

# EIR

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## From the Associate Editor

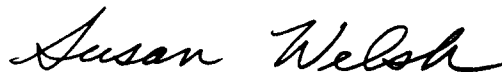
**I**t was exactly nine years ago, on Jan. 27, 1989, that Lyndon H. LaRouche, Jr. was jailed by a “Bush League” task force of government and private operatives. It was a political railroad, which leading analysts compared to France’s 1894 Dreyfus Affair, in which an innocent man was sent to prison for purely political reasons. In both cases, the prosecutors knew full well, that the accused was innocent of all charges.

LaRouche was freed on parole on Jan. 26, 1994, after serving five years of a 15-year sentence. But, whereas Captain Dreyfus was fully exonerated in 1904, LaRouche’s exoneration has yet to be achieved. No task could be more urgent, at the present time.

As we go to press, the very same crew that jailed LaRouche, has escalated their treasonous assault against the American Presidency, through the machinations of such low-lives as British intelligence operative Ambrose Evans-Pritchard, and Bush Leaguers Kenneth Starr and Linda Tripp. See *National* for a report by Edward Spannaus and Jeffrey Steinberg. Whether or not President Clinton believes he is ready for an all-out “slugfest” against his British enemies, Lyndon LaRouche and *EIR* are going to start swinging, and will force this battle into the open, on our terms. For starters: Revoke Linda Tripp’s Pentagon security clearance, and open a thorough investigation into her activities against the President.

Some people, enmired in the soap opera that passes for “news” in America these days, may find it hard to believe that the assault on the Presidency is really *treason*. That is because they are living in a world of virtual reality. Time to snap out of it! Time to start thinking!

This was the number-one agenda item at the Martin Luther King Day conference of the Schiller Institute and International Caucus of Labor Committees, which we feature in this issue. LaRouche’s keynote speech addresses the “top one percent” of American citizens, those who think, and who must rapidly begin to master the conceptual challenges that LaRouche lays out, if the world is to survive the present crisis.



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Professor Biller has been the Cantor of the St. Thomas Boys Choir in Leipzig, Germany since 1992. The choir has existed continuously since 1212. Johann Sebastian Bach occupied the post of Cantor at the St. Thomas School from 1723 until his death in 1750, and to the present day, the choir has a special devotion to Bach's choral works.

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**Correction:** In the Jan. 9 *EIR*, p. 79, Haik Babookhanian was wrongly identified. He is the chief editor of the largest Armenian opposition weekly newspaper, *Travunk*.

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## Bankers yearn for ‘just one success’ in Asia

by William Engdahl

As the systemic crisis continued rocking financial and currency markets across Asia, a senior European central banking source told *EIR*, “At this point it is very important that we be able to stabilize one country; so far, that has eluded us.”

The Indonesian rupiah is dropping like a stone, down as much as 48% on just one day, Jan. 22. The currency in that country of 200 million people has been devalued 84% since last August, when the International Monetary Fund (IMF) demanded that it float freely against the dollar. South Korea’s negotiations with its creditor banks, led by J.P. Morgan, for restructuring that country’s \$150 billion foreign debt, are at an apparent impasse on the issue of rollover of some \$25 billion of unpayable short-term debt. Japan is enmeshed in endless faction fights over whether or how to deal with the world’s most mortally wounded banking system, and Thailand faces bloody riots protesting IMF-dictated austerity.

Looking at all this, the central banker’s wish for “one success” appears as probable as a journey to the Moon was at the time Jules Verne wrote his science fiction fable at the end of the past century. In short, “None of the usual remedies seem to be working,” as one European banker expressed it. And for good reason.

### No cyclical crisis

“We are in the process,” commented Lyndon LaRouche in a Jan. 14 radio interview with “EIR Talks,” “of, shall we say, the worst systemic financial collapse in modern history, much worse than anything that we have seen during the 20th Century, or even the 19th Century. But this is not a cyclical crisis like that, say, of the 1930s. The present system, which has been developing over the past thirty-odd years, is not a viable system. It is a system which is, by its very design, inherently doomed to a permanent collapse.”

The latest developments regarding the Indonesian rupiah bear out this analysis. Despite a high-profile visit from IMF Managing Director Michel Camdessus on Jan. 15, during which Indonesian President Suharto signed an agreement with the IMF which calls for draconian budget cuts and other severe economic measures—moves aimed to please, above all, foreign investors—the rupiah continued to collapse. During Jan. 20-22, the currency fell from 8,400 rupiah to the dollar, down to an all-time low of 17,000, before heavy Indonesian Central Bank intervention brought it back to 12,000.

If the rupiah stays at that level—and all signs are that it is going even lower—that would mean that an Indonesian company needing, for example, imported machine parts from the United States to run its factory, would need to come up with six times the rupiah funds they needed only last August, when the rupiah was at 2,600. Needless to say, few Indonesian companies are able to pay such a hefty price. Recent estimates by financial analysts in the region are that of the 280 companies listed on the Jakarta Stock Exchange, only 22 are still solvent with the rupiah at present levels. The rest have a net worth in rupiah terms below the value of their dollar debts, a legal state of bankruptcy.

Why is the rupiah plunging? “The simple answer is that Indonesian companies are in a panic rush to grab every dollar they can to repay foreign debts coming due,” explained one European banker involved in the region. “We estimate that before Jan. 31, Indonesian companies have to come up with about \$10 billion. Total foreign debt is maybe \$140 billion, and of that, half, or some \$70 billion, comes due in the coming 12 months. With the rupiah in free-fall, either default or debt moratorium in some form looks inevitable. Unlike South Korea, there is no discussion of a coordinated bank rollover of the debt.”

To make matters worse, the recent record drought has made the autumn rice harvest a disaster, forcing Indonesia to import huge volumes of rice and other foodstuffs since last month. The collapsing rupiah makes the import price for such necessities prohibitively high for most Indonesians. The falling rupiah in the import-dependent economy, and the soaring food costs, have pushed the country to the very brink of a Weimar-style hyperinflation. Current annual price inflation in the country is more than 60%, according to estimates by Deutsche Morgan Grenfell.

Little wonder in this situation that reports are surfacing by the day that Indonesian banks are unable to honor forward foreign exchange contracts, and that several private companies had simply defaulted on foreign debts.

### What next?

The illusion prevalent in international banking circles is that a “fence” can be erected around Indonesia, allowing the IMF and banks to focus on making South Korea the “success” the central bankers so urgently require. Nothing could be further from reality.

The largest financial market in Asia outside Japan is Hong Kong, the former British colony which since July has been part of China. One of Asia’s largest investment banks, Peregrine Investments of Hong Kong, was forced to declare bankruptcy early in January, when Zurich Insurance Group broke off talks intended to inject fresh capital into the troubled group. Peregrine claims it was forced to go under because of the fall of the Indonesian currency.

But the Peregrine bust was only the beginning of what a number of European banks and investment managers predict will be escalating speculative pressures against Hong Kong’s long-standing peg to the U.S. dollar, and with Hong Kong, the peg of the Chinese renminbi itself.

On Jan. 22, the *Hong Kong Morning Post* reported that angry customers were in line outside Hong Kong stock brokerages demanding their money, after a second large brokerage, CA Pacific Securities, filed for bankruptcy. Recent real estate auctions indicate that land prices have fallen by 20-30% since last October. The *Morning Post* called the situation a “crisis of confidence.” If that crisis grows, the consequences for the world payments system could be enormous.

“The large offshore hedge funds like [George] Soros’s Quantum Fund have now turned their attention to Hong Kong,” noted a London hedge fund source. “The only two liquid markets left in Asia where it is easy to speculate are Hong Kong and Japan.”

Indeed, in a full-page interview in the Hamburg weekly *Die Zeit*, which was picked up as a news wire and run on financial trading computers from London to Tokyo to New York, Soros put the spotlight on Hong Kong and China. In a Jan. 15 interview, Soros said, “The situation in Hong Kong and China is extremely precarious. China is already being impacted. The largest part of its foreign investment comes

from overseas Chinese, and these have already lost—in Thailand or Indonesia—already half their assets or more.” Soros should know. It was his Quantum Fund, together with another aggressive Netherlands Antilles hedge fund, Julian Robertson’s Tiger and Jaguar funds, which, according to trade sources, led the attack on the Thai baht last May, which began the financial avalanche across Asia.

Hong Kong and China are far different from Thailand or Indonesia in vulnerability to a speculative attack. China’s renminbi currency, which last devalued in 1994, is not freely convertible. Further, it is backed by China’s estimated \$130 billion in dollar reserves, the world’s largest outside Japan. Hong Kong, with some \$80 billion in dollar reserves, also has a currency board system, the Hong Kong Monetary Authority. Under its rules, the board automatically calls in liquidity from the overnight bank lending system the moment the currency is under pressure. The resulting high interest rates—in October, rates briefly hit 300% on one day—keep Hong Kong’s dollar fixed.

But, it defends the peg at a heavy price. High interest rates have devastated prices of Hong Kong land, as well as stocks. “Hong Kong banks lend against property as collateral, like the old British banking system,” commented a City of London banker. “When land prices fall, banks are under pressure to foreclose on loans. As long as the authorities are forced to keep interest rates high, now about 12%, companies and individuals with high debt will face bankruptcy as time goes. However, were the Hong Kong Monetary Authority to abandon the dollar peg, given the falls in the rest of the region’s currencies, it would trigger a panic capital out-flight by Hong Kong residents; that would be a disaster scenario. For that reason, it is highly unlikely that the peg will fall. But that means they must keep these high interest rates, and that will force bankruptcies and add to bank bad debt problems.”

A European central banker told *EIR*, on background: “Hong Kong and China are very difficult cases. They both suffer from strong upvaluation of their currencies relative to the rest of Asia. That means their economies lose competitiveness. The impact will hit the process of Chinese restructuring of State Enterprises, unemployment will rise, export earnings will fall. If that lasts, it will be serious. A crisis in China and Hong Kong would trigger further problems not only in Asia, but across the entire system.”

Nothing has been resolved in the seven-year-old Japanese banking debacle, where estimates of bad loans left from that country’s 1980s “bubble economy” bust range as high as \$1 trillion. The Japanese Diet (parliament) is soon supposed to get a final version of the Hashimoto government’s proposals for the economy and bank restructuring. The hope is to pass the program before the end of Japan’s fiscal year on March 31.

But Japan is no financial island. It also has been the world’s most aggressive lender across Asia. Japan’s Ministry of Finance just released figures for total Japan bank lending to Asia, including Hong Kong and China, Thailand, Indonesia,

South Korea, Malaysia, and the Philippines. The total exposure is a staggering \$253 billion, as of June 1997. Most likely it is now beyond \$300 billion. While not all of that is in default, the odds grow by the day that, under present conditions, a large part of it will be before long.

In this context, it appears that Washington is having difficulty finding a way out under present “rules of the game” of IMF conditionalities. On Jan. 16, U.S. Treasury Secretary Robert Rubin told a television reporter, “We will not spend one nickel to help investors or bankers.” What he did not say, however, is what he is prepared to do to solve the crisis, before it engulfs the financial stability of the United States and the rest of the world. A serious debate on LaRouche’s proposal for a New Bretton Woods Conference, is clearly required.

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## Documentation

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### Rubin reiterates: ‘Not one nickel . . .’

Speaking at Georgetown University in Washington, D.C. on Jan. 21, U.S. Treasury Secretary Robert Rubin argued for the importance of U.S. involvement in the Asia financial crisis, saying, “We cannot afford to stand back and gamble that the crisis will resolve itself.” Rubin said that the first job is “to help stabilize the immediate crisis,” but that “we must also modernize the architecture of the international financial markets that we helped create and that has served us so well for the last 50 years.”

“The United States has enormously important economic and national security interests at stake in promoting restoration of financial stability in Asia,” Rubin said. “When we act to resolve the Asian crisis, we act to protect and benefit the American people.”

Rubin outlined the international response and the program being supported by the United States as focussing on four key elements: “supporting reform programs in individual nations; providing temporary financial assistance when needed; encouraging strong action by Japan and the other major economic powers to promote global growth; and, fostering policies in other developing and emerging economies to reduce the risk of contagion.” He elaborated each of the four elements—which included arguing that the IMF “is the right institution to be at the center of these support programs,” and that the IMF “internationalizes” the burden, instead of putting it all upon the United States.

As to investors and lenders, Rubin underlined, “Let me just say that I would not give one nickel to help any creditor or investor. And, in fact vast numbers of investors and creditors

have taken large losses in Asia.”

During the question period, Bill Jones of the Schiller Institute asked, “Is there not a danger that present attempts to create a bailout of the financial system, which, as it develops, seems to become greater and greater—the cost of this bailout—that there is a danger that this could lead to a hyperinflationary explosion, especially if the crisis in Asia is combined with the outbreak of crises in Brazil, in Russia, or other places?” And secondly, “In light of this crisis, there have been proposals from a wide variety of different places about returning to a Bretton Woods-like system, with fixed exchange rates backed up by gold. How do you deem the feasibility of doing something like that as an alternative to the present situation?”

The following colloquy then took place:

**Rubin:** Was your first question hyperinflation or hyperdeflation?

**Q:** Hyperinflationary—printing money—

**Rubin:** Oh. Okay. Everybody else is afraid of deflation, so you get together with them, and then you sort of average out. . . . Look, you’ve raised a very serious question, which we have been extraordinarily—which we’ve been very strongly focussed on. That is the question, if you create a lot—I assume this is what you’re driving at—if you create a lot of additional money in the system, and you don’t, so to speak, sterilize it, isn’t there a risk of creating inflation? I must say there is an acute sensitivity to that problem, and I don’t think that there is a risk—any risk, for that matter—of these programs being operated in that fashion, if for no other reason [than] because there is such focus on the issue.

The greater—I shouldn’t say “the greater risk”—but the problem that many people are now focussing on is: Will this create a deflation? And my instinct is that that is a very, very low-probability event.

On the question of Bretton Woods, with fixed exchange rates—look, fixed exchange rates are a very complicated and very important subject. The problem with fixed exchange rate regimes, as you know, is that if you’re going to make them work, you then have to have monetary and fiscal regimes that will support them. And while this is a debate we could all have, I don’t think—we could all have, it seems to me, at least, in the context of a stable and healthy economy—my own view, for whatever it’s worth, is that we’re better off with a fluctuating exchange rate than a fixed exchange rate, because when you start to have a weak economy, what you don’t want to have to do is to raise interest rates to keep your currency up.

But leaving that debate aside, if you try to establish a fixed exchange rate in a context of a crisis which is—such as we have now, I think what you almost surely would have to do, particularly if you’re talking about trying to fix the exchange rate substantially above where it is today, is to raise interest rates to levels that these weak financial systems couldn’t sustain.



# French unemployed fight for justice

by Christine Bierre

In a nationally televised address on Jan. 21, French Prime Minister Lionel Jospin slapped the millions of unemployed Frenchmen in the face, when he announced that, in spite of their struggle and hardships, his government would only increase the minimum assistance to the very poor to a total of \$100 million, which comes to 90 francs (roughly \$15) a month each. To justify his stinginess, Jospin invoked the Maastricht criteria for membership in the European Monetary Union which dictate member-nations' state indebtedness and budget deficits; but, the fact that, at the same time, the government is agreeing to cover the more than \$30 billion losses of the Cr dit Lyonnais bank, proves that, between saving the banks and the people, Jospin has chosen the former.

Since December, thousands of unemployed, represented by four national associations — APEIS, MNCP, AC, and the CGT Unemployed Committee — have been demonstrating and occupying public buildings throughout France, demanding substantial and urgent increases in unemployment compensation and social assistance. During the Christmas period, the organizations occupied as many as 33 offices of the Assedic, the state office that distributes unemployment compensation. At first, the government tried to buy time, hoping the conflict would dissipate on its own. By early January, however, the continuing growth of the movement forced Jospin and Labor Minister Martine Aubry to meet its leaders and open negotiations on their demands. Soon after, the government announced the creation of an emergency fund of a measly 180 million francs, for those in most need, and, deeming that this was enough to calm discontent, deployed special riot police to remove protesters from the Assedic offices!

Naturally, the police deployment gave strength to the movement, which then proceeded with wild-cat occupations of other public buildings, moving from one office building to the next, whenever they were ejected by police.

## Workforce being gutted

Even though large masses of people were not mobilized, the movement has awakened the nation to the full extent of the destruction of its workforce under the ongoing labor deregulation, begun under the Mitterrand regime. Several reports have been published recently, including one by the national Economic Planning Commission, which cost its chairman, Henri Guaino, his job. According to this report, real unemployment is higher than 5 million people, far beyond

the official 3.2 million (12.5% of the workforce). To the official figures, the report adds unemployed workers undergoing training, those who take early retirement, discouraged workers who have abandoned all attempts to get a job, those who want to work but who cannot do so under present circumstances, as well as those working only part-time. The report also addresses the impact on whole families where one, two, or even more members might be hit by the problem. Following this criterion, more than 8 million people — that is, one-third of the French workforce — have been hit by unemployment and its consequent marginalization.

An IFOP poll published on the front page by the daily *Lib ration* on Jan. 19, shows that 70% of the French population sympathize with the unemployed movement: Some 78% of respondents have or have had a jobless member in their family; 38% have been unemployed themselves; and 33% fear they will soon lose their jobs. *Le Nouvel Observateur* for the week of Jan. 19 published a cover story on the “kangaroo generation,” referring to those in their 30s who still live with their parents because they cannot afford to rent their own apartments.

Facing general downgrading of skills and increased poverty, the unemployed are only claiming their due: an immediate \$250 rise in the “minimum social assistance” to the very poor. This minimum includes five categories of aid, including the RMI, assistance of about \$500 a month for childless married couples between the ages of 25 and 55, and a minimum compensation for the elderly and handicapped. The unemployed are demanding that the RMI be extended to those aged between 18 and 25, as well as a one-time payment of \$500 for emergency aid.

The unemployed movement has put tremendous pressure on Jospin's Socialist government, which is more concerned with scrambling to meet the Maastricht criteria, than addressing rising impoverishment of France's workforce. The social pressure is all the greater, in that it threatens to break up Jospin's “plural majority” coalition government. Tremendous discontent in the ranks of the Communist Party (PCF), the Green Party, and Jean-Pierre Chev nement's MDC, has pushed those parties to support and even encourage the unemployed fight. This is particularly the case with the Communist Party and the CGT union, traditionally close to the PCF, which are among the backbones of the unemployed mobilization.

Further, the government fears that this ferment will again turn against the Maastricht Treaty and all its institutions. The very parties supporting the unemployed all strongly opposed Maastricht Europe, and if the unemployed and anti-Maastricht fights link up, the result could become explosive. On Jan. 18, one day after a national action day called by the unemployed, the PCF organized a demonstration in Paris calling for a referendum on the Amsterdam Treaty — a document appended to the Maastricht Treaty, which will determine further concessions of national sovereignty by European members — drew 10,000 people.

## State intervention for new jobs

*The Social Democrats are proposing a program of state-guaranteed loans to create jobs.*

**T**he government of Chancellor Helmut Kohl has publicly capitulated before the economic depression. Kohl did so during the first days of the new year, when he finally admitted that he does not know how to create new jobs. He thereby made official what his Economics Minister, Günter Rexrodt, said in an unauthorized interview several weeks ago, when forecasting a record jobless rate of 5 million this winter. The figure, the highest since the Great Depression, will be reached in February.

About 60% of voters, who will go to the polls in September national elections, consider the present government to be running after events that are created by the “markets,” by the powerful interests of cartels of financial speculators. It is likely, therefore, that a new government, led by the opposition Social Democrats (SPD), will come in after the elections — either in combination with the ecologist Green party, or in a Grand Coalition with the Christian Democrats (CDU), but without current CDU party chairman Kohl.

Can the SPD meet the expectations of the citizens who want investments and new jobs? Will it liberate itself from the cage of ecologist designs, and formulate strategies for the mass creation of industrial jobs? Will it drop the monetarist banking policies of the present government?

By far the best that the SPD has offered so far, is a resolution that was passed at a conference of the Bavarian state section of the party, in Irsee, on Jan. 12, which calls for the revitalization of the 1967 Law on Stability and Growth. The “stability law” was passed by the first Grand Coalition

government, which replaced a discredited Christian-Liberal government at the end of 1966, at the depth of the first big postwar recession in Germany, which killed 400,000 jobs.

That law postulated a “quadrangle” of four economic priorities, which replaced the narrow, monetarist approach of the former government. The priorities were: a high level of employment; foreign economic and trade balance; appropriate economic growth; and price stability.

These are principles belonging to classical national-economic theory, but it was necessary to restate them, and most important, to reaffirm the sovereignty of the state, in the sphere of economics and credit-issuing policies, in the recession context of the mid-1960s. The law also authorized the government to borrow funds outside of the regular budget, for public infrastructure and other development projects. The emphasis was on real economic incentives, in order to revitalize employment. Temporary tax increases were authorized. The law furthermore authorized the government to decree that public sector loans should flow only into such real projects, with all other expenses ranking second. And, changes in the law on the role of the central bank were envisioned.

The stability law went into effect at that time, and it created jobs. But, when the economy came out of the recession, during 1970-72, the provisions of the law were rapidly forgotten, and from the time the oil price shock hit the economy beginning in late 1973, governments have run behind events, unable to increase jobs or se-

cure constant flows of investment into industry or public infrastructure. From October 1982 on, when Kohl took power, the Christian-Liberal governments that have run Germany have preferred not to take notice of the stability law, which they defamed as “socialist.”

Had Kohl made use of that law, he and the economy would not be in such deep trouble today. He would have been able to at least alleviate the effects of globalization and downsizing. Thus, the fact that the Social Democrats, who authored the 1967 law, have begun to work for its revitalization, is most welcome.

The Irsee resolution of the SPD, which has also received backing from the national party executive, is calling for 1) a national program for no-interest, or low-interest loans for projects of public infrastructure development (transport, municipal and other infrastructure), and 2) a European equivalent: a revitalization of the 1993 “De-lors Plan.”

As for the first, the program shall be in the range of DM 35 billion (about \$20 billion) per year (1% of GDP) for at least two years, of special state-issued loans for such projects. The program would run through the Reconstruction Bank, and be refunded from tax flows from the projects, once they produce surpluses after a two-year grace period.

Because the jobless figure today is close to 5 million (more than ten times as high as in 1967), the stability law will have to be updated, to meet the requirements of 1998. Legislative initiatives are being prepared by the SPD.

As for the second, the SPD proposes that the European Investment Bank of the European Union, which is comparable to the Reconstruction Bank of Germany, issue loans at low or no interest, for similar, additional all-European infrastructure projects.

## Bangladesh sets the ball rolling

*The Dhaka summit has raised fresh hopes that India, Pakistan, and Bangladesh may cooperate effectively.*

**T**he summit of heads of state of Bangladesh, India, and Pakistan, held in Dhaka, Bangladesh, on Jan. 15-16, was a personal triumph for Bangladeshi Prime Minister Sheikh Hasina Wazed. Her success in hosting the summit under trying circumstances has not only demonstrated Bangladesh's coming of age as one of the policymakers on the subcontinent, but has also put forward Sheikh Hasina Wazed as the only South Asian leader with far-sighted vision.

The summit, billed as a business summit, covered vast amounts of new ground. To begin with, India, Pakistan, and Bangladesh reaffirmed their goal to set up tariff-free trade in South Asia by the year 2001. The importance of building a modern transport network, one that could promote intra-regional trade, and link the subcontinent with the East and the West, was also a major topic of discussion.

Also, Indian Prime Minister I.K. Gujral and Pakistani Prime Minister Mian Nawaz Sharif have cleared the path for resuming bilateral talks to resolve the existing conflicts between the two nations. As a gesture, Prime Minister Gujral has offered to double the number of freight trains to Pakistan a month from 10-15 at present, to one every day. Responding to Gujral's offer, Prime Minister Nawaz Sharif said: "Mr. Gujral suggested one train a day. Why not two to three trains a day from India to Pakistan and vice versa?"

Gujral's offer and Nawaz Sharif's response encapsulates the growing demand within each country to enhance trade with its neighbor. It is evident

that while trade normalization will help to ease tensions between India and Pakistan, it is the resolution of territorial conflicts that would further long-term cooperation and real economic development on the subcontinent. In this context, views expressed by Pakistani Chief of Naval Staff Adm. Fasih Bokhari, in a recent interview with the *Defense Journal*, a strategic publication based in Islamabad, are a clear indication.

"In the long-term, I would be the first to say that Pakistan must integrate its economy with the other countries in the region. There is no reason why we should remain isolated from the economic development of this region, that includes India. I would like to see India and Iran trading across our soil; Central Asia and India trading across our soil, because that is a part of integration into the region which gives our neighbors a stake in our security," wrote Admiral Bokhari.

While Admiral Bokhari's statement indicates a growing lobby at a very high level, yearning for closer economic and social ties and the establishment of security interdependence between two neighboring countries, what is perhaps of equal importance is the emergence of Bangladesh as a key director of future developments in South Asia.

The summit was scheduled for Nov. 23, 1997, but was postponed at the request of the Pakistani Prime Minister. At the time, the governments in both New Delhi and Islamabad seemed shaky and vulnerable. Although the government of Prime Min-

ister Nawaz Sharif has become marginally more stable now, India, which will elect a new government in early March, is now run by a lame-duck government headed by Prime Minister Gujral. In addition, both the Indian and Pakistani economies are in dire straits. Besieged by domestic and economic problems, neither Gujral nor Nawaz Sharif has been keen to initiate fresh moves. It is entirely to Sheikh Hasina Wazed's credit that the summit took place. It is also important that the summit could promise fresh hopes, at a time when financial gloom and doom has spread far and wide throughout Asia.

The reason behind the Bangladesh Prime Minister's growing confidence is the economic performance of her country during the last two years. The most important ingredient of which centers around new findings of natural gas in the coastal regions of Bangladesh. In recent years, British and American companies, exploring for oil and gas, have estimated that gas reserves in Bangladesh are close to 120 trillion cubic feet, indicating a twelve-fold increase in estimated reserves over the years. Foreign investments to the tune of \$200 million have been made in the oil and gas sector in the first six months of 1997. And, the U.S. Ambassador to Bangladesh, John Holtzman, estimates that the American investment in Bangladesh could rise to \$1 billion in the next three years.

The gas findings and growing foreign direct investments have opened up doors for industrial and infrastructural development in Bangladesh. Prime Minister Hasina Wazed has made it clear that unless the other two major countries in the subcontinent participate effectively in the transnational infrastructure and energy developmental plans, the true potential of Bangladesh's development can never be fully realized.

# Business Briefs

## Health

### HIV-AIDS epidemic worsening worldwide

A report released in late November 1997 by the Joint UN Program on HIV-AIDS shows that the epidemic of the human immunodeficiency virus (HIV), which causes AIDS, is far worse than previously thought. The report estimates that the epidemic is spreading at a rate of 16,000 new infections each day, a rate also higher than previously thought. As stated by Dr. Peter Piot, executive director of UNAIDS, on Dec. 1, "We are now realizing that rates of HIV transmission have been grossly underestimated, particularly in sub-Saharan Africa."

The most severely hit areas include sub-Saharan Africa, Southeast Asia, and Ibero-America and the Caribbean. According to the report, an estimated 30 million adults and children are now infected with the HIV virus, and, in most countries, the majority of new infections are occurring among people between the ages of 15 and 24. In addition to devastating families, the epidemic is also taking a huge economic toll in some developing countries, striking many people who are of working age.

In a message delivered on Dec. 1, the UN's World AIDS Day, James Gustave Speth, the administrator of the UN Development Program, presented shocking evaluations concerning the HIV epidemic:

The U.S. Bureau of the Census estimates that by the year 2010, if the spread of HIV is not contained, AIDS may increase infant mortality by as much as 75% and increase mortality among children under five by more than 100% in those regions most affected by the epidemic.

In sub-Saharan Africa, where children under 15 constitute 50% of the population, it is estimated that by mid-1996, some 9 million children had already lost their mothers to HIV-AIDS. In Uganda alone, 1.3 million children have lost at least one parent to HIV-AIDS, and this figure is thought to increase by 50,000 each year. In Zimbabwe, it is estimated, that by the end of 1996, approximately 8% of children under 15 had lost their mothers to HIV-AIDS, while in Zambia, approximately 20% of children under 18 are likely to be without one or both of the parents

by the year 2000. Similar estimates are reported from other countries.

According to the estimate, most of the nearly 3 million children under 15 who have been infected since the beginning of the epidemic, have developed HIV-related illnesses, the majority of whom have already died. Of the estimated 1 million children who are currently living with HIV, more than 90% live in developing countries.

## Petroleum

### Kazakstan signs deal with Indonesian firm

The Central Asian republic of Kazakstan has signed a \$4.1 billion deal with Mangistaumunaigaz, which is partly owned by Indonesia, to develop oil and gas fields in western Kazakstan. "This is probably the largest contract in Kazakstan in terms of attracting investments," said Rashid Sarsenov, chairman of Central Asia Petroleum. CAP, which is a subsidiary of Indonesia's Medco, bought 60% of Mangistaumunaigaz in 1997, according to the *Teheran Times* on Jan. 13. The joint venture will be the second-largest oil producer in Kazakstan, after Tengiszchevroil.

CAP will provide \$4.1 billion in investments for the first 20 years of a 31-year contract. The first \$2 billion will be due in the coming five years. Sarsenov is quoted by the *Teheran Times* saying that Mangistaumunaigaz, which currently sells 70% of its oil domestically, plans to increase its exports.

## Corporate Strategy

### Hoechst cuts one-third of research employment

The German unit of Hoechst Marion Roussel announced on Jan. 14 that it will eliminate 600 out of its 1,800 pharmaceutical research workforce, located in Bad Soden. The international management of the company has decided to start a "global cost-cutting drive," i.e., part of an insane trend

away from production.

The logic behind the decision was explained in a Deutschlandfunk radio report: Eager to increase the company's stock value and dividends, the management first decided to cut costs. After comparing its cost structure with that of other big pharmaceutical producers in the world, the management discovered that it had unusually high expenditures in the research and development sector, compared to other companies. Therefore, the R&D capacities will be drastically slashed.

The factory council of the firm has said that it will fight the decision.

## Central Asia

### Russia steps up economic, diplomatic efforts

Russian Prime Minister Viktor Chernomyrdin visited Ashgabat, Turkmenistan on Jan. 13, along with officials from the Russian energy firm Gazprom, to discuss prospects for Russia's cooperation with the Central Asian republics in fuel extraction and transit. On Jan. 14, Chernomyrdin visited Dushanbe, Tajikistan. The trip followed the Ashgabat summit of Central Asian leaders, and preceded a Commonwealth of Independent States summit which began on Jan. 20.

RIA Novosti reported from Ashgabat that Chernomyrdin favorably assessed his talks there as confirming "the commitment of both countries to the deepening of friendly and mutually advantageous relations." The dispatch cited Russian sources, that Russia will take part in development of Turkmenistan's transport system, and that the two countries "intend to launch an international consortium with the aim of developing north-south transport links." One project would be a railroad from Astrakhan to Turkmenbashi to Kyzylatrek, connecting to the Iranian rail network, with ferry service across the Caspian Sea between Astrakhan and Turkmenbashi.

Following talks with Chernomyrdin on Jan. 13, Turkmen President Saparmurat Niyazov told reporters that Russia wanted to participate in the \$1.6 billion pipeline project which will pump gas from Turkmenistan

**AUSTRALIA** suffered some 2,900 deaths in 1997 as a result of workplace accidents or occupational diseases, one-third more than died in highway accidents, Opposition Minister for Industrial Relations Bob McMullan has revealed. He blamed the anti-union Workplace Relations Act, authored by Rio Tinto executive Mike Angwin and passed in December 1996, which has cut funding to health and safety.

**JAPAN'S** Itochu Corp. will sign a \$300-million contract to build an oil refinery at the Black Sea port of Supsa, according to Georgian International Oil Co. president Giorgi Chanturia. The refinery will be close to the terminal of the Baku-Supsa pipeline, and will have an annual capacity of 3 million metric tons.

**INDIA** and Russia have finalized a key agreement paving the way for Russian help in the construction of the 2,000 megawatt Kudankulam Atomic Power Plant in Tamil Nadu, *The Hindu* reported on Jan. 14.

**THE GENOCIDE LOBBY** exulted about the "astonishing declines in fertility around the world," reported in the Jan. 12 London *Independent*. "Almost half of humanity now lives in countries where population growth is set to end over the next few decades. In many, it may even be replaced by a decline," the paper said.

**THE CHINESE** Academy of Social Sciences "has decided to make preventing financial crises one of its major research goals," Xinhua quoted a speaker as saying at its annual meeting on Jan. 14. "The financial crisis in Southeast Asia and in Japan and the Republic of Korea has caused concern in the Chinese government," Xinhua said.

**GERMANY** lost 463,000 jobs in 1997, including 400,000 in industry and 188,000 in eastern Germany, according to figures published by the Federal Statistical Office. Since 1991, industrial employment has fallen from 14.5 million to 11.5 million.

through Iran to Turkey and Europe. Niyazov said, "Russia will take part in the gas pipeline via Iran to Turkey. There are no problems . . . because the market can absorb both the Russian and Turkmen potential." Niyazov said that Russia had also confirmed that it will take part in the 1,464-km pipeline to Pakistan. Gazprom already has a share in the proposed pipeline from Turkmenistan through Afghanistan to Pakistan.

The Turkmenistan-Iran-Turkey gas pipeline is expected to run from fields in western Turkmenistan (Satlyk), southwards, toward Teheran, to Tabriz, and into Turkey. Satlyk has an estimated 450 billion cubic meters of gas reserves.

## **Economic Policy**

### **Kaufman, Delors seek new Bretton Woods**

Henry Kaufman, one of Wall Street's most respected economists, warned about the depth of the Asian financial crisis and said that a new Bretton Woods agreement is urgently needed, in an address to the Japan Society of Canada on Jan. 13, according to wire reports.

Kaufman, president of Henry Kaufman & Co., Inc., said that "there is unfortunately no alternative to a huge bailout to contain the Asian financial crisis. . . . Too much politically and economically is at stake." He said that in the short run, unless a successful Asian bailout can be put in place, "it is highly likely that the Japanese financial system would come under renewed scrutiny. If so, there is a risk of a credit rupture of such monumental proportions as to shake the very foundations of the world's financial markets."

Kaufman said that the International Monetary Fund and the World Bank, as now constituted, cannot effectively meet the challenges of rapidly changing global markets, and are, at best, awkward financial firefighters. He said that another Bretton Woods-type agreement, which would either substantially overhaul the existing institutions or put new ones in place, is urgently needed.

In an op-ed in the Jan. 15-21 issue of *Le Nouvel Observateur* entitled "The Bitter

Fruits of Speculation," French Socialist Jacques Delors wrote that the Asia crisis "could reverse or at least halt growth" in the rest of the world, and attacked those "flatterers" who have "praised the merits and affirmed the ineluctable character of globalization, of *laissez faire, laissez passer*."

"Everything must start with the necessary distinction between the financial bubble on the one hand, and the real economy on the other," Delors wrote. "One must now pose the taboo question: What if the markets and the Invisible Hand didn't lead to the best possible worlds? What if the increasing independence of economies needed new instruments of regulation to remedy the myopia and inadequacies of the markets? In other words, don't we need a New Bretton Woods?"

## **Trade**

### **Azerbaijan will export via Iran**

The State Oil Company of the Azerbaijan Republic (SOCAR) has decided to transport its oil through Iran, the Iranian daily *Ettel'at* reported on Jan. 16. SOCAR President Natic Alieyev told the Iranian News Agency, according to the paper, "that Azerbaijan intends to export its oil to the international market via Iran." If the news is confirmed, it will signal a positive shift in Iran-Azerbaijan relations, which had soured as a result of Azerbaijan's separate deals with international, primarily British, oil multinationals, for export of Caspian Sea oil.

*Ettel'at* also reported that Azerbaijan "has exported a total of 1 million tons of oil products to Iran during 1994-96," and that "gas oil and kerosene are Azerbaijan's major exports to Iran." About "8,000 tons of gas oil has been exported to Iran annually," it said.

The two countries have been cooperating on the Shakh Deniz oil field, where Iran holds a 10% stake. They are also cooperating on development of Lenkoran Deniz and Talyash Deniz oil fields. Further, "Iran is drilling two wells in the Caspian Sea for Azerbaijan, and has rented a drilling unit from Baku to carry out drilling operations in its own side of the Caspian Sea."

