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From the Associate Editor

Helga Zepp LaRouche, discussing the genocide in Zaire in a recent speech, emphasized that there is only one race—the human race—and that “we are all sitting in one boat.”

Many Americans, and some others too, have a hard time with that idea. Take the case of Maryland State Sen. Larry Young, chairman of the legislative Black Caucus. At a town meeting in Baltimore, when members of the LaRouche movement asked him to take a stand against the British-backed holocaust in Africa, Young replied: “I don’t want to hear it. I don’t care about Africa. My ‘Africa’ is in my district, my constituents are my Africa. I don’t care about any other part of the world.”

Mr. Young’s district is, indeed, a scene of economic devastation and suffering. But, if he thinks the problems of his constituents can be solved locally, he’d better think again. We are, indeed, all sitting in one boat, and, as Lyndon LaRouche underlines in this week’s *Feature*, that boat is sinking fast. Will we organize ourselves to get into the lifeboats, or will we all go down together?

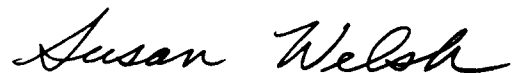
Many articles in the current issue provide documentation of LaRouche’s analysis of what has gone wrong:

- **New Zealand**, which is being held up by the Mont Pelerin Society as a model of the supposed benefits of privatization and the free market, has in fact become a nightmare, in which the suicide rate among young people rose 14% in just one year.

- **In France**, the electorate has delivered a stunning rejection of the policies of President Chirac and Prime Minister Juppé, who slashed jobs and services in obedience to the Maastricht Treaty. Whether the new prime minister, Lionel Jospin, will read the writing on the wall, remains an open question.

- The **German** government has run out of options, in its fancy-footwork effort to adhere to Maastricht, while at the same time coping with the greatest unemployment of the postwar period.

- **Argentina**, which was once the ninth agricultural and industrial power in the world, is now choking with debt, and official unemployment of 18%. Argentina is getting the “Africa treatment”—as we all shall be, if we don’t wise up soon.



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Euro-bankers scramble to save monetary union

by William Engdahl

Political developments in Germany and France at the beginning of June are threatening the future of Europe's much-touted monetary union, the project for creation of a single supranational European currency, the so-called euro.

In France, President Jacques Chirac received a crushing defeat in the June 1 parliamentary elections, forcing him to accept an opposition Socialist-led coalition under Lionel Jospin (see article, p. 44). The issue of the European Monetary Union (EMU) was the sole reason for the election.

In Germany, where Chancellor Helmut Kohl had staked his political future on creation of the EMU, Finance Minister Theo Waigel proposed a desperate move in defiance of the German Bundesbank, which could topple the Kohl government and the currency union with it. It was the first such open clash between the government and the Bundesbank since 1948.

Behind all this lies a titanic power struggle to forge a single supranational Europe, with a single currency to replace the present 15 national currencies of the member states. The project has forced European Union (EU) governments to impose severe budget austerity, to ensure that the new euro is "strong and stable." That austerity has led to growing social explosions, such as the strikes which have spread in recent months from France to Belgium and Germany.

At the heart of the fight lies the rigid conditions of the December 1991 Maastricht Treaty on European Monetary Union. That treaty, which fixes Jan. 1, 1999 as the start-up date for a European Central Bank (ECB) and the euro, places strict limits on a country's public debt (not more than 60% of its GDP) and public deficit (not more than 3% of GDP). A country must reach the critical "convergence criteria" by

the end of this year, to be eligible to join in 1999. Final decision on who qualifies, is to be made at an EU summit meeting in May 1998, based on review of final official data for 1997.

When the limits were agreed to some five years ago, the idea had been to exclude only the most chronic deficit spenders from the project. But not even Germany or France will qualify, as things stand now. The Duchy of Luxembourg is the only one of 15 EU states that is under the limits.

EU economies are mired in the worst unemployment crisis since the 1930s, with 12.2% jobless in Germany and as much as 18% in Spain. Germany's 4.2 million unemployed exceed the entire population of several EU countries. In France, the jobless level is 12.8%. Along with unemployment, public debt and deficits have soared. The government budget austerity that has been implemented in order to reach the Maastricht targets, is worsening the deficits, as unemployment soars and tax receipts fall.

A recent internal report of the French Finance Ministry forecast a deficit of 3.8% for this year, and an even worse 4.5% next year. Germany, which had a dismal 4% deficit last year, is on course to miss the 3% target, barring drastic further budget austerity or higher taxes. This is the background to the present EMU crisis.

France: Chirac's blunder

Conservative French President Chirac called parliamentary elections almost a year before they were due. With the popularity of his prime minister, Alain Juppé, at an all-time low, and protests against government budget cuts and soaring joblessness, Chirac made a gamble that he could save the

EMU, by reaffirming his parliamentary majority. He gambled that by acting now, rather than next year, when elections would coincide with the decision to join the EMU, he could retain control of parliament and implement the more unpopular austerity measures needed for France to join the EMU. He had expected some losses, but reckoned to hold onto a parliamentary majority, to ram through the privatization and austerity needed to enter the EMU on time.

His calculation was a catastrophic blunder. "Chirac has lost enormously in this," noted Jacques Cheminade, a co-thinker of Lyndon LaRouche, who ran two years ago as a candidate for the French Presidency. "Never in the history of the Fifth Republic, since 1959, has a President dissolved the National Assembly and not won an election, until now. The result will be that Maastricht as it had been, will no longer exist. Either a new flexible version, a 'Camembert' — soft and stinky — will come, or it will be scrapped altogether. For the good of Europe and France, let us hope the latter."

Jospin's Socialist Party (PS) slate, allied with the Communists and the smaller Green Party, won 319 of the 577 National Assembly seats. The governing conservative coalition, RDR-UDR, had gone into the elections with 80% of the seats from the previous 1993 elections, and came out with a loss, from 464 down to 239 seats.

"The real point," Cheminade continued, "is not that Frenchmen voted *for* Jospin and the left, but that they voted overwhelmingly to punish the right for the Maastricht austerity. I would estimate that Jospin has until September or October to show decisive improvement in the economy, or French voters will take to the streets again in protest."

But to make a dent in the jobs crisis, the coalition headed by Jospin must now decide what to do about Maastricht. In his campaign, Jospin called for a softening of the criteria, and for allowing Italy and Spain to join the EMU as well, something that Germany has strictly opposed. French media have dubbed this the "Camembert euro." Italy's public deficit and debt are well over the Maastricht limits. The fear in Bonn is that letting Italy in will lead capital to flee the euro.

"Jospin has one looming challenge," said K.A. Olsen, a European banker closely involved in monitoring the process of Maastricht qualification. "He has to tackle the 12.8% unemployment and create jobs. He has only two options: Either demand a delay of 2-3 years in the start of the EMU, to allow time to stimulate the economy to create jobs, or scrap the so-called 'strict interpretation' of the Maastricht deficit target of 3%. Or, a combination of both."

While it is too early to say how Jospin will try to work such miracles without scrapping the EMU, the French threat to the EMU intersects an equally grave crisis on the German side.

Kohl forced to break a German taboo

Until the end of May, Germany was the self-appointed guardian of the "strict convergence" approach to meeting the

Maastricht criteria. Finance Minister Waigel had repeatedly demanded that other nations adhere to even stricter deficit limits, even after joining the EMU. He introduced a so-called Stability Pact, which would impose heavy financial penalties on countries that joined and then began "cheating," by running large deficits to boost growth. It was Kohl who was personally responsible for demanding that the EMU treaty explicitly state that the new European Central Bank be entirely free of the national political influence of elected governments. The model was the German Bundesbank.

Ironically, the most fiscally puritanical of EU states, Germany, now appears ready to become one of the most brazen cheaters. The government has become desperate to find ways to meet the 3% target, as the deficit explodes from the tax revenue shortfall and soaring unemployment costs.

On May 22, Waigel proposed that the Bundesbank use a bookkeeping trick, and mark the value of its 3,700 tons of gold reserves to current market price, instead of the far lower purchase price. That pure bookkeeping "gain," which would amount to tens of billions of deutschemarks, would then be transferred this year to the account of Waigel's Finance Ministry, allowing the government to reach the 3% limit required for Maastricht membership. The gold would remain at the Bundesbank, which would, in effect, simply print the money to cover the sum, and close the government's deficit.

The powerful Bundesbank is seen by most Germans, rightly or wrongly, as the only institution protecting their savings and the German mark. French politician Jacques Delors, founder of the euro, recently noted, "Not all Germans believe in God; but they all believe in the Bundesbank." For the Bundesbank, Kohl's accounting tricks were a violation of a strict German taboo.

"To revalue the country's gold reserves without selling any of them, and use the new market assessment to lower your deficit," wrote former Kohl ally Thomas Kielinger in the June 1 London *Sunday Telegraph*, "might make the most artful dodger cringe with shame. But not Kohl. . . . Predictably, Kohl has now been bloodied by the Bundesbankers themselves, who rejected his crude ploy." On May 28, the Bundesbank Council had issued an unprecedented rejection of Kohl's gold plan, claiming that it was an illegal interference into the independence of the Bundesbank.

By June 3, Waigel had been forced to give in to Bundesbank chief Hans Tietmeyer's compromise proposal to delay the gold transfer to 1998. This leaves Kohl with a huge DM 29 billion (\$17 billion) budget gap that it must close through other means, to meet this year's critical 3%. Kohl's coalition partner, the free-market Free Democratic Party, categorically rejects the idea of new taxes to cover the hole, and the German population categorically rejects new budget austerity. On June 3, Kohl rejected the option of delay of the EMU, an option which Bundesbank chief Tietmeyer recently suggested, fearing that delay would risk the en-

tire EMU.

That leaves only the option of large-scale cheating to cover this year's gap. The government is already leaking hints of another major budget gimmick. This would reportedly involve "delayed privatization": counting the proceeds now on Waigel's budget, for sales of state companies like Lufthansa Airways or Telecom, which, by law or practicality, can only be privatized in 2-3 years.

A collision course

Many Europeans are starting to ask why EU governments insist on going ahead with the monetary union. A European trade zone exists; EU currencies are remarkably stable; there has been an astonishing lack of debate over the implications of the euro, which has been called, "the boldest monetary and social experiment" in postwar history.

"The unspoken reality," says banker Olsen, "is that Maastricht is a political, not an economic project. Originally, it had been the French price for agreeing to German unity—that the new Germany firmly bind itself into a European structure, called the EMU. Since then, large German banks and multinationals reckon they actually could come out the 'winners' in the new Europe, so they have pressured Kohl to push the project. The French see the euro as a direct rival to the American dollar, as well as a way to bind German ambitions. None of this debate can go on in public, which is why everything appears so byzantine."

"The reasons for the EMU are not economic, rather political, geopolitical," concurred a former European central bank governor, involved in the formation of the EMU. "The French have one agenda, and the Germans—at least the Bundesbank—quite another. As the deadline nears, the two are on a collision course."

The divisions center on the powers of the ECB, who shall head it, and what countries will be members of the EMU. Germany insists on a "firm and stable euro" modelled on the deutschemark. France wants an EMU based on French ideas, including national flexibility to run deficits. French economist Jean-Paul Fitoussi warns, "The Germans should go back to a more moderate role," and drop demands for their strict model. France is also keen to draw the so-called Mediterranean or Club-Med countries, especially Italy and Spain, into the EMU, as allies of this French "Camembert," or soft, position.

The difference is major. "German banks reckon with a hard euro; they will be in position to dominate banking and corporate mergers on the continent in the coming crucial period," Olsen noted. "Right now, French banks are still recovering from their real estate losses of the past five years. A soft EMU would make the German agenda much more difficult. It would allow France and the Club-Med to dominate European policy. Both sides want the euro, but for quite different reasons."

This Franco-German policy tension has come out in

other ways. When Germany recently proposed Dutch central banker Willem Duisenberg, to be head of the new ECB, France floated a French alternative, International Monetary Fund Managing Director Michel Camdessus, revealing how much importance they give to the issue. Duisenberg is close to the Bundesbank's strict monetary thinking. Camdessus is a former governor of the Bank of France.

More globalization on the horizon?

For such a major change, remarkably little analysis of the euro's impact has been made public. A senior executive of one of Europe's largest transport firms, responsible for his group's euro strategy, told *EIR*: "Large EU multinationals and the big banks are the real locomotive behind the euro. When you understand why, it's clear why so little is said in public. It's a timebomb."

"Most companies with operations in several EU countries," he continued, "plan big rationalizations after January 1999. With no more currency risk inside the EU, big firms will be able to eliminate anywhere from 10% to 30% of current jobs. Payroll functions, payments, and other overhead can all be centralized. Banks plan huge cuts in manpower. I've heard confidential Brussels estimates that after the EMU, a further 10 million unemployed in Europe is considered likely."

"This, on top of Europe's record unemployment already. No politician dares admit this, but the influence of these banks and corporations is so strong, that the EMU goes ahead. Big companies are behind the EMU, because for them it promises a major advantage in the new lean and mean globalized competition."

There are other aspects. "The EU has just admitted for the first time an anti-dollar potential of the euro," said Olsen. "For large banks such as Deutsche Bank or ABN-Amro, the euro is an alternative to the dollar as a world reserve currency." On April 23, French EU Commissioner for Monetary Affairs Yves de Silguy noted, "The euro zone will match the economic and commercial weight of the United States, and will be greater than the Japanese economy," and, the size of the EMU market will give the European Central Bank "an international dimension beyond that of national central banks today."

This role of the euro, as an alternative reserve currency for central banks, has enormous political and economic implications. European and other foreign central banks today hold a record \$600 billion of dollar reserves, in the form of U.S. government Treasury bonds or bills. Were that to be dumped en masse, in favor of the euro, at some point, the shock to the world financial system would be incalculable.

The EU Summit on June 16-17 in Amsterdam could see a dramatic announcement of delay of the entire project, given the dramatic developments in Germany and France. Were that to happen, as Olsen puts it, "no one has developed a plan for what to do then; currency crises would be certain."

IMF goes for ‘second generation’ looting of devastated Argentina

by Gerardo Terán Canal and Gonzalo Huertas

During the Argentine Banking Association conference held in Buenos Aires on May 21, International Monetary Fund Managing Director Michel Camdessus stated, “This is the moment for Latin America not only to finalize the reforms in progress, but to launch a second generation of reforms that could produce growth more deeply rooted in healthy structures and, thus, more lasting and equitable.” In the case of Argentina, this would signify the burial of what was once the ninth agricultural and industrial power in the world.

According to figures published by the Foundation for Research and Development (FIDE), based on data provided by the Finance Ministry, the official public foreign debt as of December 1996 had reached \$73.6 billion, while the official private foreign debt was \$26.1 billion, yielding a total of \$99.7 billion.

But there are other factors, which make the *real* Argentine foreign debt larger still. Since 1991, the Argentine economy has been “internationalized” with the adoption of the convertibility plan, also known as the Cavallo Plan, named after its major architect, former Finance Minister Domingo Cavallo. The plan established a fixed one-to-one parity between the peso and the dollar, guaranteed by a prohibition on printing pesos that were not directly backed by international dollar reserves. This is a version of the British colonial policy of a currency board.

First, dollar bonds were issued for sale inside the country, meaning they were not included in the official foreign debt figures: These, as of December 1996, amounted to some \$14.5 billion in *de facto* foreign obligations.

Second, there has been an explosion of private internal debt, also denominated in dollars: Today, approximately two-thirds of the total internal debt is in dollars (credit cards, mortgage loans, “business” loans, etc.). According to *EIR*’s calculations, this category of *de facto* foreign debt is actually \$42.2 billion.

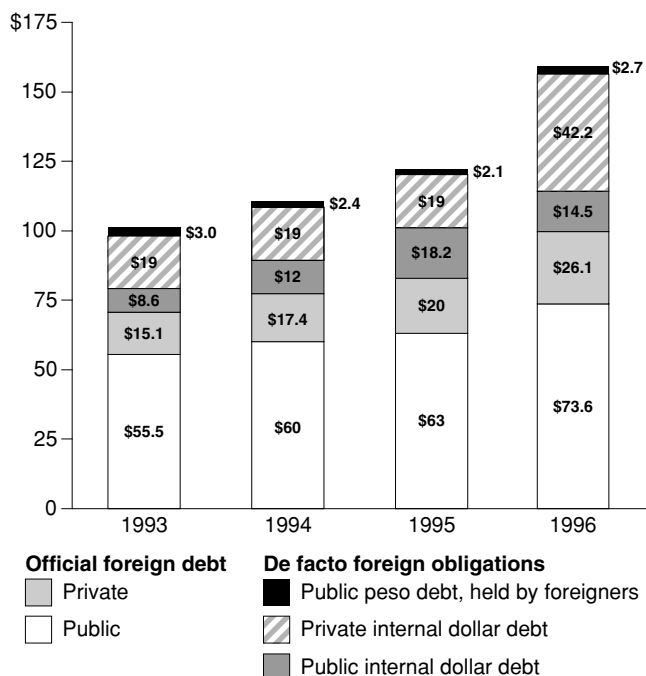
And finally, approximately one-third of the public bonds issued in pesos, equivalent to some 8.2 billion pesos, is in foreign hands, meaning that another \$2.7 billion in foreign obligations must be taken into account. If we add up all these categories of official foreign debt, we can see that Argentina’s

real foreign debt at the close of 1996 was actually \$159.1 billion (Figure 1).

When President Carlos Menem took office in July 1989, the foreign debt was \$60 billion. That is, in seven years under Menem, the real foreign debt of Argentina has risen 165% — an average annual rate of 15%. Assuming that the total Argentine population is 34 million people, the foreign debt, in real terms, as of December 1996, was \$4,680 per capita, one of the highest amounts in the world.

Over the past year, difficulties in servicing the foreign debt have forced the government, on the one hand, to issue

FIGURE 1
Argentina: real foreign debt
(billions \$)



short-term, 90- to 120-day bonds of approximately \$2 billion, which are regularly renewed; on the other hand, it has had to move the deadline for payment of 1996 personal taxes from June up to April.

Finance Undersecretary Miguel Kiguel told the daily *Ambito Financiero* that the Argentine government needed to take on another \$12 billion in debt, to meet the needs of its 1997 budget. This year, it has already issued \$6 billion more in bonds and treasury notes, \$5.1 billion at the international level and \$1 billion on the local market. Thus, in the coming months, the government will be taking on another \$5.9 billion in debt.

Prominent Argentine economist Daniel Muchnik was on the mark, when he stated that “Argentina continues to act like a gambling addict: It can only survive by continuing to take on more debt.”

The Africanization of Argentina

As expected, this disproportionate increase in the debt, and the brutally rigorous servicing of that debt, have wasted once-industrialized Argentina, the same way that IMF “structural adjustments” laid waste to Africa. Poverty and unemployment (now at an official 18%) have taken hold in this country.

In 1996 alone, wages in goods-producing sectors fell 2.9%, according to Finance Ministry estimates. The provinces most punished by this fall in wages are Chaco, Formosa, San Juan, Jujuy, and Entre Ríos, where monthly salaries are less than \$640. In these same regions, the basic monthly market basket costs \$900. In 1996, the average wage in the province of Chaco fell 11.2%.

This picture of misery is confirmed by figures published in early May by the National Statistics and Census Institute (Indec). Indec states that out of the 11.5 million living in greater Buenos Aires, 3.2 million have fallen below the poverty line and one-fourth of these are unable to meet their basic needs. The population of greater Buenos Aires represents 28% of the national population.

Carola Pessino, an adviser to the Economics Ministry, cold-heartedly told *La Nación* that “the Indec poll shows that there are more poor, but they are short-term poor. . . . So, I believe it is more worthwhile to look at the indigence index, which represents people unable to meet their basic needs. That rate in October 1989 was 19.5%, and today it is 12.5% and stable.”

According to *Ambito Financiero*, the IMF’s Camdessus said from Washington that “Argentina’s objectives for 1996 have been met. Inflation is near zero, growth was 4.5% in 1996, and they will continue with the same orientation for 1997.”

In the early 1960s, the Argentine economy was the ninth largest in the world. In production and per-capita income, it had a level of development equal to Japan’s. From the

Argentina



point of view of the skill levels of the workforce, especially in such categories as scientists, technicians, administrators, and educators, the two countries were nearly parallel. Argentina also had the highest literacy rate in Ibero-America, and possessed excellent national education and health care systems.

Its other achievements included the building of a jet fighter plane, with the most advanced technology in the world at that time, and a nuclear energy program supported by the most modern research installations, as well as the acquisition of the necessary capital-goods industries to supply these programs. As a result of the initiatives taken by both military and civilian nationalists in the period between the two world wars, impressive basic industries had been developed in the petroleum extraction, petrochemical, coal, steel, and other sectors.

On the basis of these achievements, Argentina was advancing toward its goal of becoming a world-class industrial power. Today, because of the policies adopted over the past

25 years, not only has that industrial potential collapsed, but under the rubric of “globalization,” the country is undergoing a process of economic and physical disintegration, which threatens its very survival as a sovereign nation-state.

Social protests expand

In the last two months, the populations of various Argentine provinces, whose economies are moribund because of the government’s privatization program — stable state companies have been sold to private interests, which then either shrink them or shut them down altogether — have mobilized against unemployment and poverty, revealing an unprecedented level of desperation.

The spark that started the now-nationwide protest was the demonstration by teachers and parents in Neuquén province last March 27, against cutbacks in the education budget. As part of their protest, they blocked the national highway, and the intervention of the National Guard to unblock the road left one young woman dead. “The repression revived spirits and gave cohesion to even those most opposed to the [protest] measure,” a group of teachers told *La Nación*, describing how the population of Neuquén joined in solidarity with the provincial teachers.

In an interview with *EIR*, the acting secretary of the Argentine Education Workers Confederation (CTERA), Hugo Yasky, insisted that since Cavallo’s convertibility plan was first implemented in 1991, the national education budget has been slashed 40%, by transferring Federally funded schools over to the provincial governments, but without the necessary funding, thus causing very serious local crises.

On April 2, a group of 38 teachers from different parts of the country, headed by CTERA’s Hugo Yasky, called a hunger strike to demand a solution to the problem of unpaid or inadequate wages, and to demand a halt to the education budget cutbacks.

On April 8, the people of Cutral-Co and Plaza Huincul in Neuquén, 1,250 kilometers south of Buenos Aires, blockaded National Highway 22 to protest widespread unemployment caused when the 1993 privatization of the state oil company, Yacimientos Petrolíferos Fiscales (YPF), led to the shutdown of a local refinery. This is the region where the first YPF oil well was drilled back in 1918.

One of the youths who participated in the protest told a special correspondent of the daily *Clarín* April 17 that his father had died one year ago, “bitter, and without a peso. When I was little, I wanted to work in a YPF refinery, or drive one of their trucks. But I ended up sweeping sidewalks, until I lost that job.”

Wrote Fernando Laborda of *La Nación*, “This region . . . was for years considered ‘the Argentine California,’ for its eternal vigor. Today, it shows the other face of the successful transformation of the state oil company.”

On April 12, a nationwide work stoppage was called by

CTERA, in support of the mobilization begun one month earlier by the teachers of Neuquén against salary cutbacks. The work stoppage took place under the slogan, “In defense of public schools.”

On April 16, the General Workers Confederation (CGT) called a staggered one-hour strike to protest the way the national government was repressing the people of Cutral-Co and Plaza Huincul. The Argentine Workers’ Movement (MTA) also called for a general strike. “Since dialogue with the business sector has broken down, the government seeks to impose its conditions by repression, and by continuing to make the lives of Argentine workers more precarious,” said MTA leader Hugo Moyano.

On April 18, the people of Cutral-Co and Plaza Huincul decided to lift their blockade of Highway 22, after the national and provincial governments offered, among other things, to create 500 temporary YPF jobs, in the form of slave labor—sweeping streets and sidewalks, and weeding gardens. The pay offered was a minimum \$200 a month. To maintain minimum subsistence in Argentina costs \$500. Also offered were 1,000 subsidies of \$100 each for the unemployed, that is, for those who could not even be given slave labor jobs.

On May 8, in the northwestern province of Salta, the people of Tartagal and General Mosconi blockaded National Route 34, which links Argentina with Bolivia. They demanded more jobs. *Clarín* correspondent Ana Ale wrote that this zone, “one of the richest oil and gas regions in the country,” is today inhabited by “very poor people” as the result of Menem’s economic model.

Located in Tartagal is the Aguarague gas reserve, which largely supplies the Brazilian market; the companies Plus-petrol, Tecpetrol, YPF, Bidas, and CGC all exploit oil and gas in the area. “They all increased their production, and sent a majority of the resources to foreign markets,” Ale reported. In 1996 alone, \$237 million in royalties were paid to the provincial government.

When YPF was privatized, in 1993, some 3,500 people from Tartagal were left without jobs. Today, only one in four residents has work in that area. According to *Clarín*, “33% of the families cannot meet their basic food needs. Teachers have not been paid their \$200 wages in four months. Also affected by the same crisis, merchants and farmers joined the highway blockade.”

“People here are faced with hunger, while surrounded by black gold,” said Orán Bishop Mario Cargniello, in comments published in *Clarín* on May 13. He had just gotten residents to agree to sit down with Salta’s authorities to discuss a way out of their economic problems.

The blockade of Route 34 was lifted after the provincial government pledged to create 1,000 slave-labor jobs, at an average wage of \$200 a month.

As we go to press, the conflicts were multiplying.



President Carlos Menem told Argentina's increasingly impoverished, unemployed, and desperate citizens, "Things are good, they are better than ever." Menem (right) shown here discussing privatization with a constituent.

IMF: the narco-terrorists' best friend

On May 22, the national government agreed to allocate between \$600 and \$770 million from multinational lending agency loans, to finance a "social" program that is supposed to create 100,000 new jobs at an average monthly wage of \$200. The program also pledges to provide 120,000 scholarships of \$60 a month for impoverished secondary school students. *Clarín* reported that the government has been seeking an \$800 million credit from the World Bank, to carry out various infrastructure works as well.

"How can it be that we were caught napping, when the social protests were already ongoing and the highways were being blockaded?" President Menem demanded of his ministers during a mid-May cabinet meeting. "We must create a social safety net to prevent these conflicts from occurring," he added.

According to *La Nación*, other points of social conflict are

breaking out in Jujuy, where there are demands for payment of back wages; Tucumán, where there are marches against provincial budget cutbacks; in Salta, over demands for new jobs; in Córdoba, against unemployment and low wages; in Santa Fé, over demands for reactivation of the Rosario industrial belt; in Mendoza, against energy privatization; in Neuquén, over unemployment; and in Chubut, over wage demands.

As *EIR* has repeatedly demonstrated, and as the narco-terrorist São Paulo Forum understands, the IMF is the best ally of terrorism. Thus, from the moment these protests began, several openly terrorist groups, such as Quebracho, Patria Libre, the Workers Party, and the Movement toward Socialism (MAS), have begun to infiltrate them. "Wherever there is turmoil, it is inflamed with weapons and disorder," charged Neuquén Gov. Felipe Sapag, addressing the Cutral-Co and Plaza Huincul protests. Instead of proposing a real anti-IMF industrialization program, members of Frepaso, the São Paulo Forum-affiliated electoral coalition, are also advising workers to accept the government's offer of slave-labor jobs.

President Carlos Menem insisted in an April 16 interview with cable television network TN, that he had "national and international intelligence reports" on the possible resurgence of terrorism in Argentina. "When a President expresses himself in such a way, he has cause," Menem added. The acts of vandalism by groups such as Quebracho, and the protests of the people of Cutral-Co and Plaza Huincul, "are presubversive gymnastics," he said.

On May 9, the leadership of the once-powerful CGT labor federation, headed by its Secretary General Rodolfo Daer, signed the "Act of Agreement between Government and the CGT," together with cabinet chief of staff Jorge Rodríguez. With the agreement, states *La Nación*, the government has taken one more step toward so-called "labor flexibility," the fascist World Bank program that aims to entirely eliminate all labor rights.

Although the agreement makes a few minor concessions to labor, such as stating that "mechanisms for temporary hiring are to be replaced by a more stable one," it is still a giant step toward what the World Bank wants. It accepts the reduction of severance pay by as much as 70%; new contracts will be voided upon expiration, and contracts current at the time of the agreement will only have a three-year extension; health care programs for corporate white-collar workers will not compete with those offered by trade unions, and workers can choose the programs they want. The latter is a move toward privatizing medical and health care programs now controlled by trade unions.

Pedro Millán, World Bank representative in Argentina, happily stated that the agreement will permit a reduction in labor costs, greater labor flexibility, and "formidable" advances in health care. The IMF also enthusiastically endorsed the agreement.

The truth is that “labor flexibility” already exists, and only lacks some official title. As Secretary General of the Commerce Workers Armando Cavallieri charged, “Companies, primarily the foreign ones . . . are driving people into situations of semi-slavery.”

On March 13, during a meeting at the Labor Ministry with representatives of the Argentine Chamber of Supermarkets, and with Ovidio Bole, president of the Federation of the Chamber of Supermarkets, Cavallieri charged that supermarket workers worked shifts as much as 19 and even up to 25 straight hours. Regarding those extra hours, he said that each “supermarket pays what it wants, and in the case of Carrefour [one of the major Argentine supermarkets] it pays nothing extra—those who complain are fired. There is no compensation for those who work Sundays. In one Unimarc store, their work schedules are one week of mornings, one of afternoons, and one of evenings. The hours are totally arbitrary.”

Police-state tax law changes

One more ingredient in this Nazi economic model is tax persecution, with classic police-state methods. Former IMF official Carlos Silvani, who heads up Argentina’s tax collection agency DGI, revealed that the newly “reformed” Criminal Tax Law, which began to be implemented at the beginning of this year, has already yielded “124 criminal charges and 150 fugitives” for tax crimes against the state. “Five-thousand [tax and trade] infractions have been detected; 900 shutdowns have already been enforced, while the rest are either being processed or the owners have received warnings.” Silvani complained of the slowness of the judiciary in processing the DGI charges. Thus, in the first three months of this year, the government collected \$11.5 billion, 8.9% more than in the same period of 1996. According to Silvani, “This is more or less in the range of what was expected, and means a consolidation of the goals pledged to the IMF.”

Determined that no republican institutions, including the judiciary, should get in the way of the DGI’s zeal to collect taxes, a bloc of ruling party congressmen presented a bill to the Chamber of Deputies on March 26, that would prevent judges from “obstructing” the DGI’s efforts to shut down businesses that were not keeping up their tax payments.

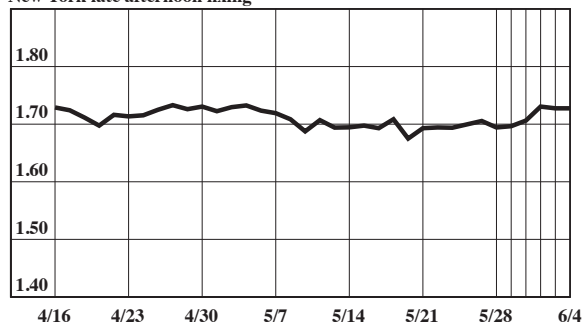
On top of all this, there are the privatizations of 28 Argentine airports, among these the International Airport at Ezeiza and the Buenos Aires Aeroparque; the Argentine postal service, Encotesa; the National Mortgage Bank (BHN); and Argentina’s three nuclear plants.

Immersed in the virtual reality of the markets, President Menem sent his people the following message from Germany, where he traveled on a state visit at the end of May: “I urge you to read the statements of the great world leaders regarding Argentina. . . . So, what more do you want? What more? Things are good, they are better than ever. Argentina has never been in a situation like the one it is in today.” As someone once said, the Emperor has no clothes.

Currency Rates

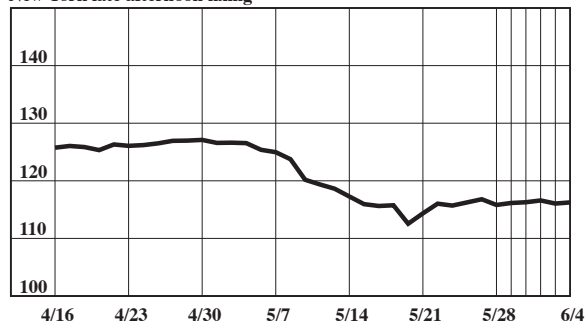
The dollar in deutschemarks

New York late afternoon fixing



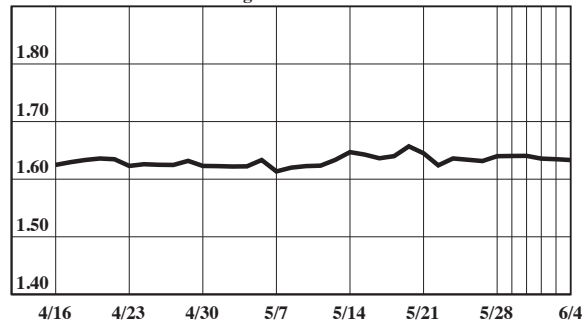
The dollar in yen

New York late afternoon fixing



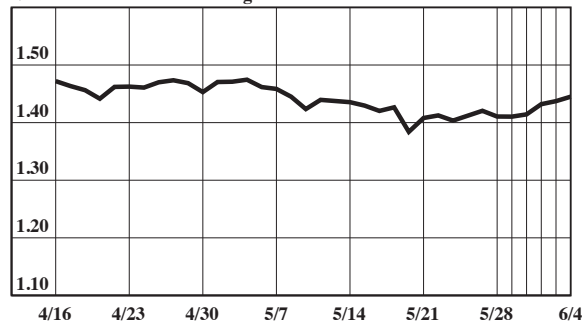
The British pound in dollars

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing



Proposed air pollution standards will do nothing to save lives

by Colin Lowry

Under the banner of creating cleaner air, the U.S. Environmental Protection Agency proposed tighter standards for ground-level ozone and particulate matter in November 1996. Although these standards would force industries to install billions of dollars of emission-control equipment, there is increasing evidence that the standards are not based on real science. The EPA claims that the new standards are justified, because they will save lives; the reality is that the tighter standards not only will *not* save any lives, but instead will put many more lives in jeopardy, by shutting down industrial production, stifling economic growth, and forcing more people into poverty. It is ironic that the EPA is claiming that there are more cases of respiratory disease, with air pollution as the culprit, although the nation's air quality has been improving steadily over the last 20 years, according to the EPA's own reports.

The proposed new standards would tighten the ozone standard from 0.12 parts per million (ppm) average over 1 hour, to 0.08 ppm average over 8 hours. Also, new standards for previously unregulated particulates of 2.5 microns (2.5 millionths of a meter) in size, known as PM 2.5, will be introduced. The present standards, resulting from the Clean Air Act of 1990, have already burdened the United States with increasing costs of pollution controls, and there are still at least 70 areas of the country that do not meet the present standards, and some that never could.

The evidence for the new standards is based on flawed statistical correlation studies, and has almost no clinical or laboratory studies supporting it. The Clean Air Scientific Advisory Committee (CASAC), which is responsible for reviewing the data to support the new standards, was split internally on the issue. Many said that there was not enough research to make the EPA's case, and that the available research showed that the present standards were adequate. Under pressure from the EPA (which appoints the members of CASAC), the dissenting members eventually supported the new standards.

Congressional hot issue

The new standards have been a controversial issue in Congress, with hearings taking place in the Committee on Science in the House, and the Committee on Environment and Public

Works in the Senate. Early in May, 115 Congressmen sent a letter to President Clinton, asking him not to implement the new standards. On the Senate side, six Democratic senators, including Robert Byrd (W.V.) and John Glenn (Ohio), did the same.

On the side of the EPA, the environmentalists, led by the Sierra Club and the Natural Resources Defense Council, have lined up to support the implementation of the new air standards.

Estimates of the cost of implementing the ozone and particulate standards range from \$6.5 billion a year according to the EPA, to over \$60 billion a year, according to Alica Munnell of the White House Council of Economic Advisers. Also, the number of metropolitan areas in non-compliance would increase to at least 140, including many that are presently in compliance with the 1990 standards.

Interview: Dr. William B. Innes

'No good scientific basis for EPA's standards'

Dr. Innes received his Ph.D. in physical chemistry at the State University of Iowa in 1940. He has 20 years experience working on catalysts for exhaust treatment, and developing pollution-measuring devices while with American Cyanamid Research Laboratories. Innes moved to Upland, California, in 1964, and formed a research and development company to work on the smog problem. He has worked as a consultant on the effects of lead in gasoline, incineration efficiency, acid rain, stratospheric ozone, as well as reviews of various pollution control agency proposals, including the current EPA proposal. Innes is the author of many articles on various aspects of pollution.

EIR: On what basis does the Environmental Protection

Agency recommend the changes to the ground-level ozone standard?

Innes: The primary argument is relating asthma to ozone. Apparently, the only new health study on ozone was carried out by George Thurston et al., at a so-called “asthma camp” where the kids were told that there were high ozone levels, which biased the results. Even so, only a weak association between ozone levels and asthma was found. Steve Milloy has written a detailed, humorous analysis of this study, called “Summertime Haze,” that really highlights its flaws. There is almost nothing cited in the *Federal Register* by the EPA to support the standards change. There are respiratory effects at ozone levels over 0.2 parts per million (ppm), but the lower levels are not harmful, and in fact people acclimate to these peak levels. In the past, in the South Coast Air Basin of California, peak levels were as high as 0.4 ppm for ozone.

EIR: What are the primary factors regulating ground-level ozone?

Innes: Sunlight and temperature inversions in the atmosphere due to weather, are the primary factors. Usually in the air, temperatures decrease with increasing altitude. An inversion is the opposite, with a hot layer on top of cooler layers; it acts like a lid, creating a closed circulation system.

EIR: So, ozone is not man-made?

Innes: It is not emitted by man-made sources; it is formed in the atmosphere. There are chemicals which contribute to ozone formation that are emitted by plants, such as hydrocarbons. Trees emit turpenes that are smog formers.

