

EIR

Executive Intelligence Review

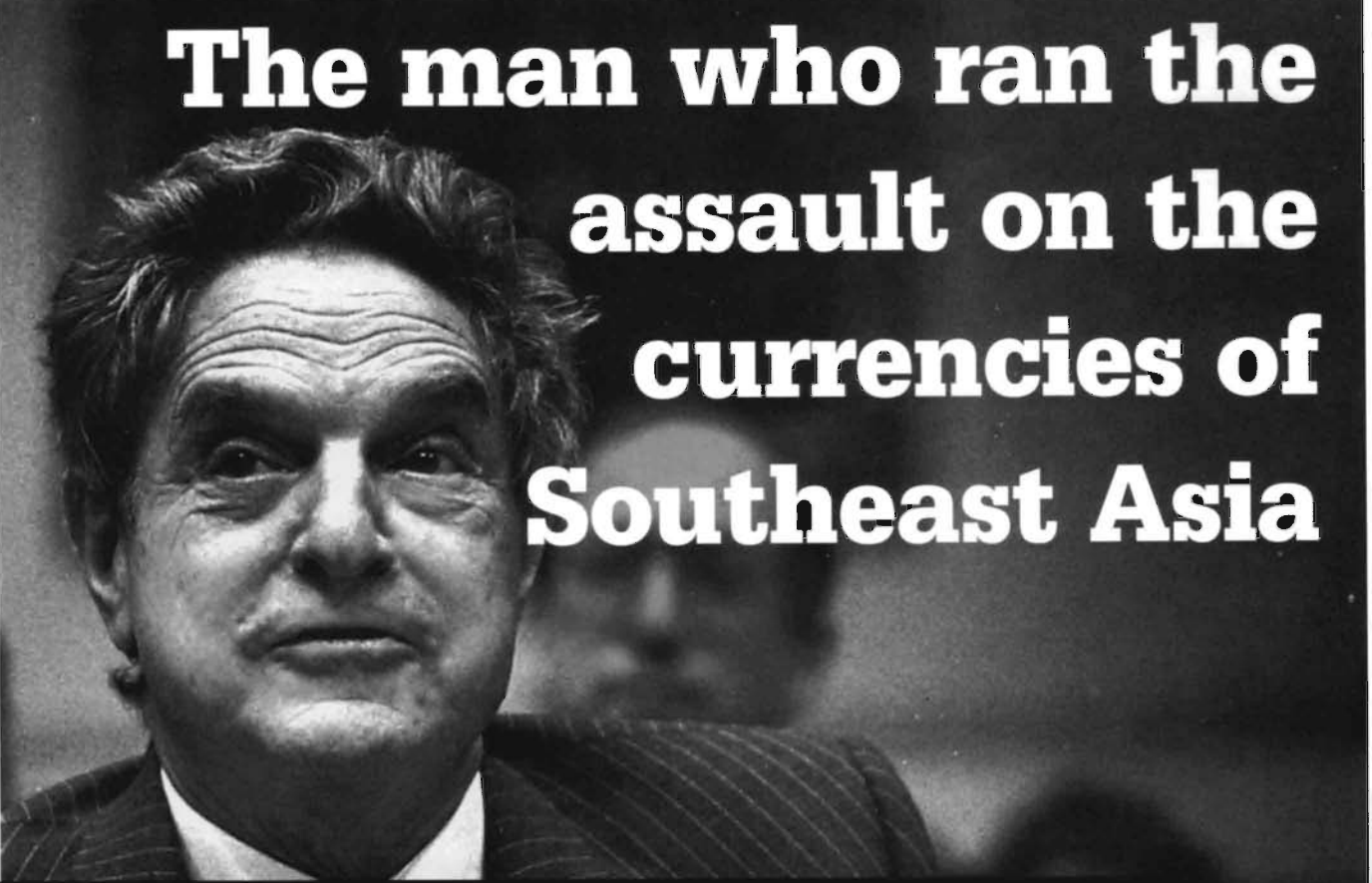
August 28, 1998 Vol. 25 No. 34

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Russia, Hong Kong hit the speculators
LaRouche evaluates U.S. strategic options
London set terror-trap for Clinton

**Zepp-LaRouche advises Brazil
to dump IMF globalization**





The man who ran the assault on the currencies of Southeast Asia

An EIR special report

'The true story of SOROS THE GOLEM A profile of megaspeculator George Soros.'

- Lyndon LaRouche on Soros: "the gravedigger of international finance."
- Malaysia's Dr. Mahathir on Soros: "He's no Robin Hood. He takes from the poor and fills his own pockets."
- *Wall Street Journal* on LaRouche: "Mr. LaRouche has long been at odds with the U.S. political mainstream. . . . But his theories receive a warmer reception in Malaysia, where the 60-page *EIR* report on Soros has been passed among Malaysian editors, intellectuals and politicians."

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From the Associate Editor

As this issue of *EIR* was heading to the printer, we unexpectedly received Lyndon LaRouche's article on the current array of strategic options, titled "What Will Happen, If . . . ?" Because of the article's particularly urgent nature, we have rushed it into print; we introduce it here, in the author's own words.

"There is very little time remaining," LaRouche writes, "for governments and other relevant influentials, to begin to understand the deeper processes afoot throughout this planet, the processes which will determine the outcome of the now-concluding century.

"Our task in the present report, is to make clear some of the principal, if, unfortunately, rarely understood, determining features of that process which threatens not only an early general disintegration of the world's economies, but the extinction of most of the nations, and most of the population of all continents of this planet."

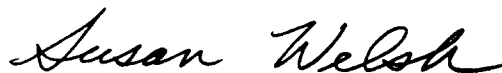
Explosive developments all around the world reveal how fully LaRouche's policies are now at the center of policy deliberations—but also how determined the most insane wing of the British oligarchy is to strike back against those policies.

In Hong Kong on Aug. 14, the authorities—backed by the Beijing government—struck hard against the currency speculators, vowing to save the nation-state, even if it means the end of free trade (see p. 8).

Then in Russia on Aug. 17, the government adopted a series of emergency measures in defense of the nation's financial existence. As Rachel Douglas reports (p. 4), LaRouche's ideas are circulating widely among the opponents of free-market monetarism. The issue now for Russia, is whether LaRouche's concept of *physical economy* will determine the reform of the system—rather than short-term desperation moves such as the devaluation of the ruble.

In Brazil, as our *Feature* reports, the visit of Helga Zepp-LaRouche brought to the fore an enthusiastic outpouring of support from leading political figures, for her husband's ideas, for an alliance of sovereign nation-states for the development of man.

If such an alliance can be forged in the weeks and months ahead, the British geopolitical gameplan, as revealed in the recent tragic events in Africa, can be defeated once and for all.



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Photo and graphics credits:

Cover, EIRNS/Steven Meyer. Page 12, courtesy of David Hall. Page 22, NASA. Page 49, Official White House photograph. Page 56, EIRNS/Stuart Lewis.

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Feature



Helga Zepp-LaRouche (left) in São Paulo, Brazil, August 1998, with Dr. Eneas Carneiro (right), a candidate for the Presidency of Brazil, and his father (center), a City Council member. Dr. Carneiro is receiving an award from the City Council, designating him an honorary citizen of São Paulo.

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The Schiller Institute is organizing a growing coalition to end injustice. As Debra Freeman, national spokeswoman for Lyndon LaRouche, told an audience in Maryland, "What the Department of Justice represents is the chief enforcement arm of the financial establishment and their Nazi-economics/slave-labor policies."

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Russia re-regulates finances; can it revive production?

by Rachel Douglas

Abrupt actions by the Russian government on Aug. 17, including the imposition of capital and exchange controls, dealt the second blow in the space of a week, to the axioms of the post-1971 world bubble economy. Like the Hong Kong Monetary Authority's "departure from our free-market philosophy"—its intervention in stock and futures markets to trip up the hedge funds operating there (see article, p. 8)—Moscow's step in the direction of re-regulation of its financial affairs carries some promise, that at this late hour a concert of governments might act to save nations and their people, instead of killing both in a futile attempt to save the bubble.

Prime Minister Sergei Kiriyenko announced joint action by the Russian government and the Central Bank, to defend vital financial functions, which were paralyzed on Aug. 13 as the country's stock and bond markets crashed. The value of the ruble would now be defended at the level of 9.5 to the dollar, an effective devaluation of 34%. Kiriyenko called this measure not strictly a devaluation, but "a new approach to our currency policy," which would "make it possible to react more flexibly to developments on financial markets," without wiping out foreign currency reserves, which otherwise "continue to be depleted."