## Building world leadership in a time of crisis

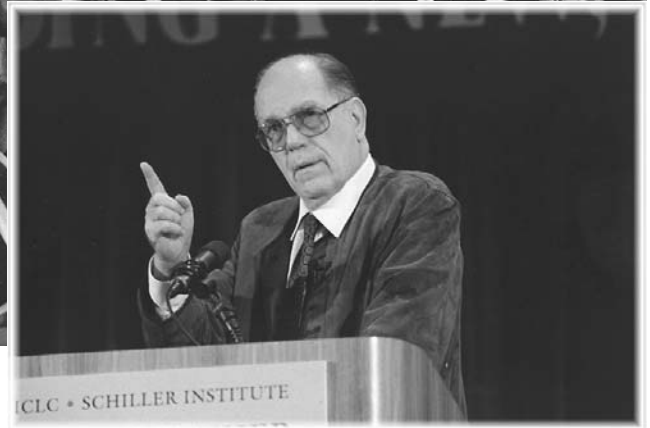
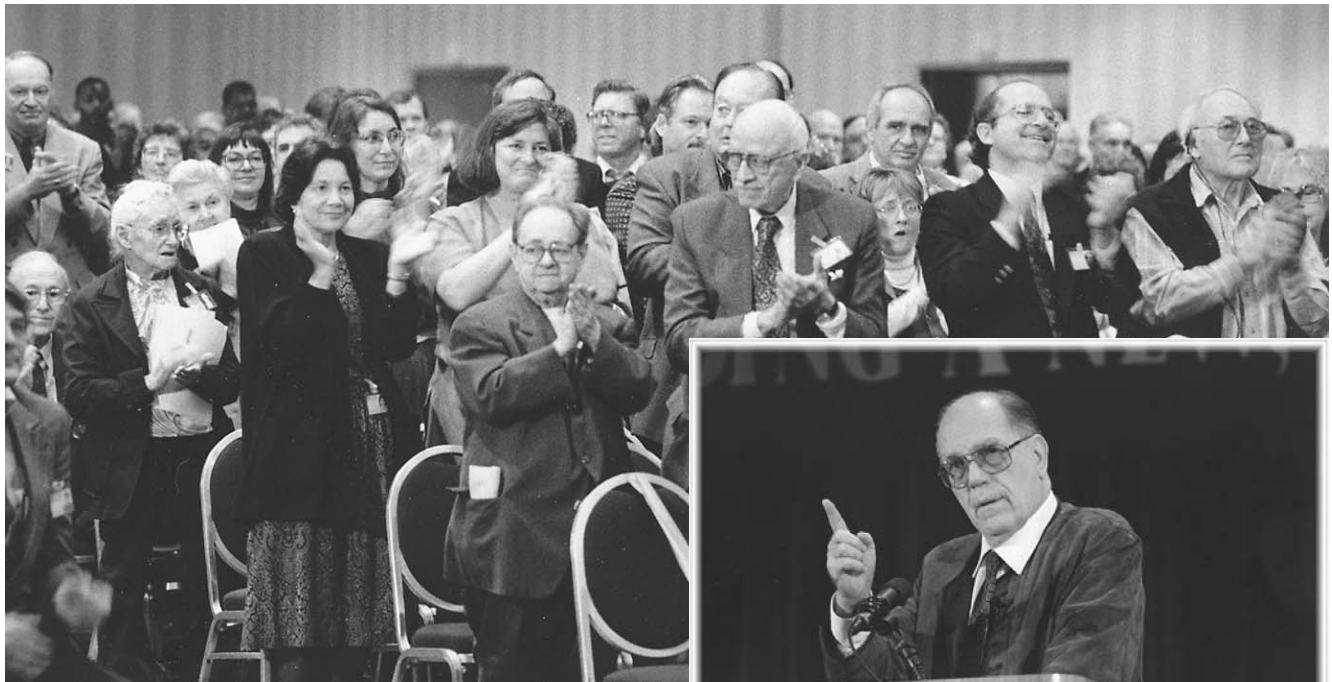
by Nancy Spannaus

Meeting on Martin Luther King Day weekend near Washington, D.C., approximately 1,000 members and supporters of the LaRouche movement heard renowned economist Lyndon LaRouche lay down the challenge of leadership in the current moment of international crisis. That challenge requires that individuals stand up for the principles of an economics based on man's nature as being made in the image of God, and that they wage effective political battle against the financier oligarchy that is now bringing the world rapidly toward a New Dark Age.

The conference, held under the auspices of the Schiller Institute and LaRouche's philosophical organization, the International Caucus of Labor Committees (ICLC), featured the question of economics in its broadest sense. As LaRouche emphasized, economics is a question of the relationship of man to nature, and thus subsumes the question of education and culture. Classical culture itself was part of the two-day public conference program, including a choral performance of a section of Mozart's *Requiem*, and Classically performed Negro spirituals, sung by noted professionals William Warfield and George Shirley.

The LaRouche movement has the unique potential for providing the leadership required at this time, and this fact is being recognized internationally. LaRouche's 1994 forecast of inevitable financial disintegration, unless certain specific reorganizations were carried out, has been borne out with a vengeance for those who know anything about what the so-called "Asian crisis" represents. More specifically, LaRouche's forecast last year of the impending collapse of the Asian "Tigers," at a time when financial analysts were still hyping their future, and his forecast of the financial storms scheduled to hit in October 1997, led to a dramatic increase in his credibility. While this is most public in Ibero-America and Russia, the financial and political elite internationally—including in the United States—know that LaRouche has been right about the systemic nature of the crisis.

But, can LaRouche overcome the tremendous campaign of vilification waged against him, in order to wield the influence over U.S. government policy which



An enthusiastic response from “Americans who think,” at the Martin Luther King Day conference of the Schiller Institute and ICLC. Inset: Lyndon H. LaRouche, Jr. addresses the conference, Jan. 17.

is required?

LaRouche addressed that question in two ways. First, he noted, one must recognize what the problem actually is. President Clinton, himself under mortal threat by the British financial oligarchy, is a true representative of the Baby-Boomer generation, which has an ideological commitment to consensus, pragmatism, and hedonism. People of the Baby-Boomer generation were trained by their parents *not* to tell the truth, when they deem it disadvantageous to do so, and Clinton has followed this outlook precisely. Thus, he *knows* that the world financial system is on the brink of collapse, but he *says* that we have the best economy in a generation.

This is clearly wrong for Clinton to do—but it doesn’t make him any worse than his peers. His problem is that he too faithfully represents the popular culture of the United States, and his generation, around the world.

Therefore, what is required by the “top one percent” of the American population, which are in the process of being organized into the LaRouche movement, is to assail and destroy the axioms of Baby Boomerism, and stand up for truthfulness as a principle in all fields. This will position them to be the leadership in the midst of the coming economic and political convulsions.

The second message LaRouche had about the potential for success, was that people could expect that, within the first quarter of 1998, the crisis would reach such dramatic proportions that the American population would be begging for leadership. Right now, Americans are taking solace in the

continued, if increasingly volatile, high levels of the financial markets. Americans are clinging to “money,” even as vast amounts of money are being wiped out globally by the financial collapse centered in Asia. In effect, they are entranced by virtual reality—and that reality is on the edge of disappearing in the financial storms on the immediate horizon.

The LaRouche movement must expand rapidly, in numbers and capability of representing the ideas required to solve the crisis, LaRouche emphasized. The extensive question-and-answer periods he held with the audience, as well as the panel presentations with Schiller Institute founder Helga Zepp LaRouche, African Civil Rights Movement founder Godfrey Binaisa, and members of the *EIR* staff, were geared to providing the pedagogical tools that would allow this growth to occur.

The conclusion to LaRouche’s opening presentation also makes a good introduction:

“We are about to be hit. If you think things are scary now, come back in about four weeks, about four weeks from now, and then tell me how scary it’s become. The American people are going to get down on their knees, in sheer terror, at what’s about to hit them, what’s about to threaten them. Everything they think is secure is going to suddenly become, obviously, very insecure. All the ideas that they thought they knew and were true, will be thrown into discredit. All mainstream thinking will become frightening, because it’s disgusting and impotent. In such a time, the firm, quiet voice of someone among them who thinks, can be heard. And that’s what we have to do.”

# How the top one percent of American citizens think

by Lyndon H. LaRouche, Jr.

*The following is the keynote speech to the conference of the Schiller Institute and International Caucus of Labor Committees, in Alexandria, Virginia on Jan. 17.*

This will be, in content, an unusual two days. We will address subjects which have not been addressed before in any audience, not only in the United States. And, we will come to, I believe, an understanding of why we're here, and what the problem is that must be addressed.

Most of you were alive when President Kennedy was shot. Most of you were alive when Martin Luther King was shot, at a time when others were shot: a time of great trouble, and sorrow, and anxiety for this nation. And, among all the questions asked, and all the statements made, one prevailed: Where are we going? What does this mean? And now, about thirty years later, after the shooting of Martin, we find out what it did mean: It means Hell.

During the past nine months, approximately, there has been an unleashing around the world (concentrated in Asia, but it's around the world), of a process of disintegration of the existing world financial and monetary system. You think it's been bad so far? In the coming weeks, it is going to become worse. *We are now at the point that entire nations, as political-geographic entities, are in the process of disintegrating and vanishing from this planet.* The nation of Indonesia is on the verge of disintegration. Brazil, the largest country in South America, is on the edge of disintegration. Another nation in South America, Colombia, is already disintegrating. And, in the coming weeks, many of you will find it not an exaggeration to say, that the United States itself is faced with disintegration.

Look about us. Don't take one event at a time and try to explain it. Look at the process. What is happening to the government of the United States? The government of the United States and the leading political parties are degenerating and disintegrating. *What is being done to Clinton, President Clinton, is something that has never been done to this government before. This is not Clinton: this is the institution of the Presidency, which is being destroyed.* The Republican Party is ready to split. It's disintegrating, it's decaying, it's rotting. The Democratic Party is rotting from the head, from the top down. There still are people in the Democratic Party who are the activists, who are traditional Democrats, the kind of Democrats you would tend to associate with the name

Kennedy; but what is running the party, as in the Commonwealth of Virginia, from the top down, is a strange new thing. And if this thing continues to prevail, the Democratic Party will be disintegrating this year and next.

We are on the edge of the greatest financial collapse known in the history of European civilization since the Fourteenth Century, what was called the New Dark Age, part of a process in which approximately half the population of Europe was wiped out through disease and famine, and various kinds of insanity. The culmination of that, then, as today, was a collapse of the financial, banking system, the so-called Lombard banking system. During that period, half of the municipalities, the parishes of Europe, *vanished*. One-third of the population of Europe, in a fairly short period of time, vanished of disease, and famine, and strife. *We are on the verge of such things, not only in Asia, not only in South America, but here in the United States itself.* Not some time in the next century, but *this year*.

Now, it is not inevitable, because we are not animals. At least, we shouldn't behave like animals (apologies to my wife's dogs); we are human beings, and we have the power to change our destiny. So, the question before us, is: Are we capable of changing our destiny? Do we have the wisdom, or can we acquire the wisdom to do so, and can we find the *will* to abandon the ways which have led us to this catastrophe?

Many people will try to find "who is to blame" for what happened to us in the past thirty years. The conditions of life of the average person in the United States are far worse than they were thirty years ago. Freedom is a joke. There is no justice in the United States. Look at the records, the court records of the criminal justice system: even the guilty can't get an honest conviction! There is no justice. Our Department of Justice Criminal Division is a nest of outright racism, pure and simple racism, which hasn't been cleaned up yet. More indictments. Young is no hero of ours, this State Senator from Maryland; but, what was done to him was a racist act by a racist press, and a racist State Senate. This prevails throughout the country. The bad and the good are equally victims of racism, poverty, deprivation, injustice. This society is not the one we used to know when I came back from World War II. This is not the society that fought World War II. This is not the society of the World War II veterans. *This is something else!* This is not the United States of President Kennedy; this



is something else. We are degenerate.

This reminds me of the words of Cotton Mather, back in the beginning of the Eighteenth Century, speaking of the effects in the Massachusetts Bay Colony of that tyrant, called William of Orange, one of the worst mass-murderers in history, who foisted himself upon the English throne. The Commonwealth of Massachusetts, which had been one of the outposts of civilization internationally, was suddenly crushed. And many of the people of Massachusetts, who had represented this outpost of civilization worldwide, were not only crushed, but degraded and depraved. And Cotton Mather said, "We have shrunk, we are shrunk until we've become almost nothing."

Look at our school system. Think back to the educational system, bad as it was, full of Dewey-eyed teachers as it was, back in the World War II generation, or back in Kennedy's generation. There was something to go to in a school, then. You didn't have support groups, you didn't have OBE, you didn't have dope turning children into stupid creatures, Ritalin-addicted. You didn't have education that was worthless, then. We had a bad condition; we had a lot of room for improvement, a lot of shortcomings. But we had something. Now, we are almost nothing.

Formerly, we had a policy of pensions, we had a policy of Social Security; today, we have a policy of *killing* the Social Security recipients, of killing people who are over 65, because they are "no longer useful." Finding ways to hasten their deaths, depriving them of medical care, depriving them of things they need to live on. These are things that have happened during the past thirty-odd years. We are a civilization destroying itself.

And this destruction is not by a few mis-leaders at the top. What is destroying us, is what the overwhelming majority of the American people, of all strata, believe. We are being destroyed like Sodom and Gomorrah, and we have a descendant of Mrs. Lot in the Senate, leading us there.

So, the problem is, we must find the error in ourselves, not as guilty individuals, but as persons who participate in a culture which has lost the moral fitness to survive. As a by-product of that cultural degeneration, that moral degeneration, which has gripped this nation during a period of more than thirty years, we are now in the greatest financial, and monetary, and economic collapse this planet has ever known in all known history, in all archaeological relics of pre-history.

Because economics is not, "economics": Economics is man's relationship to nature, man's relationship to the universe, per capita. It's the ability of the individual to survive; it is longevity; it is cultural conditions of life; it is science; it is Classical art, that ennobles the spirit. This is what economics is. And we have taken that away. We are poorer, much poorer, than we ever were before.

What we'll do today, and tomorrow, and I'll open it up, is to present the concept. And then, in tomorrow's session on economics, in the afternoon, after Helga speaks in the

morning, we'll turn again to the question of economics, and look more closely at some of the facts and figures which help us to understand what we have done to ourselves.

### **Think of yourself as an angel**

In order to do this, the first thing we have to do—and I'll just mention it now, but it will come up again, in the course of what I have to say—is, we have to stop thinking of ourselves as individuals with family responsibilities. What you have to do, is think of yourself as an angel; not a family member, but an angel. Because you were born, and you're going to die. You've got to think about that. Not about your pleasure in life, not about the money in the bank, not about the entertainment you receive, not about the neighborhood you live in; but you've got to think about *the coming and going of your personal life*, because you're coming into a period of time when that's all that really counts. Bank accounts will be wiped out for most people. Savings will be wiped out. If you sit there, and wait, and try to fend off the storms, and say, "What do I do with my money?," or all these kinds of things, *there are no individual answers to these questions. There is no safe place to run to, there is no place to hide.* The epidemics and the financial crisis will hit all.

*We've got to change the situation. We've got to reverse the trend.* We've got to undo the direction in which things were going for thirty years, and go back to something that is not as bad, and go on from there to something that is better. And we have to do it quick. We have to do it this year. We have to do it in the weeks and months ahead. And I hope that what I have to say now, will help to give you confidence in the fact that *it can be done.* Once you understand the problem, you can begin to understand the solution, and then you can begin to see what can be done, and then you can see what an angel might do to bring about these improved conditions.

What I mean by being an angel, is this: You're born, right? Well, did something happen before you were born? I mean, perhaps you were sent here? Perhaps you were an angel. But don't look for wings, because nobody gave you any. You don't have any magical powers, you weren't given any. You were only given Reason, the power of Reason. You weren't told what your mission was. You were supposed to figure that out when you got here. But what you've got to do, is you've got to find your mission, like the Good Samaritan found his mission; you've got to find the mission you've got to fulfill, perform a miracle, figure out how to do it, succeed, and then, when it comes time to pass on, people will say, "That was an angel who was here at the time that angel was needed."

In philosophical terms, this is called a world-historical personality. If we are well-educated and well-cultured, we embody, through the process of educational experience, the reliving of the discovery of great ideas from the past. We embody the greatest gifts, in terms of ideas that were given to us, by previous generations. Thus, we are the living representatives of the ideas of the past, which are beneficial to man-

kind. We are also the people who are responsible for creating the conditions which are necessary for the well-being of coming generations. We are an individual, like an angel, who comes, who is born, who develops, who finds a mission, does the mission, and we pass on. And you must find in that concept of oneself as an angel, a sense of happiness. And I'll get to that in due course here today.

### **This economic system is doomed**

The subject on which you want to focus, is twofold. Primarily: What is wrong? What is wrong with the economy? Why is the international financial system, monetary system, and, implicitly, economic system, *doomed* to disintegrate, as long as the present policies of the United States, the present ways of thinking of the United States, and its government, continue? *It's inevitable: This nation will go down to a pre-science of doom, in the course of this year, if the U.S. government continues its present way of thinking, during the coming months.* It's inevitable.

Secondly: Why is this financial crisis not simply a crisis like that of the 1929-1931 period, and the '30s? What's the difference? We've had crises before, we've had depressions. And in modern European history, we've recovered from those depressions, with recovery programs, such as those of Franklin Roosevelt, which a good number of us have some experience with. It can be done, in a cyclical system. But, we've come to a time when that *can't* be done. *The system in its present form could never be revived. There are no lessons of organizing a recovery from the Roosevelt period, which apply to the present.* None of those things that you might learn from the history books, or schoolbooks, will do you any good, in solving this problem.

Why? Why is this not a cyclical crisis, not a boom-bust, boom-bust cyclical crisis? Why is this a terminal crisis? Why is this not an orbit around the Sun, with winter succeeded by summer, back to winter, and back to spring, and back to summer? Why is this economic system a comet headed directly for destruction in the Sun? And, from understanding the answers to these two questions, can we have an insight into the solution to the problem?

### **Five crucial points**

So, there are five areas to discover. First of all, this, like the concluding session tomorrow afternoon, will be a pedagogical exercise. And we will, I hope, in the question periods, confine the discussions to the topics of the day, as we would in a classroom. Because our object here is to take citizens such as yourselves, who have highly varied knowledge, or lack of knowledge, as the case may be, but who are here because they are thinking citizens, at least by intent, who would like to know some of the answers to these questions, and would like to have an insight into the solution, and an image of what could be done to save this civilization, and cure it of its sickness. Therefore, the object is, by the time you

leave tomorrow, or finish these sessions, that you have learned concepts, as you presumably would, say, in a classroom: learned the concepts which are the essential part of the answers to the two questions I've posed; and, also, a concept of what the answer is, in terms of the possibility of solution.

Therefore, for reasons which will become quickly clear, I've organized my part of the presentation as follows. First of all, the first thing I shall address, is what's called an *ontological paradox*. The ontological paradox is the difference between those who say that you measure an economy in terms of money, or money prices, and those who say you measure economies in something else. What is the difference between those two kinds of things, and how is that expressed, and how does that relate to what's happened to the U.S. economy and world economy in the past thirty years? That poses the problem.

What's the answer? The evidence suggests two actually contrary meanings to this crisis, and once you have the problem so defined, then we can look at the answer.

First, what is the scientific approach to solve this paradox? The difference between the hard-commodity economy, which is based on things which are produced, things which are consumed, such as infrastructure, transportation systems, manufacturing, agriculture, and so forth; what's the difference between that, and money, an economy based on money? In other words, what's the difference between that, and an economy in which you're rich because you have a lot of money, but you can't eat, because you can't buy anything?

Secondly, the scientific approach will define a problem, including the most important problem for you to consider, the one problem which is never addressed in any economics class. What is the difference between an economy in which the employees are people, and an economy in which the employees are apes? Why are they monkeying around with our economy? That is, what is the principle of a human being that distinguishes the human being from an animal, which is the most essential thing about an economy?

Thirdly, how can we measure that? How can we demonstrate that?

Fourthly, what is the difference between a systemic crisis, or the terminal crisis we're in, and what was called a cyclical crisis of the type which we experienced, say, back in the 1930s, with the 1930s depression?

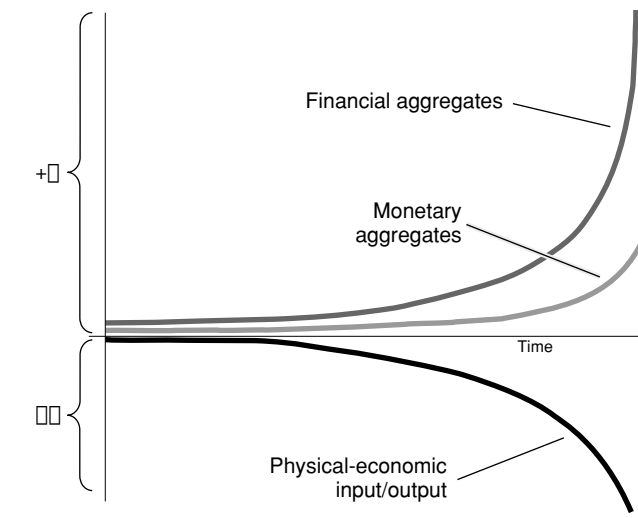
And then finally, what is the nature of the leadership which is required? Given the poverty of our politicians, what kind of leadership is required to get us out of this mess? Five points. So, let's proceed.

### **A paradox: the nature of the crisis**

Let's start with the Triple Curve, because we always do that, don't we (**Figure 1**)? As you'll see at the end, there are several different curves that you can construct of this type, which will define different states of an economy. Again, go through this: The bottom line describes physical things: infra-

FIGURE 1

## A typical collapse function



structure, improvements in land, improved transportation systems, urban infrastructure: all of these things that are required simply to make the land fertile for an economy, both urban society, rural society, land area in general.

And, the product that goes with that: things we produce, plus certain things which are not quite physical, in an ordinary sense, but which are absolutely essential to a modern economy. One is education, another is health care. These things are essential to maintain the population. And there are scientific services; without these, you couldn't have an economy function. Education, health care, and scientific services are as essential as physical objects of consumption for an economy.

Other things you can get by without: You could do without real estate brokers, you could do without mutual funds salesmen, you could do without Hollywood actors, especially. You could do without television programming; as a matter of fact, you'd probably think better without it. All of these things, you can do without. But, there are some things you can't do without and have a healthy economy. These things are physical things that you require, that have to be produced, or improvements in land area, and so forth, and things you require for household existence, and, also, health care, education, and scientific services. That's physical-economic output.

And, if you take, on the left-hand side of the chart, if you say that's the year 1966, then this curve, the bottom curve, represents, essentially, *the rate of change in per-capita physical output over that period*. That is, the change and rate of change, which is always downward. We've been going downward in per-capita physical output, net physical output, over the past thirty-odd years.

The second curve, is monetary growth. This generally

corresponds to what the economists and bankers call M3: an expansion in the money supply, or the equivalent of money supply.

Thirdly is financial aggregates.

So, this is a particular kind of economy, which is specific to this period, 1966-1997, 1998, in which *the economy operates on the basis of a shrinking of the per-capita real output, a rapid increase, an accelerating increase in the money supply, and a more rapidly accelerating increase in financial aggregates*, including pure gambling debts, like derivatives and other things, which have no equity in them. They're pure gambling debts, is what these are.

And, this is the problem, that we're into that kind of an economy, and we're on this side, on the right-hand side, we're at the point where these curves have become very steep. That is, the rate of collapse in the physical economy is very steep. The IMF is accelerating it, by the way. The monetary growth is accelerating; the financial aggregates are accelerating.

We're on the verge now, if things that I've proposed *don't* happen, we're on the verge of one or two alternatives: Either you have, coming out of Eurasia, a chain-reaction default of nations, which means that the whole world goes into a collapse, a sudden collapse, a very steep, sudden collapse, as a result of the chain-reaction default.

Or, as is now happening with the IMF conditionalities, in the attempt to postpone the inevitable, what do they do? They do what the German government did at the end of 1921, when they had French bayonets stuck in their rear end, and they had a war reparations debt being demanded of them. And they went to the printing press to generate money, to meet the war reparations debt, because the French said, "Otherwise, we'll come over, and we'll loot everything in Germany." The result of that, within 18 months, was the greatest hyperinflationary explosion in modern times. That ended approximately in September. In October or November of 1923, at the end, at the fag-end of this hyperinflationary collapse, General Ludendorff led Adolf Hitler in the Beer Hall Putsch in Bavaria, the beginning of Hitler's rise to power.

That's the kind of situation we're dealing with. We're on the edge of coups throughout Asia and Southeast Asia, as a result of IMF policy. *In the meantime, the policy which the United States government, including the Clinton administration presently, by default, is conducting, is a hyperinflationary policy, which will blow up the value of money into nothingness, quicker than John Glenn can get into space*: through a hyperinflationary bubble, through the attempt to maintain financial aggregates by pumping in money fast enough to keep the aggregates going, under so-called bailout techniques, IMF bailout.

What does the IMF say? The IMF says: *Cut your production. Accelerate the cutting of per-capita output. Increase greatly the monetary output, in order to cover, and prime up, and pump up the financial aggregates, which are already skyrocketing. That means that, whereas it took Germany 18*

FIGURE 2

**U.S. merchandise trade as percent of global dollar currency trading, 1956-70**

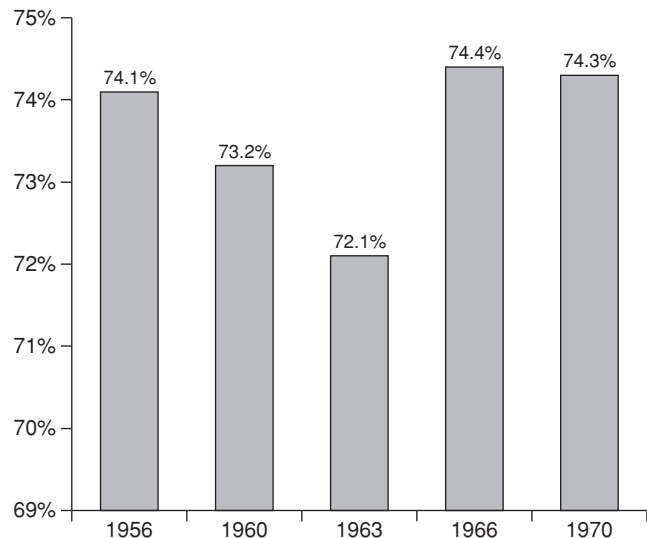
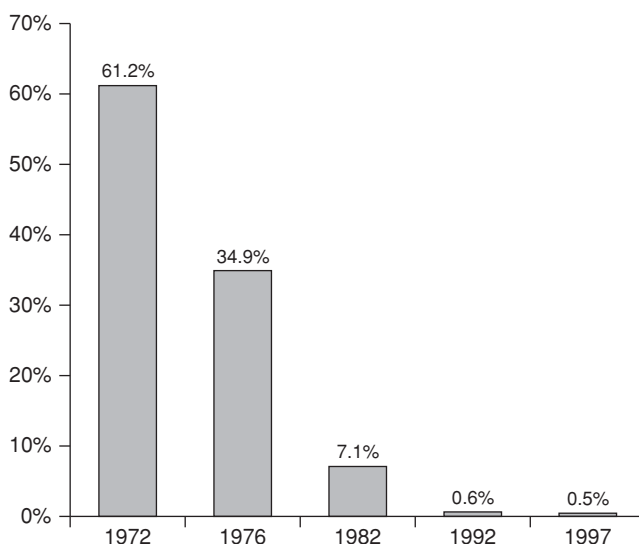


FIGURE 3

**U.S. merchandise trade as percent of global dollar currency trading, 1972-97**



months for the German Reichsmark to disintegrate—that is, they couldn’t print money fast enough to keep up with the rate of inflation, and they just took notes on paper, and the German Reichsmark was *dead*. And the only reason Germany came out of this, was because the United States stepped in with the so-called Dawes Plan, which took U.S. gold—the U.S. was the only creditor nation in the world at that time—and created a new Mark in Germany, which allowed the German economy to stumble along through the 1920s. That took 18 months, for that process to unravel.

Under present conditions, we’re talking about a matter of weeks, or months at most, if this policy continues. So, the present policies of the U.S. government, and the majority of the institutions, either by intent, or, in this case of the Clinton administration, by default—by its refusal to consider what it must do, it has bought into a hyperinflationary explosion of the U.S. dollar. If that continues, either they try to stop it, which causes a sudden default. Or, if they don’t stop it, it causes a blowout within a period of weeks, or months at most, globally, like the hyperinflationary explosion which occurred in Germany over the period 1921 through 1923. So, that’s what we’re up against.

So, let’s go on to some of these charts, to get beyond this.

**Figure 2** explains itself. Take the total number of dollars turned over in foreign trade, that is, import-export, or foreign exchange turnover. Compare that with the imports and exports, against this dollar turnover. You see, essentially, from 1956, that 74 percent of the total foreign exchange turnover of U.S. dollars was accounted for in terms of imports and exports, so-called hard commodity turnover, which meant

you had a very strong dollar. Seventy-four percent of all dollar and related foreign exchange obligations corresponded to imports and exports. This continued at about that level until 1972.

What happened in 1972? In 1971, Nixon took the dollar off gold, and set up a floating exchange rate system. We no longer had a system of fixed parities. We now had—money was loose, loose from all constraints and regulation. You had a very rapid collapse, then, of the content of the dollar. You see that it fell from approximately 70 to 75 percent, during the entire period 1956 to 1970. In 1971, it begins to collapse. By 1972, it’s fallen to 61.2 percent; then, by 1976, to less than 35 percent. In 1982, after the Volcker measures of 1979-82, it had fallen to 7.1 percent. By 1992, it had fallen to six-tenths of a percent. Now, it’s less than half of a percent.

What is true of the U.S., is true of the world. This world economy is no longer based on trade. It’s no longer based on production and consumption of real goods: It’s based on hot air, on financial speculation. And you see that reflected again, in different terms, this way (**Figures 3, 4**). You take the content of the dollars traded, for every dollar of trade (**Figure 5**). So you get the picture: You’re going from less than five dollars, up to, actually, it’s about—it’s less than 70 cents per dollar. It’s going up toward, now, \$200 of foreign exchange turnover, for every dollar’s worth of trade. So you see what the nature of the problem is going to be.

This is Gross Domestic Product (**Figure 6**). Don’t trust Gross Domestic Product, but it’s an interesting figure to use. What’s happened? What is the percentile of the U.S. econ-

FIGURE 4

**U.S. merchandise trade as percent of global dollar currency trading**

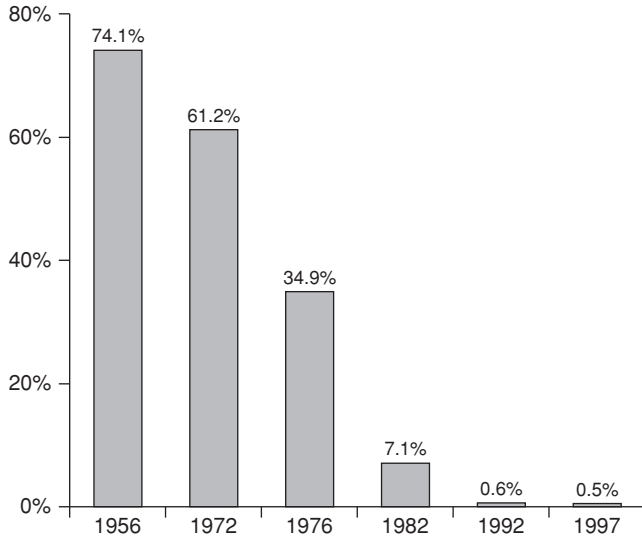


FIGURE 5

**The U.S. foreign exchange bubble**

(dollars of currency trading per each dollar of trade)

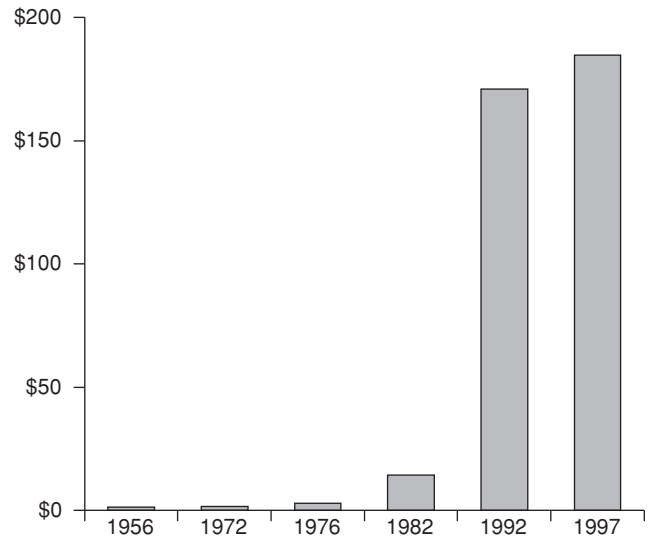


FIGURE 6

**Goods-production portion of GDP as percent of total GDP**

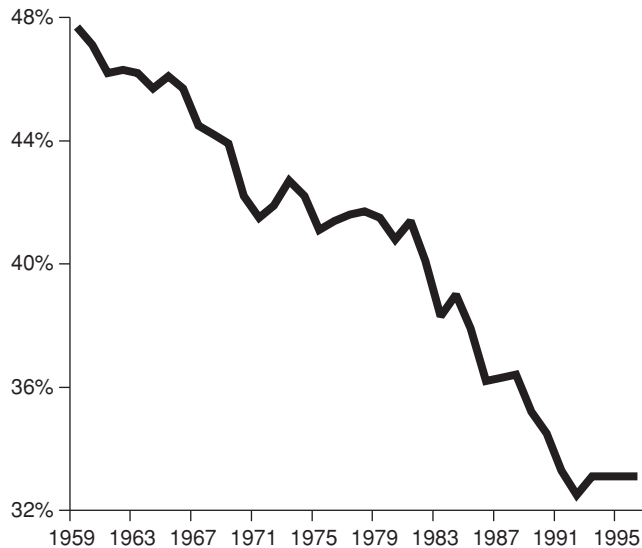
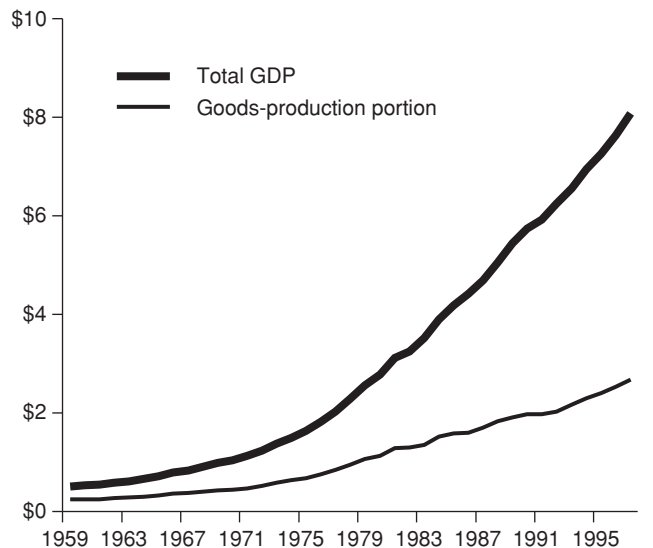


FIGURE 7

**Gross domestic product vs. goods-production portion of GDP**

(\$ trillions)



omy, of gross goods production, as a percentile of total GDP? In 1959: 48 percent. Today: 35 percent. What's happened? We've had a collapse in the content of the dollar. So, measuring, obviously, with dollars, doesn't mean anything. There are other things you have to consider in this connection.

**Figure 7:** Same thing. This is the goods production portion of GDP. You see the lower line here is the goods production portion of Gross Domestic Product, as accounted, against total GDP. You see the relationship: about \$2.50 in terms of

FIGURE 8

### Bushels of wheat

(per capita, USA)

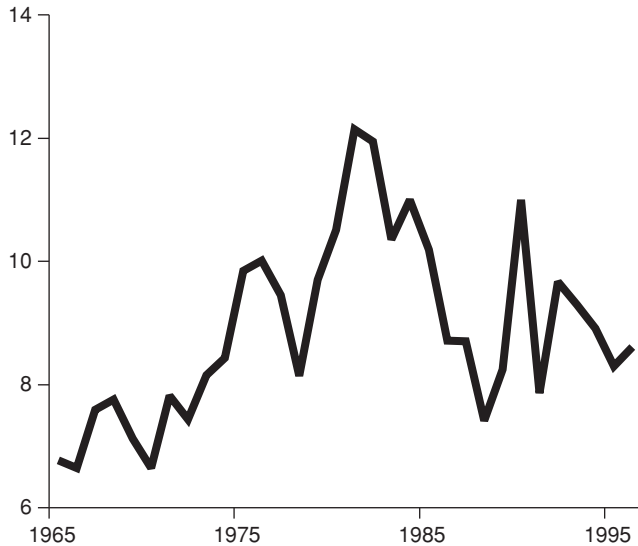
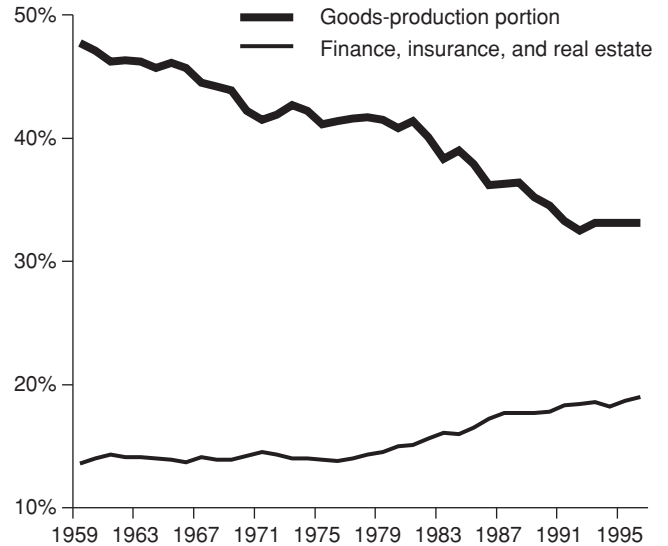


FIGURE 9

### GDP, by component: Goods-production vs. finance, insurance, and real estate



equivalent of goods production portion, climbing up to about \$8.00, in terms of total GDP—which means that your total GDP is fake, which means that your dollar is worth a lot *less*, that your wage income from production, your income from production, is worth a lot less in buying power, than the monetary figures indicate. So it means the inflation is enormous.

For example, to maintain the income today of, say, a family of four: Take a family of four living in Birmingham or Pittsburgh, working in the steel industry in either of these areas, back during the last half of the 1960s. That family, if, say, the wage-earner, the principal wage-earner in the family was about 40 years of age, this fellow was on his way to assisting his children with a college education, at least assisting them, maintaining some kind of a standard of living.

Take the same person from the same family household, at whatever employment they have, in the same area, in the Pittsburgh area or the Birmingham, Alabama area today. What is the purchasing power of a single wage-earner in that household of the same cultural level and same employment skills today? As the fellow said when Clinton was bragging about the number of new jobs that the United States had generated, he said, “Yeah, I’ve got three of them.” Because you can’t get by on a single wage-earner’s income. It would cost you, probably, to maintain what a skilled industrial operative’s standard of living would be in the late ‘60s, would probably be about \$75,000 a year today. How many people do you know who have a \$75,000 income, on a single-income-earning-family basis today? So, that’s some of the things those figures mean.

It means that we are disintegrating, we’re degenerating. *Things are not better.* There has been no growth in the U.S. economy in the past 25 years. In point of fact, in each year of the past 25 years, the U.S. economy, in physical terms per capita, has shrunk by more than two percent per annum, each of these years. That gives you an idea of what’s wrong.

Now, look at some of the other things going on, on the finance and real estate. Or just wheat (**Figure 8**). Some of you who come from the farm area know what this means. You see that our production, in a world which is starved for food (and wheat’s not the worst); in a world which is starved for food, in which the United States used to be a primary food producer from World War II on, we were the food producer for much of the world. We kept the world alive, with U.S. food. Wheat was only part of it. Many other things as well: beef, and so forth.

We don’t do that any more. We still have grains. But, see what’s happened to our grains production. Then you want to look at something else: Look at what the farmer’s percent of parity price for production of a bushel of grain is. And you see, by looking at the income of the farmer, that we are destroying the agricultural sector. If you go out to the farm belt, you find that the farm belt is denuded. When people of my generation retire from farming, the farm is closed down. The next generation, if there is any, doesn’t farm. The land will go fallow, or go into cheap kinds of mass production, and that is part of the pattern.

