

EIR

Executive Intelligence Review

March 7, 1997 • Vol. 24 No. 11

\$10.00

'D-Day' looms for IMF system
Starr in new conflict of interest scandal
Bush-Salinas cartel under attack in Mexico

**Electricity deregulation threatens
America's economy and security**



FIDELIO

Journal of Poetry, Science, and Statecraft

Publisher of LaRouche's major theoretical writings

Feature articles in the Spring 1997 issue:

Time To Put This Country On the March Once Again

by Lyndon H. LaRouche, Jr.

'Martin Luther King understood the message of Genesis, that *every man and woman is made in the image of God*. . . . He saw the Civil Rights movement as a means of restoring this nation to what Lincoln knew it had to become. That was the power of the Civil Rights movement—to give meaning to the Declaration of Independence and the Constitution.'

Life, Liberty, and The Pursuit of Happiness: How Leibniz's Natural Law Concept Inspired America's Founding Fathers

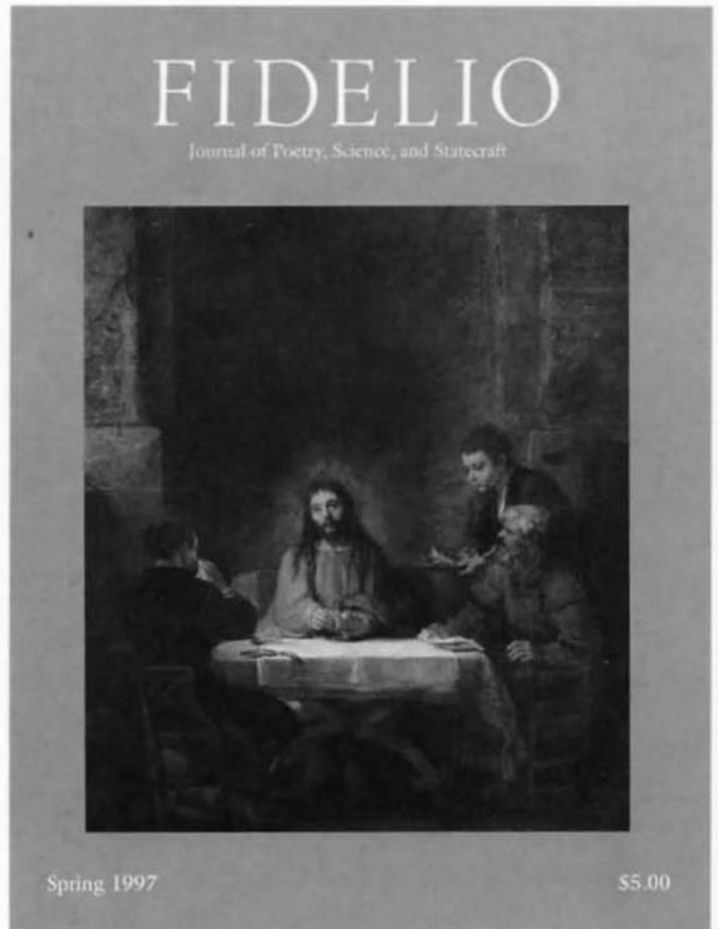
by Robert Trout

The Confederate Legacy Of Thomas Jefferson

by Richard Freeman

Gottfried Wilhelm Leibniz—The Unity of The Churches, and Russia

by Dr. Ambrosius Eszer, O.P.



Sign me up for FIDELIO \$20 for 4 issues

NAME _____

ADDRESS _____

CITY _____ STATE _____ ZIP _____

TEL (day) _____ (eve) _____

Make checks or money orders payable to:

Schiller, Institute, Inc.

Dept. E P.O. Box 20244 Washington, D.C. 20041-0244

Founder and Contributing Editor:

Lyndon H. LaRouche, Jr.

Editorial Board: Melvin Klenetsky, Lyndon H. LaRouche, Jr., Antony Papert, Gerald Rose, Dennis Small, Edward Spannaus, Nancy Spannaus, Jeffrey Steinberg, Webster Tarpley

Associate Editor: Susan Welsh

Managing Editors: John Sigerson, Ronald Kokinda

Science Editor: Marjorie Mazel Hecht

Special Projects: Mark Burdman

Book Editor: Katherine Notley

Advertising Director: Marsha Freeman

Circulation Manager: Stanley Ezrol

INTELLIGENCE DIRECTORS:

Asia and Africa: Linda de Hoyos

Counterintelligence: Jeffrey Steinberg, Paul Goldstein

Economics: Marcia Merry Baker, William Engdahl

History: Anton Chaitkin

Ibero-America: Robyn Quijano, Dennis Small

Law: Edward Spannaus

Russia and Eastern Europe:

Rachel Douglas, Konstantin George

United States: Kathleen Klenetsky

INTERNATIONAL BUREAUS:

Bogotá: José Restrepo

Bonn: George Gregory, Rainer Apel

Buenos Aires: Gerardo Terán

Caracas: David Ramonet

Copenhagen: Poul Rasmussen

Houston: Harley Schlanger

Lima: Sara Madueño

Mexico City: Hugo López Ochoa

Milan: Leonardo Servadio

New Delhi: Susan Maitra

Paris: Christine Bierre

Rio de Janeiro: Silvia Palacios

Stockholm: Michael Ericson

Washington, D.C.: William Jones

Wiesbaden: Göran Haglund

EIR (ISSN 0273-6314) is published weekly (50 issues) except for the second week of July, and the last week of December by EIR News Service Inc., 317 Pennsylvania Ave., S.E., 2nd Floor, Washington, DC 20003. (202) 544-7010. For subscriptions: (703) 777-9451. World Wide Web site: <http://www.larouchepub.com> e-mail: eims@larouchepub.com

European Headquarters: Executive Intelligence Review Nachrichtenagentur GmbH, Postfach 2308, D-65013 Wiesbaden. Otto von Guericke Ring 3, D-65205 Wiesbaden, Federal Republic of Germany Tel: (6122) 9160. Homepage: <http://www.eirna.com> E-mail: eirna@eirna.com Executive Directors: Anno Hellenbroich, Michael Liebig

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

In Mexico: EIR, Río Tiber No. 87, 5o piso, Colonia Cuauhtémoc, México, DF, CP 06500. Tel: 208-3016 y 533-26-43.

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

Copyright © 1997 EIR News Service. All rights reserved. Reproduction in whole or in part without permission strictly prohibited. Periodicals postage paid at Washington D.C., and at an additional mailing offices.

Domestic subscriptions: 3 months—\$125, 6 months—\$225, 1 year—\$396, Single issue—\$10

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

From the Managing Editor

In our June 24, 1994 issue, Lyndon LaRouche delivered his Ninth Forecast, in an article entitled “The Coming Disintegration of the Financial Markets.” The sanity test for economics and central banking officials, he said, “consists of but one crucial question: *Prove conclusively that the near-term disintegration of the presently bloating global financial and monetary bubble is unstoppable by any means alternative to governments acting to place the relevant institutions into bankruptcy reorganization.*” That forecast has been right on the mark. And today, a growing number of individuals and institutions recognize the accuracy of that forecast.

Some, such as *China Urban Finance*, the Beijing publication of the Industry and Commercial Bank of China (p. 6), acknowledge LaRouche’s expertise in these matters publicly. Others, behind the scenes, are preparing contingencies for the disintegration, including the White House Working Group on Financial Markets (p. 7). In *Economics*, LaRouche updates this picture, in “D-Day Looms for IMF System,” and gives a strategic overview (*Feature*), in his speech to the ICLC-Schiller Institute Presidents’ Day conference.

The crucial point, as LaRouche outlined in an interview with the radio program “EIR Talks” on Feb. 25, is, “*How do we ensure that the United States survives the death of the IMF?*” There are those who “will throw the whole nation into the bailout attempt, even if it kills the nation,” he said. “Others will think about trying to save the nation, and not the IMF system, or not Wall Street.” President Clinton must convene a New Bretton Woods conference, LaRouche said. “I would hope that he comes to that time of decision adequately prepared, and that the people to whom we have to turn, both in our country and abroad for cooperation for appropriate measures, also come to that meeting, at that time, prepared.” And, that is our job.

In *Physical Economy*, in the first of such reports on strategic vulnerabilities in the U.S. physical economy, we examine the threat of electricity deregulation.

The British-led international oligarchy, meanwhile, is not idle, and there is a renewed threat of terrorism. LaRouche addresses this threat in the *Editorial* (see also, pp. 52 and 67).

And, a Schiller Institute delegation saw the evidence of the British-instigated invasion of Sudan first hand (p. 50), which we will publish more about next week.

Ronald Kokinda

EIR Contents

Book Reviews

57 Harvard's Huntington promotes descent into barbarism

The Clash of Civilizations and the Remaking of World Order, by Samuel P. Huntington.

Departments

15 Report from Bonn

War on globalizers and union-bashers.

72 Editorial

British terrorism in Africa

Photo and graphics credits:

Cover, The Aluminum Association, Inc. Page 11, EIRNS/Christopher Lewis. Pages 8, 27, 30, 31, EIRNS/John Sigerson. Pages 21, 28, Tennessee Valley Authority. Page 24, EIRNS/Philip Ulanowsky; inset, Department of Energy. Pages 33, 59, EIRNS/Stuart Lewis. Page 35, EIRNS/Birgit Vitt. Page 45, EIRNS/George Hollis. Page 47, Library of Congress Prints and Photographs Division; Inset, EIRNS.

Physical Economy



An aluminum tower, holding aluminum electrical transmission cable aloft.

18 Clinton orders study of infrastructure vulnerability

The newly established President's Commission on Critical Infrastructure Protection will not only examine the security aspects of our nation's lifelines, but, now, also the economic threats to its well-being.

20 Electricity deregulation threatens the nation's economy and security

A look at one of the United States' strategic vulnerabilities. Far from lowering rates and increasing competition, the proposed "Electric Consumers Power to Choose Act of 1997," would further shut down industries and increase prices. A report by Marsha Freeman.

Economics

4 'D-Day' looms for IMF system

A rapidly dwindling number of people continue to deny the truth of Lyndon LaRouche's 1994 "Ninth Forecast": that the world financial system is already in the process of a global chain-reaction collapse.

Documentation: Chinese publication cites LaRouche on 'financial AIDS.'

7 How to save the markets, but lose the nation, with 'financial futures'

A report on the Senate effort to deregulate the bubble market.

9 The looting of pensions: destruction of the 'German model'

Nowhere is the controversy over the future stability of public pension systems more intense than in Germany. And nowhere has the government been more brazen in its manipulation of Germans' justifiable anxieties.

14 Banking

BIS says derivatives danger growing.

16 Business Briefs

Feature

32 Clinton must call a new Bretton Woods conference

Lyndon LaRouche gave a strategic overview of the current situation, in his keynote to the Feb. 15-17 conference of the Schiller Institute and International Caucus of Labor Committees. We are now in depression "hard times," he said, as evident from the acknowledgment of high-ranking officials in finance and government that a systemic collapse of the global financial and monetary system is imminent, and by the emergence throughout the world of political mass strikes. Never before in history has the opportunity presented itself for us to rid the world of the post-industrial succubus, or face an unimagined maelstrom of collapse.

42 Urge Clinton to convoke new Bretton Woods

The "Appeal to President Clinton to Convoke a New Bretton Woods Conference" voted up by acclamation at the conference, and being circulated internationally.

International

48 Salinas-Bush cartel under attack in Mexico

The arrest of Jesús Gutiérrez Rebollo, the director of Mexico's National Institute to Combat Drugs, far from testifying to "continuing corruption" and other media-spouted nonsense, bespeaks the Zedillo administration's commitment to clean up the holdover drug networks of the Bush-Salinas era.

50 Sudan is the target of foreign invasion, U.S. delegation finds

A first-hand report from the Schiller Institute delegation to the war zone rips the cover from the lies of Baroness Cox, et al.

52 New British terror offensive unleashed throughout Mideast

Two overtly terrorist Egyptian groups have received permission to open public relations and fund-raising offices in London.

55 Mass murder of refugees in Zaire revealed

A Belgian eyewitness report of massacres carried out in eastern Zaire by the Rwandan-Ugandan-Burundian military force behind Laurent Kabila's "rebels" has been submitted to the UN Security Council.

56 Bush told Robertson, 'Get into Zaire'

62 International Intelligence

National

64 Starr's brazen corruption: payoff from Mellon Scaife

A beneficiary of the largesse from "get Clinton" moneybags Richard Mellon Scaife, the Whitewater special prosecutor is a walking conflict of interest.

66 Balanced Budget Amendment defeated

67 New round of British low-intensity warfare

68 Congressional Closeup

70 National News

'D-Day' looms for IMF system

by Lyndon H. LaRouche, Jr.

Feb. 27, 1997

The reference, in the most recent issue of the Beijing publication of the Industry and Commercial Bank of China, *China Urban Finance* (see *Documentation*), to certain crucial similarities of views between two of the world's best-known economists, "the well-known American economist Lyndon LaRouche" and France's Nobel Prize economist Maurice Allais, typifies the recent months' profound, ongoing shift in thinking, among leading political and economist circles from all continents.

Until recently, even during the 1996 U.S. election-campaign period, among most leading nations, not all, but a majority of leading circles would have joined hands to oppose the theses published since August 1994, in the widely-circulated *LaRouche's Ninth Forecast*:¹ as additional documentation supporting that forecast has been significantly updated in the Jan. 1 edition of *Executive Intelligence Review*, and later locations, since.² It is the first-hand knowledge of this writer and his associates, that, recently, among the highest-ranking, relevant circles in a number of leading nations, only a rapidly dwindling minority still refuses to acknowledge the fact, that the world financial system is already in the process of a global chain-reaction collapse. The question today, is "What do we do about the oncoming financial crash?"

1. Lyndon H. LaRouche, Jr., *The Coming Disintegration of The Financial Markets* (Leesburg, Virginia: *New Federalist*, August 1994) (See also, *EIR*, June 24, 1994.)

2. Lyndon H. LaRouche, Jr., "We Are at the End of an Epoch," address to a conference of the International Caucus of Labor Committees, Eltville, Germany, Dec. 2, 1995 (see *EIR*, Jan. 1, 1996).

Despite that growing agreement on diagnosing the severity of the patient's sickness, no consensus has been reached in prescribing medication. Yet, despite the disagreements over choices of medication, most current leading opinion, so far, can be assorted among four types of policy-options.

1. Preparations for the short-term: Let us construct our war-plan for controlling events on the day either the New York financial market collapses in panic, or the collapse of the banking system of some leading nation, sets off a systemic, global chain-reaction.

2. Hysteria: We must throw everything, including U.S. Congressman Phil Crane's proverbial kitchen-sink, into the markets, to defend the present financial system, at whatever cost. This second option, is typified by the report which former Senator Sam Nunn reported, to *Aviation Week*,³ as the commitments of a bi-partisan group in which he had participated.

3. Whatever comes, this nation and its people must survive: A third option asks: What must be done, to be certain that "our nation" (such as the U.S.A.), and also our citizens' pensions, do not go down the sewer, together with a doomed Wall Street? This type of thinking is still the thinking of a small minority, but the view is spreading.

4. Euthanasia for all nation-states: Among some of the wealthiest international financier-oligarchs, the response is: Let the financial system destroy itself in an orgy of "globaloney." When the world's financial system collapses, we will have bought up title to most of those raw materials (interna-

3. Sam Nunn, a speech entitled "Surveying the Strategic Landscape," as reported in the "Aerospace Forum" column, *Aviation Week & Space Technology*, Nov. 25, 1996.

tional food-trade, petroleum, natural gas, precious metals, strategic minerals, and the choicest real estate) on which continued life on this planet largely depends. The wars and genocide which the British Privy Council, its Baroness Lynda Chalker, British war-Lord Caroline Cox, and their Commonwealth, have launched in the "Greater Horn of Africa," typify the raw-materials grabs and build-up of mercenary-based, warlord regimes, which groups such as the cronies of Sir George Bush are conducting, in anticipation of the early day the world financial systems go bust and nation-state governments also collapse.

Only the third option provides any calculable expectation, that civilized life would continue on this planet, much beyond the beginning of the coming century. Without the collaboration among at least some of the world's leading and other powers, in defining and adopting a President-Franklin-Delano-Roosevelt style of approach to global financial reorganization and resumed physical-economic growth, chaos would reign throughout this planet, perhaps for as long as a half-century, or more.

When those facts are taken into account, it is quickly apparent, that, without the appropriate leadership from the United States, no attempt at a rational, post-IMF world economic order would be achievable. That means, that sudden decisions of great pungency and force, must be instituted by the U.S. Executive branch during the remaining years of President Clinton's term of office. In that context, China, today, represents the leading potential partner of the U.S.A., in the effort to ensure that global civilization survives the inevitable doom of what many find it convenient to identify as "the present IMF system." The referenced article from *China Urban Finance*, reflects those currents of China policy-thinking, the which represent some of the most crucial present discussion-partners for the Clinton Administration, world-wide.

Since this writer's televised, Berlin press conference of Oct. 12, 1988,⁴ in which the early collapse of the Soviet economic bloc and reunification of Germany were forecast, the present writer and his associates have been at the center of the international organizing efforts which presently overlap the China government's commitment to an already ongoing process of developing mass-transit-spined, economic-development corridors across the Eurasian continent, from the Pacific and Indian oceans, to the Atlantic coast and into Africa. In China, this projected Eurasian development is identified as "The New Silk Road" projects. Iran has participated in the recent completion of some of the international transportation links. India has recently committed itself publicly to its part in the Eurasian network's development, linking Southeast Asia, including Indonesia, into the rail networks leading into, and from western continental Europe. Other nations have de-

clared interest in aspects of the overall project.⁵

Recently, the present writer has used a number of occasions to put on the public record the outlines of the required global economic-recovery program. Three chief, categorical, and interdependent monetary, financial, and economic components: 1) The preparation for, and convening of what is fairly identified as an emergency "New Bretton Woods System," repealing the failed "floating-exchange-rate monetary system," replacing that self-bankrupted post-August-1971 system with a new monetary order containing the most successful features of the pro-agro-industrial 1946-1966 Bretton Woods agreements. 2) A shared commitment to a global economic-recovery program, premised upon large-scale infrastructure development, and centered around the Eurasian Land-Bridge projects already in their initial implementation. 3) A revival, and mobilization of the strategic machine-tool capabilities of leading industrialized nations, such as the U.S.A., western Europe, the former Soviet Union, and Japan, as part of an integrated process of global participation in the increase of the productive powers of labor through investment in scientific and technological progress.

South and East Asia represent the overwhelming majority of the human population, and therefore the great mass of potential for economic growth during the coming century. Cooperation between China and India, and mutual cooperation with the nations through which they are linked to Eurasian land-routes, is the indispensable key to a global economic renaissance erupting early during the coming century. The future political and economic security of the planet, and of the nations in it, depends absolutely upon such a renaissance.

In this setting, the present writer, as an economist, has come to assume a place in world affairs today analogous to the part played by his Nineteenth-Century predecessors, the American System economists Henry C. Carey and Friedrich List.

Acknowledged: during the 1984-1988 interval, this writer's influence on policy-shaping was set back, temporarily, by the most extensive and savage, politically motivated, fraudulent prosecution and mass-media defamation, ever directed against an international public figure, in the Twentieth-Century history of the United States. This campaign was conducted, largely through a corrupt mass news media, in the U.S.A. and internationally, with more intensity, duration, and scope, than against any personality not a major figure of government. As a result, even still today, there are millions of U.S. citizens who have been so thoroughly brainwashed by a mass-media campaign coordinated through Henry Kissinger, George Bush, et al., that those duped persons react with knee-jerk outburst of baseless, irrational rage, at the mere mention

4. Rebroadcast, as part of a nationwide, half-hour TV election-campaign special broadcast, entitled "The Winter of Our Discontent," on CBS-TV, on Oct. 31, 1988.

5. See *The Eurasian Land-Bridge: The 'New Silk Road'—Locomotive for Worldwide Economic Development, EIR Special Report* (Washington, D.C.: EIR News Service, January 1997).

of the name “LaRouche.”

Nonetheless, despite the lingering effects of that 1980s mass-brainwashing of simple citizens by the habituated liars of the establishment’s mass media, the role of this writer, together with *Executive Intelligence Review* newsweekly, is one of the most important private influences contributing to shaping new economic and strategic thinking, throughout most of the world today. The referenced article in *China Urban Finance*, is a symptom of both China’s emerging world-role, and of the present writer’s role in building a new kind of bridge of collaboration between the U.S.A. and China of the coming years.

China Urban Finance names two of the world’s leading economists warning against the insanity of today’s radically neo-conservative, “globalist” dogmas, two who have warned against the threatened earlier doom of the planet flowing from what have become today’s generally accepted classroom economics dogma. In many nations, significant numbers of economists and related professionals are warning governments of the folly of continuing recent trends in generally accepted economics dogmas. It is the duty of those professionals, to collaborate in assisting their governments, in defining the new policy-options needed to enable the nations of this planet to survive the inevitable and early doom of the present “IMF system.”

Documentation

Chinese publication cites LaRouche on ‘financial AIDS’

The Beijing magazine *China Urban Finance*, put out by the Industry and Commercial Bank of China, published an extensive article titled “Financial AIDS and Its Causal Mechanism,” in its February issue. “Financial AIDS is a metaphor for a great crisis, confronting the world financial and economic system. The main proponents of this analysis are, first, the well-known American economist and founder of *EIR* magazine, Lyndon LaRouche. The main points of his view were summarized in his June 1994 article, ‘The Coming Collapse of the Financial Markets,’ ” the magazine stated.

The second representative is “French Nobel Prize economist Maurice Allais, as shown in his articles published in *Le Monde* and other newspapers.” The term “financial AIDS” was used by French President Jacques Chirac, *China Urban Finance* noted. The article reflects the analysis of *EIR*, plus the magazine’s independent research. Following the analysis of *EIR*, the article noted that there is a split between the real economy and the financial system. The physical economy

should not just be measured by financial issues, but by the potential population density that can be maintained. The government must pay attention to the real economy; free markets must be kept under control, and monetarism avoided. Nations must let the physical economy rule the financial system, not the opposite, it concluded.

The article described how international financial transactions have exploded beyond real trade levels. There is too much flow of capital into short-term, high-risk, high-return “investments.” There is a “snowball effect” of economies jumping into “high-return” investments, with the result that real economic development is slowed down.

The bubble economy has spread from Japan to the entire world, *China Urban Finance* stated. It is “possible in the coming period that a huge financial crisis will explode, with domino effects.” The author stated he is “talking about financial AIDS, not because it cannot be cured, but because I am calling for medicine to be applied.” The author thinks that if the international community, and every national government, can adopt positive measures to control and reform the financial and monetary system, and cooperate in large-scale basic infrastructure construction and modern technology development, then the financial system could serve the interests of economic development. Industrial nations have a major influence on this and have to consider not only internal policy, but the effects on the whole world economy. They should reduce the burden of debt on poor countries and gradually reduce excessive dependence on external capital. Nations have to increase emergency reserves, create an early warning system, increase cooperation to stop the financial crisis at its roots. “To prevent and cure financial AIDS is the responsibility for the entire human race,” the article concluded.

There have been two other notable statements on this theme recently in China. At a conference in early February, the Peoples Bank of China deputy governor Chen Yuan stated that China must learn a lesson from the Mexico crisis of 1995. Mexico had opened its capital markets before the necessary control measures were implemented, and it failed to pay enough attention to productive investment. China must not only open its capital market “step by step,” but also, the opening of capital markets should be based on a powerful domestic economy and be carried out gradually, rather than in haste, Chen Yuan said.

At the end of January, Chinese economist Hu Angang, who has called for developing China’s interior and controlling the Special Economic Zones, proposed taxing speculation to meet national revenue needs. He proposed that the government create “new, exclusive tax resources,” to serve the needs of the economy without taking revenue from local governments. The best source would be “collecting taxes from stocks, bonds, options, and foreign currency,” he said. Hu Angang also proposed centralizing social security systems, investing the money in government bonds, and new value-added taxes on the service sector.

How to save the markets, but lose the nation, with ‘financials futures’

by Marcia Merry Baker

It is now becoming common to hear warnings about the potential for a crash in the financial markets (stock exchange, commodities, derivatives, banking system) somewhere soon. Among the latest, was that of Commodity Futures Trading Commission (CFTC) chairman Brookesly Born, who warned at a Feb. 27 press conference, that “financial scandals” not unlike those at Barings Bank PLC and Sumitomo, will ensue in the United States, if Congress deregulates U.S. trading in “financials futures,” as is now proposed in Senate Bill 257.

On Feb. 26, Federal Reserve Chairman Alan Greenspan uttered the word “bubble.” In his semi-annual report to the Senate Banking Committee, Greenspan referred to “excesses” in the financial markets, saying that, when investors get “irrationally exuberant,” they create “bubbles, which eventually burst.”

But in addition to warnings, attention was focussed in February, through selected leaks to the media, on the role of the President’s Working Group on Financial Markets, and its readiness to handle a financial meltdown. On Feb. 24, the Italian daily *Corriere della Sera* printed an article on “Secret Anti-Crash Plan for Wall Street.” This was a follow-on to Feb. 23 *Washington Post* coverage, “Plunge Protection Team; White House Group Plans to Ensure Any Market Free Fall Is Contained.” The subject of these reports, was: Who belongs to the Working Group, and how well will they operate on short notice?

But all this poses an even bigger question: What are we trying to do? Are we trying to save the markets, or, save the nation? This is the overriding issue, the metric for making decisions on every, apparently separate, policy question.

The bipartisan bill introduced on Feb. 4 in the Senate, to de-regulate much of the U.S. speculation that goes under the rubric “trade in financial products,” is a clear example of the kind of thinking that wants to throw the baby out with the bathwater—and the kitchen sink, too.

Since 1974, when the original 1934 Commodities Exchange Act, governing agriculture and other commodities futures trade, was amended to facilitate speculation in non-agriculture futures, the volume of speculation in these “financials” products has soared. **Figure 1** shows this in terms of the relative numbers of various types of contracts traded annually. The trend of the volume of trading in non-commodity “financials” markets, far exceeds anything even nominally

related to the physical economy, and mirrors the decline of the entire U.S. economy over the past 25-30 years, as we have thoroughly documented elsewhere (e.g., *EIR*, Jan. 1, 1996). From the 1970s to date, rates of investment flows going into U.S. real estate speculation, mergers and acquisitions, and similar activity have soared, while investment in the agricultural and industrial sectors has lagged.

Just what are ‘financials products’?

The statistics for the graph are provided by the CFTC. They document the huge volume of financials futures and options traded on U.S. exchange markets. In 1996, more than one-quarter billion financial futures and options contracts were traded. These markets include the Chicago Board of Trade, the Chicago Mercantile Exchange, the Mid-America Commodity Exchange, the New York Mercantile Exchange, and some other markets. “Financial contracts” comprise investments in futures and options in interest rate instruments (primarily Treasury bond options), currencies, equity index options, and so forth. They are side-bets on purely financial instruments. In 1970, “financial contracts” did not even exist.

Financial contracts comprise almost two-thirds of all exchange traded futures and options; they are not even side-bets against a real commodity, but are pure financial paper. From 1960 through 1970, futures trading was based primarily on agricultural contracts, for forward contractual arrangements for delivery or settlement of goods. But over the 1970s, ’80s, and ’90s, financial contracts came to dominate the futures and options markets, after the era of the Bretton Woods system of pegged exchange rates ended in 1971.

Based on a financial contract’s average notional value in 1993, the 255.5 million financial contracts traded in the United States in 1996 had a notional value of \$167 trillion.

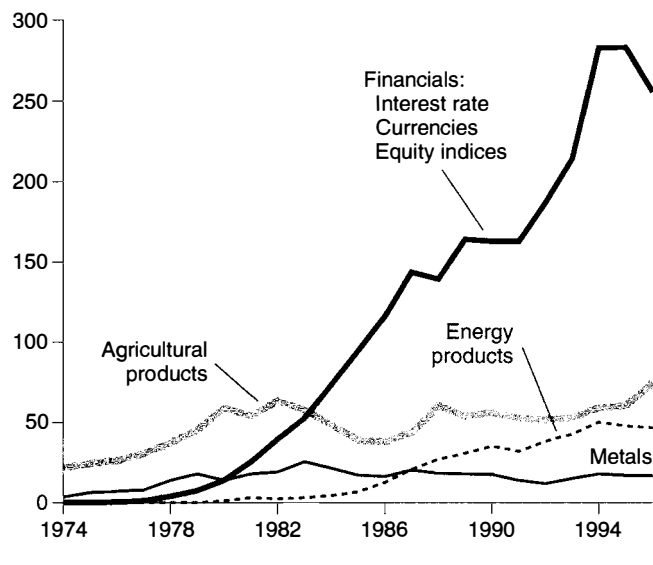
On a global scale, you see the same process, as much of the world has been sucked into the “casino economy” of trillions of dollars of speculation in derivatives, currency exchange rates, etc. The stock markets, and the Dow Jones average itself, are just the most visible part of the global bubble, to the average person.

In opposition to this speculation frenzy, state-level legislative actions have been introduced in Pennsylvania and New Hampshire this year, to raise revenue from transaction taxes on securities transfers, as part of a general mobilization to

FIGURE 1

Financials dominate U.S. futures markets, 1974-96

(millions of contracts traded)



Source: Commodities Futures Trading Commission.

penalize speculation, and to protect and restore real economic functions. The “legislative intent,” as described in the preamble to the New Hampshire bill (House Bill 569-FN-A-LOCAL), is to “provide a disincentive to financial speculative activity destructive to the economic well-being of the citizens of this state.”

How crazy can you get?

In the face of all this, why do the backers of the Senate bill say that deregulation of futures markets is necessary? The most frequently cited reason, is to allow the United States to “compete” with speculation on less-regulated exchanges abroad—in other words, more fuel for the fire. The bipartisan backers of the deregulation proposal include Republicans Phil Gramm (Texas); Richard Lugar (Indiana), chairman of the Senate Agriculture Committee; and, on the Democrat side, Tom Harkin (Iowa), Bob Kerrey (Nebraska), and Patrick Leahy (Vermont).

On Feb. 11 and 13, the Senate held hearings on the merits of its deregulation initiative (S. 257, “Commodity Exchange Amendments Act of 1997”), which has a counterpart in the House. Witnesses included Gay Evans, Senior Managing Director of Bankers Trust International, PLC in London, and chairman of the International Swaps and Derivatives Association, Inc., who praised the proposed deregulation as part of needed “modernization” of futures trading in the United States. Others did likewise, including the Chicago Board of Trade officials themselves.

The new legislation mandates changes that, in the jargon of speculators, would give U.S. commodity exchanges “an enhanced competitive advantage” against foreign exchanges, by allowing “sophisticated investors” to trade freely. The proposed changes would allow U.S. futures exchanges to design “unregulated products,” without regulation, as long as these financial “products” are offered to “institutional and sophisticated” customers (managers of pension funds, mutual funds, and the like), and not the retail trade among the general public.

Federal Reserve Board Chairman Greenspan gave his stamp of approval to the Congressional deregulation drive, in a speech on Feb. 21 in Coral Gables, Florida, to the annual Financials Markets Conference hosted by the Federal Reserve Bank of Atlanta. Although he repeated his now-familiar caveats about “instability” in speculative markets, saying, “There have been occasions when we have been on the edge of a significant breakout,” he nevertheless ended his prepared remarks, “I would note in conclusion that the bipartisan legislation recently introduced in the Senate manifests a willingness to contemplate such fundamental changes in government regulation” as removing regulatory control over derivatives and futures speculation.

At the Feb. 18 meeting of the President’s Working Group on Financial Markets, there was discussion of the S. 257 deregulation bill. The Group includes Treasury Secretary Robert Rubin, Greenspan, SEC Chairman Arthur Levitt, Jr., and CFTC chairman Brooksley Born.

The dissenting position is most often stated by Born. At the Senate February hearings on S. 257, she ridiculed the notion that it is safe to allow so-called “sophisticated” traders to operate in a deregulated way. Born expressed fears that the Senate proposal “would result in pervasive deregulation of the U.S. futures and options markets,” and would mean that “many recent problems, such as Barings PLC’s tradings on the Singapore Exchange, and Sumitomo Corp.’s trading on the London Metal Exchange, could be replicated in the United States.”

In Greenspan’s prepared testimony to the Senate Banking Committee for Feb. 26, in which he warned of the “bubble,” he gave, as an explanation, the standard, economics textbook myth of business cycles—what goes up, must come down. His text stated, “There is no evidence, however, that the business cycle has been repealed.” He added, “Another recession will doubtless occur someday.”

“History demonstrates that participants in financial markets are susceptible to waves of optimism, which in turn foster a general process of asset price inflation that can feed through into markets for goods and services. Excessive optimism sows the seeds of its own reversal, in the form of imbalances that tend to grow over time. When unwarranted expectations ultimately are not realized, the unwinding of these financial excesses can act to amplify a downturn in economic activity, much as they can amplify the upswing,” Greenspan said.

The looting of pensions: destruction of the 'German model'

by William Engdahl

In recent months, one government after another across the industrialized world has taken drastic steps to alter the public pension system, the very basis of social stability established in the depths of world economic depression some six decades ago.

In Britain, the heart of the Anglo-Saxon "free-market" ideology of the past two decades, both Labour and Conservatives are discussing "privatization" of the 1948 national pension scheme. The Institute of Economic Affairs, a think-tank whose members strongly influence the John Major government's policy, recently called for an immediate end to the state pension system.

"Governments of the main European countries are accepting that they will be unable to provide the state pensions they have long promised their people. . . . The system of national insurance for pensions income in retirement is belatedly drawing to its close," the IEA's Arthur Seldon declared. The state pension model must be replaced with "flexible private pensions and other forms of saving. . . . The market must be allowed to devise new methods." British media report that the Labour Party of Tony Blair is in basic agreement with this call for privatization of public pensions.

In the United States, the Congress and the White House have begun a debate over a highly controversial proposal by a Presidential Commission on Social Security Reform. The commission urges that the present Social Security Trust Fund be, all or in part, "privatized." Since the trust fund was reorganized in 1983, it has been accumulating a growing annual surplus, as baby-boomers pay in more than present retirees take out in pensions. The commission proposes that this surplus be at least partly diverted from investing in U.S. Treasury bonds, to "earn" more profit in the booming stock market. Not surprisingly, Wall Street investment banks have been heavy backers of the privatization schemes. They would gain huge profits from controlling those funds, which now, by law, must be invested in U.S. government securities. In 1996, American taxpayers paid in a surplus of some \$165 billion to the fund, whose total is now \$500 billion. By 2012, the cumulative fund surplus is calculated to reach some \$3 trillion. Such proposals for Social Security privatization are a

brazen move to grab more liquidity to pump up the world's greatest speculative bubble, the \$9 trillion U.S. stock market.

In Japan, where the Ministry of Finance holds an iron grip on the government's \$1 trillion public pension fund, the new Hashimoto government has called for reform of the entire pension system, to allow it to earn more by investing in private areas. In France, the Juppé government has recently introduced legislation which would allow 14 million private sector employees to contribute a portion of their income to privately run pension funds, which will invest the money in stocks or bonds, drastically weakening the public pension contribution system.

Almost daily, one after another proposal for dramatic reform or abolition of the existing pension systems of the Organization for Economic Cooperation and Development industrial countries are being made. The OECD has just issued a study of pension systems in its member countries, which calls for "reduced spending on pensions by government compensated by a stronger private role." The International Monetary Fund has just published a paper on the pension systems of the Group of Seven and other industrial countries, which concludes that to avoid a major funding crisis in the next century, governments in many countries must "reduce the excessive generosity" of present pension systems.

The fraudulent pension debate

Nowhere is the controversy over the future stability of public pension systems more intense than in Germany. And nowhere has the government been more brazen in its manipulation of the fears and justifiable anxieties of its population.

Just one year ago, Labor Minister Norbert Blum was adamant that the German Public Pension system was sound, and that no "contribution tax" increase above the 19.2% of an employee's gross wage level was needed. Quietly, after regional elections had passed, Blum announced an increase to 20.3%, as of Jan. 1, 1997.

Now, after a cynical phony debate, which portrayed Blum as the champion of the pensioners past and future, against ruthless, tax-hungry Finance Minister Theo Waigel, who proposed a large tax on pension payments, it seems all but certain

that the most significant slashing of pension benefits and increase of contribution demands since the 1891 founding of the German pension system, will become law.

The latest Blum “reform” is the result of a commission set up by Blum last June, with a mandate to propose how to finance Social Security Retirement obligations of the population into the next century, in the face of dramatic demographic changes, in order to “secure the contract between generations,” that is, the financing by the generation at work today of their elders in retirement.

The Blum Commission was made up of a mix of private and government interests, including the adviser to the Finance Ministry, Rolf Peffekoven; Deutsche Bank management consultant Roland Berger; Meinhard Miegel, of the Institute for Economics and Society; former Finance Minister Hans Matthöfer; and representatives of the Association of German Social Security recipients and the National Insurance Agency for Employees. Otmar Issing of the Bundesbank was a guest participant.

Three weeks ago the commission presented its proposal. The upshot is that Germans covered under the Social Security Retirement system will pay much more Social Security Tax, from 19.2% last year, up to 22.9% into the next century. At the same time, the pension they will receive will be cut drastically, from 70% of a worker’s final net salary or wage, at retirement, down to 63%, a 10% reduction in benefits. To further cut costs, benefits for working people forced to retire because of work-related disability will be slashed by half. In addition, the plan proposes a new fund, to be controlled by Waigel’s Finance Ministry, the “Family Savings Fund,” which is to take revenue from a new tax that will bring in DM 17 billion (\$10 billion) annually. Ostensibly, this fund will build a surplus beginning now, in order to finance the retirement of baby-boomers in 15 years or so.

The crisis is in economic policy

The argument made by Blum is that dramatic demographic changes—people live longer, and younger Germans have many fewer children today—make equally dramatic measures urgent. This is not true.

There is today no fundamental crisis in the German Social Security system, and, above all, no crisis in the demographic assumptions it contains. The crisis is in the Bonn government’s economic policies, especially since German unification and the 1992 Maastricht Treaty on European Monetary Union dictated serious changes in government finances and policy.

The last major reform of the Social Security system took place in 1992. At that point, based on the argument of changing demographics, the rate of contributions was significantly increased and the rate of calculating a worker’s pension was changed from 70% of his gross last wage, to 70% of his “net” after-tax wage, a significant reduction. According to SPD social expert Rudolf Dressler, that 1992 reform will secure

the financing of Social Security Retirement benefits at the 70% level “until the year 2030. Until then there is no reason for any fundamental change of the present system.”

As recently as January 1995, the German Association of Pension Insurance Policyholders, released a thorough study it had commissioned from the consulting firm Prognos AG, the group which had prepared the demographic and cost estimates in 1987 for the 1992 Social Security reform legislation. The mandate was to see how the 1992 reform was working and whether any major changes were required. The study concluded that, indeed, the system was solvent and that no major changes were needed. It stated that the demographic problem was solvable within the present system, and that no major new system was required. That situation has not altered in any major way in the past two years.