The Premier's language was strikingly similar to that of economists at the Russian Academy of Sciences, and in parliamentary circles, where the question of carrying out a managed devaluation of the ruble, *in combination with* measures for the resuscitation of the Russian economy, has been under discussion for some time. In connection with arguments over the role of the currency in such rescue projects, Academician Leonid Abalkin and others had been attacked by government economists, as advocates of "devaluation" and "inflation." Dr. Sergei Glazyev, currently adviser to Federation Council (upper house of Parliament) leader Yegor Stroyev, has presented a package of measures known as an "alternative pro-

gram," at such locations as the St. Petersburg Economic Forum, held in June. One written version was Glazyev's "Key Measures for a Transition to Economic Growth in Russia," which appeared in *EIR* of March 27, 1998, together with Lyndon LaRouche's "Russia Is Eurasia's Keystone Economy," and is currently accessible at www.larouchepub.com. Under Point 2 of his "outline of the principal elements of an economic growth policy," Glazyev argued in favor of restructuring the domestic debt, in such a way that the majority of GKO (government bonds of less than one year's term) obligations would be "written off, or transformed into long-term, interest-free bonds." In coordination with such a debt restructuring, Glazyev wrote that "it makes sense to introduce mechanisms to counter destabilizing influences on the part of big speculators, which would include a procedure to halt the free repatriation of capital, a temporary cessation of foreign currency sales, flexible devaluation of the ruble, and so forth."

Components of the package

Not only the "flexible devaluation" of the ruble, but also equally dramatic other components of the Aug. 17 Russian package, followed those guidelines: the rescheduling of all GKO and OFZs (Federal Loan Bonds, with tenors of greater than one year) coming due through Dec. 31, 1999, as long-term obligations; temporary restrictions on large-scale exchange of foreign currency; a 90-day moratorium on payments by Russian banks and companies to foreign creditors; pooling of resources among 12 of the largest Russian banks, to protect liquidity for settlements within the country. There was *not* a moratorium on servicing the sovereign foreign debt.

The moratorium on foreign debt payments by non-government institutions is a form of exchange control, which speaks to the disaster that struck on Aug. 13, when Russian banks were being hit by foreign creditors' margin calls on

credits secured by stock and bond assets, which were devalued as the markets crashed.

The limitation of large-scale currency exchange by non-residents was expressly motivated, in a second official statement, as “needed in the present circumstances, in order to protect the Russian market from the destabilizing effects of the global flows of short-term speculative capital.” In this statement, Kiriyenko and Central Bank Chairman Sergei Dubinin exempted currency exchange for purposes of trade, saying that they “reiterate the international obligations assumed . . . in 1996, with regard to abandoning any restrictions on ruble convertibility in current balance-of-payments transactions.”

U.S. Treasury Secretary Robert Rubin welcomed the Russians’ “extraordinary measures,” with a statement that more instructed the International Monetary Fund (IMF) to be cooperative with Moscow, than the other way around. “Going forward,” said Rubin, “we urge the IMF to work with the Russian authorities to find appropriate ways to support Russian policies that enhance the prospects for economic recovery.” Undersecretary of the Treasury for International Affairs David Lipton had been in Moscow as the market’s liquidity crisis peaked.

Industrial policy

On the eve of “Black Thursday,” the paralysis of the Russian payments system on Aug. 13, Kiriyenko was on tour in the provinces with his new Minister of Trade and Industry, Yuri Maslyukov. In the defense industry center of Perm, accompanied by Economics Minister Yakov Urinson, they stopped at the aircraft engine plant Permskiye Motory, which also makes equipment for the natural gas industry, and visited Motovilikha Military Works. ORT television sneered that the military industry was going to be conveyed “from liberal minister Urinson to communist minister Maslyukov,” referring to Maslyukov’s party affiliation. Maslyukov is chiefly known for his commitment to save some of Russian industry. It happens that Urinson used to work under him, in the Soviet Gosplan.

At the next stop on his tour, Kazan, Tatarstan, Kiriyenko himself stated, “No fiscal measures, no financial stabilization, can solve the existing economic problems. It is necessary to develop production in the country, to overcome the crisis.” Kiriyenko lamented Russia’s inordinate reliance on imported goods, even though Russian enterprises can produce similar products, noting that imports account for 70% of the food products sold in Russian regions, and 90% of the food sold in Moscow. “Inordinately increasing imports, we subsidize foreign producers instead of Russian farm producers,” said Kiriyenko.

The Premier stuck a note of dirigism, declaring that “the state should not be denied the coordinating role in the economy, due to reliance on the market.” Kiriyenko said that Maslyukov was to present a task-oriented program for Russia’s industrial development, by September.

On Aug. 13, perhaps with the intention of poisoning such an appointment, *Izvestia* wrote about a high probability that Maslyukov would name Glazyev as his deputy at the Ministry of Trade and Industry. Going to press on Aug. 12, *Izvestia* opined that Kiriyenko had no use for people like Glazyev, who “promotes direct involvement of the state into the economy, which contradicts with the ideology of the present cabinet.”

‘Black Thursday’ for the IMF

“Black Thursday,” when Moscow’s interbank clearing system froze up, came one month to the day, after the IMF’s announcement of an emergency \$22.6 billion two-year package of IMF, World Bank, and other credits to Russia, intended to stabilize the ruble. By Aug. 19, Central Bank Chairman Dubinin had to confess that the entirety of the \$4.8 billion tranche of IMF funding, received in July, which was supposed to be a stand-by credit line for supporting the ruble, had already been spent. One billion dollars was spent on “budget” outlays (namely, to redeem GKO’s), and \$3.8 billion in a vain effort to support the ruble.

At his Aug. 17 press conference, Kiriyenko was asked, “In preparing this program did you clear it with international financial organizations? The IMF mission is arriving today. What matters will be discussed with it?” The Prime Minister did not answer the first part of the question directly, saying only that “the situation on the international and Russian markets will be discussed with the mission,” and that the new measures “can be described as our second line of defense.” He explained, “The deteriorated situation forced us to retreat to the second line of defense in order to fulfill the program that we adopted. It is this that will be discussed with the international financial organizations.” In other words, the IMF was to be told, not asked.

IMF Managing Director Michel Camdessus issued a statement that sputtered, as if he were taken by surprise by Moscow’s measures. He said, “As a preliminary reaction, I am of the view that, in the new context created by these measures, it will be especially important for the Russian authorities to take all necessary steps to strengthen the fiscal position,” and went on to call for rapid parliamentary endorsement of the austerity measures, previously worked out with the IMF.

The State Duma (lower house of Parliament), slated to convene on Aug. 21 to act on the government’s new measures, might have other ideas. On the eve of that extraordinary session, leaders of the various Duma factions made their statements concerning the so-called “Russian questions,” or “eternal questions,” that is: “Who is to blame?” and “What is to be done?” The leftist factions proclaimed their intention to start the impeachment of the President. Communist Party of the Russian Federation leader Gennadi Zyuganov called President Boris Yeltsin “incapable of governing the state.”

Former Prime Minister Viktor Chernomyrdin, for the first time ever, spoke in favor of a “coalition government,” a standing proposal of the leftist factions, which Chernomyrdin

never supported while he was in office. Chernomydin conferred with Zyuganov on Aug. 20, about the situation in the Russian banking system, and possible principles of the formation of a coalition government, according to Zyuganov. Meanwhile, Aleksandr Shokhin, head of (Chernomyrdin's) Our Home faction in the Duma, accused the government of "undermining the authority of the President." He charged that Yeltsin was inadequately informed on the situation in the

financial sphere. Shokhin said that the government, by devaluing the ruble, "had in fact admitted that its financial policies are bankrupt."

Grigori Yavlinsky, leader of the Yabloko party who prides himself as an economist, claimed that "bad management," not the global financial crisis, was the reason for the Russian crisis. Vladimir Zhirinovskiy, head of the Liberal Democratic Party of Russia, said only that Central Bank

A timely LaRouche forecast published in Russia

"Perestroika for the world. And That Means Radical," was the headline of Prof. Taras Muranivsky's article, excerpted below. It appeared in the weekly Ekonomicheskaya Gazeta on Aug. 13, the very day the Russian financial system was paralyzed by speculative financial attacks.

