claim the lives of hundreds of thousands of people." The statement, reported by Agence France Presse on Feb. 10, accused Ogata of conducting a policy "dictated by the Rwandan Patriotic Front to [obtain] military victory in Rwanda." The letter asked Ogata, "What have you done to obtain restrictive measures against the rebels from the UN Security Council?" The statement further affirmed that hundreds of thousands of refugees are trekking through Zaire, still unaided.

Meanwhile, Rwanda's envoy to the UN,

Ambassador Gideon Kayinamura, told a news conference that there are no more "genuine refugees" in eastern Zaire. "Zaire is claiming that there are more than 1 million Rwandan refugees inside Zaire. . . . We do not have any more refugees inside Zaire," he said, referring to a mass return late last year. He lied that "The [Hutu] soldiers walked into the forest with their arms to join the Zairean Army. These are the ones who the humanitarian agencies say need assistance. We hope they don't extend them refugee status.

"The former Rwanda government soldiers who are in Zaire range between 30-40,000 soldiers, and they have been now re-integrated into the Zairean regular army, with the support of the mercenaries from all over the world," he said.

## ***BBC cheers on 'Uighur' separatists in China***

The BBC, which otherwise sternly warns of a dangerous Western "clash of civilizations" with Islam, cheered on the outbreak of "serious unrest" by "ethnic Uighur indigenous youths" in the northwestern Chinese province of Xinjiang. Citing its "eyewitnesses," BBC's Feb. 10 broadcasts reported that rioting occurred in the Xinjiang capital, Yunnning, about 30 miles east of the border with Kazakhstan. BBC gloated that there has been an escalating pattern of "indigenous Uighur-Han Chinese" tensions. BBC also alleged that Chinese authorities are worried that "arms and money" are flowing to Uighur separatists from Kazakhstan, Kyrgyzstan, and Tajikistan—an obvious attempt to stir up distrust between China and its Central Asian neighbors, with which relations have been excellent.

The Uighur separatist operation, called the "East Turkestan liberation movement," is more British than Uighur: One of the leading agents of the Unrepresented Peoples Organization (UNPO) in Holland is Erkin Alptekin, whose late father, Ira Yusef Alptekin, was famous for leading a Uighur anti-Chinese rebellion in Xinjiang. Erkin Alptekin is prominent in an organization set up by his father, called the "Allied Committee of the Peoples of Tibet, Inner Mongolia, and East Turkestan," which neatly dovetails

with the plans of London's International Institute of Strategic Studies agent Gerald Segal to break up China.

The Holland-based Alptekin receives support from the Society for Endangered Peoples; the circle around U.S. Sen. Jesse Helms; the Laogai Foundation of Chinese "dissident" Harry Wu; and Britain's Lord Avebury, who is very active in destabilizing Xinjiang. Until his recent death, Britain's Lord David Ennals was a chief patron of UNPO and the "Turkestanis."

### ***Northern League congress pushes breakup of Italy***

The secessionist Northern League congress, held over Feb. 15-16, pushed for the breakup of the Italian nation-state under the guise of what it called "consensual secession." In a speech on Feb. 15, League "duce" Umberto Bossi issued new demands, which he repeated in his concluding address the following day: Either Parliament makes concessions, or the Northern League will order its members to begin a "tax strike."

Making his intentions clear, Bossi also referred to the nation-state as "the Leviathan" and "the Devil," adding his insistence that Northern Italians (whom he called "Padani") are racially different from other Italians, because they have an alleged Celtic origin, and therefore, should separate from the south. Bossi's demagoguery was echoed by Giancarlo Pagliarini, head of the League's shadow government (called the "Sun government"), who shouted during his speech: "I am ready to go to jail!"

On the last day, the officially disbanded League militia, the Green Shirts, made their show at the Congress, although Bossi hastened to publicly reject them. A Green Shirt commander, identified only as Alfredo P., told *Corriere della Sera*, "It's not over yet: In Piedmont, where I am the League provincial deputy secretary, I am sending the kids for civil defense training."

*Corriere* was highly critical of other media, which passed the congress off as fringe ravings. "Tonight Bossi comes off like the head of the U.S. militias that are organizing rebellion against Washington, in the name of the 'individual.'" The Northern League

congress is being motivated by racial "hatred against Italians . . . [which to them means] everything that hinders the 'do your own thing' ideology."

There is accumulating evidence of involvement of the NATO secret government apparatus, Gladio, in the Italian secessionist activities, since Gladio documents include training scenarios for ethnic conflicts.

### ***SPD Governor Schröder groomed to replace Kohl***

The Social Democratic governor of Lower Saxony, Gerhard Schröder, is being systematically promoted inside the German political establishment, as a possible replacement for Chancellor Helmut Kohl, the Christian Democrat who has ruled now for 15 years. The buildup of a candidate from the opposition SPD runs parallel to moves from Kohl's own Christian Democratic Union, which is eyeing Wolfgang Schäuble and Edmund Stoiber for the chancellor's post. A flood of media profiles earlier this month, have presented the three as the future leaders of Germany, perhaps in a Grand Coalition of CDU and SPD, which is a reflection of the sharp drop in the CDU's popularity, since Kohl's government has turned the austerity screws, in part, to meet the Maastricht criteria.

Schäuble is chairman of the Christian Democratic caucus in Germany's Parliament, the Bundestag, making him number two in the party after Kohl. Stoiber is the governor of Bavaria, ruled by the CDU's partner, the Christian Social Union (CSU).

Social Democrat Schröder gained the endorsement of *Wirtschaftswoche*, the leading German business weekly, in two articles on Feb. 6. The same day, he held a special meeting with select senior banking and industry representatives in Germany's financial center of Frankfurt. He has also received endorsements from the London *Economist* and *Financial Times*. There is intense campaigning inside the SPD for Schröder to be tapped as the party's next chancellor candidate, especially among influential sections such as North Rhine-Westphalia, Hesse, Baden-Württemberg, and Bavaria.

## *Briefly*

**LEE KUAN YEW**, Singapore's senior minister, advised Hongkong to "preserve the British system," when the Crown Colony reverts to China in July. This, he intoned, meant "the rule of law and the sanctity of contracts, fair commercial practices, a level playing field between all players whether they be well-connected insiders or unconnected outsiders, and transparency and accountability in all decision making."

**POPE JOHN PAUL II** will be joined by the Presidents of Poland, Germany, Hungary, Slovakia, and the Czech Republic in Poland in June for millennium celebrations of that country's second patron saint, St. Adalbert, a 10th century martyr. John Paul is to embark on a 12-city tour of Poland starting May 31 and ending June 10.

**FRENCH MASON** Eric Vanderberg, who is the Assistant of the Grand Master of the Grand Orient lodge, is slated to visit Warsaw, Poland, in order to set up the first Polish Grand Orient lodge in recent times, according to Polish radio reports on Feb. 7.

**MYANMAR** destroyed a record drug haul on Jan. 30, with international witnesses from the UN and diplomatic corps attending. Altogether, 766 kilos of opium and 164 kilos of marijuana were destroyed in the capital, Yangon. Police Maj. Gen. Soe Win said this was only a sample of the record seizure for 1996, which included 1.3 tons of opium, 505 kilos of heroin, 13 heroin refineries and large quantities of illegal chemicals. He also credited foreign cooperation with the record haul.

**HAMBURG CITIZENS** spontaneously occupied the St. Pauli district's harbor hospital on Feb. 4 to protest its planned shutdown, by the LBK management group, which is the largest employer in this German city.

## AFL-CIO mobilizes labor against 'neo-liberal' agenda

by Marianna Wertz

The traditional winter Executive Council meeting of the AFL-CIO on Feb. 16-21, was anything but "traditional" this year, as the federation's new leadership unleashed a multi-tiered offensive against what AFL-CIO President John Sweeney called the "neo-liberal" policies that are destroying the lives of most Americans.

The revolution that has swept the American labor movement since the October 1995 election of Sweeney, Secretary-Treasurer Richard Trumka, and Executive Vice President Linda Chavez-Thompson, was perhaps best characterized by the choice of locations for the convention. For the past 30 years, the winter convention has been held in the resort town of Bal Harbour, Florida. One of Sweeney's first acts, on coming into office, was to move the site of the convention to "cities around the country where national union leaders could join working families' struggles." Los Angeles was chosen because it is home to some of the most aggressive new union organizing in the nation. "I wanted to move," Sweeney said, during his speech to an AFL-CIO-sponsored teach-in at the University of California at Los Angeles after the convention, "because the resort atmosphere there had become a symbol of the past, and the labor movement needs to move into the fight for the future of workers and their families."

Sweeney set the agenda for the convention in his two speeches to the World Economic Forum at Davos, Switzerland, on Jan. 31 and Feb. 1 (see *EIR* Feb. 14, 1997) and in his speech before the Commonwealth Club in San Francisco on Feb. 7. He blasted the " 'neo-liberal' version of the American model now held out for export" to Europe and the developing sector. "Far from being a cure-all, the attempt of any advanced European social democracy to imbibe the neo-liberal U.S.

model would create social upheaval, with far greater economic costs than benefits," Sweeney warned.