Why, then, such an attack on the very foundation of the state’s pension system? Here we must look behind the curtain to see the government’s catastrophic economic policy. The pension funds are being secretly looted to cover gaping and growing budget deficits, largely in order for Germany to be able to claim a 3% public deficit, a prerequisite for joining the European single currency by 1999.

The Finance Ministry’s tax fraud

While the eyes of the nation have been riveted on the trial of Peter Graf, father of the world tennis star, by the government for tax fraud, the greatest tax fraud in German history continues to this day largely ignored. This is the stealing of up to 30% of the annual Social Security Tax contributions of employees and employers by the German Ministry of Finance, under the legal loophole category of expenses for *versicherungsfremde Leistungen*, or, expenses unrelated to Social Security Retirement benefits (described below). Waigel’s office refuses to divulge exact figures on the total annual sum involved, but private informed estimates indicate the size is staggering, as we shall see.

According to another study by the German Association of Pension Insurance Policyholders in 1995, this is an entirely political problem, massive in scope, and deliberately concealed from the public by the government. According to the study, the combined sum for Social Security Retirement, Medicare, and Unemployment Insurance diverted into the category *versicherungsfremde Leistungen*, amounts to DM 170 billion (\$100 billion) per year.

This DM 170 billion gap must be covered, in order to maintain even the static level of mandated benefits in the state Social Security obligations. The federal government, which caused the diversion of allocated funds of DM 170 billion, however, according to the study, compensates the various Social Security and other funds via a so-called “government contribution,” by only DM 70 billion per year. This means that some DM 100 billion per year must be paid by someone other than the state, to maintain the present Social Security system. For the Social Security system alone, according to



Germany is about to implement the most significant slashing of benefits and increase in contributions since the 1891 founding of the pension, or Social Security, system. The problem is not caused by dramatic demographic changes, but the government's bad economic policies and looting of the pension system. Here, a German pensioner cares for a child; they are both paying for such policy mistakes.

estimates of *Der Spiegel* magazine, this deficit not covered by Waigel's Finance Ministry in 1996 was DM 57.5 billion. And, as unemployment grows, the deficit grows with it.

Who pays? Employees and companies in Germany, through 50-50 payment of a higher Social Security Tax. Why does Waigel's ministry carry out such manipulations? Because it forces the cost off the balance sheet of the federal budget (good for Maastricht goals), onto the private sector. But seven years of such manipulations have created a self-aggravating crisis which is destroying the very industrial base of Germany.

The prospect of more such soaring labor "benefit" costs for workplaces is triggering a flood of foreign investment by German companies in such cheaper-labor places as Poland, Hungary, and China. The present 4.7 million unemployed is a direct result of such dangerous government budget manipulations. The government's practice of "financing" the *versicherungsfremde Leistungen* by a Social Security Tax on those paying into the system, instead of by a general tax on the total population which benefits from the program, creates, in effect, a one-sided penalty against jobs and job creation.

Because it is not a direct tax, however, politicians can tell voters they won't raise taxes, and will even cut taxes, as the present government has done. That is worse than a fraud, because these fiscal manipulations have jeopardized the very fundament of the entire German state pension system, the implicit social contract which has bound citizens and the state since the modern postwar Social Security system was reformed by Adenauer in 1957.

A German citizen who works hard his entire life to have a secure retirement, no longer has any guarantee, any "contract of generations," that he will have any pension in 20 or

30 years, after paying in for all those years at a sum of 22% or more. Why?

A temptation too great

Versicherungsfremde Leistungen are defined as obligations of the German Social Security system, which have nothing to do with the original "Generation Contract." The original contract simply calls for those working today, to directly pay the pension of those eligible recipients today. The state has the role to guarantee the smooth functioning of this, and to oversee the system, no more. This is called a "pay-as-you-go" system.

But, step by step, the government has raised Social Security Tax contribution levels beyond that needed to pay current pension levels, and dipped into the growing Social Security fund surplus to pay completely unrelated expenses. Today, the federal government takes an estimated 35% of total Social Security Tax income for *versicherungsfremde Leistungen*, purposes other than direct Social Security payments. But, it compensates that only by some 20% of the 35%, leaving a deficit in the *versicherungsfremde Leistungen* of some 15% yearly, which has to be covered, eventually, by higher taxation of employees and employers for Social Security, the tax on gross or pre-tax wages. This deficit, or uncovered sum amounted to some DM 57 billion alone in 1996, and is growing rapidly.

The various categories of *versicherungsfremde Leistungen* which are paid each year out of the Social Security system include:

- Obligations as a result of war: This includes DM 22 billion yearly for refugees who had to flee the east after the war, as well as those who came over during the existence of

the East German regime and now get western-level pensions, although they had paid in to the East German system.

- Schooling or training time after age 16 (trade school, etc.): DM 14 billion.

- Early retirement compensation (that is, an early pensioner who has not paid in for enough years, but still gets a pension). Each person going off employment into early retirement adds a double burden to the Social Security system, because he is no longer paying in, but rather taking out: DM 13 billion.

- Compensation for the time of on-the-job training: DM 7 billion.

- Labor-market-forced pension: Those who are unemployed before pension age.

- East Germany Social Security Equalization: compensation for those getting pensions in East Germany who require a supplement to meet western German levels after unification.

- Since Jan. 18, 1996, the federal government and parliament approved payment of pensions for 35,000 German-speaking Jews now living in Israel and the United States who suffered under the Nazis. Eighty percent of the cost will be paid out of the Social Security Fund.

This is only a partial list. The essential point is that these costs, while in and of themselves generally things which the state should support, are not being paid for by the state. The costs instead are being dumped into the Social Security Fund—that is, on the shoulders of employees and employers, who have to pay the tax, 50-50 into the Social Security Fund.

This represents a systematic plundering of the Social Security Fund by the Finance Ministry and the government, for purposes which they would otherwise have to put on the budget directly and seek appropriation for through taxation of the overall population instead of only those directly working and paying the Social Security Tax.

There is no independent oversight body responsible to represent the fiduciary integrity of the DM 331 billion annually paid to the Social Security Fund, and its administration. The Finance Ministry, which has been looting the fund in the first place, alone has the oversight, a bit like the proverbial fox guarding the hen house.

The *versicherungsfremde Leistungen*, not compensated by specific federal government contribution, is arguably a violation of the Federal Constitution as well. Article 14 of the Federal Constitution guarantees Social Security payment. The systematic plundering of the fund by the state for its *versicherungsfremde Leistungen*, and the refusal of Bonn's Finance Ministry to fully compensate that depletion with offsetting government payments, represents an unconstitutional expropriation of the legal wealth of the insured population as well as of the pension recipients. That expropriation can be measured each time the Social Security Tax level is increased.

Were the system, as most citizens believe it to be, and as it was intended, under the "Generation Contract," the 32.4 million working population contributing into the Social Secu-

urity system today would finance the pensions of today's 19 million Social Security retirees, almost 4 million of whom are from the former East Germany. The only role of the state, would be to guarantee the proper functioning of this process, and to supervise its administration.

If the German Social Security system were run on that strict basis, unburdened from *versicherungsfremde Leistungen*, it is estimated that, today, the tax rate on employees' gross wages, as well as employer contributions, would stand at some 14% of pre-tax earnings or even lower, instead of the present 20.3%. Moreover, the system likely would be actuarially sound for years to come at that level, without endangering projected pension benefits, according to the estimates by Prognos AG.

Funds taken for other purposes

Especially since 1989, the Finance Ministry has systematically looted the contribution income for other, largely unrelated purposes, usually to avoid fighting for direct on-budget appropriation for those items. After unification, that looting of the Social Security Fund has increased enormously, partly to hide the huge unification costs taken on by Bonn off-budget.

It has been estimated that from 1980 to 1990, the total of such *versicherungsfremde Leistungen* which has been dumped onto employees and their employers, was a cumulative total of DM 389 billion (\$230 billion), paid out of the employee and employer contributions to the Social Security Fund over those years. That is, if we take the total paid in to the fund, and deduct the so-called federal added contribution, we are left with a deficit of DM 389 billion for 1980-90 in the fund. That deficit has been financed simply by regular increases in the Social Security Tax rate paid by employees and employers.

Since unification, this deficit escalated dramatically. In 1993, the amount of *versicherungsfremde Leistungen* not covered by Government Contribution, left a deficit of DM 33 billion. In 1996, it had reached an estimated DM 57 billion. From 1990 to the end of 1996, an estimated DM 251 (\$148 billion) additional deficit has arisen in the Social Security Fund, a deficit which has not in any way been covered by mandated federal government payments. This, added to the earlier DM 389 billion, means a total of DM 640 billion (\$377 billion) cumulative deficit since 1980.

This cumulative deficit of DM 640 billion is the real "crisis" of the Social Security system, and the reason its reserves have disappeared. Only a few years ago, it was the practice that the Social Security Fund would have a minimum "reserve" on hand equal to two years' payout to pensioners. That gradually fell to one year's payout. Then it was reduced by Bonn to two months, then one month, and today it is zero.

Because the burden of financing the *versicherungsfremde Leistungen* does not fall on the general 80 million population but on a far smaller base of the 32 million employed, the costs for new employees put pressure on firms to drastically "down-

size” and go outside Germany to add new production capacity, destroying the competitive base of the German economy.

The role of Germany’s anglophile finance

The major German banks have lost no time in attempting to profit from this scandal. The “Big Five” banks (Deutsche Bank, Dresdner, Commerzbank, Hypo Bank, and Bayerische Vereinsbank) in conjunction with Allianz and its joint partner, Münchener Re, form a cartel of financial interests, the heart of what, since the assassination of Deutsche Bank chairman Alfred Herrhausen in late 1989, has become the “British faction” in German policy today, an Anglo-Saxon-style “free-market” finance power.

Into the crisis created by the systematic looting and overloading of the Social Security system, prompted by the Maastricht Treaty for European Monetary Union, and uncompensated *versicherungsfremde Leistungen*, this private financial cartel, the Big Five banks and the insurance giants, are moving to de facto “privatize” the Social Security system to their benefit.

This financial group, which is also the locomotive behind Maastricht and the drive for a European single currency, is using the anxiety and fears of the population, to stampede them into buying their supplemental pension insurance privately. Each of the banks has special private Social Security Funds.

Playing on the growing fear that the state system will go bankrupt, the banks have created investment fund companies to convince families that private savings for retirement, via these banks, is the only way to secure their pension in 20 or 30 years.

Deutsche Bank recently issued an article by its chief economist, Norbert Walter, which was mailed to the hundreds of thousands of bank clients and depositors. It was an analysis of the state Social Security system over the coming 40 years, illustrated with a graphic designed to instill panic. The actual numbers of pensioners and contributors given, however, were not at all accurate.

Walter blamed all on demographics, ignoring the real issue. He declared that Germany’s “demographic fair weather period is coming to an end. In the coming 10 years we have a brief pause for breath.” But then the demographic shock will come, when the baby-boomer generation retires, and there will not be enough young working to support their pension in 20-25 years. He predicted a tax level for Social Security-insured working people by 2030 at 30% of gross wages, as well as a huge increase in the state Health Care Insurance Tax. “The state will be forced, at the latest in 15-20 years,” Walter said, “to dramatically sink the pension level as well as dramatically raise the eligible age to get a pension, well above 65.” That process has already begun.

Walter continued, “More and more citizens will attempt to get out from under the forced payment into the Social Security and Health Insurance systems. They will turn to off-the-books work, new forms of employment relations or self-

employment. . . . The state can manage only a portion—the responsibility for one’s financial future in the coming years will go more and more from the responsibility of the state onto that of the individual citizen. Self-initiative is demanded.”

To emphasize its message, Deutsche Bank mailed out a flyer titled, “With Only Social Security You Won’t Get So Far.” It stated, “As an average earner today, you can count on, at best, having a pension of at most 45% of your last gross wage.” The bank offers its services for a private Deutsche Bank investment plan.

Several years ago, Deutsche Bank created a new insurance affiliate, Lebensversicherungs-AG, which offers such investment retirement plans. As well, Deutsche Bank has DWS, Germany’s largest investment fund group. DWS president Christian Strenger recently stated to the London *Financial Times*: “Governments in Germany and the rest of Europe can hardly provide full pension coverage in the future for their citizens. We are keen to develop our fund business for retirement purposes.”

Dresdner has a similar fund affiliate, Deutscher Investment-Trust (DIT), as does Commerzbank, Hypo, and Bayerischer Vereinsbank. Through their central lobby group, BVI, these bank-owned investment funds are pushing in Bonn for schemes to encourage more people to place their savings in these funds. As the *Financial Times* put it: “DWS and its competitors are not acting out of altruism. They see big opportunities from pension fund business if the right incentives are created. In the U.S. for example, retirement funds play a large part in mutual fund business.”

The EU Commission in Brussels is also working hard on a new EU-wide rule, titled “Freedom of Management and Investment of Funds Held by Institutions for Retirement,” the so-called “Internal Market for Pension Funds.” Today such private pension funds, mostly in the U.K., hold assets worth more than DM 2 trillion. The goal is to change national laws and restrictions, especially in Germany, to allow private pension fund investment to become part of the casino economy on a Europe-wide scale, with virtually no controls or restrictions. Through such massive manipulations, governments are, in effect, trying to prop up the global speculation bubble a few months longer, at the cost of destroying the confidence of their own population.

The fact that nearly every major industrial government in the world is, in one form or another, debating such draconian measures to dismantle or privatize their basic public pension systems, only underscores a larger point. There is no adequate quick-fix or band-aid patch-up of this present global monetary and financial system. Wrong fundamental economic policies over the past quarter-century, since at least the collapse of the Bretton Woods system in August 1971, have expanded the cancer of financial speculation at the expense of the real physical economy and living standards of the broader population. The “pensions crisis” is merely another term for the thorough bankruptcy of the present system.

BIS says derivatives danger growing

According to figures released in a new report, the French banking system nearly disappeared in 1995.

For the last two years, the Bank for International Settlements' (BIS) Basel Committee on Banking Supervision and the International Organization of Securities Commissions have released surveys of the derivatives activities of 67 banks and 12 securities firms in 11 countries. Although these surveys look only at selected institutions, and do not measure total derivatives activity in the countries, they provide an interesting glimpse into international derivatives flows and holdings.

In 1995, the institutions in the survey held derivatives with an aggregate notional value of \$69.3 trillion, an increase of \$6.7 trillion (11%) over the \$62.6 trillion in 1994. However, the 1995 list contains two banks which were not on the 1994 list, one of which, Sumitomo Bank, had \$1.6 trillion in derivatives. That a bank with such a large derivatives portfolio was not included in the 1994 statistics, shows the shortcomings of the list as a measurement of global derivatives totals.

Reliable figures are difficult to obtain, given the desire of banks and regulators to downplay the dangers of the speculative bubble, but *EIR* estimates that the current global derivatives total is actually in the vicinity of \$100 trillion; *EIR*'s estimate for 1995 was \$75 trillion.

Among individual nations, the United States dominated derivatives activities, with \$23.1 trillion, or 30% of the total. Of that, \$16.3 trillion were held by 10 commercial banks, and another \$6.8 trillion by 10 investment banks. Chase Manhattan Corp.,

thanks to its merger with Chemical Banking Corp., led all institutions on the list, with \$4.8 trillion in derivatives, with second place going to J.P. Morgan, with \$3.4 trillion. Citicorp was fourth, with \$2.6 trillion, and Salomon, Inc., the top investment bank on the list, with \$1.7 trillion, was fifteenth overall.

Japan finished second among nations on this deadly list, with \$11.5 trillion in derivatives among eight banks and two securities firms. Leading the pack was the world's largest bank, the Bank of Tokyo Mitsubishi, with \$2.9 trillion, and third place overall. Second among Japanese banks was the Industrial Bank of Japan, with \$2.1 trillion, followed by Fuji Bank with \$1.9 trillion, Sumitomo Bank with \$1.6 trillion, and Sanwa Bank, with \$1.5 trillion. Altogether, the eight Japanese banks on the list had \$11.3 trillion, and the two securities firms had just \$240 billion.

Next on the list comes the British Empire, with a combined total for the United Kingdom and Canada of \$10.7 trillion. The eight U.K. banks on the list had \$7.4 trillion in derivatives, led by National Westminster with \$1.9 trillion, Barclays with \$1.6 trillion, HBSC (the infamous Hongkong and Shanghai) with \$1.5 trillion, and Lloyds Bank, with \$1.4 trillion. Six Canadian banks made the list, with a total of \$3.3 trillion, led by the Royal Bank of Canada with \$929 billion, and the Canadian Imperial Bank of Commerce, with \$880 billion.

Over the past several years, international regulators and bankers have kept the system afloat through a re-

markable series of bailout operations, including the 1994 "Mexican" bailout package, and the \$500 billion "Japan" package in 1995. During the same period, U.S. Federal regulators seized control of Bankers Trust, whose derivatives operation had gone completely wild. These rescue operations were only nominally aimed at specific countries—they were actually attempts to contain a *systemic crisis*. That process also was under way in France, whose banking system has for several years been teetering on the brink of vaporization.

In 1994, Société Générale of France had the largest derivatives exposure of any bank in the BIS survey, with \$3.3 trillion, and France was second only to the United States in total derivatives exposure, with \$11.7 trillion.

While every other country in the survey saw a rise in derivatives holdings in 1995, the derivatives holdings of the French banks on the list fell dramatically. The derivatives portfolio of Crédit Lyonnais (whose doors are open because of a string of government bailouts) dropped an astonishing 47%, measured in French francs, from FF 9.8 trillion (\$1.8 trillion), to FF 5.2 trillion (\$1.1 trillion); likewise, the derivatives portfolio of Crédit Commercial de France dropped 44%, Crédit Agricole dropped 32%, Société Générale dropped 29%, Paribas dropped 20%, and Banque Nationale de Paris dropped 13%. Only one French bank on the list, Union Europeene de CIC, saw a rise in its derivatives holdings, of 29%. Overall, the eight French banks on the list saw their derivatives holdings drop FF 16.5 trillion (26%), from FF 62.4 trillion to FF 45.9 trillion, in 1995. In dollar terms, the drop was \$2.3 trillion (20%), to \$9.4 trillion.

Those figures indicate a meltdown in progress.

War on globalizers and union-bashers

Mass layoffs of German construction workers are provoking protests and growing radicalization.

The speech that Klaus Wiesehuegel, chairman of the German construction workers union, gave on Feb. 22 before the "Frankfurt Circle," a select group of left-wing Social Democrats, made waves in the press here. And, indeed, what he said there was "unprecedentedly radical," to the extent that he took the world market speculators and globalizers head-on. He termed their system of finances "perverse," and called for a transaction tax (modelled on the proposal of Prof. James Tobin for a 0.2% tax on financial transactions) to collect revenues for the creation of new jobs.

Wiesehuegel warned that more government budget-cutting would unleash grave social conflicts and mass strikes. "This is indicated by the recent labor fights in Spain and France. But even more important, it seems to me, is the strike in South Korea, which is revealing a new self-confidence of workers," he said.

"Without the development of such self-confidence in the threshold countries, the European labor unions would only be able to engage in defensive battles. International solidarity is gaining a new, perhaps for the first time at all, a real, political meaning," Wiesehuegel said.

This is not just "radical talk," as the media portrayed it, but a reflection of a genuine political radicalization of the German labor unions, especially among the construction workers, who, with 200,000 jobs lost, had the biggest share of the dramatic increase of the nation's jobless of 500,000 in January. The IGBSE, the construction workers union, decided to escalate its protests beyond the regular, but meaningless,

roundtable chats with the government in Bonn. On Feb. 22, the IGBSE staged a march in Dresden, and instead of the 2,000 who had been expected, more than 5,000 turned out. The march brought downtown traffic to a standstill, and when the authorities brought in more riot police to contain the protest, the situation came close to a clash between workers and police. This would have been a novelty in postwar German labor conflicts.

Several hundred thousand workers have lost their jobs, which in many cases are then taken by workers—mostly foreigners, but also Germans—who work for a fraction of the average wage of a German construction worker. Bernd Honsberg, a spokesman of the IGBSE who marched in Dresden, explained to this author on Feb. 22, that what is going on in the construction branch, what the union is mobilizing against, is "the degeneration of a whole sector into a slave-holder situation."

As he said, using the term "slave-holder economy," is not at all exaggerated, but refers to cutthroat practices that attract foreign workers who are paid far below the usual dumping wage levels, and which force low wages increasingly upon German workers.

An IGBSE survey carried out last autumn in the region around Chemnitz, revealed that about 80% of the German construction workers there were employed at wages 15% below average. And the conditions of the foreign workers there, who work for 20-30% or less than what a German worker would get, "defy any attempts to even describe them," Honsberg said. His union has detected construc-

tion sites in the region of Berlin-Brandenburg, that pay workers from Poland or the Czech Republic wages of 2.50 to 3.50 deutschemarks (\$1.55-2.00) per hour, whereas pay for a regularly-employed German worker would be at least DM 15 (DM 17 in western Germany). In one case, Czech workers were paid DM 0.95 per hour. And, in some cases involving deregulated Portuguese "construction firms," the IGBSE had to step in with emergency funds, to ensure that the Portuguese workers, who had not received any pay for months, at least received some money.

Deregulation policies that have penetrated the European Union from the late 1970s on (when Margaret Thatcher took power in Britain), have created a network of corruption and crime in the EU construction sector, causing a shift from regulated contracts at decent rates, toward methods of subcontracting which encourage firms to employ workers for only three or four months a year, with the unions frozen out. Wages are visibly decreased, and standards for the employer, at least in Germany, such as paying for workers' mandatory health insurance, are violated more and more. Meanwhile, 420,000 German construction workers, one-third of the employed workforce, are without a job, and their only chance of employment, is to accept wages visibly below standard rates, close to the slave wages paid to Portuguese, Irish, English, or Polish workers—of which there are now up to 500,000 in Germany working for the most part on illegal, short-term wage contracts.

The IGBSE, which "does not fight the workers but the system," as Honsberg emphasized, plans to hold vigils in front of select construction sites, to make labor's voice heard, and to recruit the foreign workers there, to a unified campaign for increased wages.

Business Briefs

Romania

'Shock therapy' program launched

Romanian Prime Minister Victor Ciorbea presented the government's "shock therapy" program in a live televised speech on Feb. 17, Omri reported. He said that 3,600 state companies will be privatized in 1997; companies which are unprofitable will be closed or auctioned off. The government expects a rise in unemployment to about 8%, from the current 6%. The decision to implement this insane program was made after President Emil Constantinescu travelled to Brussels to discuss Romania's entry into so-called European structures.

A social program negotiated with the International Monetary Fund is supposed to "compensate" those most affected by the measures—more than 10% of the GDP will be channelled to this program. As the carrot, the IMF has agreed to use some \$400 million to "help the needy," and over the long term, Romania is to receive \$1 billion from international lenders.

All prices, with the exception of bread, are to be immediately liberalized (i.e., will rise dramatically), and the state budget will make only very limited provisions for subsidies. State-owned agricultural land is to be privatized, and all banks are to be gradually privatized. Ciorbea said he expects inflation, currently 90%, to fall to 30% by the end of the year.

Labor

Italian unions ready fight against wage cuts

Italy's big labor federations have scheduled a "protest for employment" on March 22, a one-day general strike, in response to the latest government proposals for wage cuts, which came with delivery of a new report by the Brussels European Union Commission, that calls for deregulation and regional diversification (i.e., cuts) in wage levels.

On Feb. 15, Central Bank governor Antonio Fazio called for broad-scale deregula-

tion, and a linkage of incomes to productivity rates. The unions rejected such proposals as totally inappropriate in the current depression, when many industrial firms are not even struggling for improved productivity, but rather, for their very survival.

Fazio admitted that more than 1 million jobs were officially lost during 1992-96, because of fiscal austerity after the lira devaluation and the Clean Hands technocratic revolution, with the application of the *Britannia* policy of privatizations and budget-balancing measures. However, Fazio proposes as a solution, total "flexibility" of labor, tying wages to "productivity." As a model, he indicated the recently concluded national metalworkers contract, where for the first time the unions accepted a net nominal loss of wage increases against inflation.

China

State-owned economy in urgent restructuring

Debt restructuring of the Chinese state-owned economy is an urgent project, because of the heavy debts of state enterprises and the rising ratio of bad loans from state banks, the Beijing newspaper *Jingji Cankao Bao* reported on Oct. 31, 1996, according to the Foreign Broadcast Information Service of Feb. 13. Pilot work in certain cities was begun in January 1996, said Dr. Wu Tianlin, director of the Production System Department of the State Restructuring Commission. The policy is to combine debt restructuring with investment of increased capital, and to clarify the property rights of state-owned enterprises.

Wu stated that debt restructuring should focus on existing flexible assets of the state-owned economy, and explore new ways to revitalize it. He is proposing the following measures:

- "Loans for allocation" should be changed to "investment for loans." Funds earmarked for establishing banks in a pilot city, and for infrastructure construction, should be considered as the government's input of capital in the city's trust and investment company. This company should act as an agent of the government to perform the

function of state-asset investor and convert the debts incurred as a result of "loans for allocation" to the capital of stocks.

- Money borrowed on behalf of financial departments' and enterprises' overdue local tax payments should be considered as capital invested by the state. State-asset management organizations should act as the investor and change debts into stocks. Investment provided by employees should be changed to internal shares held by employees.

- Long-term, stable payments between enterprises closely linked in production, should be changed, through consultation, to the capital of shares, so that corporations may hold each other's shares.

- Interest charges should be stopped for some bad debts.

- Banks' bad debt reserve funds should be used to write off some bad debts.

The National Administration of State Property reported that the asset-liability rate of state-owned enterprises in China was 58.4% in 1990, but rose to 71.7% in 1993. As of 1994, the asset liability rate of 123,900 state-owned enterprises was at 75.05%. In addition, there is a large proportion of bad debts owed to state banks. The Production System Department of the State Restructuring Commission reported that the bad debt rate of state-owned enterprises and the bad asset rate of specialized state banks are both more than 20%. In the debt structure of state-owned enterprises, more than 65% are loans from state banks and roughly about 65% of their debts are bad debts.

Bulgaria

The 'worst is still to come,' under IMF diktat

The German daily *Süddeutsche Zeitung* reported on Feb. 20 that while hardships are severe, "the worst is still to come for the Bulgarians. Already in autumn, the IMF [International Monetary Fund] had demanded that all the fiscal, monetary, and currency policy be placed under the command of a currency board. Now this is being accepted by all political forces in Bulgaria. It seems, that only a few of them are able to imagine what such

Briefly

a financial dictate will mean." Hundreds of thousands will lose their jobs, the daily said, doubling the official unemployment rate, now at 13%.

Heating of apartments has become impossible due to the "hyperinflation of more than 300%," and "the majority of the 9 million Bulgarians are now freezing and starving." Every day, there are extended queues at all the 30 recently established soup kitchens in Sofia, and more and more old people are living on whatever they can scrounge up out of garbage cans. "The strikes have ended, but the economy is still shut down. . . . The state is bankrupt, de facto it is insolvent."

On Feb. 18, new price hikes were instituted, and fuel prices almost tripled. Prime Minister Stefan Sofiyanski said drastic hikes were the only way to stabilize the economy. Officially, fuel will sell for 850-1,130 leva per liter (30-40¢), while the black market price is 10-30% higher. Fuel shortages continue to leave public transport and road traffic paralyzed throughout the country.

In 1996, more than half of the budget went to paying interest on the foreign and domestic debt, Vanyo Konsulov, from the Economic Institute of the Bulgarian Academy of Sciences, said on Feb. 18. Expenditures on national defense were barely 30%; on wages and salaries, 42%; and on social security, 37%, of 1990 levels.

Trade

Iran sets deals with Central Asian nations

Iran continued to increase its trade relations with Central Asian nations, undertaking major new initiatives with Turkmenistan and Kazakhstan in February.

Iran and Turkmenistan signed five economic cooperation agreements related to building railways, dams, gas and oil pipeline networks, and commerce and environmental protection, which will affect Central Asia and the Economic Cooperation Organization (ECO) nations, the Iranian daily *Ette'la'at* reported on Feb. 17. In a joint communiqué issued after their meeting, Iranian President Ali Akbar Hashemi Rafsanjani and Turkmenistan President Saparmurat Ni-

yazov endorsed the ECO plans formulated in Ashkhabad, Turkmenistan, for regional natural gas pipelines and transportation systems.

Also, on Feb. 15, the third Iran-Kazakhstan joint economic cooperation commission opened in Teheran, on transport, oil, petrochemicals, and metals. Kazakh Minister of Transportation Yuriy Lavrinenko, who co-chaired the meetings with Iranian Minister of Mines and Metals, Hussein Mahlouji, voiced his country's willingness to cooperate with Iran in oil, petrochemical industries, and tourism. He stressed that the Kazakh government attaches special importance to expansion of ties with Iran, and added that the commission can provide a solid ground for long-term mutual economic cooperation. The volume of commercial trade between Iran and Kazakhstan surpassed \$100 million in 1996, a 30% increase compared to the previous year.

Philippines

'Tiger' label exposed, as infant deaths soar

"Despite the 'tiger economy' hype, malnutrition sends more Filipino pre-school children into premature graves than in even poorer countries like Egypt, Kenya, Tanzania, or Zimbabwe," the Feb. 13 *Manila Standard* reported in an article entitled "'Economic Tiger' Hype Blurs High Toll from Infant Deaths." The article summarized the results of a recently released World Bank-Asian Development Bank report on early childhood development.

The article reported that the "entigered" Philippines has an infant mortality rate of 57 per 1,000, while one in five households are "haunted by food insecurity," with especially serious iodine and vitamin A deficiencies and protein-energy malnutrition. Based on annual budget figures, Manila spends only \$7.80 for every pre-schooler, 40% below the minimum needed. And, although 99% of Filipino children are enrolled in school, only 68% of grade one entrants complete elementary schooling.

It was the World Bank which started the hype about the "economic tigers," with the 1993 release of its "East Asian Miracle" report (see *EIR*, Feb. 7, pp. 33-44).

JORDANIAN engineers staged a sit-in on Feb. 22, and threatened a nationwide strike over pay demands. The union said the government is not being serious about its promise last October to reach a solution within three months. The engineers say their salaries are lower than 10 years ago, in real terms.

FUJI BANK has opened the first major joint venture in Myanmar, the Jan. 30 *Asia Times* reported. Fuji, one of the world's largest banks, opened the Fuji-Yoma Bank with Yangon's Yoma Bank, raising expectations of increased Japanese investment in Myanmar.

SINGAPORE, which played a leading role in scuttling the Kra Canal project, was accused by Thailand Deputy Prime Minister Montri Phongphanit of bribing an "influential politician" to scrap the plans for a new international airport, the *Bangkok Post* reported on Jan. 31. Prime Minister Yongchaiyut Chavalit had cancelled the airport the week before.

RUSSIA will have to go through "a decade or two of zero growth," and the generalized take-down of its defense industries, because it has no choice under current policies decided by Western governments, Stanislaw Gomulka, a pro-IMF former adviser to the Polish Central Bank and currently at London School of Economics, told *EIR* on Feb. 19.

UGANDA has "one of the lowest life expectancies in the world," the German magazine *Entwicklung und Zusammenarbeit (Development and Cooperation)* reported in January, corroborating reports first published in *EIR*. Life expectancy, 45 years in 1993, has dropped to 37, mainly because of AIDS, which infects an estimated 10% of the population.

THE NILE BASIN ministerial conference on water and peace was held on Feb. 22-24 in Cairo, Egypt. The meetings discussed 22 projects worth \$100 million for studies for the development of Nile resources.

Clinton orders study of infrastructure vulnerability

by Jeffrey Steinberg

President William Clinton has established a high-powered commission to study the nation's critical infrastructure vulnerabilities, and report its findings by Oct. 15, 1997. The President formally launched the initiative on July 15, 1996, when he signed Executive Order 13010, establishing the President's Commission on Critical Infrastructure Protection.

Although the commission was initially established in response to the World Trade Center and Oklahoma City bombings, as well as the sarin gas attacks on the Tokyo subways, its mandate is far broader than to respond only to the ongoing threat of high-tech terrorism. According to Nelson McCouch, a spokesman for the commission, anything that could result in a "debilitating national effect" on the country's vital infrastructure—whether it be a terrorist act, a natural disaster, or a lack of infrastructure maintenance or improvement—falls within the commission's purview.

EIR to publish studies

To assist in this White House initiative, *EIR* will publish a series of studies on the breakdown of crucial components of our national infrastructure. In this issue, our first study, on the potential collapse of the national electrical power grid, documents that the far more insidious threat to national economic security, comes not from actions of terrorist groups, but from the past 30 years' adoption of deindustrialization, deregulation, radical environmental quackery, budget-balancing, and the glorification of the "free trade," "free market" system, as cornerstones of "post-industrial" U.S. national policy.

The post-1966 "paradigm shift" to these insane policies has eroded virtually every component of vital national infrastructure, to the point that the entire physical economic superstructure of the United States is on the verge of collapse. The

biggest terrorist threat is from the "cult of the free market," which has come to increasingly dominate official thinking in Washington, D.C., especially during the Reagan-Bush era.

The continuing accommodation to deregulation and free market policies by the Clinton administration (as our study on electrical power deregulation shows), is tearing away at the very infrastructure that the commission is mandated to defend. As *EIR* Contributing Editor Lyndon LaRouche has argued for years, those free-market policies need to be scrapped, in favor of a return to the kind of Hamiltonian, dirigist policies that built the nation's infrastructure.

What the Executive Order mandates

Executive Order 13010, which was amended on Nov. 13, 1996, began with the following statement: "Certain national infrastructures are so vital that their incapacity or destruction would have a debilitating impact on the defense or economic security of the United States. These critical infrastructures include telecommunications, electrical power systems, gas and oil storage and transportation, banking and finance, transportation, water supply systems, emergency services (including medical, police, fire and rescue), and continuity of government. Threats to these critical infrastructures fall into two categories: physical threats to tangible property ('physical threats') and threats of electronic, radio-frequency, or computer-based attacks on the information or communications components that control critical infrastructures ('cyber threats'). Because many of these critical infrastructures are owned and operated by the private sector, it is essential that the government and private sector work together to develop a strategy for protecting them and assuring their continued operation."

EO 13010 detailed the functions of the commission, and established an Infrastructure Protection Task Force within the Department of Justice and chaired by the FBI, to immediately upgrade the security of the nation's critical infrastructure. The Department of Defense and the National Security Agency were also named as lead agencies on the task force, which is assigned, among other things, to "detect, prevent, halt, or confine an attack and to recover and restore service; issue threat and warning notices in the event advance information is obtained about a threat; . . . and conduct after-action analysis to determine possible future threats, targets, or methods of attack."

A high-powered team

One measure of the seriousness which President Clinton has attached to this initiative is the personnel who have been tapped to serve on the commission. In December 1996, President Clinton approved the appointment of Gen. Robert T. Marsh (ret.) as the full-time chairman of the commission. General Marsh retired from the U.S. Air Force in 1984; his last assignment was as commander of the Air Force Systems Command, which is responsible for aerospace research, development, testing, and acquisitions. He subsequently has served as director of a number of military-industrial companies, including the Thiokol Corp. and the MITRE Corp.

In January, the President appointed three prominent administration figures to the commission's steering committee: Deputy Secretary of Defense John White, Deputy Attorney General Jamie Gorelick, and National Security Adviser Sandy Berger. A fifth member, probably from Vice President Al Gore's office, is expected to be appointed shortly. President Clinton is also in the final phase of appointing 15 members of an advisory committee, to be made up of presidents and chief executive officers of major U.S. corporations involved in the critical infrastructures, according to McCouch.

The commission itself is financed by the Department of Defense, and Pentagon personnel are providing the logistics and support for the commission's work. The Executive Order also established that the commission's work will be conveyed to the President via a "Principals' Committee," comprised of the secretaries of the Treasury, Defense, Commerce, Transportation, and Energy; the Attorney General; the Director of Central Intelligence; the directors of the Office of Management and Budget and the Federal Emergency Management Agency; and the Assistants to the President and Vice President for National Security Affairs.

We are vulnerable

One of the first announcements that the commission was up and running occurred on Jan. 16, 1997, at a conference sponsored by the National Consortium for Genomic Resources Management and Services (GenCon), titled "Improving U.S. Capabilities for Defense from Bioterrorism." The all-day seminar, chaired by GenCon President Thomas W.

Frazier, brought together nearly a hundred government and private sector experts on biological warfare and related subjects, for a non-classified evaluation of the nation's preparedness to deal with a bio-terrorist attack. An earlier GenCon conference had taken up the broader question of marshalling the necessary resources to track and respond to new outbreaks of infectious disease.

At the conference, Brenton C. Greene, the Director of Infrastructure Policy at the Office of the Undersecretary of Defense for Policy, and a member of the commission, delivered a brief, but hair-raising summary of the vulnerability of the country's vital infrastructure to both terrorist attack, and breakdown, due to lack of adequate maintenance and investment. He singled out the pending deregulation of the country's electrical power grid as a nightmare, given the overall lack of redundancy in our power-generating capacities and delivery systems, and cited the summer 1996 western states' blackout as a harbinger of far worse electrical power failures, that he foresees will occur in the immediate future.

A broad mandate

According to both McCouch and Greene, following the Oklahoma City bombing, the Department of Defense and the Department of Justice established a Critical Infrastructure Working Group (CIWG) to make immediate recommendations for improving the security of the nation's vital infrastructure. After the June 1996 bombing of the U.S. military housing complex at Dhahran, Saudi Arabia, Joint Chiefs of Staff Chairman Gen. John Shalikashvili also created a special counter-terror unit within the JCS to develop specific intelligence and operational plans for better securing U.S. military forces posted around the world.

The CIWG delivered a report to President Clinton at the end of 1995, recommending that the President establish a commission to develop plans for dealing with the broader question of infrastructure vulnerability.

The commission has announced a series of five public hearings, in different parts of the country, to draw in testimony from business and government officials. The first hearing will take place in Los Angeles City Hall on March 13, to be followed by hearings in Atlanta, Houston, St. Louis, and Boston, one per month. Recently, commission chairman Marsh also held meetings in New York City with leading officials in the banking community and other business leaders.

According to commission spokesman McCouch, the final recommendations to the President should be far-reaching. The commission expects to develop a series of specific proposals for "hardening" vulnerable infrastructures, making other technological improvements, and, where necessary, introducing system redundancy. All of these plans, he acknowledged, will be costly. Therefore, the commission is already discussing various possible funding mechanisms, ranging from tax credits, to the establishment of an investment bank to provide credits for technological improvements.

Electricity deregulation threatens the nation's economy and security

by Marsha Freeman

On Feb. 10, Rep. Dan Schaefer (R-Colo.) introduced into the Congress, the “Electric Consumers Power to Choose Act of 1997,” H.R. 665. Two days later, Schaefer and House Commerce Committee chairman Tom Bliley (R-Va.), led a “rally” in front of the Capitol to try to organize support for the bill. H.R. 665 would deregulate electricity production, mandating that by no later than Dec. 15, 2000, each customer will have the right to purchase retail electric energy services from any person offering to provide such services. This “freedom to choose” supposedly will lower the cost of electricity to all consumers—but, *caveat emptor* (let the buyer beware). The rally speeches were reminiscent of those of the proverbial snake oil salesman, peddling a cure-all product that entices his audience with fantastic promises; in the end, however, the salesman has their money, while the credulous buyers are left only with promises.