The traditional international seminar of the Schiller Institute and the European Labor Committees took place July 25-26 in the picturesque village of Oberwesel, on the banks of the Rhine, in the Federal Republic of Germany. The theme was, "The Struggle to Defeat the Oligarchy's Control of the World and Establish a New, Just World Economic Order." Helga Zepp-LaRouche, president of the Schiller Institute in Germany, gave the keynote. The main idea of her report is contained in a quotation from it: "Either humanity will free itself from the unjust oligarchical institutions very soon, or civilization will be totally destroyed." . . .

The American economist and political figure Lyndon LaRouche, who forecast the current financial cataclysms early on, spoke on the problem of oligarchism, warning that in the immediate weeks ahead, the crisis could reach the point of no return. The measures that belatedly agitated strategists—beholden to oligarchical interests—are proposing or attempting to adopt, will only hasten the collapse of the world financial system. Therefore, the problem of its radical reorganization is becoming urgent.

Exploring the roots of oligarchism, LaRouche cited the French economist François Quesnay, with whose conceptions the notion of oligarchism is associated. It was Quesnay, who differentiated between the landlords and the rest of the population, on the basis of principles that later became known as "Darwinism." In the service of the oligarchical world order, Quesnay ascribed to a handful of landlords, unlimited rights, allotting to the rest of the

citizens the miserable position of "working cattle."

"The essence and functional significance of all types of oligarchs," says LaRouche, "is that they are all parasites, existing thanks to various forms of usury, which are established by sacrificing people, who are degraded to the situation of working cattle." LaRouche links the problems of the financial system today, with the actions of precisely such oligarchs.

In an interview, published in the Taiwan weekly *Business Weekly* (13-19 July), LaRouche was asked the following question about the causes of the Asian financial crisis: "Was it an inevitable phenomenon of economic development under the free market of capitalism?" He replied: "The continuing observations of Malaysia's Prime Minister Mahathir bin Mohamad are correct. Although the so-called 'Asia Tigers' were ripe for such a crisis, the immediate cause of the crisis in Asia had been the willful looting of the Asian currencies through operations of 'hedge funds,' such as George Soros's operations. The deeper roots of the problem are global, not Asian. The present international financial and monetary system reached the global breaking-point during the last half of 1997. . . .

"The present crisis should not be described as a product of 'capitalism.' There are two definitions of the term 'capitalism.' One is the so-called American System of Alexander Hamilton, the Careys, Henry Clay, Friedrich List, and Abraham Lincoln, the so-called 'protectionist' system. The term 'capitalism' is also used to describe a directly opposing financial system, the 'free trade' system used by the British, Dutch, Portuguese, and French colonialists. The cause of the present global, systemic crisis, is the influence of the most extreme version of a so-called 'free trade' model." . . .

Approximately one week after this seminar, a new wave of crisis engulfed not only Japan, the Asian countries, and Russia, but also Wall Street. The seminar participants proposed that statesmen and scientists consider and support a draft memorandum, for proposal to the September session of the UN General Assembly.

(The *Ekonomicheskaya Gazeta* publication continues, with the text in Russian of a "Draft Memorandum for an Alliance of Sovereign Nation-States.")

Chairman Dubinin's beard is good enough for jail, and that Finance Minister Mikhail Zadornov should go back to high school to study arithmetic.

Speculators fight back

On Aug. 19, Crédit Suisse First Boston (CSFB) threatened Moscow, with a published complaint that the debt restructuring plan would discriminate against foreign investors who "helped finance the Russian reform over the past few years." That euphemism alludes to the status of CSFB itself, which got in on the ground floor of the privatization heist in 1992-93 in Russia and subsequent speculative market scams, and today represents 40% of all foreigners invested in Russian treasury bonds.

Consultants from J.P. Morgan and Deutsche Bank flew to Moscow in a hurry, while the government's announcement of the terms of GKO-OFZ conversion was postponed from Aug. 19, into the next week. The foreign investors' interlocutor was nobody from the "industry" camp in or outside the current government, but rather newly appointed Deputy Premier Boris Fyodorov, the original Finance Minister for the disastrous reforms of 1992-93.

CSFB warned that if foreign GKO holders received only 11 kopecks on the ruble of face value, in the form of low-interest, dollar-denominated replacement bonds, while Russian bond-holders got 31 kopecks on the ruble, then "this would permanently damage private financing of Russia reform and significantly destabilize other emerging markets." It also threatened a legal fight, to define the restructuring as a default, and trigger a cross-default on some \$9 billion in Eurodollar bonds based on former Soviet debt.

Foreign holdings of GKO-OFZ bonds affected by the conversion, are approximately \$11 billion. There is some \$40 billion in foreign loans to Russian banks and companies, on which principal payments—including the margin calls that were draining Russian banks to oblivion, on Aug. 13—are banned now for 90 days. In addition, as in Hong Kong where at least one hedge fund mega-bet, in the wrong direction, is in the form of derivatives contracts that expire on Aug. 28, there is a futures element in Moscow. According to the *Wall Street Journal* of Aug. 20, the level of foreign investors' forward currency contracts with Russian banks is as high as \$100 billion. These derivatives have been one of the just-under-the-surface explosive charges in the GKO pyramid for some time: contracts, by means of which foreign GKO-OFZ investors hedged against the devaluation of the ruble, by locking in the right to buy dollars from Russian banks at the pre-devaluation exchange rate. Up through mid-August, the triggering of such contracts would have wiped out the Russian banks that offered the forward deals, but with the controls instituted on Aug. 17, they are not allowed to be honored.

One of the world's biggest hedgers, George Soros, greeted the Aug. 17 Russian government actions as "timely and brave," in a Russian radio interview that day. It was by no

means clear, that Soros would get what he had in mind, when he called for the devaluation of the ruble, in an Aug. 13 *Financial Times* of London article, which Moscow *Kommersant-daily*, among others, treated as "the trigger, but certainly not the cause" of Russia's meltdown. Soros wanted the bottom line to be the imposition of a currency board on Russia, spelling the end of sovereignty, never mind a growth policy for the real sector.

Popping up as a Soros admirer was currency-board guru Prof. Steve Hanke, who in the Aug. 17 *Financial Times* had a letter published, which began, "George Soros is on target." Hanke wrote that the ruble should be devalued, then "Russia should follow the steps contained in my 1993 book, *Russian Currency and Finance: A Currency Board Approach To Reform*." Featured elements included: Make official the dollarization of the Russian economy, allow foreign banks to operate freely in Russia, and establish a currency board (which means strict control of currency emissions by a group of foreigners—the complete abrogation of sovereignty). The nasty Hanke, who pumps himself up as the alternative to the IMF, concludes, "These were precisely my recommendations to former President Suharto in Indonesia earlier this year. If President Yeltsin fails to follow them, the ruble will end up where the rupiah is and Mr. Yeltsin will join Mr. Suharto in an early, forced retirement."

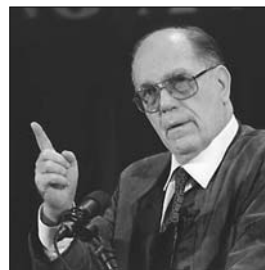
THE WORLD FINANCIAL COLLAPSE LAROUCHE WAS RIGHT!

An EIR Video

What does Indonesia's Minister of Economy, Finance and Industry, Ginandjar Kartasasmita, know about the global financial crisis that you don't?

Here's what the Far Eastern Economic Review reported July 23:

"It seems the IMF isn't the only organization



supplying economic advice to the Jakarta government. . . . [Reporters] were surprised to spot, among [Ginandjar's] papers, a video

entitled, 'The World Financial Collapse: LaRouche was Right.' Lyndon LaRouche . . . has been arguing for years that the world's financial system was on the brink of collapse due to unfettered growth in speculative funds; he says now that the Asian crisis is just the beginning. . . ."

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Hong Kong uses power of the state to hit speculators

by Mary Burdman

The clear commitment of China's leadership to the national economic security of their country, gave the government of China's Hong Kong Special Administrative Region the ability and opportunity to strike a forceful blow against the international speculators who have been torturing their economy. The S.A.R. authorities broke all precedent on Aug. 14, and, using some of their exchange reserves to intervene effectively in Hong Kong's currency, stock, and stock index futures markets simultaneously, they dealt international speculators a sharp, heavy blow. So far, the authorities have managed to both protect the peg of the Hong Kong dollar to the U.S. dollar, and keep the Hang Seng stock market index, which had collapsed almost 60% over the past year, from plunging further.