In his convention speech and his address to the UCLA teach-in, Sweeney pointed to example after example of how neo-liberal policies have destroyed American lives. "For American workers and their families, these are snapshots from hell. They paint an ugly portrait of a country that has lost respect for workers and the jobs they do. American workers are running out of money, running out of options, and running out of hope. They've exhausted their savings, and they are loaded with debt. They are frustrated and bitter, and their anger is exceeded only by anxiety over keeping their jobs. They have lost faith in their government and in their employers, and their alienation is ripping at the fabric of our society."

The only solution to this, Sweeney said, is to "fundamentally change the way our country works. One of the things we need most is a strong counterbalance to the power of corporations—in the workplace, in the marketplace, and in our policy-making arenas. And the only institution that can play that role is the American labor movement."

### Unions must change

The main agenda item of the convention was how to change the labor movement so that it can play that role; how, as Sweeney said, to "push our nation back onto the road to higher wages and more lofty standards and expectations."

"In order to play that role," Sweeney told the UCLA teach-in, "unions must change." In the last 20 years, "the labor movement became isolated and introverted, concerned more with our own deepening crisis than with the crisis in the world



*We must "push our nation back on the road to higher wages and more lofty standards and expectations," said AFL-CIO President John Sweeney in Los Angeles. Here, Sweeney addresses the kickoff of "Union Summer," on May 1, 1996.*

around us." Sweeney called for building coalitions beyond the labor movement and increasing union membership. "Only by substantially increasing our membership can working families regain some control over our national agenda and our federal government," he said. The goal set by the convention is to devote at least 30% of the AFL-CIO funds to organizing new union members; prior to Sweeney's election, the organization had spent as little as 3% on this task.

Elected officials also addressed the conference, although not necessarily in agreement with Sweeney. While House Minority Leader Richard A. Gephardt (D-Mo.) tore into the North American Free Trade Agreement (NAFTA), much hated by labor for having killed thousands of American jobs, Vice President Gore endorsed the free-trade treaty.

At Gore's Feb. 18 press conference, after his speech, *EIR* reporter Ted Andromidas put the Vice President on the spot, asking the first question: "Given that John Sweeney spoke at Davos on the dangers and inequities of globalization, free trade, and other International Monetary Fund-style policies; and given that these policies have produced depression conditions globally, but especially terrible conditions in Russia and eastern Europe, did you assure the [AFL-CIO] Executive Council that the Clinton administration was aware of these problems and would reverse these policies?"

Gore lamely responded, "Good question! I can tell you that this is something that we did talk about today, that we are concerned about this."

## Resolutions

The convention passed a series of resolutions, outlining the policies for the coming year, which are intended to begin putting a stop to the neo-liberal agenda.

Specifically targetting international neo-liberal policies is a resolution on "Fast Track Trade Negotiating Authority," which declares that the recent period of increasing trade liberalization has resulted in "falling wages, increased job insecurity, declining incomes, increasing inequality and poverty, and a disastrous decline in jobs in the manufacturing sector." The resolution calls on Congress not to grant fast track negotiating authority unless worker rights, labor standards, and environmental protection are addressed.

Several key resolutions outline "strategic corporate campaigns," to be targetted against corporations which are among the nation's most anti-labor employers. The campaigns are aimed at humiliating these companies, using negative publicity and public pressure to try to force them into changing their practices without their workers having to stage a costly strike. The corporations singled out are General Electric, where a contract with 46,000 workers in 14 unions expires June 29; the American Red Cross, which is denounced for "acting more like a ruthless Wall Street firm than a time-honored national charity" toward its own workers; Sharp HealthCare of San Diego; Knight-Ridder and Gannett, owners of the *Detroit News* and *Detroit Free-Press*; Frontier Hotel in Las Vegas; American President Lines Ltd., the nation's second

largest ocean transportation carrier; and New Otani Hotel, in Los Angeles. New Otani is Japanese-owned, and Sweeney announced that he will soon travel to Japan to organize unionists there to support the American action from across the ocean.

Another important resolution, on “Welfare Reform and Union Representation,” announces that it is the policy of the AFL-CIO to 1) preserve established collective bargaining and work relationships, encouraging affiliates to unionize successor employees when their jobs are contracted out or privatized; and 2) organize workfare recipients, encouraging affiliates to organize workfare recipients where they have established collective bargaining relationships and to seek to organize workfare recipients even where no existing relationships exist.

### Unprecedented mobilization

The seriousness of the labor movement’s mobilization is perhaps best indicated by the unprecedented number of rallies and demonstrations held in the context of the convention. The convention was launched with a week-long pre-conference organizing swing by the three federation leaders. On Feb. 12, Sweeney joined hundreds of Las Vegas hotel, hospital, and construction workers at the Culinary Workers union hall to celebrate organizing victories and unprecedented union membership growth in Las Vegas in recent months. On Feb. 14, Richard Trumka led hundreds of workers in a San Francisco rally protesting anti-union tactics and downsizing by the multibillion-dollar Sutter/CHS Corporation. Over the weekend, officers of four international unions joined Linda Chavez-Thompson and United Farm Workers President Arturo Rodriguez on a visit to Watsonville, the heart of California strawberry country, where the federation is waging its largest current organizing drive among 20,000 strawberry workers.

The convention itself was kicked off Feb. 16 with a picnic for more than 1,000 workers and union activists at Los Angeles’ Union Station. On Feb. 19, an afternoon march in support of the right to organize at the New Otani Hotel drew thousands of workers to a demonstration in front of the hotel.

After the convention, Sweeney, Trumka, and Chavez-Thompson keynoted a two-day teach-in at UCLA on “Fighting for Social Justice.” The federation also announced 12 Regional Organizing Conferences to be held nationwide over the next six months, designed “to generate new thinking, new strategies, and new energy.”

*EIR* contributing editor Lyndon LaRouche publicly welcomed the changed labor movement at the Presidents’ Day weekend convention of the Schiller Institute. In a speech on the subject of the global mass strike now breaking out worldwide, LaRouche said, “At least now in America, we have a labor movement of which we don’t need to be ashamed.”

## Starr out, then back; but can he indict?

by Edward Spannaus

As we go to press, late on the afternoon of Feb. 22, Whitewater independent counsel Kenneth Starr called a press conference to rescind his Feb. 17 announcement that he would be resigning as special prosecutor to take a position at Pepperdine University in Malibu, California. Although the initial reaction of many to Starr’s Feb. 17 announcement had been to assume that Starr was giving up on indicting the President or the First Lady, Starr’s withdrawal in fact would have had little effect on the course of the Whitewater attack on the Presidency, and his about-face, likewise, will have little effect.

The course of action that Starr, or his successor, will take, is constrained by the U.S. Constitution—something that Starr admittedly cares little about. This means that Starr probably cannot indict the President, but he has other options open to him, which would be equally destabilizing to the United States.

While there was much speculation immediately after Feb. 17 that Starr was giving up, the actions that Starr took around his announced resignation indicated otherwise. Starr sent two important signals in a Feb. 19 speech.

First, Starr warned that the Whitewater investigation was far from over. “I want to now be crystal clear. The evaluation process and the investigative process in these complex matters are still very much under way. No decisions or resolutions have been made by this office.” Starr cautioned that “those who argue that the investigation is over are wrong. It is wrong, indeed, it is dangerous, to draw any conclusions based upon my personal situation.”

Second, Starr has sent a clear message that he wanted one of his deputies to be appointed as his successor as the Whitewater independent counsel. The deputy considered most likely to succeed Starr was his chief Little Rock deputy, W. Hickman Ewing, a 20-year career federal prosecutor, with whom Starr was huddled all day on Feb. 18, following the announcement of his resignation. Ewing is a nasty creature, who previously played a prominent role in the “Operation Frühmenschen” targeting of African-American U.S. Rep. Harold Ford (D-Tenn.).<sup>1</sup>

1. Ewing also played a key role in the cover-up of the Martin Luther King assassination. When William Pepper, the attorney for James Earl Ray, agreed to a televised mock trial for Ray in 1992, Ewing was chosen to play the chief prosecutor—an assignment he carried out with fervor and zeal. Ewing attempted to prevent the introduction of any evidence into the trial of illegal activity by the FBI directed against King, and he also tried to cut certain

The decision on Starr's replacement would have been made by the same three-judge panel of the U.S. Court of Appeals in Washington, D.C. which abruptly brought in Bush-leaguer Starr in August 1994 to replace his predecessor, who was regarded as insufficiently aggressive. Indeed, all the goading going on in the "right-wing" media accusing Starr of having capitulated in the face of James Carville's attacks, seems designed to ensure that the court would replace Starr with someone even more partisan, zealous, and corrupt than is Starr himself.