EIR: Do you think the South Coast Air Basin in the Los Angeles area could pass the new standards, even if no one lived there?

Innes: No, I don't think the basin would meet the new standards if no one lived there. There are natural hydrocarbon and nitrogen oxide emissions, and frequent brush fires. The area was known by the Indians as the “smoke valley.” Smog formation would produce ozone levels of at least 0.1-0.2 ppm. Because the area is between the mountains in the east, and the ocean to the west, it is very prone to inversions in the atmosphere. If the inversion levels are below the top of the mountains, the basin will have higher smog levels. The smog clears up when the inversion rises over the mountains, and the predominant west winds can disperse the smog.

EIR: The EPA has claimed that there is an increase in cases of asthma, especially in children, over the last 15 years. It claims that the new standards will protect children from acquiring asthma; yet, its own data show that particulates and ozone have been decreasing nationwide for the last 20 years. What do you think about this?

Innes: I think that showing increased asthma with decreased particulate levels is not a good argument for more particulate controls.

EIR: Are there any clinical or laboratory studies to support the claim by EPA that the present ozone standard leaves many people at risk?

Innes: There were many clinical studies on ozone prior to adoption of the current 0.12 ppm/1 hr. maximum ozone standard. These showed temporary respiratory effects from levels exceeding about 0.2 ppm. However, even allowing for a factor of safety, this work did not justify a standard below 0.12 ppm, and I don't think that this standard level leaves many people at risk. Man has always been exposed to peak levels around 0.1 ppm and presumably has adapted to it. Experience in the South Coast Basin suggests adaptation to levels of 0.2 ppm without real evidence of serious effects. Outsiders notice our smog much more than locals.

EIR: In the case of the new particulate standard for particles of 2.5 microns, is there any reason to believe these particles are a threat to human health?

Innes: There is no good reason to think that simply because particles are under 2.5 microns in diameter, they are particularly harmful. This applies particularly to the Los Angeles basin, where such particles are primarily harmless water-soluble salts. Several CASAC members wanted to exclude PM 2.5 from regulation, as they probably thought they were not toxic.

EIR: Are these particles easily cleared from the lungs?

Innes: Yes, it's like a gas; it is likely to be exhaled. The salts such as ammonium nitrate are water soluble, and would be dissolved, absorbed, and naturally excreted by the body.

EIR: How do the statistical studies that claim weak associations between mortality and particulates, measure the amount of particulates in the air, and relate that to personal exposure?

Innes: Values of PM 2.5 used in the statistical association calculations were essentially all based on questionable estimates. Some related levels to airport visibility data. Other studies related it to distant PM 10 monitoring station data. Actual exposure primarily depends on indoor air, which is quite different. On the average, people spend much more time at home or in air-conditioned offices than outdoors.

EIR: How can these studies untangle natural from industrial sources of these particles?

Innes: Relating the particulates to sources can be done in a crude way from microscopic examination and chemical analysis. However, since the particulate in the Los Angeles basin, where levels are high, is mostly ammonium nitrate,

I think local regulators will unjustifiably assume that NO_x (nitrogen oxides) emissions have a 1 to 1 relation to particulate level. But, more NO_x controls will result in an increase in ozone levels because nitric oxide (NO) reacts with ozone.

EIR: When several of the statistical studies that claim associations between increased particulates and daily mortality, are re-analyzed, and important variables such as humidity and temperature are included, the associations break down. What do you think about these studies? Are they manipulating what is included in the analyses to bias the conclusions?

Innes: I would expect that the claimed weak associations in these studies would break down. Temperature is a major factor, as high heat and humidity send more people to the hospital due to stress, especially if they already have health problems. There is a natural tendency to bias results in favor of the funding agency, by overlooking or minimizing confounding variables.

EIR: The particulate matter in the air is obviously made up of a large variety of particle types. Are there laboratory studies that analyze specific types of particles and their health effects? Could you describe some of the results?

Innes: Clinical and animal studies were made on various particulate materials, such as silica dust, diatomaceous earth, talc, and coal dust, under the auspices of the Government Industrial Hygienists, before air particulate controls. This group was responsible for setting standards for exposure to various particles in the air in the workplace, long before the Clean Air Act. Workplace standards that resulted are orders of magnitude higher than any of the subsequent air standards. Subsequent animal and clinical studies on particulate components in air failed to show significant effects at levels 100% higher than atmospheric levels. A possible exception is acidic sulfate particulate. However, changes in fuel sulfur content and emission controls are such that this component is now unimportant, as it is a very minor component in the air.

EIR: What are the majority of the particulates found in the South Coast Air Basin, and what health effects would they have, if any?

Innes: Based on chemical analysis of fine particulate matter when and where particulate levels are high in the Los Angeles basin, they are primarily non-acidic ammonium nitrate and ammonium sulfates. Nitrates and sulfates are end products of the photochemical smog process. The ammonium fraction is derived from agricultural sources. These water-soluble salts are normal body constituents, and would be expected to be non-toxic and dissolve in respiratory system fluids. Animal and human inhalation tests on aerosols of ammonium nitrate and other non-acidic salts showed no significant respiratory effects, at levels much higher than atmospheric.

EIR: Are there any studies on animals that would explain a biologically plausible mechanism for the effects of PM 2.5?

Innes: What has already been published shows no effects, so there is nothing published to support the EPA's position on PM 2.5.

EIR: EPA claims the new particulate standards for PM 2.5 will save thousands of lives by preventing deaths due to respiratory disease. What are the main agents responsible for respiratory disease?

Innes: Agents responsible for respiratory disease include bacteria, molds, viruses, pollens, pet dust, acidic sulfates, etc. Medical science attributes asthma to a variety of allergens, which cause an allergic reaction which narrows respiratory system passageways. Generally proteins, allergens may be inhaled or swallowed. A recent urban example involved proteins derived from cockroach infestation.

J.D. Spengler, a member of the team responsible for the Harvard study used by EPA to justify the PM 2.5 standard, states that while bronchitis may be associated with particulate matter, asthma is not. Other EPA justification included acidic fogs that occurred in Donora, Pennsylvania, in October 1948, and in London in December 1952. These caused severe respiratory problems and excess deaths during these episodes. Such effects were attributed to acid sulfates. Acidic sulfate particulate is no longer a problem, as it is controlled by reduced sulfate content in fuels and scrubbers to remove them from industrial emissions.

EIR: How can the new regulation have any impact on these agents? How can it possibly save any lives?

Innes: I can't see how regulations required to meet the proposed standards would save any lives. On the contrary, it would divert funds from measures that would.

EIR: What would some of these measures be?

Innes: The money could be spent on emergency medical services equipment, or on better hospital equipment.

EIR: The main study cited by the EPA, done by Doug Dockery, has not been reviewed, as Dr. Dockery is refusing to release the raw data. He has been quoted as saying that review of his raw data "is an ominous threat to fundamental research." Many scientists have said that Dockery is not releasing the data because re-analysis would undermine his conclusions. What do you think about this tactic, especially in regard to this being an important study cited by the EPA in setting the new particulate standards?

Innes: I guess his work isn't very fundamental.

EIR: Speaking as a scientist, does the EPA have any good scientific basis for setting the new standards?

Innes: No, EPA does not have any good scientific basis for the proposed standards.

Cartels push 'land rights' scam

Her Majesty's minerals cartel is whooping it up for "Aboriginal land rights," and handing out the firewater and trinkets.

As *EIR* has documented since 1994, the British Crown-centered global financial oligarchy has been grabbing all the raw materials it can, to protect itself from the looming international financial collapse. Recently, the pace of this looting has intensified, whether in Africa, where the Nazi-like Tutsi legions of Laurent Kabila have grabbed all of Zaire and its fabulous mineral riches; in Russia, whose government has just agreed, under pressure from the International Monetary Fund, to privatize Gazprom, which controls an estimated one-third of the world's natural gas; or in Brazil, where the government has just sold the Companhia Vale do Rio Doce (CVRD), which controls untold wealth in the vast Amazon region, just to name a few egregious cases.

Under the guise of "Aboriginal land rights," the looting is also accelerating in Australia, one of the world's largest producers of gold, silver, tin, lead, bauxite, and other valuable raw materials. The game is as simple as it is old: Vast swaths of the Australian continent are temporarily turned over to Aborigines as "reparations"; and then, through various ruses, including a "firewater and shiny trinkets" swap (jazzed up, to allow for inflation), as in the old British and French colonial days in North America, Her Majesty's mineral cartel winds up with the loot.

The whole scam was started by Queen Elizabeth and Prince Philip personally, following their tour of Australia in 1963. Philip set up the Australian Conservation Foundation as a branch of his World Wildlife Fund, and the ACF in turn spawned

both the environmentalist and "Aboriginal land rights" movements. Combined, these have now locked up almost one-third of the continent. The chief funder of the ACF from the beginning, was the mining company CRA, a subsidiary of Rio Tinto Zinc, in which Queen Elizabeth has heavy investments. CRA has since merged into RTZ, and the conglomerate, known as Rio Tinto, is the second largest mining company in the world.

The land scam really took off in 1992, when the British Privy Council-controlled Australian High Court handed down its so-called "Mabo decision," which declared the existing doctrine of *terra nullius*—that the continent was not owned by anyone when the first colonists arrived—to be void, throwing the ownership of the entire continent up for grabs. And Rio Tinto has been grabbing. The company has given a major impetus to the "land rights" concept (which is still legally fuzzy), by signing the first two deals with Aboriginal claimants, with more under way: one for \$60 million with the Gumala Aboriginal Corp. in Western Australia, and the second for \$90 million with a Queensland Aboriginal land council.

And, in the recent 2,000 delegate Aboriginal Reconciliation conference in Melbourne at the end of May, Rio Tinto and other mining companies were so visible, both as financial sponsors and participants, that it was "provoking people to ask why the miners have been prominent in this debate," noted Michael Pinnock, chief executive of the Queensland Mining Council, in an article in the *Courier Mail* on May 30. Pinnock la-

mented that "reconciliation is neither supported nor understood by many Australians," who merely see, particularly in rural Australia, that someone is out to steal their land.

Two figures dominated debate at the convention, with their strident calls for "reconciliation," i.e., turning over more land: Robert Champion de Crespigny, chief executive of the Normandy Mining company, and a founding member of the Council for Aboriginal Reconciliation (CAR), which helped organize the convention, and Leigh Clifford, the chief of Rio Tinto's energy division. De Crespigny founded the CAR's Mining Committee, and pulled together the Joint Council on Aboriginal Land and Mining (J-CALM), at a secret meeting of senior mining executives and Aboriginal leaders in March 1994. The CAR, in its own words, calls for "self-determination, self-government, and changes to the Constitution," i.e., to carve separate Aboriginal enclaves out of the nation-state.

So, who is Robert Champion de Crespigny, this radical defender of "Aboriginal land rights"? According to the *Australian Financial Review* of Nov. 15, 1995, he is a stooge for the Oppenheimer family's Anglo American Corp., the world's largest mining company, and a key backer of Kabila and his genocide in Zaire! In "De Crespigny Success Story: A Millionaire with Mysterious Connections," the *Review* reprised his meteoric rise as head the largest gold mining company in Australia, Normandy Mining, and asked where the \$75 million or more came from to get him started. "It turned out," *Review* noted, "that de Crespigny was backed from his earliest days by Minorco SA, the Luxembourg-based closet that was crammed with Oppenheimer wealth during the dark and uncertain times leading up to South African independence."

Business Briefs

Southeast Asia

Thai prime minister chairs export summit

Thailand's Prime Minister Chavalit Yongchaiyudh and Finance Minister and Deputy Prime Minister Amnuay Viravan met with a select group of heads of 31 export firms on May 24-25 in Pattaya, to hammer out measures to resuscitate the ailing Thai economy. No other government officials were allowed to attend the session, Commerce Minister Narongchai Akrasanee told reporters, so that the businessmen "could speak freely to the prime minister."

According to the Thai daily *The Nation*, Chavalit promised tax reform, financial support, a relaxed commercial policy, and labor force skill training, as well as an overhaul of customs and excise procedures, and "a change of attitude of officials."

As a follow-on to the session, the Thai government is scheduled to host a nine-nation seminar in mid-June in the northeastern city of Chiang Rai, to promote regional border trade. The seminar will be hosted by the Commerce Ministry, which is also consulting with the National Security Council on increasing border trade with Myanmar.

Eurasia

London hosts rail meet to counter Land-Bridge

The City of London is vigorously attempting to get its foot in the door on the Eurasian Land-Bridge, to better sabotage the project from within. On July 6-9, there is to be a conference in London entitled "Creating a World Railways System," featuring presentations on a future world rail system which would connect the Americas, Russia, China, Europe, and Africa, "revolutionizing world trade" and "generating employment." The conference announcement calls this world rail system "the greatest terrestrial project of the post-Cold War era." Strait of Gibraltar and Bering Strait tunnel projects, a Pan-America railroad, and other major projects are mentioned. There will be a showing of a

new 30-minute documentary on the Bering Strait tunnel project, produced by CNN. The ostensible organizer is a London-based "international relations and communications" consulting firm, which is charging exorbitant fees for attendance.

The conference will include a seminar, "hosted by members of the City of London's international project finance community," on the financing of rail projects. The demand for "private financing" and "strictly free market criteria," was a crucial tactic in European Commission Vice President Sir Leon Brittan's brazen attempt to derail the Eurasian Land-Bridge conference in Beijing, one year ago.

The latest announcement was received with skepticism by two infrastructure experts contacted by *EIR*. They recalled a proposed conference in London on the Bering Strait tunnel project, originally set for 1995, which was repeatedly postponed and then cancelled last year without explanation. According to one report, the organizers absconded with the registration fees.

Petroleum

Kazakhstan, Russia finalize oil pipeline

On May 16, in Moscow, members of the Caspian Pipeline Consortium (CPC) finalized financing for a 1,500 kilometer pipeline to transport oil from the Tengiz field in Kazakhstan, to the Russian Black Sea port of Novorossiysk. Participants included Russia, Kazakhstan, and Oman, plus the international firms party to the CPC (share ownership breakdown: Russia 24%, Kazakhstan 19%, Oman 7%, Chevron Oil 15%, Mobil Oil 7.5%, Oryx 1.75%, the LukArco joint venture 12.5%, Russian-British firm Rosneft-Shell 7.5%, British Gas and Agip 2% each, and Kazakhstan Pipeline 1.75%). The pipeline is to come on line in the fall of 1999, and the CPC estimates that 4,000 jobs will be created during construction. Russia expects to earn \$23.3 billion over the life of the pipeline.

Kazakhstan President Nursultan Nazarbayev said that the pipeline will carry 65 million tons of oil a year. Kazakhstan currently

produces 25 million tons, and is planning for 100 million tons by the year 2000, 140 million tons by 2005, and 170 million tons by 2012. He said that Kazakhstan is counting on the Russian route as its major one, while still "seeking other routes to the world market"; Kazakhstan already swaps oil with Iran and ships small quantities through Azerbaijan and Georgia.

Kazakhstan is also working on a project to export oil by rail to northern China and to build a gas pipeline west to its border with China.

Meanwhile, Azerbaijan's President Haidar Aliyev met on May 19 in Baku with Nick Zana, director-general of Tengiz-Chevroil. Itar-TASS reported on May 21 that Aliyev and Nazarbayev may meet in Almaty, the Kazakhstan capital, in June, to sign an agreement on construction of a pipeline on the Caspian Sea bed, to bring Tengiz oil to Baku, for transshipment through the Transcaucasus pipelines (on one of the much-debated routes, to Russia, Georgia, or Turkey).

East Asia

Tumen River zone gets boost from rail link

The 100-kilometer rail connection between the Russian port city of Zarubino on the Pacific Ocean and the Chinese city of Hunchan, Jilin province, has been completed, although it apparently has not yet begun to carry traffic, the May 15 *Russian & CIS Railways Electronic Newsletter* reported under the headline "Tumen River Trade Zone Takes a Leap Forward." It is the central rail line in the Tumen River development zone, established as a trade zone in 1995 by agreement among Russia, China, South Korea, North Korea, and Mongolia.

The potential of the Tumen River area is sketched on pp. 172-3 of *EIR's Special Report*, "The Eurasian Land-Bridge: The 'New Silk Road'—Locomotive for Worldwide Economic Development." The special advantage of the new rail link is to shorten the sea access for northern China and Mongolia. The railway joins the Ussurisk-to-Khasan railway at Kraskino. Its construction was a

\$350 million project.

From the Russian side, there is still some geopolitical opposition to the Tumen area project, as exemplified by Aleksandr Lebed at a May 22 press conference. He denounced it, as taking business away from Russian ports: "Here is another flagrant example of government treachery, the transfer of a section of our land where the Chinese want to build a port on the River Tumannaya, the so-called Tumengan project. Russia's defeat here is obvious — China will make a shortcut of about 1,000 kilometers. As a result, Vladivostok and Nakhodka will run dry, if not in months, then in years. This would deliver a colossal blow to the fundamental principles of national security. We will lose our geopolitical advantages in that rich region forever, I think. Back in 1927, one Oriental geologist said that if they developed a site on the River Tumannaya, they would easily bring the Far East to its knees."

India

Vast consumer market proving to be a myth

Indian and foreign manufacturers of consumer durables are becoming wary of the hype that there is a vast market of 200 million people in India, as stocks of automobiles, televisions, washing machines, and other items are piling up, forcing producers to cut back production, *The Hindu* reported on May 28. Manufacturers, compelled to dispose of their stocks, have resorted to strategies such as supplying color TVs for one rupee down, plus small monthly installments, and auto companies offering free use of a vehicle for more than a year.

These are desperate measures, *The Hindu* commented. In January, production of consumer durables was 10.1% less than in January 1996. In April-January 1996-97, production increased by 5% compared to the explosive 37% growth in the same period of 1995-96.

Based on faulty estimates, after 1991 the government promoted the idea that an estimated 40 million households (the top 20% of India's population) were able to purchase a variety of consumer goods, and supplies

increased vastly. However, the ability of Indians to purchase more expensive durable goods, including cars, is much more limited. The annual per-capita income in India was \$340 in 1995. A family of five that earns even five times that amount, still does not have enough to purchase the durable consumer goods that the bigger companies are interested in producing.

Trade

Chinese official: Ties to Australia will grow

China's Vice Premier Zhu Rongji told the Australia China Business Council at a Sydney luncheon on May 28, that economic ties between China and Australia will strengthen, the *Sydney Morning Herald* reported on May 29. "There will be stability and prosperity" for those with interests in Hongkong, and "any changes will only be for the better," he said. He forecast that the combined value of Hongkong and China two-way trade with Australia will reach \$12 billion by the year 2000, and would double again by 2010. During the past five years, two-way trade with Australia has increased by more than 20% a year.

Zhu, accompanied by his wife, three ministers, four vice-ministers, and 58 business officials, visited Australia in late May to encourage better business relations and trade with China, and to show appreciation for Australia's decision not to co-sponsor a UN Human Rights Commission resolution critical of Beijing's human rights record.

"We sincerely hope that people of vision in the Australian business community will come to China for investment and cooperation to the benefit of common development," Zhu said. He emphasized that only "fools" would leave Hongkong because of the July 1 Chinese takeover, and said that "legitimate interests of Australia in Hongkong will be fully guaranteed."

While Zhu announced that China would be buying more wool and iron from Australia, Australian Deputy Prime Minister Tim Fischer, in talks in Geneva with China's Assistant Minister of Trade Long Yongtu, was pushing the free trade line that China's farm liberalization does not go far enough.

THE UNITED KINGDOM'S largest manager of pension fund money, Mercury Asset Management, is boycotting investing money in the London Stock Exchange, part of "a buyers' strike since early last year," the *Guardian* reported on May 28. Two months ago, Tony Dye, manager of PDFM, the second largest U.K. fund, told the *Sunday Telegraph* that it had also boycotted stocks in anticipation of a major market crash.

CHINA AND IRAN reached agreements on oil cooperation on May 26, the Iranian daily *Ettela'at* reported. Iranian Oil Minister Gholam-Reza Aqazadeh, in Beijing on May 26, said that Iran is determined to continue its "strategic cooperation with the East."

TANZANIA'S debt service costs hit 53% of government revenues, \$39.4 million, for April, the Tanzanian Central Bank reported on June 1. Finance Minister Daniel Yona told parliament that debt repayments were "eating up" 40% of revenue, but, "we have to pay," he said. "Non-payment of our debt obligations would erode the government's credibility."

UZBEKISTAN'S State Property Committee and the privately owned Indonesian conglomerate Bakrie signed deals in May for investments worth \$600 million in development of the Central Asian nations' oil and gas fields, and construction of a \$300 million fertilizer plant in Uzbekistan.

MYANMAR and China signed a broad economic and trade agreement on May 29, and will set up a joint works committee to promote cooperation. Further details on the agreement are not yet public. The agreement follows the U.S. ban against further investments in Myanmar.

THE FARM crisis in the European Community cost 230,000 full-time jobs in the agricultural sector in 1996, a 3.2% decline in one year, the German newspaper *Welt am Sonntag* reported on May 25. Spain and Austria headed the list, with a 5.9% job loss.

The 'New Zealand Model': How free markets destroy a nation

by Marcia Merry Baker

In its first issue of 1997, the *New Citizen*, a quarterly put out by the Citizens Electoral Council, the Australian associates of Lyndon LaRouche, published a groundbreaking report on how New Zealand has been ripped apart by free trade and privatization "reforms," beginning in 1984. The study, "Nazi 'Reforms' Rip New Zealand—Australia Next,"¹ uses 65 graphs, interviews, and historical analysis to document the ruination of the New Zealand physical economy, to the point that New Zealand suicide rates now rank among the highest in the world.

Figure 1, which was run on the front page of the *New Citizen's* report, is an irrefutable indicator of the misery and political-economic crisis in New Zealand. Since the release of that report, new data show that the rate of suicide doubled over the past five years among young women, and for youth overall, climbed 14% in just one year from 1994 to 1995.

The Citizens Electoral Council is circulating its study as a warning to Australia, and to the world. Internationally, New Zealand is proclaimed by the financial networks that intervened to ruin the nation, as a model case of creating an "open," deregulated, privatized economy—a supposed "success story." That this is a lie is apparent from the 34 graphs we excerpt here from the *New Citizen* study, on the destruction of the New Zealand physical economy.

In fact, the small, beautiful nation of New Zealand, with its 3.6 million people (see map), was invaded in the 1980s

by international financial interests which set up self-serving systems to suck out "income streams" through the privatization of all basic economic sectors, including health care, airlines, railways, energy, ports, and so on, and deregulating any rules which limited takeovers and mergers, or protected farmers, labor, the sick, elderly, or other sections of the population.

This looting process began in 1984, when the new Labour Party government began what was euphemistically called "reforms." On page 22 is a timeline of the key "reforms" each year to date, that account for the catastrophic effects on the economy and population documented in the figures.

Who is responsible?

At the center of the web of individuals, banks, and companies knowingly perpetrating the evil, is the Mont Pelerin Society, an international network of "free market" swindlers, principally serving the interests of City of London- and British Crown-connected financial circles. The *New Citizen's* report gives in-depth profiles of these individuals in the first section of its three-part report, titled "Her Majesty's Mont Pelerin Society Assaults New Zealand." In our package, we give a snapshot view of the Mont Pelerin Society.

The principals in the "reforms" cabal number no more than 20 or so, and almost all were educated by one or another front group of the Mont Pelerin Society (MPS), or sister institutions, such as the International Monetary Fund (IMF) and World Bank. Prominent among them are:

- Roger Douglas. As a rising young Labour politician, he initiated the "reforms" when he became the all-powerful finance minister in 1984, after the ouster of the former National Party government of Robert Muldoon (1975-84), who had been committed to "Think Big" national development

1. The report was researched and written by Robert Barwick, Allen Douglas, Craig Isherwood, Noeleen Isherwood, and Michael Sharp, with input from the *EIR* economics staff. To obtain the report (the *New Citizen*, Vol. 4, No. 7, January/February/March 1997), contact the Citizens Electoral Council, P.O. Box 376 Coburg, Victoria 3058 Australia. Tel: 03 93540544; Fax: 03 93540166; or E-mail: cecaust@o.com.au



Roger Douglas, when he became New Zealand's finance minister in 1984, initiated the "reforms," known by the epithet "Rogernomics," which have destroyed the nation's economy. For this he was knighted by a representative of the queen.

projects such as steelmaking, electrified rail, and so on. Douglas's measures did such rapid, deep damage, that they earned his "reforms" the epithet "Rogernomics."

- Roderick Deane. The deputy governor of New Zealand's Reserve Bank (the nation's central bank, which under the "reforms" was made independent of the government). Deane had been an Alternate Executive Director of the IMF in 1974-77.

- Roger Kerr. A member of the MPS and a friend of Roger Douglas, Kerr was the chief brains behind the cabal in Treasury known as "Economics II," which clamored to "open" New Zealand's economy. Others in Economics II were Graham Scott (later to become Treasury secretary), Bryce Wilkinson, and Rob Cameron.

- Doug Andrew. Also a member of Kerr's Treasury cabal, Andrew had been at the World Bank.

- Alan Gibbs. A member of the MPS and a close friend and economics co-conspirator with Roger Douglas.

- Bob Jones. Property speculator and political activist.

- Sir Ron Trotter. Chief executive of Fletcher Challenge, the country's second-largest corporation.

- Ruth Richardson. A member of MPS, Richardson became finance minister in 1990 when the electorate drove Douglas's Labour Party from power and installed Richardson's National Party. The names changed, but the reforms continued, and even accelerated.

The 'Economic Management' document

Under Mont Pelerin member Kerr's direction, the "Economics II" team of Scott, Wilkinson, and Cameron drafted a document known as *Economic Management*—the blueprint for the radical reforms which savaged New Zealand. *Eco-*

nomic Management called for, among other things, the devaluation and floating of the New Zealand dollar; the abolition of controls over interest rates and currency exchange; massive tax "reforms," to benefit the rich; the abolition of tariffs, floor prices, and other protective measures for agriculture and industry; and the looting, through privatization, of huge sectors of the state. All this was carried out, and with stunning speed.

Douglas described his method of ramming through unpopular "reforms" in his book, *Unfinished Business*: "Do not try to advance a step at a time. Define your objectives clearly and move towards them in quantum leaps. Otherwise, the interest groups will have time to mobilize and drag you down."

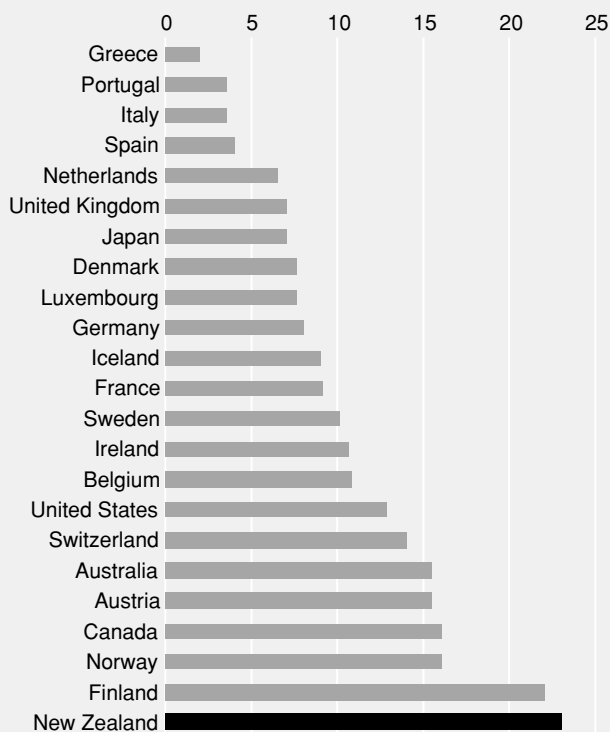
To help implement Douglas's blueprint, the Labour government called an "economic summit" in 1985, following which, the summit chairman, Sir Ron Trotter, revamped a pre-existing Business Roundtable group, to serve as the high-power lobby to push through the "free market" reforms, on behalf of Mont Pelerin Society financial connections. Old-line manufacturing and other business interests left the new Roundtable in disgust.

Trotter, the Business Roundtable chairman, picked Roger Kerr, one of New Zealand's four members of the Mont Pelerin Society, to become executive director. The *New Citizen* report sums up what transpired: "Through the unceasing torrent of 'studies' it [Business Roundtable] commissioned from one Mont Pelerin think-tank to another, each of which called for an utter dismantling of the New Zealand economy, including all its health care and educational systems, Kerr's Business Roundtable quickly became the Mont Pelerin Society's most powerful front group in new Zealand.

"And though it proclaimed its altruism, the Roundtable's

FIGURE 1
Youth suicides, 1992

per 100,000 population, ages 15-24



individual and corporate members were the overwhelming beneficiaries of the destruction of the economy which they so ferociously advocated. *Firms associated with the Business Roundtable ended up with \$12.542 billion of the \$15.233 billion in privatized former state assets!*"

Mont Pelerin's 'fascist international'

The *New Citizen* study provides two full-page flow charts, with the names of individuals, corporations, front groups, and so on, for what the study calls the "Mont Pelerin Society's Fascist International and Its New Zealand Branches." Note-worthy in this connection are such financial interests as CS First Boston, the merchant bank/brokerage house, known locally as First NZ Capital, that undertook more studies, got more consulting fees, and brokered more sell-off deals than any other agency. The current managing director of First NZ Capital is W.R. (Bill) Trotter, the son of Business Roundtable chair Sir Ron Trotter. Another company making a killing off government "reforms," in this case, cuts in public health care funding, is the private company Aetna Health, one of the two largest insurers in New Zealand and a subsidiary of the U.S. managed care cum insurance giant Aetna. Aetna Health just raised premiums by 20% in New Zealand. Sir Roger Douglas is a major shareholder in Aetna.

This is the kind of looting process receiving world praise

as the "New Zealand model." New Zealand's former minister Ruth Richardson presided at the 1992 conference of economic ministers of the European Community. In March 1997, Richardson spoke in Brazil, to a Mont Pelerin-related conference of the Institute of Business Studies, in Pôrto Alegre. Since leaving office, former finance ministers Douglas and Richardson have been deployed all over the world as consultants by the IMF and World Bank to spread the "New Zealand model," including to Russia, Brazil, Argentina, Mexico, Pakistan, Canada, Peru, Vietnam, China, South Africa, Singapore, and Australia.

In September, Sir "Rogernomics" Douglas is scheduled to receive an award, including 10,000 deutschemarks, from the German Ludwig Erhard Foundation, for "special merit" in the domain of free market ideology, for his role in creating the "New Zealand model."

The *New Citizen* study, from which we provide the following review, shows why the New Zealand model must be stopped everywhere.

A profile of New Zealand

Location: Southwest Pacific Ocean, 1,000 miles southeast of Australia.

Area: 103,883 square miles (size of Colorado.) There are two main islands, called North and South, and some smaller islands.

Population: 1997 estimate, 3.65 million (35 people per square mile). Roughly 80% of the population is urban, with the majority of the people living on North Island. New Zealanders had traditionally been among the world's best-fed people, with the highest rates of home ownership, educational levels, and health care benefits—all of which are now being looted.

Capital: Wellington (population 325,682).

Largest city: Auckland (population 855,571).

Topography and climate: The natural scenery is spectacular. South Island is very rugged. On the western side, are the "Southern Alps," with the highest peak being Mt. Cook, at 12,349 feet. The mountains have many glaciers, and the southwest coast, fjords. On the eastern coast is the populated area of Canterbury Plain. North Island is less rugged, with mostly rolling hills.

There are some volcanoes, mostly inactive, though technically alive, showing some episodic activity over the last 10,000 years. Though on the Pacific Rim, New Zealand is different from island chains such as Japan, Hawaii, and the Philippines. The latter are located where the tectonic plate is moving across "hot spots," producing volcanic activity and more islands. New Zealand is relatively much older. North and South Islands are located where the tectonic plate is

moving northward against another plate, and in this process zone, the New Zealand mountains were formed.

Land use: The great majority of the land is in pasture, national parks, and in recent years of “reform,” turned back into forested cover.

Climate: Mild and moist, wetter to the west and colder to the south.

Government: Constitutional Monarchy, with Queen Elizabeth II as head of state. The original 1852 constitution is almost entirely void. There is a legislature, prime minister, and ombudsman. The Privy Council in Britain is the highest court. The two main political parties (Labour and National), both favor a “free-trade” economy.

People of European extraction (mostly British) comprise close to 90% of the population, and those of Polynesian extraction (mostly Maori), the rest.

Settlement: Polynesian migrations began early in the Christian Era; the English began colonization in the late 1700s.

—Tom Allred

FIGURE 1
New Zealand



'Reforms' wreck New Zealand, 1984-97

1984

In July, a Labour Party, "free trade" government is elected. The New Zealand dollar is devalued by 20%; there is a loosening of the foreign exchange market; controls are abolished on domestic interest rates; the freeze on wages and prices is ended; government guarantees of minimum prices for agricultural products are terminated; government procurement is opened to private companies; and privatization of government departments begins.

1985

Deregulation of banking begins; freely floating currency exchange rates are introduced. Phase-out of all subsidies to agriculture and industry, and deregulation of housing rents and energy prices, begin.

1986

The New Zealand Business Roundtable is formed.

The Commerce Act lifts restrictions on mergers and takeovers, opening up New Zealand to acquisition by international. Privatization of government-owned electricity, and reductions on import tariffs, begin.

Tax "reforms" begin with introduction of uniform, one-stage General Goods and Services Tax, whose rate then climbs to 12.5%. Most other indirect taxes are abolished.

1987

A Labour Party government is re-elected; more deregulation is started, including of domestic airlines and telecommunications. A report, "Unshackling the Hospitals," by the Labour government's Task Force on Hospitals and Related Services, chaired by Alan Gibbs (a member of the Mont Pelerin Society, MPS), is released. It lays the foundation for privatization of hospitals and medical services.

1988

Roger Douglas is dismissed as finance minister. Privatization of gas and other energy holdings, and decentralization of compulsory education system, begin.

1989

Reserve Bank Act makes the Reserve Bank of New Zealand independent of the government. All ports are privatized. The peak period of privatizations begins, which continues through 1991 (Post Office Savings Bank, Rural Bank, Bank of New Zealand, Air New Zealand, Telecom, Insurance). The Public Finance Act alters management of government functions, to "output-based" monitoring system. David Lange quits as prime minister. The gradual liberalization of

immigration begins; "business migrants" are brought in.

1990

Closer Economic Relations agreement lowers tariffs with Australia, to the economic distress of both nations.

A National Party government is elected; MPS member Ruth Richardson becomes the new finance minister.

1991

In April, the "Danzon Report" (official name, "Options for Health Care in New Zealand"), commissioned by the Business Roundtable, is released. Authors include Prof. Patricia Danzon (MPS fellowship) and Susan Begg (CS First Boston). It is looked to as the authority on how to implement the "market reforms" for health care.

In May, the Employment Contracts Act is adopted, removing all labor organizing protections. It institutes labor "free markets" (bargaining at joint or individual level, "voluntary" unionism, freedom of separate local arrangements of employer/employee, and so on).

In September, a "Green and White Paper" (officially titled "Your Health and the Public Health"), issued by the National Party government's Task Force on Health, is released. The author is Minister for Health Simon Upton (an MPS member), and the consultants are Susan Begg (CS First Boston) and Geoff Swier. The report becomes official policy, based on the Danzon Report. Hospital shutdowns, cuts in care, ensue. The National Interim Provider Board is created to implement Health Minister Upton's Green and White Paper. NIPB chairman is Sir Ron Trotter (longtime chairman of the MPS front, the Business Roundtable); NIPB economist is Geoff Swier; NIPB consultants are CS First Boston and Peter Troughton.

1992

Privatization of government research begins.

1993

The National Party government is re-elected, in a protest vote against reforms. New Zealand Rail is sold.

1994

Roger Douglas launches ACT, a radical political party whose aim is more deregulation of economic institutions and the adoption of a zero income tax.

1995

A government budget surplus is posted; government spending falls to 35% of Gross Domestic Product (down from 41% in 1990-91), which is called a "success," while bankruptcies and poverty rates climb.

1996

The National Party is re-elected, but New Zealand First party leader Winston Peters, a sharp critic of reforms, becomes treasurer.

1997

In May, youth suicide figures released for 1995 show an increase of 14% above the crisis rate the year before. Christine Elliot, head of the Association of Crown Health Enterprises (privatized hospitals), says that the reforms have produced a "national crisis" in mental health.

Mont Pelerin Society: satanism and genocide

by Allen Douglas

In its exposé of the “reforms” which have savaged New Zealand, the *New Citizen* printed an interview with Lord Ralph Harris, conducted in March 1996. Harris is a former president of the Mont Pelerin Society, and was for decades the executive director of Mont Pelerin’s main think-tank, the London-based Institute for Economic Affairs (IEA). Asked what generated the reforms which have swept New Zealand, Russia, and Thatcher’s Britain, among other places, Harris replied, “There is this outfit called the Mont Pelerin Society. It was started in 1947. The Mont Pelerin Society created the IEA, which comes to be called ‘Thatcher’s think-tank,’ but we were running long before Thatcher. We weren’t Thatcherites, but she was an ‘IEA-ite.’ She picked up her thinking through some of her colleagues and her academic friends, directly through the IEA’s publications, which drew heavily on the Mont Pelerin Society’s connections.” From Thatcher’s Britain, Harris said, these ideas spread around the world.

Mont Pelerin’s work was so fundamental, Harris continued, that he himself (“a working class lad from North London”), and most of his friends, had been knighted by the Queen. The most honored Mont Pelerinite, he emphasized, whom the Queen dubbed one of only 60 “Companions of Honor” of the British Empire, was its seminal thinker, Friedrich von Hayek. The honor was lawful: Since its founding on the slopes of Mont Pelerin in Switzerland in 1947, the Society has been the chief economic warfare unit of the British Crown.