Of course, the speculators, with their vast financial bubble threatening to pop, have not surrendered. The City of London, embodied in the editorial views of the *Financial Times*, is outraged, and has vowed revenge. The Hong Kong government itself is preparing for further battle, and saying so every day.

At stake in this fight, is much more than the fate of Hong Kong, or even China. As Lyndon LaRouche observed in the wake of Russia's actions on Aug. 17, it is what comes next that really matters. Hong Kong, backed by China, used the power of the state against the speculators; the *Financial Times* response to this was very revealing. The question is, what will be the reaction in Malaysia, and elsewhere?

Malaysia has responded already. On Aug. 18, Prime Minister Dr. Mahathir bin Mohamad, speaking at a Workers' Day rally in Kuala Lumpur, said that speculative attacks on currencies in emerging markets had reached a dangerous level, and, pointing to the actions of the Hong Kong government, said that they are forcing countries to take extreme measures. Mahathir, according to the Singapore *Straits Times*, said that Malaysia is studying how Hong Kong bought up shares using its own funds, and how Taiwan had issued a moratorium to banks not to sell shares, even if undervalued. An indication of just how deep the disaster is in Russia, is that Mahathir warned that Russia could even be tempted to use its nuclear capability against those who had put the ruble under such pressure.

A New Bretton Woods

However useful all the moves toward re-regulation are—excepting so drastic a response by Russia—these actions re-

main nothing more than *crisis management*, and are utterly insufficient to deal with the enormity of the world financial and economic disaster. While the unique partnership of Hong Kong and the strength of the Chinese economy can take on the hedge funds much more effectively than the devastated economies of Southeast Asia or Russia, as long as their policy remains defensive, China and Hong Kong will be attacked again and again. What must be done, is to finally bury the stinking corpse of the current world financial system. This will only be done when a concert of nations adopts a “New Bretton Woods” agreement, proposed by Lyndon LaRouche.

The current financial system is dead; although its corpse may still be walking the earth, its soul has already plunged to the ninth circle of Dante's *Inferno*. Such actions as those of China and Hong Kong, and Russia, in cooperation with other nations, could germinate a new economic system; whether it is enabled to survive, and flourish, is the crucial question.

There have been some interesting discussion in Asia in recent days, where talk of some kind of an “Asian monetary union” is again under way, of what could be the germ of a new monetary system. Philippines Foreign Secretary Domingo Siazon said on Aug. 18 in Manila that, far from allowing the Association of Southeast Asian Nations to disintegrate under the pressure of the financial crisis, ASEAN member-states are promoting regional integration. One element of this process could be a future common currency, based either on the Japanese yen, or, much more interestingly, on the Chinese yuan. Siazon referred to European integration and the euro as examples of such an approach.

On the same day, Deutsche Bank chief economist Norbert Walter, speaking in Singapore, described an “Asian Monetary Union” as a future project for Asia. But, typically for him, he said that this is no project for tomorrow, but for the year 2025. The headquarters of the common central bank should be Hong Kong, Walter said, because China will then be the leading economy in the region. Already, 55% of trade by Asian countries is carried on inside Asia, and this will increase, making such a monetary union a good idea, he stated.

Minor as these indications are, they reflect tendencies, especially from China, to foster monetary as well as economic cooperation with other regions of Asia.

The upper echelons of the current financial system are also aware that “something is up,” reflected in such actions as Hong Kong's. “Titanic struggles are being waged between speculators and the international financial order,” read the London *Times*'s City Editor's commentary on Aug. 15. While shares sag in New York and London, and, in Russia, “a collapse of the Russian economy cannot be ruled out if speculators manage to impose either a new ruble devaluation or ruinous interest rates.” But, in Hong Kong, something else was going on.

“In Hong Kong, self-help is being tried. The authorities detected a speculative plot by hedge funds, [and] Joseph Yam, sparky head of the Hong Kong Monetary Fund, was allowed to use exchange reserves to buy stocks and share index futures

as well as the currency, putting a treble squeeze on hedge funds. More than 45 minutes ahead of a long weekend, this tactic was sensationally successful. Speculators are unlikely to take it lying down next week.”

The outcome of the battle shaping up, “is important,” the *Times* stated. Asian stock markets have been falling further in recent weeks, “shrinking liquidity and deepening economic depression. Many Asian currencies, with the exception of China and Hong Kong, have also been driven too low by speculation and withdrawal of capital,” putting a further squeeze on the banks. The IMF “response” is not working in Russia or Asia, “because it does not allow for speculative raids aimed purely at destabilizing markets. Hong Kong could offer a better second-stage response.

“If it works, it should provide a model for cost-effective international intervention in countries that lack the reserves to do it themselves. If the hedge funds win, world recession looks increasingly likely.”

A senior financial analyst in Switzerland had a similar view. More important than what was done in Russia, was what took place in Hong Kong on Aug. 14, he told *EIR*. The actions there against the financial speculators will “increase international pressure to impose regulation on financial markets,” he said. Despite expressing his own opposition, as a “follower of Immanuel Kant,” to such moves, he acknowledged that “international deregulation has gone on for too long. We will now see a time, the next five to ten years, of re-regulation. It will be in the direction of what you people advocate.”

The warnings by People’s Bank of China Deputy Governor Liu Mingkang on Aug. 12—that “devaluation is not a good policy for China,” and “I would like to tell speculators, that China is a big player, and they had best not miscalculate” (see *EIR*, Aug. 21)—were coordinated with the government of Hong Kong. On Aug. 13, Hong Kong Financial Secretary Tsang Yam-kuen announced that the S.A.R. had developed strategies to counter speculation, although he refused to divulge what the government would do. On Aug. 8, the official China News Agency of Hong Kong called the recent rumor that China’s currency, the renminbi, will be devalued, “a trick of ‘making noise in the east while attacking from the west,’ by international speculators,” whose real target was to generate panic in Hong Kong. However, not only was the Hong Kong government able to “successfully strike a counterblow to the attack of international speculators,” but this policy was closely coordinated with Beijing.

Financial Secretary Tsang spoke directly with Dai Xianglong, governor of the People’s Bank of China, who reiterated to Tsang that China will not devalue the renminbi. In addition, “at a recent economic forum in Hong Kong, Shi Guangsheng, minister of China’s Ministry of Foreign Trade and Economic Cooperation, emphasized that the renminbi would not be devalued,” China News Agency reported. Shi said that “China is capable of maintaining the value of the renminbi. . . . Shi Guangsheng pointed out that not devaluing the renminbi is a requirement for maintaining the sustained stability of China’s

economy, including the need to maintain the long-term prosperity and stability of Hong Kong. He said that it is also a manifestation of China’s sense of responsibility for maintaining the economic and financial stability of Asia and even the world with a greatly responsible attitude.”

China News Agency also cited the consensus view of Chinese economists, that a currency devaluation would harm rather than benefit China’s economy in any way (see *EIR*, Aug. 21).

Even more interesting was the Aug. 2 report from the China News Agency, warning that the nations of Asia must take precautions against the continued collapse of the Japanese yen, which Tokyo has no intention of salvaging. Only weeks ago, before the mid-June U.S.-Japanese intervention to prop up the yen, China had demanded such measures, and that Japan play a responsible role to stop the Asian crisis; now, realizing that the Japanese will not act, China is warning its neighbors to defend themselves.

“As the excessive devaluation of the Japanese yen would trigger another round of currency turmoil in the Asia-Pacific region and even hurt U.S. interests, it would be better for countries concerned to adopt preventive measures and to continue to apply pressure on Japan to shoulder the responsibility of stabilizing the yen,” China News Agency wrote. Warning that the yen could fall to 150-160 to the dollar this year, with resultant turmoil in the rest of Asia, CNA wrote that “countries in the region must be prepared for that eventuality and take precautionary measures.” Japanese Finance Minister Ki-ichi Miyazawa’s announcement of non-intervention “undoubtedly is a warning signal for countries in the Asia-Pacific region which are looking forward to an early rebound of the Japanese economy. China’s Vice Premier Li Lanqing warned recently that ‘the Asian economies are still in turmoil and developing.’ This shows that China, in a spirit of seeking truth from facts, is watching closely external factors, and is ready to meet with new challenges.” For the Southeast Asian nations and Hong Kong, “it would be an impractical illusion if they want to lift their economies by relying on the recovery of the Japanese economy.”