It should be kept in mind that Starr has never treated the position of Whitewater independent counsel as a full-time job, and he has not personally tried any of the Whitewater cases, leaving that all to his deputies who are far more experienced than he at targetting public officials and trying cases. After his Feb. 19 speech, when he was asked, "If you felt there was any chance of either the President or Mrs. Clinton being indicted, wouldn't you want to stick around and try the case?" Starr responded by noting that he himself doesn't try criminal cases, but that his deputies such as Ewing and Ray Jahn have each tried over 100 felony cases.

### Can a President be indicted?

In the weeks leading up to Starr's announcement, his office let loose a torrent of leaks and rumors to the effect that he was close to indicting the President and/or the First Lady. This coincided with a campaign of brutal pressure against potential witnesses, particularly against Susan McDougal, but also directed at former Justice Department official Webster Hubbell, and others. All of which was interpreted by the news media as signifying that Starr was "zeroing in" on Bill and Hillary Clinton.

However, under the U.S. Constitution, it seems clear that Starr *can not* indict the President. Article I, Section 3 of the Constitution gives the Senate the sole power to try impeachments, and declares that, *after* conviction in the Senate impeachment trial, "the Party convicted shall nevertheless be liable and subject in Indictment, Trial, Judgment and Punishment, according to Law." Alexander Hamilton, writing in *Federalist* No. 65, notes that impeachment is the method for dealing with offenses involving the misconduct of public officials, or abuse or violation of a public trust. He comments, in *Federalist* No. 69, that the President "would be liable to be impeached, tried, and, upon conviction of treason, bribery, or other high crimes and misdemeanors, removed from office; and would afterwards be liable to prosecution and punishment in the ordinary course of law."

More important, prosecution of a sitting President would violate the careful scheme of the separation of powers. There was debate over whether the Judiciary branch (then, only the Supreme Court), or the Senate, should sit as a court of impeach-

ment. The proposed Constitution gave this power solely to the Senate, and Hamilton, in arguing for the Senate rather than the court, contended that it would not be wise to entrust such a grave responsibility to such a small number of men, who would likely lack the confidence of the public, and that this might in fact be very dangerous. Entrusting the decision to a jury was not necessarily any better, Hamilton argued, since "juries are frequently influenced by the opinions of judges."

Moreover, under Article II of the Constitution, the President himself is the chief executive, and therefore responsible for law enforcement, so he would be, in effect, prosecuting himself. Article II, Section 2 grants to the President the power of pardons and reprieves "except in cases of Impeachment." Section 3 mandates that the President "shall take Care that the Laws be faithfully executed."

The office of independent counsel (special prosecutor) is regarded today as part of the Executive branch, although the independent counsel is—probably unconstitutionally—appointed by the court, and ultimately reports to the court. Were Starr to attempt to indict President Clinton, this would amount to an agency of the Executive branch indicting the Chief of the Executive branch—something which is obviously untenable.

That was the conclusion of the Watergate special prosecutor, Leon Jaworski, who, rather than indicting President Nixon, named Nixon as an unindicted co-conspirator, and then referred the matter to the House Judiciary Committee, where impeachments are initiated.

### What Starr et al. might do

From this standpoint, what Starr is doing makes more sense. Under the independent counsel statute, he is obligated to prepare a final report for the three-judge court which oversees the independent counsel; in that report, he lays out the evidence he has gathered, and the conclusions he wishes to be drawn therefrom. This is what Lawrence Walsh did in the Iran-Contra investigation, which gave rise to a hue-and-cry that he was violating notions of due process and fairness, by presenting evidence which was never subject to court procedures or cross-examination, and offering findings of guilt which were never tested in a court of law, and in some cases contradicted the proceedings which had been held in court.

Starr and his deputies can be expected (unless restrained) to push the envelope as far as they can: to continue thuggery and intimidation against potential witnesses, and then to issue a new round of indictments reaching high up in the White House and the Clintons' circle of associates—and even perhaps naming the President and/or the First Lady as unindicted co-conspirators. Then, Starr and Co. will lay out all their lies, gossip, and the perjured testimony they have gathered, in a public report. If they think they can get away with it, this could be combined with a referral to the House of Representatives for its consideration—a further destabilization of the Presidency such as the British and their Bush-league lackeys in the United States have been demanding.

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testimony out of the final televised version of the trial. Despite Ewing's efforts, James Earl Ray was ultimately acquitted in the mock trial.

# Lord Byron Foundation brings its 'Greater Serbia' cause to the U.S.

by Our Special Correspondent

Great Britain's Lord Byron Foundation, a key vehicle for British Establishment backing of the Greater Serbia genocidalists in former Yugoslavia, will be holding its conference in the United States for the first time, at the end of February. The American co-sponsor of the conference is the magazine *Chronicles*—a major voice for neo-Confederate separatism inside the United States, as well as for flagrantly pro-Serb propaganda.

The gathering, which will run from Feb. 28 to March 2, will take place at the Moraine Hotel, in Chicago's Highwood district in the North Shore suburbs. (Ironically, the conference site is adjacent to Fort Sheridan, named for Union Gen. Philip Sheridan, a fervent defender of the United States against British-run secessionism.)

Under the title, "America's Intervention in the Balkans," the conference will be the occasion for bringing together a motley assortment of British operatives, Russian "pan-Orthodox" strategists, prominents in the U.S. Republican Party policy-making apparatus, and proponents of a "secession" from the United States by a revived "Southern Confederacy," who seek to renew the Confederate alliance with Great Britain against the United States.

The three leading figures in the Lord Byron Foundation, all of whom are scheduled to be in Chicago, are Sir Alfred Sherman, Cambridge University Prof. Michael Stenton, and Serge Trifkovic, formerly the official representative of the "Pale Serbs" (Pale was the Bosnian capital of Serbian war criminal Radovan Karadzic and his Bosnian Republika Srpska) in Britain. He now lives in Houston, Texas.

Other scheduled participants include James Jatras, of the U.S. Senate Republican Policy Committee; Prof. Yelena Guskova, of the Institute of Slavonic and Balkans Studies of the Russian Academy of Sciences; foundation member Prof. Ronald Hatchett of the University of St. Thomas in Houston, a former U.S. Air Force colonel and senior Pentagon official; Southern League propagandist Thomas Fleming of *Chronicles* magazine; and a number of pro-Serb journalists, including David Binder of the *New York Times*, Samuel Francis, Charles Reese, and Joe Sobran.

As related by one of the conference's organizers, the meeting will have two foci. One is how to orient toward the current mass unrest in Serbia. The view of this conference

organizer is that the current opposition to Serbian dictator Slobodan Milosevic is a "mixture" of "good elements," who are committed to the Greater Serbian cause, but are dissatisfied with Milosevic's handling of the war against Bosnia and with his dictatorial rule; and what he considers the negative elements, who oppose not only Milosevic's dictatorship but also the Greater Serbian policy itself.

The second focus, is to oppose "American hegemonism" in Europe. This individual raved: "The Americans are using Bosnia, as part of their policy for expanding NATO, which is also to include Slovakia, Hungary, Ukraine, and so on. The Americans are in a drive to take over all of Europe, it's that simple. And the Germans are supporting them."

With this notion of the United States as "the enemy" in mind, he expressed his hope, that the presence of neo-Confederate Thomas Fleming, might contribute toward a future breakup of the United States. "The splitting apart of the U.S. is a possibility," he said. Consistent with this hope, it should be noted that Fleming and his "Southern League" cohorts see the South as a "distinct nation" that will outlive, and prevail over, what they characterize as "the American empire," as we detail in the accompanying article.

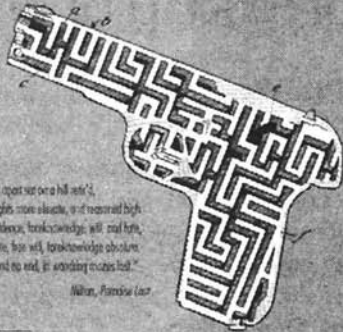
## The bizarre Sir Alfred

The Byron Foundation was launched in October 1994 by Sherman, Stenton, and Trifkovic, as a vehicle to mobilize international support for the Karadzic Serbs, in their holy war against the Bosnian government, and, more broadly, to build a global coalition of forces against what they claimed was an expanding "American imperialism" in Europe. In part, this was motivated by the fear of Alfred Sherman that the Bosnian Serb leadership, as ruthless as it might appear to observers around the world, was not bloodthirsty enough in its war against the Bosnian central authority, and was refusing to carry out the no-holds-barred military offensives that would guarantee Pale victory. In Sherman's view, Karadzic, Gen. Ratko Mladic, et al. needed a shot in the arm, from the outside.

Lord Byron, the freemasonic-linked, Venice-obsessed poet of the early 19th century, was chosen as the foundation "mascot," because of his Romantic efforts in favor of the "national liberation struggles" in the Balkans and Aegean regions. When Byron died, he was hailed as a martyr for



Lost in the Maze  
Crime in America



"Others sport us on a hill with  
In thought more elusive, in treatment high  
Of Providence, books, parables, will and fate,  
For'd fate, but will, knowledge absolute,  
And trust to end, in wondrous maze hid."