The 1947 meeting was a regroupment of some of the leading families of the ancient European oligarchy, most of whom, like Hayek, carried the prefix “von” before their names, indicating “noble” origin. These included: Otto von Hapsburg, of the ruling dynasty of the now-expired Austro-Hungarian Empire; Max von Thurn und Taxis, whose family, originally Venetian (“Torre e Tasso”), had relocated to Germany in the 15th century, from where it ran the postal and intelligence services for the Hapsburg Empire for centuries; and Ludwig von Mises, the leader of the bitterly anti-Renaissance “Austrian School” of economics, founded by Karl Menger, a pre-war retainer for the Hapsburg and Wittelsbach (southern Germany) royal houses. From Britain came Sir John Clapham, a senior official of the Bank of England and the president in 1940-46 of Britain’s pre-eminent intellectual body, the Royal Society. Milton Friedman, from the Fabian-

founded University of Chicago, was also present; he was to become a chief salesman of Mont Pelerin’s dogma.

Von Hayek’s 1944 book *The Road to Serfdom* (the title was an inside joke) set the tone for the “Conservative Revolution” which the new society championed—that of a return to feudalism: “We shall not rebuild civilisation on the large scale. It is no accident that on the whole there was more beauty and decency to be found in the life of the small peoples, and that among the large ones there was more happiness and content in proportion as they had avoided the deadly blight of centralisation.” Von Hayek cynically denounced the nation-state as “tyrannical,” even while he called for the establishment of a one-world empire: “An international authority which effectively limits the powers of the state over the individual will be one of the best safeguards of peace.”

Ties to the Queen

The new society soon moved from Switzerland to London, where the chief sponsor of its radical “free trade” and other lunatic nostrums was City of London financier Harley Drayton, *who managed the private fortune of the Queen*. Drayton financed all the early personnel and the first headquarters of the IEA.

Though Hayek was the Mont Pelerin Society’s chief intellect, Harris emphasized that Hayek in turn drew his essential ideas from Bernard de Mandeville (1670-1733), particularly from Mandeville’s *The Fable of the Bees: Private Vices and Public Benefits*. Hayek had “incurred a lot of criticism for this,” he added. The criticism was hardly surprising: Mandeville, whom Hayek worshipped as a god, was the founder of the devil-worshipping Hell-Fire Clubs of the 18th century; his *Fable of the Bees* is a naked glorification of the “Seven Deadly Sins.”

As Lyndon LaRouche has stressed—a point which Lord Harris also emphasized (in his own way)—mankind is a creature of ideas. Ideas characterized by “not-entropy” (agapē) lead to the increase of the potential relative population density of mankind (that is, an increase in population in both absolute numbers and improvements in its standard of living and demographic characteristics necessary to sustain rates of increase), while entropic (erotic, satanic) ideas lead to a collapse in such population density—genocide. The chief not-entropic idea to emerge from the Renaissance, and which was responsible for the rise in world population from several hundred million people in the 14th century to 5.3 billion today, is that of the modern nation-state, with its support of infrastructure, science and technology, education, and so on. Precisely *that* idea is the chief target of the Mont Pelerin Society. Asked if the reforms in New Zealand, Russia, Britain, and so on meant that “we are moving back to the era before the nation-state,” Lord Harris exulted, “That’s right! That is absolutely right!” No wonder, then, that the semi-official history of Mont Pelerin and the IEA is entitled *Thinking the Unthinkable*.

The decline of New Zealand's physical economy

1. Labor force degraded

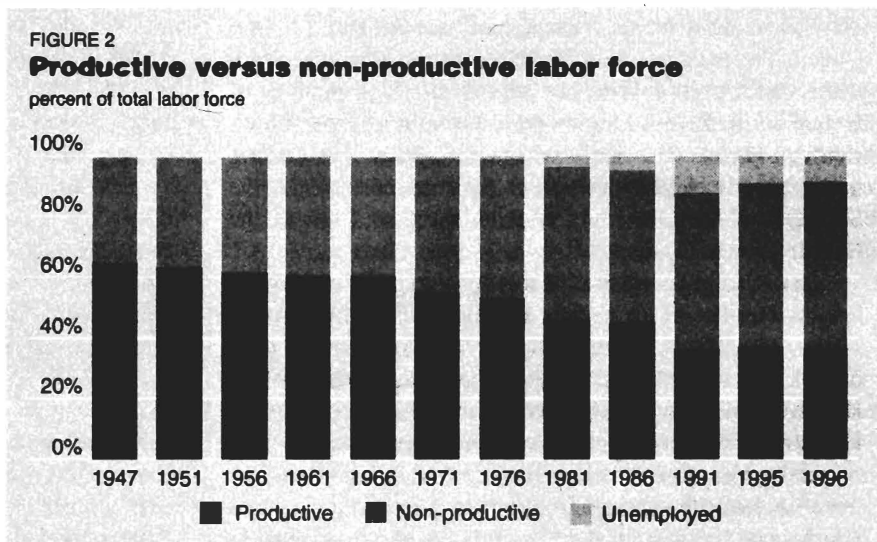
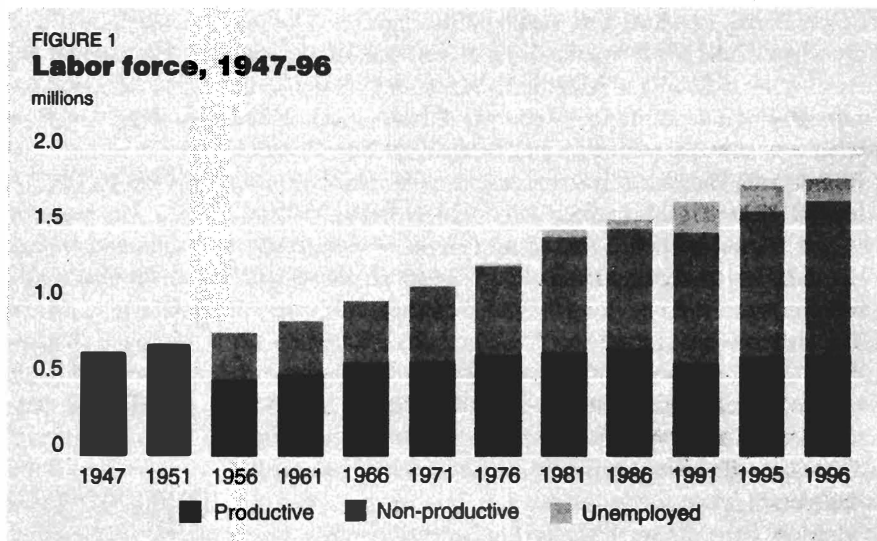
The condition and deployment of the New Zealand labor force was radically worsened by the 1984 "reforms." **Figure 1** shows the shifts in the composition of the workforce over the period 1947 to 1996, in three broad categories of economic activity—"productive," "non-productive," and "unemployed." In the last 10 years, beginning in the mid-1980s, the labor force was degraded into more and more non-productive work, and unemployment.

The numbers of workers shown in the bottom segment of the differentiated bars, are engaged in "productive" jobs (work involving physical output, infrastructure building and upkeep, and essential social tasks of "soft" infrastructure—science, medicine, education, and so on). Notice the absolute decline in the numbers of workers in these basic jobs in productive sectors from the mid-1980s to the present.

The middle category of Figure 1 shows numbers of workers in "non-productive" work. After the mid-1980s, markedly more of the workforce was shifted into this category. By "non-productive" is meant either jobs not directly involved in production of essential goods and hard and soft infrastructure (for example, administration and sales), and outright parasitical jobs (such as speculation, casino staff, and "entertainment").

The third category shown in Figure 1 is "unemployment," which grew rapidly after the mid-1980s.¹

Figure 2 summarizes the same process of degradation in terms of percentages. Whereas in 1947, some 65% of the workforce was engaged in productive employ-



¹On the statistics shown for unemployment and underemployment, the following should be noted about the calculations used.

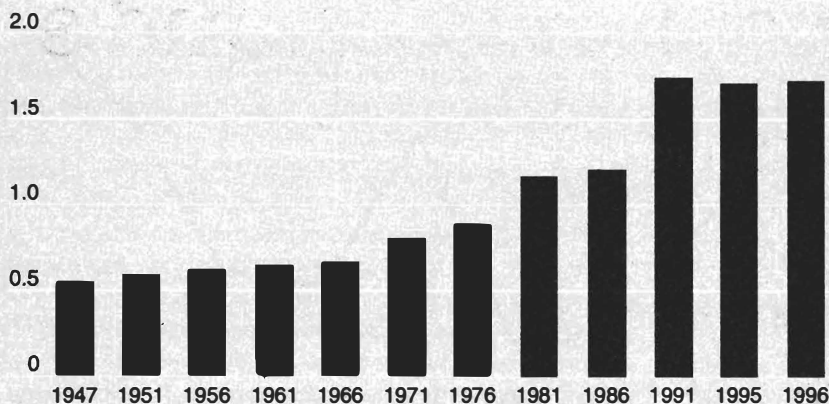
A very low official unemployment rate (6.5% in 1996, for instance) is one of the chief "success stories" claimed by those touting the New Zealand "reforms." However, beginning in 1985, just as the unemployment caused by those reforms

started to climb, the government changed the method whereby it calculated this figure. Since the rate of unemployment is the "unemployed" divided by the "total labor force," if you shrink the numerator, while expanding the denominator (as the government, through various tricks, did, such as by subtracting the "jobless" from the number of "unemployed"), then the "official" rate of

unemployment shrinks accordingly. To show the actual rate of unemployment and underemployment, the *New Citizen* study used the government's own, pre-1985 methodology to calculate the post-1985 rates, and thus arrived at the results depicted in Figures 3-5, which are dramatically different from the lying figures the Mont Pelerin Society and its fronts trumpet internationally.

FIGURE 3

Number of non-productive and unemployed workers supported by one productive worker



ment, by the mid-1980s this had fallen to 45%, and, since the 1984 reforms, it has collapsed almost another 10%.

Figure 3 shows that in 1947, one productive worker had to “carry” only slightly more than one-half of one non-productive worker as “overhead” (unemployment was practically zero—a grand total of 100 people!). As of 1995, one productive worker supported almost 1.75 non-productive and unemployed workers, an increase in overhead of approximately 215%. Again, note the sharp rise from 1986-91, entirely due to the reforms.

The extent of New Zealand’s unemployment and underemployment is shown in Figures 4, 5, and 6, for the 20-year period 1976-96. Figure 4 shows the increase in “official” unemployment rates, which more than doubled from the 1984 level, below 5%, up to 12.5% in 1992 (and then showed a decline to 6.5% in 1996). This trend is bad enough, but it is not the whole story.

Figure 4 also shows (in the upper toned area) the *actual* unemployment level, when the official statistics are corrected by adding in all of the “jobless” (an official government category), not just those listed as seeking work on “official” tallies.

In Figure 5, the picture becomes worse, when you add in part-time workers (fewer than 20 hours per week), on top of the official and actual jobless. Thus, the total of unemployment and underemployment in the economy is 27% for 1996, a huge waste of manpower and a drain on the economy.

What do people do to try to cope? They scramble to find additional part-time jobs. Figure 6, covering 1987 to 1995, shows the increase in the number of people holding multiple jobs. At the lowest point in the last 10 years, in 1990, there were 55,000 multiple-job-holders; in 1991, there were almost 65,000; in 1995, there were more than 69,000.

Figure 6 reflects the fact that the number of full-time jobs (and the pay scale for those jobs) has fallen steadily in the last 13 years of “reform.” So, both men and, increasingly, women, have been forced into part-time employment.

What this process amounts to, is the New Zealand version of the *maquiladora* system in Mexico, in which workers are ground up in slave-labor work zones. This is reflected in trends shown in Figures 3 and 4.

Figure 3 shows an apparent, slight downturn during 1991-95 in the combined numbers of “non-productive” and unemployed workers supported per each pro-

FIGURE 4

Actual unemployment

percent of total labor force

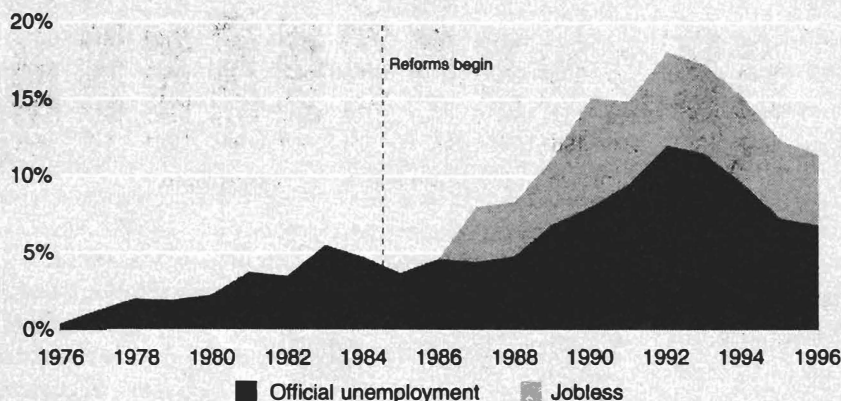
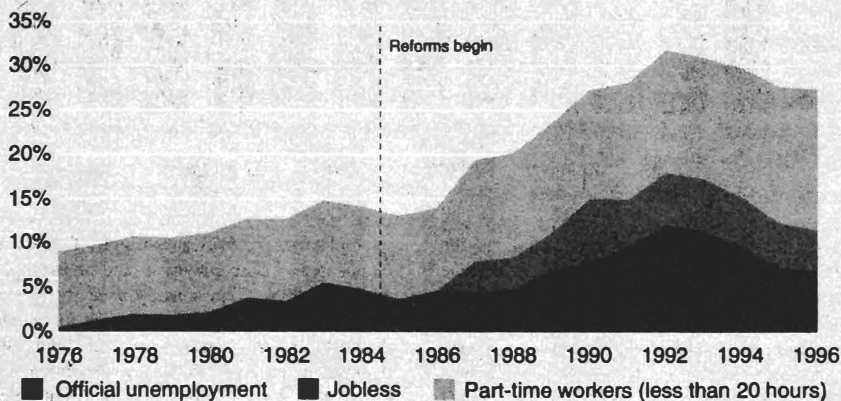


FIGURE 5

Underemployment and unemployment

percent of total labor force



ductive worker; Figure 4 shows a steep drop in actual unemployment from 1991 to 1995. What's going on? Some jobs were created, but the "labor market reforms" embodied in the 1991 "Employment Contracts Act" had the effect of lowering wages, so it became profitable for employers to expand their workforces, but to no benefit to the economy. During this time, there was a sweeping re-orientation—as is typical of Third World countries being put through International Monetary Fund structural adjustment—of the New Zealand economy toward export markets. Multinationals acted to take advantage of the opportunity to underpay the relatively high-skilled workforce in what was formerly an advanced-sector nation, in order to cheaply produce certain manufactured goods for export.

2. Agriculture, industry subverted

The general decline in employment in productive sectors outlined in the labor force overview, has been intense in the agricultural workforce, to the point that rural regions are being depopulated.

Figure 7 shows the drastic drop in investment into agriculture, as a percentage of New Zealand's Gross National Product, over the period from 1961 to 1993. Today's rate of investment in agriculture is a bare fraction of the 1960s' level, and the drop since the 1980s is likewise steep.

What this reflects is that the individual owner-operator farmer in New Zealand (who, in the past, was the typical source of new capital for improvements in agriculture) has been smashed since the "reforms" began.

Figure 8 shows the fall in agricultural workers as a percentage of the total workforce.

Figure 9 shows the decline in numbers of people living in rural areas. There was a downward trend from the 1960s to the 1980s, but then, in the wake of the 1984 "reforms," 30,000 people left the countryside.

Farm leader Collis Blake, a South Island cattle farmer, states that 1986 to 1990 were very bad years, due to "Rogernomics," the economic "reform" policies of Finance Minister Roger Douglas, who came into office with the Labour government in July 1984. Blake said, "The farming community in New Zealand, since 1936, had been in a totally controlled situation: guaranteed prices, or a

FIGURE 6
Holders of multiple jobs
thousands

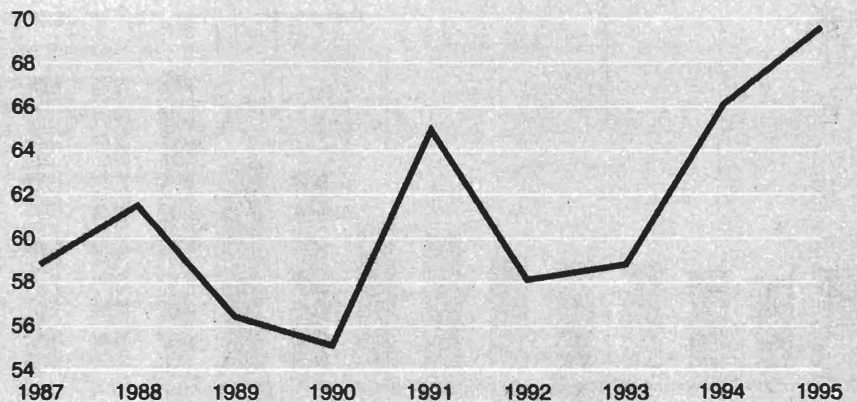


FIGURE 7
Investment in agriculture as a percentage of GNP

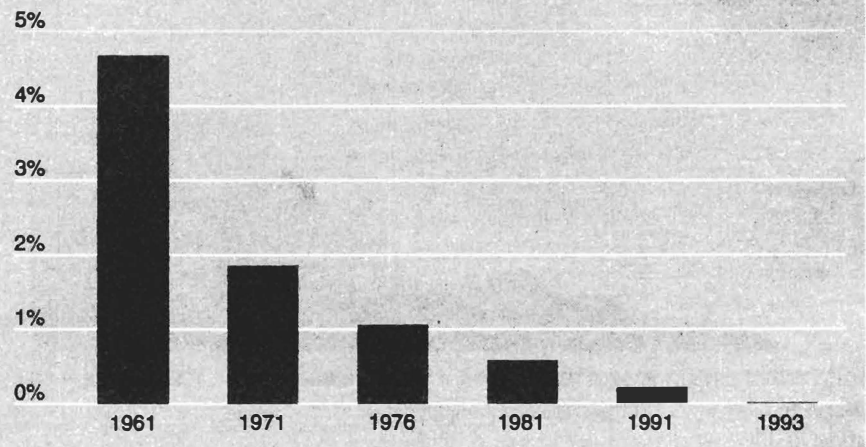
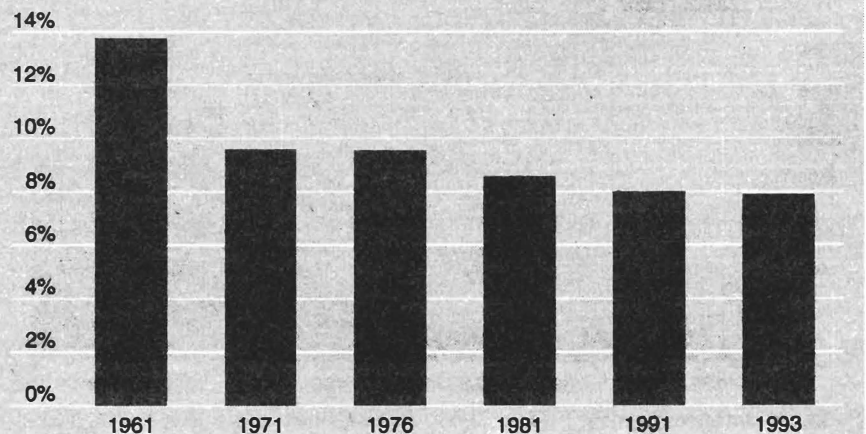
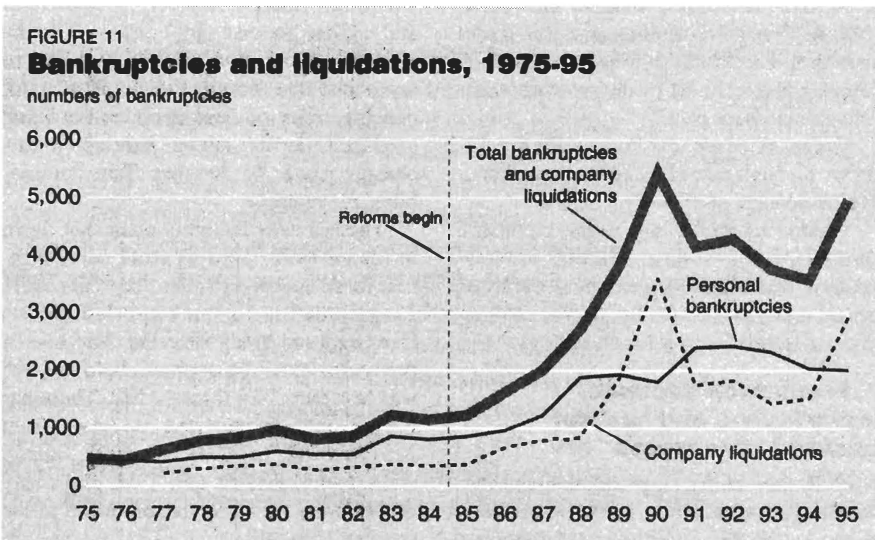
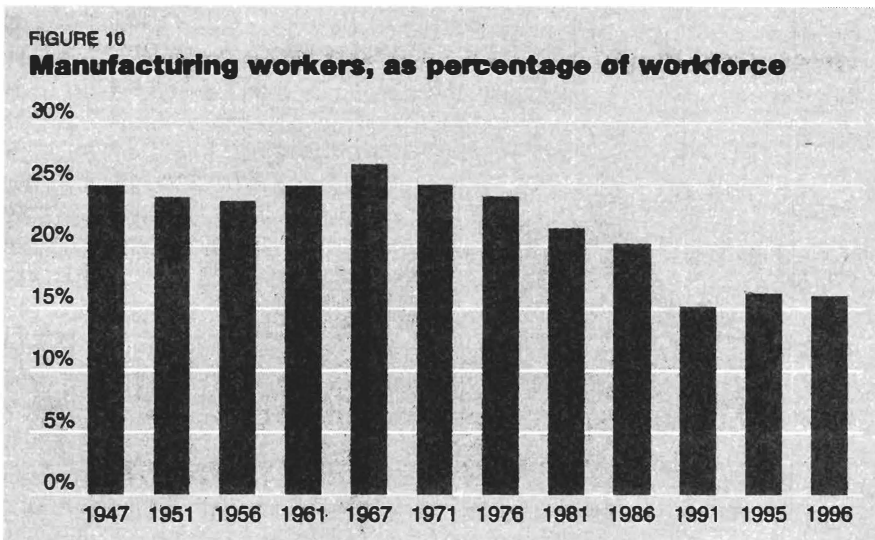
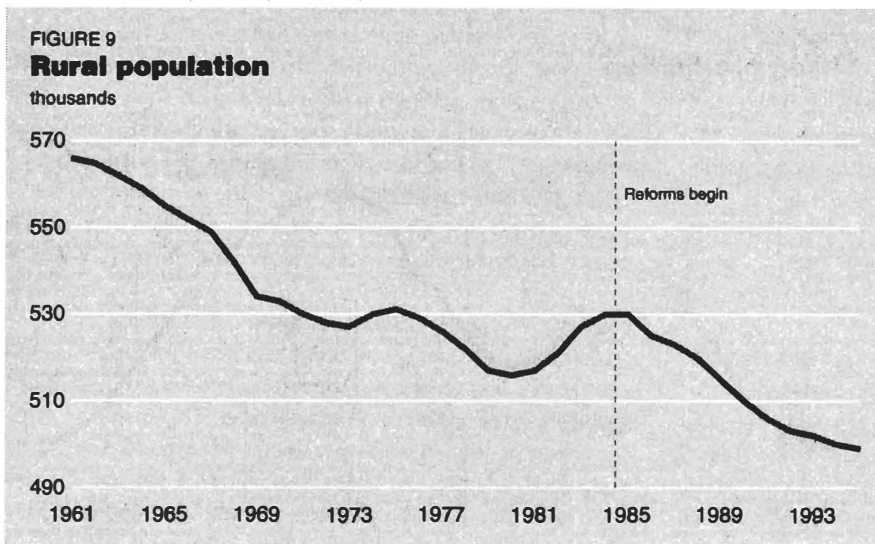


FIGURE 8
Agricultural workers, as percentage of total workforce

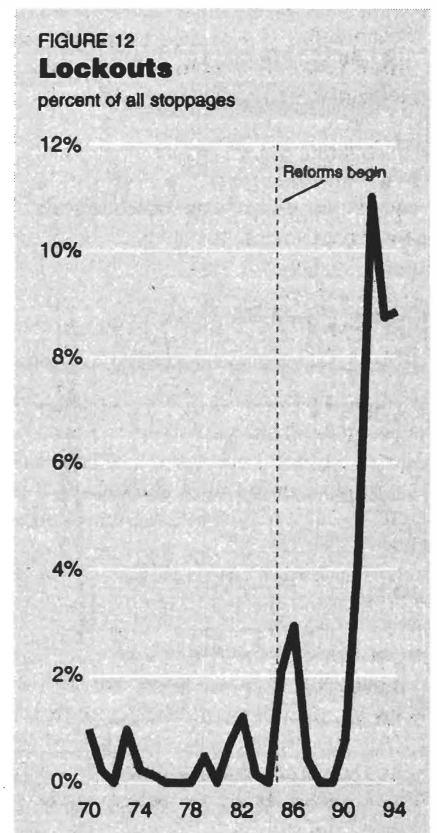


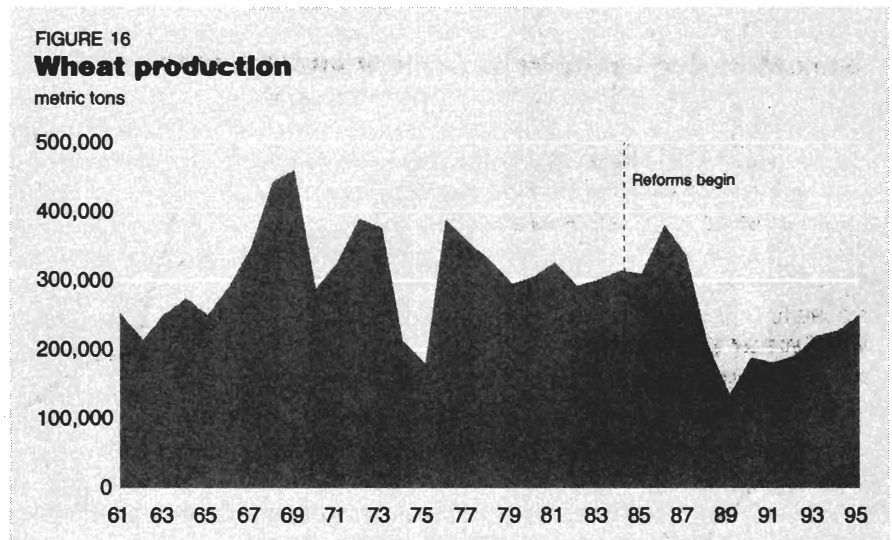
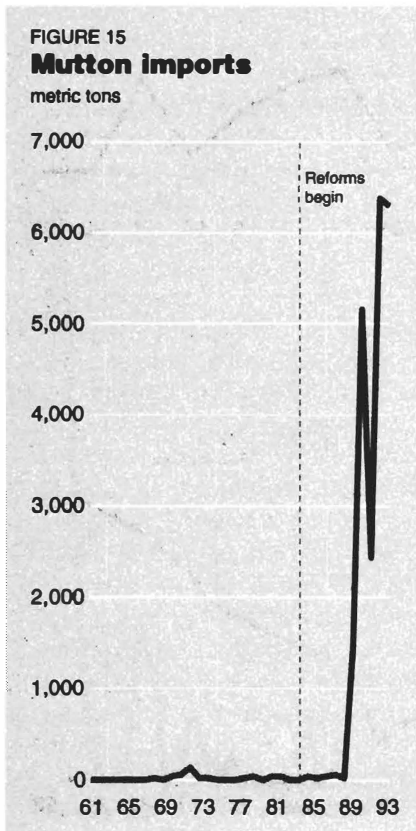
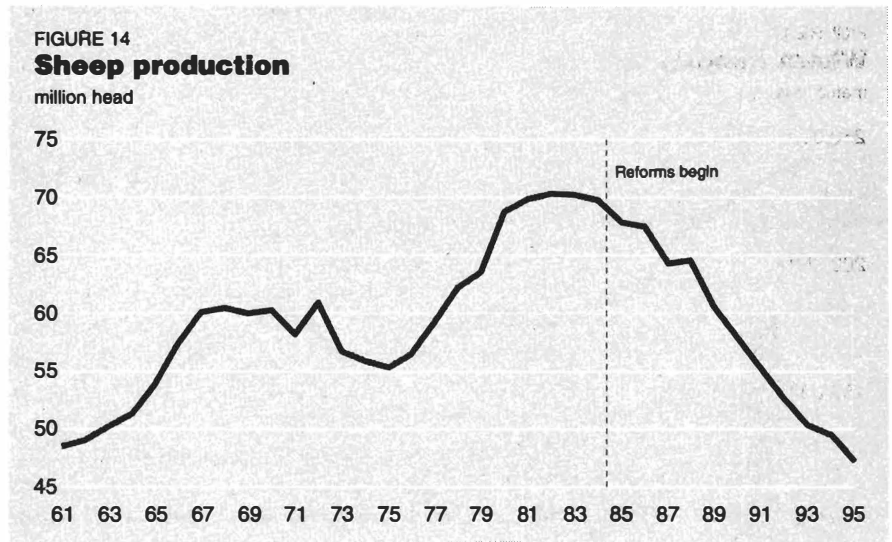
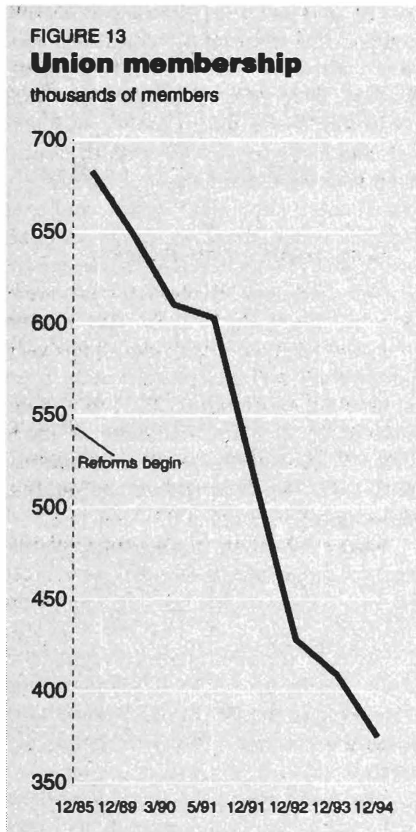


bottom situation. The financial part of New Zealand had been totally controlled too; that's Reserve Bank ratios, lending amounts, interest rates, etc. that had been controlled. Government money was lent out, and had been, for all sorts of things, from housing to farming, at very concessional rates over many years, and that stopped overnight. Absolutely stopped overnight. The money output was totally decontrolled, and interest rates just went straight through the roof. . . . At the same time, the produce rates went down very significantly, and interest rates went from an absolute maximum of 12%, to a minimum of 25%, and a maximum of about 36%. . . . The situation went absolutely mad, and it was the financiers, the yuppies, in the main."

Figure 10 shows manufacturing workers as a percentage of the total workforce. The sharp drop is obvious, beginning with the 1984 "reforms." The pre-existing downward trend is also clear, of the decline in the percentile of manufacturing workers since the 1960s, which was a time when the economy "worked" relatively much better.

Figure 11 shows the soaring numbers of bankruptcies, both corporate and per-





sonal, that came in the wake of the 1980s “reforms,” of privatizations, and free trade swindles. The motto of Finance Minister Douglas, the architect of the reforms, was: “No gain without pain.”

Organized labor was broken. **Figure 12** shows the high rate of lockouts of workers, as a percentage of all work stoppages.

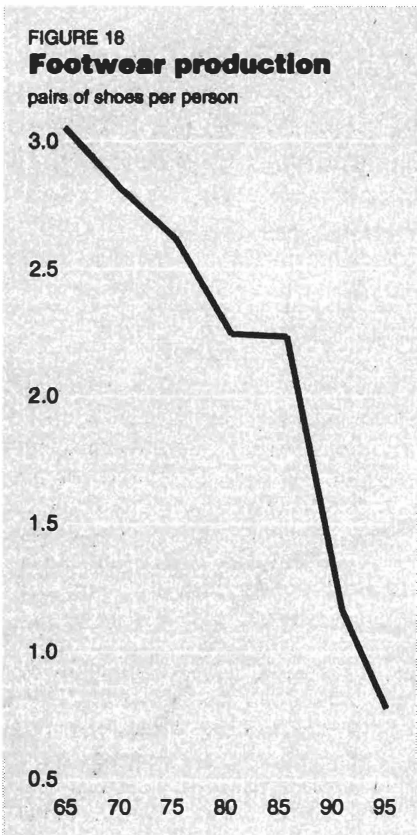
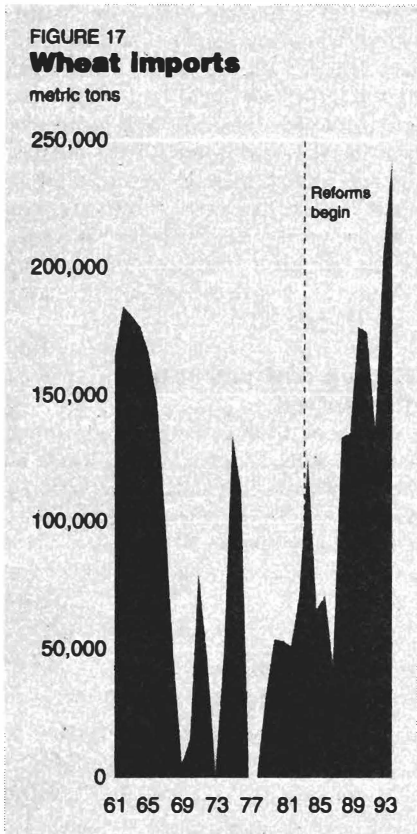
Figure 13 shows how union membership fell, from close to 700,000 in New Zealand when the “Rogernomics” reforms began, down to 372,000 by 1994, a decline of close to half—and it is still falling.

3. Production declines, imports rise, and ‘market baskets’ deteriorate

Both the volume of production and the *potential* for production have been undermined by the 1984 “reforms,” to the point

where the “market baskets” of household and capital goods being consumed in the economy are below what is required to reproduce the society. Essentials of food, housing, transport, and so on are not being produced, nor consumed. Household purchasing power is plunging. Take automobiles, for example.

The last auto assembly plant shut down in March 1997. (New Zealand never manufactured motor vehicles, but cars were long assembled from imported parts.) Used cars are being recycled. The rate of new car acquisition per household in 1996 was less than 50% that of 1982. There has been a surge in imported *used* cars, from zero in 1982, to 87,385 in 1995, mostly from Japan. Radios and TVs, and many other items, are no longer produced in the country.



Meat is an even more striking example. Prior to the 1984 reforms, New Zealand was the world's largest sheep exporter, and accounted for over two-thirds of the entire world's export of sheep meats. **Figure 14** shows the collapse in sheep numbers since the reforms, to a level below that of 1961. **Figure 15** shows that, starting in 1989, four years after the reform, New Zealand now imports mutton. Moreover, New Zealand households are consuming over 50% less meat than in pre-reform 1982—they can't afford it.

Figure 16 shows the fall in wheat output after the 1980s' reforms. And **Figure 17** shows the rise in wheat imports, which formerly only went up if there were crop and weather problems.

This pattern of domestic output decline, rising imports, plus lowered and degraded

consumption, is occurring across the board, from finished products to raw commodities. Look at shoes. **Figure 18** shows the steep drop after 1984, in domestically made footwear, per capita, in New Zealand—a place traditionally well stocked with hides.

4. Resource base, infrastructure degraded

The 1984 reforms have eroded New Zealand's economy to the point of shrinking the nation's resource base and physical infrastructure grid.