The claims of the deregulation proponents about the benefits that will come from “competition” in the electricity industry, are truly breathtaking. Representative Bliley told the rally that consumers would see their electric utility bills fall between 15 and 43%. Schools would be able to hire more teachers and buy more books and computers, Bliley said, if only their electric rates were reduced. Hospitals would be able to reduce the cost of health care, if only they could stop paying such exorbitant rates for electric power, and so on.

Nowhere do the deregulation proponents report that since 1982, U.S. electricity rates have actually *fallen* by 25%, as a result, largely, of the drop in fuel prices, thus giving lie to the assertions that wildly escalating costs for electric power are causing the economic ills of society.

In reality, the proposed anarchistic tearing down of the existing regulations—which have created the most reliable *and* the least expensive electricity system in the world over the past 60 years—is a potential threat to the economic health, and the national security, of the country, as has been pointed out by the President’s Commission on Critical Infrastructure.

The road to deregulation

The road to deregulate the nation’s electric utility industry, both publicly and privately owned, began in the Carter administration of the late 1970s, when, in order to promote the administration’s anti-nuclear, environmentalist agenda,

utility companies were forced to buy electricity from “independent” producers who used renewable sources of fuel, such as solar, wind, and biomass, no matter how expensive the power produced was.¹

Deregulation was accelerated through further legislative initiative five years ago, when the Congress mandated that utility transmission systems be open to equal access by all producers. This allowed utilities to buy power from any other producer in the nation, and to use the transmission system to “wheel” that electricity through the interconnected grid system.

Already, these first steps—using the electricity system to encourage the use of “alternative energy” sources, and allowing the utilities to use the transmission system to “save money” by using other company’s cheaper power—diminished the ability of the industry to ensure that there is universal access to adequate supplies of electricity, and decreased the reliability of the nationally integrated electric grid system.

Now, what is on the agenda of Wall Street and other financial interests, multinational natural resource-grabbing conglomerates, and the elected representatives who become, wittingly or unwittingly, spokesmen for these interests, is to put the more than \$250 billion per year in revenues from the sales of electricity at the disposal of speculators, who have already grabbed the resources of savings and loan banks, pension funds, and other assets of working Americans.

Proponents of electricity deregulation, who hope to get their hands on this pot of gold to keep their international speculative bubbles from bursting, try to sell deregulation to the public by claiming that electricity is just another “commodity,” like pork bellies, or precious metals. They point to a drop in prices from the deregulation of trucking, the airlines, natural gas, and telecommunications as precedents, without mentioning: that many rural citizens now have little or no access to airline travel; that shortages of natural gas popped up last winter when it was cold, raising the price, and forcing utilities to burn more expensive oil; or that the deregulation

1. See *EIR*, Oct. 6, 1995, “Deregulating the U.S. Electric Utilities: The ‘Kill Factor,’” by Marsha Freeman, for a comprehensive discussion of the history of the push for deregulation, and cause of the price differential in electricity in various regions of the country.



A parade in Tupelo, Mississippi, celebrating the town's signing of a contract (the first town to do so) with the Tennessee Valley Authority to get electric power, in 1934.

of the banking system led to the bailout of bankrupt savings and loans institutions, at a cost of \$250 billion to the American taxpayer.

The loudly touted benefits of deregulating the electric utility industry are a chimera. More important, turning an extremely sophisticated and highly integrated system—which requires the most intricate coordination on a minute-by-minute basis by trained experts—into a small group of competing, “diversified” self-interests, will destroy the quintessential requirement of electrical energy: *reliable, universal availability*.

Why electric utilities were regulated

In September 1932, during his election campaign, Franklin Delano Roosevelt made a speech in Portland, Oregon, before an audience of 8,000 people, in which he said: “Electricity is no longer a luxury. It is a definite necessity.” The private utility companies, FDR said, had been allowed “to get around the common law, capitalize themselves without regard to actual investment . . . and sell billions of dollars of securities which the public had been falsely led into believing were properly supervised by the government. . . . The public has paid and has paid dearly and is now beginning to understand the need for reform after having been fleeced out of millions of dollars.”

Once in the Oval Office, Roosevelt promulgated legislation to regulate the finances and service of the electric utilities, established the Tennessee Valley Authority and the Rural Electrification Administration, to bring electric power to customers who were considered “unprofitable” by the private utilities, and made the federal government responsible for the interstate trade in electric power.

To understand what brought an industry—which had been the great project of Thomas Edison and teams of scientists, inventors, and entrepreneurs—to bankruptcy and disgrace, it is useful to examine one man, Samuel Insull, who, although made the scapegoat of what had been widespread abuses throughout the industry, nonetheless exemplifies why a necessary public good, such as electricity, cannot be in the control of Wall Street financial interests.²

In 1890, Thomas Edison merged his company with the Thomson-Houston company. Thomson-Houston had recently “invented” the idea of the holding company, which would subsume individual corporate entities. Because the firms in this new electrical industry needed an extraordinary amount of capital to build generating plants and transmission

2. See “Leibniz, Gauss Shaped America’s Science Successes,” by Anton Chaitkin, in *EIR*, Feb. 9, 1996, for the history of the science which led to the development of electrical technology and the utility industry.

and distribution networks, the holding company was an attractive mechanism to allow them to acquire financial resources. In those early days of the industry, companies needed \$4 to \$6 of capital to produce \$1 of annual gross revenue. The holding company established by Thomson-Houston, United Electric Securities (later General Electric), accepted the utilities' "unattractive" bond securities as collateral for bond issues of a larger company, allowing the utilities to attract additional financing.

In 1892, financier J.P. Morgan pushed Thomas Edison out of the emerging electric generation and distribution business, and set up the General Electric Company.

A young fellow named Samuel Insull had come to the United States from England to serve as Edison's administrative secretary. In 1892, after Edison "merged" with J.P. Morgan, Insull left Edison's employ and became the president of the Chicago Edison utility. He adopted the holding company structure pioneered by Morgan, establishing Middle West Utilities in 1912.

When he transferred his utility companies to the new parent holding company, Insull inflated the value of the stock tenfold, in order to release yet more stocks and bonds; at the same time, he raised prices to consumers. There being no constraints on this new industry, by 1916 Insull controlled 118 power systems operating in nine states.

Because of the capital-intensity of the electric industry, and the unbridled rates that could be charged through financial houses, the greatest cost to electricity consumers in this period was the financing charges on capital investment, which could be simply passed along to customers. One-third of all corporate financing during the 1920s was issued by private power companies. Nationally, there were 1.75 million utility stock and bondholders.

By the 1920s, Insull and 15 other holding companies controlled 85% of the nation's electricity, of which they had gained control through a process of consolidations and mergers. Between 1922 and 1927, the holding companies swallowed more than 300 small private companies *each year*.

In the late 1920s, the House of Morgan tried twice to take over the *entire* electric power industry; by setting up the United Corporation in 1929, Morgan became the dominant force in the industry. Even through the collapse of the physical economy of the 1920s, which led to the stock market crash, there was a dramatic growth in demand for electricity. By 1928, two-thirds of American homes had access to this labor-saving technology.

According to the 1986 book by Richard Rudolph and Scott Ridley, *Power Struggle: The Hundred Year War Over Electricity*, the stock market crash of 1929 was in no small part fueled by speculation on huge volumes of utility stocks. For example, Insull's Commonwealth Edison stock went from \$202 in January 1929, to \$450 in August, and Insull's Middle West Utilities went from \$169 to \$529 in the same period. "In the 50 days ending Aug. 23, Insull's securities appreciated at

'round the clock' rates of \$7,000 a minute," they state.

Rudolph and Ridley report, "In another scheme, Howard C. Hopson, the head of AG&E and a rival of Insull's, exchanged ownership of a block of stock 37 times in 30 days among subsidiaries, in order to inflate the value several times over." But even after 1929, investors did not want to give up the cash-cow electric utilities. After the stock market crash, Insull's investment brokers continued to buy and sell power company stock in an effort to keep prices up.

By the late 1920s, sixteen holding companies, run by financiers who saw the opportunity for short-term speculative profits and building pyramids of assets, controlled 85% of all of the nation's power supply. They also held controlling interests in the nation's railroads and street cars; coal, ice, and water companies; banks and real estate firms; and operations in South America, Eastern Europe, and the Philippines.

But Samuel Insull and the Wall Street speculators' days were numbered. By April 1932, Insull faced the largest bankruptcy in history. The holding companies had gotten into debt to the banks, in an attempt to finance their money-losing operations after the stock market crash. They had put up an increasing amount of securities as collateral. On April 16, when Middle West Utilities was placed into receivership by its Wall Street creditors, it controlled 239 operating companies, 24 holding companies, and 13 other subsidiaries.

By 1934, the default on 19 Insull properties represented nearly \$200 million in obligations. The losses for investors holding stocks in the companies was estimated at between \$500 million and \$2 billion. Eight months later, Central Public Service went into bankruptcy. By 1935, more than 90 electric and gas companies had fallen into receivership. Industry-wide, there were between 3 and 5 million stockholders, who, as Franklin Roosevelt had explained it, had gotten "fleeced." Insull fled to Europe, but was caught in Turkey and came back to stand trial in Chicago for embezzlement and larceny; eventually he was able to get himself acquitted.

During his first hundred days in the office of the Presidency, Franklin Roosevelt signed the legislation creating the Tennessee Valley Authority, in order to bring water control, electric power, and transport infrastructure to a region the private companies had found largely "unprofitable." During his campaign, in his Portland speech, FDR had also taken a strong stand in the fight against the privatizing of water resources. "The water power of the states should belong to all the people. The title to this power must rest forever in the people," he said.

Not a luxury, but a necessity

After a fierce fight with the bankers and speculators who controlled the electric utility industry, FDR was finally able to get passage (by only one vote in the Senate) in 1935 of the Public Utility Holding Company Act, or PUHCA. The bill that passed was weaker than the one that Roosevelt wanted, because of a \$1 million public relations campaign by the util-

ies, but it broke Wall Street's grip on an industry that the President earlier had said was not a luxury, but a necessity.

PUHCA gave the federal government the power to eliminate holding companies that "served no demonstrable purpose," as determined by the Securities and Exchange Commission. And it required the strict federal regulation of the remaining ones. Holding companies were forced to divest, and conglomerates were broken down into single contiguous electricity systems. Most important, ownership of controlling shares by Wall Street firms was prohibited. As Rudolph and Ridley describe the intent, the bill was "aimed at reforming Wall Street, as much as the power companies." The act also gave the Federal Power Commission regulatory control over both the interstate shipments of electricity and the accounting procedures of the utilities.

Out of the chaos of the stock market crash and the Depression, many other nations, including Great Britain, took the electric utilities entirely out of private hands, and put this vital industry under the protection and direction of the state, making it a publicly owned resource. President Roosevelt would not have been able to garner congressional support for such a program, but the framework established under his guidance created the regulatory compact by which, in exchange for being granted an exclusive franchise to provide electric power for a certain geographic region, a utility had the legal obligation to provide reasonably priced, reliable electric power to every customer.

Today's rabid de-regulators are trying to rewrite this history of the Depression era, making it seem as if FDR's regulation of the utility industry was an unnecessary government interference into the private sector. For example, pretending that the abuses and bankruptcies of the utilities in the 1920s and 1930s never happened, the Heritage Foundation writes in its January 1997 report, "Energizing America: A Blueprint for Deregulating the Electricity Market," that PUHCA was enacted because "policymakers *feared* that these much larger concentrated entities *could* deceive their investors by shuffling finances among the many different branches, divisions, or affiliates they managed" (emphasis added).

One irony of the current drive for deregulating this industry in order to introduce "competition," is that the panic to become competitive, has launched a merger spree that is *reducing* the number of players on the field, as opposed to opening the market to an increasing number of new electricity providers. Some industry analysts predict that were deregulation to proceed, the 250 or so major privately owned electric companies may dwindle to 80 or so mega-utilities.

Of course, some people are making a bundle from the frenetic merger mania. According to Charles Bagli, writing in the Dec. 10, 1996 *New York Times*: "A small group of merger specialists see hundreds of millions of dollars in fees ahead as they help pull apart the wires, pipes, and power plants of the industry like some kind of Tinker Toy castle. The Duke-Panenergy merger will generate \$40 million in fees for more

than two dozen investment bankers. In 1996, there were 52 mergers or acquisitions valued at more than \$35.5 billion, translating into more than \$350 million in fees."

In testimony before the House Commerce Committee on May 15, 1996, the American Public Power Association, a lobbying group of locally owned, not-for-profit utilities, stated, "Today mergers threaten to reestablish, at least in terms of sheer magnitude and market power, the giant utilities that existed in the 1920s and were dismantled pursuant to PUHCA in the 1940s and 1950s. Last year, the sponsor of Senate legislation to repeal PUHCA [Sen. Alfonse D'Amato, S. 1317] argued that the Holding Company Act had achieved its purpose—it had broken up the mammoth holding company structures. Yet, in 1995 alone, there were eight merger announcements totalling \$75 billion in assets."

The current legislative initiatives propose to bring back the "good old days" of the "free market," with no reins on financial interests that, once before, put this industry, and its customers and investors, into chaos and bankruptcy. This time they will have the availability not only of the resources and chicanery of Wall Street, but of the entire bloated international financial system, with its instantaneous, worldwide computer-assisted suicide machines.

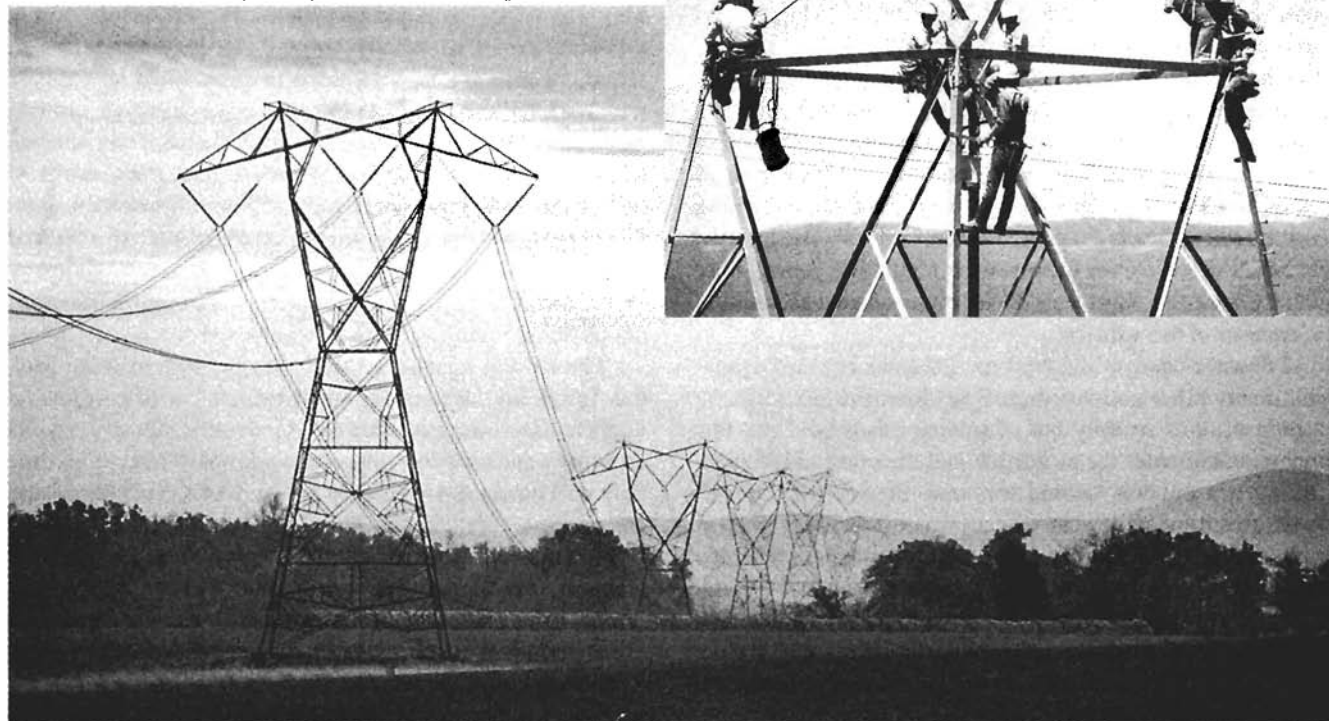
Spot market in electrons

As you read the statements below, which describe the various mechanisms that financiers plan to use to dip into the \$250-plus billion liquidity pot of annual sales of electricity, remember that they are not describing futures markets for pork bellies, or speculating on whether the price of oil will go up or down. They are discussing the energy that powers your heat and air conditioning, the nation's industries and hospitals, and is the prerequisite infrastructure for every aspect of our already deteriorating standard of living.

On May 15, 1996, James E. Rogers, chief executive officer of the Cinergy Corp., testified before the House Committee on Commerce regarding issues in electric industry deregulation. "The new marketplace will likely experience more frequent swings in price than can occur today," he said. This is because it will not require a rate case [before a regulatory commission] to change the price of electricity, only a fluctuation in the hourly (or perhaps even minute-by-minute) balance of supply and demand. Price volatility, of course, presents problems for sellers and buyers alike. Thus, such volatility will spawn a host of financial instruments including various forms of insurance. Suppliers and customers will purchase these instruments to provide themselves with price certainty; others will trade them to make money."

Jon Prendergast, chairman of the Electricity Consumers Resource Council, made up of industrial consumers of electricity, stated at the same hearing: "Short-term electricity spot markets are needed to assure long-run competition. These markets serve several purposes. First, the spot market makes the contract market operate efficiently by providing financial

For 60 years the United States has had universal access to reasonably priced, reliable electric power. If the electric utility industry is deregulated, this will change. Here, an electric power line in Virginia. (Inset) Tower construction on Bonneville Power Administration's McNary Alvery line in central Oregon.



mechanisms for reconciling differences in supply and demand in individual contracts. The spot market supplies and sets prices for replacement power of any generator that cannot fulfill its contractual obligations or for buyers with unexpected needs.

“Second, the spot market facilitates transactions that are not well suited to contractual arrangements for short-term supplies. . . . Third, the spot market provides market signals as to whether and when new capacity needs to be built. Finally, the spot market allows the creation of secondary markets, such as futures trading. Futures trading creates price stability by shifting the risk of uncertain prices from those who are least willing to bear risk to those who are least concerned about price uncertainty.”

Larry Ellis, senior vice president for energy services at Virginia Power, was quoted in the April 2 *Washington Post*, discussing the importance of a futures exchange for electricity. With a futures exchange, Ellis said, a utility can more easily plan for the future, protect against price swings, or try to make money off such swings by betting on them. “The biggest advantage is that it makes prices very transparent and develops a more workable market, just like the stock market,” Ellis said.

The *Post* article goes on to warn that “some industry experts” caution that future prices will not necessarily mean

stable prices. In the natural gas industry, for example, speculative trading in futures prices has contributed to unexpected price swings, particularly in cases where New York speculators were heavily involved.

And on May 10, 1996, the *Journal of Commerce* made it official, by reporting that on March 29, 1996, electrons had arrived as the world's newest futures commodity, “taking their place alongside pork bellies, orange juice, and gold as items that can be bought and sold at a set price months in advance.” The *Journal* lauds this development, smiling that it will transfer price risk from users to speculators.

Enron: A case study

According to the May 15, 1996 testimony of Kenneth Lay, chief executive officer of Enron, before the House Committee on Commerce, until 10 years ago, the Texas-based Enron was primarily a regulated company, with more than 80% of its net income coming from the then-regulated natural gas transmission business. As deregulation accelerated, five years ago, Enron embarked on new businesses, aided by its connections to the George Bush political apparatus in Texas, which now account for 40% of its \$520 million net income.

Enron's move into the marketing of wholesale electric power was enabled by the 1992 passage of the Energy Policy

Act. In 1994, Enron Capital & Trade Resources, “one of the new breed of entrepreneurial providers,” according to Lay, made its first wholesale power transaction. Today, Enron is the largest power marketer in the nation, having recently surpassed the TVA and Bonneville Power Administration in sales of electricity to utilities and municipalities, according to its headquarters office in Houston.

Enron has \$13.5 billion in assets, with existing or planned investments in 30 countries. The company is buying its second natural-gas-fired power plant in the deregulated British electricity industry, and after winning 24 lawsuits and reducing the charge to the people of India for its investment, Enron is building a liquefied natural gas plant in India. In January this year, it was announced that Enron Renewable Energy Corporation is in talks with Nepal to develop two hydroelectric power plants, some of which power will be exported to India and China, as part of Nepal’s invitation to foreign investors to tap into the potential of its “economic liberalization” program. Since the fall of the Soviet Union, Enron has also been in negotiations with the Russian giant Gazprom, and with governments of other former Soviet states.

After 1992, Enron turned Bush’s electoral defeat to its benefit by bringing into its orbit, and onto its board, former Bush administration officials, in order to help accelerate the company’s international grab for natural gas and electricity resources. These included former Secretary of State James Baker III, and former Bush/Quayle campaign chairman Robert Mosbacher, both tightly connected to Texas energy and banking. From 1991 to 1993, Lt. Gen. Thomas Kelly (ret.) was on the board of Enron. He had served as director of operations for the Joint Chiefs of Staff during George Bush’s Persian Gulf War.

These three Bush men, according to journalist Seymour Hersh, accompanied former President Bush on a trip to Kuwait in 1993, to “help” Enron secure a contract to rebuild energy plants that had been destroyed in the Gulf War. Not a bad “spoil of war,” as Hersh describes it.

Enron provides the capital to build and own basic infrastructural electric generating capacity in “emerging markets”—for a price—as a kind of corporate World Bank. This foreign control of a nation’s infrastructure goes hand-in-hand with today’s “conditionalities” by the International Monetary Fund. These conditionalities require that nations sell off the rights to develop their natural resources, which will no longer be seen as the patrimony of the entire nation, to be used for economic development. Enron has taken the same approach to infrastructure in its home country, and is a staunch promoter of the idea that what is needed in the electric utility industry is “universal competition.”

In his testimony, Lay stated that electric rates could be cut 30 to 40% through the introduction of competition. Mark Palmer, from Enron’s Houston office, explained that the 30 to 40% reduction figure comes from a comparison with deregulation in the natural gas, banking, trucking, and airlines in-

dustries. Historically, Palmer said, deregulation has brought reductions up to 60%.

According to Palmer, consolidations in the electric utility industry will lead to savings in areas such as billing, which could be centralized, and metering, which should use new technology “so someone does not have to come to your house.” Palmer made the fantastic claim that these services account for 15 to 20% of the cost of electricity. (The 1997 *Electric Industry Outlook*, however, published by the Washington International Energy Group, reports that “automated meter reading, whether wired or wireless, is too expensive if it will be used only to read meters once a month. Companies that see it as a way to cut costs, especially labor costs, should have already concluded that it doesn’t. What it does do, however, is allow utilities to communicate with their customers, send messages, and develop a customer intelligence system that monitors lifestyles.”)

Enron’s profitable Portland gambit

Last July, Enron proposed that it move from being simply a marketer of someone else’s electricity to utilities and public power wholesalers, to becoming an owner of electric-generating capacity. Here Enron saw its chance to prove how profit-making companies could “increase efficiency,” and substantially reduce the cost of electric power for consumers. Enron proposed to buy Portland General Electric company for \$3.2 billion, offering \$3 million in savings that would be passed on to customers. Because retail sales of electricity have not been deregulated—at least not until any of the pending federal legislation is passed—this merger must be approved by the Oregon Public Utilities Commission (PUC).

On Jan. 16, the staff of the PUC released its proposal for the merger, which included 23 “stringent” conditions. The staff recommended a \$47.4 million per year cut in electric rates for each of 4 years, not \$3 million; that Portland General Electric (PGE) customers *not* pay more for electricity, even if it ends up costing Enron/PGE more to produce it; that Enron’s financial books be open to inspection; that PGE maintain or improve the quality of service; and that Enron not use revenues from its PGE operations to subsidize any of its unregulated operations. The PUC staff rejected Enron’s idea that the merger should do “no harm.” Instead, it reminded the company that Oregon law requires that such mergers have to be *in the public interest*, or, one could say, promote the general welfare.

Commissioners and staff were aghast that while Enron proposed lowering rates by only \$3 million per year for its customers, its shareholders would stand to gain about \$675 million in stock price appreciation from the merger! The staff recommended cut in rates of \$47.4 million per year, which would be a reduction of 4.7% for consumers, compared with Enron’s offered \$3 million, which would be a reduction of an insignificant 0.3%—somewhat short of the grandiose claim of a 30 to 40% reduction made in testimony by Kenneth Lay

of Enron. The \$47.4 million figure was arrived at by the PUC, largely to cover the profits from Portland General Electric operations that Enron will not use to reduce rates or bring any benefits to customers, but will export to Enron's corporate headquarters in Houston, Texas.

Interestingly, the reaction of a spokesman for Portland General Electric to the cuts proposed by the PUC, gives lie to the claims by Enron of how much more efficient things will be once it is in control. "For the bulk of the rate cuts," the PGE spokesman said, "it's not clear at all to us where the savings are to come from that support that. We see the same costs to service our customers," as before the merger.

Less than a week later, Enron and Portland General Electric said that they object to the conditions regulators want to impose on their merger. Enron objected to the staff proposal to take into account Enron's earnings on *non-regulated* businesses when figuring PGE's rate of return, which the PUC will continue to regulate, while at the same time asking Enron to wall off its Portland General Electric regulated business from any risks incurred by its unregulated business. Unlike Enron, the PUC does not intend to play Russian roulette with the electric service of Oregonians.

On Jan. 24, the PUC staff told negotiators they were breaking off merger talks with Enron and PGE because, neither side was willing to compromise on the rate cut, so there was "no point" in continuing the discussions.

Chairman and CEO Kenneth Lay, told the Feb. 12, 1997 Paine Webber Energy Conference in New York: "We're committed to this merger. We want it to happen, but we won't be extorted. The merger isn't critical to our strategy."

Two days later, on Feb. 14, the daily *Oregonian* reported that rather than negotiate with the PUC over the merger, Enron and PGE were going to try an "end-run" around the regulators, and "plan to ask the Oregon Legislature to limit the PUC's authority."

In response, PUC Commissioner Ron Eachus, who has been angered by Enron's behavior, as well as its proposals, stated that the question is not whether revenues come from regulated or unregulated businesses, "it's whether or not any benefits are being derived from the system that ratepayers are paying for." Mike Meyers, overseeing the PUC's staff review, said the bill Enron introduced into the state legislature would appear to disallow about \$144 million of the \$189.6 million rate cut, over four years, proposed by the staff. "They've got a long row to hoe with that," he said.

The PUC has made clear that unless the companies offer larger rate cuts, it will reject the deal. The commission is supposed to decide on the fate of this proposed merger by March 17, and the Federal Energy Regulatory Commission in Washington, D.C., will also have to approve it.

There are other potential problems with having out-of-state conglomerates control infrastructure, according to Bob Jenks, of the Citizen's Utility Board, which acts as a spokesman and lobbyist for consumer interests. Jenks reports that

the case of US West, which provides local telephone service in the West, is a preview of what electric utility deregulation and mergers of companies, will bring.

He explained that Denver-based US West, one of the seven "baby Bells" that was created by the 1984 breakup of AT&T, has cut staffing and frozen hiring in its "re-engineering" program. This had led to delays of up to a couple of months in getting new telephone service installed, and delays in getting repairs made to existing phone systems.

The reason for these cuts was the attempt by US West to make up losses it suffered in its unregulated business, through its regulated phone service. According to Jenks, US West had made some bad real estate deals and "lost their shirts." The conglomerate has tried to recover some of its loss by having its telecommunications company sign a 20-year lease, at above market rates, to rent office space from one of its own bleeding real estate companies. It then presents these artificially increased costs to state regulatory bodies, in order to get a consumer rate increase to cover this expensive real estate fee—which is being used to bail out the failed real estate investments. Jenks states that there are not adequate resources in state public utility commissions for them to police the multi-farious operations of unregulated service providers.

It is starting to become clear, at least to the people of Portland and some regional representatives, why companies like Enron are chomping at the bit to get their teeth into a deregulated electricity industry. As Rep. Peter DeFazio (D-Ore.) told the *Seattle Times* recently: "Why do we need to go through such a radical, risk-taking experiment? The answer is, there are people who are going to make millions or billions."

Will the lights stay on?

In the aftermath of the massive East Coast power blackout of 1965, electric utility companies around the country set up the National (now North American) Electric Reliability Council (NERC), to establish standards by which the increasingly integrated national electric power system would operate with a high degree of reliability, or, in short, "to make sure the lights stay on." NERC committees of technical experts, on loan from the individual utilities, work to ensure the reliability of the electric grid. These personnel are separated from the commercial and business operations of their respective companies.

Every year, NERC experts prepare an analysis of the outlook for reliability in the industry over the coming decade. The most recent report, released in October 1996, spans the years 1996-2005. Such a spread of years is necessary, because, although small-capacity, peak-load power plants can often be added in a few years, baseload power plants typically take a decade to build from start to finish. The Reliability Assessment states that "the focus of responsibility for electricity supply adequacy is shifting to the customer as the industry moves to a competitive market." In that situation,

NERC says, “the choices that customers make must not cause the operations of the interconnected bulk electric system to fall below the minimum reliability standards set by NERC. The potential consequences to the economy and public health and safety are too great.”

Two of the key elements in assuring there is a reliable supply of electricity, are adequate capacities to generate and to transmit the power. NERC experts are concerned that “market-driven capacity additions” may not provide resources on line in time to meet demand, in a way that is universally affordable. “If the market does not provide resources when and where needed, prices will rise and some customers will choose not to pay the price. . . . The customer that is willing to pay for electricity will receive service. At some point, price signals received by customers or service dissatisfaction of customers, will result in either construction of new resources or a reduction in demand.” A “reduction in demand” is a polite way of saying that there will be a segment of the population that will not be able to afford electric power.

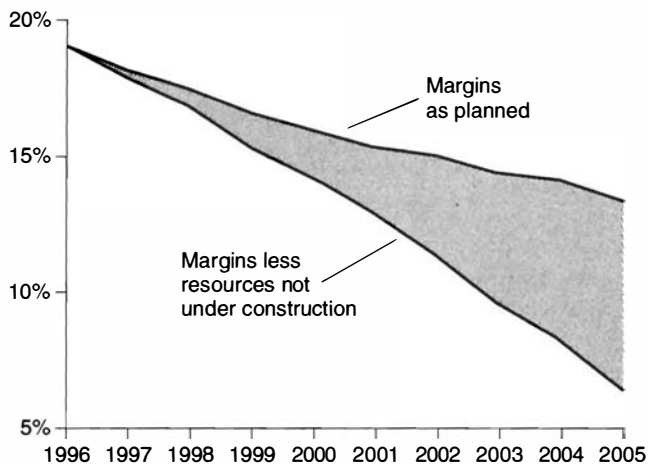
Will the “free market” invest the resources necessary to meet not only demand, but the extra requirements for reliability? Most likely not in advance. NERC reports that its reliability regions are no longer reporting generating capacity additions needed to satisfy regional criteria over the entire 10-year period, because almost all units planned are small peak load plants that can be built relatively quickly. “The result is a decline in reported capacity margins compared to the last several years” (Figure 1).

The capacity margin, which free-marketeers like to characterize as “surplus” capacity, or as demonstrations of the propensity of regulated utilities to “over-build,” is actually the margin of capacity that is on stand-by if there is an unscheduled outage at a power plant; unusual weather conditions, such as extreme heat or cold; problems or perturbations in one part of the system that forces capacity to shut down or a region to be isolated to prevent regional cascading failures; and many other contingencies that the public finds out about only when this intricate system fails, and there are outages.

Although NERC hopes that simply because utilities are not reporting plans to build capacity beyond the next couple of years, this does not mean that they will not build such new capacity, it warns that this “does signal an increased reliance on short lead-time resources that allow commitments to be delayed until clearly required, and reflects a shift toward a market-driven supply where customers choose the quantity and level of supply adequacy appropriate for their purposes.” In other words, if a shortage has otherwise driven the cost out of their reach, customers will be able to “choose” having limited access and lower reliability, in order to bring down the cost of electricity so that they can afford to pay for it.

Another likely threat to reliability, besides the inadequate number of plants scheduled to be built, is that the overwhelming majority of the plants that are planned are natural-gas-fired, gas-turbine units, which can be placed in service in

FIGURE 1
Capacity margins
(percent of total capacity)



Source: North American Electric Reliability Council, “Reliability Assessment 1996-2005.”

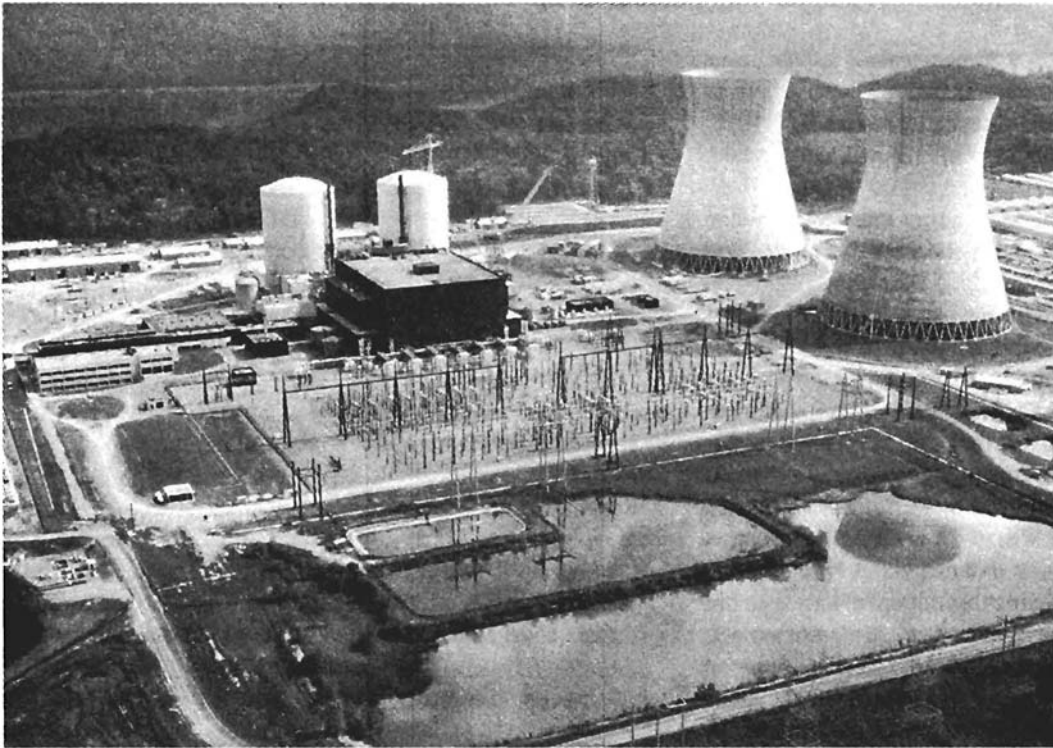
The electric utility industry has historically considered a reserve margin of at least 15% as adequate, to ensure the reliable delivery of power. If all of the generating capacity that is planned were built, by the year 2002, reserve margins would fall below the safe level. But most of that planned capacity is not even under construction, and if it is not built, reserve margins would be unacceptable before the turn of the century.

two to three years. But NERC warns that there is a threat to reliability in “over-reliance of any particular fuel technology.” Shortages in the now-deregulated natural gas industry during last winter, for example, forced power plants to use back-up oil systems, and such shortages could become a serious threat to reliability in the future.

As writer John Dillon aptly queries in the May-June 1996 issue of the Massachusetts Institute of Technology *Technology Review*, “The elaborate electricity grid must first operate under the laws of physics, not just according to the invisible hand of Adam Smith. . . . Will the lights stay on during this economic free-for-all?”

Dereg will bring on more regulation

In order for the lights to stay on, some things that used to be voluntary may have to become mandatory. Membership in NERC is open to all segments of the industry, both public and private, and adherence to NERC’s reliability standards and “rules of the road” has always been voluntary. Until so-called “competition” started to rear its ugly head, each company recognized that the integrity and security of the *entire* system is a prerequisite for any individual company’s ability to meet its legal obligations to provide reasonably priced, universally available, reliable electric power—and, also, to



The Bellefonte nuclear plant, built and operated by the TVA, could be one of the power plants found to be "uneconomical" were the free market to determine the price of electric power.

pay dividends.

There is no other economic activity that compares to the electric grid, in terms of the necessity to be a "team player." There are times when a utility might have to produce reactive power to keep the transmission system stable, or take costly measures that are required to ensure the integrity of the whole. Electricity must be produced "on demand"; it cannot be stored. Therefore, it must be constantly coordinated by experts, with command authority, to oversee the interconnections of the generation and transmission networks across the country.

One year ago, to zero in on the most important aspect of changes in the electrical industry, the chairman of the NERC established a reliability compliance team, comprised of senior people in the electric industry, to make recommendations for reliability management, so that it does not "degrade" under a new, market structure. The team's report, completed on Oct. 12, 1996, offers an evaluation in the first paragraph of where we are headed:

"In the new competitive structure, it is not clear who has responsibility for reliable operation of the Interconnections, who should pay for reliability, who enforces reliability protocols, and what obligations market participants have to ensure system reliability is not compromised." Worse still, the NERC team observed, "in the move toward a competitive industry, there has been little or no recognition of potential negative impacts to reliability; it appears to have been taken for granted."

After examining the nuclear, health care, and securities and exchange industries, the team concluded that "the tradi-

tional voluntary compliance approach taken by NERC and its member regions will not serve the needs of the new industry. . . . Competitors do not cooperate, and the existing cooperative and voluntary system for reliability management cannot survive the transition to a competitive market."

The NERC team further states: "It will be essential that all regulatory jurisdictions approve such [reliability] agreements and support the terms and conditions, including sanctions. Legislation will be necessary if non-jurisdictional entities do not voluntarily submit themselves to contractual agreements for reliability."

The report recommends the establishment of Security Coordinators and control-area operators who are "charged with responsibilities associated with reliability, up to and including requiring the reduction or disconnection of load or generation to protect overall network security." Further, in order to maintain the integrity with which the NERC has functioned, the report recommends that "the industry should endorse functional separation of reliability management and commercial functions." The NERC team proposes that enforcement can be performed by FERC, the Federal Energy Regulatory Commission, with the support of federal legislation if necessary.

Lest this seem to be a particularly harsh set of recommendations, the NERC team points out, "there is no such thing as a fully self-regulating industry in America. Some aspect of virtually every business in America is governed by some federally mandated regulations, especially when health or safety is concerned." In the electricity business, however, unlike any other, "universal participation is critical to insuring reliabil-

ity,” so “100% compliance should be achieved through regulatory pressure.”

So much for the free market being in charge of a functioning electric utility industry.

Why the push for deregulation?

The headlong rush into deregulating the electric utilities has been led by the state of California. In a frank article published in the May 1996 issue of *Nuclear News*, Daniel W. Fessler, former president of the California state Public Utilities Commission, explained that the cutbacks in the aerospace and defense industries in the late 1980s, led to a “collapse greater than the Great Depression” in his state. This “forced Californians to reassess what they were paying for everything.”