The point here is: What happened (**Figure 9**)? Where is the money going to, where is the money coming from, if it’s

FIGURE 10

### Hyperbolic growth of U.S. financial aggregate

(\$ trillions)

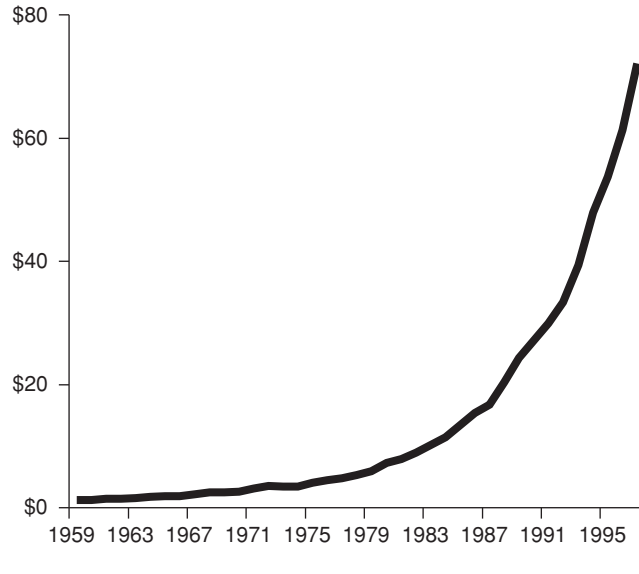
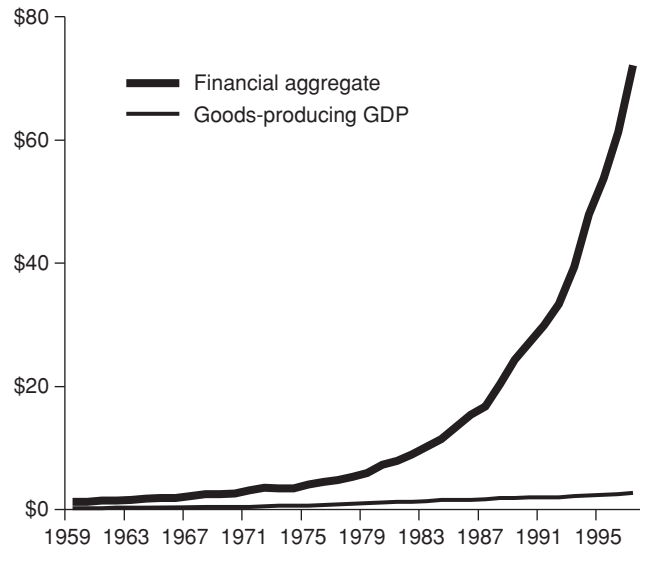


FIGURE 11

### Financial aggregate's growth vs. growth of goods-production GDP

(\$ trillions)



not coming through production? Well, it's coming through what? You take the goods production proportion of income and output, as against financial and real estate income. For example, interest rates, other kinds of financial income, real estate profits on speculative real estate. That's where the money goes. That's what is called production. Just an increase in the cost of existence, in terms of additional finance and real estate charges, on every portion of production. And so this cost, which is nothing but a parasitical cost, with no useful productive significance, is simply piled on as an extra charge, and this is measured as output. It's output from your pocket, not output produced by the economy.

So, you get a picture of this, of what the U.S. financial aggregate is (Figure 10). And you remember, this corresponds to the chart we started with, which is the financial aggregate growth. A hyperbolic growth, in terms of the amount of financial assets and liabilities relative to anything else, while, at the same time, real production is collapsing per capita, and this is being fed by monetary expansion.

**Figure 11:** The same point, but just expressed in a different way. Take the bottom line, goods production, GDP: This is the absolute output of the economy in GDP—goods. Not per capita; in per capita, this is actually falling. But look at what's happening to financial growth. This financial growth is now, of course, demanding a yield, isn't it? Every piece of financial paper, every mutual fund, and everything else, demands a yield. It demands a competitive yield. Where does the competitive yield come from? What does finance produce? Did you ever see a dollar producing anything, say, on

the sidewalk? It may produce lust, but it doesn't produce any goods.

So, where does the money come from to pay the yield, these demanded yields on these "investments," so-called? It comes out of production. It comes out of taxes, which ultimately come out of production. So that this is a *parasite*, which John Hoefle referred to as a 300-pound flea on a 40-pound dog, which is what's happened to this economy.

**Figure 12:** The same thing. You get a picture: What is the multiplier ratio of financial aggregate as a multiple of output? Again, this has all got a charge to it. This is why you're getting poorer! You're producing less per capita. Fewer people are actually producing things. Generally, the productivity of people engaged in producing things has *dropped* in per-capita value. So fewer people are producing, but the bite on production is increasing. That's why your standard of living is deteriorating: because somebody has to pay to keep things like Morgan, J.P. Morgan and Company, and people like that, alive. Where do they get their money from? They don't earn it. They don't produce anything. And that's what's *killing* us, and that's what's happening.

And the same thing (Figure 13). This gives you some indication of M3. You don't have to bother with the details. But there's a primary money issue, then you have what is in effect money, which is the M2, a reflection of that, and M3, which is generally the thing you refer to, when you talk about monetary aggregate in the economy. It's what is called by the Federal Reserve M3. When we talk about growth of money

FIGURE 12

**America's financial aggregate as multiple of goods-production GDP**

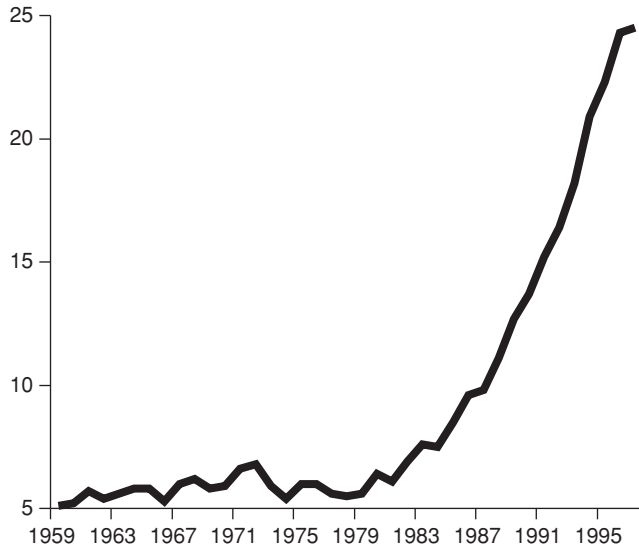


FIGURE 13

**Money supply grows**

(\$ trillions)

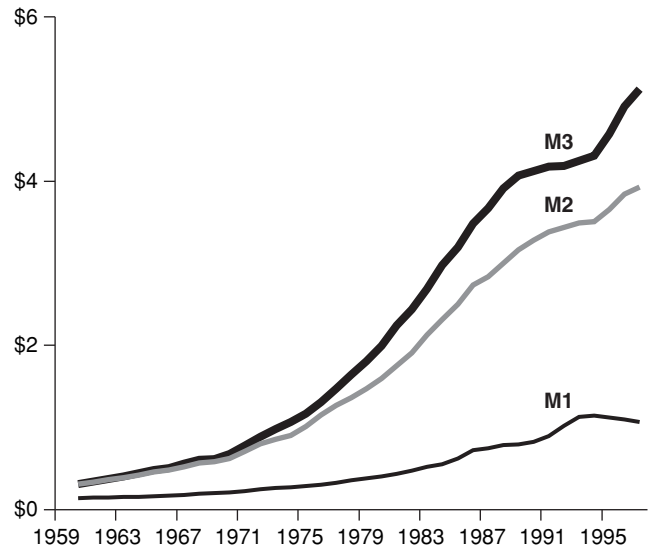
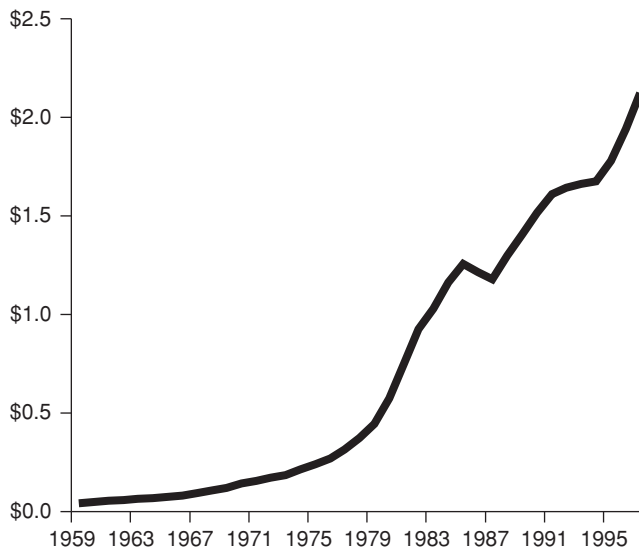


FIGURE 14

**Loot extracted by property titles of U.S. financial aggregate**

(\$ trillions)



supply or monetary aggregate, we're talking about, generally, M3.

**Figure 14:** A friend of ours, Richard Freeman, uses this type of language in titles. I suspect he may have done this:

"Loot extracted by property titles of U.S. financial aggregate." "Loot"! You see, Richard is thinking about these pirates, like Sir Henry Morgan, or Sir Francis Drake, who are coming in with their caravels with their little cannon, who are going to land by night, with their cutlasses and cut your throat, and steal all your goods, and what not. Well, that's what goes on in Richard's mind when he thinks about this. But, I must admit, it's a fair image. I didn't try to censor that. I agree with him, actually. But, that's what's happening. You see, the leverage is the 2.5 ratio in this.

**Figure 15:** Again, I suspect Richard Freeman had a hand in this: "Loot as percentage of real GDP." What's the tax on GDP from loot, from pirates, Wall Street pirates, similar kinds of pirates. That's what's happening to us.

**Figure 16:** Again, the same thing, a comparison of manufacturing, the line coming down, with the finance, insurance, and real estate charges going up. So, the output is going down, the requirement, in terms of financial charges, is going up. The same thing all over again.

Now, this opens up our next subject.

**Monetarist insanity**

So, what you see, is that, when you and I were younger, and I'm referring to those of you in the audience who are my age, or approximately my age, we thought in terms of production, we thought in terms of housing, we thought in terms of food on the table, we thought in terms of things in the household, we thought in terms of an education of the children. We had an idea of what that meant. We thought in



FIGURE 15

**Loot extracted by property titles as percent of goods-production/real GDP**

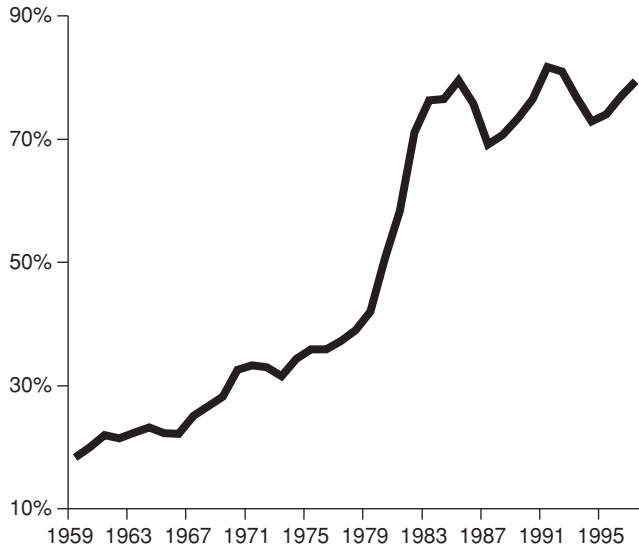
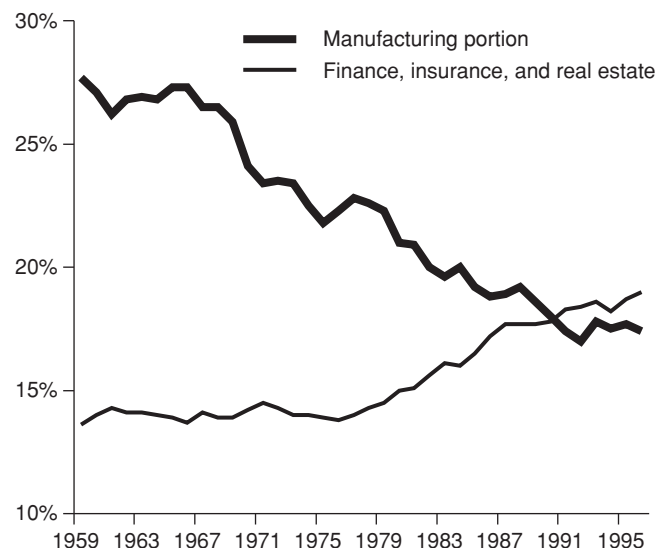


FIGURE 16

**GDP, by component: Manufacturing vs. finance, insurance, and real estate**



terms of an automobile. Simple things like that. We thought of the costs of production, we thought about the manufacturing plant where many people in town got a job, that sort of thing. That's the way it was.

So, when we thought about money, we assumed there was a correlation between *what was paid for the production of something*, and *what you paid to buy it*. You knew there would be a difference. You knew there was a profit involved, in most cases. But you knew there was a correlation, so that, in those days, we didn't worry too much about the kinds of things we're talking about now, because the problem didn't really exist then, especially coming out of the Depression. There was a relationship between *physical production* and the money economy. If you put money in the bank, you assumed it was going to buy something when you took it out of the bank.

That doesn't happen any more. You put money in the bank, you lose money on it. You have less purchasing power when you take it out of the bank, after all the interest has accumulated, than you had when you put it in the bank. So, we've now gotten into a system, internationally, where these things don't mean anything any more. It doesn't make sense any more.

For example, take the case of South Korea. South Korea was basically a producing economy. There was some speculation; they had Baby Boomers in South Korea, as they did in the United States. And, as we know, from having Baby Boomers, and having friends who are Baby Boomers—we even know a Baby Boomer or two—they tend to be crazy. And it's true in the '68-ers around the world, and also in Korea, or Japan. The young Japanese, who are now running

the industry—I think of them as young, anyway—are lunatics, compared to their parents, who used to run Japan's industries, who were manufacturing- and production-oriented, things like that. And, they believe in money. They walk around with their little calculators, and if you ask them for a moral decision, they'll put a financial formula into their calculator, and give you a moral decision at the other end, or something of that sort. It's all based on yield.

So now, we find that there's insanity. What happened in Korea, is a perfect example. Here's the won, the currency of Korea, which we would think of, before the crisis broke out, in terms of products which Americans buy, which are Korean-made. You think of things like automobiles, copying machines, various kinds of things like that: objects. And you paid a price for these objects. We presumed these objects in Korea were competitively priced, relative to products of the same type from Japan or places like that. And suddenly, because a bunch of speculators one morning said the won is worth a lot less than it was the day before, we are suddenly told that Korea, a nation which was exporting *more than enough* to cover the costs of its imports, is now no longer able to pay its bills, or cover the costs of its imports.

That's crazy: A bunch of guys in a gambling house in Las Vegas sit up all night and they begin to bet on currencies, and they come out in the morning and say, "We have reduced the value of a currency at our betting table by 50 percent, therefore, the country's got to pay twice as much, in terms of foreign currency, to pay its bills." It's crazy. Why do we allow a bunch of gamblers running the hedge funds, running a

gambling market, a casino, offshore, to speculate in a national currency, and come back to a country whose currency has been valued the day before, largely in terms of the value of the product it exports to the world market, the product which it exports in order to get imports, and why do we say now it's worth half as much? How'd that happen?

Obviously, it *isn't* worth half as much. *But somebody has enforced upon Korea the perception that the money markets, the so-called "free markets," or otherwise called "flea markets," have been able to impose this change on Korea.* Now the Koreans, who are still producing products just as valuable as they were last week, and the year before, suddenly find that they can't maintain their economy on the same level of production.

What happens? Well, food prices zoom, skyrocket in Korea. As a result of the policies imposed by the International Monetary Fund, and condoned by the United States government, you're going to get *probably over one million unemployed* in South Korea. You're going to get hunger as a result of food shortages, and accelerating, zooming, skyrocketing food prices.

Now, South Korea has been a military economy. That is, you may recall, South Korea was conquered by Japan in the 1894-96 war, in which Japan broke with the United States, which had been its ally up to that point, by starting a war against China. And in the process of the war against China, they stole Korea. And the Koreans didn't much like that, and they liked it less and less as time passed.

Then, in the infinite wisdom of the British, at the end of the war, we divided Korea into a North and a South: North Korea and South Korea. South Korea had been the food-producing area, predominantly, and North Korea, which is not necessarily an agricultural area, it's a mountainous area, had been the old industrial area, because of its proximity to mineral resources, and because also of its proximity to the great industrial region of China, which is proximate to the North Korean region.

So somebody, in his infinite wisdom, got a war whomped up, between South and North Korea, between 1949 and 1954, especially 1949 and 1952. MacArthur was going to end the war, and they said, "No, you don't do that." Truman said, "You don't end that war. We're going to keep it going." So, in effect, in the name of peace, and in the name of Panmunjom, South Korea has been in a state of virtual war, or on the edge of warfare, from that time until nearly the present. So South Korea is an Asian society, with an Asian culture—a lot of Presbyterians there, but otherwise an Asian culture. And some good music going on there; it used to be, at least, I don't know what the music sounds like this week, after what happened recently. And, you're driving this nation to absolute desperation: You're doing to it what was done to Germany under the Versailles reparations conditions, and you're driving it, a society which has a large military component, you're driving it to the point of exasperation. Do not be surprised at getting

a coup and a military government, or something similar, as a result of these policies.

A similar thing has been done in Indonesia, which is an Asian culture with a somewhat different history and different composition. But you may recall, back in 1965, there was formerly a President of Indonesia named Sukarno. And, Sukarno was overthrown in a revolution, and at least 650,000 Indonesians were slaughtered, in the fratricidal slaughter of bringing about a new military coup. *Indonesia is being driven to the edge of that today, through a policy, an IMF policy, which is endorsed by the government of the United States.*

The Philippines, which has a different history, is being driven to its own version of similar responses. You had then, last spring, when somebody was trying to destroy the government of Myanmar (Burma), in the name of "human rights," run by those inhuman people in Britain, called the human rights association. The head of the human rights group in the British Parliament, the House of Lords, is the biggest backer of international terrorism. You can imagine what that means.

So, a British agent by the name of George Soros, a man of very unpleasant antecedents, in terms of his personal history and practices, together with a few other hedge funds, all centered around London, but largely operating on the basis of drug-money laundering, which is very big in this world, targeted Myanmar, and Thailand, and, also, Malaysia, as a part of the springboard operation against Myanmar. As a result of that, you had a crisis in Malaysia which was centered around a collapse of the Thai currency, the baht. You had a group of currencies, the Malaysian ringgit, the Thai baht, the Indonesian rupiah, all of which began to disengage from the dollar. They had been pegged to the dollar, previously. They were principally trading partners of the dollar, and of the dollar area, and they were largely financial areas associated with Japan. That is, Japan finances, credit, was pouring in, and the product out of these countries was generally traded with a dollar peg, and the currency was pegged to the dollar. All that stopped. The same group ran an operation against Taiwan. Taiwan was unpegged from the dollar. They almost succeeded in doing it with Hong Kong.

## **A hyperinflationary explosion**

So, this entire region of the world is about to blow up, for no good reason: because we allowed a bunch of speculators, thieves like George Soros, with the blessing of our Secretary of State, who, between dances, does some other terrible things, other exhibitions. When she goes to Israel, she dances the Hora. It's called a "Hora show." So they got this Soros going. And, this goes on.

And the policy of the United States government is: "We can't do anything about it. We have to adapt to this, we have to deal with this, we have other priorities." What they're getting, by condoning, and bending over, and allowing IMF conditionalities to go ahead, what they're doing, by default, is, they are fostering a *hyperinflationary global explosion*,

which, in the matter of weeks or months, could blow out currencies, depending upon how it goes. And in the meantime, every government of East and South Asia is headed for major destabilization. The whole area can go into bloodshed. The day after that, Brazil is ready to blow up. Again, George Soros, with the help of the British, took over the major industries in Brazil, which destroyed Brazil's ability to defend itself economically, and the time they pull the latch on Brazil, Brazil will blow up. Argentina will be crushed. Chile will be bankrupted. Colombia will be finished off. Venezuela will go into crisis. Mexico's on the edge of crisis.

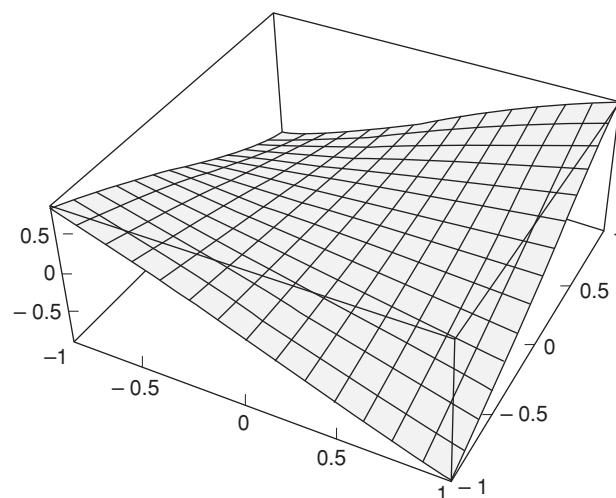
Now, you take all the U.S. investments which are tied to East Asia, all the U.S. investments tied to South America, not counting what's been written off in Africa: What happens? What happens to the U.S. dollar? Well, the biggest investors in East Asia are who? Are Europe. So, as this collapse occurs in Europe (this is happening now), this collapse will hit France, it will hit Germany, it will hit other European countries. It will hit the U.S. less firmly, on financial accounts, than the Europeans proportionately. But you add to that South America, which is British-dominated. That is, Central and South America: The British control 60 to 80 percent of the financial operations of all countries in South and Central America. Not the United States. The United States is not the great "Yankee imperialist." The British are the great — the jerky imperialists, not the "Yankee." And they control this area.

These things mean that, what we get from these markets, in terms of so-called outsourcing, with investments, with financial relationships and financial investments, it means that the whole world is in the process of blowing up. And all this business to try to say, "You've got to go with the markets, you've got to go with IMF conditionalities, you've got to stick with liberal economics, you've got to stick with free market economics, you can't use protectionism, you can't use exchange controls, you can't use capital controls," you can't do any of the things we did back in the 1950s to get the world out of the effects of World War II. You're not allowed to do those things any more. "That's against liberalism! You've got to have 'liberal free market economy.'"

Under conditions of continuation of toleration of liberal free market economy, we are talking about a blowout within weeks, a major new blowout, a new quality of blowout, like nothing you've seen before. So then all the rules, all the games, all you've been taught in the textbooks in economics, all you read in the financial pages in the newspapers and the magazines, and the talking heads shows on television: It doesn't mean anything any more. It's garbage, it's idiocy. I forecast these conditions. I've warned of this for years. We've been in this process for thirty years; I've been warning, for thirty years of this process. It's unfolded, it's happened. They said it couldn't happen, until after it happened. They're great prophets. But their hindsight isn't so good, either. They should be wearing spectacles on the back of their head. If it doesn't do any good on the front of their head, they should

FIGURE 17

## A typical Cartesian image of space within time



wear them on the back of their head. It might help them improve their hindsight a bit.

So, this idea that you can make a simple mathematical model of an economy, that you put prices over here, and you construct curves, you take statistical trend lines and so forth; all of that, the Cartesian image of space-time: that doesn't work. *It never did.* But, it's like the magician's show, and the trick you thought he did. And then, one day, the magician died, and the trick didn't work any more. So, that's what we're dealing with.

## The alternative to Cartesian thinking

We're coming into this area: What is the scientific approach to this matter? Let's get to the next slide, a typical Cartesian image (Figure 17). What's the alternative to that kind of thinking, that Cartesian thinking that's done, where you get these statistical reports, these chartists, and so forth, financial chartists, the *Wall Street Journal*, and all this kind of stuff. What's your alternative?

Well, I can tell you that the known alternative to that kind of thinking, is at least as old as a civilization which existed in Central Asia between 6000 and 4000 B.C., long before the Semites learned how to wear clothes in Mesopotamia. And, what they did is this. The first evidence we have of scientific thinking of this type, is in astrophysical solar astronomical calendars, in which these calendars would not only take the solar year, because they knew the Earth orbited the Sun, and they were solar astronomical calendars; they also had a cycle of somewhat less than 26,000 years. It's called the equinoctial cycle (Table 1 and Figure 18). One of the things that happens in the heavens, as the Earth shifts in its position: The constellation in the heavens which appears at the Vernal Equinox in

TABLE 1

### Mean angular change of three astronomical cycles of rotation

| Cycle                       | Total period (years) | Mean angular change per microsecond (seconds of arc) |
|-----------------------------|----------------------|--|
| Earth's daily rotation      | 0.0027               | $1.5 \times 10^{15}$                                 |
| Earth's yearly orbit of Sun | 1                    | $4.10675 \times 10^{18}$                             |
| Equinoctial                 | 26,000               | $1.57952 \times 10^{12}$                             |

the Northern Hemisphere, this comes at different points. For example, a long time ago, it became Leo, then it became [Virgo], and so forth, and so on.

At a time when the solar— This was in Orion, which was a period between 6000 and 4000 B.C., the people who lived in that area, in Central Asia, who are the ancestors of the so-called Vedic civilization, developed a calendar which had many features, including estimates for the cycle of the shift of the pole. You know, the Earth wobbles, and so the geodetic pole shifts its position. The magnetic pole also shifts its position. And, there's a cycle which is a compound cycle, which is when both the magnetic and geodetic pole come back together again to the same position. Another cycle.

But they measured this one cycle, which is the equinoctial cycle, which is less than 26,000 years: That is, in less than 26,000 years, about 25,200 years, the Vernal Equinox comes back to the same position it did 25,200 years before. So, when you have a Vedic calendar which is based on these kinds of considerations, you know something about the mentality, the thinking, and so forth, of the people who have the calendar, because you know how you can do these things, how you can measure these things. So, at that point, you can see that the ancient Vedic civilization already had a sense of how this worked.

For example, imagine you're standing on a point on the Earth, and you think that you're observing the sunset to sunrise (**Figure 19**). You think you are. Actually, you're not; because the Earth is rotating. And if the Sun isn't moving, you're moving. But the Sun *is* moving, but that's another story. So, you think, it appears to you, if you're just a naive person, that the Sun goes in a circle around the Earth. And you get from sunset to sunrise to sunset, in a circle. But, while you're observing, the Sun is actually moving, the Earth is moving: it's moving *around the Sun*. So, it gets more complicated. Because, now, you're observing not merely a circular motion, an apparent circular motion, you're measuring a circular motion on an ellipse, an elliptical orbit.

The same thing applies to this (**Figure 20**). We have here, three—in the Triple Curve that we started with, we had three things: We had the relationship between a downward trend in production aggregate, the physical production aggregate; we

had an upward trend in monetary aggregate; we had a zooming, skyrocketing trend in financial aggregate. Now, it happens that the three curves are just like an astrophysical relationship: They're interrelated. That is, in order to increase the monetary aggregate, you must *decrease* the production aggregate in the system. That is, you have to tax, in a sense, discount, tax, real production, shrink it, to get some assets to pump up the monetary system, because the economy's not growing. And therefore, how do you get a profit out of an economy that is shrinking? You can get a profit out of an economy that's shrinking, only by looting it. So, therefore, you have to loot the physical economy, sell off assets, don't maintain it.

For example: Washington, D.C. or New York sewer systems and water supply systems. How old are they? Fifty, sixty, seventy, eighty years old. They haven't been maintained. So, by not maintaining these systems, you defer payment to maintain an existing system, which means you're looting it. Because when the time comes for repair, you haven't repaired it, and the system breaks down, and you've lost the system.

The same thing: Union Pacific Railroad. One of the main problems on wheat deliveries and other problems in the U.S. economy, is the delivery rate, that is, the number of ton-miles, tons per mile per hour, moved by the Union Pacific Railroad, has *decreased*, because it's cut its facilities. This is causing a *catastrophe* in the U.S. economy, including the rotting of grain throughout the Midwest, because there are no trains to move it. Again: This results in more profit to the company that owns the Union Pacific—by looting it! By not paying the bills, by not maintaining that. By closing down the hospitals, cutting the schools, cutting the pensions, killing people, in order to save money on hospital expenditures for insurance recipients, beneficiaries.

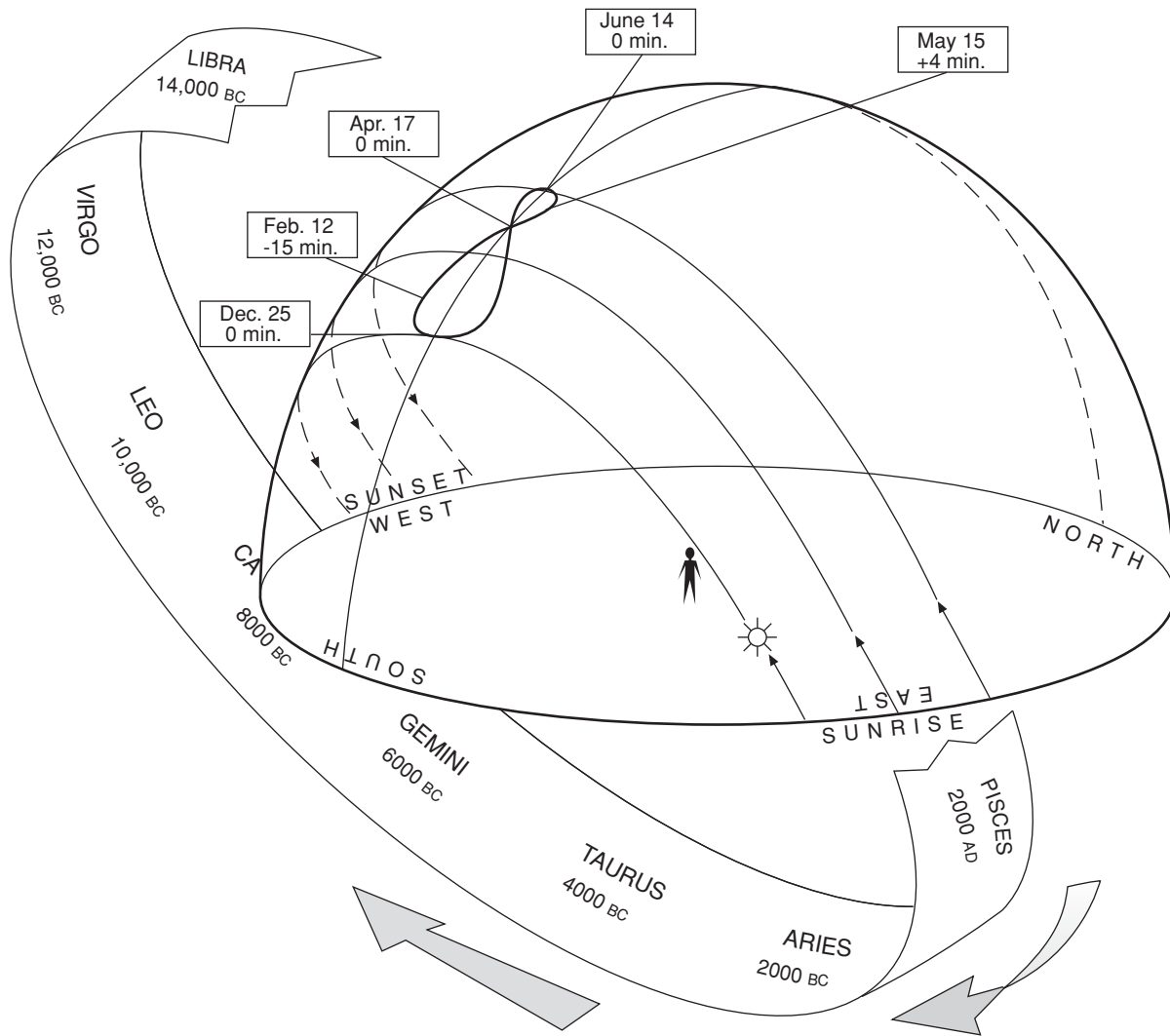
### Money supply and economic growth

So that in order to *increase* the monetary supply, you have to *decrease* the payments to the real economy, by discounting. Therefore, there's a relationship between the source of growth of money, and shrinking of the economy. Without shrinking the economy, money supply can't grow. *Therefore, the contraction of the physical economy is related functionally to the growth of the monetary output.* The financial output is based, not on profit, because there is no real profit in the economy. None at all. You have a shrinking economy. You don't have a profit, if the economy as a whole is shrinking—not a real profit. You have a fictitious profit. Therefore, where does the money profit come from, on financial instruments? It comes from speculation.

How does it work? You don't buy a building for what it takes to build the building. We saw this in the real estate system in New York City years ago. The price of a building was generally determined as a multiple of the annual rent. If you could increase the rent of the building, while letting it go to hell by non-maintenance, you would increase the value of

FIGURE 18

**The apparent motion of the Sun, relative to an observer on Earth**



This diagram shows the sky and horizon visible to an observer in the Earth's Northern Hemisphere. The apparent path of the Sun reflects three astrophysical cycles, each with its own curvature (actually, there are many more, but we limit ourselves here to three):

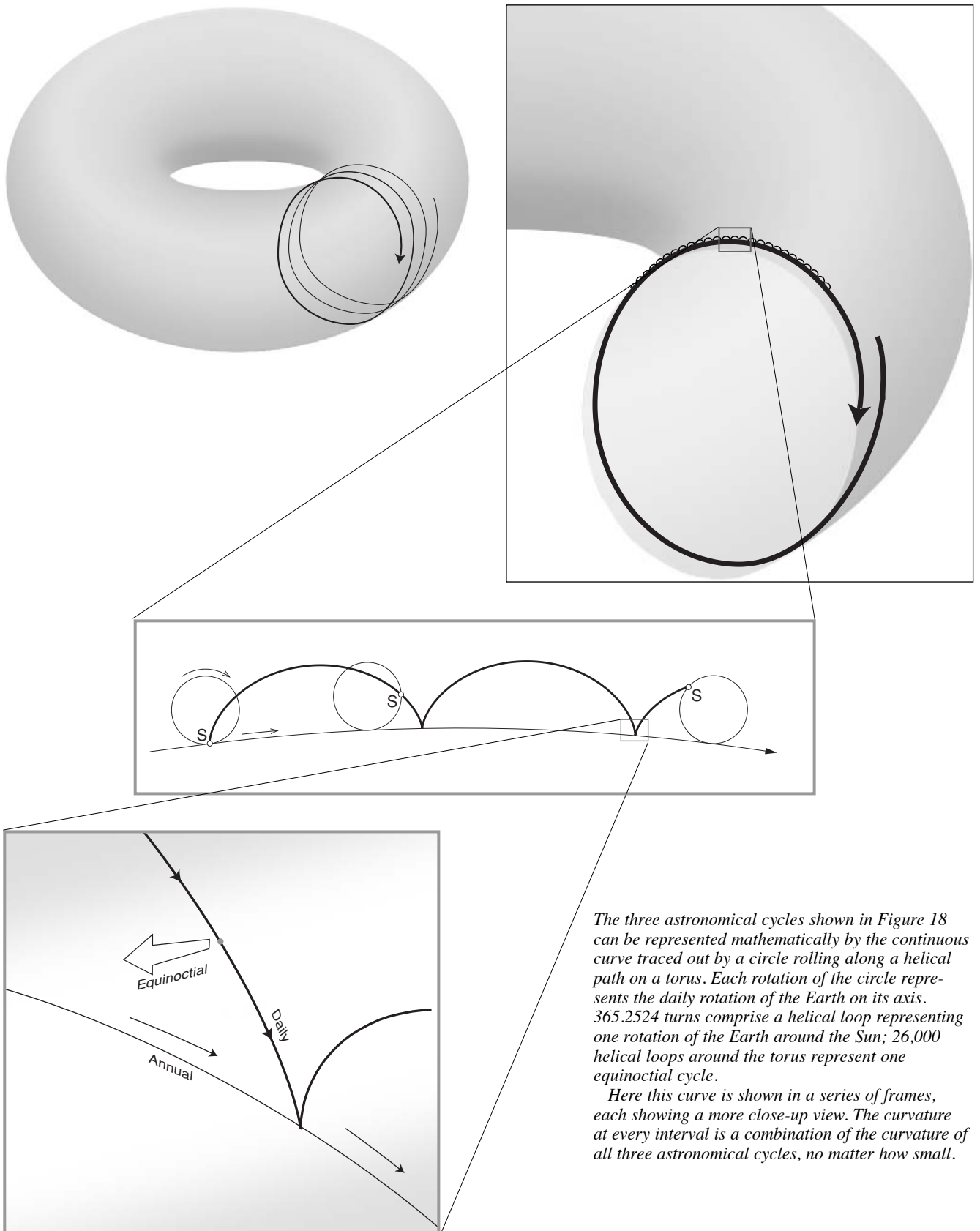
1. The daily, approximately circular rotation of the Earth on its axis. The observer sees this as the Sun rising in the east, traversing an arc in the sky, and setting in the west.

2. The annual elliptical orbit of the Earth around the Sun. This is reflected in the observed change in position from day to day, of the position of the rising and setting Sun and the arc between them. Over a year's time, an observer sees the Sun travelling low in the sky at the winter solstice (the southernmost of the three daily paths depicted here), climbing each day higher, through the vernal equinox, and reaching its highest point at the summer solstice (the northernmost of the three paths), then descending again, day by day, to the autumnal equinox, and back down again to the winter solstice. These seasonal changes reflect the fact that the Earth's axis is tilted 23.5°. The figure 8 (or "analemma"), drawn here on the meridian (noon) line, is a reflection of the ellipticity of the orbit, among other factors. It shows the displacement of the Sun from the actual meridian on a given day at noon, standard time (adjusted for one's position in the time zone). The fact that the Sun is sometimes ahead of the clock, and sometimes behind, in reaching the sky's mid-point (as much as 15 minutes either way), reflects the fact that the Earth travels faster, in its elliptical orbit, when it is closer to the Sun.

3. The equinoctial cycle, or "precession of the equinoxes," is reflected in the observed change in the constellation in which the Sun appears to rise. This is shown here by the apparent rotation of the band of zodiacal constellations. (Currently, the Sun is rising against the background of the constellation Pisces). As the Earth rotates on its axis, the orientation of the axis itself rotates, in a cycle of about 26,000 years. Thus, the North Pole Star is now Polaris, but about 13,000 years ago, it was Vega.