William, Patricia Lee



On Liberal Education  
by Thomas Fleming

The education of liberals.

Still Fighting  
the Civil War



The latter-day secessionists: Tom Fleming, editor of *Chronicles*, addresses a crowd of neo-Confederates in 1992. In 1994, Fleming founded the "Southern League" (modelled on Italy's secessionist Northern League), a group obsessed with their British tribal origins, who want the American South to split out of "the American empire."

various stirps of "liberationists," as they would agitate for their movements.

In the first weeks of 1995, the Byron Foundation held its first seminar in Moscow, together with the Russian Academy of Sciences Institute of Slavonic and Balkans Studies, with Professor Guskova being the organizer on the Russian side. Guskova is a hard-line advocate of the Russians' maintaining their "traditional solidarity" with their "Orthodox brothers" in the Balkans. Informed Russian sources report to *EIR*, that the Slavonic/Balkans division of the Russian Academy of Sciences is significantly penetrated by British intelligence influences; the British have provided grants for various projects, as well as other forms of support, and have used their connections to that division as a channel for concocting strategies against the policies of the United States, in the Balkans, Aegean, eastern Europe, etc.

The 1995 Byron Foundation event in Moscow was part of a crass effort to lure the Russians into the same strategic trap, which had set in motion the events leading to World War I earlier in this century, by activating, and playing on, the Pan-Slavic "Third Rome" tendencies in Moscow. In the

first years of this century, Russia, in significant part through the Balkans manipulations by the British, and through high-level forces in Venice, was brought into a "Triple Entente" configuration with Britain and France against Austria and later Germany, the which made the First World War an inevitability.

Today, the idea is to foment a paranoia in Russia, against the United States, primarily, and Germany, secondarily, as "the enemies," and to portray U.S. strategy in the Balkans as part of a wider strategy to establish "American hegemony" across Europe, with a German "Fourth Reich" as an alleged American "junior partner."

According to Sir Alfred Sherman's testimony, one of the individuals they tried most to influence while they were in Moscow, was then head of the Russian Security Council, Gen. Aleksandr Lebed; Sherman relates that he and the other British visitors to Moscow worked Lebed over intensively, on this pan-Slavic proclivity. Whether this had any lasting effect on Lebed, is not clear.

The black propaganda attacks on an "American imperialism" that is allegedly in alliance with a German "Fourth

Reich” have been the consistent threnody of Sir Alfred and collaborators, roughly since the conflicts in ex-Yugoslavia erupted in 1991-92. For example, the Byron Foundation’s leading collaborator in France, Gen. Pierre Gallois, wrote a number of phantasmagoric articles in the early 1990s, portraying German strategy in favor of Croatia and Bosnia, as part of a “Fourth Reich” master plan, to establish German hegemony across Europe.

It is not surprising that Sir Alfred would share Baroness Margaret Thatcher’s public utterances, that a unified Germany is a “Fourth Reich” threat to British geopolitical interests. Although Thatcher, unlike Sherman, has publicly presented herself as a supporter of the Bosnians against Serb aggression, her career as a whole owes a great deal to the bizarre Sherman.

In the early 1970s, he and the late Sir Keith Joseph (later Lord Joseph) created the Center for Policy Studies (CPS), the key think-tank that promoted the neo-liberal, free-market economics that would become known as “Thatcherism.” Sherman, although now bitter at Thatcher’s public stance on the Balkans, likes to boast that, without him, she would never have amounted to anything. Even discounting for Sir Alfred’s notoriously overblown ego, there is undoubtedly some truth to that contention.

It was the CPS, in turn, which spawned such U.S. neo-conservative think-tanks as the Washington-based Heritage Foundation. In the 1980s, Sherman was wont to gloat about his influence over crucial policy matters in the United States. He was deeply involved in rallying support for the Nicaraguan Contras, in their drug-money-backed war against the Sandinista government. In June 1983, when Henry Kissinger was brought onto the Presidential Commission on Central America, thereby gaining an entry into the Reagan administration, which had heretofore excluded him, Sherman boasted to *EIR*, “We tell Henry Kissinger what to do.”

Sir Alfred’s career itself is quite strange, and his current anti-American fixations seem to bring certain matters full circle. In the 1930s, he was a fanatical Communist devotee of the Spanish Republican cause in the Spanish Civil War, so militant in its defense, that he earned the nickname “Machine Gun Sherman.” At some point after that, under circumstances not known at present, he underwent a Damascus Road conversion, and became a true-believing anti-communist, free-marketeer, loud-mouth racist, and supporter of various arcane “conservative” causes. For such devotions, he was knighted by Queen Elizabeth II.

In recent years, he has been Britain’s most outspoken defender of, and most publicized participant in activities sponsored by the disreputable Rev. Sun Myung Moon. He has participated in conferences of various Moon front groups, and has vociferously defended Moon’s right to visit Britain, a country from which he is officially banned.

According to information provided by a confidant of his, Sherman has also, at various points in recent decades, provided “services” to Israeli intelligence.

## Confederate Fleming pushes breakup of U.S.

by Edward Spannaus

*Chronicles* magazine is a natural to be co-sponsor along with the Lord Byron Foundation of the Conference on “America’s Intervention in the Balkans” in Chicago on Feb. 28-March 2—a conference whose announcement calls the U.S. intervention to stop the genocide in Bosnia, a “new imperialism.” *Chronicles* and its editor Thomas Fleming are long-standing enemies of the United States, who are loyally carrying on the British-sponsored effort to break up the Union, in the tradition of the Hartford Convention of 1804 and the Civil War of 1861-65.

Fleming has come in for praise, not surprising, from the Hollinger Corp.’s Ambrose Evans-Pritchard, the British-intelligence stringer who is operating in the United States under the guise of being the Washington correspondent for the *Sunday Telegraph* of London—and who promotes every variety of separatism and anti-government and anti-Clinton ferment he can find.

In the *Sunday Telegraph* almost exactly one year ago, Evans-Pritchard wrote: “*Chronicles* offers a home to forlorn causes that nobody else will touch. During the worst years of the violence in Bosnia, when everybody else was denouncing Belgrade and Pale for ethnic cleansing, Fleming was out there in the trenches interviewing the Serbs—or the Bosnian Christians, as he calls them—and he has since devoted hundreds of column inches to the Serb point of view.”

(Maybe Evans-Pritchard is just returning a favor. In the preface to his 1988 book, *The Politics of Human Nature*, Fleming honors Ambrose Evans-Pritchard’s father, the well-known British anthropologist, whose studies on the Nuer people in Sudan, says Fleming, were a seminal influence on him.)

### The neo-Confederates

On July 19, 1992, *Insight* magazine, published by the Sun Myung Moon-run *Washington Times*, gave prominent coverage to a band of “neo-Confederates” whom it described as still fighting for “the principles of 1860.” It featured a color photo of Tom Fleming standing alongside a Confederate flag.

The article was entitled, “Still Fighting the Civil War,” and the summary at the top read: “For conservatives of the old right, the Civil War goes on—that is, the battle continues against federal enforcement of equality and for the expansion of states’ rights.”

The article was riddled with vitriolic attacks on Abraham Lincoln and the idea of equality. While not all “old-right” ad-

herents, or “paleo-conservatives,” are partisans of the South, *Insight* says, “all of them share the view that Lincoln’s belief in equality is incompatible with true conservatism.” For example, University of Dallas Prof. M.E. Bradford sees the Civil War, *Insight* wrote, “as the point where darkness began to descend on America’s experiment in limited government. Lincoln, Bradford believes, unleashed the ongoing growth of federal power that killed the old American republic.”

The article also commented favorably on the Ludwig von Mises Institute’s promotion of the Confederate Constitution of 1861, which was published in the Capitol Hill newspaper *Roll Call* (and also in Virginia’s *Richmond Times-Dispatch*). The president of the von Mises Institute, Llewellyn Rockwell, was quoted as saying: “I think there is a cultural war coming up. We’re in a race war right now.”

Fleming was quoted as expressing his “empathy” for groups such as northern Italy’s Lombard League, “which wants regional autonomy.” The article concluded with Fleming detailing that what he really likes about the South, are the same things he likes about the Middle Ages. The Middle Ages, he gushed, were “gritty and dirty with people fighting for what they believed in on a day-to-day level. The thing I love about medieval politics was that it was people in the street rioting day-to-day.”

Six months later, the February 1993 issue of *Chronicles* featured a piece entitled “A League of Our Own,” which focused on the Lombard League (since renamed the Northern League) and related separatist movements in Italy. Fleming called for the establishment of a similar political movement in the United States. “There are only two alternatives for this continental empire that has never been a real nation,” this traitor wrote, “either we find the means to decentralize decision-making and restore authority to the old institutions of family and town and country (and even state), or else we lapse into a multifaceted civil war of blacks against Hispanics against whites against blacks against Jews.”