The battle begins

On Aug. 14, a Friday before a three-day weekend, the Hong Kong authorities broke their long-standing policy of non-intervention in the stock and futures markets, and dealt a crushing blow to international speculators. Hong Kong chief executive Tung Chee-hwa said of the intervention, “We will do it time and time again, in order to ensure our point comes across.” The government intervention was announced only *after* trading on the stock market had closed, taking speculators and traders totally by surprise.

Hong Kong Financial Secretary Tsang said that the government had made a “surgical correction to deal with a temporary attack. . . . We want to show that we mean business in the maintenance of the linked exchange rate. . . . We are prepared for the worst, and we are working 24 hours a day dealing with

the currency.” Tsang said that the government had evidence that speculators were dealing in a complex “double play” across the currency, stock, and stock index futures markets. The S.A.R. authorities’ intervention was a counterattack against speculators buying up both shares and dollars. “In order to achieve their objectives in undermining the Hong Kong dollar, speculators have deployed a whole host of improper measures which are clear to all. The measures include spreading vicious rumors on the delinking of the Hong Kong dollar with the U.S. dollar, devaluation of the renminbi, as well as instability of our banks, which led to bank runs.” Tsang said that Hong Kong had sufficient reserves—which were \$96.4 billion as of the last official report, the third-highest in the world, after Japan and China—to continue to deal with the problem. This action immediately pushed the Hang Seng index 8.5% higher, the biggest percentage rise in 23 years.

Then, battle was closed.

In its Aug. 17 coverage of events, the City of London’s *Financial Times* issued an unmistakable warning with its headline: “Hong Kong Plays with Fire in Attempt to Hit Speculators.” Hong Kong’s “bold move was more a sign of weakness than of strength,” the *Financial Times* asserted, announcing what it considers to be Hong Kong’s vulnerabilities to speculators, and listing complaints, including from one “Citizens Party” leader who whined that the S.A.R.’s currency board had been “bastardized.” “Critics,” unnamed, of course, “warned that the move could backfire and damage the territory’s free-market reputation,” the newspaper wrote.

The *Financial Times* then dragged out “democracy” mouthpiece Martin Lee, now masquerading as a financial expert. “This is a huge cost to our reputation as a financial center,” Lee was quoted. “The invisible hand of Adam Smith has been replaced by the invincible hand of the government.” Finally, the *Financial Times* quoted an unnamed “fund manager,” who threatened: “The administration is playing a dangerous game. Even if they win this battle, the war is far from over.”

The Hong Kong government, as the *South China Morning Post* reported, then launched an “international campaign” to explain what it had done. Financial Services Secretary Hui Si-yan said that monetary authorities had immediately begun contacting international bodies, after the intervention on Aug. 14.

Hong Kong Monetary Authority Chief Executive Joseph Yam wrote a letter to the *Financial Times* editor, stating that the actions of the HKMA had been “misinterpreted, and there is a need for clarification.” One such action, was “to tackle currency manipulation by those who have built up large short positions in the stock index futures. We are not against the taking of short positions in stock index futures by anybody, in accordance with our free-market philosophy. But we do object to people manipulating our currency to engineer extreme conditions in the interbank market and high interest rates to make profits in the short positions in stock index

futures. We have reason to believe there has been such manipulation. This has nothing to do with our preparedness to bear the pain of economic adjustment under a currency board system. . . . But the currency manipulation, ‘coinciding’ with malicious rumors of all sorts, is disproportionately exacerbating that pain.

“To deter currency manipulation, we took action to tackle the matter at the source, and that meant making sure that those engaging in this activity lose money. We realize that this might be seen as a departure from our free-market philosophy. . . . But we feel that we have done the right thing. As soon as currency manipulation ceases, we will step back from the stock and futures markets and let them find their levels. But meanwhile we shall act to deter currency manipulation.”

The government continued its intervention on the following days, to the annoyance of the speculators, who had been selling Hong Kong dollars in London and New York. One report on Aug. 19 said that the government had “disappeared” the supply of speculative blue-chip stocks.

More important, is the view of the situation in Hong Kong presented by Hong Kong Chief Secretary for Administration Anson Chan, in Singapore on Aug. 14. Published as a commentary in the *International Herald Tribune*, Anson Chan reasserted the policy to maintain the Hong Kong dollar link to the U.S. dollar, because “cutting it would set off another wave of currency instability in East Asia.” The total value of Hong Kong’s trade in goods and services is equal to well more than 250% of its GDP. “Businesses engaged in those export activities need certainty in exchange rates,” she said.

Hong Kong has had “a bubble economy that needed to be corrected,” especially in property prices. The Asian financial crisis has collapsed these prices, the stock markets, and sent unemployment soaring to a 15-year-high of 4.5%, Anson Chan stated. But while seeing these “painful” developments as a “free market at work,” she also cited something of more real substance. “China, Hong Kong’s hinterland, is continuing to grow, not at the 8% rate forecast at the start of 1998, but at a very healthy 7% for the first half. . . . We are embarking on a \$30 billion infrastructure program to build for the future. The program includes investment in railways, roads, housing, education, training, and new technology. . . . As a Special Administrative Region of China since July 1997, Hong Kong has been handed unique opportunities to work with the mainland authorities and derive mutual advantages from cross-boundary development . . . particularly in the nearby Pearl River Delta. . . . We can further expand our role as a middleman for new venture capital in China.”

There lies the problem. China, uniquely, has a *sane* economic policy, for development of its physical economy for the largest national population on earth. But, there will be no “new venture capital” of any use whatever for that vast project, from the dead financial system. China’s real defense, as is Hong Kong’s, must be revolutionary: to collaborate with other nations, to create a New Bretton Woods system.

Economic recession deepens in India

by Ramtanu Maitra

As the markets, currencies, and banks collapse in Asia and Russia, the Indian economy, much isolated from the rest of the world and deeply in recession for the last three years, has little to look forward to. The economic data issued by various institutions recently have been bad enough to jangle the nerves of India's top industrialists, who met recently for informal discussion with almost two score of parliamentary members belonging to the Finance Ministry's Standing Committee. Facing rapidly falling profit margins and fearful of a long-term recession, the industrialists wanted to know the Finance Ministry's gameplan for the future. What they heard was neither reassuring nor convincing.

A survey by the Confederation of Indian Industry of 82 sectors shows that in the first quarter of the 1998-99 fiscal year, 31 sectors reported negative growth and 32 registered only moderate growth with sales below 10%. The study shows that steel, capital goods, fertilizer, cement, and commercial vehicles have all been badly hit by the recession.

Another report, prepared by the Center for Monitoring the Indian Economy, a Mumbai-based outfit with an extensive database, showed that, barring the oil majors, 548 large companies combined registered a 1% rise in profits in the first quarter. Only those dealing in software, tea, coffee, and some consumer goods made a profit. The CMIE executive director predicts that the rest of the year will be "bleak" and characterized by "sluggish consumption buying and investment."

In fact, the gloom is all around. High-growth service-sector areas such as airlines and hotels have also registered negative growth. In June, exports were down 11% from June 1997. This follows a nominal 2.2% growth in April and a huge 17.4% decline in May. As a result, first-quarter exports are down 8% overall.

At the same time, imports have shrunk as well, mostly due to reduced demand for capital goods, industrial raw materials, and components. The fall in imports, however, has not reduced the trade imbalance, which rose by almost \$1 billion during the first quarter. With reduced capital inflows into the country, some economists point out that the total deficit may rise to as high as \$21 billion, 50% higher than the \$14 billion registered during the 1997-98 fiscal year.

The capital market in Mumbai has reflected this gloom in recent months. Since May, the 30-share index has lost about 30% and is still going down. The Indian currency is also on a downward slide, now moving steadily below 43 to the dollar.

It probably would have gone down further, if not for occasional interventions by the Reserve Bank of India. With a meager \$25 billion in foreign exchange reserves, and a large trade deficit looming ahead, the Reserve Bank is expected to have little choice but let the rupee go further down. It is a moot point whether India will go for a formal devaluation; the forward currency market indicates the likelihood of further erosion of the rupee in the coming months.