FIGURE 19

### Curvature of the astronomical cycles 'in the small'

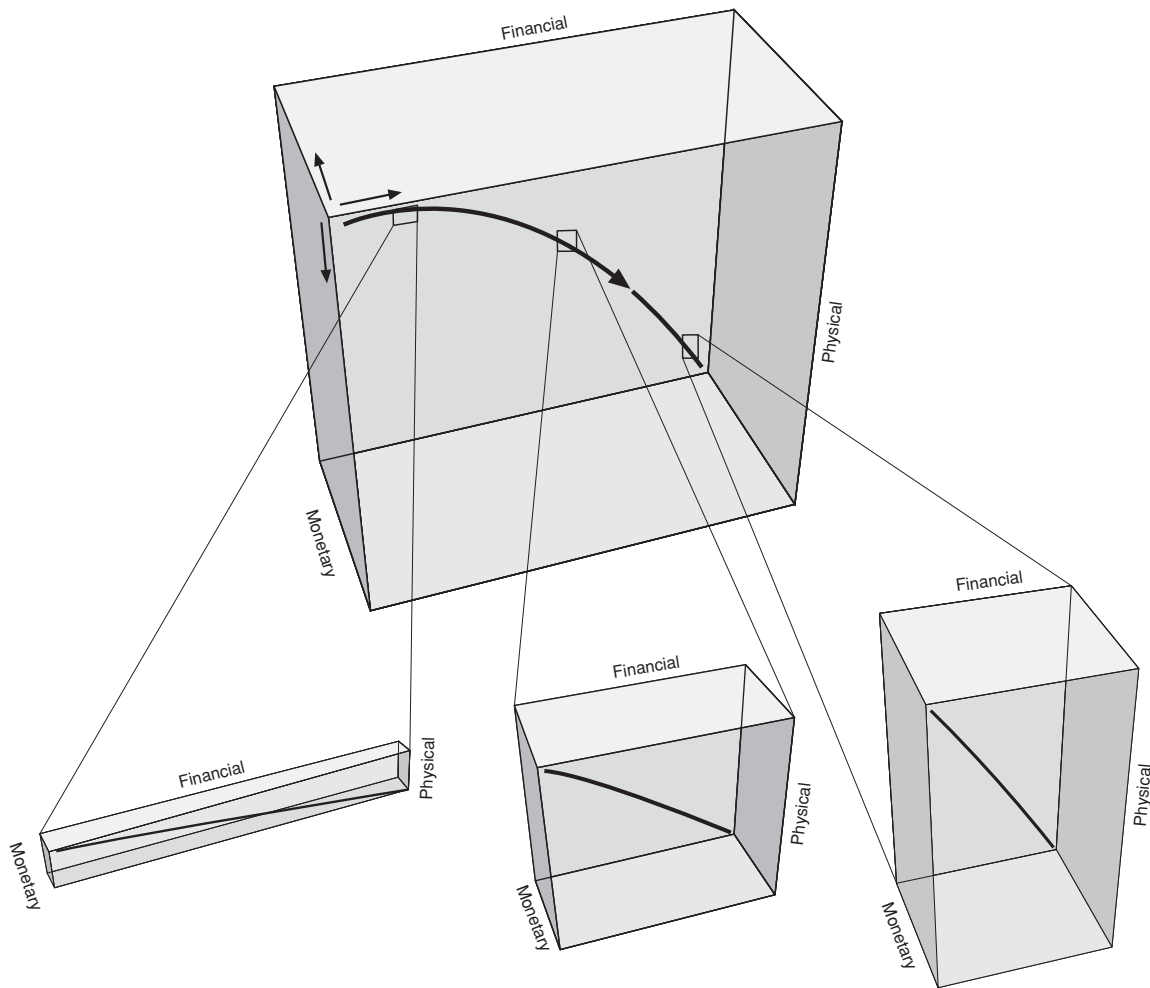


The three astronomical cycles shown in Figure 18 can be represented mathematically by the continuous curve traced out by a circle rolling along a helical path on a torus. Each rotation of the circle represents the daily rotation of the Earth on its axis. 365.2524 turns comprise a helical loop representing one rotation of the Earth around the Sun; 26,000 helical loops around the torus represent one equinoctial cycle.

Here this curve is shown in a series of frames, each showing a more close-up view. The curvature at every interval is a combination of the curvature of all three astronomical cycles, no matter how small.

FIGURE 20

Three-way curvature of the ‘typical collapse function’



When the three curves of Figure 1 are plotted on one three-dimensional axis, a curve is generated which combines the curvature of all three. As in the case of the astronomical cycles, the combination of all three curvatures is present in every interval, no matter how small.

the building. Therefore, the value of the building was the profit you could extract from it as financial profit. Therefore, if the building gave you a 10 percent yield, then the building was worth 10 percent, based on 10 percent of the yield, a multiple of that. So, you would buy the building based on buying the annual rent. In other words, for 10 percent, you would expect, for \$10,000 annual rent, you would pay \$100,000 for the building, or for that portion of the building.

So, even if the place was collapsing, that is how you got a system where buildings in Manhattan, in central Manhattan and lower Manhattan, which were functional in their condition, would have much lower rent than a housing unit in Harlem, which was decaying, and degenerating. Because the nature of the turnover is the rate of profit; or the rate of yield on the rent of the Harlem building was much greater, even though the place was disintegrating. And that’s the way the system

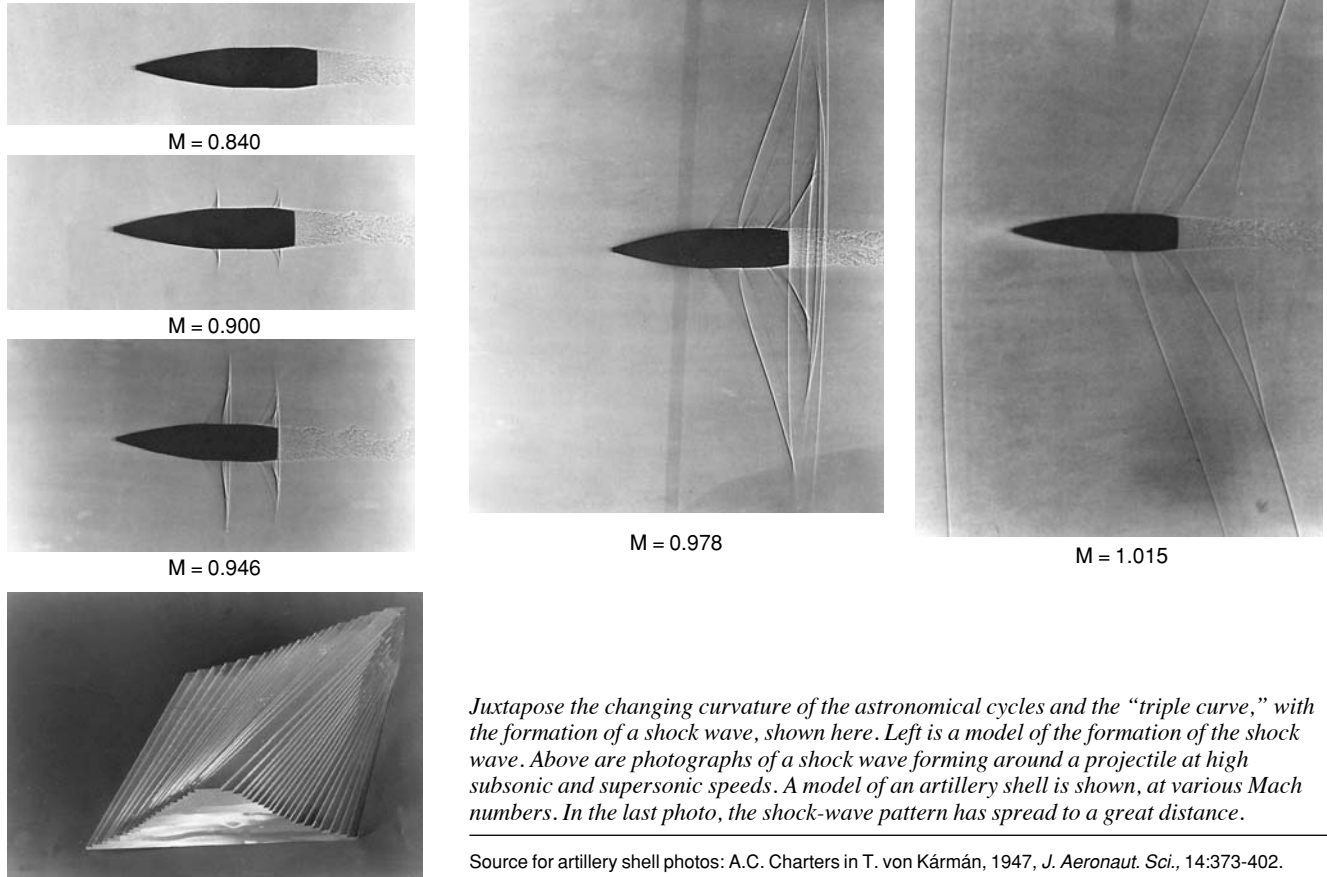
works. It’s called *financial leverage*. It’s called a *price-earnings ratio*: The capital value of the asset is a multiple of the price or the earnings you expect to get. The price is a multiple of the earnings.

What happens, therefore, is that what you’re doing, is maintaining the system, by what? There is no increase in real income in the economy, there’s only an increase in nominal profits, which are called fictitious or financial capital gains. So, people are buying into financial capital gains, which means that you have things that have no relationship to any real value, real physical value; these things are zooming in price. And, in order to maintain that system, you have to have a buyer for the earnings. If you don’t have a buyer for the earnings, then the asset collapses. Therefore, you have to keep pumping money into more and more of these fictitious assets.

For example, a few years ago, one of the spectacular

FIGURE 21

**The formation of a shock wave**



*Juxtapose the changing curvature of the astronomical cycles and the “triple curve,” with the formation of a shock wave, shown here. Left is a model of the formation of the shock wave. Above are photographs of a shock wave forming around a projectile at high subsonic and supersonic speeds. A model of an artillery shell is shown, at various Mach numbers. In the last photo, the shock-wave pattern has spread to a great distance.*

Source for artillery shell photos: A.C. Charters in T. von Kármán, 1947, *J. Aeronaut. Sci.*, 14:373-402.

cases: You had companies that were buying up, forming corporations to do business in collecting uncollectible credit-card debt. These companies would then issue stock in the company whose business was to collect uncollectible credit-card debt. They would go to a credit-card company, buy up its accounts, like a credit account, to collect on the uncollectible balances. They created a corporation, for which they floated stock, for that business. On the basis of the expectation of the earnings on the stock of that company, the stock would then acquire a price-earnings value. And they would sell that stock on the market. And then you would get complications beyond that.

So, what we’re dealing with, is largely hot air. So you have three functions here. The financial growth is dependent upon the monetary expansion; the monetary expansion is based on the decrease of the physical expansion: The three things are related. It’s just the same thing, is that in the very small, when you’re comparing a one-day observation of the Earth’s rotation, you’re looking at one-year orbiting of the Earth around the Sun; you’re looking at 25,200 years of the Earth going through an equinoctial cycle. And all of those things are happening to you, on the place you’re standing, when you think you’re watching the sunrise to sunset.

**Curvature in the small and in the large**

Take this area, the middle figure here (Figure 19). The curve on the bottom represents the ecliptic. This is the elliptical path of the Earth. So, on that, you have a curve, which is called an epicycloid, which is the image of the Sun appearing to orbit the Earth. But, instead of being a cycloid on a straight line, it’s a cycloid on an elliptical orbit, which makes it a more complicated curve.

Then you have, going back to Figure 18, you see the figure eight there, up there between the curves? This is the kind of motion in the very small which is determining how you are actually moving.

In short, if you know how something is working in the very small, can determine its curvature, the complexity of its curvature in the small, then you can estimate the nature of the system in its overall characteristics.

Let’s go on to **Figure 21**. What you’re seeing here, is a Riemann curve. It’s called the shock-wave curve of Riemann, 1859. This shows the effect of that. What Riemann did, was to, say, take an open chamber filled with air, a cylinder of indefinite length. Take a projectile inside the cylinder, and accelerate that cylinder up toward and past the speed of sound. And what do you get? So Riemann defined what’s called a



shock wave, which we're very familiar with from the days of supersonic jets. Or a bullet: You hear the crack of a bullet. If the bullet is supersonic, then you will hear a sharp crack from that bullet, because it's supersonic. This is an example of the curve. The figure down below is an example of the kind of curvature of this Riemann wave.

If you can find the characteristics in the very small of something, you can then determine what the characteristic of it is in the very large. For example, how could a people in a Vedic culture, living in Central Asia between 6000 and 4000 B.C., how could they determine a 25,200-year cycle as the equinoctial cycle? They estimated it at about 26,000 years. But how could they do that? Did they observe it for 26,000 years? Did they observe it for 25,200 years? No. But by observing things *in the small*, if you measure them accurately enough, you will find, in the curvature, something that tells you what the process looks like in the large.

### What is an idea?

We have an example of this in the transition from Egyptian to Greek Classical art. In Egyptian art, the statues of that period—and Egypt was a mother culture for much of the Classical Greek culture; that is, much of Greece obtained its foundations of its culture from Egypt, Archaic Egypt. Now, if you look at the sculpture in Archaic Egypt, you will see the sculptures are based on tripods. The figures are fixed. They look like tombstones, bad tombstones. They're rigid. They seem super-stable. When you get to Greek Classical art . . . you see the figures are off-balance. They seem to be off-balance. They're not on simple tripods. What they force you to do—The Greek Classical art, unlike the Archaic art, Archaic Greek or Archaic Egyptian art, forces you to see an *in-betweenness*.

For example, take the case in modern, or relatively modern Classical art. Leonardo da Vinci did a famous painting, "The Virgin of the Grotto," in which there are two sources of light depicted in the painting. One is the light of the sun; there's another light, equally strong. And, therefore, in understanding this, when you look at this painting, the mind is forced to say, "How do I reconcile what Leonardo did?" It's like a world of two suns: one light, the sun; another light. And the two lights are defined in a very ingenious way.

You find the same thing with Raphael Sanzio, in the Vatican Apartments, where he painted these famous frescoes. And you find that you have to stand in two positions to see the fresco. You see one thing when you stand close to it at a certain distance, and if you go another discrete distance away from it, to see the thing as a whole, you see a different picture. The mind must put these two contradictory images together. You see the same thing in the museum, with the so-called "Transfiguration" of Raphael Sanzio. If you look at it closely, you get one image; if you stand back, you see the transfiguration, a completely different image. The mind must put the two things together. This is called *ideas*, and that's what we want to get to here: *ideas*.

FIGURE 22

### Sense-perception vs. ideas

Anything which can be described as a fact experienced by means of the senses is not an *idea*.

Ideas are principles of nature, whose validity is proven by those methods which are typified by a successful scientific demonstration of an efficient physical principle. There are two classes of such ideas: The first are ideas corresponding to validated principles of physical science; the second are ideas corresponding to a proven principle of cognition.

I've written it out, and put it on this form (Figure 22). What the Greeks mean by an idea, and the difference from the Archaic art, is that the Archaic art represents a sense-perception. The Greek Classical art, or the paintings by Raphael or Leonardo da Vinci, represent *ideas*. There's a difference. One is an image based on the senses, which is what you get on television, isn't it? Television entertainment is based on no ideas, but sense-perception: blood, violence, and sex. You see it, you feel it, you sense it: "Man, that's *real!*" But it's not.

Whereas, an idea is something else. The term "idea" means a principle. For example, the common case of a principle is a scientific principle. The idea of gravity. Did you ever "see" a gravity? Did you ever actually *feel* one? No, you didn't. You may have thought you did, but you didn't. Did you ever see a principle of nature? Did you ever shake hands with it, smell it, lick it, touch it, sniff it? No, you didn't. But, these are ideas, and they are valid, and they tell us something. They tell us that principles control the universe. Something you can't smell, you can't see, you can't touch. You can't lick it, you can't taste it, and yet it controls the universe. It's called a principle. It's called an *idea*. All art, great art, is based on ideas, which have nothing to do directly with the senses. *Artistic ideas come from contradictions in the senses, as Classical art comes from dissonance, from contradictions, from the development of forcing you to find an idea, to find an irony, a metaphor, an idea. Scientific principle: ideas.*

This is where we get to the part about the difference between monkeys and people.

Next, the four steps of cognition (Figure 23):

#### Step 1: Posing an ontological paradox (metaphor)

Given, for example, an established mathematical physics. Some newly considered array of physical evidence is shown to exist, but which should not exist if the established mathematical physics did not contain some crucial falsehood. Since, in the normative case, both the established old mathematical physics and that newly considered evidence which refutes the old physics, are equally well premised in the faculties by which we determine empirical evidence, the contradiction

## The four steps of cognition

**Step 1:** Pose an ontological paradox (metaphor).

*This is representable.*

**Step 2:** Discover a validatable solution.

*This is not representable.*

**Step 3:** Identify the principle of solution.

*This is representable.*

**Step 4:** Design a proof-of-principle experiment.

*This is representable.*

between the old physics and newly considered evidence represents what we term an *ontological paradox*.

In the domain of Classical art-forms, the same quality of paradox is identified as a Classical *metaphor*.

*This first step of the process is representable to relevant onlookers.*

### Step 2: The discovery of a validatable solution

Through intense concentration, the mind of some individual who has been confronted with the ontological paradox, generates a newly discovered idea of a principle of nature, together with an ensuing preview of the means by which this newly discovered principle might be validated.

This second step of the process occurs behind those opaque screens which hide the cognitive processes of the individual from the sense-perceptions of onlookers. *The efficient action within this step of the process is not directly representable to the onlookers.*

### Step 3: The argument for the principle

On the basis of completing Step 2, the individual who has discovered a validatable quality of new principle identifies that principle in terms of both the ontological paradox referenced, and the proposed tests by means of which the notion of the principle might be validated or needed corrections indicated.

*This third step is representable.*

### Step 4: The design of the validating experiment

Step 3 leads toward the process of successive designs, as if recursively, of experiments, or equivalent forms of observation, by means of which: (a) the proposed new principle is demonstrated to be an efficient one in the universe, and (b) additional characteristics of the new principle's relations to other principles may be adduced, and, hopefully measured to the desired degree of refinement.

*This Step 4 is representable.*

There are four steps to forming an idea, and I've reduced it to the form which occurs in science. In science, you have, as we have this contradiction, this ontological paradox, this

difference between the image of an economy, from the standpoint of money, from the standpoint of financial accounting, which is fraudulent. But they still collect bills on that basis. Then you have the other conception of economy, which is based on physical production, and things which are essential to physical production, such as education, health care, and science services. So, you have two images of economy. The fact that the two somehow intersect, means that there's an *irony* here, there's a contradiction, there's a metaphor; and you've got to explain that metaphor, to understand how an economy works.

Or, there's another thing, which is that you have a principle in so-called physics, or mathematical physics, called *entropy*, which says, in effect, that any mechanical system will run down. If an economy is a mechanical system, and all financial accounting is based on mechanics, the principles of mechanical interaction, how can you have a financial system which generates profit? How can it? Every system, mechanical system, if it continues long enough, runs down. Now, if something runs down, how does it produce more? Every mechanical system always produces *less*. Therefore, by definition, no economy which corresponds perfectly to a financial accounting system, could possibly have a profit.

And yet, if we look at the history of mankind, we find that mankind, whose potential population density on this planet, as approximating that of an ape, was never more than 3 million people on this planet; if mankind were an ape, which is what Prince Philip claims to be, then at no time could there have been more than several million living human individuals on this planet, in the past two million years of the ice ages. *At no time*. That's the ecological potential of an ape, or an ape-type species.

How did we get to several hundred million people, living individuals on this planet, during the medieval period? How did we get to 5 billion people on this planet recently? Obviously, we're not apes. Obviously, we grow. This growth in population depended upon technological progress of various kinds, also artistic progress. Man's increased power over nature depended upon the growth of income, standard of living, lessening morbidity rates. You can't educate a child to the age of 25 if the parents are dying of morbidity rates, at the age of 30-35, can you? You can't maintain such a society. Therefore, there had to be more. There had to be improvement, there had to be increase. This is no entropic system; this is no mechanical system; this is no financial accounting system. It doesn't explain anything.

*There's some source of some increase of man's power over nature, which intersects the process of production, which accounts for this progress.* And, that's what we're dealing with. Man can do something that no animal can do: Man can discover science, technology, and art, can invent and discover ideas and principles, can apply these principles to human behavior, including production, and can increase man's power over the universe.

How does that happen? It happens in the small, as in this physical business. It's like the people in Central Asia, who, by observing small aberrations in the very small, discovered an equinoctial cycle in a fairly short period of a few generations, by measuring very small changes, and came up with an estimate of about 26,000 years for the equinoctial cycle, which is not bad, considering the methods used, available at the time. Small things.

We find there's something missing, something missing in what we believe. What we believe is not true. There's something else going on here. And we can measure, we can see, we can *see*, like this contradiction between financial accounting [and reality]. In financial accounting, if you're consistent, you can prove that it's impossible for any economy to have a profit. Impossible! But we do; and real profit. We've had growth of mankind, increase of life expectancy, improvement of family relations, increase in population, increased productivity per capita. This is *more*. Mankind can produce *more*, human economy can produce *more*, and that is the real physical source of profit. *More*. Better. We used to understand that: more and better, more and better, more and better. That's what we used to think.

Now, how do we get that? We get that—by what? By technology, essentially, on one side. By discovery of principles, such as the principle of the equinoctial cycle, which, in a span of a few generations, is a very, very small difference in observation, particularly when you're using sticks and stones to do astronomical observations. But somebody *discovered* that, in the small, and discovered there was something wrong, in the way in which the universe was being considered, and recognized a principle, and came out of that with a new cycle, the equinoctial cycle discovery.

And, by those methods, mankind has discovered many things. And, by absorbing these things we've discovered, we change man's relationship to nature. We increase our power over nature. And then someone says, "Is that what you mean by man in the image of God?" Yes. *Every person is born with the cognitive ability to make these kinds of discoveries*. Not only original discoveries, but discoveries original to them.

And a good educational system, what does it do? In a good educational system, what does the child do, as a student? A child, preferably in a class size of not more than 15 to 17 students, is presented the opportunity to re-enact an act of discovery made by some person, say some Greek, 2,000 years ago, or more. The child re-enacts that discovery. The child is then very happy, when the child has made that discovery. And the child's education, if done in that way—it's the way you teach music, isn't it? You re-enact discovery, you re-enact compositions. You rediscover. Humanist education: this re-discovery of ideas, so that when a child becomes mature, gets out of secondary school, goes on, the child now knows many of the original discoveries. *The child has, in effect, re-lived the mental processes, the act of discovery in the mind of some great genius 2,000, 2,500, or hundreds of years ago, so that*

*the child knows the inside of the mind of that person—and that person by name, usually, better than they know their next-door neighbor, or members of their own family, in many cases.* "I can understand Galileo, I can understand Archimedes, but I can't understand my mother." [Laughter.] And the mother says the same thing about the child.

So, this re-enactment. That's what we're dealing with here. So, you pose an ontological paradox. You present an impossible situation. You say that what we have believed, is obviously wrong. Why? Because the basis of evidence on which we believed it, shows us that that doesn't work that way. There's something else working. So, now we set out to solve that paradox, to change what we believe about the universe, to introduce a new principle.

We go to Step Two. So, you take the little kiddies, 15, 17 kiddies in this classroom, and you take them a problem which they're prepared to understand. They're prepared to recognize the nature of the ontological paradox, such as the paradox between the accounting system, the financial system, and the physical system. And you say, "What's the difference? How can you get more showing up in an accounting system, when an accounting system can not generate more, an economy based on accounting can not generate more. It's only entropic. There must be something else here." Yes, there is. The "something else," is Step Two.

The minds of those little children, presented with that problem, if they're encouraged to do so, those children will re-enact the discovery of a principle. And the faces of two or three of them will light up: They've understood something, they've recognized something. They're not quite sure what it is yet, but they know they see, they think they see the answer. They begin to talk about it. Then they discuss, well, do they agree? "Hey, we have the same idea," they say. "*We have the same idea.*" They can't describe the idea yet. They can't describe how they got it, but they know they have it. Something went on in their head, and they've discovered something. They think they see something. One looks at the other: "Yeah, I see! I see what you mean!"

Then they begin to figure out, how can they describe the effect of what they think they've seen to the others. Then they say to the teacher, "Well, how can we prove this? How can we test if we're right? Is this the solution?" Then, the step of solution.

So first, you pose the problem, the crisis. Secondly, you take these little minds, which are encouraged to do so in a class that's not too large, so you can have a lot of interaction among the pupils, and you get them involved in the act. One, two, or three of these dozen or so students, begin to think they *see* something. And it gets sorted down to where some of them have actually seen something, with a teacher who's intelligent, who doesn't over-intervene, but encourages them to really discover something on their own. Once they think they've discovered it, and two or three of them think they've got the idea, now you go to Step Three, which is to try to get

the child to understand a way of expressing what they think they've discovered.

How do you do that? Well, they go back to the original problem. They say, "I think I see how this problem can be solved. Because I think what there is, is there is this here." And so the teacher says, "Well, what would you do? How would you prove whether that's true or not? How would you test it?" And that comes to the question, for example, of experiments, doesn't it? And you design an experiment. And what do you demonstrate? You demonstrate that in nature, there is a principle operating, which produces an effect which is *undeniable*, which is *consistent* and *undeniable*, but which you didn't know existed before. It's an idea. The same thing as in art.

### Classical tragedy: the case of Hamlet

For example, let's take the case of Shakespeare, Shakespeare's *Hamlet*, which I've used often. What is Hamlet? Hamlet is a swordbuckling macho. He's stabbing people, runs his sword through the curtain, doesn't even know who it is behind the curtain, and he runs his sword through Polonius. He just stabs him, kills him. Out there chopping heads off in war. He's not a Laurence Olivier. He's a real actor. He's not a mumbler.

So, he comes into a situation, and, in the opening scene, a ghost tells him, apparently, what happened. And the ghost is right. But he becomes — He thinks he's heard voices, he's getting all kinds of mysterious messages, and so forth, and he's going through this terrible thing, like these swashbucklers do. They're terrible mystics and gnostics, if you give 'em a chance to do that. Chopping throats, chopping off heads, and so forth.

But then, he begins to see; in the second act, he begins to see where his problem lies. "O what a rogue and peasant slave am I!" That he has no *passion* for a cause. Then he gets into this business with the play: "The play's the thing, wherein I'll catch the conscience of the king."

Then the next act comes in. He comes wandering in. "To be or not to be. That is the question." What is he saying? He's saying, "I could react to this situation in my customary way. If I were to do so, I would probably die, and be doomed. *But*, if I were to act in another way, I would be acting in a way with which I'm unfamiliar, with unpredictable, unforeseen consequences. It's better to die my way, than to risk that."

This is like our government right now: *The Clinton administration is Hamlet in reality*. Yes, they're not stupid, they're not as stupid as many people are. They know that they're in a big crisis. They know they're in a systemic crisis. They know this is not a cyclical crisis. They know this is doomsday stuff. But they say, "Yes, but we are *unwilling* to attack this problem by methods which are unfamiliar to us. We have to find a situation where we can act *according to our standard*, not some strange standard to which we're unaccustomed."

Metaphor, isn't it? All tragedy is like that, all Classical

tragedy. What does it do? It presents a problem in which man is going to fail. Why is he going to fail? Because of his existing culture, and habits, and belief. But then the tragedy presents — which makes it a great tragedy — the tragedy reveals that there is an alternative, and this character, or the people involved, are confronted with the reality of this alternative. And they invariably *fail* to act upon it, and they invariably are destroyed. By what? By their own immorality, by their own customs, by their own habits. Which is what's destroying the United States now. We are being destroyed by what we have become accustomed to believe, what was called "mainstream thinking," otherwise known as the sewer pipe, the sewer pipe that leads directly to the cesspool of history.

So, that's what we're dealing with. We're dealing, in art, with ontological paradoxes. The *function* of art is to give us *passion*, *passion over these issues of ideas*. It gives us morality, by giving us *passion for truth*, *passion for justice*. Without art, we are as nothing.

We had a Polish scientist who was at a conference at Bad Schwalbach, and we were just talking, and then he popped out with something which was very familiar to me, but he just popped it out, and said, well, his creativity, his scientific creativity, has always depended upon Beethoven. And anyone who's done scientific work knows that. Without Classical music, you don't get great modern scientists, scientific discoveries. It's impossible; because you have to mobilize. To concentrate to solve a scientific problem, you have to mobilize, within yourself, a *passion* by which you can sustain the concentration to solve the problem, like the little kiddies, the little kiddies in school, before they're destroyed by support groups and whatever.

These little kiddies: The trick is, when they make a discovery, is what comes over their faces, is *happiness*. The light turns on. You can practically see the light from within shining out from inside them. And they look at each other, they see the light shining out. It's the great joy of people who like to teach children, is to *turn that light of happiness on in that little mind when it makes a discovery*, has an insight, a human insight or a scientific insight, or the equivalent. And that's what the point is.

Take the paradoxes which challenge our existing belief, the belief that will *destroy* us, if we don't rid ourselves of it and overcome its limitations. And take that, and reduce it to a form. Mobilize the passion to do that, and say, "I'm going to think this through, until I see the solution. I am going to *concentrate* and think this through." The ability to mobilize the mind for an extended period of time to work on that problem until the light comes on in the mind; and then go to work on it, what you've got: the insight.

That's what you do with tragedy. You get the audience involved in a great Classical tragedy. You get them involved. Their passions are aroused. They're concentrating on this business. They understand. When the great calamity occurs at the end, they understand what this is. And they associate

this with other things in their own life, and they say, “We must change.” The way Schiller developed tragedy. He saw the French Revolution, and he saw that the reason for the French Revolution’s atrocity was that the French people were so *immoral* that they could not produce a healthy change in their own society. *Because the people were immoral.* And the basic thing is *to make the people moral. It is the people who bring about their own tragedies, not a few bad leaders.* And the people have to discover morality in themselves. They have to get rid of bad habits, bad entertainment, bad art, bad education, and get these conceptions. First step. And once a child has understood that, or even an adult has understood that, *the joy of discovering the truth*, which is what Plato called *agapē, the passion for truth and justice*, which forces us to attack existing belief when existing belief causes us to depart from the way of truth, the way of justice. Passion for truth and justice.

### The happiness of creative discovery

When the little kiddie is given a good education, and the light turns on in the child in the small classroom of 15 to 17 students; when the light turns on— Remember, some of you had classes like that, where the class was good, because the light turned on in your mind, and in the minds of many of the other students. And you carried that through all of life. Despite all the bad teachers, and the bad classrooms you had, you had these experiences, where the light turned on. And you knew that was happiness. And you achieved the happiness by doing this, by solving problems, by concentrating on problems, when you would say, “I’ve solved it! I’ve solved it! I’m happy! I’m useful! I belong to this universe!” And so, that’s the first step.

And, to get to this second step—once you’ve got the habit of getting to the second step, which is what the real function of education is, you’re almost there. Now, if you can socialize that, and turn the insight into a form where it can be tested: proof of principle of experiment. The same thing is true in science, the same thing is true in art.

Some of you worked for a living, I presume, some time in your life. I mean actually worked. And, most work had an aspect of drudgery, or it had something which frustrated you, something that made you unhappy. It had to be fixed. “This is wrong. This is not the way to do it. There must be a better way to do it.” Right? And you worked on those problems. And you had fun.

You used to find, in the old days, back even in the postwar period, the suggestion boxes of the factories, especially where you had fairly skilled people working in these places, the suggestion boxes were filled with some very ingenious ideas, which were worked out by people largely in their spare time, who were ordinary working people, who actually would go through, with their friend and so on, and they’d work through, and they’d really work through a problem, and they often would come up with something quite valid, in the application

of technology. That is the essence of the matter. And you would find that the workman who did that, was a happier person, and a better person to know, as a thinking American. A better person to know, because they had morality, because they believed in making things better. So, that’s that. And the other part is the art.

So, what we’re dealing with here in mankind, is that the basis of economy is what? It’s discovery, discovery of ideas in this sense. Two groups of ideas: One, the ideas we associate with science and technology. On the one side, principles of nature, the discovery of a principle of nature, which is like the discovery of an equinoctial cycle. A new principle which enables you to understand and master the universe in a new way, the kinds of things John Glenn has to know if he’s going to get into space safely. Then the other thing is technology. You keep applying these principles. You know a principle, you see a situation: “Hey, this principle applies here.” So, you have the application of technology to make things better, a known principle. It’s called technology. That’s the one side of the matter.

The other side of the matter is this thing, this Step Two, this uncanny, unutterable thing. When you’ve made a discovery, a real discovery as I’ve defined it, like a discovery of principle, re-enacting a great discovery from the past, for example, discovering, how did some Asian Greeks estimate the distance from the Earth to the Moon, and the Earth to the Sun? There’s a discovery involved in that. You’re re-enacting that. So, you experience that, in that and in similar ways. So, you know about this.

Can you describe the process which went on in your mind to produce this act of insight, whether it’s a scientific insight or an artistic insight? Can you describe that, in terms which can be represented? Of course not. Because words, language representation, uses sense-objects. And this takes you beyond sense-objects. You can’t communicate it, because you can not peek into somebody’s head and see thinking going on—especially in some heads in the Congress. But generally, that’s the case: You can’t see the mind working, doing that. You can *know*, because if you could experience the same thing, you know somebody else did the same thing. So, you have a kind of idea-object in your mind.

But you know that this difference is what makes you human. This is what makes you happy, as opposed to pleasure. *This is what gives mankind the most productive relationship to mankind, one person to another.* And thus, you find that Classical art is placed in a position above science. Why? Because Classical art deals with the question of how human minds interrelate in the process of discovery, including scientific discovery and artistic discovery. It’s through art, and Classical forms of art which deal with this question, with mankind’s morality, as you see in the whole history of art, in the emergence of poetry and all of these forms which we call art. You see the struggle of mankind to do this, in which he always finds a metaphor, or the equivalent of a metaphor,

poses it, and develops an *idea*. Not a sense-perception, not “just the facts, ma’am.” Not Sergeant Friday, but a real conception of an idea. And man then has an understanding of how you can bring together people, around ideas; because society, man’s ability to act together, is based on *acting on ideas*, not on suggestions, not on formulas, not on programs, not on recipes, but ideas. And thus, art is the highest form of science, because it is art which pertains to the mechanism by which we understand one another, by which we’re able to work together to collaborate, to apply science and its development to the mastery of nature, for man’s benefit.

## The essence of economy

And, that is the essence of economy. It is the accumulation of these kinds of discoveries. On the one hand, discoveries which pertain to physical principles, the principles of the universe. And God has so organized the universe, that when we make one of those discoveries, the universe has to obey us. It’s called dominion over the universe. *We’re in the image of God, we’re made, each of us, in the image of God.* There are no races among human beings. There’s only one human race, which all has this one thing in common. We are made in the image of God by virtue of this power, which no other species has. *And, by this power, when we make a valid discovery, which we can validate, the universe is obliged to submit itself to our will, to obey us through that discovery.* Isn’t that beautiful? And, that is man; *that is man.* That is man’s relationship to the universe. And it is from that, that economy springs.

And you have people who say, “Well, we don’t want to educate people above their station. We want to educate people for practical purposes. We want to know what they’re going to *do* in life, and then we’ll give them that kind of education. We don’t want to educate them as human beings. We don’t want to educate them to know what it is to be a human being, in the sense of understanding science, of understanding art; to understand man’s relationship to man, man’s relationship to the universe.” Give me people who understand that, up to the level of art and science as we’ve known it so far, and you’ve got everything. You’ve got an educated person, you’ve got a civilized person, who can do all kinds of things; which we don’t have any more. We’re *destroying* them in our education system.

And yet, there are those who say we can economize on education, those who say it’s right to have both parents working two to three jobs in the family, to deny the children the nurture which comes from the relationship of ideas within the family. The family is the most important and first educational institution. And it’s the relationship, the agapic relationship among parent and child within the family, which is an essential part of the development of the moral character of the child. Not moral in the sense of “do’s and don’t’s.” You can print those on a blackboard. *But a moral sense of what it is to be a human being, a moral sense of why one generation does things for another generation.*

They say it’s not important to maintain a family standard. The White House says it’s fine for people to have three jobs to work. More jobs, the economy’s better off. *But who’s at home, minding the children?* What do you see in the hellholes in our ghettos of our cities, where people are being dehumanized, because there are no family relations? What do you see in marriages that don’t stick, because there’s no happiness in the marriage, there’s only pleasure? We’re a pleasure society, not a happiness society. The happiness of discovery, the happiness of beautiful things is denied to us.

So we have to look at the *totality of man, the totality of man’s relationship to man, and to nature. That’s economy.*

Remember, you’ll recall this (**Figure 24**) from the year before last. Laurence Hecht, who is reposing in prison for having done nothing wrong—that’s, I guess, the biggest crime you can commit these days. If you didn’t do something wrong, you really are bad. You’re not “with it,” shall we say, in this day of techno-dancing. For some years, he concentrated on this work of Gauss and Ampère, and Weber, Wilhelm Weber, which is something which had been brought to our attention some years ago, back in 1975, ’76, by a fellow who was later deceased, Professor Moon from Chicago, who, among other things, worked on the first Fermi pile in Chicago. And we were having a big fight with a lot of people then about inertial confinement. And I said, “It’s crazy, it’s absurd, it’s formalist.” And he said, “You’re right. You’ve got to look at Ampère, the Ampère principle.” So we got into this thing. And what Laurence did later, was to, with the help of Jonathan Tennenbaum and others, track down the exact work of Gauss and Weber on Ampère’s work, to demonstrate that there’s a principle in electrodynamics, which is not included in formal electrodynamics instruction today, which is called the longitudinal force, or the angular force. And to measure that precisely.