One reason that the electric industry became a prime target in California’s panic to find a way to lower operating costs and thus lure industry back to the state, Fessler said, was that “the public mood has shifted and is now dominated by distrust of the abilities of government at any level to improve the commonwealth. . . . Private solutions and market institutions are in vogue, while governmental planning and regulation stand in broad disrepute. In these circumstances the faith in the genius of the market has, for some, taken on the overtone of a secular religion.”

During the same period, California stopped building its own electric generating plants (largely due to stringent environmental requirements), and became dependent upon the import of cheap hydroelectric power from the Pacific Northwest (it was these large, bulk transfers of power that contributed to the cascade of outages last summer).

In order to freely replace allegedly “expensive” nuclear generation with the cheaper power it could import, California had to change its own rules and regulations, and promote deregulation on the federal level. Enticed by the promise of lower electric rates, at least for industries that are threatening to move their manufacturing plants to cheaper pastures, nearly all the other states in the union are now considering loosening regulatory constraints on the electric utilities.

Where is this “cheap” electricity supposed to come from? The theory holds that if customers are allowed to haggle to get the best price from any producer who has any electricity to sell (through a power marketer like Enron), the most expensive capacity will become “uneconomical,” and will be beaten out by the competition, lowering rates for everyone. Of course, this assumes that there are significant surplus gigawatts of electric-generating capacity, which is not the case now, if reserve margin is recognized to be necessary at all times for the protection of the grid—and will certainly not be the case within the next five years.

Thanks to well-financed interference by anti-nuclear environmentalists, many of the nuclear power plants that came on line in the 1980s were delayed so long their cost doubled, tripled, or even quadrupled. Unfinished nuclear plants, including the half-dozen or so that are more than 50% complete,

have left nuclear-operating utilities billions of dollars in debt for assets that produce no revenue. Fearing that they will be left with no customers if retail “choice” is introduced, some nuclear utilities have tried to match the competition, by lowering costs through staff cutbacks. But as William Council, former managing director of the Washington Public Power Supply System, stated at the annual meeting of the American Nuclear Society last June, “competition among nuclear utilities is a death wish.”

As far as the propaganda claiming that the regulated utility industry has “overspent by about \$200 billion,” mainly for nuclear capacity, according to Enron CEO Lay, this winter, because of unusually cold weather, the Bonneville Power Administration hydroelectric system would have run short of electricity, even though it had had a record snow and rainfall year for its dams, had it not had access to output from a nearby nuclear power plant.

What will happen if dozens of nuclear power plants are forced to close? Aside from the impact on reliability, which would be devastating, considering nuclear energy’s more than 20% contribution to the nation’s generation, dozens of utilities could be thrown into bankruptcy.

More than the nation’s nuclear utilities face bankruptcy, however, if so-called stranded costs are not recovered. These stranded costs are the result of the mandated purchase of uneconomical “renewable” power, which was legislated during the Carter administration; demand-side management and other conservation programs; social programs to reduce rates for the elderly and indigent; and environmental costs, which escalated with the 1992 amendments to Clean Air Act.

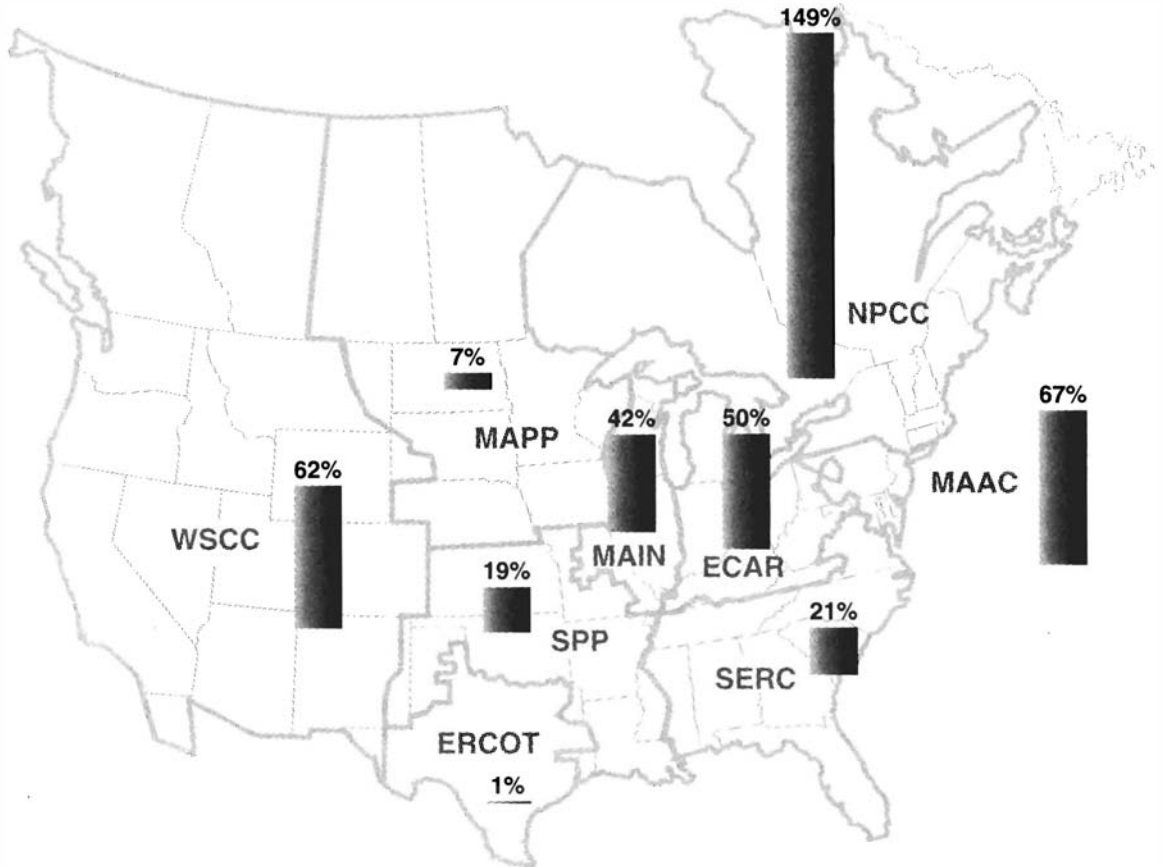
A series of studies done by specialists at the Oak Ridge National Laboratory reveals that there are 16 states where stranded costs might exceed 50% of the equity value of the franchised utilities. Nationally, 25 to 30 utilities have stranded costs exceeding their equity value (**Figure 2**). According to the Edison Electric Institute, investments in power plants, mostly nuclear, account for 40% of the total stranded costs, another 40% are taxes and other regulated subsidy programs, and 20% are from uneconomical purchases of power from independent producers.

The case of New York is instructive, because at about 14¢ per kilowatt hour, its rates are the highest in the nation, and are often cited as a good reason why rates must be lowered through “competition.” According to Consolidated Edison, 22% of its total revenues goes to taxes other than federal income taxes. This is more than its cost of fuel, or purchased power, or payroll and pensions, or materials and services! Con Edison’s customers bear the single largest tax burden of any energy supplier in the United States, amounting to 3.2¢ per kilowatt hour in taxes. It’s hard to make the case that its high rates are the result of “overbuilding” by the utility.

In testimony before the New York State Assembly on Nov. 16, 1995, Kevin Burke, Con Edison’s vice president for corporate planning, reported that the company had cut its workforce by 20% through attrition, to try to reduce costs. He

FIGURE 2

Potential stranded costs, as percentage of equity, by region



ECAR	East Central Area Reliability Coordination Agreement	NPCC	Northeast Power Coordinating Council
ERCOT	Electric Reliability Council of Texas	SERC	Southeastern Electric Reliability Council
MAAC	Mid-Atlantic Area Council	SPP	Southwest Power Pool
MAIN	Mid-America Interconnected Network	WSCC	Western Systems Coordinating Council
MAPP	Mid-Continent Area Power Pool		

Source: Baxter, L. and Hirst, E., "Estimating Potential Stranded Commitments for U.S. Investor-Owned Electric Utilities," Oak Ridge National Laboratory, December 1994.

Were there to be a radical deregulation of the electric utility industry, there would be billions of dollars in costs that would become uneconomical, or "stranded." In some parts of the country, these stranded costs amount to more than 50% of what the utilities have in equity. Among 25 or 30 utilities, stranded costs exceed the equity value of the company.

said that because of state legislation which had set a price of 6¢ per kilowatt-hour for contracts, Con Ed was forced to buy electricity from more expensive "independents," thus incurring more than \$400 million per year in charges to customers than would be necessary if it did not have to purchase this more expensive power.

Radical free-marketeers claim that this shake-out of the industry is necessary. On Sept. 28, 1996, Rep. Tom Delay (R-Tex.) introduced the Consumers Electric Power Act of 1996. The bill includes a ban on any exit fee or other levy imposed in connection with any purchaser who terminates a purchasing

relationship with any seller, which fee is one of the proposed ways for utilities to recover their stranded costs. It would repeal PUHCA, so there would be no protection against abuses by the financial interests that could now own your source of electricity. No federal, state, or local government authority would be allowed to regulate the pricing, terms, or conditions of service offerings of electric service providers.

Conservative revolutionaries turned populist snake-oil salesmen, have proposed that rather than having the beleaguered ratepayer shoulder the burden of paying for utilities to recover and retire their stranded costs and assets, the so-

called greedy investors should pay for the alleged transgressions of the utilities that pay them a dividend. This might be a just solution, were utility investors the Michael Milkens of Wall Street.

In reality, however, the majority of the utility industry's 6.3 million shareholders are over 65 or approaching retirement age. These investors have opted for the lower return on utility stocks in return for a lower risk on their investment. On Feb. 2, 1997, the *Seattle Times*, commented: "Some critics worry that deregulation will bring on a financial crisis on par with the savings-and-loan bailout of the 1980s. . . . People who could benefit most from a lower electricity bill—retirees, for example—might be shocked to find that their low-risk mutual funds and retirement plans invest heavily in vulnerable utility stocks." Graham Painter, spokesman for Houston Industries, Inc., which serves the Houston area, is quoted, "You yourself may be a major utility investor and not know it."

Rally the opposition!

Increasing segments of the U.S. population are becoming wary of the congressional and statewide initiatives to deregulate the electric utility industry. The multi-state cascading blackouts on the West Coast this summer shocked some, even in Washington, D.C., into questioning whether tearing apart the nation's grid system was a good idea. Deputy Secretary of Energy Charles Curtis, currently acting secretary of the Department of Energy, pointed out last year, "This is not an industry in crisis, at least not unless we make it so."

Curtis has stated over the past year that the Clinton administration believes that the federal government should not rush into mandating changes in the industry, but that states should have the authority and responsibility for making decisions on stranded cost recovery, and issues on the benefit to the general welfare, and so on.

According to Energy Department spokesman Bill Wicker, the administration has decided not to respond to the Republican-sponsored bills, but will draft its own legislation, which is now undergoing an interagency review. It will be reviewed by the Department of Defense, which is the nation's largest consumer of electricity; the Environmental Protection Agency; the Department of Agriculture, which underwrites more than \$30 billion in rural cooperative loans; and other agencies. Wicker expects that the bill is not likely to be introduced before March.

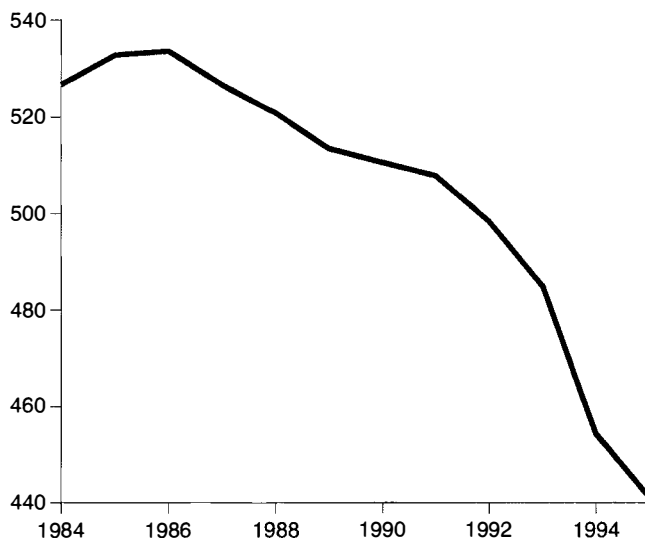
The National Association of Regulatory Utility Commissioners (NARUC) has also raised warnings about deregulation. In testimony on May 15, 1996, before the House Committee on Commerce, Robert Gee, from the Texas PUC, speaking on behalf of NARUC, stated, "While I would not discount the fact that there are cost-related problems in some regions of the country, in most states rates are very competitive, supply is abundant, service is reliable, and as a result, consumers are generally satisfied with the quality and cost of their electric service."

Commenting on the rash of mergers and acquisitions hit-

FIGURE 3

Number of employees in investor-owned electric utilities

(thousands)



Source: Edison Electric Institute

While deregulation promoters have claimed that utilities will become more competitive by introducing new technology and shutting down "uneconomical" capacity, in reality the loss of over 90,000 jobs in the past decade demonstrates where utility cost-cutting has taken place.

ting the industry, and the potential for financial abuses as the slide toward deregulation continues, Gee stated, "I would anticipate that the FERC will perform an increasingly anti-trust-like role as it is called upon to deal with complaints of anti-competitive behavior, unfair dealing, and abusive cross subsidies."

The International Brotherhood Electric Workers (IBEW), whose members are the backbone of this technology-intensive industry, has been very outspoken on this issue. The union is certainly not crying "wolf" in its warning that "competition" will mean mostly large-scale layoffs. **Figure 3** demonstrates where most of the "cost-savings" have come from, particularly since the 1992 federal law to open up the wholesale side of the industry for competition.

Consumer groups, like the Citizens Utility Board in Oregon, are increasingly holding the deregulation promoters' feet to the fire, forcing them to explain specifically where benefits and rate reductions are supposed to come from, and keeping a watchful eye on abuses.

But it is in the interest of every citizen to vote "no" on this issue. The nation must have the capability to mobilize the resources necessary to meet any and all demands that may be placed on our electricity generation and distribution system. Reliable, abundant electric power is a prerequisite for economic health and national security.

Clinton must call a new Bretton Woods conference

by Lyndon H. LaRouche, Jr.

What follows is the Feb. 15 keynote address of Lyndon LaRouche to the Presidents' Day conference of the Schiller Institute and International Caucus of Labor Committees. The conference theme was "Toward a New Bretton Woods." Subheads have been added.

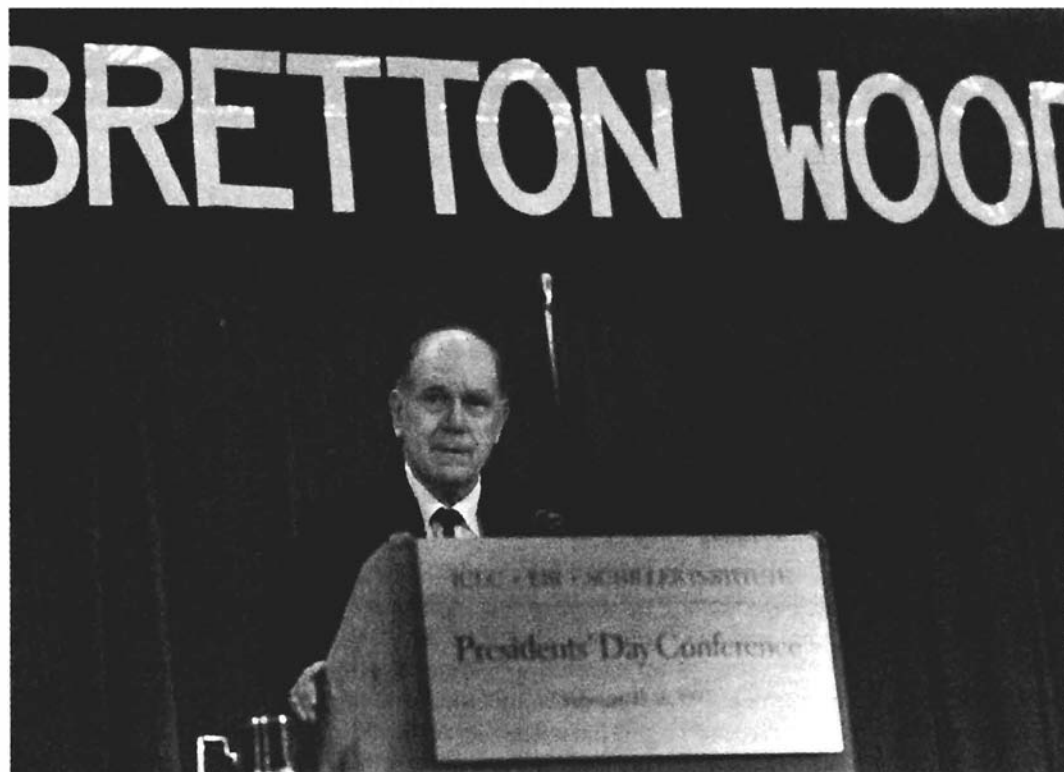
This will be an interesting coming week. We have, among others, some guests from Ukraine and Russia, and, during the course of the week following the conference, we will have a public event, in the Washington area, and we have people who will be speaking, senior representatives of their professions as economists in Russia and Ukraine, as well as, naturally, two of them here are elected officials.

And the purpose is to give, firsthand, official Washington and people in the United States generally, a fresh view, from participants and eyewitnesses, of the nature of the crisis which threatens the former Soviet Union, and, also, eastern Europe as well. It's something which official Washington does not understand. I think, from what I've heard, that there will be a representative turnout of the official eastern European think-tank people, to hear what is to be said. The important thing is to present to the United States, and particularly into its nation's capital, a fresh view of a crisis which our government, and people around it generally, have yet to comprehend.

Now, what we'll do these two days, is a very focussed conference, very much limited, in terms of its essential subject matter, or its underlying subject matter, presenting various aspects, some of the leading aspects of that subject matter.

We are in very 'hard times'

There are people who—in these times, more and more—high-ranking and official people in the United States and in the financial community, in politics, and others, are speaking of the imminence of a systemic collapse of the present international financial and monetary system. We are in a time where these state-



Lyndon LaRouche addresses the ICLC/Schiller Institute conference, "Towards a New Bretton Woods," on Feb. 15.

ments from the higher-ranking authorities, are matched, in most parts of the world, by what are called political mass strikes.

They're somewhat like strikes, in the sense that people decide to go out in the street and oppose policies, or oppose institutions. But, they've occurred before in history, and they're not like economic strikes. They are *political* strikes. Sometimes, you get political mass strikes which are short-term, in one part of the world or another, and things quiet down after some changes. Life goes on.

But then you get, sometimes, as presently, wave after wave after wave of political mass strikes, coming like waves of a straight storm along the beaches. And the waves are mixed with the trees falling, i.e., banks: financial crises. And then people are living like people in a town upon a seashore beset by a hurricane coming in from the sea. People are living, more and more, in every part of the world, including in the United States, in what we called, in the 1930s, in the period of that Depression, "hard times." People today, in the United States—

Let's speak of those who are in the lower 80% of income brackets of households. The typical family requires two to three incomes in the household, *not* to successfully achieve the real standard of living, in terms of purchasing power, of quality of material goods, necessities, health care, education, and science services that they could receive 20, 30 years ago with one to one-and-a-half incomes in a household.

It's like the joke that was going around during last spring, during the election campaign, when President Clinton was ad-

vised to say there are many million more jobs being created in the United States. And then some guy with a loud voice from the gallery shouts out, "Yes, and I just took three of them!"

People may object, because they have illusions about the situation, which I'll come to. They may object to the use of the word "depression" to describe the present situation. But they would not object, not *sane* people, and not people in the lower 80% of income brackets, to the use of the term, the alternate term for depression: "hard times."

People used to live in cities or towns, and the places they lived, were close to the places in which they worked, usually factories or something else. People worked on farms. They had a relatively stable family life. The parents were in the home nearly every day, both parents, and one parent was there most of the day. The children had nurture. And the commuting to work, if it wasn't simply walking, was feasible and cheap. You took a trolley car, a bus, or a short drive. Or you'd car-pool for five or six miles with a neighbor.

No, not today. Look at your cities. There are no jobs you can walk to in the cities, from one place to the other. You lose a job one place, walk to another place, get another job? No! It can't be done. There are not that number of workplaces. And, certainly, there are no jobs you can walk to, on which you could sustain a family with a moderately good skill at employment.

Now, you must drive miles to get to your place of work. Both parents usually must drive to work, and one will take an extra job, and maybe somebody else in the household takes

an extra job. You don't live in the city any more. You were driven out of the city. You live in a suburb some place, as in Northern Virginia, many miles from your work. You commute to work an hour to an hour and a half, to two hours a day, to and from work. Maybe both parents do that.

What you can get in the suburbs, is a shack which is priced between \$150,000 to \$250,000, newly built—and it will last, as long as there are no heavy windstorms. It looks gentrified on the outside, but it looks like a box on the inside, a cardboard box, maybe with a little gypsum added to it.

The schools? *There are no schools worth talking about these days.* If you look at the content of education, look at the class size, look what's done to the pupils. Look at the universities. Our universities are a *farce!* Most of our *leading* universities, such as Stanford University, for example, in California: a *farce!* Carnegie: a *farce!* University after university, a *farce.* Community colleges springing up, providing people with education who couldn't get access to a four-year college, or couldn't afford it. What do they get? Junk! Junk food for the mind! They come out knowing nothing, except getting some opinions.

And, even in the cow colleges: What's the course in philosophy that's taught—around here? Well, it's usually the existentialism of a Nazi philosopher named Martin Heidegger. Martin Heidegger, who said that every person comes into society as an "alien to humanity," and is "thrown" into society against their will, in which they fight, as in a jungle, against alien beasts to survive. Now, this guy was a real Nazi. He was also the lover of Hannah Arendt, prior to the time that Hannah left Germany, for known reasons. And, she shared his philosophical views, even though she didn't share his Nazi Party membership. He was a leading official.

And, what you'll also find taught in most universities, in the philosophy department, is another proto-Nazi: Friedrich Nietzsche, the forerunner of the Nazis, an existentialist of a similar stripe and color. And, these people: "Children are as if thrown into society," as Heidegger says. And, in universities, in philosophy departments, they're mostly thrown to land on their heads.

So that, in terms of physical conditions of life, and in terms of cultural conditions of life, of nurture, of intellectual nurture and culture, these are hard times! *Very* hard times.

And, most of you know it. If you are in excess of 55 years of age, you are in mortal danger. If you get a cold and go to the hospital, somebody's going to be standing over you, a nurse or somebody else, asking you to sign a Do Not Resuscitate order. They may *kill* you in the hospital.

Doctors are afraid to treat you. They have to check the computer, to see if the malpractice practitioners of medicine, of Wall Street, will allow you to be treated. You get surrogate treatments, which don't work. The rate of morbidity among senior citizens and others, is rising; the rate of morbidity among children and young adolescents among poorer families, is rising.

The future of humanity is at stake

Then, most people don't believe any more in our government. Fifty-one percent of the eligible voters did not vote in the last national election year, last year. Why didn't they vote? Because they are persuaded, not that the politicians have the wrong policies; that point was passed a long time ago. They now are of a much more profound opinion, that these politicians, this Congress, and this Executive branch, is incapable of making any changes in policy, which would not be worse than those terrible policies already in force.

You have the President of the United States, sitting in the midst of the greatest crisis in humanity's modern history, world crisis (I'll get to that). And, what are they talking about? They're talking about "fixing up this," "fixing up that," arranging it so that you can get to parties, or something.

But the issues on which the future life of humanity, and the existence of grandchildren or great-grandchildren for people in this room, for example: those are the questions which are on the table. And, *these institutions don't wish to hear about it.* They want to talk about "austerity, austerity, austerity, austerity." "We must protect Wall Street at all costs. We must protect the financial institutions at all costs. We must not have a collapse, at all costs. We must throw as many babies into the furnace of Moloch as is necessary to appease the gods, so that our banking system and our Wall Street people, who pay the largest amount of contributions into political campaigns, don't suffer inconvenience."

As a result of this pattern, which is true all over the world, especially so in the former Soviet Union and Warsaw Pact area, where Mrs. Thatcher and Mr. George Bush, her poodle-dog, did some nasty things in the early part of this decade, you have conditions like those in the United States. Different, but of the same species; different varieties, but the same problem.

As a result, in direct response to either the Maastricht atrocity into which Europe has entered as a partnership, or, simply because of IMF conditionalities, or IMF-dictated policies, masses of people, in increasing numbers, are repeatedly going into the streets, with increasingly red-eyed political mass strikes.

In France. In Belgium, for example. Belgium is a perfect example of this. In Belgium, you had some enemies of ours, back from the 1980s, 1970s and 1980s. There was an operation run against us politically in Europe, out of the back door of NATO. It involved something out of Brussels. Now, these people, or this group of people, who were engaged in these operations against us, quite openly, as back door of NATO people, turned out to be a bunch of satanic child-molesters who have been caught, and identified: are the ring, in terms of murdering children in satanic rituals.

Now, the parents of these children, of some of these children, and others, are justly enraged against the Belgian government, which had been working assiduously to cover up this scandal. The same group of people who are these child-

molesters and murderers, who are already hated by the population on this account, turn out to be some of the people pushing the most violent and most savage austerity in Belgium.

So, we have mass strikes in Belgium, repeatedly, coming out with a focus, twofoldly, on: Get rid of the murderous child-molesters, who are the same people behind the IMF-style or Maastricht-style policy.

You have, for similar reasons, Kohl, who has been chancellor of Germany for almost 15 years, is now placed in jeopardy, because of his role in stubbornly, and stupidly, I might add, clinging to the so-called Maastricht policy, which is destroying the German economy, and destroying Europe.

Mass strikes have broken out in Greece, over the same issue. Mass strikes in South Korea, which nearly brought about the fall of the government there, for similar issues. And, as I've noted, the cuckoo fell last week from the nest in Ecuador, for the same reason.

In Spain: The German economy is being shut down in Spain, because the Germans, in their infinite wisdom, decided to scrap their own production, and buy cheaper parts from Spain—"outsourcing," it's called, or "outhouse-sourcing," in some cases. To use cheap labor, with no particular technology added; the strip-down factory. This phenomenon is all over the world. People talk about "outsourcing"; runaway shops, some people call them. Other people call them "economic prosperity comes from the Third World." Bunk!

In the nineteenth century, the colonial powers of Europe would go to a country, and loot it. How? By setting up plantations. This started in the sixteenth century, with the Portu-

guese, who discovered that you could use plantations, and that's how the mass slave business occurred in the Americas. There were the Portuguese, and then the Dutch and then the British followed in the Venetian track of black slavery. Only this time it was *mass* black slavery, human beings being chewed up by Moloch, in order to feed cheap labor for plantations in Brazil and the Caribbean.

We had mines. This was done all over the world; not necessarily slavery, but something tantamount to it. Forced labor, into plantations and mines, to produce for the profit of the colonial powers. And the level of existence of the majority of the population in these countries, collapsed.

Today, they've added something to plantations and mines. They're called factories; in northern Mexico, they're called *maquiladoras*. And Mexico has been ruined, its economy has been ruined, by becoming a country for outsourcing. Thailand: the government is in danger of falling, and the country is in danger of going into a collapse, over the issue of the effects upon Thailand of outsourcing. Malaysia is not far behind. Indonesia is in crisis, partly because the Portuguese, along with the Republicans and the British, are trying to destabilize Indonesia. Myanmar is being destabilized for the same reason.

'The ultimate horror show'

So, all over the world, we have these and similar kinds of things, converging upon the ultimate horror show, which is what the British Commonwealth, helped by George Bush and his friends, are doing in mass murder in Africa.



German health care workers protest cuts in public health care budgets. Political mass strikes are erupting throughout the world, as people resist governments that scramble to cut budgets. The prominent sign in this demonstration reads, "I am a blind massage therapist, and you are a blind politician."

For example, as I say, in the countries of Burundi and Rwanda, the population is somewhere on the order of magnitude of, probably about a few—in the teens of millions. Of this population, recently, about 2 million or more were put at jeopardy, by an invasion of Zaire, by forces under the direction of the dictator who is called the President of Uganda, Museveni, who was recently here in Washington, who is nothing but a puppet for the British, in an operation in which the governments of the dictators of Eritrea, the puppet-dictator of Ethiopia, and similar forces, using largely mercenary forces from veterans of the South Africa and Angolan wars, have invaded Zaire, for the purpose of destroying the country, carving up the mountainous part, which is rich with minerals and petroleum, and carving it up into colonial entelechies, which are ruled over by private armies controlled by corporations, such as the Barrick Gold which George Bush, the former President of the United States, represents. The ultimate horror show.

The same thing is in progress in Central Asia. The policy of Bush and his British friends in Asia, is to grab the strategic raw materials, the petroleum, the natural gas, and whatever food potential there is in these areas, in order to control—what? By controlling the relevant shields in Siberia, Eurasia generally, and Africa, by controlling these two things, in the case that all the economies and financial systems of the world collapse, as these fellows believe, rightly, is in process, and that the nation-state collapses and disintegrates in the manner which Gingrich demands, that under those conditions of chaos, these fellows, with their mercenary armies of cast-offs of various wars of the 1970s and 1980s, these veterans of those wars, these mercenaries; these wild geese, that fly over bloody fields; that they will control these resources.

And, firms like that with which George Bush is associated, or the drug-pushing Moon cult with which George Bush is associated, will control the majority, as property rights, held and defended by armed mercenary bands, on which the maintenance of any semblance of civilization in any part of the world depends. And, most of the world, as this crazy Samuel Huntington has spouted, will be condemned to a virtually abandoned territory: *terra incognita*, walled off as uninhabitable territory, ruled by nomad bands, and who knows what else, outside what remains of a decayed civilization.

That's the kind of world we're living in. There are comparable periods before this; not in the twentieth century. We could have had something like that, if Hitler had not been defeated. If Hitler had not been defeated, we would have had a one-world order less bad than that which George Bush tried to set up; and Thatcher. That's comparable.

We face the same danger in a new form today; but now, we call it globalization. Some call it globaloney, eh? We've had the fall of empires. We had the fall of the Roman Empire in the West, we had the fall of the Roman Empire in the East. We had the fall of the various Babylonian empires, and so forth. We've had catastrophes in which whole cultures, whether empires or not, have demonstrated their moral unfit-

ness to survive. And most of what are falsely called primitive peoples on this planet, are relics of cultures which collapsed; and a poor, ragged Yahoo remnant of the former mighty empire, or culture, is called a primitive or indigenous people.

We could find, very simply, if this crisis is not halted and reversed, that we would go back to conditions, political and economic policy conditions, which, at best, are comparable to those found in Europe during the middle of the fourteenth century, the period of the New Dark Age. At that time, there were between 300 and 400 million persons living on this planet, with relatively low life expectancies compared to today.

If we allow globalization, George Bush, and these things to go on, what will happen is that through famine, disease, and the kinds of strife we're now seeing unleashed, that the population of this planet will undergo a demographic collapse, from over 5.2 billion persons, down to levels of the fourteenth-century world or below; that 95% of the total surviving world's population, within 50 years from now, will have life expectancies on the order of magnitude of 20s or 30s, adult life expectancies; child mortality beyond belief; and, 95 percent or more will be, as the former chief editor of the London *Times* has desired, and so said, that 95% will be totally uneducated Yahoos, which is a word which Jonathan Swift used to describe the population of England, under the rule of the rear-ends of royal horses, during the early eighteenth century, which we know, today, more recently in the United States, as Confederates: Yahoo!

This has not happened on a global scale, in known history. We've had empires collapse, but then, some other part of the world would step up.

For example, the collapse of the Roman Empire, particularly the collapse of Byzantium, or its mortal stays, was accompanied by the rise of a renaissance in northern India. This renaissance in northern India was associated with the rise of what became known as the Persian and Arab renaissance, or the Baghdad Caliphate, which was the partner of Charlemagne, in trying to bring some degree of civilization to Europe.

So that, in the past, one part of the world has collapsed, other parts have survived, civilization has gone on, or the current of it has gone on some place, at least in known history. And, relics of one civilization have reached out to those who were crushed culturally by the collapse of older civilizations, and humanity has gone on and on, to such effect that, until about 1966, one can say that, in known history, until a downturn which began in 1966, about 30 years ago, that the general progress of humanity, as measured in demographics, demographics overall of population, demographics of households, productive powers of labor, the cultural standard of life, has generally been upward, despite all the evils which have beset this planet, from time to time and place to place; until 1966, at which point the whole planet began to go down.

So, we are in a situation unlike anything known in world history, though we can draw lessons from catastrophes which

have occurred, or near-catastrophes, in earlier parts of history. *There's nothing comparable to what threatens us today, in the known history of mankind.* And, in Washington, they're talking about better toilet seats for the unemployed.

How Americans became cowards

Now, we can speak of "Someone behind this thing must be responsible." It would be nice to say that. People always like to blame somebody above. It starts out in childhood, where two-year-olds start to blame their parents for everything that goes wrong. Since they have authority, they must be responsible. Eh? "I'm going to get God on them," or something like that, you know; "they're doin' wrong." And, you get children who grow up to become very revolting. It starts out in childhood.

But, that is *childish*. And that's what I want to come to this afternoon. "The fault lies," as Shakespeare once put these words in the mouth of one of his characters, "the fault lies in ourselves." All of this 51% of those who were too disgusted, or too lazy, or too unmotivated, to turn out for a general national election, are guilty.

You saw that the world was lying in the ditch, the country was lying in the ditch, people were dying, things were wrong, policies needed changing. What did you do? "I stayed home that day!" Watching television—dirty movies, no doubt? "No, that's immoral!"

But, do you support these policies? How many Americans—Oh, I'm sure that it was less than 25% of the actual voters, who were shameless enough to call themselves Republicans, in this circumstance. Not all Republicans are bad people; we've got a few bad Democrats, too, and I could tell you about those, if you wanted to hear it. But, I'm not going to do that.

They *voted* for these guys! Oh, sure, there were only—The margin of Republican victory in the Congress over Democrats is about 10,000 votes. So, if 51% of the voters *didn't* vote, and of the 49% that *did* vote, less than 25% of the total number of eligible voters voted for these stinking policies of the Republican majority, where is the mandate for the balanced budget? There is no mandate for anything.

But, there *are* irresponsible people who willingly say that they're going to kill people, or increase their morbidity rates, in order to induce Gingrich and Mr. Lott (I believe he's a descendant of the famous Mrs. Lot of Middle East fame), to pass legislation which will increase the expenditure, tax expenditure by the poor, in order to make tax cuts for the filthy rich—and I mean filthy. You should see what they do on Wall Street—for the parasites.

We have a change in values in the society. Now, before 1966, in my lifetime, which doesn't quite reach a century yet (it may get there, if I'm not shot); in my lifetime, and in the lifetime of my parents and grandparents and great-grandparents and great-great-grandparents, of whom, because of our family circumstances, I knew something, and in the light of our tradition in the United States, of those who made this

nation, because we didn't want to be like Brutes—like British, that is. We thought the British System was immoral, and we wanted to have our own. We thought Locke was immoral, and we followed the pathway of Leibniz, not Locke; not "life, liberty and property," but "life, liberty, and the pursuit of happiness"; not the welfare of the rich, but the general welfare, "for ourselves and our posterity."

We believed in production. When we bought something, we looked at it from the standpoint of production. Most people who owned an automobile, prior to 1966, would pride themselves in being able to make significant repairs. It generally was a bad idea for them to repair the watch; but, most of the things, electronic and other appliances that were used by the typical American family, members of the family, young people as well as the senior people, could make significant repairs in the household, could make significant repairs on the automobiles and appliances, and other things they used.

If you were stopped by the road with a broken-down car, or some similar problem, it was likely that a passer-by driving by, stopping to help you (and they would do that in those days), would be able to provide the skills needed to help you get out of that mess. And you could work together, and do everything.

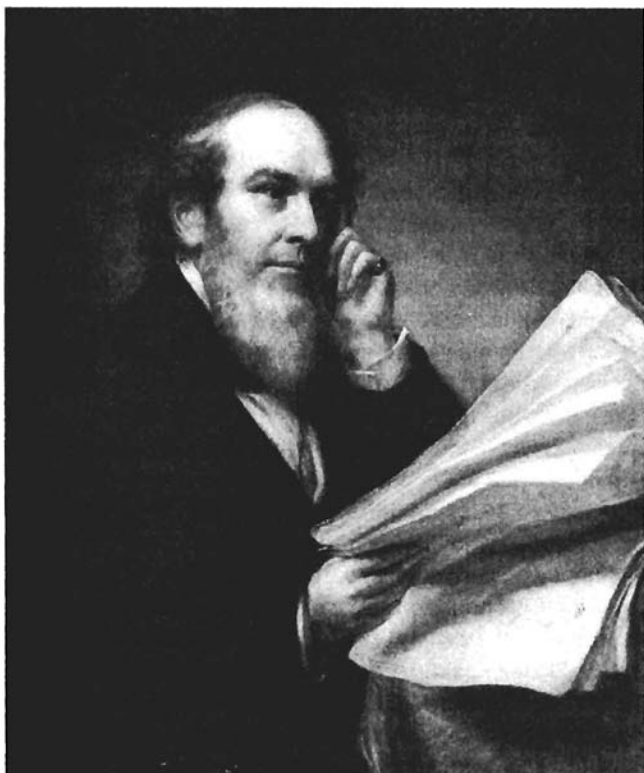
Most products, when designed to be sold, were designed to be *repairable*. You bought something, you wanted to have it repairable. You didn't want something which you would buy, and then throw away when it didn't work. Nowadays, people even go into marriage on that basis. "Okay, I'll get married to this creature. If I don't like it, I'll throw it away and get a new one." It's part of the consumer culture, you see.

So, what happened is, some of you may recall this: Back in 1966, we had a fad which suddenly struck the draft-dodgers of 1966-68, who were concentrated largely on campuses, where you studied draft-dodging. It was the most popular subject. As a matter of fact, most hours of the academic day were spent in attending courses in draft-dodging. I saw it, I witnessed it. We have people in the room who can tell you in more detail about it.

So, among the draft-dodgers, there arose a cult, the cult of consumerism. And the cult went somewhat like this: "We are trapped in this terrible bourgeois culture. We are trapped by our needs. We need this, we need that. We want diapers for our baby, for example." Or things like that. "We *need* things. We allow ourselves to be entrapped by our needs, into becoming the victims of producers." "You mean the people who own the corporations?" "No! No! Not just them! *All the blue-collar workers!* They're living at our expense. They're sucking our blood with their products." And, this became a movement.