Figure 19 shows the fall in land area dedicated to farming. According to the UN Food and Agriculture Organization, farmland area has declined by 1 million hectares since 1981; and 1.25 million hectares of permanent pasture land for

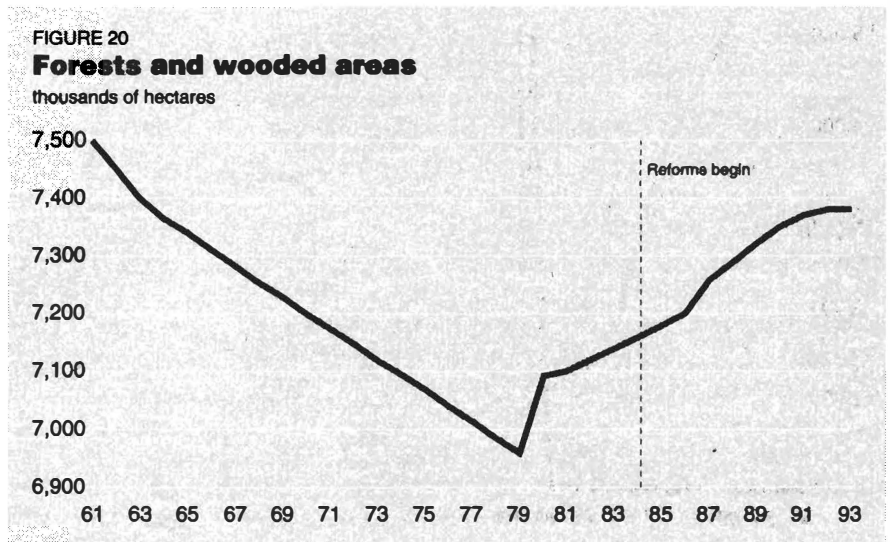
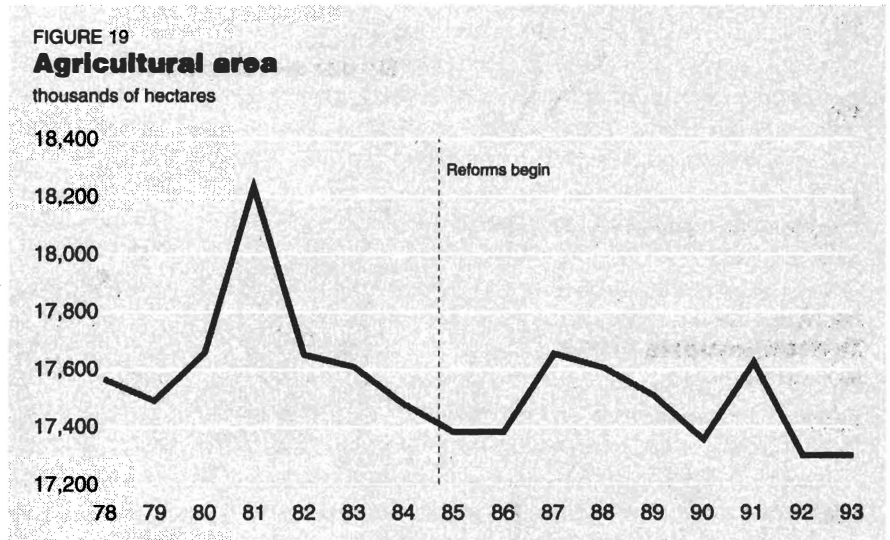


FIGURE 21
Single-track railway line
kilometers

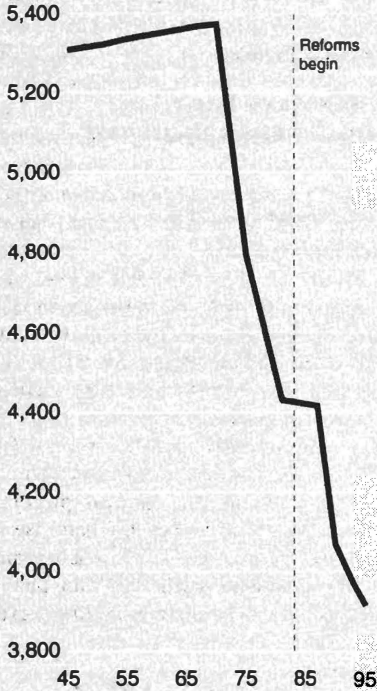
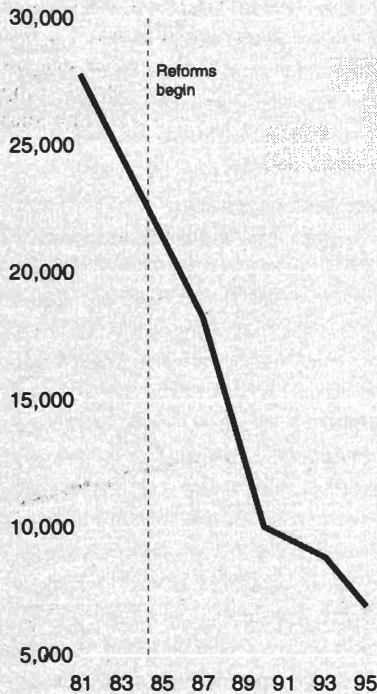


FIGURE 22
Railway rolling stock
number of wagons



sheep and beef cattle have disappeared. To survive, some sheep and cattle farmers converted to dairying. But the world dairy cartel companies are exploiting New Zealand milk output, and many farmers have gone under. For those still operating, farm living standards have plummeted. At least 73% of all farms depend on off-farm income to survive.

Figure 20 shows that the land area dedicated to forests has soared; often this is foreign-owned. Area planted to trees has almost doubled since 1984, to 1.4 million acres.

Replanting agricultural land with forests causes the disappearance of entire small towns, and the depopulation of the rural sector (as shown in Figure 9).

The national infrastructure grid (water,

power, transportation) is likewise deteriorating. When key parts of infrastructure, such as power companies, the national airline (Air New Zealand), rail companies, and so on, are sold off, little or no new investment is forthcoming from the new owners, because there is no "profit" in it. Therefore, existing stores of infrastructure, built up over decades, are looted, as we see in the collapse in length of rail line (Figure 21) and in the amount of rolling stock (Figure 22).

5. Social infrastructure dismantled

All aspects of essential "soft" infrastructure of the nation have been looted by the "reforms"—education, social security services, health care, science, and so on.

FIGURE 23
General hospital beds
beds per 1,000 population

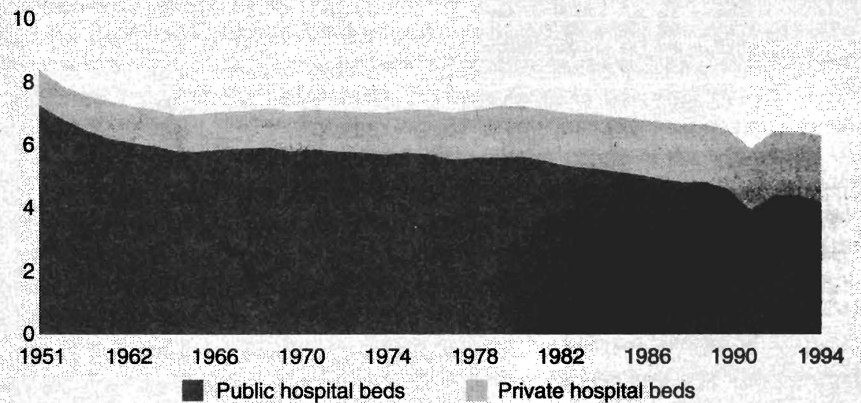


FIGURE 24
Mental hospital beds
beds per 1,000 population

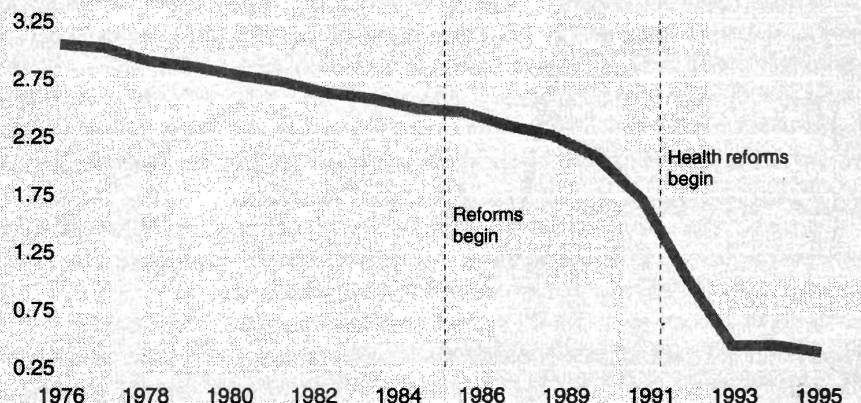


FIGURE 25
'Official' surgical waiting lists

people requiring surgery

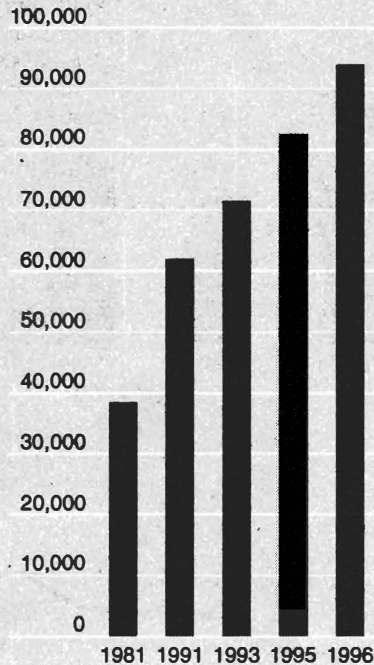
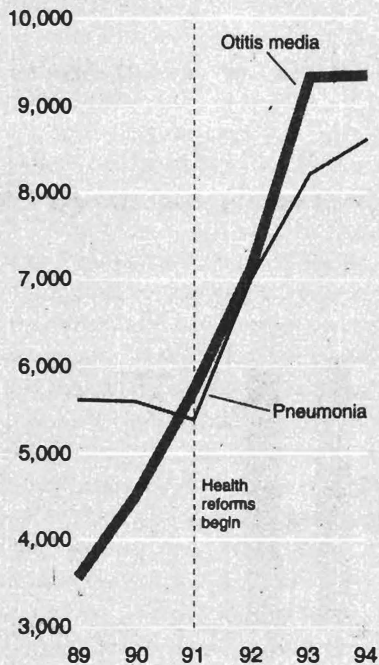


FIGURE 26
Otitis media and pneumonia

patients discharged from public hospitals



- **Education.** Not long ago, New Zealand's educational system was among the best in the world. In 1938, the country was the fourth most literate in the world; in 1950, the population had the highest per-capita library book lending rate, and so on. Today, the "reforms" have resulted in severe teacher shortages, unfunded schools, high pupil-to-teacher ratios, and demoralization. In 1995, of secondary school teachers, 12.9% left the profession over the 12-month period.

- **Social security.** As of 1938, New Zealand was recognized as having the most comprehensive social security system in the world. Benefits helped ease the problems of old age, sickness, loss of spouse or parents, unemployment, and other exceptional circumstances. Family doctor, hospital, and maternity services were *free*. The "reforms" have now all but dismantled New Zealand social security, for reasons of "business profits."

- **Health care.** Figure 23 shows a slight decline in the number of hospital beds in New Zealand. The trend appears slight, only because the books were cooked; dozens of hospitals were closed during the reforms to-date, and the only reason the loss of hospital beds doesn't show up is that the official statistics lie. The sharp dip noted for 1989 hints at the reality, before the government changed its calculation methods.

The loss of mental health treatment beds is acute, shown in Figure 24. The present number of such beds equates to about 38 for every 100,000 persons, a dramatic decrease from approximately

225 per 100,000 in 1985; or even 500 per 100,000 fifty years ago. Desperately ill people are sent home, stuck into hotels, or cast out, and left abandoned on the streets.

Figure 25 shows the sharp climb in the waiting lists for surgery, and these are "official" figures—the real waiting lists are more than than *double* what is shown here.

Dr. John Neuze, cardiologist at Green Lane Hospital in Auckland, says that about one person per month dies while awaiting heart surgery. In fact, he says, "People are on our waiting list for over two years who would, in most Western countries, have the operation within three months. . . . Treatment has been inadequate for about ten years in this area."

Under the 1991 health reforms, for many simpler ailments, proper treatment is lacking, even as diseases of poverty increase. Figure 26 shows the sharp rise in *otitis media* ("glue ear"), and pneumonia, in terms of patients discharged from public hospitals. The population is getting sicker and sicker.

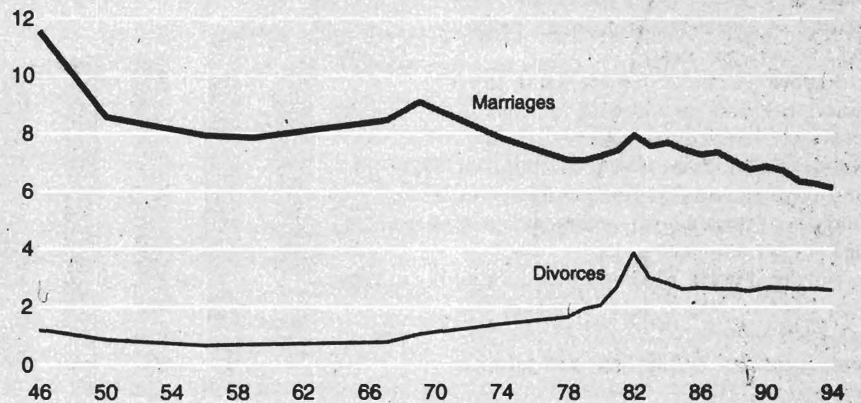
6. Demographic downturn

The Mont Pelerin Society-instigated reforms have so rent the fabric of society in New Zealand in a such a short time, that even crude demographic statistics show the process.

Figure 27 on "Marriage and Divorce," while showing steady decline in the institution of marriage over earlier decades, shows for the post-reform period, a high step-up in the divorce rate. (The sharp

FIGURE 27
Marriages and divorces

per 1,000 population



jump in the years around 1982 is a slight abnormality, reflecting a loosening in the divorce laws that occurred at the time.) Thus, the economic unit of the household is suffering.

Figure 28 shows a steady decline since 1966 in the size of New Zealand households. The greater drop between 1966 and 1976 reflects (in addition to a change from a 10-year interval, to a five-year interval used thereafter) the anti-family impact of the rock-drug-sex counterculture worldwide. After 1986, for the first time, the number of persons per household fell below three. The household is the unit of reproduction for society, which normally consists of adults and children; such a fall indicates that the society is not reproducing itself.

Figure 29 shows that the number of abortions skyrocketed after 1985, in the period of enormous economic uncertainty and pessimism ushered in by the Mont Pelerin Society's Rogernomics. Many other breakdown factors increased at the same time, including rates of violent crime, "white-collar" crime, and so on.

The number of people below the poverty line has risen sharply since 1989, and is now reported to be one in six New Zealanders.

7. Speculative financial bubble

While the physical economy in New Zealand collapsed, the bubble of financial aggregates and speculation grew.

Figure 30 shows that in pre-reform years, most foreign currency trade in New Zealand was to settle accounts for merchandise trade. Following the 1984 reforms, only a tiny percentage is accounted for that purpose; otherwise, foreign currencies are exchanged for speculation.

Figure 31 shows for the reform period years of 1985 to 1995, the ballooning increase of speculation in futures, options, and share options trade.

Figure 32 shows for the same time period, the start-up and wild increase in turnover of derivatives trading. Derivatives, which are a form of betting on the future value of almost anything, for example, of stock market indices, are nothing but a giant roulette game.

Finally, **Figure 33** shows that the foreign debt of New Zealand, which the free-trade reformers claim to want to prevent, increased wildly after the reforms began.

Roger Douglas and his mates originally

FIGURE 28

Average number of people per household

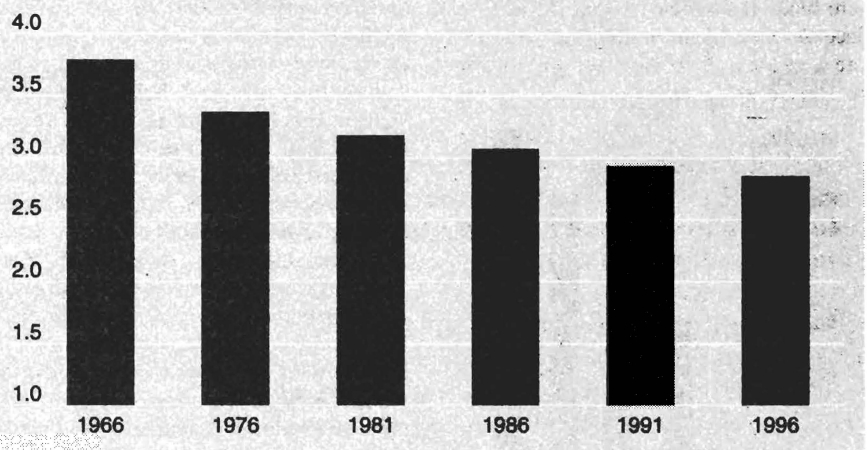


FIGURE 29

Abortions

per 1,000 women aged 15-44

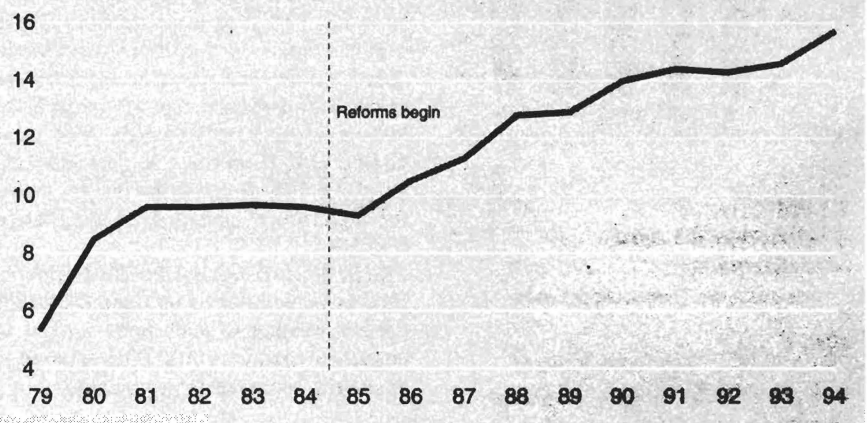
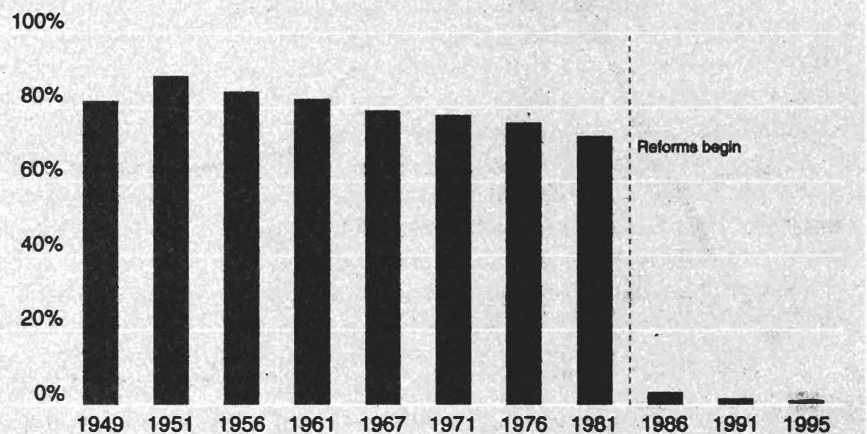


FIGURE 30

Merchandise trade, as percentage of foreign exchange



claimed that the purpose of their reforms was to eliminate the growing per-capita debt burden of New Zealanders. Instead, they dramatically worsened it. In fact, they were lying about their motives in the first place. As Douglas later admitted, "I'm not sure we were right to use the argument that we should privatize to quit [eliminate]

debt. We knew it was a poor argument but we probably felt it was the easiest to use politically."

8. Lies, damn lies, and statistics

While researching the New Zealand "reforms," the *New Citizen* repeatedly

found that entire categories of production (such as freezers, refrigerators, washing machines, etc.) had either been dropped from post-1985 yearbooks, so as to make physical market basket comparisons difficult, if not impossible, or, that the government and its agencies in effect lied in what they purported to show.

An example of the latter, is the use of the "average total weekly earnings" as an ostensible indicator of the average worker's well-being. For manufacturing, this is listed as approximately \$630 a week, which might not look too bad (though only a little over \$30,000 a year), but, it turns out that the *skilled worker* makes \$100 a week less than that "average," and that everyone else makes still less than that. The government added in the salaries (many of which are more than \$1 million) of Business Roundtable executives to get its average. The absolute numbers are less important, of course, than what the worker can actually purchase with them, compared to pre-reforms, but the *New Citizen* showed that that had collapsed as well.

Sources

The data shown on the graphs come principally from the relevant New Zealand government agencies, including Department of Labor, Census, ministries of Health and Education, Police National Headquarters, *Statistics New Zealand Yearbook*, Arbitration Commission New Zealand, the Employment Court Library, the New Zealand Parliamentary Library, and similar agencies and publications. Financial data come from the New Zealand Futures and Options Exchange, New Zealand Stock Exchange, and the Reserve Bank. Data also come from, or were corroborated by, associations such as the New Zealand Post Primary Teachers, the Federation of Trade Unions, and other labor, farm, and medical groups. International sources include the UN Food and Agriculture Organization, the World Health Organization, the Bank for International Settlements.

FIGURE 31
New Zealand futures and options exchange

thousands of contracts made

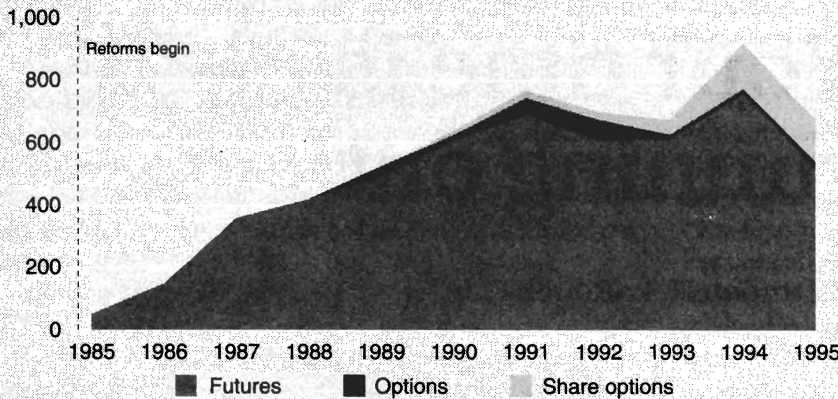


FIGURE 32
Total annual derivatives turnover

trillions \$

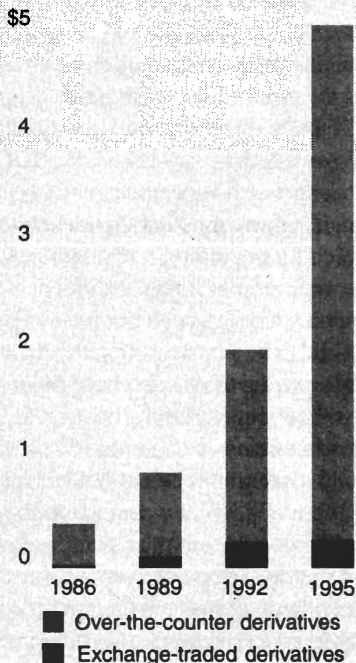
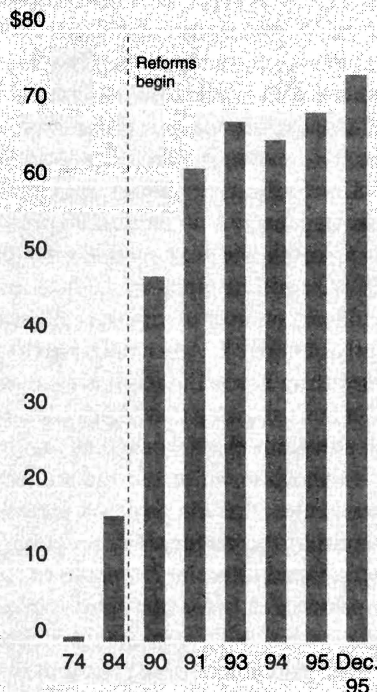


FIGURE 33
Foreign debt

billions \$



Your time is running out

by Lyndon H. LaRouche, Jr.

June 5, 1997

At any time, soon, the second big financial blow of 1997 will bring a new round of temporary panic into financial markets around the world. If it has not already arrived by the time you read this report, you may expect it to arrive, soon. There are reasons to expect this next round to be worse than the blows which began to pummel financial markets this past mid-March. The question is: is this up-coming, next downturn likely to be “The Big One,” that sinks the international financial system? That is a possibility, but, I tend to believe that relevant institutions could, and will contain the next crunch before it reaches the point of detonating the “Big One.” How soon should we expect the “Big One”? Or, is that the wrong question?

During the recent weeks, most of those highly-placed sources, with whom *EIR* is in frequent discussion of these matters, have expressed agreement with my estimate, that the next international financial crunch is due soon, and that, when it strikes, it will be much worse than the crunch which hit beginning mid-March. A significant number of high-ranking sources, have made similar forecasts, independently of my own. Any reader who has had the opportunity to scan the news media of key countries in Eurasia during recent weeks, would have encountered published statements showing that highly placed insiders are warning of an oncoming financial downturn much worse than that which blew over a couple months back.

Meanwhile, an increasing number from relevant circles are coming to share my estimate, that the present international financial system will be extinct before the turn of the century. My point has been, that there is no way we can stop the international financial *Titanic* from sinking; but, that we can, and must act to save the passengers, before they go down with the doomed ship. The passengers we must pull off the sinking ship, are the United States, and other nations, and their people.

The importance of my forecast, is that it is designed to forewarn governments and others, to take timely preventive action, to prevent the present series of interna-



Lyndon LaRouche, Jr., in a 1988 TV broadcast during his campaign for the Democratic Presidential nomination, compares the behavior of the financial markets to a bouncing ball—up until the point that the whole shebang comes crashing down.

tional financial crises from setting off a general, global economic break-down crisis. It is not a matter of “predicting” what will happen; it is a matter of turning the financial *Titanic* about, soon enough to avoid hitting the lurking icebergs which lie just ahead.

What must be done, to turn things around, is no small thing. It is a very drastic action. It involves action by a powerful group of nations, to bring the present international financial and monetary system to a sudden end, and, simultaneously erect a new, and healthy form of international financial, monetary, and trade system, to replace the dying, utterly bankrupt existing financial, monetary, and trade system. This is no small matter.

This point is made clearer, by referring to a meeting which I had, back during the mid-1970s, with Jacques Rueff, the famous economist who had been President Charles de Gaulle’s leading advisor on economic matters. The purpose of the meeting, was to review my assessment of the then-current trends in the international monetary system, and to discuss a proposal for international monetary reform, which I was putting on the table at that time. M. Rueff stated that he agreed with my general assessment of the international monetary situation, but warned that none of the relevant existing politicians had the intellect and courage to act. I share with you now, the illustration which he stated to me then; it will help you to appreciate the difficulties of decision-making which will tend to puzzle the will of key statesmen, such as President Bill Clinton.

M. Rueff summarized the history behind France’s successful adoption of the so-called “heavy franc.” He had proposed it as necessary; but, President de Gaulle soon returned to present the reply, that all of his other advisors opposed the proposal. M. Rueff explained, that he had replied to his President: “I stake my entire life’s reputation on the certainty that the heavy franc will succeed.” As, of course, it did. It was that commitment by an outstanding professional, which prompted de Gaulle to respond, after a reflective pause, with words to the effect: “We shall do it.”

Although more and more leading figures, especially senior ones, are coming around to acceptance of my general forecast on the nature of the present international financial crisis, virtually none, so far, have been willing to stick their necks out, publicly, on the crucial political issues of needed institutional reform of the monetary and financial systems. Therefore, so far, the likelihood that the world will not drop soon into a “general breakdown crisis,” hangs, at least to a very large degree, on the recognition of my authority as an economic forecaster.

Our President, and some other heads of state, are being carried down a raging financial torrent of successive financial crises and economic disasters, toward the rocks. Soon, they must act, in the sense that de Gaulle’s support of Rueff’s proposal was crucial in rescuing France from the wreckage which the Fourth Republic’s policies had made of the national economy. So far, mine is the only publicly visible forecast which addresses that awesome reality. If heads of state recog-

nize my authority in this specialized matter, that is good; but, the best among today's elected officials are not likely to rely on their own judgment, alone. If even the best among them do not think my authority can be "sold" to a significant part of their constituency, they are unlikely to act.

The present circumstances of deepening, intertwined, international financial, monetary, and economic crisis, have produced a situation, both in the U.S.A., and world-wide, in which the controversy over my personal authority as an economist has become a central practical political issue of policy-shaping for a growing number of governments and other potent institutions. On this account, it is necessary to point to my uniquely successful record as an economic forecaster, and to emphasize the source of the outstanding success I have enjoyed on that account, during a period of more than three decades to date.

Under the present conditions, as defined by the accelerating rate of degeneration of the present international financial system, especially since the U.S. financial crunch of October 1987, the question of who is a competent economic forecaster, and what is the source of his, or her competence, has become a first-rate question of national policy-making for all leading governments. On that account, it is necessary that my warnings and proposals be juxtaposed to a summary chronicle of my record as a forecaster since 1956.

On that account, it is necessary for the general welfare of our people and their posterity, that the proofs of my authority in this matter be conveyed in a prominent and forceful way. For that reason, the following chronicle, summarizing my history as a forecaster, is presented.

The political problem

The gravest economic problem faced by leading governments today, is, that most governments, and the majority of U.S. citizens continue to disagree with my warnings about the need for drastic actions to deal with the fact that the international financial system is already hopelessly bankrupt. Over this issue, the officials of the International Monetary Fund (IMF) have expressed open and intense personal hatred against me. In and around the U.S. government, for example, some of the most violent disagreement comes from the wild-eyed "free trade" fanatics, such as the neo-conservative and theo-conservative followers of Texas Senator Phil Gramm and "Diamond Pat" Robertson. Otherwise, some of the most hysterical disagreement is expressed by the managers and dupes of that giant "Ponzi Scheme" known as the mutual-funds market. Inside the U.S.A., the most numerous opposition comes from ordinary wishful thinkers, whose argument is fairly summed up by the words: "You are wrong. You will see, that they would never let such a thing happen to my money."

The issue is not simply that they happen to disagree with my forecast. The problem is, their opposition to our government's taking the kinds of actions needed to prevent the worst, world-wide economic depression in modern history from be-

coming an irreversible, and horrible state of affairs for a long time to come. The problem is that very large ration of people who refuse, irrationally, hysterically, to get off the sinking financial *Titanic* until after it has "actually sunk."

Here, inside the U.S.A., for example, there are two related, but distinct topics to consider, when reviewing political attitudes on the present global financial crisis.

Really sane people in the Americas, Europe, and Japan, such as trade-unionists, farmers, industrialists, and so on, agree that the 1990s have turned out to be "hard times," and are becoming worse. In these countries, most senior officials from the ranks of industrialists, bankers, and other relevant professionals, see a series of ever-worse hard bumps in the financial and economic roads immediately ahead; those who deny reality on this matter are typified by the U.S. "Yuppie" ("Baby Boomer") stratum among officials in government and the private sector, not to speak of those wild-eyed specimens who dominate the ranks of mutual-funds managements. The rising, persisting strike wave which is shaking the governments of Europe, reflects increasing popular perception of the reality, that "hard times" are here, and becoming ever worse.

Meanwhile, in these same countries, those, like the neo-conservatives, who insist that "free trade" will "kiss your boo-boos and make them better," such as the "Contract on America" enthusiasts here, form the political base of support for growing, mass-based forms of pro-fascist movements from inside the so-called "mainstream political system." The Padania separatist movement in Italy is only typical of the proto-Mussolini form of fascism building up across Europe today.

Thus, the worsening crisis of the international financial system, has evoked a sharp, growing, mass-based political division within society. This division is led, on the one side, by the viewpoint expressed by Europe's rising mass-strike ferment, as echoed by the revival of the AFL-CIO here in the U.S.A. The opposing tendency is typified by the reactionary, fascist-tending "neo-conservatives," such as the "Contract on America" ferment here in the U.S.A. The first, looks to the government of the nation-state for its essential part in organizing solutions. The second, is committed to undermining and destroying the existing form of sovereign nation-state, as the "Contract on America" typifies the revival of the Nashville spirit of the Confederate States of America, and President Woodrow Wilson's revival of the Ku Klux Klan, here in the U.S.A. The first current demands, that the national government act, implicitly demanding new Franklin Delano Roosevelt. The second, wild-eyed "free trader" current, like anarchistic, right-wing parodies of Bolsheviks, demands "the dissolution of the existing nation-state form of government."

The holocaust now continuing to target millions of Hutu and other victims, a holocaust directed by dictator Yoweri Museveni of Uganda, who has vowed publicly to outdo Adolf Hitler, is a cohering expression of the new forms of fascism the present financial crisis is fostering.

Forecasting is not ‘predicting’

The most significant feature of my forecasts, is that they were never presented as “predictions,” but as a scientific analysis of both the economic and related political directions in which present policy-making was sending economies. The crucial feature of my own work, is that I freed myself from those methods of statistical forecasting, which are the common cause of failure in most honest attempts at forecasting.

I developed this new method of forecasting out of the influence of Gottfried Leibniz’s writings on my thinking, beginning during my adolescence. As has been stated in numerous published locations, the method I adopted, during 1952, for conducting the kind of forecasting implicit in certain lines of Leibniz’s work, has depended to a large degree on the principal discovery of the Nineteenth-Century physicist, Bernhard Riemann, otherwise better known as the founder of non-Euclidean physical geometry. It is upon this choice of method, that the qualitative superiority of my forecasting work has depended.

The working point here, is that you should not buy the proverbial “pig in a poke.” The apparent success of some forecasts, is no indication that that forecaster will also be successful on another occasion. Nor can you judge economists simply by their reputations among their peers, nor by the positions they occupy, or awards they have won. Most Nobel Prize economists, for example, never gained the prize until they, such as Professor Milton Friedman, had caused a few terrible catastrophes. The competence of an economic forecaster lies, first of all, in his choice of method. My own work should not be treated as an exception to the rule. Therefore, a few summary points are added to this report, as a guide to better understanding of the record of success shown by the accompanying chronicle of my forecasting.

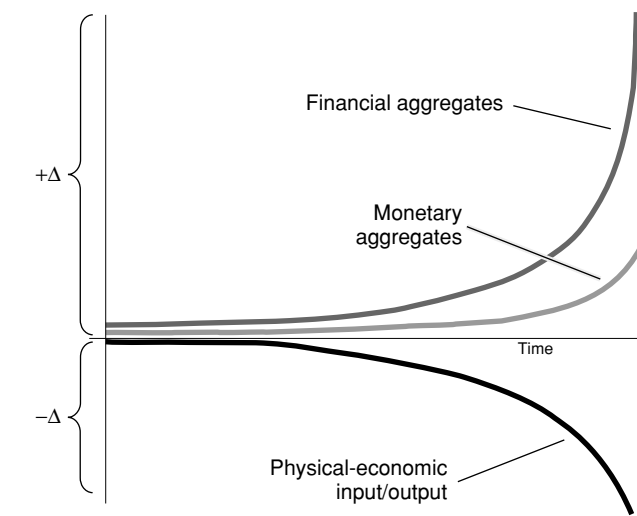
The most critical fallacy common to each and all of the competing varieties of economics generally taught in university textbooks and classrooms, is that their mathematical models prohibit attention to the one factor which is decisive in determining whether or not an economy works: the development of the cognitive powers of the individual person, whether as a farmer or industrial operative, a science-related professional, or an administrator. On this account, there is no axiomatic difference among Adam Smith, John Stuart Mill, and Karl Marx. This is the great, common, axiomatic absurdity characteristic of virtually every generally accepted variety of economics taught in universities, and displayed in professional papers, today.

The individual personality’s cognitive powers of reason are the primary factor in two most notable, distinct aspects of the productive process.

On the one side, the mind of the operative, whose technological potential for increased productivity depends upon his, or her development of those cognitive processes, as through public education, to the effect of being able to assimilate, rather rapidly, and efficiently, with innovative comprehension, technological and related changes in the design of prod-

FIGURE 1

A typical collapse function



uct and characteristics of the productive process otherwise.

On the other side, in administration, current policies, to the degree they deserve the dignity of the name “policy,” as distinct from individuals’ caprices, correspond to theorems. Like the theorems of a formal geometry, they rest upon the influence of certain underlying, axiom-like assumptions. These assumptions are efficient in effecting choices of theorem, whether or not the decision-maker is aware that such assumptions exist.

The first step in competent economic forecasting, is to adduce the efficiently operative, underlying assumptions, which correspond to the patterns of policy-decision in force. The next step, is to understand these connections, to such effect, that if one or more of these assumptions were to be changed, that change would be reflected as a different pattern of policy-shaping, than prior to such a change. If we take into account the calculable, cumulative effects of such changes in policy-shaping, over time, we are able to forecast with useful accuracy, what future changes in the economic process are likely, if a certain change in axiomatic assumption were not introduced to prevent such an outcome.

The “trick” in such forecasting, is to begin by putting to one side financial and monetary processes as such, to concentrate, as Leibniz did in founding economic science, on physical economy. Treat economic processes in their respect as an efficient interrelationship between man and nature. Then, examine the way in which certain types of financial and monetary policy regulate the decision-making processes regulating the economic side of man’s interaction with nature.

Finally, as a matter of prefacing the following chronicle, consider my use of what I named “The Triple Curve Function” (Figure 1). For the purpose of presenting the factors of relative timing in respect to the currently ongoing series of financial crises, I asked that attention be focussed upon the pres-

ently operative form of interdependency among hyperbolic growth of the financial bubble's nominal values, relative to the increase of monetary circulation required to sustain that bubble. I asked that we examine the interdependency of that financial-monetary coupling, with the looting of the physical economy required to support the monetary expansion needed to support the financial bubble. That shows, in functional terms, not only why the present international financial and monetary system is inevitably doomed; it also shows that we are already in the vicinity of those parts of the three curves, at which the present financial-monetary process is virtually discontinuous, that the entire system is overripe to go all the way down, right now. There is very little time to waste, before taking the necessary political actions.

On that basis, without requiring any additional information, I know, with certainty, that the international financial system, with its attached leading banks, is already hopelessly bankrupt.

A Timeline

LaRouche's warnings on financial crisis, 1991-97

1991

Nov. 9: Lyndon LaRouche, issues his "Eighth Forecast," on "Biggest Financial Mudslide of the 20th Century": "At the moment at which I speak, we're standing at the brink of the biggest financial mudslide of the 20th century. . . . We are facing the wipeout, the breakdown, of the entire postwar international financial system—the Anglo-American financial system. . . . To have a recovery of the U.S. economy from the present depression—a depression in jobs, a depression in infrastructure, a depression in farms, a depression in manufacturing—we must fund large-scale projects—water projects; power generation and distribution projects; transportation projects, especially in rails and repairing breaking-down bridges, and some urban infrastructure, which must be repaired if the economy is to function. We must repair our school system; we must repair our medical supply system. We can talk about health insurance all we want to, but if there are no facilities to supply that aid, the health insurance policy is not worth much without the care to back it up. . . . That means scrapping the kind of central banking system we associate with the Bank of London or the Federal Reserve System. . . . We must recognize that there is a power in this universe which is higher and greater than any jumped-up bunch of people who think, because they're wealthy families with big foundations and trusts, that they are the gods of Olympus."