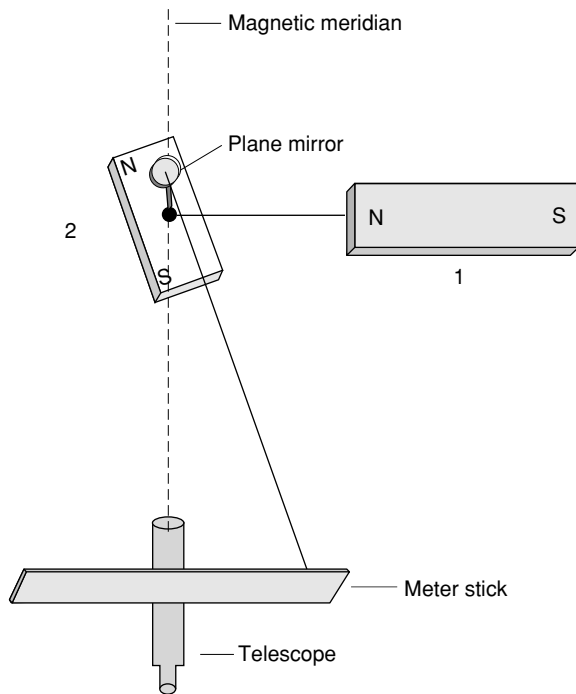
## The education of ‘little angels’

So, this is what we’re talking about in economics (**Figure 25**): more personal time expressed in terms of what? Of the application of ideas to sense-perception. In other words, the ratio of idea-content to sense-perceptions, in your experience, is a measure of your cultural development. What does that mean? That means that if you’ve had, for example, a historically oriented humanist education in the history of science, mathematics, and so forth, a historical sense of the history of Classical art forms, an understanding of history from the standpoint of the history of ideas; and that if you’re looking at each thing that confronts you in life with that knowledge, proximate to what you’re doing, then *you have thereby increased the ratio of the density of ideas, that is, actual ideas, to sense-perceptions.* Whereas, an animal has—what? An animal has no ideas, and lots of sense-perceptions. Above that is a rock star, who has almost no ideas, and lots of sense-perceptions, until they burn the senses out of him.

So, that relationship: *more years devoted to education.*

FIGURE 24

### Gauss's measurement of angular force



Source: 21st Century Science & Technology.

The 1830s experiments of Carl Friedrich Gauss and Wilhelm Weber, to test A.-M. Ampère's electrodynamic theory, led to the conception of the electron and the atomic nucleus, more than 50 years before their empirical confirmation.

Shown here is Gauss's mirror and telescope apparatus, which permits very precise measurement of the angular deflection of one magnet by another (Ampère had demonstrated that such an angular deflection occurs using two electric coils, thereby validating his hypothesis that magnetism is generated by an electrical current). A mirror is attached to the axis of the compass needle (2). A telescope is placed with its optical axis in a line with the magnetic meridian. In rest position, when the axis of needle 2 is aligned with the magnetic meridian, the mirror reflects the mid-point of the meter stick into the telescope. When the presence of needle 1 causes an angular deflection of the second needle (pictured), the resulting rotation of the mirror causes it to reflect a more distant part of the meter stick into the telescope. The very small difference registered is not admitted by the British school of James Clerk Maxwell.

More density of ideas means education. It means a certain kind of education. It means that the first thing in your program of economy is an educational system, and the educational system must give the human being a sense of being an angel. The little child must become an angel. The mother suspects that, but nonetheless, you've got to make it real.

A little child becomes an angel—how? By becoming a person who is visiting Earth to do a job. And they're visiting Earth from all time. They don't come from "some place in

FIGURE 25

### Personal development expressed in inequalities

MORE personal time expressed in terms of development and application of ideas, relative to the time expressed in terms of sense-perception.

MORE years devoted to education.

A GREATER portion of time spent on social relations devoted to ideas and their development and application.

MORE leisure-time in the household devoted to ideas.

GREATER rates of new discoveries of principle of physical science and Classical art-forms.

time," they come from all time. To Earth. God says, "You're leaving Paradise today." "Oh, yeah? What am I going to do?" "You'll find out." [Laughter] "You're going to be born, and you're going to live a temporal life, but only for a short period of time. And you're going to perform a mission. But you'll find out what that is. And you're going to solve a problem. You're going to find out what that is, too. Then you're going to come back."

So, what do you do? You educate the child in that sense: The child must, to the degree possible, have a sense of being a person in all history, in the sense of *mankind as a process of development*. They must think of a link among all people who have made contributions in the past, whether in the invention or development of language, or whatever, as coming into the time that this child is going to come into this—that this little angel is going to descend into this temporal existence. And the child wants to come in with the sense, "Ah! I come from history!" How do you do that? You give the child an exposure to ideas, which represent discoveries of important ideas in the past in history. "I come to you from history." "What are you coming here for?" "Oh, to help future history. So I've come here to fix up the present from history, for future history." That's the first thing you require.

Now, the little angel knows that they're going to come and go, going to be born and die. But the little angel is happy, because that's what a little angel is supposed to do. He's supposed to come here, figure out what his mission is, make his own wings, if he's going to have any. Find out what the problem is, fix the problem, and leave. And the little angel is happy to be a little angel. So, the first thing you want to do, is you want to educate our children to be little angels by that method. The first requirement of economy.

Secondly, you want to increase the magnitude and the power of this little child, as it becomes an adult. More years of education. That means the parents have to live longer. If

you have a very short life expectancy, as you have in poor societies, you can't educate children for 15, 25 years of age. You have to have a long-lived, healthy population. You've got to develop the population. You've got to decrease the amount of time that you have to spend on menial labor. You have to devote more time to ideas, and their application. That's what human beings are all about. You don't want to learn how to do the same thing your grandfather did. That was your grandfather's business. That was *his* joy. You're supposed to do something else, something better. What, was he wasting time, that you're going to repeat what he did? No. So, you've got to devote more to ideas, to improving society.

You've got to have more leisure time in the household, or in equivalent parts of social relations, where people can be people, be human. You've got to increase the rate of discoveries and their application to society. Why do you go into space? Because it's there. Not because Hillary's there, but because it's there. Because you have to keep finding the new frontiers, you have to find out the new things that you haven't found out before, because mankind will need these things. So, if they're in front of you — if the mountain's there, you climb it; if the sea is there, you cross it. If the discovery is there to be made, you make it. And you're all happy because you did it. You don't have to know what the purpose is; you know the purpose is to make discoveries to make life for human beings better. And that's economics.

### The inequalities of extended reproduction

How do you measure this? **Figure 26** is from an old textbook some of you remember. Now, we have a certain productivity per capita, per square kilometer. That involves a cost: You have to have a certain level of education, you have to have a certain level of culture, you have to have certain tools, and so forth. This divides itself into two costs: the cost of maintaining the individual person, and the cost of providing the development, the environment, the tools, and so forth, which are needed to enable that person to have that level of productivity.

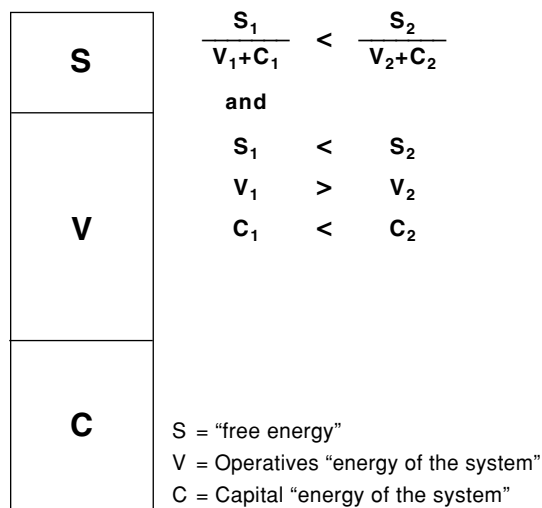
So, these are two things. These are called "energy of the system." One is operatives, the people who produce, who require a certain standard of living, culture, and conditions of work. They require certain conditions in society: transportation, infrastructure, agriculture development, land development, factories, all the things that go with it. So you have these two elements of cost: *V* and *C*. This is what it takes to produce at a certain level of productivity at the present time.

We want more; we just said we want more. So we have to produce more than we consume, to maintain that level of productivity, in terms of people, in terms of conditions of production, society in general.

There are going to be some changes. The changes follow a certain form, which I call anti-entropic. These are things that don't happen in mechanical systems. You have the surplus, or the free energy, the ratio of that to the combined costs. That's

FIGURE 26

### Anti-entropy expressed as inequalities



the top line. And as you go from one cycle to the other, you must either increase, or at least maintain that ratio, because if it declines, your society is going to deteriorate. And you have certain conditions in that, inequalities we call them, that the surplus, or the free energy in the second state must be greater than it was in the previous state. The amount of labor required to produce the same result must be less in the later state than the earlier state. And the total amount of improvement which is required to make this possible, in terms of improvement of land, infrastructure, investment, energy density, all these kinds of things, will increase.

Now, in a closed system, which is of an entropic or mechanical form, this does not occur. The only place this occurs outside of society, is in living processes generally, that is, in the biosphere, biological processes in general, in which you have the same form. That's the nature of economy. And therefore, we invest, or we plan economy to produce that kind of result. That's our goal; not some amount, not some dollar amount.

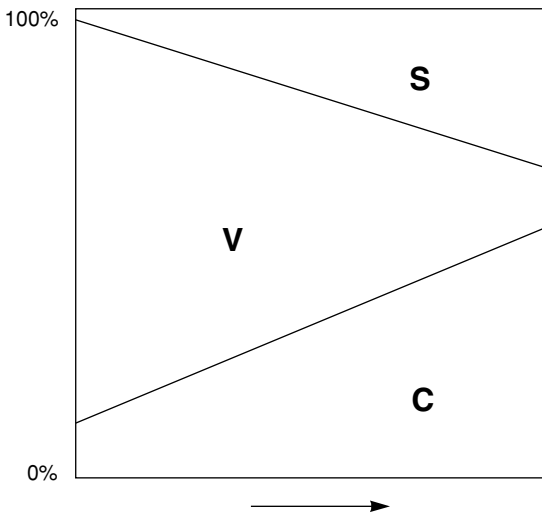
In other words, you get a figure like this (**Figure 27**). Just historically, to put this in linear terms: Of 100 percent of the total inputs and outputs of society, the improvements in society, land improvements, capital improvements, are constantly increasing per capita. The amount of labor required per capita to produce the result, the same result as currently, is always decreasing. In order to maintain the ratio of free energy to energy of the system as a constant or improving, that has to grow. These are the requirements which an economy must satisfy, in order to have a true profit and true growth.

Modern society is really rather young. Until some hundreds of years ago, about the Fifteenth Century, the condition



FIGURE 27

**Anti-entropy expressed graphically**



of man, as far as we know it, throughout this planet, about 95 percent of the human race, in all stages of known, archaeologically known or historically known society, 95 percent were serfs, slaves, or, as under the Aztecs, worse. The condition in which man, the individual in society, was treated as human, because they were human, is a very recent condition, and one which has not been realized in full to this day. In former society, you didn't have nations. A nation in ancient society was not a nation in the sense we mean "nation" today. Nation essentially meant something like ethnic group or race, or language group. It didn't mean nation in the sense of nation-state.

**The imperial model**

In most empires, most societies we know of, from the past 8,000 years in particular, these societies were all imperial societies. The word "imperial" has a very specific meaning, which is not out of the Marxist lexicon; but the original meaning. "Empire" essentially means *an oligarchy lording it over a bunch of cattle called human cattle*. These human cattle were composed of so-called nations, or cultures, subjects. They lived as serfs, or they lived in some other indentured form. They were not treated as fully human. They did not have souls; not truly.

The societies were administered by a pagan pantheon. What they would do, is assign each person, each group of people, a legalized religion. I specify legalized religion: It's like legalized dope. In which they would say — There was no constitution in any ancient society, as in Britain today. There is no constitution in Britain; there never was. Never existed. The constitution in Britain is the Act of Settlement, where the oligarchy, under that tyrant, William of Orange, conferred the

monarchy upon the House of Hanover. It's called the Act of Settlement. That's the British constitution. Otherwise, Britain is a perfect empire, in the sense of Babylon. Just as the early Christians referred to Rome as "the new Babylon," so you can refer to Britain as "the new Babylon," or "the new Rome." It's in an empire, because it's based on a pagan pantheon, like Rome, like the Cult of Delphi at Greece, like the pagan pantheon of Babylon, in which you had groups of pagan gods, each one generally assigned to some group of people which constituted a nation or a culture.

The one thing the emperor must not do, or the tyrant, or whatever title he had, is, he must not offend the oligarchy, because he is the executive agent of the oligarchy. Therefore, he acts in their interests. Secondly, he must show respect for custom.

What is custom? It is the legalized aspect of pagan religion. That is, each pagan group is entitled to have their own ethnic religion, just as William James of Harvard, that pig, describes religion in *The Varieties of Religious Experience*. You create and synthesize a legalized religion, which is shaped and adjusted to manage the people. But you must show respect for that religion, just as the Romans did. The Roman emperor, and the Roman tribunes for him, had to show respect for the customs, the religious customs.

And that's what Britain is. It's an empire. It administers different classes of people, subjects. There are no citizens, they're all subjects. It lords it over a British Commonwealth which consists entirely of subjects, which is still under the British monarchy, the British Privy Council. They have legalized religions, which are administered by the Church of England, which is the first division of the Privy Council, the first division of the empire. The World Council of Churches, for example, is a branch of the British Church of England hierarchy. It's the one world government branch. It might be called the "William James Branch," because what it does, is to adjust religions, legalizes religions to determine what forms of religious belief are acceptable to this imperial system. And it tries to bring about changes in every religion it touches, to make it conform to this one-world standard, imperial standard.

So, that's what the world was like, and that's what Britain is like today. But Christianity was different. Christianity was the first case in which, in actuality, the individual, human individual was regarded in actuality as *each and all made in the image of God*. And the Christian apostles spread this idea, but there was a lot of resistance to it, naturally, from the various Roman empires and Byzantine empires.

And so, it was not until the Fifteenth Century that this idea actually began to assume political form: the idea of a nation-state in which every person was equally moral, in the sense that it was considered that each was made in the image of God. The power of cognition. That each should be educated, that each should have the opportunity to express themselves as, as I was saying earlier, an angel.

The first country in which this was actually practiced, in

approximation, was France under Louis XI. And, out of a long process, they came to the United States, because in Europe, the European oligarchies were so strong, both the landed aristocracy and the financier aristocracy, that the people of Europe, even the great patriots, could not successfully build a nation-state. The first nation-state, true nation-state established on this planet, was the United States, by a group of people around Franklin, who used the advantage of being remote from the aristocracy of Europe, including the financial aristocracy, to found the only nation-state on this planet which, so far, was founded upon a principle, a principle which is stated, that is, the principle of Leibniz, as stated in the Declaration of Independence, and the principle of the welfare clause, which is in the Preamble of the U.S. Federal Constitution. It's an instrument which is to be understood as Abraham Lincoln understood it, and as Martin Luther King understood it, understood Lincoln. *This is the first nation-state which, as its heritage, has a commitment on principle to form a state based on the principle that every man and woman is made in the image of God, by virtue of the power of cognition, and must be educated, and must be given the circumstances of life, political circumstances of life, which accord with that.*

In Europe, for example, you don't have real nation-states. Oh, you may have approximations of them; but they're not real, because you have parliamentary government. What is a parliamentary government? A parliamentary government is like a pagan pantheon. It's an accommodation between the representatives of the suppressed peoples, called the Parliament, and the executive, which actually runs the joint. So, what you have, is a compromise, under which the suppressed people are saying, "These are our ancient customs, O Overlord. You must let us have the rights to these ancient customs."

## **American exceptionalism**

We in the United States, not merely because of the power of the United States, despite our wrecked condition today, but because of our tradition and heritage, have a unique responsibility, a moral responsibility on this planet. We're the only nation-state thus far which was formed and founded and dedicated to this principle, that every man and woman is made in the image of God, and that we must have a system of social relations, and law, which is based upon that as the fundamental governing principle of the nation-state. That is what the nation-state properly exists to enable.

Despite the fact that we have turned rotten at many times in our history; as we saw as the case with Lincoln's leadership during the middle of the last century, we see that, embedded in us, we have this heritage, this legacy, which we have found it possible to summon forth from within us, in certain times of crisis. It was decades from the time the United States had a patriotic government, until Lincoln was elected. From the time of the end of the administration of John Quincy Adams, we had no patriotic government of the United States. The Presidency was occupied by fools and traitors: Jackson and

Van Buren; the worst of them, of course, were Pierce and Buchanan, and, of course, our dear friend, who made the war with Mexico.

But, in Lincoln's time, decades after that, after all this evil that occurred, Lincoln was able to call forth the principles upon which the republic was founded, in a time of crisis, to rebuild the nation. Then we were corrupted again: We got Grover Cleveland. Grover Cleveland was a spawn of the Confederacy, a thoroughly evil man. And the fact that he could be elected, indicates that evil had taken over the country. Teddy Roosevelt was a spawn of the Confederacy. He was our first Jim Crow President, and he fully deserved that name. He was a filthy character, an evil man, who got his job by assassinating his predecessor, or having it done for him. Woodrow Wilson, who, while President of the United States in 1915, *refounded the Ku Klux Klan in the United States, personally, from the White House.* Calvin Coolidge, who was no better. Hoover wasn't so bad, he was just a Republican, and that wasn't too good.

Then you had Roosevelt, who, in a time of crisis, was able to call forth from those of my generation, that same dedication as from Lincoln's time. As a matter of fact, you recall: If you studied in the northern states, in particular, how many of you of my age, or approximately that, say, in the eighth grade, learned the Gettysburg Address? How many of you went to war with the image of Lincoln in your mind? How many of you in that time looked at what we saw overseas, in the world around us, through the eyes of memory of Lincoln? How many of us identified our patriotism with Lincoln? And that began to end in about 1963, with the assassination of Kennedy.

The civil rights movement was energized—why? By my generation coming into the White House, in the form of Jack Kennedy. And Jack Kennedy, with whatever else he was, represented a *revival* of our commitment during the war, to deal with evil as we saw it in the world, the evil which Truman had allied us with, and the evil which Mr. Eisenhower did not want to deal with, because he had two loyalties, the United States and the British, and he was always conflicted on those issues.

So, we have this within us still. And I would hope that those of you who sometimes feel weakened because you're in your seventies, or sometimes older, realize that you are extremely important, and you have a resource in the fact that you have embedded in you, the ability to call forth that legacy.

For example, let's take my case in particular. I had a great-great-grandfather, who was born about the time of Abraham Lincoln, who became somewhat notable in the civil rights movement of the time, in running an underground railway station, north of Columbus, Ohio. This was a strong figure, who was associated with Henry Clay and others during his time, who was the dominant topic of the dinner table of any meeting of the family on the maternal side. So, from that time in the 1920s, when I was a boy, I had embedded in me a

knowledge of this man and his history, and the kinds of things that were done in his time and afterward; so that, today, as I approach the end of the century, in my own family, through my own internal family traditions, I span personally about two centuries, in terms of personal knowledge. I don't look that old, but I do span that, in terms of my childhood experience.

And if you think of yourselves, those of you who are older or younger, you can apply the same lesson: that you *do* have a recollection, you do have a knowledge of changes, cultural changes in this country. And therefore, you can reach back, somewhere in the process of your educational experience, you can reach back and tap, and find out, particularly if you've travelled abroad or dealt with foreign countries, as I have. You can compare. You can say, "Hey, we have something here, which we have betrayed, we have lost. If we call it forth again, it's a great power among us, and we have to do that, for the sake of humanity, at this time."

### **The grip of the financier oligarchy**

What's the problem in Europe related to this? As a result of our isolation and weakness, we developed among us a treasonous crowd, which formed an American oligarchy, a financier oligarchy, chiefly, which consisted of Boston and Connecticut drug-runners, who became the so-called blue-blooded families. They couldn't get any red blood, so they had to get blue. Then you had the Manhattan bankers, who were typified by Aaron Burr, who were deliberate traitors to the United States. Burr, for example, Morgan, the House of Morgan, and others of that type, were outright traitors to the United States. And they still are so inclined to the present day. Then you had the southern slave-owners. And they were a real pack of things. I mean, a yellow dog would look down on them. A yellow dog wouldn't use them for messages, not a self-respecting one. This was evil.

But then, you look abroad at what was supporting these British types, these pro-British types in our country: the oligarchy. Look at Europe. Europe was never able to develop a pure nation-state. Why? Because they were never able to get rid of the relics of the old feudal oligarchy. They did somewhat diminish, over the course of time, the power of the landed aristocracy, but they never got rid of the financier oligarchy. And the financier oligarchy was able to constantly impose its power upon the governments of Europe, so the governments of Europe became quasi-nations, which had a financier oligarchy of the Anglo-Dutch type, squatting on top of them, sucking the blood out of them, with this financial usury of various forms, while, underneath, you had people in Europe who were struggling to develop a nation-state form.

So, what you had was a two-phase nation-state: You had a symbiosis between the host and its parasite. The parasite, the financier oligarchy; the host, the national economy, the people who produce things, the real inventors, the investors, the producers, the farmers, and so forth.

In the United States, we had a form of government which was not oligarchical, which reflected an *anti*-oligarchical tradition, a government of principle; whereas in Europe, you had people who were struggling, and sometimes heroically, to create a nation-state, but failing, where the form of government itself was unprincipled, and which represented nation-state economy, but with oligarchical topmost characteristics.

### **The business cycle**

This relationship is the reason for the so-called cyclical form of the business cycle. What you would have, is, you would have a form in which production, up to a point, would grow (**Figure 28**); but the financier element would tend to constantly increase. And you would get a crisis, in which the monetary system would tend to collapse, which was called a cyclical depression.

Now, as long as the production element was considered essential to society—and this was particularly notable in cases of war. When people were going to have a war, nation-states were going to have a war, they had to get the economy cranked up, they had to get production cranked up. That's what kept us from collapsing before, was war production. Otherwise, we'd have collapsed into hell a long time ago. It was the military arms production, which kept this economy from collapsing over a long period of time. So then, you would have a threat of war, or some other crisis, so people would say, "We've got to get production going again," and they would put checks on the financial excesses, they would bankrupt a bunch of financial creatures, and what not, and get started again.

So, you would have the business cycle crisis, the boom-bust cycle, where you would have growth for a period of time, but then the cost of the parasitism of the usury would depress the economy. You would have a collapse because of the great growth of financial assets relative to production. You'd have a collapse of the economy, and then somebody would say, "Let's get it going again, because of this danger of this war or that war," and we had the business cycle.

The healthy economy would be of a type like this (**Figure 29**), where this is the American System, as Hamilton and others defined it, where the growth of production aggregates has to be the highest rate of relative growth in the economy. You must manage it so that you have efficient monetary circulation, but you must set the rules so that the growth of financial aggregates is contained. You have to have financial aggregates; you issue stock, for example, to float private companies, things of that sort. *But you have to regulate it tightly, so you do not get a financial cancer becoming a bloodsucker on the economy.* In Europe, you couldn't do that, because the bloodsucking class was the topmost class. The bloodsucking class in the United States was, traditionally, the Boston bankers, the Boston Brahmins, the Manhattan bankers, and the southern slaveowners, and people like that. And they were a class.

FIGURE 28

**Cyclical triple curve**

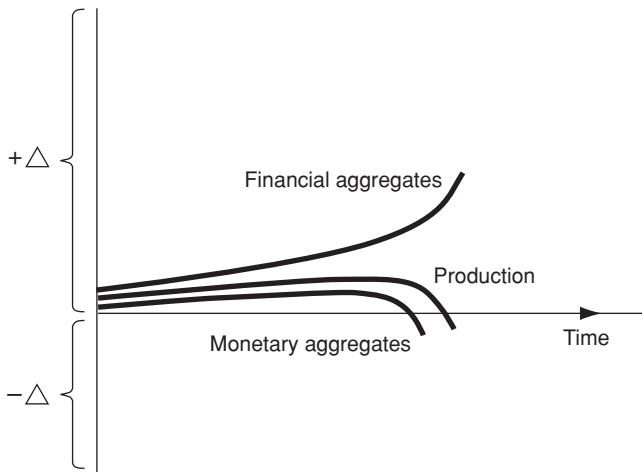
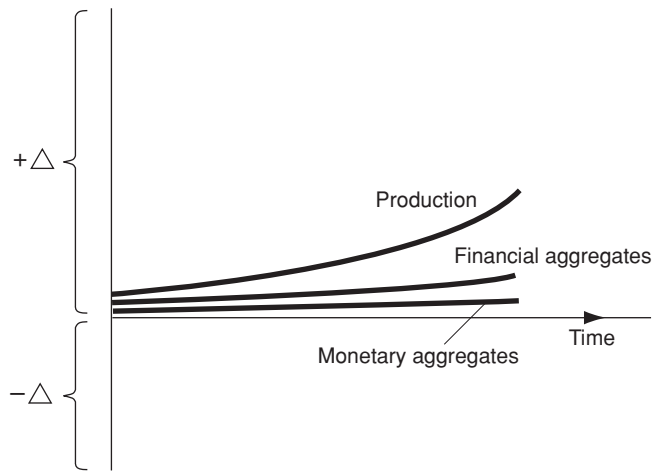


FIGURE 29

**Normal triple curve for healthy economy**



The time the United States had the greatest impetus for growth, was 1861 to 1876, under Lincoln, when a large chunk of the most evil class in the United States, the slaveowners, were politically defeated, and we had a chance to grow. And that, generally, is the model that was copied in Europe, in Germany, in Japan, in Russia, France, and Italy. It was the American System, as the Lincoln model, the Lincoln-Carey model, which was copied in Europe, which is the idea of the modern industrial machine-tool-driven modern economy. And, all that requires, is these principles, which means that the emphasis is on production. And you keep financial aggregates, by taxes and by regulation, or whatever, keep them from growing too much, so that they don't become a parasite on the economy. And make the monetary process efficient, so that it serves the purpose of circulating production, commerce, and not something else.

So, those are the three models, the three basic models: the Triple Curve model I indicated, the normal cyclical model, in which you have this bisexual society of humans and non-humans, with the non-humans on top, which is the cyclical form. And this is the form we have to have, which we can have coming out of a great crisis: We simply bankrupt these guys, we wipe the paper out, we get the economy going, and you have a good, efficient monetary system, well-regulated, and get our business of production along the lines I've indicated.

**The issue of leadership**

The question is: How do we do this? What's the principle of leadership involved? In Germany—this actually started with Carnot, but in Germany, especially formalized under von Schlieffen, Graf von Schlieffen, in the latter part of the

Nineteenth Century, a principle of leadership was introduced, which is quite different than what people think of as war plans. You know, people think of war plans, where you have everybody down to the sergeant programmed for what they will do on Day One, Day Two, Day Three, Day Four. But, this system was quite different. It's called the mission tactic approach.

The first one to develop this, to introduce this to warfare in a formal sense, was Lazare Carnot, during the period he was the Organizer of Victory in charge of the French forces, and turned an inevitable French defeat and conquest and dismemberment, into a great military victory. But, von Schlieffen refined this considerably, which is why the German army was so tough to defeat, because down to the sergeant level, the platoon sergeant level, in the First and Second World War, the German platoon sergeant, or whoever else was in the line of command down at that level, was perfectly capable of conducting a war on their own, without any war plan, because they'd been trained in mission tactics: knowing what your mission is, and knowing what your capabilities are, you are trained to use your own mental processes, to find out the best way to deal with that problem. And therefore, instead of the guy waiting for orders on what to do, the sergeant, the platoon sergeant, for example, knows that he has got the responsibility for doing what has to be done, and he knows what his mission is. That's what he has to know.

So, we're in that kind of situation. There are some people who say we should submit, I should draft or so forth, or we should submit to Washington a complicated plan, which tells the Clinton administration what they have to do on Day Minus Two, Day Minus One, Day Zero, Day One, Day Three, and so forth, in dealing with this monetary crisis. That obviously

won't work; because, first of all, Clinton is not capable of doing that. And besides, situations are going to be much more complicated and much more fluid, so that you can't plan in that mechanistic way, in any case.

So, how do we get out of this mess? If there's no master plan that anybody could devise to present to the Clinton administration—and if they don't do it, it's not going to happen, believe me. There's no place else on this planet, is this civilization going to be saved, if the Clinton administration doesn't do what it must do. *There's no other agency on this planet, which is capable of organizing a group of nations to prevent us from going to hell in the course of the next year or two, totally, this planet as a whole.*

And you're not going to do it by submitting a secret plan to Bill Clinton. Because he's not capable of carrying it out, and if he were capable of carrying it out, it probably still wouldn't work, because the complexities of a human situation, the complexities of the planetary situation are such, that you can not work that way. You have to have a much more flexible approach, which is applying to economics and politics, the principle which is called the *mission tactic*, in terms of military command.

How does this mission tactic work? We have been discussing principles, principles of science, principles of art, which are principles in culture. Now, these principles act on the mind, like the axioms of a geometry, of a formal geometry: When you're faced with a proposition in a formal geometry, you judge the proposition, as to whether you approve it or not, based on the lack of inconsistency between the proposition as proposed, and the set of axioms which determine, reflect, your system of belief. If the proposition is consistent with your system of belief, its axioms, you will tend to accept it as valid, and treat it as a theorem, and act upon it.

What if the proposition is correct, and you have the wrong beliefs? You won't accept it. That's the problem of the Clinton administration. It will do no good simply to present them with a plan, because any plan you present, which is valid, they will not accept, because it will conflict with some of their cultural prejudices. So, don't go about submitting plans. If they accept them, they're no good. Your plan is no good, if they accept it. If they don't accept it, it might be good; if it is good, they won't accept it. So, why waste all this planning stuff on them?

Well, again, Carnot. Therefore, the problem in mission tactics is—how does mission tactics work? Mission tactics works, on the assumption in the military field, that your commanders, including down to the platoon sergeant level generally, and the corporal who's bucking for platoon sergeant, each understands and accepts a system of belief, which constitutes the axioms of military combat decisions, and logistical decisions. Therefore, if that is developed in that commander, that non-com or officer, then you can rely upon that non-com and officer, in that degree, to respond to an unusual situation, with an appropriate response. And it's to the degree that that

system was introduced in Germany, that the German platoon sergeant was considered the leading combat soldier of Europe.

Now, the same thing applies in economics. The issue here, as in the training of the platoon sergeants and commanders— For example, von Schlieffen divided the corps, which was the original unit of combat, and made the division a smaller unit of combat, and placed the mission tactics responsibility on the general in charge of the division, to a degree which had never been true before. That gave the German division a punch and a combat capability which other armies lacked.

But the key thing in this whole business, is not the romance and glory, and clash of arms. The key thing is: Have you introduced the proper axiomatic assumptions on which the people who are going to make the decisions, are going to operate? That's what I've dealt with today. I've dealt with, in a preliminary fashion, identification of the axiomatic assumptions about the nature of man, the nature of ideas, the nature of economy, which govern the way that anybody who is going to run an economy or deal with an economy, is going to react.

In other words, if I wanted to create an army of people, who were going to go out there and take this economy over, and run it for the people: You want people who are going to respond to a situation, to make decisions that conform to certain axioms, or axiomatic beliefs. And they're going to have to know how to change and improve those axiomatic beliefs.

## Our function

That's our function. It's a difficult function for many Americans, because they don't think in axiomatic terms. They think in rules. We're formalists. Americans are formalists until they let their hair down. Then you don't want to know who they are. Like I used to find out when I'd meet these military guys: You're having a serious discussion about strategic questions, as we were back in the 1970s and 1980s. And they would say, "Let's go let our hair down." Ugh! They'd want to go out and get drunk, and do all kinds of evil things. That's letting their hair down, which indicates what the problem is. They are not very moral people.

But the trick here is, you have to have people who think in terms not of formalisms, but in terms of mission tactics. In terms of: What is the nature of man? Is man a creature made in the image of God, by virtue of the power of cognition? What does that mean? What do you do to ensure that that capacity of cognition is developed in all people? Education. What does that mean about family policy? What does that mean about wages policy? What does that mean about libraries? What does that mean about classroom size? What does that mean about the kind of employment you want in your community? What does that mean about what you're going to pay for, in terms of employment, or not?

## Financial aggregates: the derivatives explosion

Are you going to allow support groups infesting your schoolroom? You're not going to allow support groups anywhere near a schoolroom. You're going to keep child molesters and support groups away from schools; and people who pass out Ritalin, and things like that. Because you're going to think in terms of these values. You're going to think about *more*; you're going to think about increasing the productive powers of labor. You're going to try to think about how you get these funny people, who seem to have very strange behaviors, to see themselves as human, to shape society so the guy in the street, who's acting like an animal, if he can be rescued, can be rescued, to recognize himself as human.

So, you have to think in these terms that I've discussed here, just outlined, because this is a matter which could take weeks and months of discussion. But you've got to think in these terms.

My job is to try to get the President of the United States to recognize he has to take some advice along this line, take some counsel on what kind of decision he's going to make. He doesn't need somebody to make a proposal which he will reject or accept; he has to have somebody tell him what proposals he should reject and accept, including his own. If we don't—if we can't do that, I guarantee you, you won't save this civilization. And that's where we are.

I think we can do that miracle. I think that the fact that some of you are here today, who are here, means that you're concerned about this, and recognize that only a tiny minority of the total population is actually willing to take the lead in thinking about questions like this. Most people, they'll fall asleep on you, they'll drop off on you. They won't stay around to think that long.

But, what's going to happen very soon? And what is the one percent, or less, of the population that's willing to think, what are they able to do? What have they been able to do in all history, in times of crisis?

We are about to be hit. If you think things are scary now, come back in about four weeks, about four weeks from now, and then tell me how scary it's become. The American people are going to get down on their knees, in sheer terror, at what's about to hit them, what's about to threaten them. Everything they think is secure is going to suddenly become, obviously, very insecure. All the ideas that they thought they knew and were true, will be thrown into discredit. All mainstream thinking will become frightening, because it's disgusting and impotent. In such a time, the firm, quiet voice of someone among them who thinks, can be heard. And that's what we have to do.

I think that the very terror of events will give us, for a brief period of time, the opportunity to make a fundamental change in the way our nation thinks about itself and its role, and that we can move things to the point that even this funny President of the United States may be willing to take a little counsel on the kinds of decisions he has to make, and the kind he has to reject, including his own.

Thank you.

John Hoefle, of *EIR*'s economics staff, addressed the Schiller Institute conference on Jan. 18, on the topic, "The Bubble Is the Disease." When you talk about "economics," he said, most people have no idea what you're talking about. They think you're talking about money! Yet the hyperbolic growth of the derivatives market is one of the most dangerous indications that our economy today is very, very sick.

We reprint here a number of Hoefle's graphs, which illustrate the point.

**Figure 1:** The collapse of the U.S. real estate and junk bond markets in the second half of the 1980s, triggered record levels of bank and thrift failures, and threw the U.S. banking system as a whole into bankruptcy. The Federal Reserve responded by lowering interest rates to flood the banks with money, and arranging a series of mergers of major banks. But even more important was the decision to turn the banking system into a giant casino, through the rise of the derivatives market.

**Figure 2:** Today, *EIR* estimates that there are some \$135 trillion in derivatives contracts outstanding worldwide, the bulk of which are held by U.S. and European banks. As of the end of 1996, the United States had some \$33 trillion in

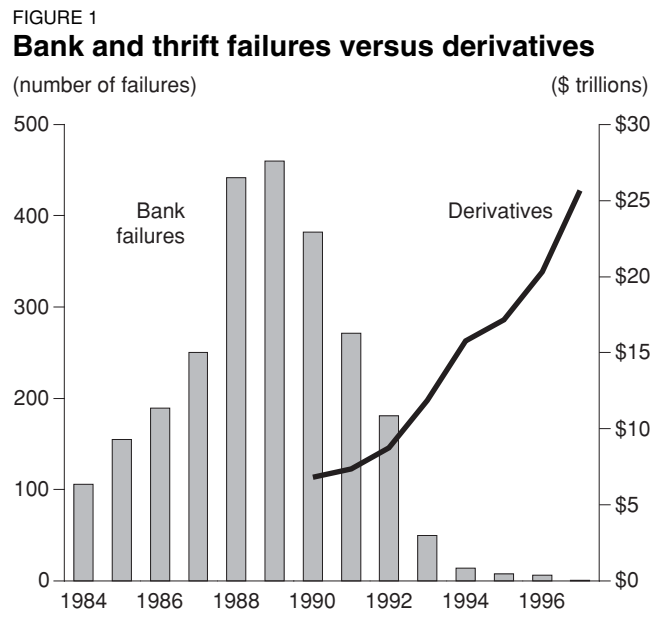


FIGURE 2

**Derivatives in selected countries**

(trillions \$)

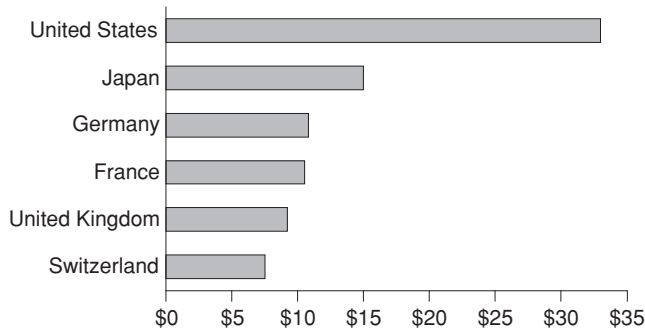


FIGURE 3

**Derivatives for each dollar of assets of seven major U.S. banks**

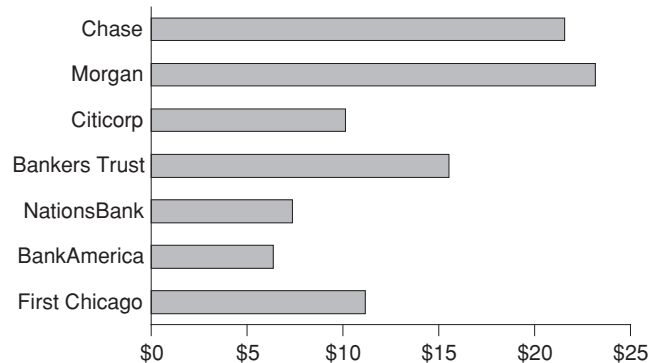
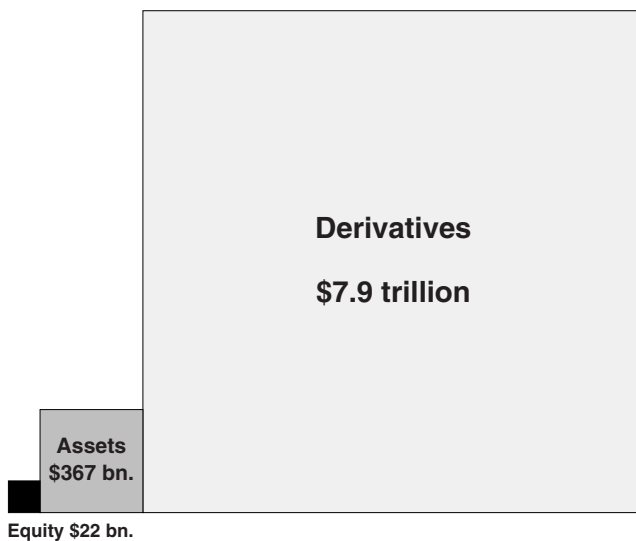


FIGURE 4

**Chase Manhattan Corp.'s derivatives, assets, and equity compared**

(as of Sept. 30, 1997)



“off-balance-sheet derivatives,” more than five times the banks’ \$4.9 trillion in assets, and more than 46 times the \$55 billion the banks have set aside as reserves against losses. Roughly 94% of these derivatives were held by the seven banks listed above. Chase and Morgan each had more than \$20 in derivatives for every dollar of assets on their balance sheets, while Bankers Trust, First Chicago, and Citicorp had more than \$10. These seven banks have a total of \$109 billion in equity, \$1,690 billion in assets, and \$24,051 billion in derivatives, against which they have set aside \$19 billion in reserves against losses, giving them \$1,264 in derivatives for every dollar in such reserves.