The government is unable to act

The highly fragmented 18-party coalition government in power in Delhi is not in a position to deal with this rapidly deteriorating situation. One economist, A.M. Khusro, says, "We are in deep recession, yet it fails to create any concern." Another blames the paralysis that has set in on the government, which "spends only 10% of its time for this [economy] while 90% goes for politics."

The paralyzed state of the government in New Delhi, and the economic situation worldwide, have made foreign institutional investors jittery as well. In the last three months, India experienced a net outflow of foreign capital. With an annual debt-servicing requirement of \$6 billion annually, all these negative figures may have a devastating psychological effect in coming days.

Only recently, Finance Minister Yashwant Sinha announced that come September, the Indian economy will begin to turn around. His plan at this point is to pump money into infrastructure development, after concluding the "strategic sales" of a number of public sector units (PSUs). In some cases the government will hold no more than a 26% stake. The question is: Who will buy these stodgy megaliths, and will the expected amount of cash be generated? The shares of some of the PSUs up for sale have lost as much as 50% of their value since 1997.

It is likely that this fire-sale will do little good to the overall economy, even if the proceeds meet the Finance Ministry's questionable expectations. In earlier years, such attempts failed, and proceeds were subsequently used to close the budget deficit instead of the stated purpose of enhancing productive facilities. More important, however, the drumbeat of the economic collapse now in progress throughout India is becoming louder. The negative impact of the collapse of the Russian ruble and the weakening of the Japanese yen have begun to be felt by the Indian Garment Exporters Association. If the recession in Europe and America gets worse, it is expected that Finance Minister Yashwant Sinha will have little room to maneuver and the September turn-around will remain a distant dream.

The fact remains that the impact of the Asian and Russian economic collapse has not been fully understood in the corridors of power in New Delhi. As a result, India's infrastructure remains weak, and the present government's failure to unclench and speed up the major infrastructural sectors leaves the economy more vulnerable to a crisis.



TVA model is being applied to flood control in China

Over this summer, excessive rainfall and storms have led to devastating floods in China, especially along the Yangtze River. By the first week in August, 240 million people had been affected by the floods and more than 2,500 people had died. About 13.8 million people had been evacuated from their homes, and more than 5.58 million houses had been destroyed. More than 21 million hectares of farmland have been affected, and crops on 4.78 million hectares have been totally destroyed.

David Hall is the executive sponsor of the Tennessee Valley Authority's work in China. He was selected to head a special team to go to China a couple of years ago to explore some of the opportunities for joint work on water control, and was then asked by TVA Chairman Craven Crowell to continue to lead TVA's work with China. On May 18, the TVA signed a Cooperative Agreement with the Chinese Ministry of Water Resources for technical assistance on the development of the Danjiangkou Reservoir and the Hanjiang River. Mr. Hall was interviewed by Marsha Freeman on Aug. 14. Her article on the history of the TVA appeared in EIR, June 12, 1998.

EIR: The floods in China have been in the news recently, and I know that the Tennessee Valley Authority is working with the Chinese Ministry of Water on water and flood control and development. What work is TVA doing in China?

Hall: The work that began under the agreement that was signed this spring is a task whereby TVA will review the master plan for the Han River. The Han is one of the largest tributaries of the Yangtze River, and the Chinese have developed a master plan for developing that river. At this point, the river is relatively undeveloped. It has only three dams on it. We signed an agreement for that work, on May 18. The first step was for us to send a technical team to see the Han River and to start collecting the data and information that the Ministry of Water Resources and others have regarding their master plan.

The team did go to China and returned two weekends ago. They were there the last two weeks in July. They had a very successful trip. They were able to get a good understanding of the Han and the initiatives and the priorities for developing the river. The next step will be for information, and data packages, to be sent to us within the next couple of months.

EIR: Have you seen the master plan yet?

Hall: We have seen a summary of the plan, but what we will be receiving is a lot of background information that went into forming the plan. We know basically where they plan to put dams and power plants on the river, but what we're going to be reviewing and assessing is all the background information that helped them to make those decisions. In addition to the plan for the river, we're helping them develop operating guides for Danjiangkou, which is a large dam and power plant at the midpoint of the Han River. It separates the upper and lower reaches of the river, so it's a very critical dam and reservoir, and they have asked us to help them come up with operating guidelines for that reservoir system.

EIR: The TVA's press release on the agreement mentioned that the Chinese would work alongside your experts to learn the "TVA model." What does that refer to?

Hall: The TVA model is an integrated regional resource development approach. It entails developing a river system by looking at all the possible uses of the water, and making sure that you optimize the competing uses of water, such as navigation, flood control, in their case, water supply for irrigation, and flood protection. They are all benefits of a river system, but they have to be balanced. In an integrated approach, you look at all of the benefits of the river and you look at your goals, and at how the watershed that the river is in can be developed. Then you optimize the way the water is utilized, which affects where dams are placed, how many dams, the sizes of the dams, navigation locks, and all of the facilities that will be built.

That's the approach that the TVA took in developing the Tennessee River. We planned it, looked at all the competing options, and then started to develop the river system from one end to the other. That model can be applied in China. There are some different uses of water there. There is much more need for water supply for irrigation, for example, in China, than there was, or is, here in the Tennessee Valley. We also have water supply from the Tennessee River municipalities and other uses here, so the model and the approach is very applicable.

EIR: Is the plan for extensive development of the Han River?

Hall: Their plan, as I understand it, would have them eventually have 13 dams on that river. The Han River is about one and a half times the length of the Tennessee River, or about

FIGURE 1

Flood damage in China, August 1998



Source: www.chinaonline.com

1,500 miles. In the United States, that would be a very large river. Of course, the Chinese have many large rivers, but it is a significant and important river to them, because in addition to the potential for developing that river for its own use and for the watershed that it is in, it's also a very strategic river for them, because they plan to use it in a water diversion project, in which they will take water from the Han River and divert it north to the area around Beijing. Beijing and the area around it are quite arid, and they're starting to have a crisis in not having enough potable water. The Han River is very clean, so they have a plan to take water from the Danjiangkou Reservoir and construct a man-made channel from that location north to Beijing, and have the water flow there from the Han River. It's quite a project, and that just makes the Han River

and its development even more critical to them.

EIR: How might this summer have looked different, in terms of the floods in China, were this infrastructure already in place?

Hall: It's hard for me to describe that. I haven't seen the flooding first hand. I've basically seen reports in the media. I'm not sure where the flooding is centered. I know the Yangtze River is flooding, but my understanding is that the flooding is downstream from the Han River. There was not significant flooding in the Han River watershed when our team was there in July. From the [television] films of that, the Han River didn't contribute significantly to the flooding that's occurring now.

The flooding that I'm hearing about sounds like it is on the main river, the Yangtze. But the Chinese have lots of dams planned for flood control on the Yangtze. One of those is the Three Gorges project. But I just can't, without knowing which tributaries to the Yangtze precipitated the flooding, tell what impact developing the Han River might have.

In controlling flooding, you look at many things. One is the tributaries that flow into the main river. Sometimes you can alleviate flooding on a main river by constructing dams and water diversion projects on the tributaries. Depending on the configuration of the valley and the rivers, sometimes you also have to build the dams on the main river. In the Tennessee River system, we have both. A lot of our flooding is controlled by the dams that we have built on the tributaries up in the mountains. But, then, we also have downstream dams on the main stem of the Tennessee River.

The flooding in the past has been extensive in the downstream part of the Yangtze River. For example, in the Dongting Lake area, there are many rivers in Hunan province that flow into this natural lake, and one of the rivers is the Yangtze. I know that, in 1996, there was very significant flooding in the Dongting Lake area where these rivers flow in. Sometimes the Yangtze River dumps so much water into the lake, that some of those rivers actually flow backwards. The Chinese are starting now to plan flood control projects on each of those rivers, the Yangtze just being one of them.

One of the river systems that flows into Dongting Lake is the Lishui River. They have a loan from the World Bank to build the first dam in that river system, and the construction of that dam is under way. We've been asked by the Chinese to do some work, under a World Bank loan, to help them with institutional strengthening. They are starting a little company called LHPC, Lishui Hydro and Power Corp., and they want it to be modelled after TVA. We have submitted a proposal and are hoping to do consulting for them, in institutional strengthening of this new organization.