Nov. 23: LaRouche, "The Great Mud-Slide Is On," radio actuality: "Many people have been looking for a definitive one-day, two-day, three-day financial crash, perhaps on the markets. . . . What they are seeing is something a bit different. What they are seeing is the great mud-slide of 1991. By mud-slide, I refer by comparison to the eruption of, say, a Hawaiian-style volcano. The mud comes sliding down inch by inch, hour by hour, approaching the villages and the sea. . . . So, down and down and down we go—not all at once, but day by day, hour by hour, inch by inch, the Great Mud-Slide that carries the United States into a financial collapse and depression far worse than anything in the 1930s, is now on full tilt."

Dec. 6: LaRouche, *EIR*. Transcript of Nov 21 message to conference in Berlin: "If the past 25 years' current trends in economic and related policy-making continue to be supported or are even tolerated by nations such as those represented here today, we must foresee a vast depopulation of this planet."

Dec. 7: LaRouche campaign radio actuality: "The U.S. entered a new down-slide in October and November of 1989. . . . [It] continued into approximately the summer of 1990, to the point that, into the fall of 1990, George Bush's popularity was sinking because of problems of the economy. You remember that? Now, how did we get out of the so-called recession? We didn't! We had a big distraction from the recession, which was called the war with Iraq, the Gulf War. . . . [People say,] 'Well, the recovery is a bit slow.' But like Bram Stoker's Dracula, the recovery was a piece of fiction. The recovery never occurred."

1992

Feb. 14: "LaRouche on TV: Voters Listened to the Wrong People," *EIR*. LaRouche Presidential campaign TV broadcast, responding to President Bush's State of the Union address. "As long as the United States insists on subjecting the rest of the world to that crazy fascist Milton Friedman's idea of free trade, the United States itself has no chance of recovery."

March 6: LaRouche, "The Anglo-American Versailles Order Has Wrought Its Own Self-Destruction," *EIR*. Message to Feb. 22 Chicago conference: "We are headed into what is already the worst economic depression which the United States has experienced in the 20th century; and if the policies of George Bush . . . were to be allowed to continue, prevail, we would go much deeper—much, much deeper."

March 20: LaRouche, "Reconstructing Ukraine Requires Recognition of the Enemy," *EIR*. In a March 8 interview, LaRouche points to the International Monetary Fund (IMF), Jeffrey Sachs, and "ideologues who believe in the Western, Anglo-American geopolitical view."

May 1: LaRouche, "LaRouche in '92 Campaign Sets Third National Television Broadcast," *EIR*. TV transcript. "There is no need for this depression. By a few simple actions which I would take within the hour that I were inaugurated President—and with your support to whip the majority of the Congress into line—I would set into motion the same general

economic recovery, which Roosevelt accomplished between 1939 and 1943.”

July 24: LaRouche, *EIR*. Message to May 29 conference in Cameroon. “The world is now going into, at this moment, a new phase of a general international collapse. The analogy is to the period 1933-34-35 . . . but the situation objectively, economically, physically, for virtually all nations, is far, far worse than it was during the 1930s, the great pre-World War II Depression.”

Oct. 2: LaRouche, “I Do Know How To Stop This Depression,” *EIR*. Text of Sept 20 interview on Colombia’s Radio Toledar. “The commercial banks of the United States are already bankrupt. . . . If we continue to try to maintain this bankrupt banking system, we are going to murder hundreds of millions. . . . We would collect interest payments against the lives of hundreds of millions of people.”

Nov. 20: LaRouche, “Clinton Must Take On the ‘Casino Mondiale,’” *EIR*. Nov. 10, post-election statement. “The problem is not the [budget] deficit nor even the size of the federal debt. . . . [The problem is] the biggest international financial bubble in world history. That bubble is what is crushing the U.S. economy and the people, not the debt, and not the federal deficit.”

1993

March 9: LaRouche on derivatives bubble danger, proposes a tax (0.1% on the face value of each transaction). “Some form of nominal, but otherwise significant, universal tax must be placed on individual derivative transactions, not only in the U.S., but abroad. The included purpose of this taxation is not merely to derive a new source of revenue . . . but also to bring into the light of day, under penalties of law for non-payment of this tax, the magnitude and structure of a derivatives bubble as a whole. . . . [The derivative bubble] is a financial bubble in the tradition of the more primitive, more rudimentary, and far less dangerous bubbles of the 18th century, such as the John Law bubble in France, and the South Sea Island bubble. . . . This is a John Law Bubble gone mad. The vulnerability to the entire financial system, the chaos and destruction of actual physical processes of production, distribution, employment, and so forth is of incalculable potential.”

May 23: LaRouche on derivatives markets: “If you were a visitor from another solar system looking at Earth and looking at the situation here, and taking into account derivatives, would you advise anyone to invest in this planet? . . . No. . . . The fact that they *are* tolerated in the way they are tolerated, in the way they are discussed in the financial community, indicates that *no one in their right mind* would invest in this planet, as long as the kind of thinking behind derivatives is hegemonic.”

July 13: LaRouche, in introduction to a *New Federalist* pamphlet, “Tax Derivatives Speculation/Pop the Financial Bubble, Rebuild the World Economy”: “It were important at times to approach important political questions such as the

issue of derivatives with a thought borrowed from Classical literature. I recommend for this purpose a reference to Scotland’s famous poet, Robbie Burns, who, with his poem on the subject of ‘On Seeing a Louse On a Woman’s Bonnet in Church’ on Sunday, presumably, in which he says, at the end, after describing this woman in all her grandeur, spoiled by this louse of which she’s unsuspecting, ‘Oh, to see ourselves as others see us!’ . . . Derivatives are an investment in something for which there is really no security, which takes wealth—money in the form of wealth—out of the productive and trading process, and never puts anything back in. What we have, is the prospect of a derivatives bubble which grows like a cancer at the expense of its host, and shrinks its host at the same time that its appetite upon whose satisfaction it depends for its existence is growing while the means of satisfying that appetite are collapsing.”

Nov. 17: LaRouche, “EIR Talks” radio interview. Comments on criticisms made by Maurice Allais, Nobel Prize-winning economist in France, on global speculation and free trade, and on the invalid thinking in a recent OECD/World Bank report using the “RUNS” computer model). LaRouche: “The French are concerned, because they recognize that unless this policy of free trade in this form is stopped, the world economy is going to collapse. Allais is saying, that’s not surprising. Governments are being advised by this OECD/World Bank RUNS report, and the people who are behind this are completely incompetent. . . . What Allais picks up on, is the obvious fact, that all of the assumptions in the von Neumann model, but more radically in this OECD model, are incompetent. For example, the absolute cost, the natural cost of producing things, of producing skilled labor, of developing infrastructure to create workplaces—all of these kinds of things are completely ignored in this model. This is a result of carrying to a radical extreme, the absurdities of von Neumann’s influence. . . .

“These economists and others who support this stuff, have *absolutely no competence* in the most elementary aspects of economic science. . . . It’s the kind of thing which we put people like Michael Milken and Ivan Boesky in prison for—or perhaps even worse. And this is being pushed by the OECD and World Bank, and being used by the U.S. government to shape its GATT and its NAFTA policies.”

1994

Jan. 1: LaRouche, “The Breakdown of the Elites and the Economic Crisis,” *EIR*. A conference speech, Dec. 9, 1993, in Kiedrich, Germany. “I wish to address you on the subject of the breakdown of the elites, with special focus upon two things: the international financial monetary breakdown crisis in progress, and the relationship of this intellectual and moral collapse of the majority of the elites of most leading nations, relative to the current crisis in Russia, and the former Warsaw Pact/former Soviet Union.” *EIR* also runs a 15-page review, on “The 30-Year Breakdown of the U.S. Economy” (1967-90).

Jan. 7: LaRouche, “Sovereignty of Nation-States Coheres

with Natural Law,” interview in *Hrvatski Rukopis (Croatian Handwritings)*. *EIR*, Jan. 28. Stresses bringing economic justice to nations.

Jan. 10: LaRouche, “To Russian Leaders,” letter, dated Dec. 5, 1993, published in the Moscow weekly *Oppozitsiya* (circulation 20,000); in *EIR*, Jan. 28. Reviews declining physical conditions of the planet (nutrition, shelter, health care, water, energy, etc.), and axiomatics of policymaking needed to change course.

Jan. 28: LaRouche, “The Failure of Communist Economics,” a memorandum issued on Jan. 8. Covers alternatives available to Russia.

Feb. 25: LaRouche, “Physical Economy Is the Basis of Human Knowledge,” *EIR*. Part I of a series titled, “The Science of Physical Economy as the Platonic Epistemological Basis for All Branches of Human Knowledge.” Writes LaRouche, “The only important economic policy-question confronting really intelligent thinkers is: This financial system is doomed; can we put a new, healthy economic system into place in time to prevent the political disintegration of our nations which must tend to occur in the wake of the financial avalanche about the crush the world?”

March 4: LaRouche, *EIR*, Part II of the series.

March 11: LaRouche, *EIR*, Part III of the series.

April 22: LaRouche, “A Science-Driver Program to End Russia’s Depression,” *EIR*. Outline of the conceptual framework for a Russian recovery program.

May 13: LaRouche, “Solving Russia’s Economic Crisis: a Question of Scientific Method,” *EIR*. A speech by LaRouche in Moscow on April 25, to a seminar at the Economics Academy of the Russian Federation Ministry of Economics. Introduced by Academician V.K. Senchagov, member of the Academy of Natural Sciences and rector of the Economics Academy. LaRouche: “What we are facing is not a cyclical collapse, but a systemic one. What is going to happen, without question, is a general total breakdown collapse of the global financial and monetary system. One cannot say exactly when the breakdown will occur; but it will be a breakdown. We will see a lot of collapse leading eventually to a complete breakdown of the monetary and financial systems of the world.”

May 20: LaRouche, “Economic Reform Is a Question of Political Will,” *EIR*. On a May 10 radio interview, when asked about comments in the French press by Nobel Prize-winning economist Maurice Allais, attacking speculation, LaRouche: “As far as he goes, Maurice Allais should be considered the only sane man who ever won a Nobel Prize in economics. He is one of the leading economists in the world today. What he is saying about the [speculative financial] bubble and the “Casino Royale” kind of economy, as far as he goes, is absolutely accurate; and people who are not paying attention to him, who don’t believe in his credibility in these matters, are behaving foolishly.”

June 3: “LaRouche defines policy role after his Moscow Visit,” *EIR*. LaRouche’s report-back to a May 23 Washington, D.C. event. “Have no doubt that the present global financial

and monetary system is not only going to collapse, but is going to go into an absolute breakdown collapse, *unless* (which is very unlikely) various governments, including the U.S. government, were to put the present monetary system into bankruptcy. . . . Therefore intelligent governments will consider nothing serious, except to make preparations for this collapse and to organize quickly a recovery of a new financial system and a new monetary order the instant the collapse occurs.”

June 10: “LaRouche in Dialogue with Russian Science,” *EIR*. Covers exchanges in Moscow on April 28, at an Academy of Sciences seminar, where Dr. Pobisk Kuznetsov, veteran space biology scientist, hosted LaRouche for a wide-ranging discussion on method in physical sciences.

June 24: LaRouche, “The Coming Disintegration of World Financial Markets,” *EIR*. Called his “Ninth Forecast.” Poses “sanity test” for officials: “Prove conclusively that the near-term disintegration of the presently bloating bubble is unstoppable by any means alternative to governments acting to place the relevant institutions into bankruptcy reorganization.”

August: Pamphlet, “LaRouche’s Ninth Forecast: The Coming Disintegration of the Financial Markets,” issued by *New Federalist*.

Sept. 3: LaRouche, “We Must Build a Road from Hell to Purgatory,” speech given at northern Virginia conference. In *EIR*, Sept. 16. Must implement economic policies for civilization to take the road “toward Purgatory” out of the Hell of financial, cultural breakdown.

Oct. 28: LaRouche, “The Coming Fall of the House of Windsor,” introduction to *EIR Special Report*. LaRouche: “The policy-measures with the Prince [Philip, and World Wildlife Fund/House of Windsor] and his accomplices are implementing would, if allowed, reduce the population of this planet from a level of about 5.3 billion persons, to much less than 1 billion within about two generations, chiefly through the hyperbolically self-accelerating impact of famine and epidemic diseases.”

Dec. 16: LaRouche, “Organizing a Recovery from the Impending Collapse,” Washington, D.C. conference speech of Nov. 30, in *EIR*.

1995

Jan. 1: *EIR*’s 20th anniversary issue, with map inserts on LaRouche’s proposals for great infrastructure projects to rebuild the world’s productive capacity, and defeat the Conservative Revolution and its thinking.

Feb. 1: LaRouche, “EIR Talks” radio interview. “Around the world, leading people—bankers and political people—who, up until a few weeks or months ago would have either denied, or did deny, and would have rejected or even ridiculed my forecast on the present monetary situation, are now saying that the entire international monetary and financial system is in the process of disintegration.”

Feb. 17: LaRouche, “Phil Gramm’s ‘Conservative Revolution in America,’ ” *EIR*. Behind radical demagogues like



With the growth of the derivatives bubble, the world economy comes more and more to resemble a gambling casino: what Nobel Prize-winning economist Maurice Allais described as the "Casino Mondiale."

Newt Gingrich, Gramm, and Rush Limbaugh, lies the "blood in the streets" of Britain's Lord William Rees-Mogg, and the fascist Mont Pelerin Society.

Feb. 20: LaRouche's "Memorandum to Professor Taras Muranivsky," presented by LaRouche's representatives, to a special session of the Russian State Duma (parliament), convened to discuss preventing economic disintegration in Russia. "The first principle to be adduced from five centuries of modern history, is that the oligarchical model as such is the enemy to be crushed." Outlines differences in policy and effect, between the oligarchic and republican forms of society.

March 28: LaRouche, "EIR Talks": "This global financial crisis; the entire system is coming down. Argentina's going down the tubes. Chile is a different case, but it's also in trouble. Brazil is on the edge. Italy is contracting, collapsing. Spain is disintegrating financially; the government may soon fall. France: The Cr dit Lyonnais problem is *bigger* than the Barings problem, and nobody knows where the bottom is."

April 28: LaRouche, "Global Financial Crisis: 'To Be, or Not To Be,'" *EIR*. LaRouche describes the "Hamlet" problem, whereby populations and leaders choose certain doom, rather than abandon their failed axioms.

June 2: LaRouche, "The Dynamics of the Global Economic Breakdown," *EIR*. "It is impossible to represent any political-economy competently, unless every existing national economy, and also that of the world as a whole, is understood as a process of dynamic interaction among axiomatically distinct types of political-economic processes, the which are as distinct from one another as the different species which interact within a jungle habitat. The failure of financial authorities and others to comprehend this issue, is key to

the fact that governments, as well as leading monetary and financial institutions, in their blindness to this scientific issue, have mis-led the world to the very brink of the greatest economic collapse in modern history."

July 7: "LaRouche's Ninth Economic Forecast, One Year Later," *EIR*. Over the intervening months, spectacular busts include California's Orange County, Mexico, Barings—all supposedly impossible to fail.

July 28: LaRouche, "Why Most Nobel Prize Economists Are Quacks," *EIR*. LaRouche explains why the Information Theory followers of Isaac Newton, are incapable of understanding economic science.

Aug. 11: LaRouche, "Non-Newtonian Mathematics for Economists," *EIR*.

Aug. 15: LaRouche, *EIR*. "The past several months' buildup of a stampede from financial investments into hoarding of bullion, raw materials, and scarce food-supplies, signals an imminent collapse of the world financial system." In recent months, the Club of the Isles families have shifted their money out of paper, and into physical goods, in preparation for a crash.

Oct. 11: LaRouche, "The Blunder in U.S. National Security Policy," a statement outlining the fallacy of any "national security" policy, which neither recognizes, nor intervenes in, the ongoing disintegration of the global financial and monetary system.

Dec. 2: LaRouche, "We Are at the End of an Epoch," conference speech, Eltville, Germany. Uses "triple curve" collapse function (see p. 37) which shows the hyperbolic growth of financial aggregates relative to monetary aggregates, and the decline of the physical economy relative to

both, as a characteristic of a system which cannot be sustained. "We are entering a discontinuity. . . . The very fact that these ratios are changing the way they are, individually, and with respect to one another, indicates that the whole system has now reached the edge of the cliff." For civilization to survive, LaRouche said, we must "get rid of the IMF system, get rid of the monetary system, and also get rid of the characteristics of policy-making which allowed us to get into this mess 25-30 years ago. Under those conditions, the world can survive."

Dec. 4: LaRouche holds seminar with leaders from Russia and eastern Europe on the IMF-dictated economic collapse of these regions, and countermeasures. "We must work as an intelligentsia, as did Plato's Academy, to smoke out, in every area of the world, the false assumptions which are guiding people to destroy themselves."

1996

Jan. 1: "Triple Curve," *EIR*. LaRouche on "the end of an epoch," with supplemental documentation on the soaring speculative bubble; physical economic collapse.

Jan. 15: LaRouche, "Unbalanced Minds Cannot Balance the U.S. Budget," a Martin Luther King Day address on Feb. 2, *EIR*. We "can not prevent this monetary system, this financial system of this planet, in its present form, from dying soon. . . . The only practical question is, whether the nations of this planet go to disaster with the doomed financial and monetary system." So-called budget-balancing measures (Kemp-Roth, Gramm-Rudman, et. al.) only made things worse. "Phil Gramm doubled the national debt, in his effort to balance the budget. That's a case of an unbalanced mind trying to balance a budget."

Jan. 27: National TV broadcast of LaRouche Presidential campaign, on ABC, runs excerpts from his Jan. 15 Martin Luther King Day speech.

Feb. 4: LaRouche comments on Ethan B. Kapstein's piece, "Shockproof: The End of the Financial Crisis" (in the New York Council on Foreign Relations' *Foreign Affairs*, Jan./Feb.), in Feb. 16 *EIR*. LaRouche: It "will go down in the history of the arcane, as the celebrated 'Kapstein Hoax of 1996,'"

Feb. 17: LaRouche, "Overturn the Axioms that Are Leading Us to Catastrophe," Schiller Institute conference speech. "If you passed Economics 101, you are probably a member of an endangered species," LaRouche warned. "Hamlet could have saved the nation of Denmark, but he failed to do so. . . . The story is about a man who is in a position of leadership, upon whose leadership the fate of his nation depended; and he sank like a sinker, and took the nation with him, because he was a fool," LaRouche said. In *EIR*, March 1.

Feb. 23: LaRouche, "Space: the Ultimate Money Frontier," *EIR*. Economic benefits of space exploration.

March 2: Second national half-hour LaRouche Presidential campaign TV broadcast, on NBC-TV, on national economic security. Condemns Gingrich, Pennsylvania Gov. Thomas Ridge, and the Conservative Revolution crowd for

"crimes against humanity," whose budget cuts will kill people in the same way for which we tried Nazi leaders at Nuremberg. His "job," LaRouche told "EIR Talks" radio program on March 6, is to prepare the President to respond effectively to an imminent disintegration of the global financial system.

April 18: Third national LaRouche Presidential campaign TV address, on CBS, on the subject: "U.S. foreign policy as it *should* have been presented. But you never heard it this way before," on economic security.

April 24: LaRouche, in Moscow, participates in a roundtable discussion sponsored by the Institute for Socio-Political Research (ISPI) of the Russian Academy of Sciences, the Free Economic Society of Russia, and the Schiller Institute for Science and Culture. The event is chaired by Leonid Abalkin, head of the Institute of Economics of the Russian Academy of Science. *EIR* runs full transcript, May 31. Coverage also run in the May 21 *Finansovyye Izvestia*, an economics supplement to *Izvestia*, co-published by the *Financial Times* of London. The event was co-chaired by Academician Gennadi Osipov, director of the ISPI. Speakers included, Leonid Abalkin; Prof. Taras Muranivsky; Ivan Korolyov, deputy director of the Institute for the World Economy and International Relations (IMEMO) of the Russian Academy of Sciences; Vyacheslav Senchagov, director of the Banking and Financial Policy Center at the Institute of Economics, Russian Academy of Sciences; Dr. Jonathan Tennenbaum, of the Schiller Institute; Valentin Pavlov, former finance minister of the U.S.S.R. (1989-91) and former prime minister (1991); Yelena N. Viduta, of the Plekhanov Russian Economic Academy; Yuri Zabrodotsky, president of the Novoye Myshleniye Academy; Tatyana I. Koryagina, director of the independent agency, Socio-Economic Programs, Prognoses and Alternatives; L.N. Rytov, of the African Institute of the Russian Academy of Sciences.

May 16: LaRouche, "How 'Consensual Pragmatism' Ruined U.S. Policymaking," *EIR*, June 7. Report-back to Washington, D.C. seminar on Moscow trip.

May 16: LaRouche calls for the impeachment of Pennsylvania Gov. Tom Ridge, on the day that Ridge signs into law, a bill which eliminates state medical assistance to some 220,000 poor and disabled Pennsylvanians.

May 24: "The Sun Never Sets on the New British Empire," *EIR*. Commissioned by LaRouche, a study of what the neo-British Empire is. "The largest power we have to deal with, is called the British Empire . . . [which] represents about one-fifth of the world's land area; it represents about 30% of the world's population. It controls 48-50% of the world's financial turnover, including the \$3.5 trillion a day derivatives turnover. It controls the majority of the world's international trade in what are called strategic metals, such as the metals that are required for most industry. It controls the majority of the international trade in petroleum," and food, precious metals, etc.

May 31: LaRouche, "More Nobel Lies," a review of *Pragmatic Gradualism: Reform Strategy for Russia* (Mos-

cow: Economic Transition Group, August 1995).

June 2: Fourth national LaRouche Presidential campaign TV broadcast, on Fox-TV; it runs excerpts of his May 16 report-back on his trip to Moscow.

July 19: “UN ‘One World’ Fascists Plot Coup at G-7 Meeting,” *EIR*. At the June Lyons summit, “there was a tacit admission that the world financial system, in its present form, is finished, as I’ve been warning for some time. . . . This is pure hysteria, pure desperation, a last-ditch effort; it’s not going to work,” LaRouche noted in an interview with “EIR Talks” on June 26.

Aug. 9: “Phil Gramm: Not the Only Quackademic,” *EIR*. LaRouche: “Although a small minority among today’s economists is composed of both literate and insightful professionals, virtually everything taught as *principles of economics*, is an illiterate hoax.”

Aug. 16: LaRouche, “Present Problems in the Financial World and Their Importance for Countries under Transformation,” *EIR*. Speech in Slovakia, on Aug. 1. “American Sakharov Visits Slovakia,” was the headline in trade union paper, *Praca*.

Oct. 11: “IMF Admits Global Banking Crisis Is Out of Control,” *EIR*. LaRouche, Oct. 2, notes, “The entire international monetary system, through the banking system as such, is in the process of a blowout.”

Oct. 25: LaRouche, “While Monetarism Dies,” *EIR*. His preface to the Chinese translation of his book, *So, You Wish to Learn All About Economics?* Takes note of warnings of systemic bank crisis made at Sept. 28-Oct. 1 meeting of the IMF and World Bank.

Nov. 1: LaRouche, “On November 6, Reality Strikes!” *EIR*, Nov. 8. “The politicians who continue the present posture of stubbornly ignoring the reality of the onrushing financial and economic crisis, will soon be crushed, and swept aside politically, by the reality they ignore.”

Nov. 9: LaRouche addresses an FDR-PAC forum in Washington, D.C., on the theme “Managed Health Care Is a Crime Against Humanity.” Let’s call a bottle of milk, a bottle of milk, and Nazi policies, Nazi policies, LaRouche insists.

Nov. 19: LaRouche, “The Vital Issues of Statecraft Facing America in 1997,” speech to an *EIR* forum in Washington, D.C., in *EIR*, Dec. 13. “We are already in a worldwide economic depression. . . . The income and output of the U.S. economy is *half* of what it was 25 years ago. The U.S. economy has been contracting at a rate in excess of 2% a year since 1971. There has been no growth in the U.S. economy since 1970. . . . We are a junkpile.”

1997

Jan. 1: LaRouche, “Nothing Can Save the Current System,” conference address, Dec. 14, 1996, in Kiedrich, Germany. We are seeing “the collapse of the greatest financial bubble in history, the *most lunatic* financial bubble in history, sometimes referred to today as the ‘derivatives bubble.’” Once this “reverse-leverage” collapse begins, “without a

change in the system by governments, then, within a period of probably not less than three days nor more than five, *virtually every financial institution of the Americas and Europe will disintegrate, vaporize.*”

Feb. 7: LaRouche, “Return to the Machine-Tool Principle,” *EIR*. How the shift to a “post-industrial” society has devastated the world’s economy. “What is required, is a return to the policy of increasing the productive powers of labor through strategic investment in scientific and technological progress.”

Feb. 28: LaRouche call for a “War of Annihilation Against the IMF,” *EIR*. “We must engage in cooperation to rebuild this shabby planet with those nations that wish to do so. . . . To continue with the IMF policies is suicidal and criminal lunacy.”

March 14: LaRouche, “IMF Policy for Russia, Ukraine, Must Be Scrapped,” an address to a Feb. 19 FDR-PAC forum in Washington, D.C.

March 7: LaRouche, “D-Day Looms for the IMF System,” *EIR*, from Feb. 27 piece. “The reference, in the most recent issue of the Beijing publication of the Industry and Commercial Bank of China, *China Urban Finance*, to certain 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 economic circles from all continents. . . . Only a dwindling minority still refuses to acknowledge the fact, that the world’s financial system is already in the process of a global chain-reaction collapse,” LaRouche wrote.

March 21: LaRouche, “London in a Phase-Twitch,” and John Hoefle, “London Prepares for Derivatives Horror,” *EIR*. The report in the March 9 edition of the London *Sunday Telegraph*, “reflects a radical phase-shift in both the international financial situation, and also the political situation,” LaRouche wrote, in response to a *Sunday Telegraph* piece entitled, “The \$55 Trillion Horror Story.”

April 4: LaRouche, “Treat the Patient, Not the Disease,” an *EIR* editorial. “The disease is the present international monetary and financial system.”

April 18: LaRouche, “The ‘Baby Boomers’ Sink the Lifeboat,” *EIR*. How Baby Boomers’ moral and cultural disintegration has rendered them unable to intervene to save themselves and the world. *EIR* also documents the hyper-instability of the U.S. stock markets, and fraud of Dow Jones Index.

April 10: LaRouche, speech in Rome, calling for New Bretton Woods conference, in *EIR*, April 25.

May 16: LaRouche, “Toward China’s 21st-Century Economy,” *EIR*. Written April 30. “The remaining options for escaping the approaching doom of our civilization are reduced, essentially, to the issue of certain forms of cooperation between the President of the U.S.A. and the government of China.”

French electorate demands change: Will Jospin deliver?

by Christine Bierre

As expected, the second round of the French legislative elections held on June 1 was a smashing defeat for President Jacques Chirac's conservative majority, which lost to the left-wing coalition headed by Socialist Party candidate Lionel Jospin. The left obtained 319 out of 577 seats, with 289 seats being required for an absolute majority.

The defeat for Chirac and his prime minister, Alain Juppé, was not only severe; it was a fiasco. This is the first time since Gen. Charles de Gaulle created the Fifth Republic, that a parliamentary majority has been defeated after a dissolution of the National Assembly by the President himself; it is the first time that a majority has been overturned only two years after the President was elected.

The message addressed by the voters to Chirac is unequivocal. First of all, as *Libération* editor Serge July wrote after the first round of the elections on May 25, paraphrasing Abraham Lincoln: "One can lie to one person once, one can lie to some people all the time, but one cannot lie to everybody all the time"! Indeed one of the major reasons for Chirac's defeat was his betrayal of his own program during his campaign for the Presidency, in which he promised to fight against the social dislocation in the country—only to shift to a brutal austerity policy in October 1995. After lying to the voters once, Chirac and Juppé attempted to trick people into voting for them again, by advancing the legislative elections by one year, knowing full well that economic conditions would be so much worse by 1998, that they would not stand a chance of getting re-elected then.

Beyond feeling cheated, the electorate also rejected the specific policies of the government. One of the official reasons for calling these elections, after all, was that Chirac and Juppé wanted to have the backing in Parliament to shift toward an

even more stringent neo-liberal, free-market economic policy, not having any moral qualms about imposing more austerity on the citizenry, in order to bring France into line with the Maastricht Treaty's convergence criteria (see article, p. 4). The right-wing majority campaigned primarily against what they called the "archaic" nature of the left-wing coalition's defense of French republican values, in favor of strong state intervention in the economy. Chirac et al. called for a more "modern" France, better able to compete in the jungle of a globalized world, with a downsized, streamlined state.

The new coalition's official program

Even though there are many indications that the electorate voted not so much in favor of the left-wing coalition, as against those in power, nevertheless the left did manage to communicate something in the direction of that lost "Gaullism" that every Frenchman secretly desires.

First of all, there is the personality of Lionel Jospin himself. Along with former Defense Minister Jean Pierre Chevènement, who dumped former Socialist President François Mitterrand in protest against the Gulf War, Jospin is the only other leader of the Socialist Party to have quit his ministry in opposition to Mitterrand. Since then, he has been critical of the rampant corruption of the Mitterrand years, and has staged a comeback as a person of integrity, committed to reintroducing principles to the Socialist Party. The son of a socialist teacher in the public school system, Jospin studied at the Institute of Political Sciences and the National School of Administration. He had a short career at the Foreign Affairs Ministry, which he abandoned after the May 1968 revolts. He later became a teacher at a public technical university in the Paris region.

The Socialist Party platform, published some months ago, represents, despite serious shortcomings, a certain attempt to defend elements of France's traditionally dirigistic economy. It calls for stronger state intervention in the economy, plus 1) an increase in wages in order to promote a consumer boom; 2) free health care for the poorest; 3) creation of 700,000 jobs for young unemployed; 4) reduction of the value added tax, which hits the whole population hard, decreasing consumption; and 5) raising taxes on financial instruments and speculation.

Jospin committed himself to stopping the privatization of key public sector companies, including the telecommunications firm France Telecom and the defense and electronics giant Thomson CSF, both of which are on the verge of being privatized. During the election campaign, he promised he would force the Renault leadership to keep the Vilvoorde facilities open.

The Socialist Party, however, is not proposing what is necessary to realize such policies. During the campaign, Jospin promised he would scrap the Maastricht Treaty's European Monetary Union Stability Pact. His platform also calls for certain conditions before continuing with Maastricht: 1) no further austerity; 2) the creation of a political European committee to control the European Central Bank; 3) a euro (currency) not overvalued relative to the dollar; and 4) Italy, Spain, and Britain may join the EMU if they choose to do so. Thus, the program does not reject the Maastricht Treaty as a whole.

Even worse, the concessions made by the Socialists to the Green Party prior to the election, which bound both parties, show that the coalition has no understanding of the link between technology and the necessary relaunching of the economy. Both parties decided on a construction freeze on new nuclear power plants until the year 2002; on the closing down of the Superphénix reprocessing facilities; and on stopping the construction of the Rhine-Rhône Canal.

The new cabinet

The new government named by Jospin on June 4 represents all the various currents and commitments of the new coalition: the Communists, who gained 39 seats in the elections, have two ministers and one secretary of state; the Greens and the Chevènement movement, who elected seven deputies each, are each represented by one minister.

The two most important ministries have gone to **Martine Aubry**, minister of economic and social affairs (number two in the government), and to **Dominique Strauss-Kahn**, the author of the Socialist Party program, who becomes minister of economics and finance. Scientist **Claude Allègre**, a close friend of Jospin, becomes the head of a super-ministry including Education, Research, and Industry. The Communists, who are strong supporters of large-scale national infrastructure projects, get the Ministry of Equipment and Public Transport. The Green Party's **Dominique Voynet** becomes minis-

ter of the environment and national organization, while **Jean Pierre Chevènement** has been named to the sensitive Ministry of Interior.

Very few Mitterrandians have made it into the government, with the great exception of **Hubert Vedrine**, who becomes foreign affairs minister. Vedrine, who held key positions at the Elysée Presidential palace during Mitterrand's two terms, and who developed a good relationship with Germany's Chancellor Helmut Kohl, will be key in the upcoming negotiations on Maastricht.

No respite

The question on everybody's mind now is, "Will the new Socialist government betray us, just like the others did?" The main actors in this new government are fully convinced that, were they not to fulfill their promises, the electorate will boot them out even faster than they booted out Juppé. Serge July of *Libération* was again on the mark when he wrote on June 2 that "the extent of the rejection of the right wing, only two years after Jacques Chirac's triumph, has the value of a staggering warning; there will be no state of grace, nor tolerance, nor respite for the Socialists; only a terrifying demand."

Jospin has promised to defend living standards and create new jobs. The only way he can do that, is by taking on the financial markets and the Maastricht Treaty. If he doesn't, whatever his intentions might have been, he will end up as the Tony Blair of France, the one brought to power to make brutal austerity measures more palatable to the population. If Jospin betrays his promises, the likelihood is great that Frenchmen will take to the streets, leading into a period of chaos. This fits exactly with the calculations of extreme right-wing xenophobic leader Jean Marie Le Pen, who, in this campaign, deliberately played the spoiler against the right wing, and favored the victory of the left wing.

The first sign of what Jospin will be able and willing to do will come at the June 16-17 Amsterdam summit of the European Union. Jospin has stated several times that he would, at the summit, promote the revival of the infrastructural projects of former European Commission head Jacques Delors. He also stated categorically that he would go against the Maastricht Stability Pact. If Jospin does not fulfill his promises, a political crisis will break out in the autumn. But if Jospin sticks to his guns, it is the calendar of the euro which will be put into question, and the road opened for a full renegotiation of the treaty. The fact that staunch opponents of Maastricht like Chevènement are part of the government, as well as the fact that the Communist Party, equally anti-Maastricht, obtained 39 seats in the National Assembly, improve the chances that Jospin will take on the treaty. In order to do so, Jospin, known as a sober and modest Protestant, will have to inspire himself with that quality which de Gaulle called "character," which enables the leader to develop courage and will to break with established rules and powers, to act for the benefit of one's nation and humanity as a whole.

China proposes 'just world order' to Africa

by Mary Burdman

The May 5-14 African tour of Chinese Prime Minister Li Peng, was the most recent effort of China to carry out its policy to build a "just and rational" new world order. Li Peng's tour to Zambia, Mozambique, Gabon, Cameroon, Nigeria, and Tanzania, follows just one year after China's President Jiang Zemin spent two weeks touring Africa nations, including Kenya, Ethiopia, Mali, Namibia, Zimbabwe, and Egypt.

The policy which Jiang Zemin described in his address to the Organization of African Unity (OAU) in Addis Ababa in May 1996, "to establish at an early date a just and equitable new international political and economic order," was reiterated during Li Peng's recent visit. This is more than just rhetoric. China is unique, as African leaders have told *EIR*, in that it is actually *building* on the continent.

Modern Chinese-African relations have a 30-year history. Between December 1963 and January 1964, Prime Minister Zhou Enlai toured 10 African nations. Li Peng's recent visit was his fourth, and many other Chinese leaders have visited Africa. More than 100 leaders from over 50 African countries have visited China.

That China's policy is to build, is demonstrated by the composition of the delegation that accompanied Li Peng. They included, in addition to his wife Zhu Lin, Minister in Charge of the State Commission for Economic Restructuring Li Tieying, Railways Minister Han Zhubin, Foreign Trade and Economic Cooperation Minister Wu Yi, Director of the Foreign Affairs Office of the State Council Liu Huaqiu, Director of the State Council Research Office Wang Mengkui, General Manager of China National Petroleum Corp. Zhou Yongkang, and others.

While official coverage of the discussions during Li Peng's tour did not focus on the ongoing catastrophe in the Great Lakes region, the question arose during his meeting with Nigerian Head of State Gen. Sani Abacha in Abuja on May 12. The two leaders "deplored the state of instability and insecurity in Africa brought about by civil wars and conflicts," the Chinese news agency Xinhua reported. "They, however, commended the initiatives of African leaders to mediate the crisis in Liberia and in the Great Lakes region of Africa."

In this, the Chinese government is adhering to its policy of political non-interference in the internal affairs of other nations. But China *is* intervening, in its characteristic way:

by stressing the importance of economic development for the nations of the Third World.

This view was described by China's leader Deng Xiaoping in a discussion with Brazil's President João Baptista de Oliveira Figueiredo in May 1984: "Among a host of problems in the present-day world, two especially stand out: One is the problem of peace. . . . The other is the North-South problem. . . . The developed countries are getting richer and richer, while the developing countries are getting relatively poorer and poorer. If the North-South problem is not solved, it will hinder the development of the world economy." North-South dialogue is "not enough," Deng said; "cooperation among Third World countries . . . should be stepped up as well. . . . The developed economies should appreciate that greater development of their economies is impossible without growth in the economies of Third World countries." Deng also stressed the importance of stability—a vital question for war-torn Africa—to foster economic development.

He told Indian Prime Minister Rajiv Gandhi in December 1988, that the "North-South question . . . is only a question of development. . . . We should look at this problem in terms of the development of mankind as a whole. . . . Two things have to be done at the same time. One is to establish a new international political order; the other is to establish a new international economic order." China understands the urgency of the question, Deng said. "Because of mistakes made in the past, especially during the 'Cultural Revolution,' we have wasted about 20 years when we could have been building the country."

No peace without African development

On May 13, 1996, Chinese President Jiang addressed the OAU in Addis Ababa. He outlined five proposals on Sino-African relations. China and Africa must, he said, become each others' "all-weather friend." "China steadfastly supports African countries in their efforts for economic development, and will continue to provide, within its own means, government assistance to them with no strings attached," Jiang said. Both sides must treat each other as equals, and seek common development on the basis of mutual benefit. China and Africa must look toward the future and "create a more splendid world." But, he warned, a peaceful and prosperous world will "only be an illusion," if a stable and economically developed Africa cannot be ensured. But Africa is hindered "due to a weak economic base caused by hundreds of years of colonial exploitation and the unjust and inequitable international economic order left over from the past."