**Figure 4:** The extraordinary danger of the derivatives bubble can be seen in this volumetric comparison of the equity, assets, and derivatives at Chase Manhattan Corp. As of Sept. 30, 1997, Chase had \$22 billion in equity capital, \$367 billion in assets, and \$7,897 billion in derivatives, or \$364 of derivatives for every dollar of equity and \$22 of derivatives for every dollar of assets. A loss equivalent of just 0.27% of the derivatives total would be sufficient to wipe out the entirety of the bank’s equity capital.

derivatives, compared to \$15 trillion for Japan, \$11 trillion each for Germany and France, \$9 trillion for England, and \$8 trillion for Switzerland. These figures should be seen as the *minimum* amounts in these countries, rather than as absolute totals, since no agency reports national totals, and significant but unquantified amounts of derivatives are left out of surveys by the Bank for International Settlements and other agencies.

**Figure 3:** As of Sept. 30, 1997, U.S. banks held \$25.7 trillion in what the Federal Deposit Insurance Corp. terms

## Hyperinflation in Weimar Germany

Richard Freeman, of *EIR*’s economics staff, addressed the Schiller Institute conference on Jan. 18, on the topic, “Hyperinflation Is No Solution.” We summarize here a few of the ideas presented, with a selection of his graphics.

In 1919, at the Versailles peace conference, draconian financial obligations were imposed upon Germany’s Weimar

FIGURE 1

## Versailles reparations collapsed Germany's exports and imports

(billions of marks)



Republic, while its physical economy was gouged by “conditionalities.” Combined, these produced the Weimar hyperinflation of 1921-23. But, having not learned the lessons of that experience, there are financiers and governments today, which are determined to repeat the same policy prescriptions, and are governed by the same axioms of thinking, as generated the hyperinflation.

The process started with the Versailles Treaty of 1919, where British Privy Council operatives, Lord Lothian, Viscount Robert Cecil, and Lord Cunliffe of the Bank of England, were the key people who wrote the demands imposed upon defeated Germany. Germany was forced to give up large chunks of its national territory, which represented 10% of its pre-war population, 15% of its arable land, 12% of its livestock, 63% of its zinc ore, 74% of its iron ore, 26% of its coal, and 40% of its iron and steel blast furnaces. Germany also had to give up 90% of its merchant marine; 8,000 locomotives and 225,000 rail cars, i.e., virtually all of its rolling stock; half its gold supply; and its former colonies.

Then, in April 1921 the Versailles Reparations Commission, controlled by the British financier oligarchy, announced that Germany had to pay reparations of 132 billion gold marks, or \$33 billion. In today's dollars, this would be an obligation of approximately \$350 billion.

The British and French dictated to Germany the prescription of increasing taxes — gouging the population — while simultaneously cutting imports and increasing exports (this would allegedly increase Germany's earning of foreign exchange). This is a prescription recommended by the International Monetary Fund for Southeast Asia and other regions

TABLE 1

## German hyperinflation, 1921-23

(total issue of German mark paper currency, in billions of marks)

| Year      | Month     | Amount          |       |
|-----------|-----------|-----------------|-------|
| 1919      | December  | 50              |       |
| 1920      | June      | 68              |       |
|           | December  | 81              |       |
| 1921      | June      | 85              |       |
|           | December  | 123             |       |
| 1922      | June      | 180             |       |
|           | July      | 203             |       |
|           | August    | 252             |       |
|           | September | 332             |       |
|           | October   | 485             |       |
|           | November  | 770             |       |
|           | December  | 1,296           |       |
|           | 1923      | January         | 2,000 |
|           |           | February        | 3,536 |
|           |           | March           | 5,543 |
|           |           | April           | 6,581 |
|           |           | May             | 8,610 |
| June      |           | 17,341          |       |
| July      |           | 43,814          |       |
| August    |           | 668,703         |       |
| September |           | 28,244,406      |       |
| October   |           | 2,504,995,700   |       |
| November  |           | 400,338,326,400 |       |
| December  |           | 496,585,345,900 |       |

Source: *Zahlen zur Geldentwertung in Deutschland 1914 bis 1923.*

today. Germany required raw materials and semi-finished product imports in order to produce manufactured goods exports. **Figure 1** shows that as a result of the Versailles policy, Germany's exports and imports both fell—exports fell by 60%, compared to 1913 levels.

Meanwhile, though Germany raised taxes under Finance Minister Wirth, this proved not enough to pay reparations. By 1921-22, the cost of reparations equalled 80% of all unborrowed reserves of the German government; by 1922-23, they exceeded 100% of unborrowed reserves.

Finally, in an attempt to pay the reparations and keep the economy supplied with liquidity, Germany resorted to printing money, cranking up the printing presses full throttle. Prices and the amount of currency in circulation spiralled upward in a self-feeding process. **Table 1** shows that between June 1920 and December 1923, Germany's currency in circulation rose from 68.1 billion gold marks to 496.6 quintillion gold marks, an increase of more than 100,000-fold in three years. Most of the increase occurred in the 18-month period between mid-1922 and the end of 1923, especially after the invasion of the Ruhr by French and Belgian troops in January 1923.



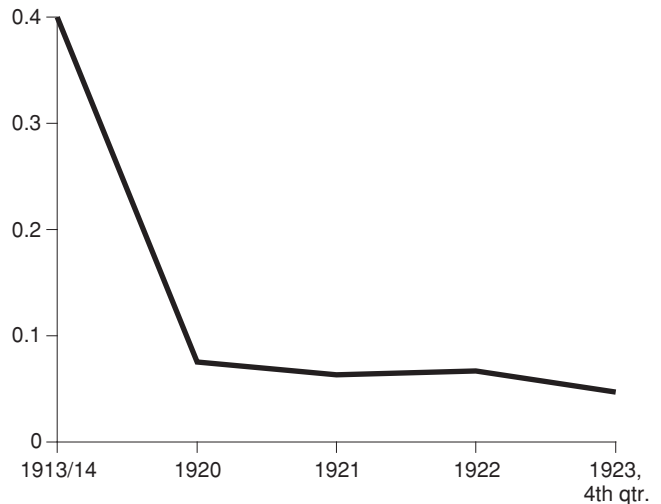
FIGURE 2

**Meat consumption of a member of household of an upper-level German civil servant**  
(grams per capita per day)



FIGURE 3

**Milk consumption of a member of household of an upper-level German civil servant**  
(liters per capita per day)



By November 1923, a kilogram of bread cost 428 billion marks and a kilogram of butter cost more than 5 billion marks. A bank account of 60,000 marks, the interest from which would, in 1913, have enabled one to lead a comfortable life in retirement, would not even buy a daily newspaper. It cost more to print the mark notes, than the notes were worth.

There were very heavy economic and social consequences. Industrial production and the output of most grains fell by 50% or greater, relative to 1913 levels of production. Living standards and diet were destroyed. For a family member of a household of an upper-level civil servant, the daily intake of meat fell from 130 grams (5.5 ounces) in 1913, to 51 grams in the fourth quarter of 1923, a fall of 61% (see **Figure 2**). Per-capita daily consumption of milk, for a member of the same household, fell from 0.41 liters in 1913, to 0.047 liters — an 88% decline.

The death rate from tuberculosis rose from 14.3 per 10,000 people in 1913, to 20 per 10,000 in the first half of 1923 — a tuberculosis death rate almost as high as Germany had experienced during World War I.

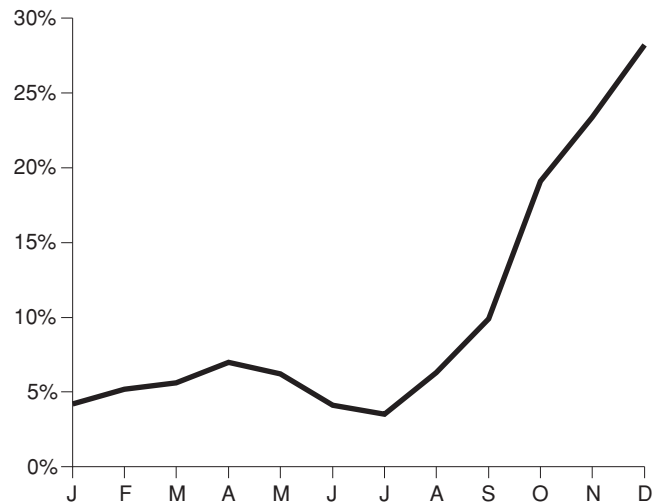
As **Figure 4** shows, between January and December 1923, the unemployment rate for trade union members rose from 4.2% to 28.4%; unemployment among non-union members was higher.

These conditions fostered the economic and social disintegration of Germany, and in October-November 1923, Adolf Hitler and the Nazis launched the Beer Hall Putsch in Munich.

In April 1924, the Dawes Plan was introduced, bringing in some stability from outside, by providing some credit for Germany again.

FIGURE 4

**Unemployment among German trade union members in 1923**  
(percentage of all trade union members)



But today, there is nobody from “outside” the bankrupt world financial system, to “restore order.” With the enormous volume of non-performing loans, and the huge derivatives bubble, if an attempt were made to bail out the financial system, then the collapse that took 18 months to happen in Weimar Germany, could happen now in 18 days.

# Helga Zepp LaRouche challenges U.S., China to defeat the British

Schiller Institute founder Helga Zepp LaRouche opened the second day of the conference of the Schiller Institute and International Caucus of Labor Committees on Jan. 18, with a keynote speech on the theme, "The Contribution of the United States and China to the 21st Century; How Does the World Treat Its Prophets?"

Surveying the history of both of those nations, she emphasized that the only hope for the world, is for the United States and China to forge a strong partnership, to defeat the British Empire, the oligarchical system.

She began with a strategic briefing on the crisis in which we now find ourselves. The collapse of the Asian financial system is no regional phenomenon, she said, but part of a global, systemic crisis. Its effects will by no means be confined to Asia. Already in Poland there are riots; in France the unemployed are joined by trade unionists and students in demonstrations and occupations of buildings; the Balkans are a powder-keg; the Maghreb is exploding. The financial oligarchy approaches all this from a cocoon of irrationality and arrogance.

It is our job, therefore, Mrs. LaRouche said, to catalyze 1% of the population, the people who are not "politically correct," as leaders. And, we are not in a bad position to do this: Beginning at the end of last October, we started getting calls to our offices from all over the world, from people who recognized Lyndon LaRouche as a "prophet," because he had predicted the crisis that occurred last October.

## Warning to China

Mrs. LaRouche visited Beijing in September 1997, where she gave seminars and held discussions with Chinese leaders, presenting her husband's analysis of the October timetable for a crash. She emphasized that the Southeast Asian crisis was the regional expression of a global crisis, in which the speculators were out to make a killing. The Southeast Asian crisis is linked to the crisis in Japan, which has \$1.7 trillion in bad loans, with a large exposure to Southeast Asia. She warned the Chinese that the crisis would spread to eastern Europe, Ibero-America, and, most dangerously, Russia.

It is a twofold danger, she told the Chinese: a chain-reaction collapse, and hyperinflation. All this would become apparent in October, she said, and would set the agenda for the October 1997 summit between Clinton and Jiang Zemin. She told the Chinese to concentrate at that summit not only on bilateral relations, but on the security threat to the two coun-

tries from the financial crisis. They must collaborate to solve this, she said, and must see a common enemy in Great Britain. They must defeat this monster, she said, predicting that if they failed to do so, it would lead to the kind of collapse that occurred in the fourteenth-century Dark Age.

The Chinese response was attentive and more serious than during her trip to China in May 1996. In 1996, they didn't believe that China would be affected by the crisis. They said her analysis was bold, and that if she were right, she had done a great service to mankind by warning them. If they didn't fully believe her, she had at least put her warning on record.

When she returned to the United States, Mrs. LaRouche said, she found that America was not concerned about the Asian crisis. Congress was not interested in what she had to say. But now, they have an interagency task force monitoring the situation, like a war, and say they were "caught by surprise." If this is so, she said, maybe they shouldn't be the government! The worst was Secretary of State Madeleine Albright, who told the press that she was so concerned, why, she even took a conference call on the Asian crisis while basting her turkey on Thanksgiving!

Then, before the crisis hit at the end of October, "I was on the hot seat," Mrs. LaRouche said, since she had predicted a crisis in October. But it came, as she said it would. The summit occurred and was a great success, establishing a strategic partnership and beginning discussions on the financial crisis.

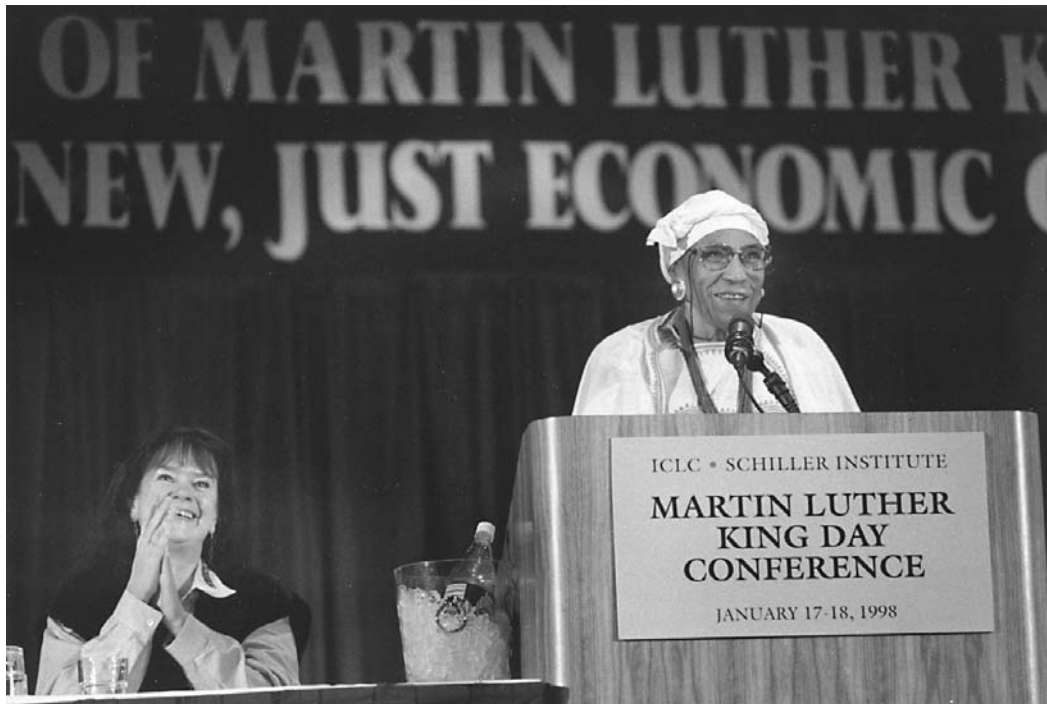
The problem, however, is that real leadership means momentum, and the summit occurred two and a half months ago, with no real momentum since then.

Instead, there have been five near-meltdowns, and the United States is still floundering. As long as the U.S. supports the International Monetary Fund, the world won't survive. The Chinese leadership has announced 15 measures to guard China from the crisis, but the speculators linked to George Soros are now regrouping the hedge funds to launch a financial war against China.

## Nemesis: the higher law

Another dimension to the global crisis is that the elites proceed from the assumption that "everything goes," that there is no accountability for their actions: They are the gods of Olympus. But this is an illusion. There is Nemesis, a higher law, which will bring these evildoers to justice. This is the principle of Schiller's great ballad, "The Cranes of Ibykus."

Mrs. LaRouche reported that she saw the effects of this in



*Amelia Boynton Robinson, a heroine of the civil rights movement and vice chairman of the Schiller Institute, introduces Helga Zepp LaRouche (left), at the institute's conference on Jan. 18.*

Beijing in September, two weeks after the murder of Princess Diana. People were mourning in China, too, where they looked to her, as they did around the world, as the “People’s Princess.” Now, the fairy tale was gone. The evil Queen had killed her. The people began to realize that they were just the miserable subjects of an evil empire. This was particularly true in the Arab world, where people saw as the motive for Diana’s murder, that the British would never allow an Arab to be the stepfather of the British monarch.

Then, the Arab press began to go after Britain for harboring terrorists. On Aug. 31, Diana was killed. Then came the terrorist attack in Luxor, Egypt, and Egyptian President Mubarak launched an offensive against Britain, which spread to the Organization of Islamic Conference summit in Teheran and the Arab League summit in Tunis, at the beginning of January.

### **Defeat the British system**

Only if the United States and China understand that they have one common enemy, is there hope, Mrs. LaRouche said. That is the British oligarchical system, which for 400 years has kept a stranglehold on the potential of the world’s nations for progress and development. The British Empire is an empire built on corpses.

When old orders go under, she said, the big questions reappear. So today, the challenge which Alexander Hamilton put forth in the *Federalist Papers* comes to bear. Hamilton said that the people must decide whether societies of men are capable of establishing good governments by their free choice, or be subjected by force and accident. If they make

the wrong election, Hamilton said, this will lead to misfortune for mankind.

China is in a good position to survive, based on its 2,500-year tradition of Confucianism, Mrs. LaRouche said, reviewing China’s history at some length, to show her American audience what cultural resources exist in the world’s most populous nation, to achieve a breakthrough into a new, happier world order.

If China draws on its rich history, she said, it will have the spiritual strength to conquer its difficulties. They should be encouraged to think as a global power, and to make the initiative they have discussed, to found a just, new world order.

As for the United States, if the challenge posed by Hamilton is to be answered positively, the U.S. tradition from the American Revolution must come to the forefront. The axioms which stem from the period of Lincoln, Franklin Roosevelt, and John F. Kennedy, but particularly Lincoln, must come to the fore. People have to stop being small-minded, as Friedrich Schiller saw the French at the time of the Revolution.

If the world is allowed to collapse, history will judge how you treated your prophet—Lyndon LaRouche—she said. This is a difficult job, being a prophet. The oligarchs see prophets as uncomfortable for them. Confucius couldn’t convince people of his time to do what was right, but he was victorious later, in the Han dynasty, and his influence lasted for 2,500 years.

In conclusion, she expressed her optimism, that we can succeed, if we become warrior angels, and take the best from each of our cultures, move forward, under the leadership of Lyndon LaRouche.

## New evidence backs EIR's charge: Diana was murdered

by Jeffrey Steinberg

Two leading European forensic experts have come forward with new, damning evidence, buttressing *EIR*'s charges that the death of Princess Diana, Dodi Fayed, and Henri Paul, in a Paris automobile crash on Aug. 31, 1997, was the result, not of a traffic accident, but of a vehicular homicide attack.

Although neither expert explicitly said that they believe the death of Diana was premeditated murder, they provided critical information corroborating important features of the *EIR* dossier, which we published in the Nov. 21, 1997 issue.

On Jan. 13, Prof. Murray Mackay, the head of the Birmingham Accident Research Center and a professor of transportation safety at the University of Birmingham in England, told British TV Channel Four that the French police had it all wrong, when they claimed that the Mercedes 280-S, driven by Henri Paul, was travelling at a speed of more than 120 miles per hour (190 kilometers per hour) at the point that it crashed into the 13th pillar in the Place de l'Alma tunnel. Using sophisticated computer technology, Professor Mackay conducted a simulation of the crash of the Mercedes and a second car (which is now known to have been a Fiat Uno, turbo model, manufactured sometime during 1984-87), the results of which demonstrated that the structural damage to the Mercedes revealed a speed of about 60 mph at the point of impact.

Mackay told the Channel Four interviewer that "newspapers have talked of speeds of 120 mph, but looking at the damage tells a very different story. It suggests an impact with the pillar of about 60 mph. This was a severe but a survivable accident and what we now need to consider is why three people died. If the Mercedes had hit the post at 120 mph, the whole of the passenger compartment would have been destroyed."

Mackay's interview was aired as part of a documentary, entitled "Crash," which detailed the events surrounding the Aug. 31 crash. On the day following Mackay's interview, the

London *Daily Mirror* published several pages of photographs of Professor Mackay's simulations, and several other major British news dailies also gave prominent coverage to the broadcast.

Mackay's study added to an already-substantial body of evidence showing that Princess Diana could have survived the crash. He pointed out that she was sitting in the right-rear seat, which suffered the least impact when the car hit the pillar and spun. Mackay also noted that, had the tunnel been fitted with a guard-rail along the central pillars, all four individuals in the Mercedes could have survived. "The guardrail would have deflected the car along the line of the highway, there would have been no heavy hit, and the forces would have been survivable," he said. The Place de l'Alma tunnel is one of the few underpasses in Paris that does not have such guardrails, and it has been the scene of a number of fatal automobile crashes. A professional assassination team, looking for a place to stage a murder which could be explained away as an "accident," could not have selected a better spot for a vehicular assault, according to several former British intelligence experts.

As *EIR* reported early in the investigation, the French police were outright lying when they leaked information to an all-too-cooperative Paris press, that the Mercedes' speedometer had read more than 120 mph when the first rescue teams arrived on the scene and looked into the mangled vehicle. In fact, as *EIR* reported at the time, based on interviews with safety experts at Daimler Benz, the manufacturer of the car, the speedometer read zero—and would have read zero, whether the car had been going at 30 mph or 130 mph at the point of the crash.

Mackay's computer simulation was also consistent with accounts by several eyewitnesses, who reported that the Mercedes carrying Princess Diana and Dodi Fayed, spotted along



*The Place Vendôme, in front of the Ritz Hotel, Paris. The building toward the rear of the photograph, attached to the Ritz Hotel, is the French Ministry of Justice. A crowd of 40-50 paparazzi, and a half dozen other, still unidentified men, surveilling the Ritz Hotel, were all on the Place Vendôme during the final hours before Princess Diana and Dodi Fayed died.*

the Seine River just before the tunnel entrance, was travelling at around 60 mph. The witnesses, including American businessman Frank Anderson, Mohamed Medjhadi, and British secretary Brenda Wells, all emphasized to French police investigators that the Mercedes was being chased and harassed by at least one other automobile and several motorcycles, as it entered the Place de l'Alma tunnel. Wells specifically described a Fiat Uno as being among the cars that drove her off the road as she tried to enter the tunnel.

From the very outset of the investigation, Daimler Benz had offered to assist the French police, by sending a team of safety engineers to Paris to participate in the forensic tests. The French police categorically refused the offer, Daimler Benz officials told *EIR*. The Daimler Benz safety engineers are especially trained to detect the slightest signs of possible tampering with the automobile, especially sabotage of the brakes, or the sophisticated computers that control the Mercedes safety systems.

### **Legal action against the rescue team**

One day after the airing of the Channel Four documentary, the largest-circulation German daily newspaper, *Bild Zeitung*, ran a front-page story under the banner headline, "Diana Died Because She Was So Famous." The article reported on a pending lawsuit by Dr. Wolf Ullrich, a well-known German criminologist and lawyer who also lectures at Eastbourne University in England and heads the European Commission on Crime. Dr. Ullrich charged that "Diana could still be alive, had it not been for the incompetence of the doctors. They simply let her bleed to death." According to the *Bild Zeitung*

story, Dr. Ullrich is in the process of filing a criminal complaint in a Paris court against the doctors who tended to Princess Diana following the crash, charging them with criminal negligence in her needless death.

Dr. Ullrich provided *Bild Zeitung* with a detailed chronology of what occurred in the Place de l'Alma tunnel in the minutes immediately following the crash. He debunked the French government's lying claims that it did not know that Princess Diana was one of the crash victims. Dr. Ullrich cited paparazzi Romuald Rat, who identified the Princess even before the first emergency rescue vehicles arrived on the scene, approximately 15 minutes after the crash. Dr. Ullrich also exposed the French government's other lie: that the rear passenger compartment of the Mercedes had been severely damaged in the crash, and Princess Diana was pinned inside, thus delaying her removal from the car. In fact, the rescue team was able to get to Princess Diana immediately. Eyewitnesses reported to police that paparazzi Rat had been in the back seat, leaning over the Princess, when they arrived on the scene.

Dr. Ullrich's account of the French emergency response corroborates *EIR*'s Nov. 21 report, in all critical details. While senior French police officials, including Paris Police Chief Philippe Massoni and Paris Criminal Brigade head Martine Montell, were in the tunnel overseeing the rescue effort and the initial investigation soon after the crash (according to former Manchester Deputy Police Inspector John Stalker, Montell arrived within 17 minutes of the crash), rescue workers took more than an hour to place Princess Diana in the ambulance and leave for the hospital. And, they took another 43 minutes to drive four miles to La Pitié Salpêtrière hospi-

tal—passing up the closer Val de Grâce military hospital, which is normally where VIPs are taken when they require emergency medical care. French Interior Minister Jean-Pierre Chevènement arrived at the La Pitié Salpêtrière long before the ambulance carrying the Princess, and was in mobile-phone communication with Massoni and Montell who were inside the tunnel.

Dr. Frédéric Mailliez, an emergency medicine doctor who was the first medical professional on the scene to administer first aid to Princess Diana, correctly diagnosed her as suffering from internal bleeding; the rescue squad doctors, who arrived ten minutes later, corroborated Dr. Mailliez's diagnosis. Yet, none of the appropriate life-saving measures were taken. According to every medical expert interviewed by *EIR*, Princess Diana needed to be gotten immediately to a hospital operating room for surgery to repair the damaged veins and arteries and to receive blood transfusions. One leading Paris emergency medical expert told *EIR* that Princess Diana could have been in surgery within 30 minutes after the crash. But, as Dr. Ullrich charged, "They simply let her bleed to death."

### Where were the French police?

*EIR* investigators have unearthed new details about the events of Aug. 30-31, 1997, which also buttress our earlier assessment that Princess Diana was the target of a murder plot. The *EIR* probe has raised a number of additional nagging questions about the events that transpired in Paris.

Among those questions: Where were the French police? Why was there no official French police protection for the future Queen Mother of Britain and former member of the royal family? French authorities claim that there was no security detail assigned to Princess Diana, because there was no official request for protection from the British Embassy or the British Foreign Ministry. That claim borders on the preposterous.

As *EIR* first reported on Nov. 21, 1997, from the moment Diana and Dodi arrived at Le Bourget Airport just outside Paris, the couple was under constant surveillance and harassment by 20-40 paparazzi, and several other still-unidentified men. *EIR* has recently learned that French police *did* escort Dodi Fayed and Princess Diana's cars from their aircraft to the airport exit, but then dropped off, never to reappear. En route into the city, the Mercedes carrying Princess Diana and Dodi Fayed was cut off by a dark-colored Peugeot, which then jammed on its brakes, nearly causing a collision, and enabling several paparazzi on motorcycles to come up alongside the Mercedes.

The paparazzi not only stalked the couple wherever they went in Paris, but, according to sources close to the magistrate's probe, there were paparazzi staked out all day at Dodi

*Outside the Imperial Suite on the second floor of the Ritz Hotel. Trevor Rees-Jones and Kes Wingfield sat in these chairs, on security duty, as Princess Diana and Dodi Fayed ate their last meal together, inside the suite.*



Fayed's apartment at 1 Rue Arsene Houssasye. When the couple arrived back at the apartment from the Ritz Hotel at approximately 7:30 p.m. on Aug. 30, bodyguards had to hold back the paparazzi while the couple entered the apartment building. The harassment was so intense that Dodi Fayed cancelled dinner reservations that he had made at the Chez Benoit restaurant, and returned with Princess Diana to the Ritz Hotel, where they dined in privacy in the Imperial Suite on the second floor, just above the main lobby.

When Diana and Dodi arrived at the Ritz, at approximately 9:47 p.m., there were an estimated 40-50 paparazzi, with their motorcycles and cars, already gathered in front of the hotel. The Ritz Hotel, located at the Place Vendôme, is attached to the French Justice Ministry (see photograph). Yet, despite the rowdy presence of the paparazzi in the plaza, French authorities still did not send a single police officer to provide security for the couple, or even to order the paparazzi to disperse.

Bodyguards Kes Wingfield and Trevor Rees-Jones took up positions in the corridor outside the Imperial Suite. Henri Paul, the deputy security director of the Ritz Hotel, who had been the driver of the Land Rover that trailed the Mercedes from the airport into Paris, returned to the hotel shortly after the couple arrived back at the Ritz for dinner. Contrary to early news accounts, Paul had been on the job all day. He had only left the hotel for two hours, after the couple first departed for Dodi Fayed's apartment, sometime after 7 p.m. He had been called on his mobile phone, and he immediately returned to the hotel, upon learning that the couple would dine at the Ritz.

At 12:15 a.m., in the morning of Aug. 31, Diana and Dodi



*Left: The service elevator and the corridor where Princess Diana and Dodi Fayed waited for several minutes, while driver Henri Paul secured the Mercedes on the street near the rear exit of the Plaza Hotel.*

*Right: The corridor of the Ritz Hotel, leading to the service elevator. Princess Diana and Dodi Fayed, accompanied by Henri Paul and bodyguard Trevor Rees-Jones, walked down this corridor, in an effort to avoid the mob of paparazzi who were waiting for them on the Place Vendôme.*

walked out of the Imperial Suite, and took a left turn down a long corridor, leading to the service elevator at the rear of the hotel (see photograph). They took the elevator down to the employees' exit on the Rue Cambon, a narrow, one-way street. They waited for several moments in an outside corridor (see photograph), as Paul secured the backup Mercedes that had been called up from a car pool at the disposal of the Ritz. In an effort to distract the paparazzi, the Mercedes that the couple had used all day, along with the green Land Rover, were still parked in the front of the hotel. The diversion, however, failed. A still-unidentified male was standing near the Rue Cambon service entrance, and he saw the Mercedes, carrying Princess Diana and Dodi, drive off. Seconds later, according to closed-circuit TV camera footage, the man made a call on a mobile telephone, and simultaneously, a white sedan pulled out in pursuit of the Mercedes. One of the last things that Trevor Rees-Jones, the sole survivor of the crash, remembers, is that a white car was following them from the moment they left the Ritz Hotel.

The spotter at the rear of the hotel was one of at least seven individuals who remain unidentified to this day, but who were apparently surveilling the couple from the moment they arrived back at the Ritz for dinner. Sources close to the probe are still attempting to determine whether any of the men captured on surveillance cameras in and around the Ritz Hotel in the hours before the crash, were among the five MI6 (British Secret Intelligence Service) officers, said to have been in Paris, stalking Princess Diana and Dodi—on orders from the Royal Consort, Prince Philip—on their final day.

## **The Fiat revisited**

Investigative magistrate Hervé Stephan, the man in charge of the French government probe of the fatal car crash, has told parties to the case that he will not shut down the investigation until the issue of the missing Fiat Uno that collided with the Mercedes and escaped the tunnel crash site, is resolved, and the driver and any passengers are identified.

From day one, French police have known that the crash had been the result of a collision with a second vehicle. According to a Dec. 3, 1997 Associated Press wire by Jocelyn Noveck, French police sketch artists drew a map of the Place de l'Alma tunnel within hours of the crash, in which they identified a "collision zone," where the Mercedes and a second vehicle had collided. The map also noted where parts of a rear light from the second car had been found at the crash site. Within a matter of days, police forensic experts had identified the missing car as a Fiat Uno turbo. Later forensic tests on the scratch marks on the right side of the Mercedes suggested that the Fiat may have been weighted down, or otherwise modified. The prospect that the Fiat Uno was converted into a ram-vehicle places even greater importance on the vehicle and driver that have disappeared from the face of the earth for the past four months.

On Dec. 31, 1997, in another AP story, Noveck reported that, on Sept. 18, police had interviewed a couple, only identified as "François" and "Valérie," whose car had been nearly rammed by a Fiat Uno that came speeding out of the Place de l'Alma tunnel, zig-zagging through traffic, just seconds after the crash.

There is another disturbing anomaly in the reports leaked by the French police to the media. The section of downtown Paris between the Ritz Hotel and the Place de l'Alma is ringed with closed-circuit television cameras, radar cameras that automatically photograph speeding vehicles, and other similar roadway surveillance devices. On the Rue Jean Goujon, where eyewitness Gary Hunter told police that he saw from his hotel window two cars speeding away from the tunnel moments after the crash, there are elaborate security cameras on the street, installed by a television studio, with offices several doors up from Hunter's hotel. Those surveillance cameras, placed outside the studio to deter potential robbers, should have captured footage of the fleeing cars.

Yet, so far, French authorities insist that none of the cameras or radar detectors were functioning, anywhere in the area, during the approximately ten-minute period that the Mercedes was travelling from the Ritz Hotel to the tunnel, and in the moments after the crash, when the Fiat and, perhaps, one other car, disappeared from sight. They claim there are no surveillance photographs, no film footage showing the Fiat Uno or the other white car that trailed the Mercedes from the rear of the hotel.

### Nowhere near completion

The French police have now submitted a 400-page prelim-

inary report to Magistrate Stephan, which contains transcripts of interviews with scores of eyewitnesses, and other forensic reports. Contrary to stories planted in the French and British press by the French police, the investigation is far from complete.

It is now Magistrate Stephan's task to study the evidence, consult with the civil parties to the case—including the paparazzi who may be prosecuted for manslaughter and obstruction; the families of the deceased; the sole survivor, Trevor Rees-Jones; and the management of the Ritz Hotel—to determine whether a further police investigation is required.

Sources close to the magistrate have told *EIR* that the probe will not be completed before the end of the year. This is certain to make the House of Windsor, and top officials of the Lionel Jospin government in Paris, very nervous—and for good reason. The French police have tried—so far, unsuccessfully—to suppress evidence, silence witnesses, and spread disinformation aimed at covering up anything that points toward a premeditated, sophisticated vehicular homicide attack against Princess Diana and Dodi Fayed. The British royals know that, if Magistrate Stephan announces that he is opening a murder investigation, it almost certainly means the fall of the House of Windsor—within a very short period of time.

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# Britain's Baroness Cox is losing the battle, and the war, against Sudan

by Hussein Al Nadeem

More than a century after the victory of the Great Al-Mahdi of Sudan against the British colonial army, Sudan is scoring a new victory against its former colonial power and the colonialists' modern surrogates: Uganda, Ethiopia, and Eritrea. Unlike poor Gordon Pasha, British Baroness Caroline Cox (a Deputy Speaker of the House of Lords and chairman of Christian Solidarity International), who has led efforts on both sides of the Atlantic and in the Horn of Africa for war and economic sanctions against Sudan in recent years, will be able to return to London with her head on her shoulders, to become another shameful stain in Britain's imperial record. And, unlike last century's Egypt, through which Gen. Horatio Kitchener started his campaign against Al-Mahdi's revolution, today's Egypt is a leading force in the war against Britain over its support for terrorism.

All the military assaults against Sudan which have been launched in the last three years by Uganda, Eritrea, and Ethiopia, under British direction and intensive support from international non-governmental organizations, the United Nations, and Israeli military intelligence, have dramatically failed. The forces of John Garang, the British-controlled leader of the Sudanese People's Liberation Army (SPLA), are disintegrating and joining the Khartoum government's peace initiative. The National Democratic Alliance (NDA) of northern Sudanese opposition parties, which was founded in Asmara, Eritrea in June 1995 under the direct sponsorship of Baroness Cox, is falling apart, and its leaders, one after the other, are calling for dialogue with the government.

Despite the fact that the Sudanese people most courageously defended their country against military and economic warfare imposed on them through the United Nations Security Council, because of their resistance to the dictates of the International Monetary Fund, and in pursuit of building an independent and powerful national economy, the final blow to this supranational effort came from Egypt. Realizing the grave dangers which the destabilization of Sudan posed to its national security, Egypt restored its strategic, historical relations with Sudan.

Historically, Egypt has considered Sudan as its geostrategic extension, because of Egypt's total dependence on the water of the Nile for its survival. This aspect has become more

important since Egypt started its major agricultural infrastructure projects to irrigate the desert in the west of the Nile valley and in the Sinai, using water from the Nile. The Egyptian public could no longer remain passive when the armies of Ethiopia, Eritrea, and Uganda started an invasion of Sudan in January 1997, and calls were made by popular Egyptian figures to assist Sudan against the invasion. The year before, Eritrea had occupied, with Israeli assistance, the strategic Hanish Islands, which had been under Yemeni sovereignty. These islands are located in the southern Red Sea about 150 kilometers from the Bab Al-Mandab Strait, which gives their occupiers the potential to control navigation from Asia and East Africa through the Suez Canal to the Mediterranean. Furthermore, Israel, Egypt's strategic rival, has been building a marine base in the Eritrean Dahlak archipelago.

## Britain, not Sudan, harbors terrorists

The first explicit expression of the shift in Egypt's stance vis-à-vis Sudan came from President Hosni Mubarak, who, outraged by the terrorist massacre of 62 people in Luxor, Egypt on Nov. 17, 1997 by the London-based Islamic Group, declared publicly that the Luxor murderers "live in Britain and Afghanistan and other countries, where they finance and plan their crimes." Exonerating Sudan from allegations of harboring "Islamic" terrorism, Mubarak told the international reporters: "No. No, Sudan has changed. The situation is much better there now concerning terrorism. But there is a coordination between those who are in England, and those in Afghanistan." Since then, Egypt has become the leading force in the Islamic world exposing the British policy to support international terrorism.

Meanwhile, President Mubarak gave instructions to his government to start a process of normalization of relations with Sudan. The relations between the two states had deteriorated in the past few years because of wild allegations by Baroness Cox and the British and U.S. mass media, of Sudan's support for and harboring of "Islamist" terrorists targeting Egypt and other neighboring countries. This was further aggravated when an assassination attempt against Mubarak was orchestrated in Adis Abeba, Ethiopia in June 1995, and Sudan was falsely blamed for plotting the attempt.