“The revolution,” Fleming continued, “cannot be made overnight, and the first step would be the creation of a movement devoted to the long-range goals of political devolution, privatization (ours is not a free enterprise system), protection of the national interest in matters of immigration, trade, and foreign policy, and the reassertion of our old cultural identities as a European . . . and Christian nation. . . .

“If there is no movement or party willing to embrace a Leghist [Lombard League] program,” Fleming concluded, “then one needs to be formed, and if that is impossible, my advice is to stockpile ammunition and invest in bullet-proof doors and shutters.”

### Secessionists of the world unite

In March 1993, Fleming hosted a conference sponsored by the Rockford Institute on “The New American Politics Meets the New Europe: A Search for Shared Values and Goals,” in Chicago. The meeting brought together U.S. and European academics and activists committed to the devolu-

tion of federal authority. Among those attending were Alain de Benoist, a leader of France’s New Right; Donald Warren of Oakland University in Michigan; Carlo Ruzza, sociology professor at Britain’s the University of Surrey; and Paul Piccone, editor of the New Left journal *Telos*. Notorious for his ties to Italian terrorism in the 1960s and 1970s, Piccone published an article in the Winter 1991-92 issue of *Telos* which, like Fleming’s *Chronicles* piece, lauded the Lombard League as the political model for the post-nation-state era.

“The rise and growth of a plethora of autonomist movements in search of concrete alternatives to the central state constitute one of the main new political realities at the dawn of the 21st century,” Piccone asserted. “Almost every nation-state today . . . is confronted with major internal crises of national unity. Even in the U.S., which still bears the scars of a bloody Civil War fought precisely on this issue, Alaska’s governor has been talking openly about ‘secession.’ Northern California has called for a referendum concerning autonomy for the rest of the state, and the boroughs of Staten Island and Queens are threatening to break away from the rest of an increasingly unmanageable New York City—and there is even talk of creating transnational macro-regions such as Cascadia, including a significant chunk of the U.S. Northwest regions and Canada’s British Columbia.”

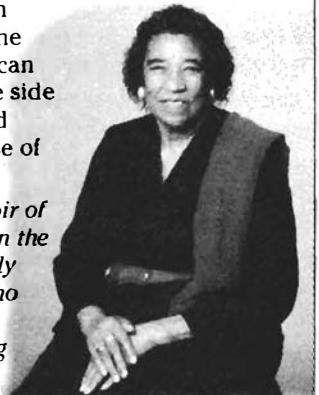
Directing his attention to the Northern League per se, Piccone commented that the League’s successes pointed to

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by Amelia Platts Boynton Robinson

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the gradual destruction of the Europe of the nations, and its replacement by a Europe of the regions, which would be a “federation *across and beyond*—rather than *on the basis of*—national lines. . . . If and when it will be time to think seriously about this ‘Europe of the regions,’ ” Piccone stated, “Italy’s Northern League may well provide the model” (emphasis in original).

This “Europe of the regions” concept was the cornerstone of the post-World War II rebirth of the Conservative Revolution. Count Richard Coudenhove-Kalergi, the wartime ally of Nazi Economics Minister Hjalmar Schacht, formed the Pan European Union to peddle this modern form of feudalism even before the guns of World War II fell silent; and Coudenhove-Kalergi’s efforts were heartily endorsed by Mont Pelerin Society founder Friedrich von Hayek.

### The Southern League

In June 1994, Fleming and others did indeed form an organization devoted to the dissolution of the Union—the “Southern League” based in Tuscaloosa, Alabama. The Southern League proclaims itself to be inspired by independence movements such as the Scottish National Party, the Parti Québécois, and Italy’s Northern League. (See *International Intelligence* for a report of the Northern League’s Feb. 15-16 congress.)

The Southern League, fully adopting British spelling, describes itself as “a Southern independence movement seeking to advance the social, economic, cultural and political independence of the Southern people by all honourable and peaceful means.” Its Internet home page also boasts: “The Southern League proudly displays the national colours of our Confederate forefathers to symbolise our desire to re-establish the South as a free and independent Confederacy of sovereign states.”

The League complains that, since the U.S. Civil War (which it terms “the War for Southern Independence”) the republican system of government established by the Founding Fathers has been steadily eroded, and that the principles of true federalism and states’ rights are no longer operative. The League is quick to qualify its position, declaring that it “does not advocate the overthrow of the United States government.” But, it adds that they do believe “in the Jeffersonian principle that free people may change their government if, over a long period of time, it becomes destructive of life, liberty, and property.” Consequently, they say, “we reject the central government’s continuing usurpation of state sovereignty and support the restoration of self-government to the Southern people. If this means secession and formation of a Southern nation, then so be it.”

Lest one think that the Southern League separatists are less than serious about this, they have also published a paper which purports to document that, if the U.S. South were its own nation, its Gross Domestic Product would rank it in the top five nations of the world. “We could enjoy low taxes, sound money, secure private property rights, and a free-mar-

ket economy,” the League asserts. “We could follow a foreign policy of armed neutrality, leave the UN, and oppose the New World Order. We could once again reward merit and abolish the Welfare State and Affirmative Action. We could severely limit immigration.”

The Southern League proposes different variants of how this would work:

- “A Southern nation composed of only the eleven States of the former Confederate States of America (i.e., Alabama, Arkansas, Florida, Georgia, Louisiana, Mississippi, North Carolina, South Carolina, Tennessee, Texas, and Virginia), would have 74 million people, the thirteenth most populous in the world. It would have more people than France or Britain, and almost as many as the united Germany. In economic power, a Southern nation composed of the above eleven States would have the fourth largest gross domestic product (1990) figures, after the remainder of the United States, Japan, and Germany.”

- It argues that the “South” is best defined as the eleven Confederate States, plus Kentucky and Oklahoma.

- A Southern nation composed of ten of the historic Confederate states, all except Texas, “would have 56 million people (about the size of France, Italy, and the United Kingdom), and the sixth largest gross domestic product of the nations of the earth.”

- “Without Florida also, a State with many Northern migrants, a nine-State South would retain 43 million people and have a gross domestic product not much below that of the United Kingdom.”

- “Even the five States of the Deep South, (Alabama, Georgia, Louisiana, Mississippi, and South Carolina), alone have 22 million people, not far below that of Canada and four million more than Australia. Their gross domestic product is roughly in league with that of Canada, Brazil, and Spain.”

### Lost tribes of Britain

As recently as Jan. 19, 1997, the Southern League was featured in the London *Sunday Telegraph*, which highlighted the League’s obsession with their “British” tribal origins. “Ethnic consciousness mingles easily with southern pride. . . . They belong to a long-lost British tribe of Confederates,” said the *Telegraph*. “They know the small towns and villages their ancestors came from in the British Isles and they care about that. They regard themselves as a people set apart by time and history. For them, the civil war never really ended.” And as to why they fit in so well with the Lord Byron Foundation, just listen to the Southern League’s Michael Hill, who, the *Telegraph* says, is among those “who think their British bloodline is the key to understanding all this”:

“The South has the largest concentration of Anglo-Celts in the world,” says Hill. “Our culture is clearly British, more so than any other part of America. We are a distinct nation. There will be a southern people long after the American empire.”

# Lord Byronists foment ‘clash of civilizations’ to protect the Empire

by Umberto Pascali

“Our organization is named after the British poet who gave his life in the endeavour to free Balkan Christians from Mohameddan rule.” This is not Radovan Karadzic or Slobodan Milosevic, in their most explicitly racist years. These words are the opening of the “Mission Statement” of the Lord Byron Foundation for Balkan Studies—the foundation that, together with the intellectual racists of Thomas Fleming’s magazine *Chronicles* in the United States, has sponsored the international conference on “America’s Intervention in the Balkans,” in Chicago on Feb. 28-March 2. Fleming (see preceding article) is the main proponent of a return to the Confederacy and its partition of the United States.

The conference invitation queries whether the U.S.-sponsored Dayton peace agreement “brought real peace” to Bosnia. “Or is Washington still pursuing an explicit pro-Muslim agenda, while alienating America’s traditional European allies . . . ?” Of course, the “traditional allies” referred to are the British. “The conference will be invited to consider whether Washington has acquired an aggressive bias in the Balkan affairs. . . . It will provide a forum to those . . . who suspect that the instruments of American intervention—including the current *arming of Bosnia’s Muslims* by the U.S. and the pseudo-legal fatuities of The Hague War Crimes Tribunal—pollute and undermine the values in whose name they are used. . . . The conference will also consider the implications of America’s Balkan adventure . . . is this new imperialism merely a spontaneous attempt to bypass mounting domestic problems?”