The strategic Machine-Tool Principle

In my time, an earlier time, when you looked at a product or a problem, you looked at it in terms of how do you solve it? How do you produce what is needed to solve this problem? Short of wealth? How do we get more production? People



In the United States, Alexander Dallas Bache, the great-grandson of Benjamin Franklin, and his friends in Germany, Alexander von Humboldt and Carl Gauss, "set into motion what became known as the strategic machine-tool industry." Under this conception, products were not produced by a worker, as such, but "by a combination of work, productive labor, education, and the machine-tool sector."

unemployed? How do we create more *productive* jobs, not make-work? How do we give someone a job with some dignity, pride, where somebody's doing something that's useful for society? And, with all these things that need to be done, such as building dams so we don't get flooded in northern California, or building railroads, or building highways, or building hospitals, and all these kinds of things, there's work to be done. The welfare of society requires the work to be done; therefore, why do we allow somebody to sit in idleness, when we could mobilize the production, and make all of us wealthier, and solve our problems?

When we looked at a product, we looked at it in terms of quality of the production which it embodied. For example, take Germany. Now, Germany is interesting, or *was* interesting, up until recently, until Kohl was infected with Maastricht. It's a very dangerous disease. It may bring him down. And, Germany had high-priced labor, relatively, in terms of purchasing power, in terms of what they consumed, relative to the world. But, people liked higher-priced German products, over products from countries where labor was cheaper.

Why? Well, first of all, because German technology was superior, they were more productive; therefore, less labor was required, to produce a superior quality of product. Cheap labor

is low-technology labor.

Now, how did that happen? Well, because in Germany, as in the United States during the nineteenth century, people around [Alexander Dallas] Bache here, and his friends, like Alexander von Humboldt and [Carl] Gauss in Germany, set into motion what became known as the strategic machine-tool industry. And, every product in Germany, and for a time in the United States, was not simply produced by a worker. It was produced by a combination of work, productive labor, education, and the machine-tool sector. And, I've written a good deal about this; in an [EIR] issue coming out this week, there's more on it.

But, the basic way in which society functions, and always has functioned, the successes of society, are all based on a principle which the German model of economy represented, unlike the Third World model, which does *not* represent that.

The German model of economy is this. You start with a high level of education, universal education, if possible. Everyone gets a humanist education, that is, in the sense that you relive, in your own mind, as a student, the original act of discovery of a principle of nature or art. If you have that kind of education, you *know* what you're talking about. If you have the kind of education you have in school today, you *don't know* what you're talking about. You have only learned; and, your knowledge consists of mere gossip. That is, because the teacher, or the textbook, or somebody else told you it was true, you go on blabbering this thing as a truism forever, and say, "I know. . . ." You don't know anything, any more than the common neighborhood gossip, who just "heard" some place that somebody said something.

You start with that. When you have a sense of history, as the history of people before you, making discoveries of principle which enabled mankind as a whole to increase its power over nature, to solve problems, to provide a higher standard of living, longer life expectancy, better quality of family life; and you say, "This is how it's done!" And, you find in yourself that you *have* that creative power, because you've had the kind of education that brings it forth within you.

And then, when you face a problem, an *unfamiliar* problem, you're able to solve and attack an unfamiliar problem with confidence, because you *know* how discoveries are made. You have re-experienced it. And maybe, if you're a little better developed, and more motivated, you may have made a few independent discoveries of principle yourself.

Now you take that kind of person, you put them, say, as a scientist or engineer, or a group of them. They set up a small family-style or similar kind of firm. And what do they do? They go to the local manufacturer or other people and say, "We can make your product better, we can make your process better. Because we will bring science into play, to show you how to change the nature of your product, and improve also the productive process, by which you make the product."

The German machine-tool sector, like what the U.S. machine-tool sector used to do, similarly, from its nineteenth-

century tradition, or what we did in every war; or what the Soviet economy did, in the military sector. The same thing: strategic machine-tool sector. It's a high density of science, expressed as machine-tool and product designs, based on newly discovered principles or combinations involving newly discovered principles, to improve the quality of product and process, constantly.

So, you're not simply buying somebody cranking out a part, again and again; you're buying into a process which is incorporating improved technology at every point. And the reason you're able to do that, is because you have a labor force which is educated; not only educated, but a labor force which has the conditions of family and community nurture, which bring forth in the young person these potentials. That's the secret of modern society. And, that is what we've destroyed, and that's why we're in trouble.

Do the British own your opinion?

And the fact that so many of our citizens have gone along with this New Age, this new way of thinking—you know, if you don't like your sex, change it tomorrow! There's a course downtown, teaches you how to change your sex. Which is true, isn't it? It happens all over the place. You don't know by what appellation to address the person you met yesterday. "What do I call you? Mr.? Ms.? Mrs.? What? What do I call you?"

So, the new ways are not good. But, what has happened—and you look at your entertainment, which is a reflection of that. As things have become worse, worse and worse and worse, a general decadence has set in worldwide in most of the world, or the world as a whole, over the past 30 years. People have fled from reality, into fantasy life, or what is called "virtual reality." Not virtuous, virtual. They go rush to the television set!

How many hours a day is that thing on, and how many people are watching it? What do they watch? Look at the content of the programming. What's in it? What's the cognitive content? What's happening to them? Now, listen to the way they speak afterward. You see what's happening to our culture?

Then, you see what they do about schools. They do *nothing* about their schools. The schools are degenerating from the levels that they themselves knew when they were students. And they do nothing about it. They say, "Well, I have to take care of my family." What about your child's mind!? Doing nothing. "Well, we have to save expenses." What about the people who are going to die, if you don't have a hospital in this vicinity?

What if you have managed health care? How many people are going to die? "We've got to save money." How many people are you willing to *kill* to save money? I recall that, in the 1930s and 1940s, Hitler said we've got to save money by getting rid of the useless eaters. Who were the useless eaters, to begin with? They were the chronically ill, those in mental institutions, and people whose lives were not considered

worth saving. In other words, what we call today cost-benefit analysis, as applied to medical practice. *This is what is in our culture! This is what most people on the streets, whether they believe it or not, feel obliged to approve of.* "Well, the experts all agree. . ."; or, "This is the agenda. . ." "This is their agenda. This is my party's agenda. Isn't this the popular mandate? Isn't this what people voted for in the last election?"

Yes: in 1934, ninety percent or more of the German population voted for Hitler! We haven't come quite to that level yet. We've only voted, what? Less than—only a slight majority for the Republicans in the Congress. We've not reached yet the Hitler level. *But we're on our way!*

And, that's the nature of our crisis, is that the people themselves are corrupted. You look at the politicians. What does poor Bill Clinton do? I know a little bit about poor Bill Clinton.

Now, he's one of the higher—a high-grade Baby Boomer. He's not the low grade, like most of the types, like Gingrich. He's one who thinks. But, he's very cautious about doing anything to spoil the purity of his administration's policy, by introducing actual thinking into the policymaking. It's called pollster, it's called triangulation. Sometimes, people call it opportunism. Others call it liberalism. You're not allowed: "When you come into politics, you leave your morals outside, parked outside the door. Moral considerations don't apply. There is no right and wrong. Everything is relative." Cultural relative; and the cultural relative of these policies, turns out to be pigs, eh?

That's what's wrong with us.

Now, this is not an impossible situation. It's a terrible situation, but not an impossible one. We've had comparable experiences before, and we're back to the question of the mass strike.

The mass strike says that the way in which those in power think, is intolerable. "And we refuse to submit. *We want them to bend, or even to break. We are out to break their will.* Not to cause them to abandon a particular policy, but to break their will, to cause them to abandon a way of making policy. It's not the product that stinks, it's the recipe. And we want the recipe changed."

What that means, is the people are then using the government and institutions as a scapegoat for themselves. Look at how it works. The governments, people in governments, take polls. They survey popular opinion. People, knowing their opinions are being surveyed, have to go out and buy some popular opinion, at the right store. And they want to buy politically correct popular opinion. So they go to the *Washington Pestilence*, or the *Moonshine Times* here in town; or the *New York Slimes*, or Associated Pests; or the terrorist home journal, called CNN. Things like that.

And, they form their opinions by listening to talk shows on Sunday morning, or similar things. "I know about what's going on. I keep up with things. I read the newspapers, I read the magazines, I listen to television, I know what's happening! I listen to the news, I know what's happening!"

They don't know a blasted thing. But, what they have done, is they have become a repository of what is called "public opinion," largely manufactured, and largely administered by a very corrupt press, which is controlled by a few people who are mostly of British pedigrees, like the Hollinger Corporation, which controls the farm belt. People in the northwestern farm belt don't think any more. The Hollinger press, the little newspapers they own, does their thinking for them.

Practically every newspaper in the country is dominated by a handful of circuits. We've covered this in *EIR*: Hollinger, Murdoch, the *New York Times*, and Associated Press. NBC: British. ABC: British. CBS: British. CNN: well, they haven't discovered its species yet. But. . . It's all over the world.

But, these relative handful of magazines, where these things are cooked up, these recipes are cooked up, and then the mass media. Totally controlled. And, people are brainwashed, quite literally brainwashed, in ways which Goebbels started, in a real sense, in the 1930s, the Goebbels propaganda machine, which the British immediately copied, and plagiarized, and did a much more effective job than Goebbels ever did in lying.

The United States, through the Radio Research Project and the Office of War Information and so forth, brought these policies into the United States. Edward R. Murrow was part of it; all the names of the old days were part of it. We were run by a bunch of psychologists, run out of the Tavistock Institute, and psychiatrists and so forth, who manipulate and shape the opinion of Americans.

For example, I used to sit, in consulting, from time to time, and I had clients in the garment industry, or in some other industry. Now, let me tell you about American women and their tastes. Because I sat there. And, I knew what women were going to like, nine months to a year before they knew it. Because it's programmed! *Women's tastes in clothing style is not determined by the women*. It's determined by the style industry, which determines this years in advance. And most of it is done by the aid of psychoanalysts, who try to figure out the lowest common denominator of women, and the highest skirt, or whatever. Or whatever.

That is characteristic. Automobiles are designed, not as Henry Ford designed them, for their utility, but for their appearance. Why do we change styles in automobiles every year? We do a little bit less of that. Why did General Motors do that? Because they brought down the Seventh Avenue knockdown principle of design, into Detroit. And, we bought cars because of the way they looked. We didn't buy the cars to ride in them. We bought the cars to park them in the yard, so the neighbors could envy them. Keeping up with the tailfins, it was called sometimes. That's what we are. But, in time, yes, we've become great fools.

What makes us human

But, you learn something, as you deal with various parts of the world, as I do. That inside people, there is something

that is not a fool. There is something which distinguishes man from all lower beasts. Mankind is the only species which is capable of discovering a principle of nature; that everything that we know, everything about culture, came in the form of discoveries of a principle of nature. And, if you have not studied, or reexperienced a good deal of the discovery made by people from even tens of thousands of years before—our knowledge of civilization is limited to about 10, 12,000 years, though we can infer a great deal from other kinds of evidence of what *must have developed* earlier.

The discoveries: we reenact those discoveries. All the ideas we have, came from individual people, and through the transmission by replication of those discoveries in the minds of others, everything we have. And, every newborn baby, and we know there's no genetic difference, in terms of so-called racial distinctions or ethnic distinctions. Ethnic distinctions are bunk! Cultural relativism is bunk, cultural relativism—there's another, simpler word for it. If you want to save on syllables, call it by a simpler term: racism. Every cultural relativist is a racist. Every human being has the identical same need: to be a human being. To be developed as a human being, to function as a human being, and something more, which I'll get to.

Every human being has this potential. The United States, which is a melting-pot nation, France is a melting-pot nation, Germany is not a German nation—there's no such thing as a German biological type. Germany is Slavs, and everything else, mixed in there. It's a melting pot. Most of the populations of the world, are melting pots. The Chinese are the melting pot. All people in that part of the world were assimilated into one particular—you know, China, of course, is the oldest culture on this planet, the oldest *continuous* culture on this planet; and therefore, a certain amount of commonality appears, from intermarriage and things of that sort.

But, there's no difference between a Chinese, Korean, Africa, or any European child, and what the best American child can do. It's all a matter of nurture, education, and opportunity. We're all alike. We're all the same species. We have no races among human beings. We have racism, otherwise known as cultural relativism. But we don't have races.

And thus, we find there's something good in every human being, from the time he's born. And then the trouble begins. Every person has this creative power which, for those in the Mosaic tradition, is called "man and woman made in the image of God," which is nothing other than this power of reason, which does not mean logic, it means more than logic. It means, also, a quality of Love called *agapē*. They're inseparable; you can't have one without the other.

But, every human being has this potential. Every human being, in that sense, is potentially loveable. Some didn't make it, but they were potentially that. George Bush failed along the way. He was one of those guys that, in the Heideggerian throwing ritual, he landed on his head when he came to rest. Eh?

But, that is the human need, to participate in a process, in this brief span of mortal life we have, a process in which we can say that we have done something with our life, from beginning to end, so that when we're laid in the grave, we potentially are entitled to wear a smile, because we have done something which would not have happened for good, unless we had been born and lived as we did.

That is our truest self-interest. That is the self-interest which motivates the truly dedicated scientist, or the truly dedicated musician, or Classical musician, not the rock star. They don't have motivation. They're like beagles, they just have—they're born that way. Or un-born that way, or whatever. That's the quality. That's what we've lost.

You will see that Helga [Zepp LaRouche] will deal with this conflict, which I'll just describe, which has characterized Western European civilization over the past 400 years, essentially. And then, tomorrow afternoon, others will point out certain features of education, cultural life, which reflect what has been done to us by the enculturation and educational process.

Just think: All truth, including productive labor, the truth of productive labor, comes from the fact that the individual human mind is capable of re-experiencing, re-discovering, and embodying, fundamental principles of nature which then guide that person to be able to cope with the technology and related challenges of life. In addition, those persons can not merely replicate the knowledge which was given to them in this way. They have been trained to seek out the boundaries of knowledge, and to pierce those boundaries with new knowledge, especially when challenged to do so.

The secret of production is that man is not a commodity, labor is not a commodity, just as the Machine-Tool Principle illustrates: the German skilled worker, the German industry, begins with the Humboldt tradition and what it represents of Classical education, humanist form. It is expressed through the scientists and engineers who have embodied that method of progress, in design of products and productive process. It is reunified, as the person who has been educated comes into the productive process as an employee, and utilizes the improvements in the productive process, in the form of product and process which are presented, and is capable of doing so, because they're capable not of learning as monkeys learn. They're capable of accepting the challenge of discovering *what is the principle that makes this work?* Not, "How do I repeat this?" in the "repeat-after-me" Blab School style; but, "*How do I understand the gimmick, the principle which makes this work this way?*"

Rebuilding the machine-tool capabilities

And, that is why highly trained people, highly motivated people in various cultures of this planet, are capable of miracles of productive power. Whereas people who are kept very poor, who are kept as low-paid labor, who live in crushed cultural circumstances of education and nurture, who live in

communities in which existentialism predominates, where man against man predominates, can not.

Our mission, if we can get this ship going right again, this ship of civilization, is to take those sections of the world which did have or do have this machine-tool capability, this strategic machine-tool capability, which includes, in large degree, Ukraine and Russia, which had one of the most important and largest strategic machine-tool capabilities on this planet, with engineers and scientists who are capable of doing that.

We have a shortage of that here. We have some. We have it in Germany. We have a little bit in Italy. We have a little bit in France. You wouldn't notice it, they don't show it in the shop window. We have a significant amount still left in Japan. We have some in Korea, we have some in Taiwan. A tiny bit in India, a nucleus of it in India. And in the rest of the world: nothing! China, a bit; but, nothing generally.

So therefore, what we're going to do, or must do, is to take these parts of the world, which have the greatest concentration of education and machine-tool potential, such as the triangular area in the center of Europe, which is historically the center of the development of modern world civilization, in terms of these technologies; and the United States, and Japan, and so forth. We work with the biggest nations which must rapidly develop machine-tool capability, such as China and India, which have a nucleus, but they don't have an industry.

We must therefore put together large-scale projects which involve the most populous nations, and the world in general, together with those centers which can provide the machine-tool capability, and deliver it to every part of the world.

In other words, the principle is that *the factory in Indonesia, or the factory in China, or wherever else, has a right to access to machine-tool capability and the kind of education and knowledge*, which is needed to do this. We must bring the whole world, economically, into this kind of arrangement. If we can do that, we will have, because of the increase, even marginal increases in productive powers of labor in Asia, in China, in Southeast Asia, in South Asia. We're talking about two-thirds or more of the human population, right there. If you can increase, marginally, the productive powers of labor, the annual growth of the productive powers of labor in these parts of the world, what is the effect on the total wealth of the world as a whole? And all these debts, and all this poverty, and so forth, suddenly is nonsense.

What we could do in Africa—and you don't have to ask them to pay for anything. We've stolen so much from Africa, you don't need to ask for payment. You feel good about doing the job. Transportation grids: transportation-centered development corridors. Safe water. The mineral resources which Bush and his friends are trying to steal, with the aid of genocide, in the Great Lakes area of Africa. These countries can become, in a generation or two, essentially, by present standards, rich. And, we can, with the help of other countries which have the same commitment, which are machine-tool-

oriented countries, we can make that possible.

And, in doing so, we are acting as individuals, in such a way that we can say to our children and grandchildren, who look up at us and say, "Grandpa, what's going to happen when you die? What did you live for?" "So that *you* can see *this*."

Democracy of opinion is not freedom. You see what reform and democracy means in Russia, or Ukraine, or elsewhere. Truth means a great deal. Freedom, especially freedom

from various degrees of slavery, means a great deal. The nurture of that quality within the individual person which places them apart from and above all beasts, the thing which makes all humanity a single species, that makes the nation-state an instrument, not for separating mankind, but for bringing mankind together through representative institutions of self-government.

The problem we have, is this, and I'll just sum it up. Helga

Urge Clinton to convoke new Bretton Woods

By acclamation, the following "Appeal to President Clinton to Convoke a New Bretton Woods Conference" was voted up by the participants in the Schiller Institute/ICLC conference held in Reston, Virginia. The first two signers of the call are the founder of the International Schiller Institute, Helga Zepp LaRouche, and Natalya Vitrenko, a member of Ukraine's Rada (parliament) and the former chairman of a subcommittee on economic policy. The Schiller Institute has begun circulation of the call worldwide for endorsement by government and other leaders.

The world economy, with the exception of China, is faced with an accelerating collapse of industrial capacity and the skyrocketing of unemployment, which has led to a political mass-strike process, shaking the foundations of many governments and social institutions around the world.

The unavoidable bursting of the international derivatives bubble, or any relevant political event, could trigger a chain-reaction of stock market crashes and banking crises in many countries, leading toward the vaporization of the international financial system within a matter of days. The political, social, and military consequences of such a systemic crash would be incalculable.

Meanwhile, the tragedy of the so-called IMF reform policies in the former Soviet Union is now playing out, in the form of a monstrous collapse of production, a demographic disaster, and an unprecedented criminalization of society, which has resulted in an even worse and more rapid catastrophe than has already occurred in Ibero-America and Africa. If the present course of these international policies is not changed, entire nations will vanish from the map of the earth, as is already demonstrated in Africa. And, as the conditions in Bulgaria and Albania illustrate, even Europe can plunge into a new dark age in a very short time. Germany, for example, has reached de facto the same level of unemployment as when Hitler

came to power.

Thus, many governments, parliamentarians, and leaders of social institutions are confronted with the unacceptable dilemma, that if we are to fulfill the conditionalities of the IMF, or such requirements as those of the Maastricht Treaty or the Balanced Budget Amendment in the United States, we would have to act against the most vital interests of the people, whom we represent. But the international financial institutions have no right to require that the debt to them be paid with a pound of flesh of each of our citizens.

The U.S. Declaration of Independence states:

"When in the course of human events, it becomes necessary for one people to dissolve the political bands which have connected them with another, and to assume among the powers of the Earth the separate and equal station to which the Laws of Nature and of Nature's God entitle them, a decent respect to the opinions of mankind requires that they should declare the causes which impel them to the separation."

In this spirit we say, that not for "one people," but for the peoples of the world, it has become necessary not to dissolve the political, but the financial bands with the present hegemonic financial institutions.

In the Declaration it is further stated: "But when a long train of abuses and usurpations, pursuing invariably the same object, evinces a design to reduce them under absolute Despotism, it is their right, it is their duty, to throw off such Government, and to provide New Guards for their future security." Such a condition has emerged, threatening to throw our entire human civilization into chaos and barbarism.

Therefore, we appeal to you, President Clinton, to use the Powers of the Presidency of the United States, to convoke, on an emergency basis, a new international Bretton Woods conference, to replace the present bankrupt monetary system with a new one. A global debt reorganization, the establishment of fixed-parity exchange rates and a new set of trade and tariff agreements are the absolute precondition for stability in world economic and financial relations, which are required for a return to economic growth.

It is also required that sovereign governments have exclusive responsibility for the emission of currency and

will handle her part by herself. She's trained me well. But on tomorrow afternoon, we'll have a diversity of people giving reports, which are samplings of what's wrong with education. Put it this way: In not a single university today, in the United States or Western Europe, in any course, especially not social studies, especially not in modern language teachings, especially not science, not mathematics; in none of these areas is any person given a competent education. What is generally

the creation of credit and that, in the tradition of President Franklin D. Roosevelt's bold anti-depression programs, they make available cheap and long-term credit lines for large-scale investments in infrastructure, industry, and agriculture.

The outline of a new world economic system is already taking shape. Led by the initiative of the Chinese government, several countries of Asia are currently engaged in the construction of the "New Eurasian Land-Bridge." By integrating all of the Eurasian continent economically, a similar "land-bridge" development is planned which will soon also connect the United States, via the Bering Strait, and Africa, via the Near East, bringing economic development and prosperity to all previously landlocked areas of the world.

As a cornerstone of this global reconstruction program, the economist Lyndon LaRouche has emphasized what he terms the "Machine-Tool Principle." This principle is the recognition that the economy must be based on the fact, that it is solely the creative reason of the individual which is the source of wealth in society. It is the continued ability of creative reason to formulate adequate hypotheses about the laws of nature, which leads to scientific and technological progress. These discoveries are applied in the form of new, improved machine tools and in upgrading the skills of the labor force, resulting in increasing productivity of the productive process. The global economic reconstruction must therefore put absolute priority on Classical, universal education and the strengthening of the creative powers of the individual.

The building of the Eurasian Land-Bridge as the cornerstone for similar infrastructure and economic programs for Africa, Australia, and the Americas is the only way that economic development can bring peace and stability to all corners of the world. Such a policy is therefore in the strategic security interest of the United States. It is also in the tradition of the Founding Fathers as a policy for a community of principle among nations.

We appeal to you with the utmost urgency to take the necessary steps, so that your Presidency does not mark the beginning of a new dark age, but that of a new golden era of mankind.

believed among the generation of those in leading positions in these professions today, is nonsense, is bunk; is worse than bunk.

The issue is this. The power of modern European civilization emerged from the middle of the fifteenth century. It emerged. It was long-prepared, long-prepared; the whole history of humanity tells us how this happened. But, the center of this was the understanding of the nature of man, that man is a creature with creative powers, set apart from and above all species. And, it is man, by transforming the world around him, and transforming his own powers and his own culture, who can meet these challenges which life presents.

As a result of that resolution in Europe, the population of the world, not just Europe, but the world, between, say, 1461, when the first modern nation-state was established in France, until 1966, when we began the countercultural downturn into the New Age, which has destroyed us since; the total human population of this planet increased from several hundred million, to over 5 billion.

The demographic characteristics overall, on this planet, of population and household life, in demographic terms; the productive powers of labor, and the available conditions of life within the family and for the individual, including the defeat of diseases which had plagued mankind almost helplessly in times past; this great achievement. And, this great achievement was based on an understanding that every individual has this potential, that this potential can be educated, nurtured. This potential can be organized in such a way, with a purpose: to uplift society in each nation, and in the world as a whole.

And, despite all the evils which have occurred in those past 500-odd years, this was, by and large, a success. It's the greatest success in all history. More progress was made in the human condition, in the past 500-odd years of the modern nation-state and its influence upon the planet, than in all human existence, perhaps going back a million to 2 million years before. This is the greatest success in all human existence, a realization of all the things that had gone before, to make it possible.

1966: The post-industrial paradigm shift

1966: we decided to throw it away. And, I'll just sum up what the difference is. I've written about it, but I'll just call your attention to the point.

I said earlier, that until 1966, we were culturally a production-oriented culture. And most of the developed nations of the world were. We had been that, for numbers of generations. We looked at everything from the standpoint of production. When looking at production, we looked at it in terms of *increasing the productive powers of labor*. Everybody wanted to increase their own productivity. They wanted to master new skills, new knowledge. They wanted to broaden horizons.

The conquest of space: Remember that when Kennedy proposed the manned Moon landing within the decade, and

as those achievements began to move forward, the American people were inspired; because it is those kinds of achievements of nations which make the person within the nation, realize the importance of their living, and the importance of their contribution to that nation.

We were still inspired. But, something happened. We said, "No, this is bad. We're now going into a post-industrial utopia. We're going to give the plants and animals more room to live, and fewer people to annoy them." And, how are we going to help the plants and animals? "Oh, we're going to protect the deserts!" Next we'll be protecting the diseases. We have recently, in the past 20-odd years, we have been systematically, especially in the past 10, 12, protecting a dangerous lentivirus, called the AIDS virus. We've been protecting it, ensuring its survival, ensuring its success. Oh, we may limit—we may cull the herd occasionally, here and there, but we do not limit it. We allow it to have absolute success. Go where you want to!

We've sent it into South Asia, on a German sex tour, into Thailand. And, it was very happy there, and it stayed there. And then sometimes it comes back to visit Europe, from there. India is hit with it. We've changed our values.

Now, what that meant, was, let me just sum up my experience in management consulting, in an earlier period. What I saw, in my experience with industry and production, is that we always had a fight, in every case I went into of any importance. There was generally a fight between the production people and the people in the accounting and finance office. The people in the accounting and finance office, however useful their services might be, within restrictions, were always overstepping their capabilities, and presuming to direct production. And, people who talked financial doctrine, or monetary doctrine and financial doctrine in general, and accounting doctrine, are no good for production. You can not run a country, based on the principle, so-called, of financial and accounting practice. These principles have a usefulness, but they represent virtual reality, not reality.

Production is far different. Production is based on change. Never allow an accountant to make up a budget, if you want to manage a production of operations. Never allow a financial manager to make up a budget, if you want to manage a production of operation. Never allow a financial manager to make up a budget. Let him write up what he's told the budget must be, in financial terms, and present it. But, don't let him design it. He doesn't know how to do it. He's intrinsically incompetent. He lives in virtual reality, whereas production must live in reality.

The reality of production is: technological progress, development, education, innovation, changes; reality.

So, until 1966, partly influenced by military considerations, most of the countries of this planet, the major ones, had a military-productive national security imperative. And therefore, the machine-tool sector, in order to maintain and exceed parity with the likely competitors, was a powerful

political commitment of those economies. The only people that could realize the objectives of military and related national security, were the production managers, and the scientists. And therefore, the scientist and the production manager, was the characteristic of the successful features of the U.S. economy, as other economies—as the Soviet economy, for example; the same thing.

Now, in 1962-63, after the successive missile crisis and the Kennedy assassination, the oligarchs who run the world, and, in large degree, run the United States from the top down, above government, decided that, by means of the treaty which they had forced upon the two nuclear superpowers, the Soviet Union and the United States, by this missile crisis, that they had created a situation in which no longer general nuclear warfare among major powers was possible. That only limited warfare, or surrogate warfare, such as that in Vietnam or, later, in Afghanistan, would be possible. Or terrorism, which is a form of warfare practiced by national governments, not by odd kooks in the bushes. It's just denied, it's just denied warfare, but it's actually fought by governments, through surrogates.

We decided that we no longer, therefore, needed to have the commitment to nation-state, and to directed scientific, military-oriented, strategically oriented investment in productive processes. So, at that point, promptly, out of the Ford Foundation and its Center for the Study of Democratic Institutions in Santa Barbara and other places, suddenly, all the think-tanks, the big think-tanks, which owned most of the political movements in the United States—ask who's on a foundation payroll or grant, directly or indirectly. Find out. Anybody who's on a foundation grant, whether they know it or not, is an agent of the ruling oligarchy—even worse than a government agent. Often, they're also government agents; like most cultural relativists are government agents. It's the biggest problem we have in the civil rights movement, is all these foundation-controlled government agents, who spread cultural relativism. Our big problem. That's what set up Martin Luther King for killing. That's what's setting Minister Farrakhan for potential assassination now, are these cultural relativists, with this kind of crap.

"No, we don't need that [scientific and technological progress]! We're going to have a counterculture! We're going to take these frightened, cowardly Baby Boomers in college, and we're going to terrify them. We're going to use the terror of the missile crisis." You know, people were flooding into churches all over the place, in those weeks. You could not find enough churches to contain the people on any noontime in Washington or elsewhere, during the period of that missile crisis—'62.

And then the Kennedy assassination, and the big cover-up of the British assassination of Kennedy. Because it was done by British intelligence; that is known. That is proven, that it was organized by British intelligence. We don't have the proof of who pulled the triggers, the three triggers, the



The reality of globalization: This is one of the shantytowns that sprung up around Mexico's maquiladoras, the cheap-labor industries on the U.S.-Mexican border. Opposite the accountant's mentality that cuts living standards to maintain an income stream, a competent economic policy—the Machine-Tool Principle—places a premium on “technological progress, development, education, innovation, changes; reality.”

rifle-triggers. But, we know it was British intelligence. Bronfman's lawyer, from Montreal, organized it. That's a fact. And Bronfman's lawyer from Montreal, was the guy who was caught, red-handed, organizing the assassination of de Gaulle in France, in that same period. The same organization.

They terrified the American people. Johnson was terrified, President Johnson. As a result, these terrified draft-dodgers on the campuses, looking every night at the television screen and seeing the mangled bodies of people in U.S. and other uniforms, or no uniforms at all, on television, *horrified them*, that *they would do anything to anybody, including sex with a fireplug, to keep from going to military service*. And, in this condition of virtual mass psychosis among the college populations, the Baby Boomer population, they induced a cultural change, called the neo-Malthusian cultural paradigm shift, or the New Age, the rock-drug-sex counterculture, and all the kooky things that went with it.

Also, in 1969, promptly, the lesbian movement was organized in the United States, and the homosexual movement, which was already being organized, was organized afterward. We saw it in New York City. T-groups, organized under Tavistock Institute and other organizations, created this mass-recruiting to lesbian organizations, in T-groups. And, all the other things that made up the so-called Rainbow Coalition, were the same thing.

So, they introduced what was called a *cultural paradigm shift* in the U.S. population. With the aid of that cultural paradigm shift, as people in my generation became older and weaker, and were afraid of being broken off from their children, the country adapted to these—accepted these values.

And, the crucial thing was when a certain part of the services of the U.S. government organized the breakdown of the reactor at Three Mile Island in Pennsylvania, outside of Harrisburg, which was done by the government, in order to bring this about. Terror struck. I wouldn't be surprised if somebody did Chernobyl, the same thing. Every reason to suspect it was done deliberately, by somebody. This terror meant that our people accepted a change in values, which is today's political correctness.

Now, what happened? What's wrong with the accountant, what's wrong with the financial manager, as against the scientist and production manager, in terms of production?

The production manager and scientist deal with ideas, deal with development of ideas, with the principle of discovery, with the principle that every human mind is capable of making discoveries, re-enacting discoveries of principle made by people earlier, and going on to do some pioneering of their own, at least in facing situations.

For example, in the old days, in a competent classroom, in a university, if I were president of a university, and I caught an instructor, a professor or other instructor in that university, issuing written or oral examinations, in which all the questions in the examination were limited to those which had been rehearsed, for which answers had been rehearsed in the classroom, I'd fire him; or give him tenure in a manure pile, eh?

Because, in a competent course, you don't have Blab School education. You test, whether you in the course, and the student in the course, have actually developed capabilities to pioneer in solving problems beyond the outer limits of what

you've covered in the class. If you have not done that, you have not developed their creative powers. And therefore you were a failure, the school is a failure, and the poor lout who took the course is a failure.

And, that's the standpoint of production. That's the standpoint of science. If you're sitting as a scientist in a laboratory or some research institution, do you want the guy next to you saying, "Huhnh? What textbook did you get that out of?" I mean, this guy, he's sitting there with his PC, trying to find the formula from what textbook. He can't think!

And, they do that in production. The worst people in production, are those like the Robert McNamaras and other low-lives. What they do, is they say, "You're only a worker! You're only a worker! It is the stockholders, and the people who put up the money! They are the ones with creative powers, that create wealth! You're only a worker! Do your job! Use your squash, you dumb banana!" That kind of stuff.

That's not reality. That's what they do in the *maquiladoras*. That's what they do in these outsourcing plants. In the *real* factory, in the *real* plant, in the days that we put a premium on production, the suggestion box was very important, and the suggestion box did not have little kooky suggestions of the type you get today, like putting a little bit of lace around the Kleenex, or something.

You would have working people in a plant, particularly the skilled ones, who would spend hours with their buddies, or by themselves, working through a problem, and they would submit a plan for dealing with some problem: how to do it better. That was the environment. They had pride in what they did. They had pride in the fact that they solve problems, they made the thing work that wouldn't work when it came on the factory floor. They didn't walk away from it because it didn't work; they *made* it work. They would even talk to the engineers and people, saying, "This is what's wrong with what you've done."

There was a constant, intensive problem-solving process going on, which revealed something, as the case of the American farmer in the postwar period. A fellow of my generation, who came back from the war, got some more education, and went out, and made a miracle in agriculture, by investing in technological progress, and was pushing the frontier of technological progress, constantly, on the farm, every season, sometimes 14, 16 hours a day.

Inputs and outputs are not economics. The input is what you need to do the job you have to do, and the way you have to do it. The output is a result of the intelligence you apply, this creative intelligence you apply, as a human being participating in this intellectual life with other human beings. It is the human mind, the development of the creative powers of the individual human mind, which is the source of the increase of the productive powers of labor. Infrastructure, power, all these things, are necessary preconditions to effect and realize that potential.

But, it is ultimately the human mind, the development of

its creative powers, the motivation of those creative powers, which is the source of wealth. It is *pride* in the development of those powers, by the individual, who does not want to become ever less than that, which is the essence of human morality. Not to degenerate to something else; not to be someone who merely follows a routine, stupidly, because he's taking orders.

How the empiricists begat accountants

Now, go back to the beginning of the sixteenth century. Go back to a fellow called Paolo Sarpi, who had a lackey. The lackey's name was Galileo Galilei. He also had an asset, called Francis Bacon. Galileo had a homosexual student, whose name was Thomas Hobbes, who was the lover of Francis Bacon. He was a mathematics student of Galileo. And, they begat John Locke, who begat Bernard Mandeville, who begat various people, including Dr. Quesnay in France, who begat Adam Smith, who begat David Hume, and so forth. Or, otherwise: empiricism and positivism.

The nature of empiricism and positivism, is a conception of man very much like that of the financial specialist, or the accountant-economist today. He conceives of man as being a particle in a gas, probably a stinking gas, such as the kind of gas theory that conforms to Thomas Hobbes's *Leviathan*, the theory of every man in war against all, each in war against all. The idea that the Seven Deadly Sins, or so-called British human nature, dominates every individual, that we react in a mechanistic way, on the basis of interests, selfish interests, greedy interests, like pigs' interests; denying absolutely that there exists a creative power of the individual mind, and that that creative power of the individual mind, which makes you something more than an animal, is your primary motivation. And, that's what's lost.

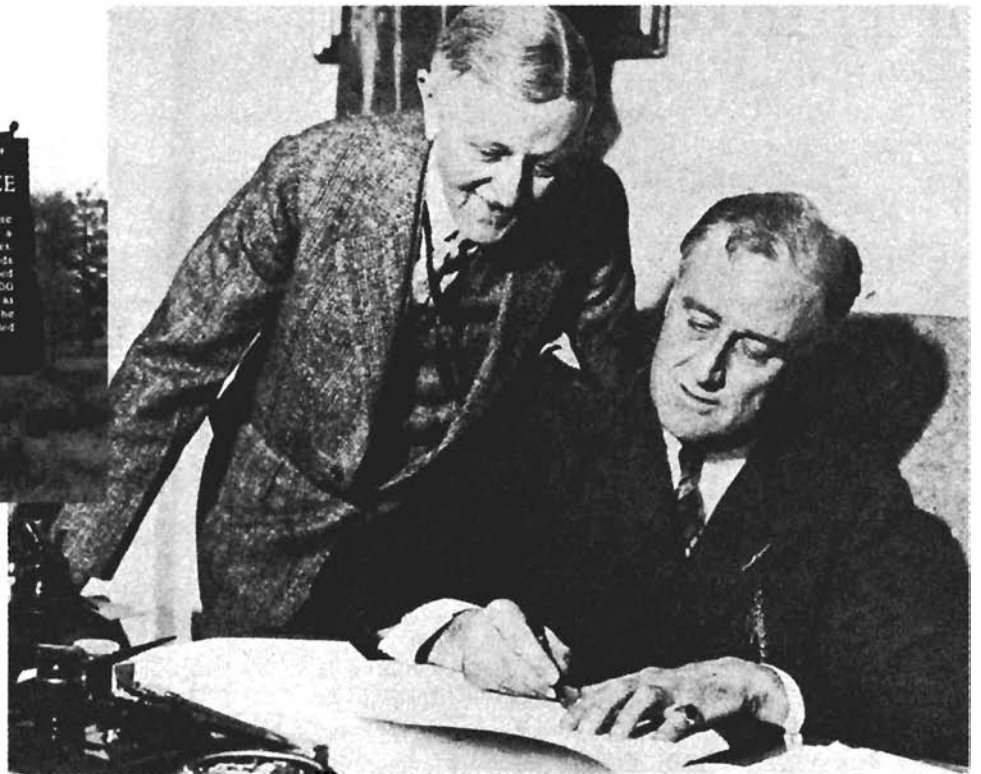
That's what's happened in this culture. That's what you're taught in school today. Where are you taught the truth? The very method of education used, violates—is Hobbesian. It is not truth.

I was talking yesterday with a friend of mine, whose son is just going into college, on the problems of surveying the colleges to find one which is fit for pigs, or, possibly, someone better. There's nothing! For those of us who know something, we look at the curricula, look at the teaching, look at the program, what's being taught at the highest level of university at which people are getting terminal degrees—that means you're dead. You've lost the capacity to sustain life. That's our condition. That is what you read in your newspaper. Every interpretation of how events occur, all the explanations of why this country does this, or why that country does this, or why this revolutionary does this, or this revolting person does that: all in terms of this Hobbesian empiricist-positivist logic.

The idea that man is something sacred, the idea that the individual personality has creative powers, the idea that the individual has individual *rights* because they have these qualities, that you can't shove somebody off into a morgue, simply



Franklin D. Roosevelt signing legislation to rebuild a Depression-wracked nation in 1933. Among his last acts, in 1944, his government convened the Bretton Woods Monetary Conference, which stabilized the international monetary system to allow a war-torn world to rebuild.



because your accountant says you ought to do that, to balance the hospital's budget or the HMO's budget. That's immoral!

We have the power to solve the problems which are posed by these questions. In the old days, in the productive society, when Grandma got sick, and we needed to pay the medical bills to keep her alive, we'd all scrounge to find some way to raise the money, to keep Grandma alive. Today, we say, "Go in and tell Grandma to sign that piece of paper." That's the Hobbesian world we live in.