Li Peng announced in Beijing on April 21, to a group of African ambassadors, that his tour was to follow up what Jiang Zemin had initiated, and look for new channels of economic and trade cooperation. "The peace and prosperity of the world requires the stability and development of Africa, and any opinion or action to neglect Africa is wrong," Li Peng said. He also expressed appreciation for the support of African

nations, in helping stop a motion by some Western nations condemning alleged Chinese human rights violations, at the just-ended UN Commission on Human Rights in Geneva.

Li Peng's official visit started in Zambia and ended in Tanzania, the two countries connected by the 1,900-kilometer railway built by the Chinese.

In Mozambique on May 7, Li Peng said that the sustained development of the world is inseparable from the progress of Africa. Mozambique, a former colony of Portugal, suffered decades of civil war. President Joaquim Alberto Chissano greeted Li Peng's "historic mission" to renew bilateral cooperation. Africa, he said, must have economic self-emancipation, in the context of a new, just international economic order, or the African people would continue to rely on others and would still suffer from exploitation and slavery. Chissano said that China had not interrupted its aid to Mozambique, even when the country was in its most difficult times, and that Mozambique has learned from its own experience that there would be no economic development without a stable political environment.

Alternative to the 'Commonwealth Club'

Cooperation between China and Nigeria, Africa's most populous nation, is indicative of what China and other nations such as Russia and India—those which eschew the West's hideous "technological apartheid" against the developing sector—could accomplish in Africa.

Nigeria's General Abacha proposed that Nigeria and China collaborate on a socio-economic model for developing countries, during his first round of bilateral talks with Li Peng in Abuja on May 11. Thirteen Nigerian ministers participated in the discussions. Abacha called for immediate "identification of more joint venture projects in the relevant areas of technology, transport, housing, trade, investment, military, electric power development, as well as iron and steel," the Nigerian press reported.

Li Peng told Abacha that Chinese enterprises possess technology and equipment suitable for conditions in Africa, and there is great potential for launching mutually beneficial cooperation between the two countries, which have already entered into cooperation in the construction of railways, ports, and other infrastructural facilities. In the future, they can expand their cooperation, he indicated. Li Peng said China hopes that experiences could be accumulated from their mutually beneficial cooperation, to promote the establishment of a new type of economic and trade cooperation between China and other African countries.

"In 1996, the volume of annual bilateral trade reached \$320 million, up from \$212 million in 1995, and merely \$57 million in 1980," Xinhua reported on May 6. "Nigeria is now China's second largest trade partner in Africa, second only to South Africa. . . . China's reasonably priced quality exports to Nigeria, which used to be dominated by light industrial products and hardwares, have in recent years turned more and more technology-intensive. Nigeria is now one of the biggest

African markets for Chinese engineering contractors. By the end of 1996, Chinese firms had signed 101 engineering contracts with Nigeria, totaling \$758 million.

"The rehabilitation of Nigeria's 3,500 km railway lines by the China Civil Engineering Construction Corp., at a cost of \$526 million, is, so far, the biggest project that Chinese firms have ever won in Africa."

Cooperation with China also provides very important political support, as Nigerian Minister of Information and Culture Walter Ofonagaro noted on May 6. Nigeria needs the support of China for its own development, he said. His country has more than 450 varieties of minerals of commercial quantity, including coal and iron ore, while China has rich experience in mining. Other fields for cooperation include down-stream processing of minerals, textiles, electronics, high technology, energy, engineering construction, railway, agriculture, and the pharmaceutical industry.

Support from China is a real alternative to dependence on the British "Commonwealth Club," the current manifestation of the British Empire, Nigeria's former colonial master. Nigeria should have left the "Commonwealth Club" before its membership was suspended, Ofonagaro said. "The Commonwealth Club means nothing to us. We are not worried by the suspension or the deluge of attacks and sanctions from the Anglo-Saxon and Roman countries. We can't be pushed around by anyone nor be subjected to neo-colonial imperialism. The sooner the West reverses the current trend the better for them, because we are moving to China and other nations for support which we are getting well."

A commentary in the Chinese press on May 14, noted the shift in focus of Chinese economic relations with Africa. Western nations now dominate Africa's imports, with \$200 billion of imports to Africa annually, while China's imports are worth only \$4 billion, or 2% of the market. While China will continue giving economic aid, its scope will be very small. China's policy now is to focus on mutually beneficial economic cooperation, including joint resource development and establishing joint-venture enterprises, including to produce locally needed products.

In his visit to Tanzania, Li Peng said in Dar es Salaam on May 13, that while he was deeply impressed by the rich resources of the African continent and by the diligence of the African people, Africa is still facing poverty and underdevelopment, the result of the longtime colonialism and the unjust and inequitable international order. Tanzania President Benjamin Mkapa said that the major concern of African countries at present is the question of self-reliance and continuous progress, as the only means of liberating themselves economically.

The Tanzania-Zambia railway has been playing an active role in the economic development of the two countries, Li Peng said. Among other agreements, China granted Tanzania a 7.26 billion shilling, interest-free loan to assist the Tanzania-Zambia Railroad Authority, and both leaders stated the need for better cooperation among Tanzania, Zambia, and China to improve the functioning of the railroad.

A look at the expansion of NATO from a Polish perspective

by Jozef Pawelec

The author is a retired colonel of the Polish Army. He served as a deputy in the Polish parliament after 1989. He is currently a professor at the Radom Polytechnic Institute.

According to the assumptions of Western politicians, expansion of NATO is meant to guarantee stability in Europe and the world. The Poles expect from this absolute security and independence from Russia, which was an aggressor and an oppressor for ages. In this country on the Vistula River, expansion of NATO is treated as an historic moment—a kind of salvation from the East by the West, which should be taken advantage of as soon as possible.

It would be rather tactless to dismiss *a priori* an opinion of otherwise distinguished politicians; however, one has to admit that, except for appeals for Polish membership in NATO, which are repeated in the mass media on a daily basis, Polish public opinion has not seen a deeper analysis of what joining NATO will bring: what we will lose, and how much we are going to pay for it. It is therefore necessary to point out at least some of the negative consequences of this process.

First, NATO expansion has not yet been decided. Not only because of Russia, but also because of what the parliaments of many countries (such as Norway, Turkey, Italy, Greece, France, and others) may say about this matter. Americans are not eager to strengthen foreign armies with American money, either. What will happen, if the plan does not go through? The feeling of betrayal by the West will linger forever, any relations with Russia will be interrupted *a priori*, including in the field of economics, and the situation in the West will not be easy to define. We will be left out in the cold, to say the least.

Let us assume, however, that the process will have “a happy ending.” What is awaiting us in such an event? First of all, an increase in arms spending. The RAND Corp. estimated that including the Vyshehrad group (Poland, Hungary, and the Czech Republic) in NATO will require over \$100 billion in additional costs. This is unquestionable. We have experience in this matter from the Warsaw Pact. We will have to standardize, that is, exchange, practically all the equipment in all the armies of the new members (calibers, codes, and other systems of the Warsaw Pact countries are totally different from those of NATO). The chairman of the U.S. Senate Armed Services

Committee announced on Polish television that our defense budget will be determined by NATO according to the needs of the NATO alliance. We know these needs; for example, France’s budget is 250 billion francs (about \$50 billion). Taking only one-tenth of this amount, we obtain 15 billion zloty, which means two times more than we spend now.

Some say that the money would have to be spent anyway, because after 20 years, one has to exchange equipment, with or without joining NATO. Agreed. But without NATO requirements, some of the equipment can be produced by Polish industry, the process of modernization can be stretched out over time, and the conditions of purchasing what is necessary to acquire from abroad can be negotiated with preferred partners. Moreover, it is not always the most expensive equipment that turns out to be operationally the best: The Vietnamese used difficult terrain to their advantage; simple hand-held anti-aircraft missiles were used effectively in Afghanistan; and the Chechens used mines.

Perturbations in science and elsewhere

If Poland joins NATO, those choices will not be available, and at the same time it will face certain unpleasant consequences, such as the wave of unemployment which would result from laying people off in military industry, as well as, for example, serious perturbations in Polish science. This is because projects developed for military purposes have been always of the highest quality. They become a locomotive for science, especially in physics, electronics, chemistry, and so on. The history of the last century clearly illustrates this point. All important innovations that humanity has come up with were a result of military competition, i.e., arms races: the automobile, the airplane, radio, the computer, satellites, the laser, and others. Nobody is taking this into account in Poland.

Journalists and President Aleksander Kwasniewski, as if in a race, hurry to repeat the same song: NATO, Western structures, only the future counts—there is no past. Those who can think straight will never say that the past does not count. On the contrary, those who lose their memory, lose guidance for their future. If Poland were a rich country, joining NATO would not be so costly for everyone. We are, however, very poor, which means that even buying one modern

fighter (which costs about \$50 million) constitutes a considerable expenditure. This is a serious problem which should be discussed before Poland joins NATO. Unfortunately, this is not being done.

What are other possible consequences of joining NATO? There are plenty. Poland will become one big battlefield. One can see it already now. We have not yet managed to clean up our military training grounds since the Red Army left, but we already have new “garbage.” The fact that Belarus complained about electronic surveillance is not completely without grounds. If nuclear weapons are stationed in Poland, the situation may become really hot (the Russia-NATO agreement doesn’t exclude that). It is quite possible that the Kaliningrad corridor will become a *casus belli*, and Russian missiles will target Polish cities. Then some people will wake up and ask, “Did we really need it?” but it will be too late.

Need for other alliances

It is interesting that our northern neighbors, i.e., Finland and Sweden, are not rushing to make such moves, and their attitude toward NATO should be taken into consideration because they are in a strategic situation similar to our own. (Their economic situation is, of course, much better.) The Swedes do not shy away from openly criticizing NATO as an outmoded creature of the Cold War period. They think that today we need other kinds of alliances, based on a local scale. The example of NATO’s helplessness in the face of the war in former Yugoslavia shows that their thinking is quite correct.

Everybody knows in what circumstances NATO was established and against whom. It is mainly an American creation (the United States and Canada bear almost two-thirds of its expenditures), whose goal is to protect American interests in the world (for example, the Persian Gulf War, local conflicts, Santo Domingo). Why should relatively small and poor Poland care about that? Some may say, “The United States is going to help us.” I doubt it. They have had a few occasions to do that, and, unfortunately, we know what happened. Global interests are always a priority. For example, an international campaign, staged from U.S. territory, to present Poland as a country which persecutes Jews, is very harmful to us. At times, it is really frightening to see that our naïveté, going back to habits from communist times, makes us believe that through establishing contacts with rich Uncle Sam and propitiating him, one can accomplish God knows what.

Economics and security

The Swedes have a rather different policy. They think, for example, that to secure peace in the contemporary world, one cannot push for a confrontation between a rich West and a poor East. In the interest of rich countries themselves, the direction should be completely opposite and aim at helping countries which are poor and find themselves in very unfortunate conditions, such as Russia. Russia has a very high mortality rate, and has fallen behind in all the other parameters

TABLE 1
Russia at the red line

Indices	Threshold value	Existing in Russia
I. Economic		
1. Decline of GNP from starting level	30-40%	>50%
2. Level of food dependency (% of food imported)	30-35%	50%
3. Funds for science (% of GNP)	2%	0.32%
II. Social		
1. Ratio of income of richest 10% to poorest 10%	10:1	15:1
2. Number of crimes (per 100,000 population)	5	6
3. Level of depopulation (ratio of births to deaths)	50:50	50:63
4. Number of mental pathologies (per 100,000 population)	284	280
III. Political		
1. Level of legitimacy (% of citizens not trusting central government)	40%	60-65%

We reprint this table, which was prepared for “The Path of Russian Reforms,” Working Paper WP/96/014, by the Central Economics and Mathematical Institute of the Russian Academy of Sciences (see EIR Feb. 21, 1997).

defining a secure country (**Table 1**). If this situation is not stabilized from the inside (with the help of the West), all outside “threats” can lead to unpredictable consequences. The policy of NATO expansion is a sure way to bring about such consequences.

It is said sometimes that the process of NATO expansion is not directed against Russia. Perhaps, but then, what security is the alliance supposed to guarantee, and against whom? The answers to that are rather enigmatic — some talk about Muslims, some about unforeseeable conflict, and so on. For Poland, an imposed “friendship” with Russia was a nightmare, but it is a big neighbor and it played also some positive role: It guaranteed that the western regions of Poland would stay within its borders. If Poland joins NATO, we will not only lose those guarantees, but also wake up a proverbial sleeping dog. Already now, Opole Silesia is in turmoil, and all kinds of Euro-regions along Poland’s western border are popping up like mushrooms after a rain. Interestingly, those regions have quite long extensions to the east. The long-term consequences of this process are easy to foresee, considering the differences between the economic levels of both sides. We are supposedly only dealing with a symbolic obliteration of borders within a

united Europe. But much more is at stake—there is a danger that the stronger will dominate the weaker, and that national existence and culture will be destroyed.

Although politicians may voice honest intentions, filled with optimism, financial reality will take its course. One can observe it already now in Poland, where unemployment is approaching 15%, the Polish contribution to science and technology is practically zero, and the trade deficit has reached overwhelming volumes (in 1996, it was \$12 billion, and investment goods constituted only 13% of imports; in the first quarter of 1997, the trade deficit exceeded \$3 billion). It is also symptomatic that Germany runs exceptionally heated campaigns for NATO expansion. Others, at least, have some doubts, but not Germany.

For those who think, the process of NATO expansion is either an idea coming from the devil himself, or from an intelligent spy or a traitor. That is because it is difficult to find a rational explanation for it under present peacetime conditions in the region. This statement comes from a man who served 40 years in the Polish Army under communist rule, a man who, during his entire professional life, did not join the Communist Party. Interestingly, those who were then boasting about their utmost devotion to the Soviets, now scream the loudest: Let's join NATO, as soon as possible! In civilized society, this kind of behavior is called betrayal. And perhaps, that is the key to the whole matter.

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Tony Blair adopts Pilate as role model

by Mark Burdman

Amidst the millions of words, mostly of effusive praise, that have been written or spoken about British Prime Minister Tony Blair since his landslide election on May 1, very little, if any, attention has been drawn to a remarkable “profession of faith” that Blair authored last year. Entitled, “Why I Am a Christian,” it was written for the April 7, Easter Sunday issue of the London *Sunday Telegraph*. It appears as one among the Blair essays and speeches that have been compiled, in a recently released book, under the title *New Britain* (Boulder, Colorado: Westview Press, 1997. First published in London by Fourth Estate Ltd.).

While one cannot judge a newly elected leader solely on the basis of something he or she wrote before assuming the responsibility of office, still, this piece should receive close attention. It is, by Blair's avowal, meant to be a reflection of his most personal commitments and beliefs. Blair's views should be setting off alarm bells among persons of good faith, of whatever religion. It is a testament to moral jaundice and hypocrisy, as well as the kind of slavish devotion to “duty to the Empire” that suggests what policies Blair, the Queen's Privy Councillor, will be pursuing, as the loyal servant of Her Majesty's Commonwealth-centered imperium.

In the essay, Blair places himself in opposition to everything that Christianity, and the Western Judeo-Christian tradition more broadly, stands for. He gushes with sympathy for Pontius Pilate, the brutal Roman procurator of Judaea who orchestrated the “trial” of Jesus Christ and had Him crucified; Blair also bends over backwards to find something good in Judas Iscariot, the renegade who betrayed Christ for 30 pieces of silver.

‘Pilate was so nearly a good man’

The Crucifixion and Resurrection are among the most powerful episodes, and metaphors, that human civilization has ever known. Blair twists their significance, with a few strokes of the pen. “Easter,” he writes, “a time of rebirth and renewal, has a special significance for me, and, in a sense, my politics. My vision of society reflects a faith in the human spirit and its capacity to renew itself. But Easter is not only a celebration of the Resurrection; it is also a time to recall the events that led to Christ's crucifixion and what they mean.”

What is this “special significance for me”? Three of the next five paragraphs are devoted, not to Christ, but to Pontius

Pilate! He writes: “There are three parts of the Easter message—best described in St. Matthew. First there is Pontius Pilate, taking his decision as Jesus stood before him. One of the things that lends power to the Gospels is that the characters are so real. Pilate is fascinating because he is so obviously human and imperfect, torn between principle and political reality. . . .

“The intriguing thing about Pilate is the degree to which he tries to do the good thing rather than the bad. He commands our moral attention not because he was a bad man but because he was so nearly a good man. One can imagine him agonizing, seeing that Jesus had done nothing wrong, and wishing to release him. Just as easily, however, one can envisage Pilate’s advisers telling him of the risks, warning him not to cause a riot or inflame Jewish opinion. It is a timeless parable of political life.

“It is possible to view Pilate as the archetypal politician, caught on the horns of an age-old political dilemma. We know he did wrong, yet his is the struggle between what is right and what is expedient that has occurred throughout history. Should we do what appears principled or what is politically expedient? Do you apply a utilitarian test or what is morally absolute?”

What a case of spin-doctoring with the New Testament! Pilate was no “politician,” but the military ruler over a conquered population. He had no need to curry favor with his subjects; his job was to control them on behalf of the Roman Empire. Pilate is the real culprit in the story. Not only does he commit the formal act, as imperial governor, of ordering Christ’s crucifixion, which is an excruciatingly brutal form of torture and execution, but he is the orchestrator, from the beginning, of the whole affair. His greeting to Christ in the tribunal, calling him “King of the Jews,” is a calculated act, to whip up the Jewish enemies of Christ, by questioning their loyalty to the Emperor Tiberius, in raising the bogeyman that there exists a “King of the Jews.”

Using a method that the British later mastered in their own means of imperial rule, Pilate induces a selected faction of the subject Jewish population to do the dirty work, and demand Christ’s death, while he washes his hands of the whole affair. It is for this latter act, that Pontius Pilate has become a metaphor for the immoral, swinish coward, who manipulates and/or orchestrates fiendish events, but then denies all responsibility for what transpires. In the crude world of modern-day intelligence services, this is called “plausible denial.”

Faithful to Prince Philip’s forebear Tiberius

As in all great works of Western civilization, like many of Shakespeare’s plays, the “drama inside the drama” in the Gospels, is happening outside the events being chronicled. It would be no secret to any educated Christian—a category that obviously does not include the author of “Why I Am a Christian”—that Pontius Pilate was a monster, in his treatment of the Jews. This is amply documented in the writings

of Josephus and Philo Judaeus. Pilate was the appointee of the barbarous Emperor Tiberius Caesar, and was married to Tiberius’s daughter Claudia. Tiberius, a spiritual forebear of today’s hater of the monotheistic religions, Prince Philip, was a devotee of the Mithra cult on his island redoubt of Capri, who, according to various accounts, desperately wanted Jesus done away with. If one requires some proof of Tiberius’s own nature, one need only read the bloodcurdling account of the chronicler Suetonius.

True enough, there was rampant corruption, venality, and cringing cowardice among the Jewish Sadducees and Pharisees whom Christ fought, as immortalized in such stories as his war against “the money-lenders.” But even that must be tempered, by such accounts as that of the writer Josephus, in Book 11 of his *The Jewish War*, who describes Pilate launching a psychological terror operation of the type that the British must have studied well, in constructing their imperial terror in Africa, India, and other parts of the globe, in later centuries. Writes Josephus: “As procurator of Judaea, Tiberius sent Pilate, who during the night, secretly and under cover, conveyed to Jerusalem the images of Caesar, known as *signa*. When day dawned, this put the Jews into a frenzy; for those who were near were amazed at the sight, which meant that their laws had been trampled on—they do not permit any portrait-image to be set up in the city.”

Quoting Josephus’ words, Bishop Eusebius, in his *The History of the Church*, written in the 4th century A.D., adds this succinct comment: “If you compare this with the Gospel account, you will see that it was not long before they paid the penalty for the cry they uttered before Pilate himself, when they shouted that they had no other king than Caesar alone.” Eusebius notes that both Philo and Josephus chronicle that “the calamities which overtook the whole [Jewish] nation began with the time of Pilate and the crimes against the Savior.” In fact, according to Josephus, Pilate was later dismissed by the Roman imperial governor of Syria, for having ordered a massacre that defied description, in its brutality.

Existentialism, gnosticism, Enlightenment

Blair goes on: “The two images of Easter. Peter, the rock of Christ, who falls from grace, and in weakness denies him; Judas betraying Christ and in remorse hanging himself. Neither man simply good nor bad, yet in Peter’s case, an ordinary man who went on, by faith, to achieve the extraordinary.”

Christ himself is almost an afterthought, receiving one sentence, in the last of the five paragraphs dealing with the “Easter message”: “Lastly, there is Christ himself in the Garden of Gethsemane: the knowledge of suffering to come and the very human agony—‘let this cup pass from me’; putting duty first—‘not my will, but thine, be done.’”

Here, Blair exposes himself to be an emotional corpse. The scene of Christ in Gethsemane is enormously moving, as he takes upon himself responsibility for the human race,



Engraving by Albrecht Dürer, "Christ Before Pilate," 1512. As Pilate washed his hands of responsibility for the crucifixion of Christ, so Blair hopes to dodge the blame for the devastation that will be caused in Britain and abroad, by his role as Privy Councillor to Queen Elizabeth II.

past, present, and future, knowing what horrid fate awaits him by "submitting" to the Romans. In the banal words "putting duty first," and his ensuing talk of the "categorical imperative," we receive a hint, of whom Blair is using as a reference, for his so-called "religious beliefs."

Indeed, several paragraphs later, we read the following: "Many writers have influenced my interest in religion and philosophy—Kierkegaard, Jung and Kant among them." What a witches' brew! Learning religion from these three, is like learning about Classical music from Blair's idol, rock star Mick Jagger of the Rolling Stones. As Jagger exists to destroy music, the three cited figures existed to destroy the Judeo-Christian tradition.

The 19th-century Dane, Soren Kierkegaard, is a harbinger of the 20th-century existentialist school of Nazi supporter

Martin Heidegger, and, later, France's Jean-Paul Sartre.

C.G. Jung, an inspiration for royal heir Prince Charles, was enmeshed in all sorts of gnostic insanity. A recent book, *The Jung Cult*, authored by Cambridge, Massachusetts-based professor Richard Noll, provides devastating documentation of Jung's role as a precursor of the kinds of ideas—racism, mysticism, occultism, *Volk*-worship, and so on—that later helped produce the Nazis.

As for the 18th century's Immanuel Kant, the emotionally crippled proponent of formal "duty," considerations of space prevent us from detailing how this central "Enlightenment" figure attempted to destroy any semblance of religious belief and belief in God. We refer the reader to Heinrich Heine's devastating critique of Kant, titled *Concerning Religion and Philosophy in Germany*.

In 'sympathy with the devil'

In summation, all of this is not just abstract or theoretical, but eminently practical. We already see the Pontius Pilate mentality at work, in Privy Councillor Blair's so-called "welfare reform" policies, the which have been so much heralded by the same neo-liberal commentators who praised his predecessor Margaret Thatcher. He is quick to cause devastation for hundreds of thousands of desperate Britons, but he can "wash my hands" of the problem, by declaring this to be necessitated by "demographics," by the "financial markets," and other "realities." Similarly, he smiles and grins for the media, yet says not a word while genocide is being committed in the Great Lakes region of Africa, by the minions of the British Empire. One can only imagine, how Pilate admirer Blair will deal with enemies who get in his way!

Whatever substance there is in the great bulk of essays and speeches in *New Britain*, shows Tony Blair to be a loyal servant of the Queen's Empire, in its new Commonwealth-centered form. He is trying to give it a youthful, smiling face, and, a lawyer by practice, he is accomplished in spewing forth the rhetoric that would appeal to the yuppie, financial-operator set of the City of London, and like species. He has all the "right" policies: freedom for the financial markets, free trade, against "protectionism," and for propagation of such ecology hoaxes as global warming, climate change, and the feudalist "Agenda 21" package worked out at the 1992 Rio de Janeiro conference of the United Nations on Environment and Development.

All of this comes under the rubric of "globalization," which New Ager Blair enthusiastically endorses. In a contribution called "The Global Economy," he exults about the "significant part" played by what he calls "the internationalization of culture." He writes: "In Tokyo and London, increasingly, we are sharing the same rock music, the same designer clothes, the same films and surely, over time, the same attitudes and tastes."

Blair is clearly, like his idol Mick Jagger, in "sympathy with the devil." Or: a Pontius Pilate in Gucci shoes?

Venezuela declares war on cults

by David Ramonet

On May 30, Venezuelan Attorney General Iván Dario Badell ordered an investigation into the activities of the Unification Church, better known as the Moon cult or the “Moonies,” after its founder, Korean Rev. Sun Myung Moon. Moon boasts of his close relationship with former U.S. President George Bush, who travels around the world on Moon’s wallet. In November 1996, for example, Bush toured several Ibero-American countries, taking advantage of a ticket purchased by Moon to inaugurate the cult leader’s new newspaper, *El Mundo*, in Buenos Aires. The tour also served to promote Bush on an international level, just when U.S. public opinion was becoming outraged over revelations that Bush had financed the Contras’ war in Nicaragua with cocaine from Colombia’s Medellín Cartel, which was converted into highly addictive “crack” and flooded into Los Angeles and other cities throughout the United States.

Prosecutor Badell took this measure, after both the archbishop of Caracas, Ignacio Velasco, and the bishop of Valencia from the state of Carabobo, Jorge Urosa, confirmed charges that had been made in late May by the Caracas tabloid *Así Es la Noticia*, regarding the aggressive recruitment campaign of the Moonies, especially in the plazas of Caracas and Valencia. That tabloid, in turn, was reproducing earlier coverage from the newspaper of the Caracas archdiocese, *La Religión*. The “Youth Forum” column of *La Religión* had published a devastating article, entitled “Moon Cult Threatens Venezuelan Youth.”

The Moon cult has been banned in several countries, including Germany, Australia, and Israel. In the United States, various of its members have been involved in legal cases related to drugs and weapons, and Moon himself has spent time in jail. But during the George Bush administration, Moon consolidated his propaganda network in the United States, and expanded it to South America, setting up a base of operations in Montevideo, Uruguay, where he founded the newspaper *Ultimas Noticias*.

The Moon doctrine can be described as a syncretic Gnostic ideology, which centers around a perverse interpretation of the Bible from the standpoint of a clinically psychopathic obsession with sex. For example, Moon maintains in his writings that “Jesus failed in his mission, because he never married to found the perfect family, for lack of time to have sexual relations with Mary Magdalene.” And, “When God created human beings, where did he invest his maximum creative

effort? In the sexual organ.”

Another cult with a similar belief structure, or “doctrine,” and which has also been in trouble with the law, is the so-called Universal Christian Gnostic Church, whose most prominent member in Venezuela is Congressman Walter Márquez. Márquez recently attempted, without success, to block the extradition of Colombian drug lord Justo Pastor Perafán. In response, Venezuelan Labor Party (PLV) Secretary General Alejandro Peña Esclusa denounced the Gnostic Church’s links with the drug trade and subversion. Peña also revealed various aspects of this “satanic cult which promotes perverse sexual rites,” to which Márquez belongs.

The Gnostic Church was founded a half-century ago by Colombian Samael Aun Weor, and promotes his sexual practices as if they were religious rites, in books such as *The Perfect Marriage*, *Secret Notes of a Guru*, *The Revolution of Beelzebub*, and *Treatise on Occult Medicine and Magic*. In these texts, Aun Weor argues such points as: “All religion has its sexual origin”; “the dove, symbol of the Holy Spirit and of the voluptuous Venus Aphrodite, is always represented as a phallic instrument used by the Holy Spirit to impregnate the Virgin Mary”; “the energies of the Holy Spirit descend into the sexual organs”; and so on.

In Venezuela, the Gnostic Church was founded by the Colombian Julio César Medina Vizcaino (who has been accused in Colombia of rape), with the legal advice of Márquez.

The plague spreads

Although cults have been involved in the social fabric of Ibero-America for some time, sources linked to the Venezuelan bishops council report that they have been proliferating in Venezuela in the past year, specifically since President Rafael Caldera put the country under the economic dictatorship of the International Monetary Fund and Anglo-Dutch financial oligarchy.

As a result, this proliferation of religious cults has affected social and cultural cohesion in the country, creating virtual “tribes”—as the British have done in Africa—which block national unity at a time when it is most needed. It is not for nothing that the Anglophile elements of the U.S. oligarchy have been proposing, since the time of Teddy Roosevelt, to do away with Catholicism in Ibero-America. The result is that now various cults, basing themselves on perverse sexual rituals, are surfacing, with the intent of further destroying the morality of the citizenry.

The action initiated by the Attorney General is specifically intended to investigate the Moonies’ recruitment of youth, who, according to reports received by Father Urosa, are forced to abandon their families and break all ties to their normal activities. These youth are then forced to recruit others, and to collect funds for their activities.

The legal spokesman for the Moonies in Venezuela, Argentine Gustavo Giuliano, has denied all these accusations in statements given to the tabloid *Así Es la Noticia*, even while



Venezuelan Labor Party Secretary General Alejandro Peña Esclusa, a co-thinker of Lyndon LaRouche, has taken the point in exposing the ties of the "Gnostic Church" of Congressman Walter Márquez, and other cults, to the drug trade and narco-terrorism.

boasting of Moon's close ties to George Bush. But, in a radio debate with María Gabriela Castellano, representative of the Catholic Church youth mission, Giuliano had no answer when she read the pornographic quotes of Moon. The radio show host, who had Moon's book in front of him, was stunned by the Argentine's brazenness.

Gnostics expose themselves

On May 7, the PLV's Peña Esclusa gave a press conference in which, with a wealth of detail and the books of Aun Weor on display, he presented the history of the Gnostic Church and of its belief structures. His information was given broad coverage in the media, both in Caracas and throughout the country. At that same moment, Congressman Márquez was out trying to get drug lord Perafán charged with some minor infraction by Venezuelan authorities, as a way of blocking his extradition to the United States. This maneuver was also exposed by Interior Minister José Guillermo Andueza.

La Religión later reported that "the Venezuelan Labor Party's secretary general [Alejandro Peña Esclusa] thinks that behind the obstacles presented by Walter Márquez to the extradition of the alleged drug trafficker to the United States, could be the influence of former [Venezuelan] President Carlos Andrés Pérez." Márquez did not respond to these accusations, but two weeks later, Rafael Poleo, the editor of the newspaper *El Nuevo País*, wrote in his May 22 column that "Carlos Andrés Pérez's candidate for governor of Táchira, is named Walter Márquez."

The Venezuelan Gnostics responded through two of their fronts which are alleged to be rival organizations, each claiming to be the authentic representative of the "Gnostic truth." The director of the Samael Aun Weor Universal Christian Gnostic Church in Venezuela, Juan Capasso Pinto, published an advertisement in the newspaper *El Universal*, and gave

statements to the newspaper *Últimas Noticias*, in which he denied that Márquez was a bishop of his cult, but admitted that he has been "our adviser and sympathizer." Capasso denied that his members worship the devil, and insisted that they are "faithful interpreters of Christ's teachings." Given Aun Weor's utterings, this statement lacks credibility.

At the same time, lawyer Miriam Quiroz Rodríguez, president of the Universal Christian Gnostic Movement, admitted that Gnostics "have always studied sex with respect, as the source of life, as that extraordinary energy capable of creating and re-creating and which, obviously, is the only one that can radically transform us through its wise use." She further states that "no one can say . . . that they have come from a theory, a concept, or by correspondence, but only from sex."

Another aspect of the accusations which has seriously affected the Gnostic leaders was Peña's charge that its members are linked to the narco-guerrillas operating along the Colombian-Venezuelan border. Peña specifically stressed the role Márquez had played in the early years of the Pérez government (1989-93), in dismantling the counterinsurgency military unit known as the José Antonio Páez Specific Command (CEJAP), made up of both military and state security forces. As the result of the dismantling of CEJAP, kidnappings, assassinations, and attacks by narco-terrorists on Venezuelan territory have greatly multiplied.

According to high-level sources, the majority of the Gnostic Church's members in the border state of Táchira are concentrated in the town of La Victoria, bordering the Colombian town of Arauquita. Military intelligence has identified La Victoria as the base of operations of Colombia's narco-terrorists in Venezuela, while the mayor of Arauquita is a member of the Patriotic Union, the electoral arm of the Colombian Communist Party which fronts for the narco-terrorist FARC.

A closer look into the Zaire genocide

Germany's politicians are starting to attack the mass murders of the Hutu refugees in Zaire.

The Bonn political establishment has begun to take official notice of the ongoing massacres in Zaire/Congo against the Hutu refugees from Rwanda and Burundi. So far, there has been the diplomatic practice of not addressing the "delicate" issue in public, but raising it only behind closed doors, for example, with Rwandan strongman, Defense Minister Paul Kagame, in Bonn on May 22. No details about this discussion have been leaked to date.

But on June 2, Foreign Minister Klaus Kinkel informed the other 14 foreign ministers of the European Union, at their meeting in Luxembourg, that he and the German government had reliable reports about continuing massacres committed by Congo dictator Laurent Kabila's military alliance, and about the intimidation of, and military attacks on, members of international relief organizations. Kinkel recommended that an EU delegation that plans to meet Kabila and his new government, soon, make these massacres an issue. Kinkel demanded that Kabila not only end this genocide, but also cooperate in an independent, international fact-finding mission into the region where the massacres were reported.

On June 3, a senior Foreign Ministry spokesman told me that he did not want to specify who the sources were for Kinkel's statement, but he stressed that they were very reliable, and had provided sound evidence of the massacres. He added that there is sound evidence that massacres persisted after Kabila took power in Kinshasa.

In early May, the Civil Rights Movement Solidarity (BüSo) party of

Germany, whose electoral slate is headed by Helga Zepp LaRouche, provided the Foreign Ministry with a dossier on the genocide. There are also reports from the German Catholic mission Caritas, whose members in eastern Zaire were intimidated, and even subjected to violence and murder by the Kabila forces. On May 16, the German branch of Médecins sans Frontières (Doctors Without Borders, MSF) made its report available to the Foreign Ministry, and to several parliamentary committees. There are also, I learned in Bonn, the ministry's own dispatches from the embassies in Kinshasa and other African capitals, that reportedly fully confirm the charges against Kabila.

My interlocutor at the Foreign Ministry also said that in addition to the diplomatic pressure on Kabila, Bonn will put pressure on "those responsible persons in other states [of Africa] that have influence on Kabila." This includes Kagame, as well as Ugandan warlord Yoweri Museveni, he confirmed.

Kagame's role in Kabila's march to power was also an issue in the May 21 decision by the German Ministry for Developing Sector Relations, to freeze all financial transfers to Rwanda and Zaire/Congo for aid projects for the Rwandan Hutu refugees, until it is clarified where these refugees are, and guarantees are given that aid will reach them. This decision was taken as Kagame arrived in Bonn for talks with several government officials, and one day before he met the assistant minister for developing-sector relations.

On May 26, a senior spokesman of

the German branch of the UN World Food Program told me that the decision stems from the uncertainty surrounding the whereabouts of the refugees who are dependent on the aid. There are no more refugees within Zaire who can be reached with food and medical aid, he told me: "All the camps have been destroyed, and many if not most, of the refugees have been slain by the Kabila forces," the spokesman said, adding that it is "entirely unclear how many of them are still alive, after having returned to Rwanda."

Relief organizations have no access to Rwanda, because Kigali has not requested any international aid for the returning Hutus. All international aid was linked to the existence of the camps in eastern Zaire, and to the transfer of the refugees—those who survived both the massacres and the exhausting, long marches through the forests back to Rwanda. Whether they survived at all, after their forced return, is entirely unknown, the WFP official said.

The genocide in Zaire/Congo after Kabila's takeover, will furthermore be put on the agenda of the Bonn Parliament's subcommittee of the foreign relations committee for human rights. Members of the subcommittee, next scheduled to meet on June 11, have been provided not only with the BüSo and MSF reports, but with other evidence as well. The German branch of MSF has provided additional evidence about not only the massive intimidation of its relief efforts in Rwanda, Burundi, and Zaire/Congo, but also directly about assassinations of their African staff members there. Ulrike von Pilar of MSF/Germany reported in Bonn on June 2, that the scope of targeted assassinations of staff members by genocidal military units in Rwanda, Burundi, and Zaire/Congo has been the worst, since the war in Chechnya.

International Intelligence

Suharto's Golkar party sweeps Indonesian vote

The Golkar party of Indonesian President Suharto won its largest vote ever in parliamentary elections on May 29. The Golkar party, which has governed since the 1965 suppression of a Communist Party-linked coup attempt, had set a goal of winning 70%, up from 68% in the 1992 elections. Despite scattered violence in the month-long campaign, and extensive international press and non-governmental organization (NGO) targeting of Suharto's "oppressive military dictatorship," Golkar took 74.3% of the vote, with at least 90% of the country's 125 million eligible voters participating. The final tally will be released on June 17, allowing votes from the country's 17,500 islands to be counted.

The most serious attempt to disrupt the elections occurred in East Timor on election eve, when rebels linked to Fretilin, the guerrilla movement of Nobel Peace Prize co-winner José Ramos Horta, opened fire on military posts, polling booths, and villagers, in four incidents. Seventeen people were killed, including 12 civilians, 1 soldier, and 4 guerrillas. On May 31, one soldier and 16 policemen, returning from election security duty, were killed in a guerrilla ambush.

'Human rights' gangs, bombings plague Nigeria

The third bomb blast in two weeks struck the southwestern Nigerian city of Ibadan on May 11, described by press as "the hotbed of opposition to the military government." The previous week, two bombs went off in Lagos, wounding five soldiers going to work in an Army bus. Nigeria has blamed similar explosions on the British-run umbrella group, the National Democratic Coalition (Nadeco) and its foreign affiliates.