EIR: TVA had a very great impact not only in reshaping the Tennessee Valley, but also in managing such a large infrastructure project.

Hall: That's right. And when the projects were built, we had to be an organization that could plan and develop and operate and maintain reservoirs and dams and the facilities, and that's part of what we've been asked to help LHPC with. Right now they're focussed on building this new dam. Then they will build another dam and another dam, and the World Bank has asked them to become an agency that can plan and develop things and not just be focussed on designing and constructing projects. I think it's a role TVA is uniquely qualified to help them with, and we've told them that where we have staff available to do that, we would be willing to take a contract and do that consulting for them.

EIR: Over the past two weeks, various organizations have popped up saying Three Gorges Dam should not be built, that

money should be spent on smaller projects, shoring up dikes, and the like. One of the objections mentioned by these organizations is that engineers have not taken into account the fact that there will be a huge silt buildup behind the dam, which will raise the water level. It seems to me to be impossible that the Chinese engineers had not taken that into account. Obviously, in the United States we have built dams for 50 years or more and they work well. What do you think about ways to deal with this problem?

Hall: There are ways to deal with it. We have silting in reservoirs across the United States in varying degrees. A lot of it depends upon the types of terrain that the river flows through, the type of vegetation that is there. The more vegetation you have, the less erosion, and therefore the less silt coming into the reservoir. But at TVA we have a small reservoir that has silted up. It was not worth it to us to go to the expense of removing the silt and keeping the reservoir open.

In China, silting tends to be a larger problem than it is in the Tennessee Valley; we're fortunate here, in that we have lush vegetation, and TVA has taken action to reforest lots of areas, and in the 1930s, and '40s, and '50s, we were helping to change farming techniques, and lots of things prevented soil erosion, which kept us from having our reservoirs silt up. In China there is not a lot of vegetation, and there are still farming techniques that lead toward erosion. Silting is a problem any time you build a dam and slow the flow of the water. There is a tendency for sediment or silt to build up behind the dam.

There are techniques for flushing the silt through the dam, and there are ways of designing the structure to minimize the silting. There is a basic disagreement. The Chinese say, "We understand silting and we have taken it into account using the best expertise from around the world." Other people say, "No, that's really not the case." And I don't know what the real answer is. We have not been involved with Three Gorges at all, so we can't say from a technical standpoint whether they have addressed those issues, or not. They feel very strongly that they have.

EIR: If the Three Gorges dam were completed today, do you think it would have prevented the flooding that has recently taken place?

Hall: To answer that question, you would have to know where the rain fell, and what was the routing down the [Yangtze] River. I'm sure there are tributaries that flooded, as well. It's just that the Han is not in a concentrated area of rainfall, so it hasn't flooded. To see what the effect of Three Gorges Dam would be on the flooding, you'd have to see where the rain was centered, and how the water would have been routed with the dam in place.

Once you have a river system controlled, like the Tennessee River system, then we can actually go in after a storm or a period of heavy rain, and look and almost imagine what it would be like if the dams weren't there: What kind of flooding would we have had? We do that occasionally. You have to

know where there are structures, and where the precipitation occurred, and I don't know that about the current situation in China. It's pretty sad to see some of the footage of the devastation, knowing that they're considering breaking dikes in order to flood farmland and avoid flooding the heavily populated areas. Those are tough decisions to make.

EIR: It might give people in China a great deal of confidence that the problem can be solved, when they see what TVA has accomplished.

Hall: That's right. I look back at the period of the early 1900s when the Tennessee River was actually a liability to people. It caused terrible flooding, it was not navigable, there were so many rapids and shoals in it. There was rampant malaria, and disease that was actually precipitated by the river. Yet it was such a tremendous asset just waiting to be developed. We're very fortunate in this region that it was developed, and developed in a way that has sustained growth. And all of that is possible with the Chinese rivers, but it requires a lot of resources, and it takes a lot of time.

EIR: When do you think the Chinese will be able to say that it doesn't matter how long it rains? Will it be 15 years from now?

Hall: It's a longer period than that. They just don't have the resources or money now to start building dams on all the tributaries. They're quite open in saying that Three Gorges is taking a lot of resources from smaller projects. In their view, they will get more return for their investment in Three Gorges in flood control and power production, than if they built lots of smaller projects. That also is a controversial subject. Some of the opponents of Three Gorges say it would be more effective to build a larger number of smaller dams, placed on tributaries and other rivers. A lot of us haven't studied it closely enough to know if that is the case or not.

EIR: But the Yangtze is certainly an enormous river that must be controlled.

Hall: Absolutely, and the source of a lot of the flooding that the country sees today.

EIR: It seems that if you don't tackle the really big problem, then you could have a whole series of smaller projects that won't really produce the results you want.

Hall: That's a very complex question. It would be like in the 1930s, when TVA started to develop the Tennessee River. Someone looked at it and said, "some of these tributaries are just as important as building a dam on the main river." The first one that we built was Norris, on the Clinch River, which is a tributary to the Tennessee River. And we built a lot of dams on those upstream tributaries before we built the main-stream dams. But I would *never* say that because that is the way we did it, that's the right way to apply it to the Yangtze River. That is something that requires technical study, and trade-offs from a business standpoint. I'm not avoiding your

question, I'm just saying it is much more complex, than just saying it makes more sense to do it one way or the other.

EIR: But they are continuing to build dams on the other rivers, so it isn't true to say that they are building Three Gorges and nothing else, in any case.

Hall: No, it isn't. There are other projects under construction, including the Han River. There's good proof that they are looking very strongly at how to develop that entire tributary of the Yangtze. They have told us that there are other rivers that they would like us to look at and give them advice on.

EIR: Now you are waiting to get more detailed data from them. Then you will have people look over their plans?

Hall: That's right. And develop the operating guides for the Danjiangkou Reservoir. There are two points when Chinese experts will come here, and we will do some of the work jointly. On one of those trips, after we've gotten the underlying data, they will come with the plan and will present it to us, and we will make comments, suggest changes. Then, we will give them a report that either will just ratify, or reinforce their plan, or perhaps suggest changes to what they plan now. It's a 17-month-long project, starting in July when we began the work. We got a lot of the data when we were there in July, but there is more to come.

EIR: The Chinese have looked toward the TVA since the end of the 1930s as a model for developing their own water resources. I imagine the TVA is still held in very high regard in China.

Hall: It is very gratifying to be in China and meet so many people who know TVA quite well and see what high regard they do hold TVA in, especially in the area of river basin development and hydroelectric power. We appreciate the fact that we're held in high regard, so where we have the resources to help them, we're happy to do that.

EIR: It must be exciting to have a new series of valleys to help develop.

Hall: It is, and it helps us from the standpoint that we're not developing any new rivers. It's important for us to maintain our skills in that area, because things happen on our river all the time. We look at modifying the way we operate reservoirs and continue to optimize that. It can always be better. So this type of work helps our water management people to keep their skills sharp.

EIR: We're probably very fortunate that we have a former Senator from Tennessee as the U.S. ambassador to China [James Sasser]. He has been very supportive of the TVA being involved in China. I'm sure it has helped a great deal.

Hall: It has helped us. And we hope that we're helping the U.S. government. Whatever we do should be consistent with the American government's policy with China. I think it's a kind of win-win.

U.S. farm crisis shatters 'market' myths; emergency measures required

by Marcia Merry Baker

The scope and depth of the farm crisis in the United States today have shattered the many myths of "free trade" and "market forces" promoted during last 20 years of "globalization," run by and for the international commodities cartels. Right now, world commodities markets are blowing out, along with the global financial system. If the backfire effect of this continues, causing farm shutdowns, rural impoverishment, and falling production, then the food shortages that will result will mean mass hunger here as well as international famines. Illustrative is the report from a four-man bipartisan delegation of staffers from the House International Relations Committee, who visited famine-wracked North Korea. At an Aug. 19 press conference in Beijing, China, they voiced their fears that nearly 10% of the population of 24 million may have died in the last three years, of famine and related diseases—pneumonia, tuberculosis, and diarrhea.

One dramatic, empirical proof of the markets' collapse, is the gigantic pile-up of wheat on the ground in Washington State this August, while in the meantime, countries and peoples in need of food, cannot buy it, even at the 40-year low price of \$2 a bushel to the farmer. With the big carryover of last year's crop, and the newly harvested wheat, the grain has piled up at points all along the Columbia and Snake rivers, the inland transport system to the Pacific. There are 4.5 million bushels on the ground at Walla Walla, Washington.