Finally, this. Mass strikes are good. They can have bad results, but they're good. Because when the point is reached in human affairs, that the institutions which govern us, and the opinions of the people who are governed, have deprived the nation of its moral fitness to continue to survive, there must come some event which shatters the smugness of generally accepted opinion, and opens the doors for considering alternative ideas, ideas which do not have these defects. These must be ideas which do not discard the past, but which comprehend the past as a process, which recognize the great degree of human achievement in everything we represent today. We don't throw that out the window, and start with the New Age from scratch.

But, we have to sort out ideas which sort out the good from the bad, in the past of human existence, in which to say, "This is the way we have to go." And, it's very simple. We've just got to get the President of the United States, I think, to, at an appropriate moment, a moment of crisis, when he can come out of his hidey-hole and expose himself as actually thinking,

to say, with the power of the President of the United States, to a number of other nations, "We are going to meet this weekend, in an emergency new Bretton Woods conference, to straighten this mess out, on the basis of prepared plans," which they've been afraid to expose to public view prior to that time.

But, they have to be somewhat prepared, because it has to be done quickly: to create a new monetary system, to embrace the Land-Bridge proposal for Eurasia, as the center of the building blocks of re-creating civilization on this planet; and, above all, restoring the Machine-Tool Principle, which means also the principle, a quality of education, the right of the child to that kind of education, and to restore a dignity to the individual in society, which the individual in a society does not have today.

The time has come where, if we have these ideas, and can approach the conflict of society from *above* society; don't be complainers, don't be revolting. Don't revolt from underneath, don't blame scapegoats on top. "These guys, they're evil, let's hang them and our problems will go away." They won't! Because the rottenness lies in the people. You must find an operation which, at the moment, the people are willing to give up their rottenness, you must provide the ideas which they need at that moment, to make the turn, which must be made quickly, in order to take a different road. To resume the path of progress, troubled as it was, imperfect as it was, back 30 years ago. That doesn't solve the human race's problems, but it gives us the chance to begin solving them.

Salinas-Bush cartel under attack in Mexico

by Hugo López Ochoa

The Feb. 18 arrest of narco-Gen. Jesús Gutiérrez Rebollo, and his dismissal as director of Mexico's National Institute to Combat Drugs (INCD), on charges of protecting Juárez drug cartel boss Amado Carrillo Fuentes (a.k.a. "Lord of the Skies"), is the opening move of a bold counterattack by Mexican President Ernesto Zedillo and the Mexican Army against the machinery of former President Carlos Salinas de Gortari. Although out of power and living in self-imposed exile in Ireland, Salinas still controls a powerful and corrupt political machine inside Mexico, under the protection of his political godfather, former U.S. President and cocaine kingpin, George Bush.

The Anglo-American media, the non-governmental organizations (NGOs), Washington "analysts," and a handful of U.S. congressmen, have promoted a contrary view of this breakthrough, demanding that Washington decertify Mexico come March 1, citing this as "proof" that high-level corruption exists within the Mexican government and Armed Forces. What they don't say, of course, is that the drug cartels reached the height of their power inside both the United States and Mexico, through the Presidencies of George Bush and his protégé, Carlos Salinas de Gortari. Bush and Salinas had used the North American Free Trade Agreement (NAFTA) as a means of shattering Mexico's economic sovereignty and turning it into a narco-economy. And now, on the eve of President Clinton's visit to Mexico in mid-April, the Bush-Salinas political apparatus is being deployed to sabotage any possibility of U.S.-Mexico cooperation.

The story behind Gutiérrez Rebollo's exposure is not that the apple has worms, but that Mexico's national institutions have finally begun to root out those worms, and to defend the existence of the nation-state against efforts by the Bush-Salinas crowd to turn Mexico into a no-man's land of drug traffickers and terrorists.

Profile: Gutiérrez Rebollo

General Gutiérrez Rebollo won fame as a "hard-liner" against the drug traffickers during the past 10 years or so, while serving as military commander in Sinaloa (a post covering Mexico's entire northwest, including Baja California, Sonora, Chihuahua, Durango, and Sinaloa) and as commander of the Fifth Military Region, headquartered in Guadalajara, Jalisco. Among the more notorious drug lords captured on his watch were Héctor "Güero" Palma, Eduardo Salazar Carrillo, Jorge Iván Taborda, and others. But, "while he may have acted effectively against some groups of drug traffickers, we now feel that he also wittingly and primarily served the interests and the strengthening of another group," i.e., Amado Carrillo's, declared Defense Secretary Gen. Enrique Cervantes Aguirre, during a Feb. 18 press conference. It was at this press conference, given before all the commanders of the Mexican Army and officials of the Attorney General's office, that it was announced that General Gutiérrez Rebollo had been placed in the hands of civil authorities for trial, to then be followed by military judicial proceedings.

The question, of course, is how did Gutiérrez Rebollo come to be named the anti-drug chief of Mexico, in November 1996, only to be fired barely three months later? Both Defense Secretary Cervantes Aguirre, and President Zedillo himself, have admitted to the disgrace of having placed a traitor to the nation in such a post. But this was not just a failure of Mexican military intelligence. White House anti-drug director Gen. Barry McCaffrey expressed his own outrage that, despite reports that information on Gutiérrez Rebollo had been provided to Mexican authorities by U.S. agencies, he himself had never been informed! During a recent visit to Washington by Gutiérrez Rebollo and Attorney General Madrazo, McCaffrey had outdone himself in praise for the new INCD director.

Gutiérrez Rebollo became INCD director as part of a ma-

neuver by the Salinas political machine in November 1996 to exonerate the former President's brother Raúl Salinas, who has been in jail since February 1995 on charges of assassinating PRI Secretary General José Francisco Ruiz Massieu, as well as on charges of money laundering in Switzerland and other countries, tax evasion, and illicit enrichment.

First, a trap was laid for then Attorney General Jorge Lozano Gracia, in late November 1996. Lozano was led to believe, through Raúl Salinas's private "astrologer," known as "La Paca," that human bones "found" on a ranch belonging to Raúl Salinas were of Manuel Muñoz Rocha, one of Salinas's alleged accomplices in the Ruiz Massieu murder, who had disappeared in September 1995. When the bones were determined by forensic scientists not to belong to Muñoz Rocha, Attorney General Lozano became a laughingstock. President Zedillo had to dismiss him.

The scandal was a hard blow to Zedillo, who had nominated Lozano, a member of the opposition National Action Party, as a guarantee of impartiality in ongoing investigations of three major assassinations: Guadalajara Archbishop Cardinal Juan Jesús Posadas Ocampo, José Francisco Ruiz Massieu, and the Presidential candidate of the ruling PRI party, Luis Donaldo Colosio. Taking advantage of the temporary demoralization inside the Zedillo government, the Salinas machine was able to impose as Lozano's replacement Jorge Madrazo, a prominent member of the mafia of homosexuals controlled by Jorge Carpizo, the powerful former Attorney General and former Interior Minister under Carlos Salinas. Along with Madrazo came Gutiérrez Rebollo as the new director of INCD, which is a dependency of the Attorney General's office.

Following this Salinas "coup," the Mexican media began to openly speculate about how long it would be before Raúl Salinas was freed from jail.

The fallout against Mexico's institutions from the ongoing scandals, is reflected in the disproportionately low percentages the PRI is receiving in the polls, as mid-term federal elections are readied for July. Those elections include, for the first time, the governorship of the Federal District, where 20% of Mexico's population lives. The PRI has received less than 20% in the polls, against more than 30% for the opposition PAN and more than 20% for the opposition PRD.

Zedillo readies a counterattack

The arrest of Gutiérrez Rebollo comes as the first of what President Zedillo promised in a February television interview would be "unprecedented measures" to root out corruption. Purges have already begun of corrupt elements within the INCD, and names of other prominent individuals have begun to surface in connection to Raúl Salinas's narco-activities. For example, the Mexican media have given prominent play to reports first published in the *New York Times* that two sitting Mexican governors, including Manlio Fabio Beltrones of Sonora, are tied into Raúl Salinas's drug-trafficking protection racket. Although this news service reserves judgment about the *Times*'s motives in publishing its exposé—which may well

be related to its long-standing project of destabilizing Mexico's institutions—the fact is that the charges against Beltrones, in particular, are highly credible. In fact, U.S. Assistant Secretary of State for International Narcotics and Law Enforcement Affairs Robert Gelbard, told a Congressional hearing on Feb. 25, "We have concerns about Governor Beltrones. And we're studying that, we're continuing to study that."

Several Mexican journalists have also usefully identified specific aspects of the Bush-Salinas machine arrayed against Mexico.

El Financiero columnist Jorge Fernández Menéndez, for example, wrote Feb. 25 that complicity between public security agencies and drug traffickers was solidified following the explosion of cocaine consumption in the United States, which followed the Presidential decision to provide weapons to the Nicaraguan Contras, a decision approved by Reagan, but willfully carried out by Vice President George Bush. "The contact of the Contras in Honduras was drug trafficker [Ramón] Matta Ballesteros, a Medellín Cartel man. The direct boss of Matta Ballesteros in Mexico was Miguel Angel Félix Gallardo and his main operator, Ernesto Fonseca Carrillo (Don Neto). Working under the latter was Rafael Caro Quintero and a nephew of Don Neto, who at the time only carried out minor tasks: Amado Carrillo Fuentes. This group was in charge of transporting weapons to Honduras, and in exchange returned to Mexico with cocaine and crack to bring into the U.S. So close was the relationship that the Jalisco ranches owned by Caro Quintero were used for training the Contras."

"Such was the degree of complexity in relations maintained by this group of drug traffickers with the powers and with the CIA, that at least two deaths are directly attributable to having discovered these links: that of journalist Manuel Buendía, on May 30, 1984, and that of [U.S.] DEA agent Enrique Camarena one year later.

"In 1989, George Bush was President of the United States. . . . At the time, Amado Carrillo was arrested in Guadalajara, and then released weeks later. From that moment onward, he was in charge of rebuilding the network of political contacts and of drug traffickers. The jewel in the crown was named Jesús Gutiérrez Rebollo, who at the time was charged with destroying the cartels of the adversaries of that youth, who later would come to be known as 'Lord of the Skies.' "

José Neme Salum, another prominent Mexican columnist, wrote in *Excelsior* of Feb. 24, that "behind the treason committed by Gen. Jesús Gutiérrez Rebollo is the whole apparatus of an explicit policy, formulated and launched by George Bush since he was vice president of the United States, to use not only the state apparatus of that country, but of a large number of nations in Latin America, Asia, and Europe, on behalf of the drug trade." The strategy to dismantle the Salinas machinery has failed, says Neme Salum, because it clashed with "that association established by Bush."

Neme concludes that President Zedillo should resolve with President Clinton to undertake "a joint investigation that would permit the dismemberment of the Bush cartel."

Sudan is the target of foreign invasion, U.S. delegation finds

by Muriel Mirak Weissbach

Since Jan. 12, when Sudan was invaded by a combined force of Ethiopian and Eritrean regulars, and rebels from the Sudanese Peoples Liberation Army (SPLA), the international media have provided precious cover for the aggressors, by masking their identity and promoting their military strategy. The gist of press reports has been, that the SPLA rebels had mounted the invasion alone, and secured four positions within two days. Thereafter, the formidable rebel force, according to the press, began its march on the strategic site of Damazin, capital of the Blue Nile State, and location of the Rosieres dam, which provides the Sudanese capital, Khartoum, with 80% of its water and electricity supply. The rebels' advance was reported almost daily by the press, which, in only one or two cases, admitted that "no independent confirmation was available."

Virtually all such press reports, which have been predicting the imminent destruction of the Rosieres dam, and the subsequent insurrection in Khartoum against the government, have been filed from Cairo, Adis Abeba, Asmara, or Nairobi. Most notable was a feature on Cable News Network on Feb. 21, which included lengthy interviews with Baroness Caroline Cox, deputy speaker of the British House of Lords; Francis Deng, a leading Sudanese opposition figure now in the United States; and Sadiq al-Mahdi, leader of the Umma political party which is working with the rebel SPLA, under Cox's direction, to overthrow the Khartoum government. The CNN feature, after retailing slanders of alleged support for slavery and terrorism by Sudan, hammered away at the message that the advance of the rebels was inexorable, and that the central government's days were numbered. The broadcast called for a mobilization of international "humanitarian" organizations, to aid the insurgents.

During Feb. 17-26, a group of Americans travelled to Damazin, to get a first-hand view of the situation, and saw that reality was quite far from what the newspapers of record or British intelligence, through Cox et al., had been saying. The American delegation, organized by the Schiller Institute, was composed of Theo Mitchell, former state senator of South Carolina, and former candidate for governor; Rep. Harold James, head of the Black Caucus of the Pennsylvania State Legislature; James Barnett, president of the Coalition

of Black Trade Unionists for Northwest Alabama; and María Elena Milton, former candidate for Congress from Arizona. The delegates were accompanied by Lawrence Freeman and Muriel Mirak Weissbach of the Schiller Institute.

The delegation was able to determine not only that the press reports on the military situation there, were false, but also that the foreign aggressors had committed grave violations of human rights, which were systematically blacked out by the same media.

The delegation was received by, among others, representatives of the government, the National Assembly (parliament), the Khartoum state assembly (legislature), the Supreme Council for Peace, the International Peoples Friendship Council, the Attorney General, the Committee to Investigate Allegations of Slavery and Involuntary Disappearances, the National Congress, the Minister of Social Planning, the Minister of Construction, the Board of the Gezira Scheme development project, the State Minister for External Relations, the Sudanese Council of Churches, and a large group of Sudanese intellectuals from the South.

'The first casualty is the truth'

The American political and civil leaders travelled to the militarily strategic center of the Blue Nile State, on Feb. 23, and visited both El Rosieres, the site of the dam on the Blue Nile, and Damazin, the urban headquarters of the government and military. The group was received by the governor of the Blue Nile State, Dr. Babiker Jaber Kabalo, who briefed them on the social and economic effects of the invasion. Dr. Babiker stressed that the action had been a direct aggression from behind Ethiopian borders, prepared by massive Ethiopian artillery attacks. He said that civilians had been arrested, killed, or abducted. Asked about the presence of foreign press or observers, he said that only Reuters (the British intelligence media outlet), the Saudi MBC TV, and a Jordanian journalist had visited the area. "The first casualty in Sudan," he said, "is the truth," referring to the massive press lies and the absolute silence regarding human rights violations related to the Ethiopian invasion. "We are being governed by proxy," he said, commenting on CNN's feature program broadcast just days earlier. Dr. Babiker confirmed

that no civilian or government representatives from the United States had visited the area.

Contrary to the media reports, which have portrayed Damazin as a town under siege, its population in panic, as John Garang and his forces hover outside the city limits, the situation which the American political figures found there was quiet. The presence of military units, protecting the town and the dam, was to be expected, and was significant. In addition, there were volunteers to be seen everywhere. Not only the local political figures, but also legions of students had donned military uniforms to defend their country. This contrasted sharply with the media lies, according to which the government is isolated. Economic and civil life was normal in Damazin. Civilians were going about their normal activities, without any expression of fear, and were mobilized to provide food and other supplies to the troops.

The Schiller Institute delegates visited the military headquarters in Damazin, where they received an extensive background briefing by the commander of the Sudanese Army in the state. He reported that the invasion had been utterly unexpected and massive. It began on Jan. 12 before sunrise, with the Ethiopian units attacking four Sudanese towns (Menze, Yaradda, Qeissan, and Kurmuk) simultaneously, first with artillery, and then with tanks and troops. The largest Sudanese unit of normal border garrisons deployed at any one of the four towns, was 250 soldiers. The Sudanese troops resisted until ammunition was exhausted, then withdrew. On Jan. 13, the Ethiopian forces entered Sudanese territory and occupied the towns, which are between 15 and 50 kilometers from the Ethiopian border. One town occupied, Menza, is only 95 kilometers from the Damazin dam, which the Ethiopian and rebel SPLA forces hoped to attack and destroy.

The commander said, that two-thirds of the troops were Ethiopian, and only one-third SPLA. He emphasized the fact that this was no "rebel offensive," and said, "If there is any neutral committee that wants to come and see, they will see the Ethiopian tanks and troops." He also underlined the gravity of the human rights violations, which included the execution of town leaders, the rape of women and girls, and the disappearance (abduction) of thousands of civilians. He pointed out that the occupying forces are holding 10,000 civilians in Qeissan and Kurmuk hostage, forbidding them to leave; this has greatly hampered Sudanese military operations to liberate the towns, because they do not want to endanger the lives of the civilian population.

Following the military briefing, the delegates visited the military hospital of Damazin, where, according to medical personnel there, 150-200 of the more serious cases of soldiers wounded in the invasion and subsequent fighting, are treated. Through an interpreter, they were able to talk to the wounded, including one soldier who had walked 20 hours to reach the hospital. The delegates also went to a camp for persons displaced by the invasion. They were received by the commissioner of the province, Ali Mohamed Mageit,

and the Minister of Health, Mohamed al Hassan, who briefed them on the displacement of civilians from eight villages in the Rosieres province, after the invasion. The group then went to one camp an hour's drive away, where 4,300 civilians are being given basic shelter and food. There, they saw that the only humanitarian organization helping is an Arab agency, "Birr International" (Birr means "water well"), which has six people there. Food is provided by the Sudanese government, by trucks, weekly, and minimal medical attention is provided. But the Red Cross, and other international agencies, have not been to the area at all. Needless to say, the so-called Christian Solidarity International of Baroness Cox, which claims to be a humanitarian agency especially concerned about Christians in Sudan, will have nothing to do with these displaced persons.

The victims of the invasion whom the Schiller Institute delegation saw, in the camp and hospital, were in a certain sense the privileged ones. Those civilians who could not flee the invading armies are still trapped in the occupied towns, if they have not been abducted or killed. Serious investigations have been conducted by the Sudanese, to ascertain the fate of these civilians, while the international community has turned a blind eye.

While in Khartoum, the Schiller Institute delegation was received by the Chief Justice of Sudan, H.E. Obeid Hag Ali,

EIR Audio Report

Your weekly antidote
for New World Order 'news'

Exclusive news reports and interviews
Audio statements by Lyndon LaRouche

- Updates on:**
- The Real Economy
 - Science and Technology
 - The Fight for Constitutional Law
 - The Right to Life
 - Food and Agriculture
 - The Arts
 - The Living History of the American Republic
 - Essential Reports from around the Globe

\$500 for 50 Issues

An hour-long audio cassette sent by first-class mail each week. Includes cover letter with contents.

Make checks payable to:

EIR News Service

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

Phone: (703) 777-9451

Fax: (703) 771-9492

and a panel of judges who had been assigned to investigate the violations of human rights related to the January invasion. The three Supreme Court justices, Hussein Awad Abu El Gassim, Hashim Hamza Abdul Majid, and Mustafa Muhammed Bashar, released the report of their findings to the Schiller Institute delegation, as well as the testimony of witnesses interviewed during the eight-day investigation, and five videotapes. The report documents how the Ethiopian forces invaded, targeted civilian populations, left rotting corpses lying in streets, seized property and persons, and slaughtered, tortured, looted, and raped civilians. Five thousand people, for example, were taken from Kurmuk to Birka, where they were forced to sit on the ground for three days, and were denied the right to move, even to urinate or defecate. All personal effects were confiscated. Men and students suspected of being members of the National Defense Force were executed. Detailed accounts of individual cases of murder and rape, are documented. About 600 civilians were killed, their corpses left for days to be eaten by wild animals.

Appeals to end the aggression ignored

Thus far, all the appeals by the Sudanese government, to the United Nations, for example, to stop the aggression, have fallen on deaf ears. Although the wildest allegations of supposed human rights violations by the Sudanese government have immediately prompted international intervention and interference—indeed, been the basis for the call by the British for sanctions against the country—there has been not a peep out of the human rights activists, about the Sudanese civilian victims of Garang and his Ethiopian backers. Instead, the push for sanctions, which Baroness Cox has been pursuing for over two years, has been accelerated. The British are demanding that the Sudanese civilian airline, Sudan Air, be grounded, in hopes that an aviation ban will debilitate the government, and pave the way for a rebel offensive against the capital. While in Sudan, the Schiller Institute representatives received the text of an appeal issued by the Sudanese Mothers and Children Association, which calls for action against any air embargo: “As Sudan Airways is the only carrier of . . . food for infants, vital drugs and vaccines for all Sudanese, an unnecessary impending human disaster is in the making at the turn of this enlightened century.”

Members of the American delegation, who returned to the United States on Feb. 26, will bring the truth about the military, political, and humanitarian situation in Sudan, to the attention of the public, and of those politicians who boast their concern for the well-being of Africa. One member of the delegation, Senator Mitchell, himself a lawyer, will present the report on violation of human rights related to the invasion, to government bodies of the nations participating in the aggression (Ethiopia and Eritrea), and to the Congress of the United States. The truth will be heard.

New British terror offensive unleashed throughout Mideast

by Omar Abdul-Aziz

A fresh British strategic offensive in the Middle East began in February, typified by London's officially allowing two support organizations for known Islamic terrorist groups to set up offices in London. The wave of terrorist activity that immediately followed is part of British geopolitical aims in the region: to sabotage the new American administration's review of its Middle East policy, especially in the Persian Gulf area; to destabilize the security of Middle East governments; and to maintain British political and financial control of the tiny oil states in the Gulf.

Two Egyptian Islamist terrorist groups, Islamic Jihad and Islamic Group al-Jihad al-Islami and al-Gamaa al-Islamia, were granted permission by the British authorities to open offices for media and fundraising activities in London in February. There is no mistaking the nature of business of these offices. The Islamic Group, for example, declared on Feb. 12 that “all American interests are legitimate targets to be attacked by its members.” These two new offices, the Islamic Media Observatory and the Bureau for the Defense of the Egyptian People, will increase the efficiency of the two parent terrorist groups to plan, communicate, raise funds for, and execute armed attacks on Egyptian and Western targets in Egypt and the Middle East.

On the day the Islamic Group's office opened in London, its members killed 10 Copts (Egyptian Christians) gathered outside a church in the Alminia province of Egypt, and 3 others at a farm in the same town. A spokesman for the terrorist group, who contacted the international Arabic daily *Al-Hayat* on Feb. 16, claimed responsibility for the attack and did not deny that the orders could have come from the faction of the group based in London.

Target: the Clinton administration

The terror attacks and threats, carried out by groups under Britain's protective geopolitical umbrella, began at the same time that the list of proposed meetings between President Bill Clinton and Middle East leaders was made public.

Between Feb. 25 and the end of March, President Clinton is expected to meet Saudi Defense Minister and Deputy Prime Minister, Prince Sultan Bin Abdul Aziz; Egyptian President

London's Islamic terrorists

The Islamic Group and Islamic Jihad are twin terrorist groups whose leaders, Abdul Majid and Adel Tawfiq al-Serri, are granted asylum in London. The two were sentenced to death *in absentia* in Cairo for terror attacks in Egypt and elsewhere in 1994-95. Abdul Majid was implicated in the assassination of Egyptian President Anwar Sadat in 1981, and was accused in the same year of planning the prison escape of Abboud Azzummer and Khalid Islamboli, the actual assassins of Sadat. He was acquitted, but later imprisoned on different charges.

After his release, Abdul Majid opened a law office in Egypt in 1990, and travelled to the United States in 1991, together with Muntasir Azzayat, head of the defense committee for Said Nosair, the alleged assassin of the Jewish Defense League founder Meir Kahane, in New York City

in 1990. Said Nosair comes out of the network which bombed the World Trade Center and carried out an assassination attempt against Sudanese leader Hassan Al-Turabi, who is now chairman of the Sudanese Parliament.

Instead of returning to Egypt, Abdul Majid sought asylum from Britain, whose authorities have granted it. He has been the coordinator of activities (fundraising, propaganda, and planning) of the Islamic Jihad in Europe for operations in the Middle East, Pakistan, and Afghanistan since his predecessor, Talaat Fuad, disappeared in Croatia in late 1995.

British authorities have refused to extradite Abdul Majid and Al-Serri to Egypt, and have refused even to discuss the issue with Cairo. The two bloodiest attacks by these groups were the bombing of the Egyptian Embassy in Islamabad, Pakistan in 1996, killing 15 members of the Egyptian diplomatic corps, and the April 19, 1996 armed attack on tourists in front of a Cairo hotel, that killed 19 Greek tourists.

Hosni Mubarak; Palestinian President Yasser Arafat; and King Hussein of Jordan. These meetings could potentially redraw the political map of the Middle East.

One week before the expected visit by Prince Sultan to the United States, Britain's Channel 4 television network aired a documentary designed to provoke the deepest hatred among Saudis against the American presence in the Gulf. Hidden cameras were used to portray the "American lifestyle" in an offensive manner, in the "holiest of all holy Muslim lands." Channel 4 included an exclusive interview with Osama Bin Laden, the known Saudi financier of terrorists, at his hideout in the Hindu Kush in Taliban-controlled Afghanistan. This piece of free advertising for this terrorist backer via an interview by Channel 4's Joeny Roberts, allowed Bin Laden to publicize his manifesto and his plans for the coming period, point by point. After praising those who carried out the bombing of the two U.S. Army bases in Saudi Arabia, Bin Laden told his followers to "concentrate their efforts on fighting the Americans. . . . If somebody kills an American, he is doing better than wasting his efforts on other things." He added that "American civilians will not be excluded from this strategy of driving the Americans out."

The Channel 4 documentary caused panic in Saudi Arabia, especially, as Channel 4 itself boasted, it "revealed the level of penetration of the Saudi opposition into the security and intelligence establishment and even into American military bases." On the eve of Prince Sultan's arrival in Washington, Feb. 25, the U.S. Embassy alerted all American citizens resident in Saudi Arabia to take security precautions. This aggravated the relationship between Saudi and U.S. authori-

ties, already strained by the need to provide security arrangements for Americans in the Gulf, and by the lack of cooperation between the FBI and Saudi authorities in finding the culprits who bombed the American bases in Riyadh and Dhahran.

Saudi Arabia today, especially Prince Sultan's faction and family, is regarded as the pro-American state in the Gulf. Prince Sultan is expected to have serious discussions with U.S. officials on the future policy of the United States in the Gulf. The U.S. policy of dual containment against Iran and Iraq (especially Iran), has become a source of deep concern to the Saudi Kingdom. Before his departure to Washington, Prince Sultan told *Al-Hayat*, "Iran is a Muslim and neighbor country, and Saudi Arabia is interested in having the best relations possible with it."

Target: The Mubarak administration

Egyptian President Hosni Mubarak received similar treatment from the British government and London-based terrorists before his visit to Washington. Egyptian officials once more expressed their deep concern and agitation at the British policy. They also criticized the British government for allowing a prominent leader of the Islamic Jihad group, Adel Abdul Majid, to establish a recognized political base in London. Cairo considers Abdul Majid as the closest collaborator of Ayman al-Zawahiri, the leader of the Islamic Jihad, based in Switzerland, and of Sheikh Omar Abdul Rahman, who is in a U.S. prison.

Recently, the Egyptian Supreme Court revealed that members of the Islamic Jihad had confessed that they received

money and orders from Al-Zawahiri, through Abdul Majid of London, to carry out assassinations and bombings, in addition to attacks on tourists in Cairo. One Egyptian official said that “this only further supports Egypt’s belief that London has become the most prominent center for anti-Egypt Islamic extremist groups.”

The recent attacks, especially the murder of the Egyptian Christians, were designed to embarrass Mubarak during his visit to Washington, and to affect the American-Egyptian discussions on the situation in the Horn of Africa and the British-run war against Sudan. Mubarak’s concerns about the reality in Sudan, which is being invaded by Ethiopian, Eritrean, and Ugandan troops under the auspices of Deputy Speaker of the House of Lords Baroness Caroline Cox and Overseas Development Minister Lady Lynda Chalker, will probably be tabled.

The anti-Sudan hate campaign of Cox and her Christian Solidarity International, especially in the United States, were carried out to portray the war in Sudan as one of Muslim-Arab slavemasters against black Christians in south Sudan. Now, Mubarak will most likely not discuss Sudan in Washington, and instead will concentrate on the “Arab-Israeli peace process,” despite the fact that the war in Sudan has an immediate effect on the national security of Egypt, because it poses a threat to the Nile River, which runs through both countries.

Meanwhile, immediately after the attacks on the Christians in Egypt, both Labour and Conservative members of the British House of Commons defiantly *voted down* a proposal for legislation banning fundraising and support activities of Arab Islamist groups, such as Hamas, the Islamic Jihad, and other North African groups, which are openly known to be financing and planning terrorist attacks in their own countries. The proposed bill, initiated by Conservative Nigel Waterson, aimed at “stopping the flow of money to radical Arab groups such as ‘Hamas’ and the ‘Islamic Jihad’ that use Britain as a base of financing their violence operations abroad.”

Hamas and the Islamic Jihad, which carried out the suicide-bombing of Israeli buses in February-March 1996, which helped bring the Likud government to power, had financed their operations through bank accounts in London. British intelligence’s MI-5 had frozen these accounts only for a short period after the Israeli elections were over. Despite these known facts, Britain’s “Charity Control Agency” informed the Parliament and the government that these Islamist groups are not involved in any terrorist activities as such!

Target: The Arafat administration

Palestinian President Yasser Arafat was also put in a peculiar situation when British State Minister for Foreign Affairs Jeremy Hanley announced in a London press conference on Feb. 20, after a meeting with Ahmed Qurie, the chairman of

the Palestinian Legislative Council, that he had “discussed the issue of Palestinian membership in the British Commonwealth with Abu Alaa [Qurie] in general terms.” The opportunity for new members to join the Commonwealth is open, Hanley said, but he noted that the Palestinians had not submitted a written application for this purpose.

Whether or not the British Foreign Office is serious about this offer, the Palestinian leaders were put in a difficult situation, especially vis-à-vis the other countries in the region, which have been long-term victims of the dirty geopolitics of the British Empire, including in its new guise as the Commonwealth. As a result, Arafat and the Palestinian Authority came under attack by the Egyptian press and other Arab countries.

Peculiarly enough, the Israeli President Ezer Weizman, who was trained by the British military and later fought the British in the war for Israeli independence, recently visited Britain to meet with the Queen for the first time, in circumstances reviving imperial “nostalgia” for colonial Palestine and an invitation to the Queen to visit the land.

‘Brittania’ sails to loot the Gulf

The House of Windsor’s Prince Charles, for his part, started a tour in the Persian Gulf aboard the royal yacht *Brittania*, accompanied by a large number of British financiers and businessmen from the City of London. Minister Jeremy Hanley was on the first leg of the tour, which included Kuwait, Dubai (the United Arab Emirates), Bahrain, and Qatar—but not Saudi Arabia. Hanley declared that Britain stood in the front line to defend these tiny Gulf states against Iraq and Iran, and he issued a variety of threats against these two countries.

The main issue of this tour is business, and to re-warm the “personal and intimate relations with the sheikhs and princes” of these states, which were British protectorates until 1971-72, Hanley said. Behind the scenes the issues were “business and closer political coordination.”

Britain’s two-faced duplicity in the Gulf showed its ugliest side recently, concerning Iran and the United States. After a wave of calls and commentaries by political personalities in the United States, Europe, and elsewhere, urging the U.S. administration to open a dialogue with Iran and thus ease the political tension and military buildup in the Gulf, the *London Times*, speaking for the British Foreign Office, called on the United States to tighten its pressure on Iran and allow Britain to take the lead in the fight against Iran.

Meanwhile, British oil industry and trade companies were scrambling to get a share in investments in the Iranian oil industry. On Feb. 27, the official Iranian daily, *Ettela’at*, reported that “the U.K. is capitalizing on U.S. sanctions against Iran. . . . British exports to Iran rose by 19% to \$640 million only in 1996 capitalizing on the vacuum surrendered by the U.S. sanctions.”

Mass murder of refugees in Zaire revealed

by Linda de Hoyos

An eyewitness report submitted to the United Nations Security Council, the Belgian government, the United Nations High Commission on Refugees, and Amnesty International, supplies evidence that hundreds of thousands of refugees, left stranded in Zaire since October 1996, are dead. According to the eyewitness, a Belgian who has lived in the Kivu area of Zaire for the last four years, most of the refugees were massacred or died of starvation and disease.

The eyewitness account was the topic of a press conference Feb. 25 by a spokesman for Belgian Minister of Development Reginald Morsels, and was featured that day in the French daily *Le Soir*, and on Feb. 26 in the French daily *Le Monde*.

The report has barely been mentioned in the British press, however, and has been totally blacked out in the United States. Furthermore, according to the French news agency, Agence France Presse, on Feb. 25, the Geneva office of the UN High Commission on Refugees claimed it had “no information on the killings.”

The Belgian report fully confirms the warnings of American statesman Lyndon LaRouche in November 1996, that unless the United States joined in a bilateral effort with the government of Zaire to carry out a military aid effort for the Rwandan, Burundian, and Zairean refugees roused by the October invasion of eastern Zaire from Rwanda and Uganda, hundreds of thousands of refugees—most of them women, children, and the elderly—would face death by starvation, thirst, and disease.

Deliberate campaign of extermination

The Belgian eyewitness account provides a coherent framework of evidence, confirming the isolated stories that have appeared from Zaire over the months, that a deliberate campaign of extermination has been carried out against the refugees.

Le Monde further reported on Feb. 27, in an article by defense correspondent Jacques Desnard, that French intelligence services “have been accumulating, for several weeks now, information . . . which indicates generalized killings, massacres on a grand scale, mass graves, and acts definable as ‘ethnic purification,’” which corroborates the Belgian eyewitness account. *Le Monde* also reported that mass killings are taking place in Rwanda against Hutus returning there, corroborating the accounts of murders that *EIR* has received.

The massacres in eastern Zaire are being carried out by

Rwandan, Ugandan, and Burundian troops, which are the actual military force behind the so-called “rebels” of Zairean mercenary Laurent Kabila. The Lord’s Resistance Army of Uganda reported as of Feb. 24, that there are 17,000 Ugandan troops in eastern Zaire. Knowledgeable American sources point to two divisions of Uganda’s military in Zaire, or 20,000 troops. *EIR* has confirmed that the supply line for the invasion of Zaire runs from Uganda, using military equipment that was originally dumped in Uganda for the United Nations multilateral force to aid refugees—aid which never materialized.

The Ugandan military is not acting alone, but under the orders of the British Minister of Development and Cooperation, Baroness Lynda Chalker. Chalker, according to the official spokesman for the British monarchy’s Privy Council, is deployed directly by that Council, and is the self-avowed mentor of Ugandan President Yoweri Museveni. Whatever fantasies Museveni and his counterparts, such as Paul Kagame, defense minister of Rwanda, might possess of a Tutsi empire in central Africa, in reality they are the stormtroopers for the British recolonization of East Africa. This includes the extermination of East Africa’s population as a land-clearing operation to make way for full British control of the land and the strategic raw materials lying underneath it. Sir George Bush’s Canadian firm, Barrick Gold, which holds dominion over 83,000 square kilometers of territory in eastern Zaire, is exemplary.

Hundreds of thousands unaccounted for

The Belgian report states that nearly half a million Rwandan refugees are unaccounted for in eastern Zaire, in addition to 117,000 Burundian refugees whose whereabouts are also undetermined. Out of a total of 1,103,000 Rwandan refugees in Zaire, at most only 450,000 have returned to Rwanda (at gunpoint, driven by the Kabila-Ugandan forces), the report says. The reporter estimates that 653,000 Rwandan refugees remained in Zaire. Yet, only 200,000 to 250,000 of these refugees are accounted for in the camps at Tingi-Tingi, Shabunda, and Amisi. The latter two camps have since been taken over by Kabila, et al. What has happened to the 450,000 other refugees?

“If it were only a matter of fighting between Zaire rebels and the government army,” the report says, “the Rwandese refugees would not have any more reason to flee than the local populations. But the Rwandese Hutu refugees are fleeing from the massacres committed against them by Tutsi rebels; they are a military target.”

The refugees are being gunned down under the international media cover that all Rwandan refugees are “genocidalists,” the report argues—“whereas the UN High Commission on Refugees estimates that only 7% of the refugees took part in the 1994 killings” in Rwanda, after the British-backed Rwandan Patriotic Front blitzkrieged through the country.

The report then corroborates the Feb. 16 communiqué of

Bush told Robertson, 'Get into Zaire'

Televangelist Pat Robertson, whose diamond mining adventures in Zaire were criticized in Virginia's *Richmond Times-Dispatch*, responded in a Feb. 1 guest column in that paper. Robertson explained that his Zaire operation was undertaken on President George Bush's request, and that besides looking for a big killing in the world diamond market, he worked as an agent of Bush's politics against Zaire's government. Around 1991, Robertson said, he received an invitation to bring over "Christian television programs" for broadcast in Zaire.

Robertson wrote, "Before a visit to Zaire, I met with George Bush in the White House and asked his advice." Bush told him he should go into business in Zaire—allegedly, according to Robertson's story, in order to save Zaire's President: "Bush told me that, in his opinion, without Mobutu, Zaire would be plunged into chaos."

Robertson was not just in the religion and diamond businesses; he was enforcing the International Monetary Fund-new world order austerity and privatization regime.

"I brought with me a former undersecretary of state from the Bush administration for the purpose of advising Mobutu on fiscal and monetary issues. . . . I personally met

with the Cabinet of Zaire and warned them that if they continued printing money there would be runaway inflation with rioting and looting in the streets. I went on television . . . to say that leaders must be 'servants of the people, who do not abuse the people or take bribes,' " Robertson said.

Robertson "evangelized" with advice to lay off workers and to give away the national patrimony to foreign looters. "I . . . analyzed the . . . Gecamine copper mines, where I discovered 16,000 surplus workers . . . [and] the government-owned Kilomoto gold mines, where 3,300 workers produced a pitiful [quantity] . . . of gold . . . and the government-owned industrial diamond facility in Mbuji-Mayi, where I discovered production limping along at 50% of peak capacity."

The nation's poverty does not come from speculators and looters, such as himself. Robertson explained, "In all my visits to Zaire, I found a nation terribly mismanaged with endemic greed and corruption. . . .

"My own company, African Development Co. . . . secured the concessions from the government." The giant diamond operation failed because of "American dredging equipment that was poorly constructed . . . and . . . the internal chaos in the country." Yet, "one thing really worked," Robertson claimed. "Through our television, radio and evangelistic meetings, more than 4 million people in Zaire have accepted Jesus Christ as their Savior."

—Anton Chaitkin

the Zairean government, which tells of mass graves in the areas taken by the Ugandan-Kabila forces. The report states: "Calling every Hutu refugee a 'genocidalist' is tantamount to legitimizing in the eyes of international opinion and also the rebels, the use of force, or worse, the elimination of these refugees. . . . The number of mass graves betrays a systematic will to finish off the refugees. These graves are everywhere." It cites mass graves in Mugunga (a camp taken over by Kabila), Kibumba camp, and Katale camp. "On the lava plain, behind the Katale and Kahindo camps, toward the West, one can see thousands of skeletons," the report states.

The report relates that "on Dec. 24, two young Zairean Hutus from R. village, were kidnapped and tortured. They came back two days later, having been forced to become the guides for a group of about 100 Tutsi rebels they were leading to three small camps in the forest where 'they killed everybody,' one of them told me. These were three camps with about 100 refugees each."