The provisional ruling council discussed security on May 28 in the capital, Abuja. That same day, Nigeria offered to pay \$47,000 for information leading to the arrest of perpetrators, after new bombings on May

15 hit a mosque in the eastern city of Onitsha, killing five people. "This change of targets from military vehicles to places of worship is intended to provoke ethnic and religious conflicts in the country," said special anti-terrorism unit head Zakari Biu. Biu added that efforts by his unit to extend its investigations to Britain, the United States, and Spain had so far not been successful, because they had not been given visas.

As the bombing campaign was heating up, some 33 Nigerian "human rights" and "pro-democracy" groups announced the formation of the United Action for Democracy with "the broad aim . . . to terminate military rule as soon as possible," as Ayo Obe, president of Civil Liberties Organization, told British reporters. Representatives of the 33 groups met in Lagos over May 17-18.

'Netanyahu's map' offers PLO 40% of West Bank

Israeli Prime Minister Benjamin Netanyahu plans to offer the Palestinian Authority only about 40% of the West Bank in the final phase of the peace deal, the Israeli daily *Haaretz* said on May 29. The newspaper published a detailed front-page illustration of what it called "Netanyahu's map." The map, which will place the Palestinians in a half-dozen encircled bantustans, conforms to the 1983 plan of then-Defense Minister Gen. Ariel Sharon, which *EIR* exposed at that time. By contrast, *Yediot Aharonot* reported that the Israeli security establishment has recommended turning over about 60% of the West Bank to the Palestinians. Netanyahu has refused to comment on the accuracy of either newspaper's report.

News of Netanyahu's previously secret plan angered the Palestine Liberation Organization, which expected that the final accord, due to be completed by May 1999, would give Palestine nearly all of the West Bank. PLO official Ahmed Tibi told Israeli Army radio that the proposal is "a shot with automatic fire, at the dying body of the Oslo accord. Benjamin Netanyahu is successfully destroying this process."

Elaborating on Netanyahu's plan, Isra-

el's Internal Security Minister Avigdor Kahalani explained on May 30 that the Oslo deal was a "fundamental mistake" that had to be corrected. He insisted that, in any final accord, "it is about half of the West Bank that must be in Israeli hands, in order to protect the interests we talked about earlier," he told Israel Radio.

EU announces food aid for North Korea

The European Union said on May 23 that it will send 155,000 tons of food to famine-struck North Korea, notably rice, maize, and vegetable oils. The EU statement said that the aid should help to avert a possible deterioration in security in the Korean peninsula, adding that the EU supports proposed four-way peace talks among North Korea, South Korea, the United States, and China. The decision follows an agreement by the EU on May 23 to join President Clinton's international consortium working to build new nuclear power plants in North Korea.

On May 29, Japanese Prime Minister Ryutaro Hashimoto told visiting South Korean newspaper editors: "If the South Korean government asks us for assistance to compatriots in North Korea, there is room for the Japanese side to change its stance" and provide food aid. Up to now, strong South Korean lobbying in Tokyo, has kept Japan from opening its huge rice reserves to aid North Korea.

Dubious 'Mossad' death threats vs. French oil firm

France's *Le Figaro* daily reported on May 27 that its Jerusalem office had received a death threat against officials of the French oil firm, Total, which is planning to sign a new oil development contract with Iran.

The letter, in English, was signed by six individuals claiming to be "former Mossad agents," and telling Total's corporate heads, "You will be eliminated" if the Iran deal is concluded. The letter warns that "we have a certain experience in this field"—meaning

PAUL KAGAME'S entourage displayed outrageous behavior during the Rwandan dictator's official visit to the German state of Rhineland-Palatinate, according to the Christian Democratic caucus in the state parliament, which is requesting an investigation. His bodyguards reportedly assaulted people inside Mainz Cathedral, and destroyed furniture in the state-provided guest quarters.

BORIS YELTSIN met with Japanese Foreign Minister Yukihiko Ikeda on May 23. Although Japan still wants Moscow to return four islands in the North Pacific seized by the Red Army in 1945, "a peace treaty and full normalization of our relations is the ultimate goal we are seeking," a senior Japanese official told reporters in Moscow.

CARLO PALERMO, a former Italian prosecutor, pointed to London's hand behind Europe's secessionist movements in a June 1 interview with the Naples daily *Il Mattino*. The Northern League, he said, was an idea blueprinted "not in Italy, but in London. It was a study made in the '80s by sociologists and economists, who raised the possibility of creating certain conditions in Europe and in our country."

POPE JOHN PAUL II arrived in Poland on May 31 to start an 11-day visit of 12 cities, his seventh visit to his homeland. He was met at Wroclaw airport by leaders of the Polish Church and President Alexander Kwasniewski. On the flight to Poland, the pontiff laid the blame for Poland's social and economic turmoil on free market policies.

CLARE SHORT, Lady Lynda Chalker's replacement at Britain's Overseas Development Agency (now the Department of International Development), threatened Britain's Third World "partners," on May 18, saying that if they didn't toe the Empire's line, "we need to work around them, so that we can reach poor people even where the overall environment is unfavorable."

assassinations—and its authors describe themselves as "professionals," involved in the liquidation of Palestinian terrorists. The operation against the Total directors "will take years, but we will do away with you. . . . One day, you will be on vacation, on a beach. . . . Whoever deals with Iran will learn the lesson." They say the Israeli government is "neither involved in, or aware of, the plan."

Asked about the letter, former top Mossad official David Kimche expressed doubts that it originated "from inside Israel," given that the Mossad never takes responsibility publicly, for liquidating terrorists. He does think, however, that the authors of the letter are "serious," and that the Total directors should "take precautions."

Le Figaro pointed out that there are only two companies competing for development of Iran's rich South Pars oil deposit: Total and the Anglo-Dutch group Shell.

British give arms backing to Algerian dictatorship

The London *Observer* appeared on May 25 with an unprecedented exposé of Britain's role in supporting the Algerian military government in its slaughter of civilians. The article, titled "The Blowtorch Election That Shames Britain," shows that massacres have taken place with increasing frequency and brutality in the pre-election period; that 60,000 have been killed since 1992, when the military took power to prevent the Islamic Salvation Front from winning the elections; that "blowtorching face and genitals is the favored means of torture."

As recently as May 18, Sweeny writes, an arms shipment was made to Algiers, "part of a package deal between the Algerian government and RBR (Armour) of the Old Kent Road, London." RBR also produces body armor, which the Algerian paramilitary, "known as ninjas because of their black masks," use, and may be providing the wherewithal to set up a helmet-producing factory there. RBR's managing director Douglas Garland is quoted: "It's all properly documented and licensed by the De-

partment of Trade."

Sweeny writes that "a special *Observer* investigation reveals suspicion that up to 70%" of the 60,000 killings since 1992, "may have been caused by *le pouvoir*" (the regime). Sweeny quotes former Prime Minister Abdelhamid Brahimi that, "the Algerian junta is killing Islamists and blaming it on them. It's Machiavellian. The massive killings are always among the fundamentalists, in the area where they are strongest." Sweeny comments that, although the terrorist Armed Islamic Groups (GIA) have been held responsible, "the suspicion aired by Algerians and Western analysts, including a former CIA officer, Graham Fuller, is that some of the deaths, including bombings in Paris, may have been manipulated by Algerian intelligence."

Market reform in Russia breeding a new serfdom

A report in the May 25 issue of Germany's *Welt am Sonntag* by Victoria Bennett, paints a stark picture of the new form of serfdom under Russia's neo-liberal free market reforms. Bennett reports on her visit to a former state farm 75 miles north of Moscow. Her article is accompanied by a photo, showing three workers pulling a plow, a scene of unrelenting poverty and hopelessness. The so-called market reforms created a "new underclass in rural areas. It is forced to stay on the land, because it has no money to leave," she writes. The "new land-slaves" are worse off than their predecessors under the Tsar.

Bennett reported that she saw dozens of villages that were completely abandoned. Farm equipment stands rusting in the fields, where work has nearly come to a standstill, because people have no access to credit and cannot continue production. The school had burnt down, and there was no public transportation; supplies are brought by a peddler, once a week. Bennett quoted one peasant: "We used to have sheep, but now they say they are no longer profitable. We used to plant grain, but this, too, does not make any money. Nothing seems to be profitable any longer, not even life itself."

British agent promotes break-up of United States

by Mark Burdman

The Long Affair: Thomas Jefferson and the French Revolution, 1785-1800

by Conor Cruise O'Brien

University of Chicago Press, Chicago, 1996

367 pages, hardbound, \$29.95

The Long Affair is a long-winded attack on America's third President, Thomas Jefferson, for what author Conor Cruise O'Brien claims to have been Jefferson's support for some of the bloodiest and most gruesome events in France, in the period of the 1789 French Revolution. O'Brien amasses documentation on Jefferson's activities on that front, as well as on Jefferson's support for racism and slavery. At one point, the author goes so far as to compare Jefferson to Cambodia's genocidal Pol Pot, by quoting such Jefferson formulations as the one featured on the book's jacket: "My own affections have been deeply wounded by some of the martyrs to this cause [the French Revolution], but rather than it should have failed, I would have seen half the earth desolated."

While the issues dealt with in this book are important from an historical and political standpoint, and while many of the facts or documents presented by O'Brien are, in and of themselves, credible, what absolutely strains credibility, is to believe that O'Brien is so opposed as he purports to be, to "revolutionary excesses," or, for that matter, to Pol Pot. O'Brien himself is one of the chief conceptual architects of the current destruction of the African nation of Zaire, and the rise to power of Laurent Désiré Kabila, the thug who has overseen the genocide against Rwandan Hutu refugees in Zaire over the past months. It is O'Brien, to whom French Minister for

Cooperation Jacques Godfrain was referring recently, when he warned that the world may soon be witnessing, in Congo/Zaire, what it witnessed in Cambodia.

On Nov. 19, 1996, as *The Long Affair* was being put into circulation, O'Brien authored a piece for the London *Times*, mouthpiece of the British Foreign Office, entitled, "This Time, Let Zaire Fall Apart." Written when the British-created "Kabala rebellion" was beginning to go into high gear, the article advised that Zaire "should be allowed to assume such shapes as the energies and aspirations of its various peoples may eventually assign to it," and that "international diplomacy should be confined to . . . discouraging the internationalization of the tremendous internal conflict." He advised the British government to resist all French overtures to act to keep Zaire together.

The *Times* billed O'Brien as "a veteran of the Congo." This refers to the fact that the renegade Irishman O'Brien, in his capacity as a high-level United Nations envoy during the Congo crisis of the mid-1960s, was, for all intents and purposes, the British case officer, who collaborated with elements of the U.S. CIA, to arrange the assassination of Congolese patriot Patrice Lumumba.

Kabila is an African variant of the creatures who came out of the pits of hell, to destroy France, more than 200 years ago; he is a disciple of such Robespierrean ideologues as the modern-day disciple of violence, Franz Fanon. The statement by Kabila's Foreign Minister Karaha Bizima, over the May 24-25 weekend, in response to queries about whether there would be free elections in the country — "Liberty, yes, but the revolution first of all!" — is precisely of the same nature as those of Jefferson vis-à-vis the French Revolution, that O'Brien claims to find so offensive.

So, whom is Conor Cruise O'Brien kidding?

The real agenda

Surely, there is another agenda behind this anti-Jefferson enterprise. British agent O'Brien exploits the ongoing controversy over Jefferson's role in history, to promote processes in the United States that will lead to the destruction, or self-destruction of the American Republic, just as Zaire has been destroyed. This book might more justifiably be entitled, "This Time, Let the United States Fall Apart."

Jefferson was certainly a very much compromised figure, with significant philosophical and political-moral weaknesses.¹ Much of the data that O'Brien presents, about Jefferson's support for the worst aspects of the French Revolution, or for slavery and racism, cannot be disputed. And, as O'Brien documents, there has emerged, over the past couple of decades, a significant school of "Jefferson revisionism," to modify the previous image of Jefferson, promoted by liberal historians, as the unsullied "father of American democracy."

But O'Brien takes this handful of indisputable facts, and distorts the overall picture, through the usual British tricks of fallacy of composition, sin of omission, and historical falsification. He transforms the Jefferson controversy into a construct, or scenario, as we shall see below, for how the United States might be drowned in civil strife, in the years to come. In so doing, he is acting in pursuit of the British oligarchy's long-term master plan, to bring about the dissolution of the American Republic.

O'Brien: a murderer of nations

This would hardly be the first time that O'Brien has stepped forward, on behalf of his British imperial patrons, to promote the murder of a nation. Before he got around to heralding the disintegration of Zaire, there was his assault on Germany.

In the last quarter of 1989, when most of humanity was celebrating the fall of the Berlin Wall and the coming unification of Germany, he became the first prominent public figure, even before British Prime Minister Margaret Thatcher, to shriek, in an article in the Oct. 31, 1989 London *Times*, that a unified Germany would be a "Fourth Reich" threat to the world. Since neither he nor anybody else could really believe, in 1989, that Germany would be such a threat, the aim in all this, was to destroy the potential that a reunified Germany might develop, to become a viable, sovereign nation-state, contributing to the general welfare of the human race as a whole. Now, as we write, seven-plus years later, the combined effect of the "Fourth Reich" campaign, from the outside, and the imposition of the "Maastricht convergence criteria," from the inside, have significantly destroyed the fiber of the German nation.

Following 1989, O'Brien took the up-front attack-dog posture, on behalf of the British Empire, on a number of criti-

cal issues. No sooner had President Clinton presided over the signing of an accord between Israeli leaders Yitzhak Rabin and Shimon Peres and Palestine Liberation Organization chairman Yasser Arafat, in September 1993, than O'Brien rushed to print, with an article promising that the accord would be drowned in blood. Later, he assured his readers that the American President's peace efforts in Northern Ireland would, also, be drowned in blood. He went to great lengths to show that he was "more British than the British," exhibiting an Irish variant of what the late psychologist Bruno Bettelheim witnessed in concentration camps, of Jewish "Kapos" mimicking, or even outdoing in bestiality, their Nazi tormentors.

O'Brien's hatred for this U.S. President, as is the case with many of his patrons in Great Britain, knows no bounds. But as the evidence of *The Long Affair* shows, his hatred goes beyond the current occupant of the White House, and beyond the American Presidency, to a hatred for everything the American Republic stands for.

Falsifying history

As we have noted, Jefferson was a flawed individual; but, he was also a complex man.² He was highly educated, and when, under the influence of a positive figure like platonist George Wythe, or Benjamin Franklin, his better instincts could come to the fore. Hence, the first thing one must do, if one wants to create a caricatured and misleading portrait of him, is to destroy Franklin.

This is exactly what O'Brien does. His depiction of Franklin is nauseating. The entirety of Franklin's rich experience in France, is encapsulated in one dubious account of his supposed public embrace of the Enlightenment degenerate Voltaire. The author's hate-filled portrayal transforms this great figure into a buffoon.

Having done this, O'Brien must next create a highly simplistic account of the French Revolution, and of American-French relations in the period under consideration.

His account of the French Revolution draws extensively on the views of Edmund Burke, the 18th-century Irish defender of the British Empire for whom O'Brien has a compulsive hero-worship. While Burke ranted against the French Revolution, in his *Reflections on the Revolution in France*, his ravings sidestepped the simple fact that several of the key *dramatis personae* in that bloody mess, were British agents, in the employ of Lord Shelburne and Jeremy Bentham, with the assignment to destroy France from within.

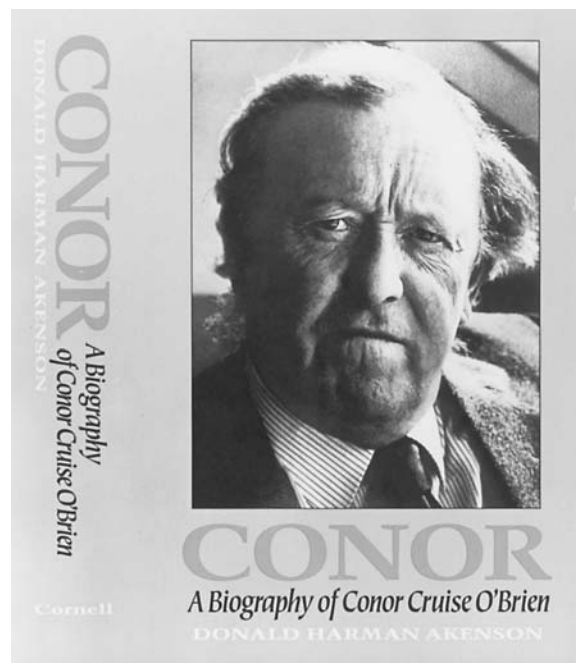
By the same token, O'Brien retails the Big Lie that the cause of the French Revolution, was France's earlier support for the American Revolution, and the supposedly damaging effect this had on French finances. The man he cites favorably, who espoused this view, was pre-1789 French Finance Minister Anne Robert Jacques Turgot. O'Brien writes, of the years

1. See, Richard Freeman, "The Confederate Legacy of Thomas Jefferson," *Fidelio*, Spring 1997.

2. On these complexities, see Freeman, *ibid.*, and Lyndon H. LaRouche, Jr., "The U.S. Constitution's New Life," *EIR*, March 14, 1997.

The greatest living British agent in Ireland

On jacket of the British edition of *The Long Affair*, there is an endorsement of O'Brien's 1992 *The Great Melody*, from British journalist Paul Johnson, describing O'Brien as "the greatest living Irishman." This is part of a growing iconography about O'Brien. In 1994, a biography of him was published, by Donald Harman Akenson (*Conor: A Biography of Conor Cruise O'Brien* [Ithaca, New York: Cornell University Press]), where one reads: "Conor Cruise O'Brien is internationally recognized as 'the greatest living Irishman.'" On further perusal, one finds that that quote within the quote is simply the same quote from Johnson. Johnson himself is notorious for his lavish propaganda exercises on behalf of Baroness Margaret Thatcher. He has also written articles calling for the reimposition of imperialism in Africa.



leading into 1789: "The then Minister for Finance, Turgot, had opposed the alliance on the grounds that it would involve France in financial ruin and undermine the Monarchy. Turgot was right."

Turgot was a theorist for the physiocratic view of economics, key elements of which were incorporated into the theories of that Adam Smith who was greatly beloved by O'Brien's love object, Edmund Burke.

O'Brien's portrayal of the French Revolution is part and parcel of a hostile view toward France in general, again, significantly drawing on the writings of Burke. Toward this defamatory end, no mention is ever made of those French patriots, like Lazare Carnot and Gaspard Monge, who tried to outflank the mess of the events after 1789, and steer France into a republican, nation-building potential, against the British Empire.

That omission is consistent with something else, taking us back to Jefferson. One gets the distinct impression, that O'Brien's rage against Jefferson is, to a significant extent, motivated by the fact that Jefferson saw in the American relationship with France, a strategic potential against the British Empire. True enough, that desire may have blinded him to the atrocities going on in France, by a naive and hopeful belief that France and the new American Republic could work together, against Britain. As an American patriot, the impulse toward American-French cooperation against Britain represents one of Jefferson's better impulses; it is something that O'Brien can never forgive him for.

The Alexander Hamilton who never was

The worst travesty, stems from O'Brien's account of the impact of the French Revolution inside the United States. While exaggerating the importance of the issue in the United States in the 1785-1800 period, he also commits a willful fraud, that very much fits into the Anglophile, "neo-conservative" agenda in the United States today. It is not surprising, in this light, that O'Brien's research for the book was funded by the Lynne and Harry Bradley Foundation, one of the "Gang of Four" foundations that funds various British imperial projects in the United States.³

In his depictions, the battle-lines are drawn between Jefferson and his allies — James Madison et al. — against the Federalists — Alexander Hamilton above all, but also John Adams, John Jay, and by extension, George Washington. In this fight, Jefferson is, of course, pro-French, while Hamilton is portrayed not only as strategically an Anglophile, but also as supporting "free trade" and "sound money."

This is pure garbage.

The truth is, Hamilton was a committed *anti-British* protectionist, opposed to the "free trade" doctrine in Adam Smith's *Wealth of Nations*. It was Hamilton, who created the first U.S. National Bank, to channel government credits to

3. The other three are the John M. Olin Foundation, the Smith Richardson Foundation, and the Richard Mellon Scaife complex of foundations. All of these were deeply involved in facilitating and financing George Bush's "Iran-Contra" capers during the 1980s.

productive investments in industry, agriculture, and infrastructure; hence the term, “Hamiltonian banking.” Hamilton incorporated the anti-imperial idea of the necessity of technological and scientific progress, as developed by Gottfried Wilhelm Leibniz and his followers, into his *Report on Manufactures*.

It was on the issue of the National Bank, and Hamilton’s promotion of state-backed infrastructural projects, technological progress, and urbanization, that the real splits occurred between Hamilton on the one side, and Jefferson et al. on the other, with their agrarian biases that led directly into the later Southern Confederacy. O’Brien never mentions this extremely important issue. He makes one or two casual references to Jefferson’s hatred for urbanization and industrialization, his invocation of the rural, pro-slavery South against the technologically advancing North, but treats this as a side issue.

O’Brien is repeating the British intelligence game that was a constant from the period following the American Revolution, up to the secession of the Confederacy, namely to play the “mercantilist” North against the “anti-mercantilist” South, in order to split the republic into two. As we shall see below, that commitment to civil war in the United States is not only an historical one, but is what O’Brien is committed to bring about, today.

Jefferson and the Enlightenment

Where matters get most devious, and dangerous, is on the matter of Thomas Jefferson and that philosophical movement known as the Enlightenment. The Enlightenment, set in motion by the circles of the Venetian Paolo Sarpi in the late 16th century as a reaction against the powerful Christian-humanist forces of the 15th-century Golden Renaissance, blossomed under the aegis of the emerging British Empire, during the 17th and 18th centuries. The core impulses that motivated Benjamin Franklin and other Founding Fathers, themselves deeply influenced by the anti-Enlightenment Leibniz and his followers, were specifically *in opposition to* such Enlightenment degenerates as Francis Bacon, Isaac Newton, John Locke, Thomas Hobbes, Adam Smith, Bernard de Mandeville, and Voltaire.⁴

The problem with Jefferson, the root of his moral and philosophical weakness, is that he worshipped the key figures of the Anglo-Scottish Enlightenment. Author Richard Freeman recounts, in his cited *Fidelio* work, the case of Jefferson’s February 1789 letter to the painter John Trumbull, in which he characterized Bacon, Newton, and Locke as “the three greatest men that have ever lived, without any exception.”

4. See Philip Valenti, “The Anti-Newtonian Roots of the American Revolution,” *EIR*, Dec. 1, 1995, and Robert Trout “Life, Liberty, and The Pursuit of Happiness: How the Natural Law Concept of G.W. Leibniz Inspired America’s Founding Fathers,” *Fidelio*, Spring 1997.

Strangely, O’Brien never reports this letter, though it was written in that landmark year of 1789, the year of the French Revolution. Instead, he reports a much watered-down variant, in which Hamilton asked Jefferson to “identify the three worthies whose portraits hung on the walls of the study of the Secretary of State. Jefferson named them: ‘Bacon, Newton, Locke.’ ”

Indeed, on the matter of Jefferson’s philosophical worldview, O’Brien is evasive. He reports on a writing, in which Jefferson singles out for praise, the notion of promoting “life, liberty, and the pursuit of property.” This formulation is that of John Locke et al., and is at variance with the formulation in the Declaration of Independence—“life, liberty and the pursuit of happiness”—that Jefferson himself drafted, under the influence of Franklin. O’Brien sidesteps the philosophical conflicts involved.

The reason is that Jefferson presents a paradox for O’Brien that the Anglophile curmudgeon cannot deal with honestly. O’Brien, you see, is himself a great admirer of, and propagandist for, the Enlightenment. The ultimate expression of this, is his nearly 700-page *laudatio* to Edmund Burke, *The Great Melody* (Chicago: University of Chicago Press, 1992). Burke was one of the ideologues of the Enlightenment. Early in his life, he wrote a work on aesthetics, in which he argued in favor of “taste,” “feelings,” and “sensitivity,” in contradistinction to any objective notions of beauty. In that work, he expressed an affinity for the concept of “stroking.”

In economics and political strategy, Burke was an impassioned supporter of Adam Smith, as was Jefferson. In *The Great Melody*, O’Brien wrote that Burke “was always a free-trader by instinct, and became one in principle, after the publication of Adam Smith’s *The Wealth of Nations*, in 1776. Burke said that ‘in its ultimate results,’ it was ‘probably the most important book ever written.’ ” (A 1995 biography of Adam Smith, by Ian Simpson Ross, reports on an April 1784 visit by Burke to Smith, after which the latter stated that Burke was the “only man I ever knew who thinks on economic subjects exactly as I do, without any previous communications having passed between us.”)

O’Brien’s ‘new American civil war’

O’Brien’s evasiveness is driven by the obvious problem: If Jefferson’s bad ideas were caused by his affection for the Enlightenment of Bacon, Newton, and Locke, then one simply need blame the Enlightenment. To cure the disease, do away with the infectious agent: Destroy the Enlightenment.

This gets to the crux of the matter.

Evidently, O’Brien has had a premonition, in deciding to write this book, that the current direction of “Jefferson revisionism,” could lead insightful Americans precisely in this direction. The cleverer British strategists, these days, know that the current period of history, in which much of the world has been submitted to Enlightenment modes of

thinking, is coming to an end, one way or the other. Either this will mean, that the Enlightenment will be finally replaced by a reawakening of the kinds of ideas associated with the Golden Renaissance and promoted by Lyndon LaRouche and his international movement today, or it will mean that the world crashes into what might be called “post-Enlightenment chaos.” O’Brien has opted for the latter.

What other inference can one draw, from the fit that he throws in the concluding passages of *The Long Affair*? He frets that Jefferson is already becoming, and will increasingly become, the ideological/historical standard-bearer, for the right-wing racist militia groups that are sprouting up in the United States. He paints a dark picture of a 21st-century United States, in which a “new civil war,” a race war on a massive scale, might occur, with the “militant extremists” being part of a “neo-Jeffersonian racist schism” that will rip apart what he calls the American Civil Religion Official Version (ACROV).

“American civil religion,” he writes, “may . . . be the major force working for the preservation of the Enlightenment. . . . Enlightenment and democracy are unlikely to survive in the rest of the world if they go down in America. . . . The sacred documents of the American civil religion are Enlightenment documents. . . . The Constitution is an *Enlightenment* document” (emphasis in original). Elsewhere, he places the Declaration of Independence in the same category.

Here, the fraud reaches its apogee. As we noted above, the Constitution and Declaration of Independence are, emphatically, anti-Enlightenment documents.

Why does O’Brien persist in promoting his “Big Lie” about the Enlightenment? What is involved here is a threat, rather than academic historical research, or some kind of objective forecast.

O’Brien writes that “the implications of a schism in the American civil religion,” caused by the re-evaluation of Founding Father Jefferson, “are potentially so far-reaching that they defy all prediction. . . . A drama is about to manifest itself.” He feels “awe and foreboding, at the potential consequences in the coming century, for the world as well as for America, of the impending schism in the American civil religion and of the concomitant emergence of Thomas Jefferson—the mystic, implacable Jefferson of the French Revolution—as prophet and patron of the fanatical racist far right in America.”

The message is: Try to extirpate the evil that the Enlightenment has done in the United States, and we will drown you in blood, race riots, and civil strife.

Those who are sane among us, will learn from Jefferson’s errors, to seek ways to bury the Enlightenment once and for all, and replace it with truly human forms of thought. By contrast, the Conor Cruise O’Briens of this world want to drive us all into a Dark Age, as the “alternative” to their doomed Enlightenment paradigm. The handwriting on the wall reads, “Zaire.”

‘Core curriculum’ for schools, but what kind?

by Susan Welsh

The Schools We Need And Why We Don’t Have Them

by E.D. Hirsch, Jr.

Doubleday, New York, 1996

317 pages, hardbound, \$34.95

When Lemuel Gulliver, the hero of Jonathan Swift’s epic, arrived in the Land of the Houyhnhnms, he encountered a strange and most repulsive breed of animal. The creatures had a slight resemblance to human beings, though they walked on all fours, wore no clothing, and had sharp, hook-shaped claws. The males had beards like goats, while the dugs of the females hung between their fore-feet, and often reached almost to the ground as they walked. The creatures, called Yahoos, fed on roots and the flesh of animals found dead, by accident or disease. They were kept on leashes by their masters, the Houyhnhnms, a horse-like species with a language—of sorts—and a modicum of rationality which did not, however, aspire to the level of Reason. Rather like the English aristocracy.

E.D. Hirsch, Jr., in his book on the crisis in American education, gives a powerfully written and well-researched account of how it has come to pass that our schools are turning out students who, in another generation, may be indistinguishable from the Yahoos. His argument that, in order to prevent such a thing from happening, schools should teach every child a core curriculum of basic knowledge, is sound, in principle.

But, what about the professors at Swift’s Grand Academy of Lagado: those highly educated worthies, well instructed in what Hirsch would esteem as the “consensus science” of their day, who spent their lives attempting to extract sunbeams out of cucumbers, or to reconstitute human excrement into the food from which it originally came? What about the ingenious architect who had contrived a new method for building houses, by beginning at the roof and working downwards to foundation?

These targets of Swift’s satire—the Aristotelians, the British Royal Society, the followers of alchemist Isaac Newton—are exactly what we shall end up with more of, if Hirsch’s specific prescribed *solution* to the crisis in American education be followed. For Hirsch is an impassioned defender of the Enlightenment: the philosophical descendants of the

Grand Academy of Lagado.

His “core curriculum” is intended to turn out new Galileos, Newtons, Thomas Jeffersons, and Bertrand Russells. In his justified attack on the influence of Romanticism in American culture, he fails to mention that we are *not* confined to a choice between Romanticism and the Enlightenment, but that there is a third alternative: the Renaissance, and its epistemological descendants, such as Johannes Kepler, Gottfried Leibniz, Carl Gauss, Friedrich Schiller, Bernhard Riemann, and Lyndon LaRouche.

This review is not the place for a full discussion of that third alternative; the reader is referred to many works by LaRouche and associates published in *EIR* and other locations.¹ I limit myself here, first, to giving a brief sketch of some of the points on which Hirsch is devastatingly correct—in opposition to the so-called mainstream of educational philosophy today—and which make his book a valuable contribution, which should be read by every person who is concerned about the decline of American education. Second, I take up a few crucial points on which the book is very, very wrong.

‘Who will reform the reformers?’

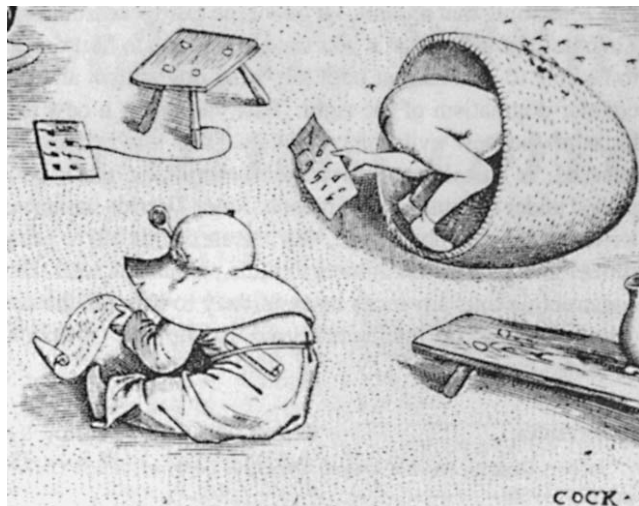
Americans have been “reforming” their schools for longer than anyone can remember. The latest flurry of activity dates back to the 1983 publication of *A Nation at Risk: The Imperative for Educational Reform*. In the 14 years since then, all sorts of “innovative,” “break-the-mold” reforms have been tried out, while test scores have continued to plummet.

Hirsch proves the case that it is precisely such reforms that are driving us deeper and deeper into failure. They do not represent a *change* in philosophy at all; in fact, the philosophy behind them has been hegemonic in the United States since at least 1918, when the U.S. Bureau of Education published its *Cardinal Principles of Secondary Education*, marking a shift away from the strong academic orientation of preceding generations, and toward the anti-intellectual attitudes known as Progressivism.

The Progressivist ideology is deeply ingrained in the American psyche; it must now be uprooted, if America’s children are to receive the education they require.

Hirsch attributes the paradigm shift that began in 1918, in large part, to the pervasive influence of William Heard Kilpatrick and the Columbia University Teachers College. Kilpatrick’s philosophy is summarized by his insistence, in his own experimental classrooms, that there was to be “absolutely no set curriculum; that the teacher was to be perfectly free to do what she thought wise; that the children were to be free to think and to act. The children were not to be required to learn reading, to master prescribed arithmetic or spelling:

1. See, for example, Lyndon H. LaRouche, Jr., “Return to the Machine-Tool Principle,” *EIR*, Feb. 7, 1997; LaRouche, *The Science of Christian Economy and Other Prison Writings* (Washington, D.C.: Schiller Institute, 1991).



“Students,” a detail of a 1557 engraving after Bruegel, entitled “The Ass at School.”

there were to be no examinations. They were not to be marked or graded in terms of a prescribed curriculum. I laid down only one principle: ‘activity leading to further activity without badness.’ ”

In the modern incarnation of this philosophy, it is considered “developmentally inappropriate” for children to be “forced” to master the subject matter of a given domain of knowledge. Instead, they are supposed to be taught “metacognitive skills” and accorded the “self-esteem” to be able to make their way through life. Because of the “new world of technology,” we are told, a “knowledge explosion” has occurred that makes the teaching of “today’s facts” irrelevant. Why learn the multiplication tables, when a calculator can give you the right answer? Hirsch reports his amazement at being asked, at a conference of school principals and administrators, whether he was aware “that it was developmentally inappropriate to expose first graders to the Eiffel Tower—as [Hirsch’s] Core Knowledge materials recommended.” Hirsch writes that he was too astounded to respond effectively: “I didn’t dare mention as relevant the fact that troops of French preschoolers continually visit the Eiffel Tower without harmful psychological effects, because I had already learned that any mention of French children (or those of other nations) would bring the reproach that *we* are not French.”

One of the chief slogans of the reformers, for the better part of this century, has been that we must get rid of “rote learning,” which, they say, stifles a child’s creativity. In fact, as Hirsch points out, very little “rote learning” goes on in American classrooms. Apart from the Pledge of Allegiance, practically nothing is memorized. The very reforms that are being so loudly advocated, are already firmly in place.

Underlying these reforms, Hirsch writes, is the philosophy of European Romanticism, which created the new conception of the child that came to dominate American educa-

tional theory. Eighteenth-century Romantics such as Jean-Jacques Rousseau maintained that human nature is innately good, and should be encouraged to follow its own course. This was in contrast to the Enlightenment view (shared by Hirsch), which took a more skeptical and suspicious view of human nature, demanding protections for the individual against the tyranny of the majority.

(The former view, Hirsch attributes not only to Rousseau and his ilk, but also to Friedrich Schiller and Ludwig van Beethoven, thereby mixing up Romanticism with the Classical heritage of the Renaissance. Schiller and Beethoven were *not* Romantics; Schiller's concept of the "beautiful soul" is not of Man in the state of natural imbecility, but rather Man uplifted by Reason.² Hirsch's characterization of the Enlightenment's pessimistic view of Man's nature is substantially correct, but it was *not* the spirit in which the United States was founded, as he implies. Contrary to "consensus" historiography, the creation of the United States of America was a *Leibnizian*, not a *Lockean*, project.³)

This Romantic ideology, as Hirsch documents, fosters the *anti-intellectualism* of American life, a characteristic that has long been noted by foreign observers, but which, today, has reached previously unimagined depths of banality. This anti-intellectualism is *vigorously encouraged* by the educational establishment itself, in the name of "reform."

What effect does this have, and how does it compare with what takes place in other nations? Take, for example, American preschool programs for disadvantaged children, such as Head Start. Hirsch reports that a study published in 1985 by the Department of Health and Human Services concluded that "in the long run, cognitive and socioemotional test scores of former Head Start students do not remain superior to those of disadvantaged students who did not attend Head Start." In a word, Head Start is a failure. The program seems to benefit children for a while, but it lacks academic coherence, and is rarely accountable for specific academic outcomes. When its graduates then enter an elementary school program that also lacks academic coherence and is also unaccountable for specific academic outcomes, any apparent benefits quickly evaporate, and the gap widens between advantaged and disadvantaged children. In France, on the other hand, which has a large population of immigrants and low-income families, the gap *decreases* with each school grade. Nearly all French children, including those from immigrant families, attend the preschools known as *ecoles maternelles*. The program lasts all day, 12 months a year, is staffed by professionals, and has

well-defined academic goals. Head Start lasts three hours, is staffed by nonprofessionals, and is nonacademic in orientation.

International comparisons

Americans are not happy to hear such comparisons of themselves with other nations. Hirsch reports a common complaint from U.S. educators: "It's all very well to talk about homogeneous countries like France or Korea, but what has that got to do with my school? I've got kids from seventeen nations. Some of their parents don't speak English. I've got kids who are severely learning-disabled, kids who come to school with marks of abuse on their bodies. Please don't talk to me about France or Korea." Yet this view, which Hirsch denounces as "American exceptionalism," is simply not based on reality. American students are *not* always more diverse than students of other nations. "With my own eyes," he writes, "I have seen schools in the suburbs of Paris where the ethnic and social diversity is equal to that of the Bronx and Miami. Currently, in the Paris region, the total percentage of nonnaturalized, non-French students is 23.2 percent of the school population. (The percentages are of course much higher in certain suburbs.)"