## Who sold this dying horse to Albright?

The only secret behind Britain's success in horse trading, is the existence of dumb buyers. In the case of U.S. Secretary of State Madeleine Albright, they managed to sell her a dying horse. During her early December 1997 visit to Kampala, Albright met with the Sudanese opposition group, the National Democratic Alliance, and reportedly pledged support to overthrow the Khartoum government. As was obvious, the NDA was disintegrating, and the Egyptian government, one of the United States' most important allies in the region, made clear its position in support of Khartoum and its rejection of the NDA's plans, which have been crafted by the British. The NDA and Garang had lost all hope of continuing their treasonous

acts against Sudan. The only reason for such a move was to implicate the United States in the lost war against Sudan, and let the United States take credit for an entirely British operation. Albright danced cheerfully into that trap.

As Lyndon LaRouche and *EIR* warned in September 1997 (see *EIR*, Sept. 26, 1997, "Sudan Target of Rice War," and "British Agents in Washington Gun for War Against Sudan"), this operation was being prepared by rabid Anglophiles in the U.S. State Department and Congress, such as Assistant Secretary of State of African Affairs Susan Rice, who was obviously running the show in Kampala; John Pendergast; and members of the U.S. Congress such as Reps. Chris Smith (R-N.J.) and Frank Wolf (R-Va.). As expected, political groups and the media in the region zoomed in on Albright's statements, accusing the United States of being behind the destabilization of Sudan and the region, a war in which the United States, as the Arabic proverb states, has "no load or camel."

### **Pace of normalization has been 'breathhtaking'**

The speed with which the normalization process between Sudan and Egypt has advanced has been breathtaking, and has given no chance to outside forces for destabilization and sabotage. The first meetings between high-level officials of the two countries took place during the summit meeting of the Organization of Islamic Conference (OIC) in Teheran in December 1997, which was attended by Sudan's President Omar Al-Bashir and Egyptian Foreign Minister Amr Mousa. Another important meeting took place in Tunis on Jan. 5-6 between Egyptian Interior Minister Habib Al-Adli and his Sudanese counterpart Brig. Bakri Hassan Saleh, on the fringes of the Arab Interior Ministers' conference on combatting terrorism.

Following the meeting, Al-Adli said that "the meeting aimed at promoting the two countries' security relations." He added, "Security cooperation among countries should not be affected by political stances. The security cooperation serves all nations, and any threat to security will jeopardize all parties, and not only the country targeted by terrorists." The Arab Interior Ministers' meeting was focussed on combatting terrorism coming from Britain and other Western countries. This was followed by a meeting between Egyptian Foreign Minister Mousa and Sudanese State Minister for Foreign Relations Dr. Mustafa Othman Ismail, in Cairo on Jan. 12, to discuss preparations for a summit between the Presidents of Egypt and Sudan, and to discuss "threats posed to Sudan's territorial integrity and stability, normalization of relations, water, and economic cooperation," according to the Egyptian official daily *Al-Ahram*. Following their meeting, the Sudanese minister said that "the talks are a follow-up to the proposals and instructions made by the Egyptian leadership and Pres-

ident Mubarak on solving the issues related to the normalization of relations between the two countries for the benefit of the two nations." Dr. Ismail concluded: "Egypt is concerned about the situation in Sudan, because its national security is connected to Sudan's national security. Egypt is completely aware of its role in preserving its peace and security, and this has been emphasized several times by Egypt's political leadership."

### **Garang gets a warning**

The Egyptian leadership gave a number of significant signals of its determination to preserve Sudan's national unity and security. In late November 1997, Mubarak and Mousa met with SPLA leader Garang, and reportedly told him that Egypt rejected all attempts to create a separate state in the south of Sudan, or any other structure which could undermine the territorial integrity of Sudan. In late December, Foreign Minister Mousa told the Arabic daily *Al-Hayat* that "Egypt will not accept any threats to the national unity of Sudan, especially these coming from the south."

On Jan. 7, Egyptian Presidential political adviser Dr. Osama Al-Baz described Egyptian-Sudanese relations as "very special and everlasting." Al-Baz, who was addressing an Islamic Forum in Al-Azhar Mosque in Cairo, added: "We consider the Sudanese people as twin brothers to the Egyptian people. We call the two the Nile Valley people, although there is no official or constitutional unity between the two countries." He emphasized that "the Khartoum government is eager to restore ties with Egypt back to normal; we are ready and we will be pleased to restore cooperation with the Sudanese people in all fields." Al-Baz voiced anew Egypt's support for the territorial integrity of Sudan. "Egypt stands

against the division of Sudan. This country should remain united," he said. "The Egyptian stance is not based on water [interests], but because of the historic relations and the desire to maintain security and stability in the region."

On Jan. 13, the Chairman of the Sudanese Parliament, Dr. Hassan Al-Turabi, was invited to attend the emergency meeting of the Arab Parliamentarians Union (APU) in Luxor, in support of Egypt's fight against terrorism. The Deputy Chairman of the Sudanese Parliament, Abdul-Aziz Sheddo, attended. In that meeting, Mubarak made a harsh statement, although not referring to Britain by name, against states harboring and protecting terrorists. The APU issued a statement demanding the extradition of terrorists, and appealing to the United Nations to convene an international conference on terrorism to demand that states that are proven to be harboring and supporting terrorists, be punished. The Egyptian official press made explicit statements on the possibility of bringing the British government to international arbitration to force it to extradite terrorists enjoying asylum in Britain.

The latest meeting between officials of Sudan and Egypt took place on Jan. 15 during the sessions of the Egyptian-Sudanese High Commission on Commerce, and included Sudan's Trade Minister Othman Al-Hadi and his Egyptian counterpart Dr. Ahmed Al-Geweli. The two sides reached agreements for doubling the volume of trade between the two nations, and increasing river and land transport. The Sudanese side proposed that Egypt provide technical assistance in irrigation and building infrastructure for cultivating huge areas in northern Sudan. Egyptian companies are also planning to assist Sudan in building roads and railways linking southern and northern Sudan and Egypt.

### **SPLA suffers heavy losses**

As these developments were unfolding, the Sudanese Army made a major attack on the bases of the SPLA in southern Sudan, and the SPLA has reportedly suffered heavy losses. On Jan. 9, international media reported from Sudan that more than 7,000 members of Garang's SPLA in Bahr Al-Ghazal province have abandoned their positions and have sought refuge with pro-government forces in the south of the country. Brig. Abdul-Rahman SIRR-el-Khatem, spokesman for the Sudanese Army, was quoted as saying that "this is a historic turning point toward peace and unity" in Sudan. Within only 48 hours, some 6,000 of the SPLA members fled to areas under government control in Tung, Kwajina, Awel, and Waw. Meanwhile, a force of 1,000 rebels who had been encamped around Waw, contacted the military commander of the town to announce their surrender.

This major development started in late December, when the government army and its southern allies launched a major attack on the SPLA bases in Bahr Al-Ghazal region. A spokesman for one of the SPLA units in Waw told the Sudanese daily *Al-Jumhuriya* that Karbino Kwaynin (a former southern

rebel leader who signed a peace treaty with the government in 1997) convinced him to join the peace process with the government. The groups that have left the SPLA are mainly from the Nuba Mountains area, which is one of the main power bases of Garang. The leaders of these groups have reportedly sought asylum in Europe for fear of revenge by Garang.

### **Attack from Eritrea thwarted**

This major victory thwarted a plan for a military attack from Eritrea against northeast Sudan, under the cover of National Democratic Alliance operations against the Sudanese Army. On Jan. 6, Brig. Mohammed Abdullah Awaidha, chairman of the Security and Defense Committee in the Sudanese Parliament, revealed the involvement of Israeli military experts in the current buildup by the Eritrean Army on the eastern border of Sudan. Awaidha said that "these fresh moves by Eritrea coincided with the visit by British Baroness Caroline Cox to Eritrea and follow Madeleine Albright's tour in the region." Awaidha added that "the scheme which is being implemented, and in which Isaias Afwerki, President of Eritrea, is participating, is aiming at the control of the Red Sea all the way down to the Horn of Africa, and putting it under the Israeli and imperialist interests."

This attack was planned to coincide with bloody riots in Khartoum, the capital, provoked by NDA agents in Sudan, especially the Sudanese Communist Party. The Communist Party hideout in Khartoum was raided by the security forces, and its members arrested. The Communist Party is directly linked to London's NDA, and has been influential as a provocateur in the University of Khartoum and Um Durman. The Sudanese security officers stated that they found out that the Communist Party was planning to provoke a wave of violent riots and sabotage, to coincide with a major military offensive from neighboring states.

### **Britain readies counterattack**

It is to be expected that the response to these encouraging developments would come in the form of typical efforts to destabilize the region. Military measures have proven futile, and with Egypt entering the scene as a major player on the side of Sudan, it would be unthinkable that the attempt to overthrow the Khartoum government militarily and divide Sudan by force, would be opted for. However, the possibility is open for political and economic warfare, especially against Egypt's, and also Sudan's water infrastructure projects. The attack in Luxor, for example, was an attack on Egypt's economy which is dependent to a great extent on the revenues from tourism. However, the greatest threat would come from attempts to create conflict on the issue of water rights in the Nile basin states.

For example, in a double attack on both Egypt and Sudan, the Ethiopian Foreign Minister announced at a press confer-

ence in Adis Abeba on Jan. 12, that his government “is completely opposed to the agricultural projects carried out by Egypt to irrigate the Sinai desert using water from the Nile.” He described these projects as “an Egyptian card of pressure which it will use in future negotiations against the states of the Nile basin.” He also attacked Sudan, saying that “Sudan should comply with the United Nations resolution concerning the extradition of three Egyptian terrorists accused of carrying out the assassination attempt against Egyptian President Hosni Mubarak in Adis Abeba, Ethiopia, in 1995.” This attack also expresses the Ethiopian regime’s frustration with Egypt’s normalization of relations with Sudan, and also Egypt’s success in its initiative to achieve peace and national reconciliation in Somalia, which resulted in the signing of a peace agreement by the Somali factions in Cairo in late December. Egypt might also initiate an attempt to reconcile the Khartoum government and the northern opposition. Following his meeting with the Sudanese State Minister for Foreign Relations, Egyptian Foreign Minister Mousa told the press: “We can definitely mediate [between Sudan’s government and the opposition]. I can’t say whether we were asked to do that, but I can say that this issue is among a number of

issues we are discussing.” One week earlier, Mousa had met with the Sudanese opposition leader, Assadiq Al-Mahdi, who proposed that Egypt lead a mediation initiative between the government and the opposition. Despite the fact that both the Egyptian and Sudanese ministers said that such an initiative should take place within the framework of the Intergovernmental Authority for Drought and Development group, which has served as a mechanism through which Britain has unified Sudan’s neighbors for a war on Sudan, Egypt’s support for Sudan’s national unity could turn the tables on this Uganda-Ethiopia-Eritrea-dominated group. The latest peace talks between Sudanese government officials and SPLA leader Garang in Nairobi included a proposal by Garang to create a confederated state in southern Sudan.

So, with Britain, and not Sudan, exposed as *the* center of international terrorism, with Britain losing the striking force of its stooges in the region, and with the Muslim world recognizing that Britain is the source of terrorism and that it should be punished for it, the British oligarchy is not only losing the battle against Sudan, but also its capability to destabilize and manipulate the nations in the Middle East and the Horn of Africa.

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# Arabs rally against British terrorism

by Joseph Brewda

The government of Egyptian President Hosni Mubarak pushed ahead in its campaign against British harboring of international terrorism, by hosting an emergency meeting of the Arab Inter-Parliamentary Union in Luxor, Egypt, on Jan. 14. In his opening address to the gathering (made up of the parliamentary leaders from the 20 Arab League member-states), President Mubarak said its purpose was “to rally together against the most important and serious causes of terrorism, by persuading some countries to refrain from sheltering terrorists, or providing haven and support.” The meeting follows that of the Arab League Interior Ministers Council in Tunis, on Jan. 5-6, which was called to adopt an Egyptian resolution “to press foreign countries to hand over terrorists under their protection.”

The choice of Luxor as the site for the parliamentary leaders summit was deliberately symbolic. It was there, that members of the London-headquartered Islamic Group slaughtered 62 people on Nov. 17, in the worst terrorist attack in years. Speaking in Aswan on Nov. 23, in his first address following the attack, President Mubarak directly accused the British government of “laxity, if not collusion,” in the massacre, and demanded that the Labor government of Tony Blair end the British policy of making London the world headquarters of “Islamic” terrorism.

Since that time, the Organization of the Islamic Conference summit in Teheran, on Dec. 9-11, and the Gulf Coordination Council meeting in Kuwait, on Dec. 22, have issued statements condemning foreign safehousing of “Islamic” terrorists, in reference to Britain.

## Need for Arab unity

In his address to the parliamentarians, President Mubarak emphasized that the war against terrorists will not be successful unless such foreign safehousing be shut down. The recent massacre in Luxor, he said, has shown the Arab nations’ limited ability to act against terrorism by themselves, “particularly as some countries are backing the terrorists with funds and weapons, or are providing them with shelter under the cover of the right to political asylum.”

What is therefore required, he concluded, is that “Arab countries rally their efforts,” to force foreign countries “to stand firmly against terrorism, to prevent the use of their lands

for terrorist purposes, to exert the utmost efforts to locate the sources of funding for these groups, and to cooperate in stopping the flow of these funds.”

Similarly, the speaker of the Kuwait National Assembly, Ahmad Abd-al-Aziz al-Sadun, called for “collective Arab representation to the states which shelter leaders of terrorism, grant them asylum and freedom of movement,” and “supply them with weapons.” In his press conference following the Gulf Coordination Council summit in Kuwait in December, Kuwaiti ruler Sheikh Jabir al Sabah specified Britain by name, as that country which Kuwait accuses of harboring “Islamic” terrorists.

In a related effort, Bahrain’s Foreign Minister, Sheikh Mohammed Bin Mubarak Al Khalifa, denounced Britain in a statement on Jan. 9, for providing Bahraini terrorists safe haven there, and demanded they be extradited to Bahrain to face trial.

## ‘Al Ahram’ covers LaRouche’s charges

In a further indication of the war in process, on Jan. 16, the Egyptian government official daily *Al Ahram* published a signed article by *EIR*’s Hussein Al-Nadeem, entitled “Britain and the Background of Harboring Terrorism.” There, Al-Nadeem calls for Muslim nations to stand together as a united force against the British, and highlights *EIR* Founding Editor Lyndon LaRouche’s analysis of the developing conflict between the Islamic world and Britain, over its sponsorship of “Islamic” terrorists used to destabilize it.

“What you are seeing is that a group of Islamic people, who would normally be considered as Islamic moderates, are joined in the same policy, which Mubarak is expressing,” the article quotes LaRouche saying on Dec. 23. “Mubarak is not speaking as a lone voice: He is speaking for a whole part of the world population, totalling, in influence, to about 1 billion people. This is a general revolt against the British policy.”

Also reflecting this broadening campaign, the United Arab Emirates paper *Al-Ittihad* called for an Arab boycott against the British on Jan. 19, in protest against its role as a “haven and a permanent station for terrorists.”

Instructions are coming from terrorists in Britain “to carry out mass killings of people without discrimination,” it complained, “while conferences and seminars are being held on British territory to encourage terrorism. Arabs and Muslims, who have been hurt most by terrorism, realize that Britain is maintaining silence toward the terrorists, and their dens, on its territory. This country, which accuses some Arab states of terrorism, appears to be encouraging, indirectly and secretly, the killing of Arabs and destruction of their resources under the pretext of the respect of human rights.”

Consequently, the paper says, “Arabs are called upon to use their capabilities if Britain fails to redress its position toward terrorism on its land. The measures could include an economic boycott of Britain or any other country.”

# Netanyahu's antics threaten Armageddon

by Joseph Brewda

Israeli Prime Minister Benjamin Netanyahu stepped up his British-sponsored campaign to provoke a new Arab-Israeli war, during his and Palestinian Authority President Yasser Arafat's trips to Washington during the week of Jan. 19. The visits had been sought by President Bill Clinton, in what the Palestinian Authority and the Egyptian government have separately termed a "last chance" to rescue the Oslo peace process. But, as expected, Netanyahu refused to make any meaningful concessions, and by so doing, has pushed the region further toward war.

In an effort to put the peace process back on track, President Clinton tried to coax and pressure Netanyahu to carry out the second phase of withdrawal from the Occupied Territories, as required by the Oslo Accords. That Netanyahu has no intention of complying with Clinton or the agreement, was made clear by a proclamation his cabinet issued on Jan. 13, a week before his trip. It stated that any further withdrawal on Israel's part, is conditional on the Palestinian Authority's "obligation to fight terrorism." It also demanded that the Palestinian Authority cut its police department by half.

Netanyahu was put in office in 1996, following the British-orchestrated murder of his predecessor, Prime Minister Yitzhak Rabin, the architect of the peace accords. Netanyahu has loyally followed his British patrons' demands that Oslo be overturned. President Clinton is visibly enraged at Netanyahu's sabotage, but is, so far, afraid to take on his London and New York backers, to force them to bring their dog to heel.

Netanyahu's latest stunt comes at a time when he continues to release Hamas terrorists from prison, while also attempting to provoke "Islamic" terrorist actions that would justify further provocations. For example: his government's leak to the press, that it intends to build 30,000 more housing units in the Occupied Territories, to vastly increase the size of the Jewish population living there (now totalling 150,000).

## Not that popular in Israel

In commenting on such antics, the centrist Israeli newspaper *Haaretz* editorialized on Jan. 15 that the cabinet's decision to link Israel's withdrawal with Palestinian compliance with its demands, "proves that it has no intention of implementing the Oslo Accords, and carrying out the withdrawal that Benja-

min Netanyahu committed himself to at his meeting with U.S. Secretary of State Madeleine Albright in December in Paris." The government's latest demands, it added, are "only a trick intended to buy time." What is clear, it warned, is that Netanyahu has made "a conscious decision to get off the Oslo train, no matter what the consequences of that decision might be."

Similarly, *Maariv*, another centrist daily, editorialized on Jan. 15 that the cabinet's decisions were simply meant to convey Netanyahu's message to Clinton, in advance of his trip: "Mr. President, you can take a flying leap." In a meeting with U.S. Zionist mobster Edgar Bronfman in December, Netanyahu went so far as to refer to Clinton as the "Saddam Hussein of the West."

## Fundy-bunnies praise Netanyahu

One reason that Netanyahu can afford to be so contemptuous with a government which pays all of its bills, is the deal he has struck with televangelist charlatans such as Pat Robertson, Jerry Falwell, and their Congressional allies, such as Senate Foreign Relations Committee Chairman Jesse Helms (R-N.C.) and Speaker of the House Newt Gingrich (R-Ga.), to join forces against the White House.

Reflecting this alliance, Netanyahu was warmly greeted on his recent trip by Falwell, and other leaders of the Southern Baptist Convention, who announced that they would mobilize on Israel's behalf against the Clinton administration. Speaking to the *New York Times*, Falwell warned, "There are about 200,000 evangelical pastors in America, and we're asking them all through E-mail, faxes, letters, telephone, to go into their pulpits and use their influence in support of the state of Israel, and the Prime Minister."

Netanyahu's alliance with this crowd is also not that popular in Israel. After all, these are the same preachers who claim that the Second Coming of Christ will be hastened by an Armageddon, this time a nuclear one, in the Mideast—in the process, of course, frying the Jews.

Bush crony Pat Robertson, who interviewed Netanyahu on his Christian Broadcasting Network (CBN) during his trip, is one of the more explicit on their cultist motivation for their "support" of Israel. "The takeover of Jerusalem by the Jews during that [1967] war was a signal that the times of the Gentiles had ended," Robertson wrote in his 1972 autobiography. "In my thinking, the ministry of CBN was an end-time ministry. Like John the Baptist, we had been called to proclaim the end of the old age, and to prepare the people for the coming of Jesus Christ and the new age."

In his 1982 book, *The Secret Kingdom*, Robertson prophecies that, "having been regathered from the countries of the world, Israel, a unified nation living in relative security, will be invaded by a confederation from the north and east." The resulting annihilation of Israel—now being ushered in by the expendable Netanyahu, and his moves for a final showdown with the Arabs—means that their wished-for time, may well be at hand.

# Britain's Defence Systems Limited expelled from Angola

by Our Special Correspondents

On Jan. 14, one hundred and three foreign nationals, including 45 Gurkhas, of Defence Systems Limited (DSL) were air-lifted out of Angola. The Britain-based firm was ordered dissolved and its expatriate staff expelled by the government of Angola following charges that DSL officials were "running their business in an illegal way in the country."

*EIR*, in its feature story "Britain's 'Invisible Empire' Unleashes the Dogs of War" (Aug. 22, 1997 issue), exposed DSL as the British Crown's prime privatized paramilitary intelligence asset, operating in tandem with British mining and commodity firms as well as financial institutions which have expanded operations throughout Africa and South America. This massive deployment of speculative capital has gobbled up mineral resources, banks, and other national assets that these countries have been forced to privatize under pressure from the International Monetary Fund. The current genocidal civil wars in Central Africa, which are now spreading throughout Ibero-America, have been raging in the wake of this massive deployment of British resources.

## Illegal activity

On Dec. 24, 1997, Christmas Eve, the Angolan government issued a decree dissolving Defence Systems Ltd. and ordering the expulsion of its 103 foreign personnel on charges of "running their business in an illegal way." Simao Soares Junior, the legal adviser to the Angolan Interior Ministry, was quoted in the *Jornal de Angola*, a state-owned daily, as saying that after its contract for security services in Angola expired, DSL "attempted to extend their activity to new areas without the consent of the authorities and using fraudulent methods."

According to an Angolan Embassy source, "Angola has laws, but due to the confusion from the war in Angola, many countries didn't respect our laws. DSL was evading paying taxes and had many companies paying them for security via banks in the U.S. and in London. Even the U.S. government, the Embassy, and Voice of America, used DSL." Apparently, DSL's practice of employing former members of Her Majesty's Gurkha regiment, did not go down well with the Angolan government. The Embassy source charged, "They had Gurkhas, too many Gurkhas doing jobs that Angolans could do."

American diplomatic sources told *EIR* that the Angolan government's case had merit. One source told *EIR* that the government "probably has a good case against them [DSL], but it violated its own laws in the way it dealt with them when it expelled them." He added that although DSL had created an official Angolan-based subsidiary, called DSL-Angola, as required by government regulations, DSL allegedly received payments for its Angolan contracts directly to its London-based offices via U.S. and London banks, a practice seen by the Angolan government as an attempt to avoid paying taxes in Angola. "DSL-Angola, headed by two Angolans, has no money and nobody knows who's going to pay the Angolans who were on DSL's payroll," the U.S. official said.

A spokesman at DSL-Angola, who is an Angolan, told *EIR* that DSL-Angola had severed all ties with DSL-London, as required by the government decree, and is requesting that its clients retain its services. He said his company has now established a relationship with Gray Security Services, a very large South African-based security company offering a broad range of legitimate security services. They are also linked with an Angolan security company, called Teleservices. According to Angolan sources, Teleservices was set up by the government in its attempt to "Angolanize" the large private security sector, which has been dominated by foreign operations. When the notorious Executive Outcomes, another firm in the British "Invisible" Empire operations, was forced to quit Angola, many of its contracts were taken over by Teleservices. According to these sources, its directors include the Chief of Staff of the Angolan Armed Forces, the commander of the ground forces, and the current Angolan Ambassador to Washington.

Richard Bethell, the chief executive officer of DSL, and Jonathan Spiller, managing director of the U.S.-based Armor Holding Inc., DSL's current owner, have not answered *EIR*'s calls, and thus *EIR* has been unable to ascertain DSL's view of why it has been expelled.

DSL's Angolan contract was one of its largest. It employed 1,400 Angolans, providing security for multinational oil and mining companies, as well as the American and other foreign embassies. It also had the contract to provide security

for the premises of the Angolan government diamond company, Endiama, both in Luanda and in the mining region itself. According to an official Armor Holding press release, DSL ceased operations in Angola as of Jan. 16. The Angolan contract represents 15% of Armor Holdings' revenue for 1997, and it remains to be seen how it will affect the company's share price, which is traded on the American Stock Exchange.

### **Broader strategic interests**

But, the significance of this development goes beyond the mere loss of a major security contract. DSL has been involved in Angola since 1986, when it became the first Western security company to operate for the Marxist People's Liberation Army government in Angola. As the British Crown's prime privatized paramilitary-intelligence operation, DSL's deployment into Angola represented a significant shift in British policy, to throw their support behind the Marxist government, which, with massive support from Cuba and the Soviet bloc, was engaged in a bloody civil war with the anti-communist forces of the Western-backed UNITA. London's Lonrho company, which DSL knows from its Mozambique contracts at that time, had extensive discussions in London in January 1986 with a representative of the East German State Security Service, the Stasi, which had a large presence in Angola.

The booting out of DSL from Angola coincided with the conclusion of an agreement and firm timetable for its implementation, on Jan. 13, between the Angolan government and the UNITA opposition. The Clinton administration, in an effort to end the civil war, has acted behind the scenes to help broker an agreement. It is well known that the Clinton administration prevented an Executive Outcomes-assisted effort to achieve a military solution in 1994. EO was ousted from Angola last year. It has been a long-standing demand by UNITA that all mercenary forces be withdrawn from Angola. UNITA had insisted that "private security" companies were involved in combat. In May 1997, the Clinton administration also insisted that a new offensive at that time should be stopped. Similarly, in Papua New Guinea, it is well documented that, in 1997, DSL facilitated the entry into that country of EO and Sandline Security of London. Special Air Services (SAS) "old boy" networks did the same in Angola. DSL's departure from the scene is perhaps testimony to London's duplicity regarding the peace effort.

French sources close to DSL's French affiliate, CIAS, in Corsica (home base also of the French Foreign Legion), have complained that the United States has been orchestrating the reshuffling of private security companies in Angola. The Angolan government has been insisting on domestic control of such companies. The charges that DSL violated Angolan law, seems to indicate that it has run afoul of U.S. efforts to assist the peace process between UNITA and the government.

## **New hot-spots threaten another Balkan war**

by Konstantin George

During December and January, three new flashpoints arose across the southern portion of former Yugoslavia: the Albanian-inhabited region of Kosova, whose 90% Albanian majority has been subjected to brutal Serbian misrule and oppression; the rump Yugoslavia republic of Montenegro; and, the Republic of Macedonia. Each carries the potential to spark a new Balkan war.

The parameters defining both the current slide toward a new Balkan war, as well as for a successful solution to the problems, are located outside the Balkans. No matter how "indigenous" the problems in the Balkans may seem, the conflicts there always are determined by the policy fights "at the top," so to speak, among the larger world powers. The current slide toward a new war was set in motion, unfortunately, despite the good intentions of the Clinton administration, by the foul compromises acceded to by Washington, with London and Paris, in the Dayton Peace Accord. Added to that, is the absence to date of a U.S.-led economic development perspective and program for the Balkan region. Barring such an American initiative, London and Paris, which have orchestrated every war and sabotaged every peace initiative in the region since 1991, will continue to exercise a stranglehold in the Balkans.

### **Kosova at the brink**

The most serious of the three hot-spots at present is Kosova. In this regard, the United States has assigned a national security priority to trying to cool down the situation there. This was evidenced by the mid-January mission of U.S. special emissary for former Yugoslavia, Robert Gelbard, to Serbia, where, for the first time ever, the itinerary included a visit to the Kosova capital, Pristina.

The Kosova situation has been deteriorating for years. Serbian dictator Slobodan Milosevic has used his military and police to imprison thousands of Albanians, and hundreds have been murdered by the Serb authorities. The Albanian majority has been denied all rights, and has even seen their schools and universities closed, under a Belgrade-imposed ban on all teaching in the Albanian language.

Until recently, this torture and humiliation have been met with a policy of non-violent opposition, and civil disobedience, under the leader and modern-day "father" of Kosova Albanians, Ibrahim Rugova, in the awareness that violence



would play into the hands of the Belgrade oppressors, and open the door to a new, southern Balkans-centered war. Any explosion in Kosova would not be contained within the borders of Kosova. Kosova borders on Albania, which over the past year has itself become extremely unstable, and on the Republic of Macedonia, which, alongside its Slav majority, has an Albanian minority comprising about 30% of the total population.

However, playing upon the waning patience among a significant portion of Kosova Albanians, an anti-Rugova group, called the Kosova Liberation Army (KLA, or UCK from its Albanian initials, which has been around for some time, functioning on a low-level "armed struggle" basis), has swung into action. Under the KLA, which has won over a number of clans in the central mountains of Kosova, the beginning of an armed insurrection against Serbian misrule commenced late last year.

The revolt began on Nov. 25, with the first serious clash between KLA insurgents and Serbian forces in the central Kosova district of Skenderaj. The next day, a larger Serbian force entered the district, and after another clash, the Serbians pulled back. Two days later, on Nov. 28 (not coincidentally, Albania's national holiday), at a funeral for a Kosova Albanian teacher killed in the Nov. 26 clash, the first mass rally organized by the KLA drew 20,000 Kosova Albanians. KLA speakers read a "Declaration of War on the Serbian Occupying Power," to the cheers of participants.

Since Nov. 26, for nearly two months, no uniformed Serbian personnel, neither army nor police, have set foot in this district, which has de facto become the first "liberated zone" in Kosova, a zone embracing 52 villages with about 70,000 inhabitants. From Belgrade's standpoint, central Kosova has become a "no-go zone" for Serbian forces.

As of January, the Serbs even called a halt to their previous low-altitude helicopter flights over the district. This reflects the fact that the ethnic Albanian insurgents, who started out well-armed with all sorts of light infantry weapons, probably have procured more sophisticated weapons. Kosova's border with Albania is totally porous, and ever since the chaos that swept Albania, starting in February-March of last year, with the plundering of all arms depots there, there has been an almost daily traffic of arms, smuggled out of Albania into Kosova. It was the breakdown of Albania last year that provided the KLA with the physical capability, namely, tens of thousands of weapons and huge stores of munitions, to mount an armed insurrection. The KLA's ranks have been filled out because of the ever-growing loss of patience among Kosova Albanians in the potential for success of passive resistance. This loss of patience is greatest among the Kosova Albanian youth. These young people (more than half of Kosova's 2 million Albanians are under the age of 25), under the humiliating conditions of Serbian apartheid rule, see themselves with no future, and are easily recruitable into the ranks of the KLA.

## The Macedonian crisis

In December, a wave of bombings hit the western area of the Republic of Macedonia. This region, along Macedonia's border with Albania, and in the north bordering on Kosova, is overwhelmingly inhabited by ethnic Albanians. On Dec. 19, a bomb went off in the court building in the town of Gostivar. The town was the site of the most serious ethnic Albanian protests to date in Macedonia, in July 1997, in which its ethnic Albanian mayor was accused of having incited the riots, and was sentenced to several years in prison. Ever since, tensions have been high. Then, on Jan. 4, bombs went off in the police stations of the Macedonian towns of Kumanovo and Prilep.

The KLA issued a statement saying these bombings had been the work of the KLA, and marked the start of the "liberation" struggle of the Albanians of Macedonia. While the deterioration in Macedonia is not comparable to that of Kosova, there are no grounds for complacency. The breakdown of order in Albania last year, led to a similar huge flow of arms and munitions across the border into Macedonia, as it did into Kosova. Therefore, a well-armed KLA network is in place in Macedonia. The Macedonian regime has to proceed carefully and not lump together non-violent Albanian groups calling for autonomy, with the "armed insurrection" camp of the KLA. In this explosive context, undifferentiated repression could prove to be fateful for the entire region.

Another crisis spot is the proto-civil-war situation in the rump Yugoslav republic of Montenegro, sandwiched between Bosnia, Kosova, and Macedonia. Montenegro was the other stopover of the Gelbard mission; he visited the Montenegrin capital, Podgorica, on Jan. 12.

Last autumn's Presidential elections were won by Milo Djukanovic, who narrowly beat the pro-Milosevic incumbent, Momir Bulatovic. Bulatovic, with the backing of Milosevic, has refused to concede defeat. Beginning on Jan. 11, Bulatovic's followers rioted in Podgorica, trying to block the Jan. 15 inauguration of Djukanovic. The move failed, but the crisis continues, with the republic's population split down the middle.

Following Djukanovic's inauguration, an apparent compromise has been reached. On Jan. 20, President Djukanovic appointed the Interior Minister of the previous government, Filip Vujanovic, as caretaker Prime Minister, until elections for parliament are held in May. It appears that both camps have agreed to await the May results.

This was clearly the result of massive pressure exerted by the United States through the Gelbard mission. Before arriving in Belgrade on Jan. 11, and in Podgorica, Gelbard had spoken in the most unmistakable terms of America's "great concern because of the threats of violence by still in office [then] President Bulatovic," and stated that, for the United States, the inauguration of Djukanovic was "of great importance."

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# International Intelligence

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## ***Helmut Kohl eats his way through Italy***

German Chancellor Helmut Kohl's Jan. 20-21 blitz visit to Italy, to discuss the European Monetary Union with Premier Romano Prodi, could only be described as "Pantagruelike" for its gourmandise. The two leaders met two days after an EMU finance ministers' meeting devoted to scrutinize Italy's eligibility to join the monetary union—i.e., impose vicious austerity—but which in reality has more to do with growing social opposition to Maastricht all over Europe, and with the accelerating global financial collapse.

Whereas the content of Kohl and Prodi's discussions was not revealed, the Chancellor's anxieties were manifested in his performance at the well-known "Da Fortunato" restaurant.

According to the Jan. 21 *Corriere della Sera*, Kohl devoured: antipasto; four pasta courses of ravioli di ricotta, gnocchetti al pomodoro, rigatoni all'amatriciana, rigatoni alla carbonara; two meat courses of roast lamb with potatoes, and veal leg, with asparagus, potatoes, and artichokes alla romana.

The Chancellor was not stingy with desserts either, making short work of red fruit salad, cheese cake, and tiramisù.

Back home, German unemployed are threatening to demonstrate in front of bank offices, protesting the drop in their living standards.

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## ***Canada 'apologizes' to Eskimos and Indians***

The Canadian government has formally apologized to its indigenous people for "actions that have had a negative political, economic, and social impact," as part of a "statement of reconciliation," according to *The Australian* of Jan. 9. The apology to various Indian and Eskimo tribes, along with a Can \$600 million compensation package, was delivered by Canadian Indian Affairs Minister Jane Stewart on Jan. 7.

The international clout of Prince Philip's indigenous movement can be seen in the fact

that, for the past six months, huge pressure has been building on the Australian government to also apologize to its indigenous peoples, for 200 years of "maltreatment and genocide." One of the chief architects of the Canadian indigenous movement, Peter Jull, has also been heavily involved in promoting indigenism and "land rights" in Australia, where he now resides.

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## ***Racist genome project patents tribes' DNA***

A 1993 report from the Human Genome Diversity Project (HGDP) lists 700 tribal groups fit for "gene sampling," according to a feature in Papua New Guinea's *The National* of Jan. 5. The report lists so-called indigenous groups from all over the world, whose DNA cell material is deemed suitable for "gene sampling," including some 58 tribal groups representing about 500,000 people from Papua New Guinea and the Indonesian province of Irian Jaya.

According to the HGDP report, the U.S. topped the list with 69 indigenous groups identified as being "fit for gene sampling," followed by tiny Papua New Guinea.

*The National* reported that, in 1995, a Papua New Guinea tribesman "ceased to own his own genetic material when the U.S. National Institutes of Health allowed his cells to be patented." His tribe of 260 people only came into contact with the outside world in 1984. Similarly, an unproved treatment for asthma developed from blood samples taken from asthmatics of the South Atlantic island of Tristan da Cunha, was sold by a California-based company to German giant Boehringer Ingelheim for \$70 million. The Rural Advancement Foundation International, which is challenging the concept of DNA patenting before the International Court of The Hague, said in a release: "In the days of colonialism, researchers went after indigenous peoples' resources and studied their social organizations and customs. But now, in biocolonial times, they are going after the people themselves."

The gene project is an extension of Prince Philip's old Primitive Peoples' Project. Its target areas on P.N.G. overlap some

highly coveted mineral deposits, such as: Bougainville Island, home of what was once the world's largest copper mine, owned by Rio Tinto (now inactive, due to insurgency); Lihir Island (Rio Tinto & DiamondWorks' gold); and Misima Island (gold). Gene-patenting companies have applications pending with governments for gene sampling for the Solomon Islands, Fiji, Tonga, Australia, New Zealand, and other Pacific nations.

Dr. Carlton Gajdusek, convicted in the United States of pedophilia, headed the team that patented the DNA cell line of the Papua New Guinea tribesman reported above. According to an *EIR* source, Gajdusek "took young Goroka area boys back to reside with him in the U.S., and they made complaints to authorities that he had sexually abused them." In 1976, Gajdusek received a Nobel Prize in Medicine, for work in P.N.G. Eastern Highlands region, where his pedophile victims came from.

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## ***Britain's Cook cozying up to U.S. establishment***

British Foreign Minister Robin Cook indicated quite clearly on Jan. 15 that Britain's Blair government is going to use its newly acquired position as president of the European Union, to strengthen its influence over the United States. In a speech at the European Institute in Washington, Cook said, "Britain's new relationship with Europe does not in any way detract from Britain's strong friendship with the United States. The two are not in conflict. They reinforce each other. And it is because we are now playing a strong role in Europe that we can be a more effective partner for the U.S."

Although admitting the obvious differences between the EU and the United States regarding Iran, Cook lied that the differences were merely over sanctions, not U.S. rapprochement efforts: "We share common ends in Iran, but we have failed to agree on a common prescription. I would like to try and start putting that right by finding that common prescription during the British presidency," Cook said. Cook warned that the sanctions were divisive: "Isolating Iran is not the right response," Cook said. "Isolat-

ing Iran economically won't hit the target we want: Iran's attempts to acquire weapons of mass destruction." Cook said that "Tony Blair and other European leaders have taken up with Russia the need to prevent the supply of missile technology to Iran."

Cook said that he favored increasing pressure on Iran, which would include expanding the scope of the International Atomic Energy Agency inspections in Iran and focussing more attention on Iran from the side of the Missile Technology Control Regime "to make export controls on missiles technology effective."

"We will use every tool and every agency at our disposal to obstruct Iran's unacceptable ambitions," Cook said. "Iran will be subject to intrusive inspections under the Chemical Weapons Convention it has now signed. We must make sure they work. And we are determined to make the same true of the Biological Weapons Convention."

## ***Pakistan protests Brits' technological apartheid***

The same British government which harbors "Islamic" terrorists, including from Pakistan, has systematically refused to grant student visas to Pakistanis studying nuclear physics. As a result, the Islamabad government has "lodged a strong protest with Britain," reported the Rawalpindi newspaper *Nawa i Waqt* on Jan. 12.