The reporter states that he regrets that he was unable to go to the Masis and Walikale zones, which are zones that Kabila has forbidden to foreigners, but "where reliable eyewitnesses reported that tens of thousands of refugees had been eliminated."

Roger Winter covers for genocide

The Belgian account notes that the battle over the number of refugees inside Zaire "is strategic," because it "is meant to prevent any foreign intervention on behalf of the remaining refugees." Here, this puts the spotlight on Roger Winter, director of the U.S. Committee of Refugees. In November, Winter, along with Robert Gribbin, U.S. ambassador to Rwanda, claimed that only a few refugees remained in Zaire—a position used to scuttle the UN multilateral force. Winter, who was with Kabila most of November, when refugees were driven at gunpoint out of their homes, told the *Washington Post* on Nov. 22, "Those who have gone further west are either family [of the Hutu militias] or other very bad people. If they are in a bad position, so be it." In testimony before the House Subcommittee on International Operations and Human Rights on Dec. 4, Winter happily stated, "The threat of an international military deployment in eastern Zaire was helpful in mid-November," because it prompted Kabila to attack the Mugunga camp. The Belgian eyewitness reports: "Above Mugunga, at one and a half hour's walking distance, I saw three graves with 10, 12, and 30 bodies. They were men, women, some with a baby on their back, old people. They all had been shot in the head, including the infants."

Book Reviews

Harvard's Huntington promotes descent into barbarism

by Mark Burdman

The Clash of Civilizations and the Remaking of World Order

by Samuel P. Huntington

Simon and Schuster, New York, 1996
367 pages, hardbound, \$26

It is the obsession of leading geopolitical strategists in London, Washington, and other Western capitals, that there exists no greater priority than to mobilize the "Western world" for conflict with the nations that are central to the development of the Eurasian Land-Bridge. This is the region that Sir Halford Mackinder, Britain's leading geopolitical theorist at the turn of the century, coined the "Eurasian heartland," the battle for which, he said, would determine who would control the world. Now, in the late 1990s, with Russia in distress, and, at least for the time being, "neutralized" as an active threat in the eyes of Mackinder's modern descendants, their focus is being drawn to containing, combatting, and countering China, Iran, India, Erbakan's Turkey, and other countries in Eurasia, whose combined population comprises three-quarters of the world's people.

Since 1993, when it was first popularized in an article in the Council on Foreign Relations quarterly, *Foreign Affairs*, Harvard Prof. Samuel Huntington's "clash of civilizations" construct has been one of the most discussed variants of this obsession. With its faulty argumentation, obtuse academic style, and hallucinatory invocations of such nonexistent entities as "Confucian-Islamic states," one would have hoped that that original Huntington venture would have been treated with the contempt it deserved, and relegated quickly to the dustbin of history.

As matters transpired, quite the contrary occurred. The article unleashed massive controversy. Perhaps understandably, intellectual spokesmen in the developing sector felt obliged to respond to Huntington, as they saw in the publication of his article in a hallmark journal of the Anglo-American Establishment, an unsubtle threat to their nations, especially

in the era following the Thatcher-Bush war of genocide against Iraq. Since the article appeared, Huntington has toured some 20 countries, to debate his detractors and promote his thesis. It is a sign of the times, that it is almost impossible to attend a conference on strategic issues these days, and not have one or more speakers refer, in one way or another, to Huntington's work.

The Clash of Civilizations and the Remaking of World Order is the expanded, book-length version of the original polemic. The academic language and multitude of footnotes lends a facade of erudition to a method that is as old as the Delphic Oracle of Apollo in ancient Greece. Simply put, it is the game of self-fulfilling prophecy: Repeat often enough, that so-and-so is your enemy, and you set in motion the processes that, sooner or later, make a conflict inevitable. The substance of Huntington's academic meanderings has no more claim to truth, than the speeches of Nazi Propaganda Minister Josef Goebbels in mobilizing the German population behind the Führer's wars against Nazi Germany's neighbors.

From Kissinger's Harvard, to Bzezinski's NSC

We will outline, below, the specifics of Huntington's polemic, and how absurd and self-serving it is. But before getting there, a few words are necessary, about who and what it serves.

The "clash of civilizations" is a not an article or a book, but a project that goes beyond Huntington himself. It is the "geopolitical war-plan" for an influential, British-run faction in the transatlantic policy establishment. Hence, on the back dust-jacket, there are two hyper-ventilating endorsements, from (Sir) Henry Kissinger and Zbigniew Brzezinski. Kissinger, as this publication has exhaustively documented, has spent his entire career promoting British balance of power, or geopolitical, doctrines, beginning in the 1950s period when he wrote his Harvard doctoral thesis, *A World Restored*. In that thesis, he lauded the "balance of power" diplomacy of British Foreign Secretary Lord Castlereagh and Austria's Count Metternich, at the 1815 Congress of Vienna. In later years, Kissinger was key in setting up the Harvard Department of Government apparatus, where Huntington is, today,

a key figure.

Not surprisingly, in the period immediately leading up to the “clash of civilizations” article, Huntington was parroting Kissinger’s ideas. In early 1991, just as the Bush-Thatcher Gulf War was giving a new shot in the arm to British geopolitical strategy, he wrote an article for the January-February issue of *Survival*, the publication of the International Institute for Strategic Studies (IISS), in which he insisted that American policy toward Eurasia should premise itself on the British geopolitical theories of Mackinder and on the balance of power approach that Lord Castlereagh followed, at the 1815 Congress of Vienna.

As for Brzezinski, it was he, in his capacity as national security adviser to President Jimmy Carter in the late 1970s, who developed the so-called Arc of Crisis theory, according to which the region south of the Soviet Union, would constitute a vast arena of instability, the which instability (“Islamic fundamentalism”, etc.) could be used as a geo-strategic weapon against the Soviet Union. On Brzezinski’s National Security Council staff, in the Carter administration, was Samuel Huntington, as director of security planning. Both Brzezinski and Huntington had come into the Carter administration from the Trilateral Commission, the organization founded and bankrolled in 1974 by David Rockefeller. In 1975, Huntington had been the co-author of a notorious Trilateral report, *The Crisis of Democracy*, which called into question the viability of maintaining representative democratic and constituency-based institutions and movements, at a time when the imposition of austerity measures would “require” post-democratic, or non-democratic regimes.

Also most relevant, is that Brzezinski, in his Arc of Crisis doctrine, significantly drew upon the work of Prof. Bernard Lewis, the Oxford-trained British Arab Bureau operative later stationed at Princeton University in New Jersey. Lewis had drawn up a comprehensive design for the breakup of nations in Eurasia. The term “clash of civilizations,” in fact, was *invented* by Bernard Lewis, in an article in the September 1990 issue of *Atlantic Monthly*; Huntington acknowledges that he lifted the expression from Lewis. In that 1990 article, Lewis wrote that “Muslim rage” amounted to “no less than a clash of civilizations—the perhaps irrational but surely historic reaction of an ancient rival against our Judeo-Christian heritage.”

The foundations of ‘Project Democracy’

In the autumn of 1996, Brzezinski was instrumental in setting up a new “Central Asia Institute” at Johns Hopkins University’s School of Advanced International Studies. That institute is handsomely endowed by the Smith Richardson Foundation, whose board includes Zbigniew Brzezinski. Not coincidentally, that same foundation co-funded “my work on this book,” Huntington writes in his preface. The other funder he acknowledges, is the John M. Olin Foundation; Huntington is the director of the John M. Olin Institute for Strategic Stud-

ies at Harvard. The “clash of civilizations” polemic, he writes, grew out of work he did for the Olin Institute’s early-1990s project on “The Changing Security Environment and American National Interests,” the which was “made possible by the Smith Richardson Foundation.”

Indeed, one big happy family.

Those two foundations, together with the Lynde and Harry Bradley Foundation (which provides funds for the work of the John M. Olin Institute at Harvard), have been, in recent years, the biggest funders of various projects promoting the causes of neo-liberal economics, the “free market,” and “geopolitical” confrontation against development sector nations. These foundations were key “private” funders, of various schemes in the 1980s, that were coordinated by then-U.S. Vice President George Bush, as part of the notorious “Project Democracy” program, out of which grew the international guns-for-drugs apparatus that included the Iran-Contra operations. Smith Richardson also has the dubious distinction, of having provided the funds to a degenerate from the Maoist-leftist swamp, Dennis King, to write an hysterical book-length defamation of Lyndon LaRouche in 1989.

To complete the present picture: Brzezinski has been, through the years, one of the early mentors of Madeleine Albright, the new U.S. secretary of state, ever since she was a student at Columbia University. In 1978, Albright joined Brzezinski and Huntington on the Carter National Security Council, assuming the post of “congressional liaison” for the NSC.

While it is still too early in her tenure as secretary of state to make definitive assessments about what Albright will or will not do, in certain policy areas, she is clearly on the Huntington line, as, for example, in her fanatical determination to impose sanctions on Sudan, which she has described as a “rogue state” that sponsors international terrorism. Here, her views coincide with the leader of the international anti-Sudan crusade, Britain’s Baroness Caroline Cox, deputy Speaker of the House of Lords. Cox, *EIR* has discovered, is an enthusiastic exponent of Huntington’s thesis, promoting it in the House of Lords. The office of her Christian Solidarity International organization in Britain, has circulated hundreds of copies of Huntington’s original *Foreign Affairs* article throughout Britain since 1993-94, and treats his thesis as a veritable bible, as it provides a convenient conceptual framework for their propaganda tirades against Sudan, Egypt, Iran, India, and other nations.

From Venice to Toynbee

The substance of his polemic, furthermore, shows Huntington, methodologically, to be a loyal devotee of Venetian-British social-science and psychological-warfare techniques.

The argument is based on a pair of simple or, better, simplistic contentions, presented as self-evident truths. He writes: “The Cold War division of humanity is over. The more fundamental divisions of humanity in terms of ethnicity,



Samuel Huntington, at a meeting of the National Endowment for Democracy (the bedrock of the "Project Democracy" apparatus) in 1987.

religions, and civilizations remain and spawn new conflicts." Later, he states the same point more crudely: "Civilizations are the ultimate human tribes, and the clash of civilizations is tribal conflict on a global scale. . . . Relations between groups from different civilizations . . . will be almost never close, usually cool, and often hostile."

If this smacks of British cultural anthropology, or the modern-day residue of old Venetian diplomatic "play all against all" methods, it is hardly surprising, as Huntington expresses his allegiance to British imperial or Venetian methods on various occasions.

Already on the second page of the book, the "witness" that Huntington summons, to back up his argument, is a fictional "Venetian nationalist demagogue" in the novel *Dead Lagoon*, by Michael Dibdin. This lagoon creature remarks: "There can be no true friends without true enemies. Unless we hate what we are not, we cannot love what we are. These are the old truths we are painfully rediscovering after a century and more of sentimental cant. Those who deny them deny their family, their heritage, their culture, their birthright, their very selves. They will not lightly be forgotten."

Otherwise, Huntington marshals arguments from the modern-day social-scientific descendants of such Venice-manufactured British philosophers as the 17th century's Thomas Hobbes. In one location, Huntington cites a field

of research developed by experimental social psychologists, called "distinctiveness theory." This seems to be a method for inculcating and spreading paranoia. It upholds the idea that "people define themselves by what makes them different from others in a particular context. . . . People define their identity by what they are not. As increased communications, trade, and travel multiply the interactions among civilizations, people increasingly accord greater relevance to their civilizational identity."

Elsewhere, Huntington proudly claims he is drawing upon a field called "British international relations theory."

As for his general notion of the "history of civilizations," Huntington frequently refers to the late Arnold Toynbee, one of the key cultural warriors in British intelligence in this century (see box).

The enemies: economic and demographic growth

It is a short jump from such absurd axiomatic premises, to the "inevitability" of future wars: "In the emerging world, the relations between states and groups from different civilizations will not be close and will often be antagonistic. Yet some intercivilization relations are more conflict-prone than others. At the micro level, the most violent fault lines are between Islam and its Orthodox, Hindu, African, and Western Christian neighbors. At the macro level, the dominant division is between 'the West and the rest,' with the most intense conflicts occurring between Muslim and Asian societies on the one hand, and the West on the other. The dangerous clashes of the future are likely to arise from the interaction of Western arrogance, Islamic intolerance, and Sinic assertiveness."

That is, we in "the West" are locked into conflicts with intolerant Muslims and assertive Chinese. Why must this be the case? Huntington's proof would be laughable, were the author not a distinctive member of a club of geopolitical pyromaniacs: The Asians are threatening us with their "economic growth," and the Muslims with their "extremely high rates of population growth."

He writes: "Asian assertiveness is rooted in economic growth. Muslim assertiveness stems in considerable measure from social mobilization and population growth. Each of these challenges is having, and will continue to have into the 21st century, a highly destabilizing effect on global politics. . . . The economic development of China and other Asian societies provides these governments with both the incentives and the resources to become more demanding in their dealing with other countries. Population growth in Muslim countries, and particularly the expansion of the 15-to-24-year-old age cohort, provides recruits for fundamentalism, terrorism, insurgency, and migration. . . . The early years of the 21st century are likely to see an ongoing resurgence of non-Western power and culture, and the clash of the peoples of non-Western civilizations with the West and with each other."

His description of the basis for "the Muslim threat" is an

Toynbee's geopolitics of 'social insects'

The Arnold Toynbee, whom Huntington claims as an intellectual forebear, was the nephew of an influential late-19th-century British imperial ideologue (young Toynbee's namesake, in fact), and was a member of Britain's Political Intelligence Department during World War I. Then, he became the Director of Studies of the leading British think-tank, the Royal Institute of International Affairs ("Chatham House"), where he served for the three decades from 1925-55.

Much of Huntington's polemic, in fact, reads like an updated variant of a series of BBC lectures given by Toynbee in 1952, gathered together under the thematic title, "The World and the West," in which Toynbee put forth the Manichean view of an emerging conflict, sparked among peoples and nations angered by Western "aggressions," ready to commit acts of bloody revenge. This would bring a "clash of cultures," of "cultural claims and counter-claims," the which process, he asserted, could only be resolved by adopting the empire-sharing arrangement of the second century A.D., when religious cults worshipping

Isis, Osiris, Mithra, and Cybele, were brought in to control the situation.

Inclusively, Toynbee used such polemics, in waging his endless war against Western Judeo-Christian civilization of the Golden Renaissance, using verbiage and arguments similar to those used, today, by Britain's Prince Philip and his World Wide Fund for Nature. Toynbee, in his famous multi-volume *Study of History*, for example, inveighed against the "parochialism and impertinence" of the West to believe that "progress" is inevitable, or that there was unity to history.

In 1973, at the age of 84, Toynbee summarized his life's work, in the book, *Mankind and Mother Earth*. Toynbee excoriated the existence of the sovereign nation-state, insisting that "what has been needed for the last 5,000 years . . . is a global body politic composed of cells on the scale of the Neolithic-Age village-community—a scale on which the participants could be personally acquainted with each other, while each of them would also be a citizen of the world-state. . . . At this time in our history, we human beings might be tempted to envy the social insects. These have been conditioned by Nature to cooperate with each other on the grand scale. The individual bee or ant or termite subordinates and sacrifices itself in the service of the community." For man, it is more difficult, because "he is also a soul which possesses consciousness."

inverted variant of the Nazis' *Lebensraum* thinking: "Larger populations need more resources, and hence people from societies with dense and/or rapidly growing populations tend to push outward, occupy territory, and exert pressure on other less demographically dynamic peoples. Islamic population growth is thus a major contributing factor to the conflicts along the borders of the Islamic world between Muslims and other peoples."

'A march into Tiananmen Square'

At one point in *The Clash of Civilizations*, Mackinder fan Huntington exchanges socio-babble for straight British black propaganda, comparing the presumed threat from China today, to that represented by "Wilhelmine Germany," in the period leading up to World War I. He writes: "If it continues, the rise of China and the increasing assertiveness of this 'biggest player in the history of man' will place tremendous stress on international stability in the early 21st century. The emergence of China as the dominant power in East and Southeast Asia would be contrary to American interests as they have been historically construed."

With no explanation given for what "historically construed" is supposed to mean, and keeping in mind that every fiber of Huntington's being is opposed to the Christian-

humanist principles on which the American Republic was founded, we are then assaulted with the leading question: "Given this American interest, how might war between the United States and China develop?" We then enter a phantasmagoric world, in which China goes to war with Vietnam, and is later joined by Japan, against the United States. Before you know it, we have India fighting Pakistan, the Arabs fighting the Israelis, followed by Russia-China conflict, nuclear missiles ending up in Bosnia and Algeria, a nuclear strike on Marseilles, and complicated Balkans/Aegean war scenarios. The United States, Europe, Russia, and India find themselves "in a truly global struggle against China, Japan, and most of Islam," but we can be thankful that it ends up with an "eventual march of Russian and Western forces into Tiananmen Square."

Whew!

How such an evolution of events is coherent with "American interests," is beyond any sane person's comprehension. Needless to say, among Huntington's goals, is to polemicize against any effort by the Clinton administration to achieve positive, viable relations with the countries along the Eurasian Land-Bridge route. At one point, he attacks that direction in U.S. policy, today, which seeks to "develop close relationships with the core states of other civilizations, in the form of . . . 'constructive engagement' with China, in the face of the

natural conflicts of interest” between the United States and China. What Huntington insists on, instead, is that the United States and Europe, the refuges of “the West,” must impose technological apartheid on China and other countries, by acting, as he puts it, “to restrain the development of the conventional and unconventional military power of Islamic and Sinic countries,” and “to maintain Western technological and military superiority over other civilizations.”

On Jan. 28, Huntington gave an interview to the German daily *Hamburger Abendblatt*, calling on Europe to join with the United States, in a common front against China.

Is it ‘the West,’ or the British Empire?

If Huntington’s depiction of Chinese (Sinic), Islamic, and other civilizations is incompetent, his depiction of “the West” borders on the ridiculous. For all his talk of “Western civilization,” Huntington displays no understanding whatsoever of—or is viscerally opposed to—those features, dating from the 15th-century Golden Renaissance, which allowed “the West” to catalyze the vast increase of world population, by developing, and then proliferating science, technology, and human progress around the globe, over 500 years, from the latter 15th century, up through the third quarter of this century.

In essence, his “West” is the British imperial system and the 18th-century Enlightenment. He uses terms like “Euro-American civilization” and “Western Christendom” interchangeably with “Western imperialism.” Such an identification, of course, neatly fits into a “clash of civilization” construct, as it allows “the West” to be the perfect enemy-image for the other, “non-Western civilizations.” Hence, to demonstrate what he calls “European expansion” and the “onslaught of the West,” he writes: “In 1800, the British Empire consisted of 1.5 million square miles and 20 million people. By 1900, the Victorian empire upon which the sun never set, included 11 million square miles and 390 million people.”

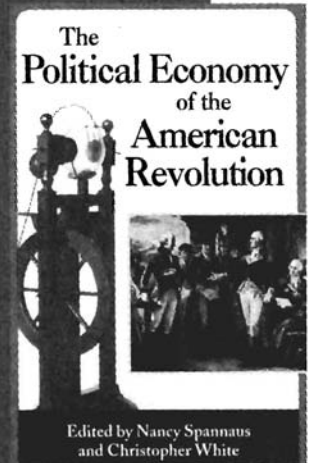
Huntington gets so carried away with the wonders of “British parliamentary democracy,” that he tells his readers that democracy and representative institutions grew from the strength of the feudal aristocracy. From this, flows his observation that “Japan and India had class systems paralleling that of the West (and perhaps as a result, are the only two major non-Western societies to sustain democratic governments for any length of time)”!

As Lyndon LaRouche has repeatedly stressed in recent months, what we call “the West” has been a not-very-peaceful coexistence of opposites, in which a tradition growing out of the 15th-century Golden Renaissance has co-existed with, while being under assault from and parasitically undermined by, an oligarchy originating out of Venice and achieving full expression in the 18th-century Enlightenment. The Renaissance tradition upholds the conception that man is made in the image of God, and is capable of participating in, and further perfecting, the work of the Creator. For those looking for an antidote to Samuel Huntington, it might be parenthetically

noted, that the Renaissance tradition also effectively resolved the problem of clashes between cultures, religions, and civilizations, more than 500 years ago, when Cardinal Nicolaus of Cusa wrote his dialogue *De Pace Fidei (On the Peace of Faith)*, a philosophical manual for reconciling all cultures around the highest conceptions of mankind, which are common to them all. The Venetian, or British Enlightenment tradition holds that man is a two-legged beast, that there is no fundamental distinction between man and animal.

Within the various non-Western civilizations that Huntington enumerates, the same tension exists, historically and in the present, between cultural tendencies coherent with the Western Renaissance view, and the opposite Enlightenment view. *This* is the real clash of civilizations, rather than Huntington’s Hobbesian construct. When he calls “the West” to rally behind its “values,” and defend itself from Chinese, Islamic, and other “civilizational” threats, he is invoking that paranoid, bestialist reflex that was injected, like a plague, into Western civilization by the Enlightenment and its offshoots. And, as the American Republic was founded on the basis of a philosophical and political war against the Enlightenment system of the British Empire, it can only be concluded that Samuel Huntington, while carrying an American passport, is a propaganda agent for that “civilizational” enemy of the United States today, the British Empire in its modern-day, updated incarnation.

DO YOU
KNOW



Edited by Nancy Spannaus
and Christopher White

- that the American Revolution was fought *against* British “free trade” economics?
- that Washington and Franklin championed Big Government?
- that the Founding Fathers promoted partnership between private industry and central government?

READ

The Political Economy
of the
American Revolution

edited by
Nancy Spannaus and
Christopher White

order from the publisher:
EIR News Service
P.O. Box 17390
Washington, D.C.
20041-0390
or call
**Ben Franklin
Booksellers**
800-453-4108

\$15.00

plus \$4.00 shipping and handling

International Intelligence

Venetians found 'soft' separatist party

A "soft-core" gang of secessionists from Venice, founded the "Northeastern Party" on Feb. 16. Venice Mayor Massimo Cacciari, a follower of Friedrich Nietzsche, and other representatives of the Venice-Trent-Friuli regions, met in "Serenissima" Venice to found the Partito del Nord-Est (PNE), which is supposed to represent the alternative to the outright separatist strategy of the Northern League of Umberto Bossi.

In fact, it was the Venetians who first spawned the Northern League as an affiliate of the Venetian Philological Circle, and then distanced themselves, when the League became radicalized. The PNE's program is the same as the Northern League's—"fiscal federalism." Cacciari declared that they demand "a radical federalism."

Public Works Minister Paolo Costa and Labor Minister Tiziano Treu attended the meeting, but Prime Minister Romano Prodi attacked the party in a letter to the Venice daily *Il Gazzettino*, saying, "It is a step backward."

Iranian center attacked by Pakistani terrorists

Eight people were killed in a terrorist attack on the Iranian Cultural Center in the Pakistani city of Multan on Feb. 20, the latest in a series of attacks by sectarian Sunni terrorists against the Shia Iranians, and the first such attack since Nawaz Sharif was voted up as Pakistan's new prime minister.

The assault, which is believed to be a warning to the new government against improving relations with Iran, came only a week before the scheduled visit of Iranian Foreign Minister Ali Akbar Velayati to Islamabad, to discuss such sensitive regional issues as Afghanistan, Kashmir, and the developments in Central Asia.

In the attack, six gunmen stormed into the Iranian Cultural Center at Multan, after having gained entrance to the premises by using "red chili powder" to blind the security

guards outside. The Director, Agha Muhammad Ali Rahimee, the highest-ranking Iranian official at the Center, and three members of the staff were immediately shot dead. The six assailants, according to the Iranian official daily *Ettela'at*, were reported to be members of the Sepah-i-Sehaba, the leading terrorist group in sectarian violence in Pakistan.

Both Prime Minister Nawaz Sharif and President Farooq Leghari have not only condemned the gruesome incident, but have taken a very serious view of the situation. Similar attacks on Indian targets are also possible. The recent thaw in Indo-Pakistani relations around solving the Jammu-Kashmir problem, could be regarded as a *casus belli* by the internal and foreign enemies of the nations of the region.

ASEAN warns EU against 'human rights' meddling

On the eve of the Feb. 13 ASEAN-EU (ASEM) meeting in Singapore between the members of the European Union and the Association of Southeast Asian Nations, ASEAN has warned that if the EU raises the subject of Indonesian occupation of East Timor, the "whole [EU-ASEAN] relationship would be seriously affected." Relations between the two associations have been further poisoned by the EU's suspension of tariff privileges for Myanmar (Burma) on grounds of human rights violations. Myanmar is expected to become a full member of ASEAN later this year, along with Cambodia and Laos.

Any significant progress in increased trade between the associations has reached a roadblock due to ASEAN's refusal to compromise on its "constructive engagement" policy toward Myanmar and its unanimous support for Indonesia. There has been no "Action Plan" ratified between the two associations since the expiration of the 1980 plan, because Indonesia and Portugal are at loggerheads over the human rights clause. One analyst has told *EIR* that, if a final declaration is issued with no action plan, the meeting will be a flop.

On Feb. 15, the EU and ASEAN foreign ministers were joined by their counterparts from the United States, China, Japan, and South Korea.

Segal: The quality of sovereignty is strained

"Break-up China" champion Gerald Segal, of the London International Institute for Strategic Studies, wrote a commentary for *Asia Times* on Feb. 5, insisting that China, "one of the world's most authoritarian governments . . . needs to learn that sovereignty is constrained." Calling the transfer of Hongkong to Chinese sovereignty "a tragedy of historic proportions," the China-basher Segal attacks the Beijing-sponsored transition legislative body for "undoing the democratic reforms necessary to rule a vibrant, open civil society." These reforms seemed unnecessary to the British for 155 years of colonial rule: Gov. Chris Patten slipped them in last year as a provocation to Beijing.

Segal concludes: "The fate of Hongkong is not only a test for China, it is also a test for those who would manage the rise of China." In classic gang-countergang fashion, the *Asia Times* ran an editorial denouncing Segal's op-ed, as a voice of Britain's colonial past. Puffed the *Asia Times*: "The rise of China is and will continue to be managed by the Chinese. The days of the white man's burden are over, with no tears to shed."

German pro-monarchist sentiment pleases Brits

Donald Foreman, who heads Britain's Monarchist League, said his circles are encouraged by a growing "pro-monarchist" sentiment in Germany, in a recent discussion with *Strategic Alert*, published by EIR Nachrichten Agentur in Germany. At a time when Germans are increasingly disaffected over "political horse-trading" and rising unemployment, more and more Germans are trying to "rediscover" their pre-1945 history. In this situation, the old Kaiser is being looked at again, somewhat nostalgically.

Briefly

MYANMAR and Russia have agreed to cooperate with anti-narcotics operations, according to Radio Myanmar on Jan. 22. Myanmar now has cooperation agreements in the drug interdiction arena with both Russia and China.

SHIMON PERES, Israel's former prime minister, blasted Australian billionaire Joseph Gutnick, and the Israeli extremist group Habad, for "mongering evil and hatred" through the financial aid they give to Jewish settlers in the occupied Palestinian areas. Peres reportedly threw down this gauntlet at Bar-Ilan school for religious studies in Tel Aviv, an extremist stronghold.

PAKISTANI ARMY chief Gen. Jahangir Karamat called for a sense of urgency in settling the Kashmir issue with India, and hinted that Kashmir policy for the new government of Nawaz Sharif might be set by the military leadership, according to *The Hindu* reporting from Islamabad.

GREENPEACE, the oligarchy's environmentalist gang, is demanding that Spain shut down its nuclear and coal power generation rather than sell its surplus electricity to Morocco, via a high-voltage submarine cable across the Strait of Gibraltar.

THE WILD CAMEL Protection Foundation's chairman, Briton John Hare wants to set up a reserve in the Gashun Gobi desert in Xinjiang, China to protect the wild bactrian camel. The proposed reserve would encompass 38,599 square miles, and include China's nuclear testing zone at Lop Nur.

MOST GERMANS do not want Helmut Kohl to have another term as Chancellor, according to February's monthly poll by the ZDF television network, with some 56% saying he shouldn't even run again. If there were national elections on Feb. 28, only 40% would vote for Christian Democrat Kohl, while 46% would vote for Social Democrat Gerhard Schröder.

Among the "signs" Foreman cited, are the current exhibition in Berlin commemorating the pre-World War I "Anglo-German monarchical relations"; a recent poll showing that 42.7% of Germans admired the British monarchy, after "our dreadful debate on the monarchy in Britain" was aired on German TV; a poll showing 43% of Saxons favor restoration ("people [in Saxony] see themselves as Saxons first, and Germans second"); and strong pro-monarchism in Bavaria, which he said, is "more oriented to the Wittelsbachs than to the Hohenzollerns." A 1992 poll taken in Bavaria, showed 68% of Bavarians favorable to the monarchy.

Foreman was also very enthusiastic about the potential for restoring the monarchies in Russia, Bulgaria, and Romania, all of which have been ravaged by the Bush-Thatcher economic "reforms."

Weekly cites Bofors link to Palme, Gandhi murders

"Bofors Papers to Reveal Link Between Palme and Gandhi Assassinations," ran the front-page headline of *Sunday Business*, on Feb. 16. The London-based weekly asserts that recent documents released by Swiss authorities, concerning payments to middlemen by the Swedish armaments firm Bofors, to help get a \$13 billion contract to sell howitzers to the Indian government, "could give credence to the view that the Bofors gun deal was not merely a scandal involving alleged kickbacks to middlemen, but part of a wider political strategy of the U.S./U.K. governments and their intelligence services to play off Iran and Iraq against each other during the 1980s, destabilizing their regimes." As *EIR* has documented, especially in its *Special Report* "George Bush and the 12333 Serial Murder Ring," both Palme and Gandhi were obstructions to Bush's international guns-and-drugs ring during the Iran-Iraq War and the Gulf War, later.

Sunday Business reports that Swedish investigators looking into the Feb. 28, 1986 assassination of Swedish Prime Minister Olof Palme are eager to look at the documents, adding, "Some speculate that both

Palme and Rajiv Gandhi, the former Indian premier, were killed on the orders of Western intelligence because they opposed the Anglo-U.S. policy on Iran and Iraq."

In a related development, one of the potential witnesses in the Palme murder investigation and in the South African Truth and Reconciliation Commission, Peter Casselton, died in a bizarre accident in early February. Casselton, Eugene de Kock, and Craig Williamson had been involved in the 1982 bombing of the headquarters of the African National Congress. Last year, de Kock testified in court that Williamson was central to the 1986 killing of Palme.

Albania feared to be next Balkans flashpoint

The situation in and around Albania could be the trigger for a new, broader Balkans conflict, writes Rémy Ourdan, of the Paris daily *Le Monde* on Feb. 20. Since November 1996, tension has been rising in the Kosovo region of Serbia, whose majority population is ethnic Albanian. A strain of Kosovar extremism has emerged, taking advantage of the upheaval against Serbian President Slobodan Milosevic, at the same time that Milosevic could readily exploit the situation in Kosovo, to draw attention away from the revolt against him in Serbia.

Even more volatile is the situation of ethnic Albanians in Macedonia. Macedonian leader Gligorov has been a factor of stability since Macedonia was formed from the breakup of Yugoslavia, but, step by step, he is losing control. According to the French daily *Libération*, "more than 10,000 high school and university students demonstrated" on Feb. 19 in the Macedonian capital Skopje, "for the third consecutive day, against a law introducing Albanian-language courses in the teaching faculty. The Albanian minority in Macedonia accounts for nearly 30% of the population." Macedonia, claims *Le Monde's* Ourdan, "is the heart of the Balkan problem." There are conflicting claims on this country by Greece, Bulgaria, and Albania, as well as by the Greater Serbians.

Starr's brazen corruption: payoff from Mellon Scaife

by Edward Spannaus

Kenneth Starr, the former Bush administration Justice Department official who is now Whitewater independent counsel, has been the subject of intense controversy ever since his Whitewater appointment in 1994, under circumstances which indicate gross corruption. But now, a scandal of far more immense proportions is pending, around the circumstances of Starr's resignation and his abrupt turnabout only a few days later.

At Starr's press conference on Feb. 21, in which he announced that he would delay taking a position at Pepperdine University so that he could continue as Whitewater special prosecutor "for as long as it takes," Starr was asked the following question:

"Pepperdine's School of Public Policy, which you're going to be the founding dean of, has been partially underwritten by the Sarah Scaife Foundation, whose chairman, Richard Scaife, has been promoting some theories about some of the things you're investigating, most notably the death of Vincent Foster. Were you aware of the money? Are you concerned there'd be a possible appearance of a conflict of interest?"

Starr responded that he is "very familiar with Pepperdine," and acknowledged that he was aware of the "start-up" grant from the Scaife Foundation.

Last year, Starr was able to brush off compelling questions around his conflicts of interest—the most flagrant of which were his involvements with various foundations and corporations which were involved in actions against President Clinton personally, or against policies of his administration (see *EIR*, May 3, 1996).

But all of the previously enumerated conflicts pale by comparison with that in which Starr has now been caught: Richard Mellon Scaife, the country's leading bankroller of anti-Clinton propaganda and conspiracy theories, is paying

for Starr's "golden parachute"—enabling Starr to "retire" to southern California as soon as he finishes up on Clinton, taking two part-time jobs at Pepperdine University, as dean of the Law School and as founding dean of the School of Public Policy.

Scaife has sat on the Board of Regents of Pepperdine for many years, and has arranged for at least \$1.1 million in start-up funds for the School of Public Policy to be provided by the Sarah Scaife Foundation, which he chairs. The foundation administers funds from the estate of his mother, Sarah Mellon Scaife, granddaughter of Andrew Mellon.

The Vincent Foster conspiracy industry

What makes the Scaife-Pepperdine payoff so blatant, is that Richard Mellon Scaife has poured hundreds of thousands of dollars, if not millions, into the anti-Clinton propaganda machine which was featured in the recently publicized White House report on the "media food chain," entitled "Communication Stream of Conspiracy Commerce." Scaife has been particularly obsessed with accusations that White House aide Vincent Foster was murdered. His newspaper, the *Greensburg Tribune-Review* in Pennsylvania (now misnamed the *Pittsburgh Tribune-Review*, despite its low circulation there), has been called "the only daily paper in the country that is making a major effort to show that Foster did not die by his own hand."

The White House "Conspiracy Commerce" report and other sources show that Scaife is the major bankroller of much of the most virulent anti-Clinton propaganda circulating in the country. Scaife's "Get Clinton" propaganda apparatus includes the following components:

- The Western Journalism Center, which pays for full-page ads across the country reprinting articles about the Foster death by the *Tribune-Review*'s Chris Ruddy and the London

Sunday Telegraph's Ambrose Evans-Pritchard. Evans-Pritchard also writes an anonymous weekly column for Scaife's *Tribune-Review*.

- Accuracy in Media (AIM), which buys frequent ads accusing the Clinton administration of covering up the murder of Foster. The White House report says, "AIM's chairman, Reed Irvine, is a leading Clinton critic and Vince Foster conspiracy theorist."

- National Taxpayers Union, headed by James Dale Davidson, another violent Clinton-hater, who also publishes the *Strategic Investment* newsletter with his partner Lord William Rees-Mogg, former editor of the *Sunday Times* of London. Davidson has produced a video, called "Unanswered: the Death of Vincent Foster," which is distributed—naturally—by the Scaife-financed Western Journalism Center.

- The *American Spectator*, the magazine which launched "Troopergate" in late 1993, and has followed up with constant scandal-mongering against Bill and Hillary Clinton ever since, received at least \$1.2 million from Scaife in 1988-93, and between \$2 to \$3 million over the past 25 years.

By 1993, Scaife had also given at least \$450,000 to the Landmark Legal Foundation. Starr is a consultant to Landmark, which has offered support to Paula Jones for her frivolous "sexual harassment" suit against President Clinton; Landmark also supported Resolution Trust Corp. "whistle-blower" Jean Lewis, an anti-Clinton zealot whose lies were exposed even in the Senate Whitewater Committee. Lewis tried to get a criminal investigation of Madison Guarantee Savings and Loan already during the 1992 election campaign.

Over the years, Scaife's foundations have given millions to the entire range of Gingrichite "Conservative Revolution" think-tanks, such as the Heritage Foundation, the Cato Institute, the American Legislative Exchange Council, the American Enterprise Institute, the Free Congress Foundation, and others.

In the report "Who Is Downsizing the American Dream?" issued by the Democratic Policy Committee in March 1996 (see *EIR*, March 29, 1996), Scaife's three foundations are the first listed among those establishing and sustaining the "labyrinth" of right-wing think-tanks. A number of observers have given the label of "the four sisters" to the Scaife, Lynde and Harry Bradley, Olin, and Smith-Richardson foundations, because they all act in concert in financing the same groups and causes.

Starr is also deeply enmeshed in this network. Even while serving as Whitewater independent counsel, he was also a consultant to the Bradley Foundation (which also finances, *inter alia*, the *American Spectator*; Starr is on the legal-policy advisory board of the Washington Legal Foundation, which is funded by Olin.

Scaife is no stranger to political dirty tricks. He gave \$1 million to Nixon's Committee to Re-Elect the President (CREEP) in 1972, and almost \$50,000 to the illegal GOP "Townhouse Operation" in 1974.

'Get LaRouche,' and 'Get Clinton'

As *EIR's* founder, Lyndon LaRouche, has observed on more than one occasion, President Clinton's enemies are also his enemies. The case of Richard Mellon Scaife again illustrates this point.

EIR's October 1996 *Special Report*, "George Bush and the 12333 Serial Murder Ring," documents that Scaife (along with the Smith Richardson Foundation) was a major start-up funder for Walter Raymond's "Public Diplomacy" operation in the Reagan-Bush National Security Council in 1982-83. The Public Diplomacy operation—operating under the personal supervision of then-Vice President George Bush and Bush's national security adviser, Donald Gregg—was a domestic "Ministry of Propaganda" which mobilized media support and funds for covert operations such as Bush's drug-ridden dirty wars in Central America and Afghanistan. The Public Diplomacy group also targeted, and coordinated media attacks, on Bush's enemies and opponents of his policies.

The Public Diplomacy group in turn spawned the "Get LaRouche" task force, which coordinated a wide range of news media assaults on LaRouche, beginning with NBC in early 1984. Mellon Scaife was a direct participant in the "John Train salon" meetings in 1983-84 which brought together representatives of the news media and Bush's "secret government," to map out the campaign of defamation against LaRouche. FBI documents show that a national-security targeting of LaRouche was launched out of the President's Foreign Intelligence Advisory Board in early 1983; among those cited by the FBI as pushing for an investigation of LaRouche was David Abshire of the (Georgetown University) Center for Strategic and International Studies (CSIS). Abshire was a longtime friend and associate of Mellon Scaife, and CSIS has been a major beneficiary of Scaife funding.