Indeed, the name of Lord George Gordon Byron couldn’t be more fitting for one of the most perfidious operations launched directly and openly by the British oligarchy in recent years. Its mission is the same for which, 170 years ago, Lord Byron was deployed in the Balkans: to save the British Empire by setting aflame the European region that stretches from Turkey to Austria, in order to trigger a general war. Today, the danger to Britain’s imperium is the development of the Eurasian land-bridge, uniting the Pacific coast of China and Russia to the Atlantic coast of Europe, which has the potential to break once and for all the British dirty operations that have prevented economic cooperation between North and South, East and West. This lawful, natural development has been sabotaged for more than a century. The Lord Byronists of today intend to continue that tradition.

## Byron, Mazzini, and the Balkans

Now, as then, British imperialists’ main *instrumentum regni* is the “clash of civilizations” between the “Christians” in the North and “Islam” in the South.” The central dogma of this pagan religion, geopolitics, is the need to keep developed Europe separated from the Middle East, Africa, and Asia. In the mind of the imperial geopoliticians, the virus of industrial development and economic cooperation, must not infect what is known today as the Third World—that is, the area at one time directly dominated by the British Empire, and, still today, used for looting via extraction of raw materials, natural resources, and cheap labor.

The North meets the South at the Balkans, which explains why the populations of this region have been repeatedly the victims of machinations by the oligarchs of Venice and London. Immediately after the 1815 Congress of Vienna—and few years after the formal disappearance of the Republic of Venice—London launched a major effort to dig its claws into the Balkans, at that time controlled by the Ottoman and Austrian empires.

In 1823, after spending several years in Italy, mostly in Venice, the “beatnik” poet Lord Byron was deployed against the Ottoman Turks. He arrived in Greece with a large sum of money and a personally recruited regiment, to lead an anti-Ottoman insurrection, which had exploded in Missolonghi. Like his geopolitical descendant, Lawrence of Arabia, nearly a century later, he soon came to head the revolt. When he died the following year, he was placed in the Pantheon of the British Empire, apotheosized as the Romantic Poet.

Byron’s Greek adventure was the beginning of the great British manipulation of nationalist movements in 19th century Europe, often pushing them to attack and then letting them be massacred, while cutting deals with their enemies. The aim was to reshape Europe for maximum British geopolitical control.

Of course, Byron’s name became a byword for the alliance between the British oligarchy and the most chauvinist among the Slavic and “Christian” Orthodox elites, for the most part, based in Serbia and Russia. These feudal groups could easily be manipulated by the British, even against their own interests, and could be directed against either Catholic or Protestant countries, but, above all, they could be directed against the Muslims.

The leading architect of this “experiment” was Giuseppe Mazzini, who, from London, led an international network of terrorist and “nationalist” groups, such as Young Italy, or Young Serbia, but extending as well into the United States. On these shores, the Mazzini movement was one and the same thing as the Southern Jurisdiction of the Scottish Rite Freemasons, the masonic organization of Confederate Gen. Albert Pike, founder of the hated Ku Klux Klan. Mazzini’s capabilities became apparent in 1848, when Europe exploded into revolts and insurrections that suddenly enveloped the continent and led to the destruction—through “flight forward”—of the best part of Europe’s patriotic movement, many of them students of the American Revolution of Washington, Hamilton, Franklin, et al.

After the defeat and the repression of the 1848 uprisings, the British, mostly through the Scottish Rite, consolidated their control over the republican movement, and by the turn of the century were preparing to overthrow the remaining *anciens régimes*. The blow came on June 28, 1914, when Gavrilo Princip, a young Serbian terrorist, a member of the Mazzinian, British-intelligence-sponsored Young Bosnia, killed the heir to the Austrian throne, the Archduke Franz Ferdinand, and his pregnant wife, in the streets of Sarajevo. It was the trigger for a war without precedent: the First World War.

### **The same operation, today**

The Lord Byron Foundation was officially created in October 1994, and represents the modern deployment of the same imperial apparatus. The new, disturbing element in the Chicago event is the open alliance between the “normal” Byronists and the Southern League’s Thomas Fleming. As in the old Mazzini network, Young Serbia and Young America are working together again.

This clearly indicates that the British are reassembling several parts of the old machine *openly*. According to observers, this could indicate a weakness, the need to do something immediately, unhesitatingly, not only in the Balkans, but also in the United States. But it also represents a clear and present danger to both. Is this British machine “going operational” in the anticipation of the imminent vaporization of the world’s financial system? The Balkans, and especially multi-religious, multi-cultural Bosnia, had been selected again, at the end of the 1980s, by the British as the trigger for a worldwide explosion. Bosnia, the only European country with a Muslim majority, was supposed to be the flashpoint for a war of the North against the South, of the white race against the colored or, as the Byronists put it, of the “Christians” against the “Mohameddians.”

Such a monstrosity was expected to supply the rationale for the genocidal looting of the Third World, while ensuring that no economic cooperation and mutual development would take place between North and South. Indeed, the alternative to this insanity has been shaping up in the form of the Eurasian

land-bridge, to the point that there exists concrete collaboration between many European, Middle Eastern, and Asian countries. Even more than any empirical consideration—important as it may be—the *bridge* exists as a powerful conception of economy and human will, potentially able to inspire and evoke from the desperation of the depression a worldwide political movement.

### **The American intervention**

If the British-directed gangs of Milosevic and Karadzic could not achieve what Gavrilo Princip did in 1914, it was the unexpected resistance from the Bosnians, that gave the chance to U.S. President Bill Clinton to reverse the George Bush-Margaret Thatcher policies, and force the NATO “allies” to launch air strikes against the aggressors. The Dayton agreement froze the situation. The American intervention was late in coming, and far from adequate. Most important, it was not followed by any economic reconstruction of Bosnia. The British Empire’s financial tentacles—the World Bank and International Monetary Fund—were given the “reconstruction” franchise, and they promptly demanded that war-torn Bosnia repay the former Yugoslavia’s debt as a condition for financial aid. No reconstruction took place, and the British specialists are again at work to reignite the war. Dayton did not brake the British plans, it just shifted them into “idle.”

But, the American intervention did temporarily stop the countdown to war. It was in October 1994, at a time when an underground war between the United States and Britain was taking place over Bosnia policy, that the Lord Byron Foundation was spawned. Its immediate task: To stop, isolate, and neutralize those forces in the United States who were jeopardizing the “experiment.”

It is important to consider in this context the deployment of Thomas Fleming at the Chicago conference. In February 1993, less than a month after Clinton became President, Fleming used the pages of his journal *Chronicles* (which is co-sponsoring the Chicago conference) to launch the effort to slice the United States up into pieces. He wrote that the U.S. government had to be stopped, the country divided along the lines demanded by the Northern League (a.k.a. Lombard League) in Italy. Of the United States, he wrote: “There are only two alternatives for this continental empire *that has never been a real nation*: Either we find the means to decentralize decision-making and restore authority to the old institutions of family and town and country, or else we lapse into a multifaceted civil war of blacks against Hispanics against whites against blacks against Jews.” If the United States cannot be broken up peacefully, “if there is no movement or party willing to embrace a Leghist [Northern League] program . . . my advice is to stockpile ammunition and invest in bullet-proof doors and shutters.” Is this the civil war scenario that the unholy alliance of the Lord Byron Foundation and Fleming’s Southern League intend to trigger?

## Driving a wedge between potential allies

From the very beginning, the foundation invested its efforts into undermining any U.S. initiative against the genocide in Bosnia, by using a hostile, jingoist Russia as a bogeyman. Simultaneously, intense pressure was applied on the most rabid pan-Slavic currents in Russia, who were told that the American intervention into Bosnia, on behalf of the Muslims against the Orthodox Serbs, must be seen as a *casus belli*. Further, the British poison pens dripped, the United States is in an alliance with Germany to destroy Russia. Britain, they whispered to Russia, is Russia's potential best ally in this new war against the German-Americans.

On Oct. 6, 1995, Byron Foundation Executive Director Srdja Trifkovic and Director of Studies Michael Martin Stenton held a press conference in Moscow, following a series of meetings. Stenton took particular aim at Clinton's efforts to force Europe, via NATO, to enforce peace in Bosnia, which destroyed the four-year-long charade of British control of United Nations "peacekeeping," which cost so many tens of thousands of lives in Bosnia and Croatia (see *Documentation*).

Worse, he warned his Russian hosts, was the U.S. offer to Russia to participate with its own military forces in peacekeeping operations in Bosnia, which would have driven the final nail into isolating Britain. Stenton ranted, "Every Russian should have no doubt that this is a poisoned offer, and I recommend you strongly not to accept it. . . . I recommend Russia avoid the poisoned gift.

"Russia is facing a new Cold War look-alike situation, whether it wants to admit that or not. By acting now to assert its legitimate national interests and its geopolitical concerns, Russia, in fact, may prevent this situation from blossoming into a fully blown Cold War," he said, adroitly playing on Russia's fear of NATO, and stressing that he equated NATO, not with the Atlantic Alliance, but with Britain's enemy: the United States.

The continuity of Stenton's ravings with the agenda of the Chicago conference, shows any but the most dull that Britain's dearly held "clash of civilizations" is not between Christian and Muslim, but between the British oligarchy and a potential community of principle, encompassing both faiths, and more.