According to the paper, "Minister for Information Syed Mushahid Hussain, in a meeting with British Deputy Foreign Minister Baroness Simons, said that seeking education is a fundamental right, and there should not be any restrictions on it. Though the British deputy minister gave an assurance that she would review this matter, she stressed that British visa regulations were very strict, and had to be followed.

"The British minister's argument is totally baseless," the paper emphasizes, "and it is not an answer to the question why Pakistani students are not allowed to study sciences, particularly nuclear sciences. Whether the British minister admits it or not, it is a fact that Muslim students, particularly Pakistanis, are not only denied admission to

nuclear sciences, but all disciplines that are linked with development in the world, such as supercomputers." On the other hand, the paper notes, Pakistani students never have a problem getting visas to study political science or international relations.

Back in 1992, the London-based Institute for European Defense and Strategic Studies put out a paper, *At War with Modernity; Islam's Challenge to the West*, which warned that the greatest threat to the West was the development of the Islamic bomb, and that, therefore, "it ought to be a political imperative for the West to ensure that the necessary technology is not available." The paper also explicitly called for banning Muslim students from studying physics, metallurgy, engineering, mathematics, and similar subjects in Western universities.

## ***Russian strikers enraged over government lies***

A series of strikes began in several regions of Russia in mid-January, involving employees paid (or, rather not paid) from the Federal budget, who had reportedly been paid all their back wages. These are teachers from Yekaterinburg, physicians from Vladivostok who launched a hunger strike, and machine-building workers from Yaroslavl. On Jan. 13, NTV interviewed a teacher near Yekaterinburg, where teachers have been paid only their wages from August. She said she had never experienced a more humiliating situation in her life. Another was shown at home, where she has nothing but cabbage in her refrigerator for her two children.

The same day, workers from the Yaroslavl Motor Plant blocked the highway in the city. A strike committee uniting all the budget-sector services has been convened in Yaroslavl.

Since Dec. 20, First Vice Premier Boris Nemtsov and other officials have been claiming that all debts to the budget organizations had been paid. NTV quoted trade union federation leader Mikhail Shmakov, from an interview with "Ekho Moskvu" radio, saying that the regional authorities' negligence in disbursing the wages may provoke outbreaks of social unrest.

**PAKISTANI** Foreign Minister Gouhar Ayoub Khan, meeting with Pakistani parliamentarians on Jan. 10, announced that Afghanistan's factions had accepted a plan to end the war. He stressed that Iran supported this plan. Pakistan has sent envoys recently to Iran and Saudi Arabia to discuss the Afghan crisis.

**TURKEY'S** Constitutional Court banned the Welfare Party on Jan. 16, under a Turkish law forbidding any party to be founded along religious, ethnic, or communist ideological lines. The Turkish chief prosecutor said that he will block any efforts to re-create the Welfare Party under another name. The party was headed by former Prime Minister Necmettin Erbakan, who termed it "the slaughter of the law 40 times over." He added, "But we respect the decision."

**EDUARD SHEVARNADZE**, President of Georgia, met with Prime Minister Benjamin Netanyahu in Israel on Jan. 16, and signed a "declaration of friendship." Shevardnadze invited Netanyahu and Infrastructure Minister Ariel Sharon to visit Georgia later this year to discuss possible cooperation in energy. Shevardnadze was also presented with an award by the Israeli Institute of Democracy for his contribution to promoting democracy in Georgia.

**FORMER ZAMBIAN** President Kenneth Kaunda was released from a maximum security prison on Dec. 31, but was placed under house arrest with a continuing prohibition on political activity and contact with the press. U.S. State Department spokesman James Foley said that the United States would welcome that development, but expressed concern about Kaunda's condition.

**RUSSIAN PRESIDENT** Boris Yeltsin is planning to meet with Pope John Paul II when he visits Rome in the second half of February, Presidential spokesman Sergei Yastrzhembsky announced on Jan. 10.

## Bush gang suspected in new assault on Presidency

by Edward Spannaus and Jeffrey Steinberg

In the midst of the worst global financial crisis in modern history, the United States Presidency has come under renewed, vicious attack from a combination of British and nominally “American” Bush-League circles. This latest attack, which one White House official long ago appropriately dubbed “bimbo eruptions,” centered around a Bush “mole” who was, unfortunately, allowed to operate inside the Clinton administration, and who now enjoys high-level security clearances in her post at the Pentagon.

Linda Tripp, the central player in the renewed assault against President Clinton—staged around a purported sex scandal involving a young White House intern, Monica Lewinsky—was a Bush administration employee from 1990, until Bush left office in January 1993. At the urging of senior Bush administration officials, including Transportation Secretary Sam Skinner, Tripp was retained by the Clinton-Gore transition team in a clerical position, and later assigned to work at the Office of the White House General Counsel, under Bernard Nussbaum and his deputy, Vincent Foster. All the while, she was operating as part of a treasonous Bush-League “fifth column” within the Executive branch.

While the “Get Clinton” media have attempted to portray Tripp as “apolitical,” she was, in fact, an ally, from the Bush administration period on, of then-FBI agent Gary Aldrich, who, in 1996, wrote a libellous book against President Clinton, *Unlimited Access: An FBI Agent Inside the Clinton White House*, which also revolved around bogus claims of White House sexual misconduct (see *EIR*, July 26, 1996, p. 72.) Aldrich was another Bush-League mole inside the Clinton White House. His embarrassingly fantasy-ridden book has been trumpeted by the London-based Hollinger Corporation, the leading British Crown media cartel; by its subsidiary,

*American Spectator* magazine; and by “Get Clinton” moneybags Richard Mellon Scaife.

Tripp emerged in 1995 as an asset of Whitewater Independent Counsel Kenneth Starr, testifying before the Whitewater grand jury and later before a Congressional hearing on the death of Vincent Foster. When Lloyd Cutler replaced Nussbaum as White House General Counsel, Tripp, who by then had been widely identified as an unabashed political enemy of President Clinton, was reassigned to the Pentagon, where she eventually got an \$80,000-a-year job, which also involved her getting top-level security clearances. Tripp claimed, to anyone who would listen, that she had been transferred from the White House because she “knew too much about Whitewater,” a patent lie.

Commenting on the role of Tripp as the linchpin in the latest Clintongate assault, Lyndon LaRouche called on Jan. 22 for Tripp’s security clearances to be immediately revoked, pending the outcome of a thorough probe of her role in the sordid affair. “She obviously needs her security clearances immediately pulled, given her role in what has all the earmarks of an illegal attack against the President, ostensibly on behalf of partisan Republican forces. I would certainly hope that there is no one in the Pentagon who would countenance such an obvious assault against a vital American institution, the Presidency. I would expect such treachery from the editorial page writers at the *Wall Street Journal*, but not from our military.”

### An earlier ‘eruption’

In the summer of 1997, Tripp surfaced again as part of an effort to hit President Clinton with a “Profumo”-style sex scandal, telling *Newsweek* that the President had sexually har-

assed a White House aide, Kathleen Willey. Willey denied, under oath, that Tripp's allegations were true. This prompted President Clinton's attorney, Robert Bennett, belatedly, in August 1997, to denounce Tripp as a liar.

While working at the Pentagon, in late 1996, Tripp had already begun to cultivate a close relationship with a former White House junior staff aide, 22-year-old Monica Lewinsky, who had been recently transferred to the Defense Department. It is unclear how the two women came to meet, but in short order, Tripp began to exert a significant amount of control over the younger woman. Tripp should be forced, under oath, to detail the circumstance under which she met and befriended Lewinsky.

Tripp soon betrayed Lewinsky's confidence by surreptitiously—and, probably, illegally—taping telephone conversations with Lewinsky.

By December 1997, Tripp and Lewinsky had *both*, mysteriously, been subpoenaed to give depositions to attorneys for Paula Jones, in her civil lawsuit against the President—a lawsuit instigated by British intelligence operator and former London *Sunday Telegraph* Washington correspondent Ambrose Evans-Pritchard. How Jones's attorneys came to know of the existence of Tripp and Lewinsky is one question that may hold a key to Tripp's role in the present attack against the President. It should be recalled that, prior to being named the independent counsel in Whitewater, Kenneth Starr had been paid by Richard Mellon Scaife, through the Landmark Legal Foundation, to prepare an *amicus curiae* brief in support of Paula Jones.

Tripp claims that, on Jan. 12, 1998, she took 20 hours of tape-recorded conversations with Lewinsky to Whitewater Special Prosecutor Starr. The next day, Starr arranged for Tripp to secretly tape her meeting with Lewinsky at the Ritz Carlton Hotel near the Pentagon in Arlington, Virginia.

At the time that Starr arranged for the FBI to secretly tape the Tripp-Lewinsky meeting, *he had absolutely no jurisdiction to probe President Clinton's relationship to the former White House aide*. Indeed, it is critical that a full-scale probe be conducted, to determine whether Tripp, who was in league with Starr from 1995, was taping her conversations with Lewinsky on her own, or, covertly, on behalf of Starr. At minimum, Starr vastly overstepped his jurisdiction; far more likely, he himself broke the law—along with Tripp—in a flagrant attempt to entrap and destroy President Clinton.

## No U.S. precedent

In the 200-year history of the American Presidency, there have been occasional sexual scandals involving top government officials; however, never has such a personal scandal brought down the chief executive. There is only one country in the world where heads of government are brought to their knees through such tabloid scandal-mongering: Great Britain. In 1963, Harold Macmillan's government was

brought down by a sex scandal involving Defense Minister John Profumo.

It is, therefore, not surprising that a review of the various Clintongate scandals, from the 1993 so-called "Troopergate" affair to the present attack, reveals that British intelligence stringer and former *Sunday Telegraph* Washington correspondent Ambrose Evans-Pritchard has been the chief instigator. As early as May 8, 1994, in a *Sunday Telegraph* column, Evans-Pritchard boasted that he had been instrumental in getting Paula Jones to file her civil suit against the President.

Evans-Pritchard has elsewhere boasted that his assignment, on behalf of the British Crown's Hollinger Corporation, has been nothing less than the total destruction of the Clinton Presidency. Writing in the Jan. 22 *Daily Telegraph*, Evans-Pritchard loudly bragged of his manipulation of Paula Jones: "My impression after befriending her four years ago, before she took the momentous step of suing the President, is that her motive was sheer rage."

"Paula Jones has now achieved her object of inflicting massive damage on Bill Clinton, with shortening odds that she may ultimately destroy his Presidency," he continued. Evans-Pritchard accuses the U.S. news media of covering up the Clinton sex scandals, so that only the *American Spectator* or the British press will print the stories. "What Paula Jones has done is to use the immense power of legal discovery to force the scandal to the surface. She has finally done the job that the American media failed to do so miserably."

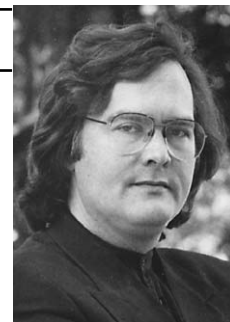
This was precisely the strategy that Evans-Pritchard had laid out in 1994, when he acknowledged on May 8, 1994, that he had had "a dozen conversations with Mrs. Jones over the past two months." He furthermore admitted that "I happened to be present at a strategy meeting last month on a boat on the Arkansas River," at which Jones's attorney "was weighing the pros and cons of legal action."

It doesn't "matter all that much whether Mrs. Jones ultimately wins or loses her case," he wrote on May 15, 1994. "The ticking time bomb in the lawsuit lies elsewhere, in the testimony of other witnesses."

"Put plainly," Evans-Pritchard blurted, "the political purpose of the Jones lawsuit is to reconstruct the inner history of the Arkansas Governor's Mansion, using the legal power of discovery. In effect, the two lawyers and their staff could soon be doing the job that the American media failed to do during the election campaign and have largely failed to do since."

Evans-Pritchard's motive, in contrast to Jones's "sheer rage," is a deep, abiding hatred of the United States, and particularly, the institution of its Presidency. Anyone who joins Evans-Pritchard in this unfolding assault upon the Presidency, is joining the ranks of traitor Aaron Burr.

A thorough probe of the current insurrection, beginning with a spotlight on Linda Tripp, is more than appropriate.



# Leipzig Thomanerchor will sing in Washington

*Georg Christoph Biller has been the Cantor of the St. Thomas Boys Choir in Leipzig, Germany since 1992. The Thomanerchor, as it's known, has existed continuously since the year 1212, nearly 800 years. The great composer Johann Sebastian Bach occupied the post of Cantor at the St. Thomas School from 1723 until his death in 1750, and to the present day, the choir has a special sense of duty toward Bach's choral works. Young singers enter the choir at age seven, and remain at the boarding-school in Leipzig up through high-school.*

*Professor Biller was interviewed by Ortrun and Hartmut Cramer for the German magazine Ibykus in November 1992; the interview appeared the Fourth Quarter 1993 issue. The full interview, translated into English by John Sigerson, was published in the Jan. 19, 1998 issue of the weekly newspaper New Federalist. For the first time in 70 years, the choir will perform in the United States, on Feb. 7 in Washington, D.C. In anticipation of their performance, we present an abridged version of Professor Biller's interview.*

**Ibykus:** Mr. Biller, for about a year now, you have been Cantor at the St. Thomas School in Leipzig; you are therefore a successor to Johann Sebastian Bach. How do you view yourself in this post?

**Biller:** As a successor to Johann Sebastian Bach—albeit a distant one—one is, of course, custodian of the grand tradition; but at the same time, one must also have the present day constantly in mind's eye, and help to shape the present. Because, you would have completely misunderstood Bach, if, today, you were to conceive of yourself as a kind of curator of a Bach museum. Bach learned much from his contemporaries and his predecessors, and he transposed this experience into his own unmistakable works. And I see precisely this as my task today: to take our own era in, and help shape it, even though, thanks to the great treasury of Bach's works, the task has also been passed to me, to preserve the life of things past. . . .

**Ibykus:** Your tenure comes at a very special time, four years after the revolution in East Germany. In those four years, what has changed?

**Biller:** We are living through a quite difficult phase following this awakening out of lethargy and captivity. It's as if a dream that was just too beautiful to really be true, had suddenly become reality. . . . And suddenly, you realize that the reality is in fact quite different from the dream. Today, many people forget that, in the final analysis, we had been liberated from a veritable prison. People in the former German Democratic Republic must now learn to look ahead; this requires that we all practice more patience than many are inclined to muster; it also requires much more boldness and strength. We will also have to re-learn where we must resist the tide of the *Zeitgeist*. A good first step toward self-improvement, would be if everyone stopped relying on others' opinions; and that goes especially for the press, and even more so for television. . . .

**Ibykus:** You say that, on the one hand, art was used by the East German system to "pacify" people, while on the other hand, art provided the individual with the opportunity to preserve his own intellectual identity. What is the role of art, of music, in the new German states today?

**Biller:** . . . For many people, the content communicated via music, was an "oasis." Whenever an oratorio was performed somewhere, during this entire 40-year period, the churches would always be full. These were not members of the congregation. For many party members or teachers, it was already quite normal for them to make an appearance in a church. In the period just before the revolution, when the political rumblings were growing loud, the churches were packed to the rafters whenever there was a concert. Also, hopelessness was becoming increasingly widespread, and people found consolation at such events.

To return to your question: I believe that music continues to play this role today, because, contrary to what [German Chancellor Helmut] Kohl says, there are many people who are worse off today than they were previously. Unlike former times, the store windows are filled, and you can buy anything—only you can't afford it. And, unfortunately, consumption is the first order of the day. The situation has gotten harder for music, too: Orchestras are being shut down, other institutions cut back, and ticket prices have had to be raised,

because the additional costs must be covered somehow. And so, once again, there is a danger that those who seek consolation in music, will not be able to afford to do so.

On the other hand, we see here in the St. Thomas Church, that the sanctuary is always completely filled at our regular cantata performances, which are held on Friday and Saturday every week.

I try to shape the musical programs in such a way, that they are not merely sonic experiences, but, so that they communicate real content. And I should point out that this is the rule, even when we often expect listeners to deal with quite heavy fare, such as recently, with a great motet setting of Bonhoeffer texts by Manfred Schlenker, "Stations on the Path to Freedom," which demands much internal grappling on the listener's part; you can't just avoid that.

So, to repeat: Once again, I see a certain situation of need, but one which at the same time leads to spiritual grappling.

**Ibykus:** Your answer leads us right into our next question: The Pope has issued a call to Christians, regardless of their particular confession, for a new evangelization of the world, and especially of the *Western* world. He dismisses communism and radical liberal capitalism as equally dangerous, and admonishes us to return to a life filled with thought, and carried forward by love. How do you see music's role in this?

**Bill:** For me, Bach is the model for this effort. Bach was constantly grappling intensively with the Bible, as shown not only by the many marginal notes in his personal copy of the Bible, which are still extant, but also by his cantatas, every one of which deals with a theological matter. In a sort of musical sermon, he grappled with the texts of the Biblical readings for that particular Sunday. And these texts have lost none of their poignancy today, even though our [church] fathers have so often thought that it might be better to alter them. On the contrary: The language of Bach's era is much more filled with imagery, and is often much more drastic than our modern language; but there's absolutely no doubt that it demands serious grappling with the text. . . .

I don't know who first coined the phrase that music represents a dialogue with Heaven. . . . Man, viewed in this way, is actually independent of the particular location where he listens to, or plays music. So many people today talk about the things they didn't have behind the Iron Curtain; but the creative intellects, on both sides of the Iron Curtain, were relatively independent of this. . . .

**Ibykus:** It is the young people who are being hardest hit by unemployment and the general absence of any future prospects. How does this situation affect the choir?

**Bill:** Because of its age structure, the choir offers a special opportunity, since other boys of the same age will ask themselves: "That boy's singing in the choir, while I'm using (or, better, abusing) my afternoon time playing computer games;

so, there must be something to what that boy's doing after all, since at any rate, he hasn't exactly fallen on his head doing it." The young singers sacrifice a lot of time for art, and put a lot of energy into it. That, already, is a special opportunity for a children's choir. . . .

Above all, I try to impress upon the choir, the fact that our goal is not simply to sing ever more beautifully — that would be much too small a challenge for me, personally, as well — but, rather, in order to get across a message. . . .

Only just recently, I told the boys that our primary principle is to sing, regardless of what is going on around us. The St. Thomas boys have never stopped singing, even during the days when Leipzig was being ravaged by the Black Plague. At one point, there were only three singers left, some time during the Thirty Years' War. But the work went ahead.

**Ibykus:** What challenges do you see ahead for the St. Thomas Boys Choir?

**Bill:** People often ask me: "What are you going to do that's new?" Perhaps that's a logical question, but I'm involved with the preservation of a tradition, something that has become a tradition precisely because it is always taking what is right, and doing it anew. In other words, in every era, the St. Thomas cantors have always repeatedly taken the same content, the same substance, and have re-shaped it anew. And that's the challenge I'm facing, too. This means that tradition must not be allowed to become a constraint that would, for example, preclude new discoveries in practical performance. But it is the same, ever-unchanging "Soli Deo Gloria" ("To the Glory of God Alone"), which was not just Bach's own personal creative motto. The old cantor's motto, "Singet dem Herrn ein *neues* Lied" ("Sing a *New* Song unto the Lord"), has to be taken seriously once again. This means that you're growing on top of very old roots indeed. . . .

Then there's Bach's cycle of cantatas. I'm attracted by the idea of actually performing all the Bach cantatas in chronological order, over a delimited period of time, instead of merely taking snippets from his cantata opus. It's exciting, too, to stand before such an entire body of work; you become even more overwhelmed by the sheer profusion of Bach's creative work. How he started out from the mundane, only to go far above and beyond it! . . . In certain cantatas, you can recognize that he was writing for very specific singers . . . but never allowed himself to be guided by practical limitations, instead always writing beyond the existing conditions! . . .

The scope of the St. Thomas boys' work is so prodigious, that all you need to do, is make sure it is always filled with sufficient content. Our great tradition assists me in doing what's right. Things are always coming up which need to be reconceptualized, but that's completely normal. It's as with a good building, which has to be remodeled occasionally, but which doesn't need to be re-built from the ground up.

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## Carville ridicules Post for Whitewater coverage

Irreverent Presidential adviser James Carville poked some fun at the *Washington Post*, in the daily's own pages on Jan. 10, noting its recent coverage in which "a headline screams that the Whitewater probe is nearing 'a crucial phase,'" and in which the first paragraph "boldly claims that the Whitewater investigation is coming to 'a critical juncture.'"

Carville recounted numerous instances over the past two years where the *Post* has claimed that the Whitewater investigation had reached an "important phase," a "critical juncture," or a "critical stage."

"And now," Carville writes, "over a year later, readers of your paper are trying to determine if we are now at a 'critical juncture' or a 'critical phase' in the Whitewater inquiry. Or, perhaps, it's only an 'important phase.' The truth of the matter is that the best way to use the word 'critical' in this case is to be critical of [Special Prosecutor Kenneth] Starr's goofy and protracted investigation and to be critical of the media for their uncritical reporting of Starr's political witch-hunt."

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## Welfare reform causing worse homelessness

A new survey entitled "Early Warning Report: Issues and Problems of Welfare Reform in Los Angeles," issued in early January by the Welfare Reform Monitoring Project (WRMP) of the Los Angeles Coalition to End Hunger and Homelessness, reveals the harsh realities of workfare "welfare reform." Says the WRMP report, "Overall, the group of families surveyed had young children, were dependent on aid to maintain their livelihood, and did not have anyone working full-time at a livable wage. . . . Families relied heavily on benefits such as cash aid, food stamps and Medi-Cal for survival." The targetted groups were those families or individuals who "are directly impacted by the new laws."

Of those families whose incomes were cut or reduced by welfare reform, all were forced to rely "on low-wage jobs and public benefits," which "placed families in precarious situations." The report indicates that, of those families surveyed, more than 60% were unable to pay a combination of rent, bills, childcare, or health care. Among families who lost all or part of their benefits, 55% became homeless, 45% were evicted, 17% of the families split up, and 5% of them doubled up. No matter what area of the city and county was surveyed, "welfare reform" resulted in the inability to pay rent (approximately 60%), coupled with incredibly high rates (over 40%) of homelessness.

Bob Erlenbusch, executive director of the Coalition, told *EIR*: "We began the Welfare Reform Monitoring Project (WRMP) because . . . except for Atlanta no [welfare rights] advocates have monitored the results of welfare reform anywhere else in the country. In Wisconsin, for example, only anecdotal information was available. You know, advocates would say, 'Well, people are being made homeless,' but there were no hard numbers. So [Wisconsin] Gov. Tommy Thompson could get up and say, 'All these people have found jobs.'"

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## Texas set to kill first woman since Civil War

Karla Faye Tucker, convicted in 1984 for murder, has been scheduled to be executed on Feb. 3. Her case has unleashed a national debate over whether justice should be based on vengeance, or whether it would benefit from the concepts of mercy and rehabilitation.

Although much of the debate revolves around the fact that Tucker is a woman, and would be the first woman executed in Texas since the Civil War, the deeper issue involves the fact that Tucker, 38, convicted of committing a vicious crime, has become completely rehabilitated and a born-again Christian. Tucker, convicted for committing a double murder with a pickax, while on drugs, was first prostituted by her mother at the age of 10, and readily consumed drugs throughout her childhood.

Her conversion confronts death penalty supporters, especially so-called Christians, with a dilemma: Their bloodlust in this case will snuff out the life of a fellow believer, who represents no further threat to society. Tucker's change also poses the question how many more killers could be changed if justice were premised on rehabilitation. The *Houston Chronicle* aptly editorialized on Jan. 16: "To say that Tucker's conversion to Christianity is reason to spare her is to say that we may as well do away with capital punishment."

Gov. George Bush, with the recommendation of the Board of Pardons and Parole, could act to commute her sentence to life. Bush, whose father has teamed up with Rev. Sun Myung Moon to bankroll his son's Presidential aspirations, so far has refused to act, demurring that he will not interfere with the decision of the jury.

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## Bush ambassador to U.K. says Clinton is pro-IRA

George Bush's ambassador to the Court of St. James, Raymond Seitz, who remained in London after his replacement in 1994, has charged in his memoirs that British intelligence information on Northern Ireland that was passed on to the Clinton White House, "often seemed to find its way back to the IRA." Seitz claimed that matters became so bad, that the John Major government stopped passing sensitive intelligence on Northern Ireland to the White House.

Seitz's memoirs were excerpted in the Hollinger *Sunday Telegraph*, the flagship publication for the "Get Clinton" attack force, on Jan. 19. Seitz was appointed by Bush as U.S. ambassador in 1991, and stayed on until 1994.

Seitz called U.S. Ambassador to Ireland Jean Kennedy Smith "an ardent IRA apologist," and attacked her brother, Sen. Edward Kennedy, for having unwarranted influence over the President on Northern Ireland issues, as well as former National Security Council staffer Nancy Soderberg (earlier an employee of Senator Kennedy), as a "dedicated advocate" of Sinn Fein President Gerry Adams. The Clinton White House



consistently accepted the advice of this Kennedy trio, above that of career professionals and the U.S. State Department, Seitz alleged.

## Stephanopoulos blasts Rutherford Institute

Former White House adviser George Stephanopoulos blasted the "Christian Reconstructionist" Rutherford Institute, during an appearance on ABC's "This Week," on Jan. 11. A few months ago, it was announced that the costs of Paula Jones sexual harassment suit against President Clinton—the lawsuit originally orchestrated by the London *Sunday Telegraph's* Ambrose Evans-Pritchard—were being picked up by the Rutherford Institute, based in London and in Charlottesville, Virginia. The institute, among other things, also advocates the reinstitution of slavery.

During his appearance, Stephanopoulos said that he believes the Jones case will go to trial, and that the public, "as they find out that Paula Jones's lawyers are subsidized by taxpayers—they are going to be enraged. This Rutherford Institute, their other client in Arkansas, is a Nazi, a former Nazi who's a white supremacist. They are run by a protégé of Jerry Falwell, and I think the more people find out about this," the more disgusted they will become with the attacks on the U.S. Presidency.

## Three LaRouche allies file Federal habeas writs

Three more Virginia political prisoners, associates of Lyndon LaRouche, filed *habeas corpus* petitions in Federal courts on Jan. 13. The three separate petitions, filed on behalf of Anita Gallagher (serving 39 years), Paul Gallagher (34), and Laurence Hecht (33), are each 225 pages long, backed up by two volumes of evidence each, documenting the gross injustices in their cases.

Among the issues raised in the petitions:

- It was unconstitutional to prosecute associates of Lyndon LaRouche for sollicita-

tion of political loans under Virginia's securities laws, when the state had never considered such loans to be securities before. At the time of the 1987 indictment, even the State Corporation Commission said this was a case of first impression. Furthermore, it violates the First Amendment to apply the Virginia securities law to political loans.

- The trial was conducted by a biased judge and jury.

- Prosecutors deliberately withheld exculpatory evidence from the defense, engaged in a campaign of defamation, financial interference, and suppressed evidence of their illegal actions.

- Prosecutor John Russell lied to the jury, saying the state of Virginia had nothing to do with the Federal government's illegal bankruptcy of the publishing firms for which loans were solicited; in fact, the Commonwealth was a full participant in the April 1987 bankruptcy from the beginning.

- The prosecution suborned perjury, and coaxed witnesses to present false testimony.

## AFL-CIO praises Clinton Medicare proposals

AFL-CIO President John Sweeney on Jan. 6 released a statement in support of President Clinton's Medicare proposal, which would allow retirees between the ages of 62 and 65 to "buy in" to Medicare coverage, until they become eligible at age 65. Sweeney said the buy-in "could well be the most significant step we've taken yet toward reducing the number of American families without health insurance coverage. And it most certainly would be a lifeline to workers who have been forced into early retirement by layoffs, corporate downsizing, or illness."

Sweeney said that "private health insurance protection has collapsed for retirees who are not yet 65 and do not qualify for Medicare." In 1988, some 44% of retirees aged 55 and over were receiving health benefits from their prior employer. By 1994, that number had fallen to 34%, and it is probably lower today, Sweeney said.

The scrooges at the National Association of Manufacturers termed the proposal "premature and fiscally risky."

**RAMZI YOUSEF**, the Afghani who was convicted of the 1994 bombing of a Philippines airliner, and of masterminding the 1993 World Trade Center bombing, was sentenced to life in prison for the first crime, and 240 years in prison for the second. At his allocution, he declared, "Yes, I am a terrorist, and I am proud of it."

**THE TWO LARGEST** health care unions, New York 1199 National Health and Human Service Union, and the Service Employees International Union (SEIU), agreed on Jan. 6 to merge. The merger, announced on Jan. 7, is the culmination of 20 years of talks.

**VIRGINIA'S** medical neglect of prison inmates, first exposed last fall in *New Federalist*, was further documented by the *Richmond Times-Dispatch* on Jan. 19. At Goochland Correctional Center for Women, one woman died in February 1997, after bleeding profusely for several days. Congressional candidate Nancy Spannaus (D) stated that, with Jim Gilmore (R) "now in as governor, he is going to be held responsible for what happens. He has been bending over backwards to show he is a humane person. If he is, he will stop this policy of medical murder *right now*."

**PRESIDENT CLINTON** and the three Presidents of the Baltic states of Lithuania, Latvia, and Estonia, signed a charter in Washington on Jan. 16, which upgrades the cooperation of the United States with the three Baltic states. The charter expresses the "shared goal" that the three be integrated into "transatlantic institutions, such as the EU, the OSCE, the WTO, and NATO."

**NEW AGE DEMOCRATS** in Virginia handed the state Senate seat held by Democrats over to Republicans in a special election on Jan. 20, giving the Conservative Revolution an absolute majority in the Senate for the first time in history. Candidate Jean Brown refused to identify herself as a Democrat, demoralizing the base of outgoing Sen. Charles Waddell.

## *No to hyperinflation*

As the financial systems of half a dozen Asian countries are vaporizing before our very eyes, a hue and cry is going up from so-called experts, demanding a policy of global hyperinflation:

- Jeffrey Sachs, the Harvard flea-market economist who brought the cocaine economy to Bolivia and desperate poverty to eastern Europe, was quoted on Jan. 16, during a visit to Tokyo, advising Japan that “an even more aggressively expansionary policy would be very fruitful in stopping the collapse of asset prices, stopping deflation, and helping to limit the damage in the banking sector.”

This advice, to a country that, as *EIR* reported last week, has just put together the biggest financial bailout package in history: *\$500 billion!*

- The *Neue Zürcher Zeitung*, the Swiss financial daily, reported on Jan. 19 that many investors and market analysts believe that “only a grand-style monetary expansion could prevent a wave of huge bankruptcies.” One group of such analysts, according to the paper, is calling for “reflationary measures, by far exceeding the dimension which has so far been discussed.”

Have they taken leave of their senses? Don’t they remember Weimar Germany, with the wheelbarrows full of money that were needed to buy a loaf of bread?

The answer to both questions, is “yes.” But, like the London bankers of the 1920s who bankrolled Adolf Hitler’s rise to power, out of the depths of the Weimar Depression, they prefer this insane policy to its alternative: dirigist measures by nations to wipe out the financial speculators, and save the nations’ people and physical economy.

In the view of the *Neue Zürcher Zeitung*’s sources, the crisis “could even escalate, if industrial countries react to the growing pressure from imports by implementing protectionist measures, and if Asian countries increasingly take refuge in foreign exchange controls.” Reflation, therefore, is deemed “the lesser evil.”

Wait a minute! What does this really mean?

Lyndon H. LaRouche, Jr., asked to comment on the fear of exchange controls, in a radio interview with “*EIR*

Talks” on Jan. 21, replied: “So, what’s wrong with exchange controls? We did that before. That’s how we got out of the World War II effects. During the 1950s, there were exchange controls, limited convertibility, capital controls. These were the methods — and pegged currencies. Anybody who tried to do what George Soros does, we’d bankrupt him then. You want to go out and gamble, and say a currency’s got the wrong price? We say, ‘Buddy, *we* determine the price of the currencies, not you and your crazy casino-type financial speculators’ markets.’ We’d bankrupt these guys. We did it many times, and they learned to behave themselves.

“Now, they’re turned loose. These rats, like Soros, are turned loose, destroying entire economies. You mean to say that Korea can’t produce the same value in industrial product for a unit of won today, that it produced at the beginning of the year? Of course it can! Did the won collapse in value? *No: It was artificially collapsed in value, by perception of a bunch of gangsters holding the gun of the International Monetary Fund, and so forth, to the heads of the Korean economy.*

“So, Sachs now, true to colors, comes out and joins the pack, in demanding what’s called reflation, to avoid the possibility that nations will go back to the old Bretton Woods type of agreements.”

In fact, as LaRouche has insisted for the past year, a New Bretton Woods System, with fixed exchange rates and gold reserve backing, is the first, indispensable step toward putting the world financial and economic system back on a healthy footing. The current system must be put through the equivalent of Chapter 11 bankruptcy proceedings. A lot of people who thought they could make a buck without doing any productive work, will lose their shirts. So what? They can rehabilitate themselves afterwards, if they like, and get a real job, working to build the Eurasian Land-Bridge, or to repair the broken-down bridges, schools, and hospitals of America.

If LaRouche’s approach is not adopted, we will soon be heading for a disaster beyond anything that the financial “experts” have even imagined, up to now.

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## ILLINOIS

- CHICAGO—CAN Ch. 21\*
- SPRINGFIELD—Ch. 4  
Wednesdays—5:30 p.m.

## INDIANA

- SOUTH BEND—Ch. 31  
Thursdays—10 p.m.

## KANSAS

- SALINA—CATV Ch. 6\*

## LOUISIANA

- NEW ORLEANS—Cox Ch. 78  
Wednesdays—11 p.m.

## MARYLAND

- ANNE ARUNDEL—Ch. 20  
Fri. & Sat.—10 p.m.
- BALTIMORE—BCAC Ch. 42  
Wednesdays—8 p.m.
- BALTIMORE COUNTY—Ch. 2  
2nd Tues., monthly—9 p.m.
- MONTGOMERY—MCTV Ch. 49  
Fridays—7 p.m.
- P.G. COUNTY—Ch. 15  
Thursdays—9:30 p.m.
- W. HOWARD COUNTY—Ch. 6  
Daily—10:30 a.m. & 4:30 p.m.

## MASSACHUSETTS

- BOSTON—BNN Ch. 3  
Saturdays—12 Noon

## MINNESOTA

- DULUTH—PACT Ch. 50  
Thu.—10 p.m.; Sat.—12 Noon
- MINNEAPOLIS—MTN Ch. 32  
Fridays—7:30 p.m.
- ST. LOUIS PARK—Ch. 33  
Friday through Monday  
3 p.m., 11 p.m., 7 a.m.
- ST. PAUL—Ch. 33  
Mondays—8 p.m.
- ST. PAUL (NE Suburbs)  
Suburban Community—Ch. 15  
Wednesdays—12 Midnight

## MISSOURI

- ST. LOUIS—Ch. 22  
Wednesdays—5 p.m.

## NEVADA

- RENO/SPARKS  
Continental—Ch. 30  
TCI—Ch. 16; Wed.—5 p.m.

## NEW JERSEY

- STATEWIDE—CTN  
Sundays—5:30 a.m.

## NEW YORK

- BROOKHAVEN (E. Suffolk)  
TCI—Ch. 1/99; Wed.—9 p.m.
- BROOKLYN—BCAT  
Time/Warner—Ch. 35  
Cablevision—Ch. 68  
Sundays—9 a.m.

- BUFFALO—BCAM Ch. 18  
Saturdays—12 Noon

- HUDSON VALLEY—Ch. 6  
2nd Sun. monthly—1:30 p.m.

- ILION—T/W Ch. 10  
Thursdays—10 a.m.

- ITHACA—Pegasys—Ch. 57  
Mon. & Weds.—8:05 p.m.

- JOHNSTOWN—Empire Ch. 7  
Tuesdays—4 p.m.

- MANHATTAN—MNN Ch. 34  
Sun., Feb. 2 & 22—9 a.m.  
Sun., Mar. 3 & 8—9 a.m.

- MONTVALE/MAHWAH—Ch. 14  
Wednesdays—5:30 p.m.

- NASSAU—Ch. 80  
Wednesdays—7 p.m.

- OSSINING—Ch. 19-S  
Wednesdays—3 p.m.

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

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

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

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

- SCHENECTADY—PA Ch. 16  
Wednesdays—10 p.m.

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

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

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

- SYRACUSE (Suburbs)  
Time-Warner Cable—Ch. 12  
Saturdays—9 p.m.

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

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

- WEST SENECA  
Adelphia Cable—Ch. 68  
Thursdays—10:30 p.m.

- YONKERS—Ch. 37  
Fridays—4 p.m.

- YORKTOWN—Ch. 34  
Thursdays—3 p.m.

## OREGON

- CORVALLIS/ALBANY  
Public Access Ch. 99  
Tuesdays—1 p.m.

- PORTLAND—Access  
Tuesdays—6 p.m. (Ch. 27)  
Thursdays—3 p.m. (Ch. 33)

## TEXAS

- EL PASO—Paragon Ch. 15  
Thursdays—10:30 p.m.

- HOUSTON—Access Houston\*

## UTAH

- GLENWOOD, Etc.—SCAT-TV  
Channels 26, 29, 37, 38, 98  
Mon.-Fri.—various times

## VIRGINIA

- ALEXANDRIA—Ch. 10\*
- ARLINGTON—ACT Ch. 33  
Sun.—1 pm; Mon.—6:30 pm  
Tue.—12 Midnite; Wed.—12 Noon

- CHESTERFIELD COUNTY  
Comcast—Ch. 6; Tue.—5 p.m.

- FAIRFAX—FCAC Ch. 10  
Tuesdays—12 Noon

- LOUDOUN COUNTY—Ch. 59  
Thursdays—10:30 a.m.;  
12:30 p.m.; 2:30 p.m.;  
4:30 p.m.; 7:30 p.m.; 10:30 p.m.

- PRINCE WILLIAM COUNTY—  
Jones Communications—Ch. 3  
Saturdays—6 p.m.

- ROANOKE—Cox Ch. 9  
Thursdays—2 p.m.

- YORKTOWN—Cox Ch. 38  
Mondays—4 p.m.

## WASHINGTON

- KING COUNTY—Ch. 29  
Wednesdays—11 a.m.

- SPOKANE—Cox Ch. 25  
Tuesdays—6 p.m.

- TRI-CITIES—TCI Ch. 13  
Mon.—12 Noon; Weds.—6 pm  
Thursdays—8:30 pm

## WISCONSIN

- WAUSAU—Marcus Ch. 10  
Fri.—10 p.m.; Sat.—5:30 p.m.

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