Corrupt prosecutor, corrupt judges

During his Feb. 21 press conference, Starr acknowledged that he had consulted at least twice during the week with the panel of federal judges which appoints independent counsels—implying that they concurred in, if not pressured him, to stay on, despite the fact that they must have known about Starr's latest and greatest conflict of interest. Two of the three judges on the panel, David Sentelle and John Butzner, were also on the panel which fired Starr's predecessor and appointed Starr in August 1994. This action was taken shortly after Sentelle, who heads the panel, had lunched with his fellow North Carolinians, Republican Sens. Lauch Faircloth and Jesse Helms—both outspoken enemies of President Clinton. (Sentelle's wife later went to work in Faircloth's office.) The panel is appointed by Chief Justice William Rehnquist.

Kenneth Starr is today a walking conflict of interest, and the judges responsible for keeping him in his position, where he can continue his campaign of thuggery against the President and the President's associates, should themselves be called to account for the mounting constitutional crisis.

Balanced Budget Amendment defeated

by Suzanne Rose

The White House and Senate Democratic leadership won a narrow victory against the legislation to add an amendment to the Constitution to require the federal government to balance its budget. On Feb. 26, Sen. Robert Torricelli (D-N.J.) added his name to the roster of opposition, thus blocking the two-thirds majority required for its adoption. At a Capitol Hill press conference, Torricelli became the 34th opponent of Senate Joint Resolution 1, a resolution with the support of members of both parties, which would legislate such an amendment. This effectively kills the proposal, because both houses of Congress are required to pass it, for it to become law. It then must go to the states for ratification.

Despite their apparent defeat, the sponsors of the Balanced Budget Amendment have succeeded, for the present, in establishing an ugly "austerity" framework for debate within the Congress, at a time when the nation is undergoing a spiralling economic collapse.

Torricelli's press announcement of his opposition to an amendment which would require a three-fifths majority in Congress before "total outlays" for any fiscal year can exceed total receipts, was apt. He voiced three concerns: "The first was a massive disinvestment that is taking place in the United States that I believe jeopardizes our economic future. The effort to balance the budget without a separate capital expenditure account is leading to the failure to invest in our roads, in our railroads, in our schools, and other physical assets." Second, he scored the amendment for not allowing sufficient protections against the threat of military aggression, because of the straitjacket it would impose on "deficit" spending. Third, the government would be unable to respond adequately to a deepening economic recession.

A very unbalanced amendment

Beginning with the announcement by Senate Democrats on Jan. 30, that 1,000 economists opposed the measure, the White House and Senate Democratic leadership waged an aggressive campaign against it. Driving support for the amendment this year by the Republican conservative revolutionary leadership in the Congress, is the danger of an imminent collapse of the world financial markets. The City of London financial oligarchy behind this crowd wants to disrupt and destroy governments around the world, with dramatically lower levels of government spending on the needs of the pop-

ulation, while diverting ever more funds away from real social and economic spending. The Congressional Democratic leadership, still at sea after its failure to retake the House from the fascists of the Conservative Revolution, mobilized itself to defeat a bill which ultimately would have destroyed Congress itself. Enforcement of the amendment could have meant that Congress would have to turn over its legislative authority to the courts if it had become incapable politically of making further deep cuts in spending as the economy worsened.

Economic arguments dominated the floor debate on the amendment over the last month in the Senate. As it drew closer to a vote, the Democratic leadership emphasized the threat to Social Security, charging, rightly, that the conservative revolutionary majority in the Republican Party intended to raid Social Security after the passage of the amendment. A number of senators submitted amendments which would keep Social Security funds isolated from the balancing requirements of the operating budget. This proved to be the decisive argument made to ensure support for their mobilization against the amendment, since no one was willing to publicly argue that the threat of an economic emergency which will require decisive government action, is already here. At a Feb. 25 press conference, Senate Minority Leader Tom Daschle (D-S.D.) charged that "the backers of this amendment want to raid Social Security, and they've got the nerve to call that fiscal responsibility."

In the debate in Congress, Democrats painted a compelling scenario of the disaster which would befall the nation in the event of a depression or national emergency, should the budget amendment pass. Sen. Barbara Boxer (D-Calif.) pointed out that Congress would not be able to respond to disasters such as the San Francisco earthquake, if a three-fifths majority were required in both houses to increase spending over the limits set by the receipts in any given year.

Most notable in the debates were repeated references to the Depression of the 1930s. "The fundamental problem with the amendment is that it requires a balanced budget even in times of recession. The depression of the 1930s was made far worse because Congress repeatedly cut federal spending and raised taxes trying to keep the budget in balance. This amendment could easily condemn us to repeat that unacceptable history," said Sen. Edward Kennedy (D-Mass.). Rep. John Conyers (D-Mich.) recalled the steps Franklin Roosevelt took in the 1930s to "save the financial system from the ravages of Wall Street," which would not have been permitted had such an amendment been in effect. Others addressed the deficit spending required for the mobilization prior to U.S. entry into World War II. Sen. Christopher Dodd (D-Conn.) spoke of the fact that the United States could not have responded to the war in Europe with the Lend-Lease program if Franklin Roosevelt's hands had been tied by the requirement of a three-fifths majority in support of his policy. The country had a deficit, Dodd said, and was deeply divided on the question of becoming involved in the war in Europe at that time.

New round of British low-intensity warfare

by Jeffrey Steinberg

Since President Clinton's re-election last November, the United States is again facing a period of low-intensity warfare attacks. Back in February 1993, Lyndon LaRouche warned that Clinton's tendency to break up the so-called Anglo-American "special relationship," and abandon American adherence to British geopolitics, would provoke a "Strategy of Tension" against the United States. Subsequently, a half-dozen governments around the world have denounced Britain as a center of world terrorism.

Despite the fact that most of the recent irregular warfare attacks have been either blacked out of the national news media, or misreported, there is a clear pattern of renewed low-grade terrorism targeting the United States. For example:

- In February, there were 47 separate bomb threats against public schools in Prince Georges County, Maryland, a suburb of Washington, D.C. In each instance, the schools were evacuated, and bomb-sniffing dogs were brought in to screen the buildings for explosives. The incidents have barely drawn local news coverage.

- A group calling itself "Army of God," in a hand-written letter to Reuters news service, recently claimed credit for at least three serious bombing incidents in the Atlanta, Georgia area over the past seven months. The bombing spree began with the pipebomb attack at the 1996 Summer Olympics Centennial Park, and has included a multi-bomb attack against a local abortion clinic, and the mid-February bombing of a nightclub frequented by homosexuals.

According to law enforcement sources, the FBI is taking the letter seriously, because it contains crucial internal details about several of the bombings that have not been made public. The group has subsequently threatened to carry out bombing attacks against national monuments and bridges all across the country, which pose a security nightmare for law enforcement agencies.

- In Vallejo, California, in the San Francisco Bay area, there has been a series of bombings over the past six months. FBI and local police reportedly have no serious leads.

- On Feb. 23, Ali Abu Kamal, a 69-year-old Palestinian who came to the United States last December, went on a shooting rampage at the Empire State Building, killing several people and injuring others, before he took his own life. Although the FBI has found no evidence linking Kamal to any

known terrorist organizations, and he has been described by family as distraught over the loss of a half-million dollars because of failed investments in the United States, there are many unanswered questions about what prompted him to go on a killing rampage.

- Police in the Midwest and in Pennsylvania have recently rounded up a half-dozen members of a purported white supremacist group, the Aryan Republican Army, on charges relating to a string of bank robberies to finance terrorist activities.

A nationwide alert

The same day that the Empire State Building attack was taking place, the FBI issued a nationwide alert for a rental truck, suspected of carrying the materials for a fertilizer bomb, similar to the truck-bomb that destroyed the Murrah Federal Building in Oklahoma City, on April 17, 1995. Eventually, the truck was found, and it turned out to be carrying a shipment of chemicals used in commercial cleaning products. But, the seriousness with which the FBI took the eyewitness reports about the suspicious blue canisters of chemicals seen in the back of the rental truck, says a great deal about the level of concern among federal, state, and local law enforcement agencies, about the prospects of a new round of low-intensity warfare attacks against the United States.

Feb. 28 marked the fourth anniversary of the start of the Waco, Texas siege at the Branch Davidian compound, which resulted, ultimately, in more than 80 deaths. The Waco massacre has been touted by government prosecutors as one of the motives behind accused Oklahoma City bomber Timothy McVeigh's actions. McVeigh's trial is scheduled to begin in federal court in Denver, Colorado on March 31.

All of these events could serve as pretexts for a new upsurge in low-intensity attacks. However, well-placed intelligence sources in Washington have told *EIR* that the real source of concern among high-ranking government anti-terrorism specialists, is not so-called right-wing militias, or crazies, angry at the federal government for the Waco and Ruby Ridge massacres. These officials are more concerned about the strategic reality of the continuing "war and a half" between the Clinton Presidency and certain U.S. institutions on the one side, and the British/Club of the Isles financial oligarchy, on the other. These sources believe that the United States is being beset by a new "strategy of tension," involving numerous low-grade terrorist acts, that will, on the surface, appear to be the work of militias, eco-terrorists, other anti-government groups, and so-called "Islamic" radicals.

The challenge for counter-terror agencies is that they are dealing with sophisticated networks, which do not leave their calling cards at the scene of the crime. LaRouche concurs with this assessment, and has warned that the world as a whole is facing a new, unprecedented outbreak of international terrorism, which will require concerted action against the actual authors of the attacks: the British oligarchy.

Public investment said key to infrastructure

On Feb. 12, the Senate Budget Committee held a hearing on investment of public funds in infrastructure. Budget Committee Chairman Pete Domenici (R-N.M.) convened the hearing at the request of ranking member Frank Lautenberg (D-N.J.), who insists, correctly, that public investment, not the private sector, must be boosted if the nation's infrastructure is to be rebuilt.

In his opening statement, Lautenberg said that "since last summer's conventions, we've been hearing a lot on both sides of the aisle about bridges and where they'll take us, and unfortunately we don't seem to be spending enough time and money doing something about the lamentable state of our real bridges, highways, and other important infrastructure investment. The Federal government needs to make critical long-term investments in infrastructure and people." He added that investment proposals ought to be analyzed for how much they cost, but "we fail to ask the reverse side, which is, what's the cost of not making these investments?"

Lautenberg pointed to the low average levels of education among the U.S. prison population as one example of the cost of not making the needed investments in education. In transportation, he said, we need to spend an additional \$15 billion per year just to maintain the current levels of infrastructure, not even including improvements.

The featured witness at the hearing was former Labor Secretary Robert Reich, who defined three categories of public investment—education, infrastructure, and basic science, including research and development. These, he said, are "directly related to the productive capacity of the coun-

try in the future." He echoed Lautenberg's warnings about the decline in public investment in these areas over the last 30 years, which he described as "precipitous." "There are many public goods," he said, "education, training, infrastructure, a lot of basic science and technology; we cannot rely on the private sector to do it all. Private investments, both companies and individuals, in some of these areas simply don't redound entirely to the benefit of the individuals or the companies making them. That's why governments from the dawn of time have been worried about transportation systems. That's why, in this country over the last hundred years, we pioneered, more than any other industrialized country in history, public investments in education. . . . That's also why this country pioneered . . . public investments in science and technology, particularly basic research and development."

House begins review of ethics process

House Majority Leader Dick Armey (R-Tex.) and Minority Leader Richard Gephardt (D-Mo.), in a joint appearance on the House floor on Feb. 12, announced that they had agreed on the formation of a bipartisan task force to conduct a review of the ethics process. The 12-member task force will be made up of an equal number of Republicans and Democrats and be co-chaired by Bob Livingston (R-La.) and Ben Cardin (D-Md.). Included will be James Hansen (R-Utah) and Howard Berman (D-Calif.), the chairman and ranking member, respectively, of the House Committee on Standards of Official Conduct, i.e., the ethics committee.

Included as part of the review process will be a two-month moratorium on new complaints. Armey said that this "cooling off period" was needed, after the last few "tumultuous months . . . where members can sit back and examine where the ethics process works, where it does not, and how it might be improved, and in a climate temporarily free from potential ethics charges."

Term limits amendment dies in the House

The proposed constitutional amendment on term limits, one of the Conservative Revolution's most cherished planks, died a painful death in the House of Representatives on Feb. 12. The amendment was hamstrung by the fact that nine states had passed referenda instructing their Congressional delegations to support specific versions of the amendment, all different from one another.

House Rules Committee Chairman Gerald Solomon (R-N.Y.) said that this posed a "very, very serious problem about finally getting a vote on this issue." Solomon explained that even though final court rulings had yet to be made on the constitutionality of these referenda, the Rules Committee felt constrained to allow votes on seven of the nine versions, plus two Democratic substitutes and one Republican substitute.

The result was that after a profusion of votes in which each version was defeated by a wide margin, the final vote of 217-211 was not only far short of the two-thirds needed for passage, but 10 fewer than the term limits amendment had received in 1995.

The most often used argument against the amendment was the high

level of turnover in the Congress since 1990, including the defeat of several powerful committee chairman and the Speaker of the House in the 1994 election. Oddly enough, one of the strongest arguments against the term limits amendment came from a Republican, David Dreier of California, who said that the highest priority of Congress ought to be the repeal of the 22nd Amendment which limits the President to two consecutive terms.

Dreier pointed to the fact that the 22nd Amendment was passed by Republicans in frustration over the fact that Franklin Delano Roosevelt kept getting re-elected. "Now Democrats and Republicans alike," he said, "recognize that Franklin Roosevelt was in fact one of the greatest Presidents of this century." Dreier announced, when he was introducing a resolution to repeal the 22nd Amendment.

National Cheese Exchange hit in milk price debate

On Feb. 13, the Senate passed, by a vote of 83-15, a sense of the Senate resolution calling on Secretary of Agriculture Dan Glickman to act "immediately pursuant to his legal authority to modify the basic formula price for dairy by replacing the National Cheese Exchange as a factor to be considered in setting the Basic Formula Price."

The price for milk paid to dairy farmers has dropped drastically since last summer, and the cartel-run National Cheese Exchange has played a major role in driving the price down.

Arlen Specter (R-Pa.), one of the co-sponsors of the resolution, said that a study by the Wisconsin secretary of agriculture showed "there was some indication there that because of the

limited amount of cheese which was traded there, there was an opportunity to have a price established which was not genuinely a market price." Specter concluded, "The [U.S.] secretary of agriculture has the authority to make a modification on the price of cheese if he develops an evidentiary base from other transactions which lead him to conclude that [the NCE] is not a fair market price of cheese, and I believe that to be the case."

DeLauro re-introduces infrastructure bill

Rep. Rosa DeLauro (D-Conn.) introduced four bills on Feb. 12 that are intended to address the deficit in infrastructure investment, one of which is the bill she introduced in the last Congress to set up a National Infrastructure Development Corporation. Her goal in introducing this legislation, she said, is to "add to the dialogue about the Federal government's role in establishing public-private partnerships to leverage both public and private investment in America's infrastructure."

DeLauro claimed this approach is necessary because "our nation simply does not have the resources to fix and rebuild all of our schools, our highways, mass transit facilities, environmental infrastructure, ports and airports, and other infrastructure facilities." She said public-private partnerships could help fill the annual \$30 to \$80 billion shortfall in Federal infrastructure investment and "create hundreds of thousands of new jobs" in the process.

The first bill expands the state infrastructure bank (SIB) program, which is administered by the Department of Transportation and was begun

under the Intermodal Surface Transportation Efficiency Act passed in 1991. The bill would expand both the number and capitalization of SIBs. Another bill would create "public benefit bonds," a tax-free investment vehicle designed to attract to infrastructure investment, money that now goes into mutual funds and other such vehicles.

All of DeLauro's legislation is designed to fit into the assumptions of limited budgets, as she herself indicated. "We need to create these jobs and at the same time to try to save the Federal government money. We need to have private financing tools, private investment, in investing in America's future," she said.

Specter urges hearings on Herman nomination

On Feb. 12, Sen. Arlen Specter (R-Pa.) called for the Senate Education and Labor Committee to hold hearings on the nomination of Alexis Herman to be secretary of labor. Her nomination has been held up because of questions raised about her role as head of the White House Office of Public Liaison, and about whether she was involved in any questionable political activities. Specter said a hearing was needed "so that there may be a determination . . . about her qualifications to be secretary of labor."

Specter reported that he had had a lengthy meeting with Herman the day before at the request of the White House. "I questioned Ms. Herman" about her activities "at some length," he said, and "it seems to me she is entitled to be heard on the subject and to have a decision made one way or the other about whether she is qualified or disqualified."

National News

Soros gang plots further legalized-dope referenda

Having bought ballot victories in 1996 drug-legalization referenda in Arizona and California, George Soros and the British Mont Pelerin gang are planning to expand their "medical-use" hoax to additional states in 1998. "Arizonans for Drug Policy Reform," which flooded Arizona's media with propaganda paid for by Soros, continues as a central player in the drive to legalize the "medical" use of dangerous narcotics.

The pro-dope "Reform" group is headed by John R. Norton, a Conservative Revolutionary who also chairs the Goldwater Institute—founded by Arizona's Congressman "ValuJet" John Shadegg as an offshoot of the Mont Pelerin Society. Norton attacks the war on drugs as a failed strategy, and trumpets "medicalization" as a way to cut spending on drug programs. "We believe [Arizona's] Proposition 200 offers a new paradigm for drug control."

According to one of the consultants hired by the "Reform" group, they hope to use additional state referenda to force the adoption of drug legalization as national policy.

Pioneer 10 spacecraft ends 25-year mission

The 570-pound Pioneer 10 spacecraft celebrated its 25th anniversary on March 2, at a distance of 6.2 billion miles from Earth. Pioneer 10 was launched by NASA in 1972 on a mission to explore Jupiter, the nearest of the giant gaseous planets. No spacecraft had ever before crossed the asteroid belt between Mars and Jupiter, and scientists did not know whether rocks or grains of sand would damage the spacecraft. Pioneer 10 made the crossing nearly unscathed, thus opening the way for the two Voyager spacecraft: the Galileo mission now observing Jupiter and its moons, and the launch later this year of the Cassini mission to Saturn.

In December 1973, Pioneer 10 made its

fly-by past Jupiter. Using its 11 scientific instruments, it studied the ultraviolet and infrared radiation and charged particles around Jupiter, and took the first close-up photos of its largest moons. Using a gravity assist from Jupiter, Pioneer 10 became the first spacecraft to attain a solar-system escape velocity. Since its planetary encounter at Jupiter, Pioneer 10 has been travelling on a mission to try to find the heliopause, "the end of the Solar System," where the flow of hot gas from the Sun bumps into the interstellar medium. Along the way, the spacecraft has been recording the intensity of galactic cosmic rays.

Over the years, however, Pioneer 10's nuclear-isotope electric power source has diminished, to the point that its current signal received on Earth is equal to 8 watts. NASA Associate Administrator for Space Science Wesley Huntress announced Feb. 27 that Pioneer 10's mission will cease at the end of March, because the signal has finally become too weak to report significant scientific data.

Fight looms over plan to unionize workfare

The AFL-CIO's recent call, to unionize welfare recipients herded into "workfare" jobs, has directly challenged the prevailing interpretation of the 1996 welfare reform law. The federal legislation, like that of most states, denies that persons on workfare are employees—and thus has sanctioned replacing unionized workers with welfare victims, who are paid even less than the minimum wage. The policy issue affects hundreds of thousands of welfare recipients nationwide.

The front line of the battle is currently focussed on New York City, where 35,000 welfare recipients have already been herded into workfare in municipal services. They are working at jobs previously performed by unionized workers, sweeping streets, cleaning parks, and working as hospital aides; but they are receiving as little as \$68.50 in cash and \$60 in food stamps every two weeks, for their 26 hours of work per week.

The resolution passed Feb. 19 by the

AFL-CIO Executive Council declares, "In dealing with the new legal and political climate posed by the federal welfare reform legislation, the goals of the AFL-CIO are to protect existing collective bargaining and work relationships, and to extend the benefits of union representation to workfare recipients who are placed in public or private jobs." The bankrupt moguls of Wall Street replied on Feb. 21, in the lead editorial of their favorite mouthpiece, the *New York Times*, under the headline "Don't Unionize Workfare." Dropping all pious claims about the liberating nature of workfare, the *Times* declared, "it would be a mistake to organize welfare workers into a union, because what they are doing does not amount to a job."

The *Times* editorial hailed the New York City workfare scheme as a "potential model" for the nation, and called for "union cooperation," despite union concerns "that over the long run, the cheap labor provided by the workfare program will make it harder for the union to win pay increases for its rank-and-file members."

The U.S. Department of Labor is currently determining, whether welfare recipients working in public jobs in lieu of benefits, are in fact "employees" covered by federal labor laws, and therefore entitled to unionize. The Feb. 20 *Washington Post*, citing "confidential" draft documents, claimed that the department had concluded that the Fair Labor Standards Act does apply to workfare participants, but that the decision is yet to be approved by the White House.

CFR says drug fight must shift to cutting demand

The New York Council on Foreign Relations released a report Feb. 26 calling for a fundamental shift in anti-drug policy, from interdiction and destruction of supplies, to so-called "demand reduction." The recommendations of the CFR task force amount to a blank check for the financiers of the international drug cartel, and a global free-trade policy for drug-trafficking.

At the CFR's Washington press conference, task force member Everett Briggs, former deputy assistant secretary of state for

Briefly

inter-American affairs in the Carter administration, insisted that the drug problem is simply a function of demand. "Demand," he said, "has turned what was once a cottage industry into a lucrative global business." He claimed that efforts to destroy production, and interdict trafficking, have only resulted in relocating production centers and trafficking routes, without reducing the flow of drugs. "As long as there's a demand," he said, "production will be lucrative."

Task force chairman Mathea Falco, who was Carter's assistant secretary of state for international narcotics matters, declared that "interdiction will never succeed in making a real difference" in the availability of drugs in the U.S. Her suggested alternatives include "strengthening democratic institutions" in producer countries—not only against corruption by the drug cartels, but also against the military forces deployed against them. A strategy to target "big-time financial flows," Falco admitted, would involve those in "the highest levels of politics and finance." The CFR report, however, gives comfort to the money-launderers, by declaring that "there are difficult social, political, and legal challenges inherent in imposing a strict financial reporting regime on capital flows in democratic societies, where expanding international trade, economic development, and prosperity are believed to depend upon a free flow of global capital."

Bosnian Cardinal appeals to U.S. for leadership

Addressing the Carnegie Endowment for International Peace in Washington on Feb. 21, Archbishop of Sarajevo Cardinal Vinko Puljic emphasized the crucial role the U.S. government must play in securing peace and reconstruction for war-torn Bosnia-Herzegovina. "In 1994 we were in the middle of a brutal siege; today the war has stopped and we are enjoying at least a semblance of peace," Cardinal Puljic declared. "The new situation is due, in large measure, to U.S. diplomacy, reconstruction aid, and troops."

He warned, however, that, "just peace remains a distant dream. Despite all those killed, raped and forced from their homes

... too many leaders in Bosnia and Herzegovina—with tacit or open support of outside powers—are still preaching a politics of partition, chauvinistic nationalism, and ethnic hatred." Cardinal Puljic emphasized, "Unless more is done soon, the partition of Bosnia will be cemented, and the extremism and extremists that brought us war will become further entrenched."

The Catholic bishops of Bosnia-Herzegovina "firmly believe that it is possible and essential that we rebuild a democratic, multi-ethnic, multi-religious, united country. . . . This can be achieved, however, *only if the U.S. government* and the international community take more decisive and credible action to implement the civilian aspects of the Dayton Accords." Those measures, he said, "must be coordinated with economic reconstruction, which is vital to a return to a normal life and society, where we are no longer dependent upon outside assistance."

Privatizers' toll road heading for bankruptcy

The Dulles Greenway, the 14-mile private toll road from Washington's Dulles Airport to Leesburg, Virginia, once touted as the model for highway privatization schemes by the financial circles associated with George Bush and Wall Street, could financially collapse by the end of March. Sources in the financial community report, that desperate discussions are continuing to try to fashion a rescue package for the \$326 million project, whose investors are a year behind in their debt payments and whose yearly revenues can't pay even one fiscal quarter's debt service.

The Greenway was hatched in the mid-1980s as a prototype scheme for private road infrastructure by a group linked to a taskforce on privatization run through networks of then-Vice President George Bush. Whereas the original state plan to extend the Dulles Toll Road from metro Washington to the airport would have been finished in 1991, and cost \$175 million, the privatized white elephant cost \$326 million, when it opened, four years behind schedule.

GOP LEADERS, weary from raving about President Clinton's fundraising, adjourned Feb. 20 for several days of stroking party fatcats in Palm Beach, Florida. Top contributors (at least \$175,000 over four years) had a chance "to meet and talk informally with party leaders, foreign dignitaries and special guests." Senate Majority Leader Trent Lott said it was "the American Way." Newt Gingrich got to meet with Britain's Margaret Thatcher.

CREDIT CARD DEBT is burying nearly 60 million U.S. households, now paying over \$1,000 annual interest on an average debt of \$6,000, the Consumer Federation of America reported Feb. 25. "The typical household with these debt burdens has an annual disposable income of about \$20,000, and credit card debts of more than \$10,000," the report states.

FOODSTAMP CUTOFFS began Feb. 22, for the first wave of unemployed adults without children, who have used up their three-month allotment under the Welfare Reform Act. Able-bodied and partially disabled persons, ages 18-50, are eligible for food stamps for only three months in any three-year period.

PRESIDENT CLINTON issued orders Feb. 20, prohibiting HMOs from limiting what doctors may tell Medicaid patients about available treatments. The action extends his previous order regarding Medicare patients, to the 36% of Medicaid recipients whose health care is already controlled by HMOs.

THE GENIUS OF LEONARDO da Vinci is on display at Boston's Museum of Science through Sept. 1. The exhibition of more than 200 of his works, as "Scientist, Inventor, Artist," is the largest and most comprehensive ever assembled, and includes dozens of interactive models of his inventions. Boston is the only U.S. stop on the exhibit's tour.

Editorial

British terrorism in Africa

The usually unreliable *Washington Times* continues that tradition, with its Feb. 27 publication of an item by the Brookings Institution's Francis M. Deng, "Sudan's 'Domestic' Terrorism." There were no disclaimers from the editors or publishers, despite facts available to that newspaper, exposing Deng's tale as a hoax.

Deng, a former Sudan Ambassador to Washington, presents himself in a book which he himself has written, as a devotee of Samuel P. Huntington's rabidly racist "Clash of Civilizations" mantra, and is himself a representative of the notoriously pathetic ethnic hoaxes fathered by British intelligence agent, and racist anthropologist, E.E. Evans-Pritchard (also the father of the pathetic Ambrose Evans-Pritchard). The *Times* also knows that Deng is lying when he states, among other frauds, that the SPLM/SPLA has joined with John Garang (and Deng himself) in supporting British war-Lord Caroline Cox's so-called "National Democratic Alliance." *EIR* Contributing Editor LaRouche recently met, in Sudan, in two extended discussions, with the leadership of the SPLM/SPLA; more recently, several African-American officials have also met there with SPLM/SPLA leaders. The mere fact of those meetings were sufficient to expose Deng as a liar.

Deng prances in the pretense that he is a defender, a virtual Don Quixote of the Black-Africa cause, against the hated race of Arabs. All the while, he is actually working on behalf of the British Privy Council's Lady Lynda Chalker and British war-Lord Caroline Cox, who are deploying Deng's current military ally, local Uganda dictator and butcher Yoweri Museveni, in genocide against the people of Rwanda, Burundi, eastern Zaire, and now in the Museveni-coordinated invasion of Sudan by the allied military forces of the currently sitting dictators (and butchers) of Eritrea and Ethiopia.

Our point here is not Deng as such. Our point is, the inexcusable foolishness of those simple dupes, or immoral opportunists, in the U.S. Congress and Executive, like the major news media, who tolerate the current British line on "Islamic terrorism," just as, in this instance, the *Times* pushed Deng's wild-eyed lying. These assorted dupes and opportunists are stripping the U.S. itself of its defenses against the waves of terrorism pres-

ently targeting the territory and institutions of the U.S.A., as they are also threatening our vital interests abroad.

Take the case of Taliban, for example. Once Taliban had consolidated political control over Kabul, and had gained official diplomatic recognition, would Taliban be a terrorist force in Central Asia? Probably not: any Afghan rebel's war for the seizure of Kabul is a fight to become the new government, which the newly incumbent forces would defend with as much, or perhaps more patriotic fervor than the government just recently eradicated in terrible war-fighting. Does one, then, include Taliban under the Huntington label of "Islamic terrorism"?

Terrorism is not a secretion of Islam, but spreading the Koran is. Thus, the British imperialists' long experience running operations against the Islamic world, has taught them, that the way to run covert operations within those regions, is to cover their secret-intelligence operations with the appearance of a spreading of the Koran in a more or less militant way. War is war, and guerrilla warfare is also war; that does not create any "Islamic threat" from what the ever-loving British spook types amuse themselves to label international "Islamic terrorism."

In the recent several years, a number of governments, and other authoritative sources, have pointed out, repeatedly, that there are very few international terrorist operations deployed anywhere in the world, which are not directed by terrorist organizations openly harbored by the British Foreign and Home offices, in London itself.

Who has taken the credit for the terrorist mass-murder of U.S. military personnel in Saudi Arabia, and who has issued the recent, new terrorist threats, on account of which the U.S. State Department has issued its warning? Once again, the headquarters are in London.

Others, many not professedly Islamic, are presently targeting the U.S. territory, and populations, too. See, then, the bloody price our security must expect to pay, if we continue to tolerate the British-concocted lie of "terrorism from Sudan," rather than bringing the actual masters of most international terrorism, London, to account.

SEE LAROUCHE ON CABLE TV

All programs are *The LaRouche Connection* unless otherwise noted. (*) Call station for times.

ALASKA

- ANCHORAGE—ACTV Ch. 40
Thursdays—10 p.m.

ARIZONA

- PHOENIX—Dimension Ch. 22
Thursdays—7:30 p.m.

CALIFORNIA

- CONCORD—Ch. 25
Thursdays—9:30 p.m.
- E. SAN FERNANDO—Ch. 25
Saturdays—8:30 p.m.
- LANC/PALMDALE—Ch. 3
Sundays—1:30 p.m.
- MARIN COUNTY—Ch. 31
Tuesdays—5 p.m.
- MODESTO—Access Ch. 5
Mondays—2:30 p.m.
- ORANGE COUNTY—Ch. 3
Fridays—evening
- PASADENA—Ch. 56
Tuesdays—2 & 6 p.m.
- SACRAMENTO—Ch. 18
2nd & 4th Weds.—10 p.m.
- SA DIEGO—Cox Cable
North County—Ch. 15
Greater San Diego—Ch. 24
Wednesdays—4:30 p.m.
- SAN FRANCISCO—Ch. 53
2nd & 4th Tues.—5 p.m.
- SA ANA—Ch. 53
Tuesdays—6:30 p.m.
- SANTA CLARITA/TJUNGA
King VideoCable—Ch. 20
Wednesdays—7:30 p.m.
- W. SAN FERNANDO—Ch. 27
Wednesdays—6:30 p.m.

COLORADO

- DENVER—DCTV Ch. 57
Saturdays—1 p.m.

CONNECTICUT

- BETHEL/DANBURY/RIDGEFIELD
Comcast—Ch. 23
Wednesdays—10 p.m.
- BRANFORD—TCI Ch. 21
Weds., 10 a.m. & 7:30 p.m.
- NE TOWN/ EW MILFORD
Charter—Ch. 21; Thu.—9:30 p.m.

DISTRICT OF COLUMBIA

- WASHINGTON—DCTV Ch. 25
Sundays—12 Noon

ILLINOIS

- CHICAGO—CAN Ch. 21
Schiller Hotline-21; Fri.—5 p.m.

INDIANA

- SOUTH BEND—Ch. 31
Thursdays—10 p.m.

KANSAS

- SALINA—CATV Ch. 6*

KENTUCKY

- LOUISVILLE—TKR Ch. 18
Wednesdays—5 p.m.

LOUISIANA

- NEW ORLEANS—Cox Ch. 8
Mondays—11 p.m.

MARYLAND

- BALTIMORE—BCAC Ch. 42
Mondays—9 p.m.
- BALTIMORE COUNTY—Ch. 2
2nd Tues., monthly—9 p.m.
- MON GOMERY—MCTV Ch. 49
Fridays—7 p.m.
- P.G. COUNTY—Ch. 15
Thursdays—9:30 p.m.
- W. HOWARD COUNTY—Ch. 6
Daily—10:30 a.m. & 4:30 p.m.

MASSACHUSETTS

- BOSTON—BNN Ch. 3
Saturdays—12 Noon

MICHIGAN

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

MINNESOTA

- EDEN PRAIRIE—Ch. 33
Wed. 5:30 pm; Sun.—3:30 pm
- MINNEAPOLIS—MT Ch. 32
Fridays—7:30 p.m.
- MINNEAPOLIS (NW Suburbs)
Northwest Comm. TV—Ch. 33
Mon.—7 pm; Tu.—7 am & 2 pm
- ST. LOUIS PARK—Ch. 33
Friday through Monday
3 p.m., 11 p.m., 7 a.m.
- ST. PAUL—Ch. 33; Mon.—8 p.m.
- ST. PAUL (NE Suburbs)
Suburban Community—Ch. 15
Wednesdays—12 Midnight

MISSOURI

- ST. LOUIS—Ch. 22
Wednesdays—5 p.m.

NEVADA

- RENO/SPARKS
Continental—Ch. 30
TCI—Ch. 18; Wed.—5 p.m.

NEW JERSEY

- STATEWIDE—CTN; Sat.—4 a.m.

NEW YORK

- ALBANY—Ch. 18
Tuesdays—5 p.m.
- BRONX—BronxNet Ch. 70
Saturdays—6 p.m.
- BROOKHAVEN (E. Suffolk)
TCI—Ch. 1 or Ch. 99
Wednesdays—5 p.m.
- BROOKLYN*
Cablevision (BCAT)—Ch. 67
Time Warner B/Q—Ch. 34
- BUFFALO—BCAM Ch. 18
Tuesdays—11 p.m.
- HUDSON VALLEY—Ch. 6
2nd Sun. monthly—1:30 p.m.
- ILIO —T/W Ch. 10
Fridays—3 p.m. & 9 p.m.
- ITHACA—Pegasys—Ch. 57
Mon. & Weds.—8:05 p.m.
Saturdays—4:35 p.m.
- JOHNSTOWN—Empire Ch. 7
Tuesdays—4 p.m.
- MA HATTAN—MNN Ch. 34
Sunday, Mar. 18—9 a.m.
- MONTAILE/MAHWAH—Ch. 14
Wednesdays—5:30 p.m.
- NASSAU—Ch. 25
Last Fri., monthly—4 p.m.
- OSSINING—Continental
South Westchester Ch. 19-S
Saturdays—12 Noon
- POUGHKEEPSIE—Ch. 28
1st & 2nd Fridays—4 p.m.
- QUEENS—OPTV Ch. 57
Wednesdays—10 p.m.
- RIVERHEAD
Peconic Bay TV—Ch. 27
Thursdays—12 Midnight
1st & 2nd Fridays—4 p.m.
- ROCHESTER—GRC Ch. 15
Fri.—11 p.m.; Sun.—11 a.m.
- ROCKLAND—PA Ch. 27
Wednesdays—5:30 p.m.
- SCHENECTADY—PA Ch. 16
Mondays—10 p.m.
- STATEN ISL.—CTV Ch. 24
Wed.—11 p.m.; Thu.—4:30 a.m.
Saturdays—8 a.m.
- SUFFOLK, LI.—Ch. 25
2nd & 4th Mondays—10 p.m.
- SYRACUSE—Adelphia Ch. 3
Fridays—4 p.m.
- SYRACUSE (Suburbs)
Time Warner Cable—Ch. 12
Saturdays—9 p.m.

- UTICA—Harron Ch. 3
Thursdays—6:30 p.m.
- WEBSTER—GRC Ch. 12
Wednesdays—9:30 p.m.
- YONKERS—Ch. 37
Fridays—4 p.m.
- YORKTOWN—Ch. 34
Thursdays 3 p.m.

OREGON

- POR LAND—Access
Tuesdays—6 p.m. (Ch. 27)
Thursdays—3 p.m. (Ch. 33)

TEXAS

- AUSTIN—ACTV Ch. 10 & 16*
- DALLAS—Access Ch. 23-B
Sun.—8 p.m.; Thurs.—9 p.m.
- EL PASO—Paragon Ch. 15
Thursdays—10:30 p.m.
- HOUSTON—Access Houston
Mondays—5 p.m.

VIRGINIA

- ALEXANDRIA—Jones Ch. 10
Saturdays—10 p.m.
- ARLINGTO —ACT Ch. 33
Sun.—1 pm; Mon.—6:30 pm
Tue.—12 Midnite; Wed.—12 Noon
- CHESTERFIELD COUNTY—
Comcast—Ch. 6
Tuesdays—5 p.m.
- FAIRFAX—FCAC Ch. 10
Tuesdays—12 Noon
Thurs.—7 p.m.; Sat.—10 a.m.
- LOUDOUN COUNTY—Ch. 59
Thursdays—10:30 a.m.;
12:30 p.m.; 2:30 p.m.;
4:30 p.m.; 7:30 p.m.; 10:30 p.m.
- MANASSAS—Jones Ch. 64
Saturdays—6 p.m.
- RICHMOND—Conti Ch. 38*
- ROANOKE—Cox Ch. 9
Wednesdays—2 p.m.
- WOODBRIDGE—Ch. 3
Saturdays—6 p.m.
- YORKTOWN—Conti Ch. 38
Mondays—4 p.m.

WASHINGTON

- SPOKANE—Cox Ch. 25
Tuesdays—6 p.m.
- TRI-CITIES—TCI Ch. 13
Mon.—12 Noon; Weds.—6 pm
Thursdays—8:30 pm
- WISCONSIN
• WAUSAU—Ch. 10*

If you would like to get *The LaRouche Connection* on your local cable TV station, please call Charles Notley at 703-777-9451, Ext. 322. For more information, visit our Internet HomePage at <http://www.aksamer.org/~larouche>

Executive Intelligence Review

U.S., Canada and Mexico only

1 year	\$396
6 months	\$225
3 months	\$125

Foreign Rates

1 year	\$490
6 months	\$265
3 months	\$145

I would like to subscribe to
Executive Intelligence Review for

1 year 6 months 3 months

I enclose \$_____ check or money order
Please charge my MasterCard Visa

Card No. _____ Exp. date _____

Signature _____

Name _____

Company _____

Phone () _____

Address _____

City _____ State _____ Zip _____

Make checks payable to EIR News Service Inc.,
P.O. Box 17390, Washington, D.C. 20041-0390.



The construction of the Gezhou Dam in China.

Out-of-work Americans at a state unemployment center in Front Royal, Va.

China plans 10,000 major infrastructure projects in the next decade.



Will the United States adopt this approach to make its way out of the new Great Depression?

READ

The Eurasian Land-Bridge

The “New Silk Road” — locomotive for worldwide economic development

A new special report from Executive Intelligence Review

including studies of:

- High-technology infrastructure development corridors
- China and Europe as Eurasia's development poles
- Crucial infrastructure projects in China
- The Eurasian Land-Bridge and development around the great ocean basins
- Financing an economic miracle: Hamiltonian credit generation
- The Eurasian Land-Bridge and the economic reconstruction of the United States

260 pages \$200

Available from:

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