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## Documentation

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### Stenton warns Russia: Don't trust Americans

*From the remarks of Byron Foundation "Balkans expert" Michael Martin Stenton, to the Moscow press conference on "Russia and the Settlement of the Conflict on the Territory of the Former Yugoslavia," Oct. 6, 1995.*

. . . It is a long time since the first bullets were fired on the streets of Ljubljana in the summer of 1991. But we have seen no movement towards a practical peace of compromise. It is my conclusion, therefore, that the experiment is finished. We know the evidence, we know the outcome. The new Germany has been tested, the attitude of the United States has been made clear, the weakness of Britain and the weakness of Russia have been proven. The solution to the question of the autonomous rights of the Serbs in Croatia has now been revealed: the military destruction of the Serbian community by an army trained by the United States, politically encouraged by Germany and tolerated by the new Yugoslav authorities in Belgrade. . . .

Another experiment was made, and that experiment was to give NATO military authority. . . . It was a highly important experiment and it would have been very beneficial for the whole international community, if NATO had taken its responsibility seriously and behaved in a constructive and neutral fashion. . . .

This military attack by NATO upon the Serbs is one of the first uses of military force that has had positive approval by the Pope of Rome. An event of first class ideological importance. What we are witnessing is the creation of a new consensus, a new consensus that does not cover the whole world, but does cover the most powerful parts of it. . . . The question is, will this political intimidation, which forces Britain to bomb people when Britain does not want to go to war and which forces Russia to remain silent when it knows what is happening, will this political intimidation continue? . . .

This demand [for NATO to deploy ground troops] is accompanied by an offer. The offer that Islamic countries and Russia can also contribute some troops and might be allowed to have some rights of representation at the NATO high command. Every Russian should have no doubt that this is a poisoned offer, and I recommend you strongly not to accept it. . . .

The Americans will never use military force against the Muslim authorities. . . . If NATO is allowed to send a very powerful American force to Bosnia it will in all probability behave in exactly the same way. A political and military authority that connive with the black propaganda stunt . . . is perfectly capable of doing the same again. Except that this time it will not be American and NATO bombers destroying bridges and command centers and ammunition dumps. It will be American Special Forces seizing control in Pale, Banja Luka, Brcko and ultimately on the River Drina itself. And if there are Russian troops present, they will be helpless to do anything about this. Which is why I recommend Russia to avoid the poisoned gift, to not send your troops and to not vote in favor of a new United Nations resolution to give NATO permission to send a military force into Bosnia.

If there is a political and territorial agreement between Serbs, Muslims, and Croats, I have no doubt that the existing Unprofor [UN Protection Forces] troops are perfectly adequate to organize an armistice. There is no requirement for a new powerful force.

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# National News

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## New U.S. law scrutinizes global money-laundering

A new federal law went into effect Jan. 1, requiring banks to identify the source and the destination of all wire transfers which pass through the United States. The measure affects virtually *all* international dollar transfers, since U.S.-based correspondent banks clear about 99% of such transactions, according to John Moscow of the Manhattan District Attorney's Office. U.S. courts will thus have jurisdiction over any transfer of \$10,000 or more, even between two other nations.

According to Bangkok's *Asia Times* of Jan. 31, the "gung-ho enforcement of U.S. anti-money-laundering laws has been snaring record numbers of criminals inside the U.S. In 1995, 1,688 people were charged under its money-laundering law, compared with 364 in 1991. As the fight goes international, the tough U.S. stance will be strongly felt in certain Asian and other countries."

Most Asian nations have no money-laundering laws. Where they do, the statutes are rarely enforced. Hongkong's law, enacted in 1989, has resulted in only *one* conviction. Singapore has just passed a law, but it applies only in cases where it can be proven the funds come from drug-trafficking.

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## Departing CEA chairman airs economic fantasies

Joseph Stiglitz, outgoing chairman of President Clinton's Council of Economic Advisers, presented the 1997 Economic Report of the President, at a Feb. 10 luncheon held at the Center for National Policy. It was his last official act before moving to a position at the World Bank.

The fantasies currently passing for official policy were summarized in the report's opening line: "The American economy today is the healthiest it has been in three decades." Retailing the meaningless claim that 11 million new jobs have been created since 1992, the report alleges that "the new jobs

are mostly good jobs: two-thirds of recent employment growth has been in industry/occupation groups paying wages above the median."

Other cited "achievements" of the first Clinton administration include reducing the federal budget deficit, and increasing exports by 7% per year. This supposed expansion is "one of the strongest in recent memory." Stiglitz also claimed that the benefits of this growth are being shared across all wage levels, resulting in lower poverty rates among the elderly and the black populations.

The report also turns the General Welfare clause of the Constitution on its head: "The criterion for government involvement in any activity should not be how essential that activity is to the economy, or how many jobs it generates, or how much it contributes to the trade balance." Instead, "The proper question, in circumstances where a choice exists between government and the markets, is whether any reason exists *not* to rely on markets. Is there, in the language of the economists, a market failure?"

Another entire chapter is devoted to the "complementarity" between markets and the government in such areas as telecommunications; bringing competition to regulated industries such as electricity; and "emissions-trading" as a means of dealing with air pollution, natural resources, and farm policy.

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## Califano blasts 'medical use of marijuana' fraud

Joseph Califano, former secretary of Health, Education and Welfare, and current head of the National Center on Addiction and Substance Abuse, has issued a scathing attack against George Soros's latest scam—the legalization of "medical marijuana" as a foot in the door for wholesale narcotics legalization.

In a Feb. 17 commentary in the *Washington Post*, entitled "Medical Marijuana and the Lesson of Laetrile," Califano draws a parallel with the laetrile craze in the 1970s—which led 27 states to legalize prescribing laetrile as a treatment for cancer, before any medical tests had been conducted. When competent studies were eventually con-

ducted, laetrile was proven to be totally useless in treating cancer, and the craze ended. "With the fervor of those who believed in laetrile," Califano notes, "proponents of the medical use of marijuana claim it relieves nausea and sparks appetite in cancer and AIDS patients, and that it eases the pain of muscle spasms and glaucoma."

The National Institutes of Health and the Food and Drug Administration are currently evaluating the pot lobby's claims. But, Califano warns, "that's not fast enough for some, including the editor of the *New England Journal of Medicine* and several doctors, who urge that traditional procedures to determine efficacy and safety be bypassed and marijuana be made available immediately to seriously ill patients who want it. Drug legalization advocates are stepping up their pressure on states to legalize medical marijuana, much as 27 states did with laetrile in the 1970s."

Califano argues that there is even greater reason to take caution in the case of marijuana, than in the case of laetrile—since marijuana use is growing among teenagers, and marijuana use increases tenfold the likelihood that a teen will go on to use other dangerous drugs. He underscores the already *known* destructive effects of marijuana: "Smoking marijuana can savage short-term memory, impair ability to maintain attention and motor skills, and inhibit emotional, intellectual and physical development—when teens are learning in school and experiencing rapid development."

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## N.Y. hospitals get paid to train fewer doctors

The federal government will pay New York hospitals \$400 million over the next six years, to *reduce* the number of medical interns and residents they train. According to the Feb. 10 *New York Times*, the U.S. Department of Health and Human Services (HHS) adopted the policy to deal with the "oversupply" of doctors, which is resulting in "unnecessary tests and procedures," and "driving up medical costs." The murderous scheme was reportedly proposed by the Greater New York Hospital Association, and backed by New York's U.S. senators,



Alfonse D'Amato (R) and Daniel Moynihan (D).

Forty-one hospitals in New York State have already signed up for the plan, which is expected to reduce the number of doctors trained by 20-25%. New York currently trains 15% of the nation's doctors. The federal government finances much of the training through Medicare. Under the new plan, the Health Care Finance Administration of HHS, which normally pays hospitals up to \$100,000 for each doctor trained, will continue to pay the hospitals as they phase out the doctor training.

Health maintenance organizations (HMOs) played a major role in pushing the policy through. The *Times* cites a former president of New York City's Health and Hospitals Corporation, who claims that "as companies were insisting on shorter hospital stays and reducing the number of hospital procedures, many medical centers no longer had enough patients to train all the residents they employ." The HMOs have also been pressing hospitals to rely less on residents.

## Judge approves testing rifle in M.L. King case

A Criminal Court judge in Memphis, has recommended that tests be conducted to compare the bullet which killed Martin Luther King, Jr., with the rifle on which the fingerprints of alleged assassin James Earl Ray were found. The judge's decision, issued Feb. 20, must be reviewed by the Tennessee Court of Appeals before it is final.

Ray's lawyer, William Pepper, whose years of research have built a convincing case that Ray is innocent of the murder to which he confessed, after being threatened with the death penalty, argued before the court that a "scanning electron microscope"—not available in the 1960s and '70s—will definitively show that the bullet that killed King could not have come from Ray's gun. Pepper asked the court to order the tests, as a step toward obtaining a trial for James Earl Ray, who is in failing health and may die within a few months, without a liver transplant.