The American educational system is characterized by extreme localism, in which each state, county, locality, or even teacher develops their own curriculum. One district superintendent was shocked to find that no principal in his district could tell him what minimal content each child in a grade was expected to learn. This incoherence takes a particularly heavy toll on children who must change schools frequently—and Americans are among the most mobile people in the world. One-sixth of all third graders have attended at least three schools between first and third grade; one-quarter of low-income third graders have done so, and one-third of those with limited English proficiency.

Hirsch recounts that when the American occupation of Japan was coming to an end, after World War II, and Japan was taking control of its own affairs, American authorities recommended that the Japanese school system be placed under American-style local governance. This, they said, would ensure democracy and resistance to centralized thought-control. "The Japanese replied in effect, 'We intend to follow your principles of government, but localism in education is not a protection against anything. It mainly leads to unfairness to students, because it does not provide any means for insuring that all children receive a quality education.'"

The advantages of a core national curriculum, Hirsch argues, are shown by studies of science achievement conducted by the International Association for Evaluation of Educational Achievement. Out of 17 countries tested, there were three that did not have a core curriculum. Of these, England dropped from 9th to 11th in the period from 1970 to 1985; Australia from 3rd to 10th, and the United States from 7th to 15th. Japan and Hungary, which have national core curricula,

2. See Helga Zepp LaRouche, "Poetry and Agapē: Reflections on Schiller and Goethe," in *Friedrich Schiller, Poet of Freedom*, Vol. II (Washington, D.C.: Schiller Institute, 1988).

3. See Philip Valenti, "The Anti-Newtonian Roots of the American Revolution," *EIR*, Dec. 1, 1995; Richard Freeman, "The Confederate Legacy of Thomas Jefferson," *Fidelio*, Spring 1997; Robert Trout, "Life, Liberty, and the Pursuit of Happiness," *Fidelio*, Spring 1997.

traded second and first place.

More revealing, is the research on qualitative features of what goes on in classrooms in these different countries. Hirsch reports on in-depth studies comparing classroom practice in the United States, Japan, and Taiwan. Those who believe Americans to be more “egalitarian” and “independent-minded” are in for a surprise. For example, Chinese and Japanese teachers rely on students to generate ideas and evaluate the correctness of the ideas; American teachers are less likely to give students opportunities to respond at such length. Although a great deal of interaction appears to occur in American classrooms, the teachers generally ask questions that are answerable with a “yes” or a “no” or a short phrase. They seek a correct answer and continue calling on students until one produces it. In other words, what is lacking is Socratic dialogue.

The worst-performing U.S. classrooms are those which are “heavily affective,” with a lot of verbal praise and “self-esteem” talk. By comparison, teachers in Taiwan and Japan rarely use praise as a form of evaluation. They have a low tolerance for errors, and when they occur, they seldom ignore them.

‘Consensus science’

Reviewing some of the kooky theories that pass for “education reform” these days, such as Howard Gardner’s theory of “multiple intelligences,” Hirsch debunks them, appropriately enough, but then goes on to complain that the education community is elevating such “nonconsensus scientific findings” over ideologically troublesome research that *has* achieved “scientific consensus.”

This notion of “consensus science” is where the virus of the Enlightenment enters in—the fatal flaw of this book.

“As consensus in science increases,” writes Hirsch, “so does the likelihood of correctness. Everybody now agrees that the chemical formula for water is H_2O . The fact of that consensus does not guarantee its absolute truth, but it does guarantee its high degree of reliability. If you are engaged in a practical activity like schooling, you need to bank on consensus science because, even in those rare cases where it is slightly wrong, it reflects highly consistent practical success.”

In fact, as Lyndon LaRouche has explained, what makes science science, is not “consensus,” but the process of discovery that goes on when a creative mind confronts a *paradox*, a singularity that *does not fit in with what everybody else believes*. The discoverer achieves a superior conception, an idea which most people will find quite *unacceptable*, even absurd.

What, then, is the job of education? It is to help the students to struggle through such paradoxes themselves, and thereby to relive some of the great discoveries of human history. Does this mean we have no need for the multiplication tables, or for the mastery of other subject matter? Can a person become a creative musician, without knowing how to read music? Not at all. It is a question of how that so-called “factual

knowledge” is apprehended, and how it is utilized by the mind.

Take the example of LaRouche’s own writings and oral presentations, with which *EIR* readers are familiar. Often people (including this reviewer) ask themselves, “How does he know so much about so many different subjects? How can he remember all that?” Even writings produced while he was a political prisoner (1989-94), with scarce recourse to written reports and reference books, are filled with an incredible array of “factual knowledge.”

The key is what LaRouche describes as *Analysis Situs*, borrowing a term from Leibniz. There is no such thing as a “fact,” in and of itself; all human experience is situated in a *context* that gives it intelligibility, but that context must be discovered by the mind. Grappling with the paradoxes confronting it, the mind strives to move from one set of axiomatic beliefs, one hypothesis, which has shown itself to be inadequate, to a higher hypothesis. The person engaged in such a passionate struggle will later remember the “factual knowledge” associated with it, whereas the poor soul who tries to commit to memory various tidbits of information, will not.

It is this process of creative mentation which must be fostered in the schools, and which the modern-day professors of the Enlightenment, along with those of Swift’s Grand Academy of Lagado, have failed to understand.

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- that Washington and Franklin championed Big Government?
- that the Founding Fathers promoted partnership between private industry and central government?

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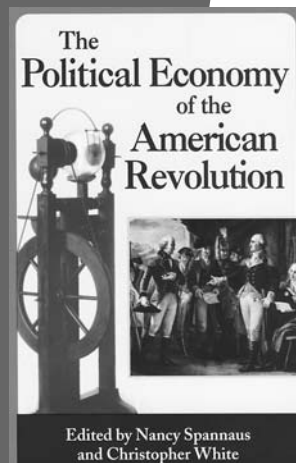
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McVeigh is convicted, but the truth remains buried

by Jeffrey Steinberg

On June 2, a Federal jury in Denver, Colorado, found Timothy McVeigh guilty on all 11 counts of murder and conspiracy to blow up the Murrah Federal Building in Oklahoma City, on April 19, 1995. As we go to press, sentencing is still under way. The jury is to determine whether he will be put to death, or jailed without prospect of parole. Later this year, the second man charged in the Oklahoma City bombing, Terry Nichols, will go on trial, before the same Federal judge, Richard Matsch, in Denver. Both men also face state murder trials in Oklahoma City.

While the major national news media have been full of praise for Judge Matsch's "tough but fair" management of the case, the reality is that justice has not been served. From the very outset, the government was in possession of evidence that McVeigh and Nichols could *not* have carried out the bombing on their own; it suppressed this evidence. Recently, the Inspector General of the Justice Department issued a public report, finding that the FBI Crime Lab had tampered with evidence in the Oklahoma City case, in favor of the indictment of McVeigh and Nichols as "lone assassins."

The entire issue of a broader conspiracy — whether or not McVeigh and Nichols were players in the bombing — was kept out of the trial; and, as the result, the United States is still faced with a grave national security threat, while the public is lulled into thinking that the case is closed, and that it was merely a case of what the prosecution and the media have dubbed "home-grown terrorism."

Suppressed evidence

In the weeks immediately following the 1995 bombing, *EIR* investigators received qualified information from a range of government sources, who all agreed that the level of sophistication required to bring down the Murrah Building was far beyond the technical competence of McVeigh, Nichols, or

any of their known Army associates. The universal conclusion, at that time, was that the real masterminds of the bombing had not been captured, and the case was still open.

Months after the Oklahoma City Federal grand jury handed down indictments against McVeigh and Nichols, and the Justice Department pronounced the case solved, government agencies were still aggressively pursuing leads in Canada, western Europe, and the Philippines, all suggestive of foreign involvement. At one point, defense attorney Steven Jones sent a team of investigators to London to pursue leads on possible involvement by British-based organizations. Jones's efforts to obtain full disclosure on all of the government's investigations and leads, prior to McVeigh's arrest, were blocked by Judge Matsch, who severely limited the amount of discovery on the government's own investigation.

In the introduction to an *EIR* report, written on May 18, 1995, Lyndon LaRouche summarized the situation at the time as follows: "Virtually identical studies reported to this news service by three authoritative sources, indicate, that the mass-murderous blast which destroyed the Oklahoma City Federal building, on April 19, 1995, was not simply a large 'fertilizer bomb,' but a shaped charge designed and placed with a degree of sophistication beyond the capability of any of the suspects touted by the British major news media and their 'American cousins.' Those engineering studies of the effects of the blast upon the building's structure, indicate that the agency which prepared and designed the shaped charge and its placement were at a level above ordinary Special Forces training, the level of military intelligence specialists, or higher."

LaRouche added: "That report is consistent with this news service's own acquired expertise in investigating international terrorist incidents, during the course of the 1970s and 1980s. Frequently, the famous terrorist groups featured in the news media's reports were either nonexistent, or were only a

screen behind which professional intelligence agencies operated.”

Subsequent technical studies, suggesting that there may have been additional shaped charges placed inside the building, bolster the assessment that McVeigh and Nichols were, at most, second-tier players in the bombing.

Rees-Mogg and Evans-Pritchard

EIR added another crucial dimension to the bomb probe that was ignored during the Denver trial, and was suppressed by the major media: the role of the British in waging a several-year-long irregular warfare campaign against the United States, and, particularly, against the Clinton Presidency. At the time of the Oklahoma City bombing, agencies of the Britain monarchy and its allied Club of the Isles were engaged in a “war and a half,” to destroy the Clinton Presidency. This included an unrelenting smear campaign, which the White House legal office later dubbed “the media food chain,” and a large number of prior incidents of anti-American international terrorism, including the World Trade Center bombing, and 17 incidents, involving threats or actual physical attacks against the White House and the First Family.

Since the Oklahoma bombing, there have been two more incidents of international terrorism, targeting American soldiers in Saudi Arabia. Both incidents involved truck bomb attacks, and, in both instances, the London-backed “Afghansi” Osama Bin Laden has publicly claimed credit. In recent years, a half-dozen governments, including those of Egypt, Saudi Arabia, Israel, and France, have condemned the British government for harboring and financing terrorist organizations targeting them.

From the outset of the Clinton Presidency, the British media campaign against the White House has been led by Lord William Rees-Mogg, former editor of Rupert Murdoch’s London *Times*, and Ambrose Evans-Pritchard, the Hollinger Corp.’s *Sunday Telegraph*’s Washington correspondent.

It is of special note in the Oklahoma City case that, for months prior to the bombing, Rees-Mogg and Evans-Pritchard conducted a media campaign, hyping the emergence of “home-grown” American militias, vastly overstating their popular support and military readiness, and at the same time, propagandizing that the Clinton administration was about to launch a campaign of repression against them. Pure disinformation. In the weeks leading up to April 19, 1995, Rees-Mogg and Evans-Pritchard were involved in a classic black propaganda intelligence operation, aimed at provoking a conflict between crazed elements of the militias and the Clinton administration and Federal law enforcement agencies. This effort seriously clouded the environment in which the initial probe of the Oklahoma bombing took place, and contributed to Federal investigators being diverted into a fruitless probe of domestic false-trails.

All of these factors, essential to any competent, top-down

probe, were missing from the Justice Department investigation and the Denver trial.

LaRouche blasts the travesty

In an interview with the weekly international radio broadcast “EIR Talks” on June 3, LaRouche commented on the Denver trial, in the course of answering a question about his own persecution by the Justice Department and the FBI, which included several serious government-sanctioned assassination attempts:

“There is very little justice in the United States. You see this terrible McVeigh trial, where the only thing it comes down to, is a guilty charge: That was a *showboat*; that was not a real trial. Somebody may call it a trial, but it’s *not*, not of the *issue*. Someone blew up a building. There’s evidence of FBI tampering with the evidence, and the tampered evidence was used in furtherance of bringing the indictment, and so forth and so on. But, you had so many restrictions, limitations, on the trial, on the evidence, that the truth didn’t come out. On the other hand, you had people who were relatives of those who died in that Oklahoma building bombing, and of course, in this climate they want a *victim!* There’s less concern for getting the people who were *responsible* for that sabotage act, that death, than the urge to get the first guy you can get, and lynch him, and hang him; and, obviously, everything indicates that McVeigh and those people, did not have the capability of running that operation; didn’t have it! Why, don’t we want to get the people who actually did it? Don’t we want truth anymore? Don’t we *care about justice* anymore? . . .

“And, this is typical: that *we do not have justice anymore in the United States*. You want to talk about the greatest insecurity today in the United States? You have over 51% of the people who are eligible to vote, don’t even bother. These include people who have fought our wars, as soldiers, or airmen, or sailors. These include people who would have fought our wars, if we’d called them up. These are people who were distinguished in former times by patriotism, who’ve lost their patriotism, who are disaffected. The appeal of the militia, for example, is part of that. It’s one of the most dangerous things in our society. That the injustice and corruption in our government, including the Department of Justice, under people like Mark Richard and Jack Keeney, people like that, in the permanent bureaucracy. This injustice.

“This stink of corruption, has disaffected Americans to such a degree, that we are becoming vulnerable to some foul ball coming in and using disaffected people to create a cover for his running terrorism against the United States, or people in the United States. I think that’s important. I think it’s important to get to the *bottom* of these things and find out the truth. And not to get the first slob you can grab, and take him out and lynch him, in what *passes* for a trial, technically, surrounded by limitations, which prevent the truth from being explored at trial, as it should be.”

Unions to hold 'power outrage' conference to fight deregulation

by Marianna Wertz

Four AFL-CIO unions are planning a two-day "Deregulation Summit" in Washington, D.C. on June 18-19, including lobbying Congress, to deliver the message that "deregulation of the utility industry is undermining our jobs, our families, our communities, our whole way of life!" This is the first major attack on deregulation by the unions affected by it, and it is expected to draw a large audience of activists.

The conference is co-sponsored by the Utility Workers (UWUA), the Mine Workers (UMWA), the Service Employees (SEIU), and the Boilermakers unions. Presidents of the UWUA, UMWA, and SEIU will all address the conference, as will AFL-CIO Secretary-Treasurer Richard L. Trumka.

The flyer announcing the conference, titled "Power Outrage," depicts a Wall Street financier pulling out the electric plug, accompanied by a quote from Jeffrey Skilling, president of the George Bush-connected Enron Corp., saying, "You must cut costs ruthlessly by 50% or 60%. Depopulate. Get rid of people. They gum up the works."

The UWUA's magazine, *Light*, provides ample documentation that deregulation of the electric industry is not only dangerous, but *unnecessary*. As **Figures 1** and **2**, drawn from the UWUA literature, show, regulation of the utility industry, begun in 1935 under the Public Utility Holding Company Act, has worked. As *Light* comments, "In addition to being one of the world's lowest-cost producers of electricity, the United States has no peer in the efficiency, productivity, or reliability of electric utilities."

So, why the push for deregulation? As UWUA spokesman Carl Wood told *EIR* in a May 23 interview (see below), the motive is the huge profits possible through a deregulated system. The model, he said, is Great Britain, where double the rate of profit has been sucked out of consumers since deregulation took effect.

The unions are warning that Wall Street's deregulation plan would: force utility mergers, replacing regulated local utilities with giant, uncontrolled national power monopolies; eliminate thousands of good jobs; force local utility plants to shut down, resulting in major losses in tax revenues for communities; force working families, senior citizens, and small businesses to pay for lost tax revenue with higher taxes or public service cuts; cut workers and reduce preventive maintenance, making power outages more frequent and longer-lasting; lead to hard-sell telemarketing and direct-mail promotions offering confusing rate changes and false prom-

ises; and force families in rural areas and low-income neighborhoods to pay higher rates.

In his May 21 letter to all the UWUA locals, Utility Workers President Donald E. Wightman urged maximum attendance at the conference. "The more people attending and visiting Congress, the greater impact we will have. Contrary to some pessimists, we do not believe that deregulation is a 'done deal,' especially at the Federal level. Lend your support and your presence to ensure that it does not become a done deal."

For more information on the conference, or to order the Power Outrage action guide, call 1-888-8NO-DEREG (1-888-866-3734).

Interview: Carl Wood

Carl Wood, spokesman for the Utility Workers Union of America (UWUA), AFL-CIO, gave the following interview to Marianna Wertz on May 23.

EIR: What do you think will happen at the Deregulation Summit and what is going to come out of it?

Wood: It seems that most of the players in this whole deregulation issue are taking it for granted that deregulation is going to happen, and that it's going to happen without any kind of serious challenge. We're not prepared to accept that. We think that deregulation is not a good idea. Maybe that's too general. But we think there are a lot of unanswered questions, at a minimum, and that there have to be assurances and guarantees that no classes of customers, particularly residential and small business customers, are going to be disadvantaged by whatever deregulation is legislated. And, every indication we see is that those are precisely the groups that are going to be hurt.

In addition, we think that it is necessary that the workers in the industry receive some protection against losing their jobs, and having the conditions on the jobs that remain, degraded. Every indication that we have is that wherever deregulation has been implemented in other parts of the world, and in other industries in the United States, it has been tremendously damaging to workers in the industry.

EIR: Your literature bears that out. It also tends to put the blame on Wall Street or profit motives.

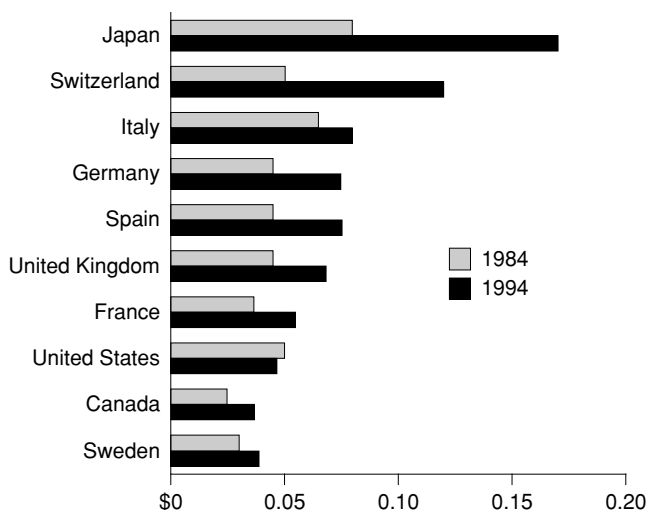
Wood: Right. Clearly, what's driving this is a desire by some big business interests to make a lot of money off deregulation. You only have to look at what happened in Great Britain, where the electrical industry was deregulated and privatized, and the rate of profit of the new companies that were set up was probably twice what is typically authorized in a regulated U.S. utility. I think big business in the United States is looking at that and licking its chops.

EIR: I was struck by the quote you used in your leaflet. "You must cut costs ruthlessly by 50 to 60%, depopulate. . . ."

FIGURE 1

Worldwide industrial electricity prices

(dollars per kilowatt-hour)

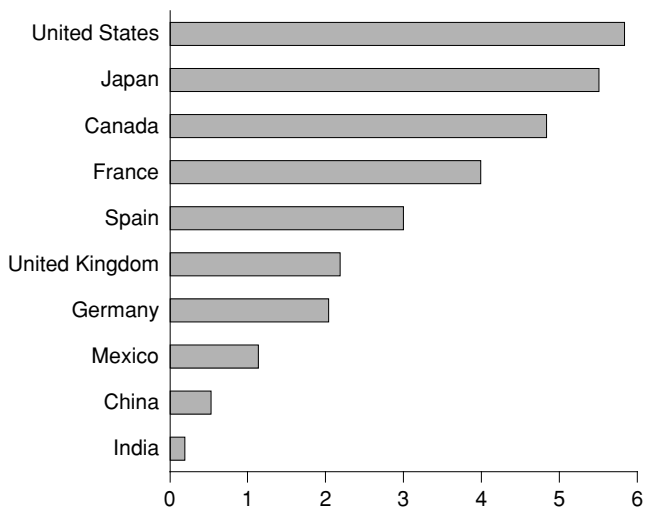


Source: Utility Workers Union of America, AFL-CIO.

FIGURE 2

Electricity produced per employee in selected countries

(gigawatt-hour per employee)



Source: Utility Workers Union of America, AFL-CIO.

Wood: That’s the president of Enron [Jeffrey Skilling].

EIR: Our publication has maintained that part of the reason behind deregulation is not just profits, but actually a Malthusian outlook, which propagandizes that the world has too many people. Getting rid of people can be done many ways, and one of them is to make it too hard for people to afford the basics required to live.

Wood: I don’t want to speculate or read any more into what Skilling said. What’s on the surface of it, basically, is what’s happened with every deregulation, is that large numbers of jobs have been eliminated, and that’s a lot of the logic of it. There’s going to be increased monopolization of the industry. There’s going to be consolidation of operations, elimination of a lot of facilities, and with that, people will lose their jobs.

EIR: In UWUA President Don Wightman’s letter which he sent out to locals in May, he said, “Our water and gas locals may be questioning the relevance of the summit to their issues and needs. We strongly believe that this will become your fight also. There has been significant interest among the big business backers of deregulation, that gas and water will be next.” Can you comment on that?

Wood: There’s hardly any need to comment on the gas part of it, because there has been a whole series of mergers recently, of gas and electric utilities. They’re pretty much becoming a single business. There’s not much of a barrier between them anymore. A lot of the processes of deregulation, outsourcing billing-cycle services, for example, are just identical processes in the electric and gas industries. Already gas

has been partly deregulated anyway. To the extent that the electric industry is deregulated, I can’t see that gas is going to be far behind.

EIR: What about water?

Wood: Water is structured a little differently. It’s much more atomized. Water utilities tend to be much smaller, much more localized. There is more public ownership in the water area than in gas or electric. Certainly, there is a definite trend toward monopolization of the water industry, toward pushing toward privatization, but I haven’t really studied it enough to know how the dynamics of it are going to work. It may be somewhat different from the energy industries.

EIR: I just had the thought that, if people are denied electricity, that’s pretty life-threatening, but to not be able to afford water, that’s the end of life.

Wood: Yes. Already now, you can have your water turned off, for non-payment. Probably a local utility or a municipal utility will be a little more lenient than a large international monopoly might be. But that’s speculative at this point.

EIR: What else you’d like to say about the conference?

Wood: We’re impressed and gratified by the response that we’re getting, from both our membership and from other groups. There’s a lot of people waiting for somebody to take some leadership on this issue. There is a lot of suspicion among the public that this is not a good thing for them, and it doesn’t seem that anyone is willing to just step up and say that.

National News

Satellite camera shows very many snowy comets

Thousands of house-sized, snowy comets fall on Earth every day, Dr. Louis Frank told a press conference on May 29, during the spring session of the American Geophysical Union in Baltimore. Frank presented slides of breathtaking images, derived from a satellite camera imaging in both the visible and far ultraviolet frequencies, of Earth-bound objects streaking toward Earth and breaking up. The camera system was designed by Dr. Frank, a plasma physicist at the University of Iowa, and lofted into nearly polar orbit aboard POLAR satellite early last year. Since then, Dr. Frank and his colleagues have obtained enough images that even his harshest critics have been forced to agree that his theory that Earth is being bombarded by the comets every day has merit.

Dr. Frank ignited a storm of controversy when he first published his theory in April 1986, and in 1990 released his book *The Big Splash*, explaining that the original "holes" he had seen in satellite imagery couldn't be "instrument artifacts," as claimed by his critics. He wrote: "I was driving a bulldozer through dozens of the neatly planted fields of science and everyone was upset."

LaRouche demands files on FBI dirty tricks

Illegal FBI activities against Lyndon LaRouche and associates were at issue in a hearing before a Federal magistrate in New York City on June 5, in the two-decades-long civil rights suit titled *LaRouche v. Webster*. The FBI is refusing to release 25,000 pages of informant files, and depositions of 11 present and former FBI officials.

Before the hearing, attorneys for LaRouche and the other plaintiffs filed a memorandum stating that the FBI, starting in 1968, "undertook a systematic campaign to discredit and destroy the [LaRouche association] NCLC [National Caucus of Labor Committees] as a political organization because of its ideas and views," and that the

FBI "engaged in a disruption program against the NCLC which included incitement of violence by political opponents, encouragement and support of lawsuits against the NCLC by opponents, and multiple forms of harassment."

The FBI, says the memorandum, used informants for provocations, illegal information-gathering in violation of the Fourth Amendment, and to create false allegations against the NCLC, used to justify further FBI illegalities. An example cited is the FBI's collusion with the Communist Party U.S.A. in 1973, for the purpose of "eliminating" LaRouche.

Magistrate Sharon Grubin must now rule on the relevance of the discovery being sought by the plaintiffs, which she expects to do by August. The specific discovery requests were sent back to the magistrate by Judge Mary Johnson Lowe last year, after Lowe said that the magistrate was in error to deny them, without determining their relevance to plaintiffs' claims. Grubin conceded that she had been "incorrect" in her own previous recommendation.

Spannaus will run against Frank Wolf

LaRouche Democrat Nancy Spannaus has announced that she will run for Congress in the 1998 elections, against Rep. Frank Wolf (R-Va.), the nine-term incumbent from Virginia's 10th Congressional District, which covers much of Northern Virginia's wealthy, Anglophile Hunt Country. Wolf is a leading Congressional supporter of the British-sponsored genocide in Africa.

Spannaus issued a statement posing the following questions to Wolf:

"Congressman Wolf, why are you silent on this holocaust, the worst genocide in decades, which is documented to be going on to this day in Zaire?"

"Is your silence related to your connections with Baroness Caroline Cox of Christian Solidarity International (CSI), an association which functions as an arm of British Intelligence, and backs Uganda's President Museveni?" Wolf, a CSI board member, has served as one of that organization's key mouthpieces in Congress.

"Are you aware that President Museveni has favorably compared his mission, and himself, to that of Adolf Hitler?"

"Is your silence related to the support you've been given by the Loudoun Hunt Country set, who support African genocide policies in the name of saving gorillas or reducing what they consider excess [human] population?"

"The citizens of the 10th CD and the hundreds of thousands of dead men, women, and children in eastern Zaire await your answer," Spannaus concluded.

Texas Catholic bishop decries death penalty

Roman Catholic Bishop Fiorenza wrote a commentary in the May 23 *Texas Catholic Herald*, saying that the church opposes the death penalty for the same reason that it opposes abortion and assisted suicide. "We Texans are proud people," he states, "but there is one statistic about our state which I wish we did not own. Texas leads the nation in the use of capital punishment. This year to date, there have been 22 executions in the United States and 10 were in Texas." Bishop Fiorenza asserts that "today the teaching authority of the church opposes the death penalty. The opposition flows from the conviction of God's absolute and sovereign dominion over human life. Human life is God's precious gift to every person. God is the source of human life; He begins each life and He alone should determine when each life should end." The new Catechism of the Catholic Church has already been revised to strengthen teaching against use of the death penalty.

The bishop contrasts the view of Cardinal Pio Laghi, who stated, in a talk on the Catechism in Toronto, that "the Catechism does not exclude the death penalty 'in cases of extreme gravity,'" to the view of Cardinal Josef Ratzinger, who, "in presenting the Catechism in its Russian translation a few weeks ago, *officially* stated that that line will be suppressed, and the death penalty will be excluded 'in every case' without exception in the teaching of the Catechism."

Bishop Fiorenza writes that "in the past 50 years or so, due to the prevalence and

100 STEELWORKERS striking Wheeling-Pitt company leafletted the Boston investment firm of board member Peter Whitman, and then held a prayer vigil outside his home. Asset-stripping by the steel company's Wall Street investors sparked the eight-month-long strike.

LADY CHALKER protégé Susan Rice was named on May 28 to head the State Department Africa desk. In 1992, as a Rhodes Scholar, she completed her doctoral dissertation on "The Commonwealth Initiative in Zimbabwe, 1979-80: Implications for International Peacekeeping," and won prizes from Chatham House and the Commonwealth Society.

HENRY KISSINGER presented the United Jewish Appeal Foundation's "Humanitarian of the Year" award to international tabloid mogul Rupert Murdoch on May 31, according to Liz Smith's gossip column in Murdoch's *New York Post*.

THE HOUSTON Chronicle editorialized against Laurent Kabila's crackdown on political protests and public meetings in the Congo, and sharply criticized the support given him by Reps. Donald Payne (D-N.J.) and Tom Campbell (R-Calif.), as well as South Africa's President Nelson Mandela. The June 2 editorial called Kabila a dictator, but still said "the jury is out" on the future of Zaire under the butcher.

PRINCE PHILIP of Great Britain invaded the U.S. on June 5-9, partly to join celebrations of the 50th anniversary of the postwar Marshall Plan. Also besetting the celebrations will be Lady Margaret Thatcher, George Soros, and Sir Henry Kissinger. All four stand against everything the Marshall Plan represented.

SEN. CHARLES GRASSLEY (R-Iowa) accused the FBI of "disinformation" and "intimidation," in hearings on June 3. "I have never known an agency that right now is in need of more oversight . . . than the FBI," he said.

legalization of abortion, and now with the push for assisted suicide, the church has reflected with greater intensity on the Biblical truth of the sacredness and inviolability of human life as God's gift." He continues that, to oppose abortion and not to oppose capital punishment, "is not consistent with the underlying principle on which both teachings are based: the sacredness and inviolability of human life."

Giuliani scores anti-immigrant laws

New York Mayor Rudolph Giuliani returned to the Republican Party's moral roots—breaking with the Conservative Revolution travesty—during an impassioned speech at the National Press Club on May 27, where he blasted the growing trend of denying education, health care, and social benefits to legal and illegal immigrants. He repeatedly invoked the first Republican President, Abraham Lincoln, in his address. During the question period, he further broke with neo-conservative dogma, saying he would fight to save rent control, because, otherwise, too many poor and elderly people would be out on the streets.

In March, Giuliani sued the Federal government to overturn provisions of the new welfare law that cut off benefits to legal immigrants. Giuliani noted that the Federal welfare and immigration bill together will cut off all legal immigrants from benefits, starting on Aug. 22. There are about 70,000 legal immigrants who get Supplemental Security benefits in New York, who pay taxes, and work in higher percentages than other city residents. He said that, after the lawsuit was filed in March, Congress moved the cut-off date from Aug. 22 to Oct. 1.

He continued: "The second part of it is to try to deal with immigration on a more sensible basis, and also to point out some of the benefits that come to this country from immigration." He noted the insanity of preventing immigrant children from going to school or getting immunizations, by threatening them with being deported. The mayor closed with an 1855 quote from then-Congressman Lincoln: "I am not a Know-Nothing. That is certain. How could I be? How

could anyone who abhors the oppression of Negroes be in favor of degrading classes of white people? As a nation we began by declaring that all men are created equal. We now practically read that all men are created equal except Negroes. When the Know-Nothings get control, it will read, 'All men are created equal except Negroes and foreigners and Catholics.' When it comes to this, I should prefer emigrating to some country where they make no pretense of loving liberty."

Republicans oppose Weld appointment

Massachusetts Republicans are mobilizing against the appointment of Gov. William Weld as ambassador to Mexico, according to the *Boston Herald* of June 2. Members of the Republican Party State Committee are circulating a letter that asks Sen. Jesse Helms (R-N.C.), chairman of the Senate Foreign Relations Committee, to block the nomination, saying that Weld has done little for the party.

The *Herald* quotes Republican State Committee member Arthur Larrivee: "We're going after him, and we're not going to let him get away from this one." And State Committee member Vincent McLauthlin: "Somebody has to put Weld in his place." Thirty members of the 80-member State Committee have signed the letter to Helms. According to the *Herald*, recent moves by Weld and Lieutenant Governor Cellucci to stack the state committee, with Cellucci using high-handed methods, have enraged volunteer activists and the new party chairwoman, Jean Inman, who was not consulted.

As for Helms, in a June 3 interview with Fox News, he stated that Weld is not of "ambassador quality." "He's a little loose with his lips sometimes and that sort of thing. But I have nothing against him, but I don't think he ought to be ambassador to Mexico." Asked about Weld's record on drugs, including his advocacy of the legalization of "medical" use of marijuana, Helms replied that that was indeed a concern.

Weld was the U.S. Attorney in Boston who oversaw the corrupt prosecution of Lyndon LaRouche.

Editorial

Now, as then

Hundreds of previously classified documents, recently released from British government archives, prove that Prime Minister Winston Churchill and other British leaders knew that Nazi Germany was killing Jews, from the first massacres in June 1941, to the concentration camps in 1945. Yet they found it more expedient, more in conformity with their racial and geopolitical doctrines, to keep that information secret, and to block actions that would have halted the genocide.

Today, as hundreds of thousands of men, women, and children are being murdered in Zaire/Congo by the soldiers of newly installed dictator Laurent Kabila, it is harder for government officials to pretend that they don't know what is going on. Some certainly try, like the U.S. State Department official who was told by an *EIR* representative that genocide was being committed—that, according to Doctors Without Borders, a quarter of a million Rwandan refugees had already been killed. “No, this is not true!” he exclaimed. “Your figures are *wildly* wrong. . . . There is an enormous difference between killing and genocide. There is *no conclusive evidence of genocide*. No one is allowed access, therefore there can be no conclusive evidence of genocide.”

Cracks are beginning to emerge in this wall of official hypocrisy and indifference. U.S. Ambassador to the United Nations Bill Richardson is returning to Zaire to demand an investigation of the atrocities. German Foreign Minister Klaus Kinkel has called upon the European Union to send a diplomatic mission to Kinshasa, to tell Kabila “and the responsible persons in the other states” to stop the genocide.

Press accounts are finally telling at least some of the truth. The *Philadelphia Inquirer* on June 5, for example, published an account from eyewitnesses, of the massacre of at least 550 Rwandan Hutus in the town of Mbandaka on May 13. After four hours of killing, an aid worker reported, “Red Cross workers had dug a mass grave for burial of hundreds of bodies. A soldier brought them the body of a woman and her eight-month-old child. The child was still alive. ‘We said we can't bury someone living,’ a Red Cross worker said. ‘And he took

this stick and hit the child on the head until he was dead.’ ”

Why is this happening? How could such atrocities occur, in a world which said, in 1945, “Never again!” Look at who backed Hitler then, and who is backing Kabila now.

As historian Anton Chaitkin documented in an article in the weekly *New Federalist* on June 9, Hitler was financed by the Anglo-American grouping of financiers that included Bank of England Gov. Montagu Norman, and a British-controlled Wall Street grouping around Averell Harriman and Harriman's partner Prescott Bush, the father of the later U.S. President George Bush. These were the sponsors of Reichsbank chairman and later Nazi economics minister Hjalmar Schacht, the man who hosted a meeting of German businessmen on Feb. 20, 1933, after Hitler's appointment as chancellor, and raised 3 million gold marks for the final drive to Nazi dictatorship.

Today, as *EIR* has reported, the same financial interests are grabbing up Africa's raw materials, precious metals, and other resources, as a hedge against what they see as a coming worldwide financial blowout. George Bush is the Senior Honorary Adviser of Barrick Gold Corp., which has gobbled up thousands of square miles of gold-mining territory in Zaire. On May 9, Kabila met in Lubumbashi, Zaire, with some of the leading financiers of the British Commonwealth, working out a deal that would give the British and allied financiers unimpeded control over the country's vast mineral wealth.

EIR's staff is currently assembling a Special Report, scheduled for release on June 18, titled “Never Again! London's Holocaust Against Africans.” This will put official Washington on notice: No more hiding behind bureaucratic routine. Our government must act immediately to prevent the death of a single additional human being. Call genocide by its right name; investigate the war criminals and their financial backers; and begin the process of rebuilding the economy of the African continent, in the interests of its people, not to line the pockets of foreign looters.

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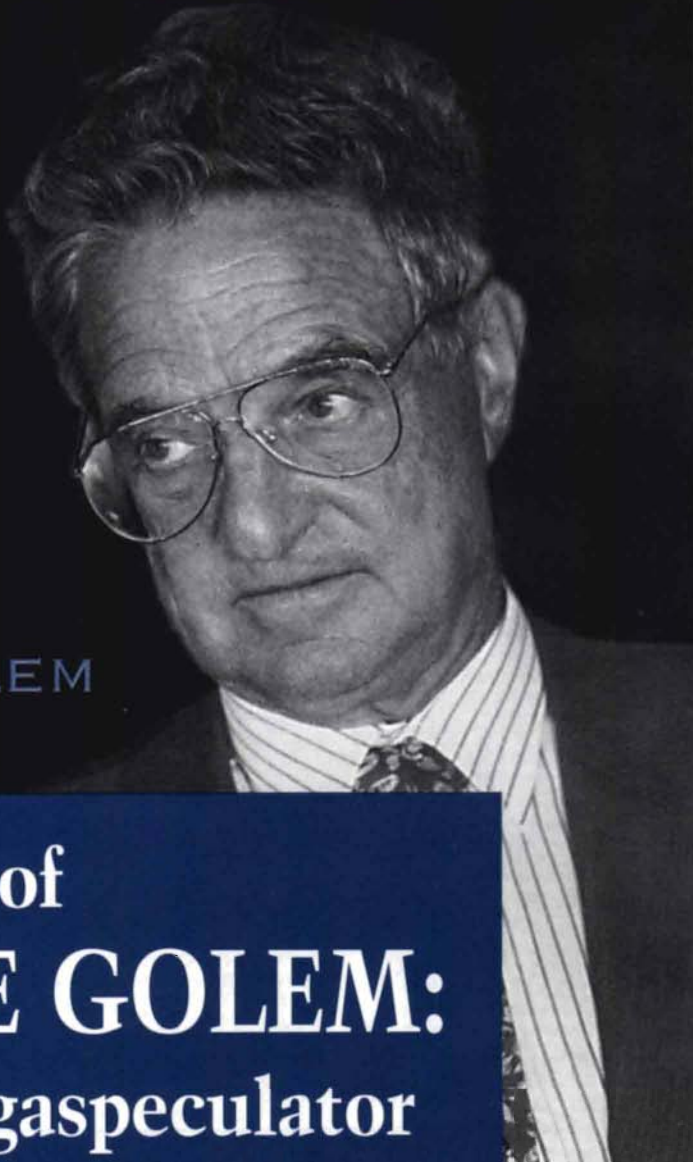
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