At the hearing, King's widow Coretta Scott King, and his son Dexter, both asked

the court to grant Ray's motion. Coretta King noted that her husband's life was dedicated to the cause of civil rights, and that Ray, who has long since recanted his confession, has the right to have his case heard.

At a press conference in Atlanta, Georgia, Feb. 13, Dexter King declared, "Not allowing justice to run its course in the case would compound the tragedy. . . . I think that, by having the trial, a lot of information will be shared that will not only vindicate Mr. Ray but point to others." The campaign to bring Ray's case to trial was initiated by the Rev. James Bevel, Dr. King's direct action coordinator, who was at the Loraine Motel on April 4, 1968, when King was shot.

The judge, apparently out of respect for the notion of "victims' rights," permitted the members of King's family to participate in the hearing, despite the opposition of the state prosecutor, and the fact that they had never previously appeared before the court.

## U.S. Senator inspects German maglev technology

Sen. John H. Chafee (R-R.I.), chairman of the Senate Committee on Environment and Public Works, met on Feb. 17 with senior representatives of Thyssen Industries, the German producer of the magnetic levitation (maglev) train system, and also took a ride on the experimental Transrapid maglev installation in England. Chafee presides over a special Senate commission which is to formulate legislation for the future development of transportation infrastructure in the United States.

The legislation is to be presented this autumn, and voted on next spring. While there are no definite decisions yet, a source at Thyssen told *EIR* that several U.S. maglev projects are under consideration, including an East Coast route from Baltimore to Washington, D.C.; and a West Coast route from Los Angeles to San Francisco, later to be extended to San Diego and Sacramento. The new Chafee legislative package would replace one passed in 1991, which had already pointed to maglev train systems as desirable options for the future transportation grid of the United States, the Thyssen source said.

**ROBERT REICH**, President William Clinton's former labor secretary, told the Senate Budget Committee on Feb. 12, that government investments are "directly related to the productive capacity of the country in the future. . . . That's why governments from the dawn of time have been worried about transportation systems. That's why . . . we pioneered, more than any other industrialized country in history, public investments in education . . . [and] public investments in science and technology, particularly basic research and development."

**RICHMOND**, Virginia's City Council voted unanimously Feb. 10 to support an "investigation of the role of the CIA and other agencies in allegedly financing covert operation through the sale of drugs in neighborhoods throughout Los Angeles to finance Iran-Contra operations." Earlier, the St. Louis City Council passed a similar measure naming George Bush among the targets for investigation.

**THE FARM JOURNAL** slanders Lyndon LaRouche, in its February issue, wailing that the successful opposition to the Biodiversity Treaty was "inflamed" by a document "written by Roger Maduro, an associate of the conspiracy theorist Lyndon LaRouche. LaRouche is the man who believes Queen Elizabeth of Britain is involved in the drug trade." The *Journal* is owned by the Tribune Broadcasting Co., which also owns the *Chicago Tribune*.

**SEN. JOHN GLENN**, Ohio's senior senator, has announced that he will not seek a fifth term next year, leaving this coveted Democratic seat up for grabs.

**THE FBI'S** crime laboratory is again under scrutiny for sloppy handling of evidence. The Justice Department has informed 50 prosecutors nationwide that their cases could be affected by the problem.

## Editorial

### *Africa, conscience of the world*

That degenerate Sir Henry Kissinger, who professed his fealty to the British Foreign Office while he was U.S. secretary of state, was fond of saying that the nations of the Southern Hemisphere were irrelevant to history. Such a brutish outlook is common among geopoliticians, and professionals, who acclimate themselves to the genocide which has been carried out on the continent of Africa over the past decades, and is being carried out today. What has to be clear, is that we tolerate this genocide at *our* peril.

Africa today is like Hitler's Germany of the 1940s; it is the test of the world's conscience. If citizens, if nations, will do nothing to stop the genocide which is destroying millions of innocent people in Africa, they will not be able to summon the moral authority, or will, to save themselves.

Many will say they find the situation "too complicated" to act. This is pure obfuscation. The policy to depopulate Africa, and turn it once again into a game park for the British upper classes, and their friends, has been in process since at least the time that the African nations started to receive their nominal independence, back in the early 1960s. The policy took many forms: denial of development credits, the formation of World Wildlife Fund game preserves, the arming and counterarming of neighboring nations and ethnic groups, and the rape of the entire continent through International Monetary Fund conditionalities.

From the U.S. side of this deliberately genocidal policy, Kissinger was a key player. His National Security Study Memorandum 200, which dubbed countries with rapid population growth, and growing use of raw materials, as potential "threats" to U.S. security, targeted three key African nations—Nigeria, Egypt, and Ethiopia. This was supplemented by the George Bush League, with its policy of creating armed mercenary gangs and countergangs.

The outcome of these U.S. policies, by de facto British agents, played directly into the British plans. They, too, riddled the continent with mercenary groups, with ethnic separatism and "democracy" movements, and with huge corporate land grabs. To the direct British advantage, is the fact that 17 of the

nations on the African continent are members of the British Commonwealth Empire, and therefore under the policy thumb of the British oligarchy.

More rapidly than anywhere else in the world, Africa has reached the stage of total collapse in the face of this supranational political and economic onslaught. Countries such as Zambia and Zimbabwe are disintegrating under economic starvation. Others, such as Sudan, Rwanda, and Zaire, are being bled by the concerted assaults from British Commonwealth agents, such as Uganda's President, Yoweri Museveni.

Strategically, this flood of bloodletting may seem to mean little; *morally, it means everything.*

What must happen *now*, is a full-scale American rebuff to the British-backed invasions, and to the IMF genocide. Already, through the course of the 1970s and 1980s, tens of millions were killed in Africa by IMF conditionalities and starvation—many times more than Hitler. Now, the line must be drawn.

The opposition to the necessary policy will come in a number of forms. On the one side, there are those predators who want to join the British imperialists in clearing out the population, and creating nice little resorts on Lake Victoria. On the other, there are filthy mouthpieces for cultural relativism, who claim that we should back the British puppets, like Museveni, because the relevant foundations are paying for their own culturally relativist curricula.

But our biggest obstacle is *indifference*. The fate of Africa, of the African people, is not a matter of concern to the majority of the populations of the industrialized nations. The *passion* for establishing justice, for uplifting mankind, for defeating evil, has been abandoned by the majority of our citizens. The passion for *agapē*, which is expressed so eloquently, and truly, by St. Paul in *I Corinthians* 13, has been dissipated, leaving most people numb and dumb in the face of those oligarchical operatives with a passion for evil.

As in Hitler's time, we must once more arouse the passion to do good, to *save* Africa. Only by arousing our conscience on Africa, will we prevent Africa from being our future, and save ourselves.

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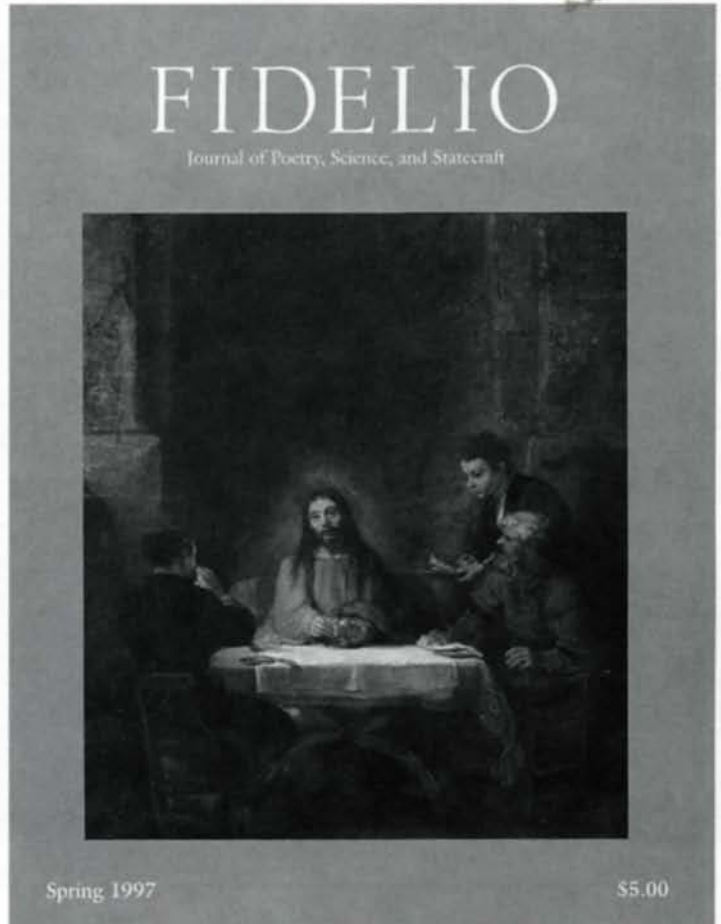
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