The marginalized infrastructure, and overstuffed storage and handling facilities, cannot cope with the grain volume, which has backed up at many elevators in Washington and the Dakotas, at least. Farmers bringing grain to market are being turned away. They cannot sell their grain *at any price*. There is *no market*.

The manager of the Saint John Grain elevator, Tom Jeffries, told the the *Seattle Times* of Aug. 12, "People are starving to death, and we are out here throwing wheat on a slab and covering it with a tarp. It makes you wonder why."

Exports, farm income dropping

The \$2 per bushel price that U.S. farmers are getting is way below the bare minimum of \$3.50 per bushel to cover costs of production. The combination of the world financial system collapse (devaluations of currencies, unpayable debt burdens of all kinds, hedge fund attacks), and continued re-

spect for the International Monetary Fund approach (e.g., ordering nations to cut their food imports and consumption), means that the U.S. export markets are blown out: Countries in need aren't buying.

Over the last 12 months, U.S. agriculture exports are down about 30% from the average level of recent years. All commodities are hit, not just the staples of grains, meats, dairy, and oils, but also everything else, from cotton, apples and cherries, to wood pulp.

But this current whammy against U.S. agriculture is not the whole story. Even before the 1997 crack-up of the financial system started pulling trade, production, and consumption levels into a downward spiral, U.S. farm income was declining, as commodities cartel companies underpaid farmers, and shunted commodities back and forth between nations in a rigged swindle, called "global outsourcing." In the United States, this was aided and abetted by the infamous 1996 "Freedom to Farm" Act, which was premised on a radical "free market" approach.

Soybeans from Brazil are coming into the United States; hogs and wheat from Canada are entering the United States, even while pork and grain are being shipped out. Imports include mushrooms from India and fruit from South Africa, not to mention the flows of fresh and processed produce, courtesy of the North American Free Trade Agreement.

While the prices paid to those who produce these products are at slave-plantation levels, the profits raked off from processing and export/imports have been maintained by the cartel companies (Cargill, ConAgra, IBP, Unilever, Kraft/Philip Morris, Chiquita, Grand Metropolitan-Pillsbury, Green Giant, etc.). As things further deteriorate, these same circles, financially interlocked through London, expect to make a killing off scarcity and hunger.

From 1996 to 1997, farm income in 32 out of the 50 states, declined, in many places, drastically. In North Dakota, farm income declined by 98% in that year; and in others, by more than 40%! The latest figures show that in the first quarter of 1998, national farm income declined at least 20-30% from the same time in 1997.

The results are farm shutdowns on a mass scale, to the point that whole counties in the Plains States are suffering rapid *depopulation*.

The urgency of taking action has been addressed at many

places, at the August National Governors Conference, at special hearings in Washington, D.C. in July, and on the local and state level. As yet, no concerted national effort has been made, but the gestures of national initiatives should be noted.

- In July, a sense-of-the-Senate non-binding resolution was passed 99-0, recognizing the crisis of the rural states, and calling on Congress and the President to take immediate action.

- On July 23, President Clinton announced that the Federal government would buy 80 million bushels of wheat, for donation to nations in need, in hopes of driving up the per bushel price to the farmer by 10%; and also undertake other assistance.

- In July, Rep. David Minge (D-Minn.) called for the government to purchase grain to resume a national grain reserve (outlawed by the Freedom to Farm Act), “to be released in times of food shortages, not to manage markets.”

- In July, Sen. Tom Harkin (D-Ia.) and Sen. Tom Daschle (D-S.D.) led a move to reopen the Freedom to Farm law, in order to introduce “safety-net measures” for farmers. This particular initiative was defeated on July 14, but the effort to negate the markets-based 1996 act is the right approach.

Free trade ideologues may not choose to see, nor admit, that markets themselves are vaporizing, such as those who sired the Freedom to Farm travesty—former Sen. Rudy Boschwitz (R-Minn.) and then-Rep. Pat Roberts, who is now a Senator (R-Kans.)—but no one sane looks to them. They, and others unable to think, continue to babble about “level playing fields . . . foreign market share . . . cycles . . . planting flexibility,” and so on, while in fact: “Look Ma, no markets.”

On July 24, Boschwitz, now chairman of Home Valu, Inc., remarked that the efforts to save farmers must not “distort markets.” Interviewed by the *Minneapolis Star-Tribune*, he shrugged, “I don’t know how to protect people from the ups and downs of the marketplace. My own business goes down like a yo-yo, too. It’s part of economic life.”

Great Plains being depopulated

In fact, there will be very little life after this economic crash, if action is not taken. The impact of the impoverishment of the farming sector of the United States is apparent in the rate of farm shutdown and outright depopulation. Of the top 50 counties (out of some 3,000 total) in the United States, where population is dropping most rapidly in the 1990s, *all* are in the farming regions of Great Plains—the Dakotas, Nebraska, Iowa, Kansas, Oklahoma, Texas. Eight of the top ten population losers in the nation are in North Dakota alone.

According to the U.S. Census of Agriculture, there was a dramatic drop in the number of farms in all segments of agriculture production, during the decade from 1982 to 1992, and then later in the 1990s, the process accelerated. By commodity, here is the percent of national loss of farms in active production, from 1982-92:

Commodity	Decline in farms
Corn	29.5%
Wheat	34%
Soybeans	25.4%
Dairy	44%
Poultry	68%
Hogs	39%

As farms shut down, or restrict the diversity of their production, the effects hit hard in surrounding towns and communities. From 1990 to 1997, rural counties in Minnesota, Iowa, North Dakota, South Dakota, Nebraska, and Kansas lost more than 110,600 of their inhabitants, with population declines in 265 counties. This is the historic food-producing region of the nation, now marked by abandoned homes and towns.

Burke County, North Dakota, alone, lost 25% of its population from 1990 to 1997. During the past two years, North Dakota lost 2,511 of its 30,500 farms; and this year, another 1,800 will go out of operation, if the harvest is anything less than average. In the Red River Valley straddling North Dakota and Minnesota, 20% of the farmers quit last year.

Warren, Minnesota Mayor Dick Nelson said, “If something isn’t done quickly, we’re going to lose an entire culture. We’re so dependent on agriculture that when the farming community struggles, it starts to hit home. We could lose downtown, the schools, the hospital—everything.”

Documentation

Hearings detail agriculture crisis

On July 29, Senate Democratic leaders held a hearing in Washington, called the “Democratic Hearing on the Crisis in American Agriculture.” Tom Daschle (S.D.) and Tom Harkin (Iowa) presided, as eight witnesses presented testimony. We excerpt the testimony provided by farmers from five states.

North Dakota is ‘a desperate situation’

Testimony of Deb Lundgren, farm wife, Kulm, North Dakota.

. . . We have a 1,500-acre farm that has been in my husband’s family for three generations. This farm originally belonged to my husband’s grandfather. Farming in Grandpa’s day was quite different than farming today—except for one very important and sad area—income. I have with me today a copy of Grandpa’s income tax return from 1957. It shows an adjusted gross income of \$11,017.51. I also have our income tax return from 40 years later. It shows a 1997 farm

return of \$10,288.00. Same farm—same income—40 years later. Grandpa's income translated into today's dollars is \$62,925.42. Our income in today's dollars is \$10,288.00. The picture is grim.

My family is currently in a desperate situation—we have fed and subsidized the feeding of this country for 20 years, and now we don't know how we will feed our own family. Every spring, we borrow \$60,000 to plant our crops. That money is put into the ground, figuratively speaking, and with the grace of God, we will have a crop in the fall. Many things can and do happen in between. Since 1993, we've had hundreds of acres under water. In 1993, 1995, and 1996, we had hundreds of acres infested with disease. Friday, June 26 of this year was a tragic day that my family will never forget. A hailstorm began on that day and by the time it was over, we had hail on 80% of our land—some acres were completely destroyed and have been plowed under. Others will be harvested at a greatly reduced yield. That one hailstorm caused approximately \$62,000 in damages. \$62,000. So now, our family must find a way to repay the monies we borrowed, or we will be unable to borrow and farm again next year.

That same day that the hailstorm hit, we felt the pains of this crisis in another way. That day my family buried our brother-in-law. He had a massive heart attack at the young age of 42, following the auction of his farm less than a year ago. He was forced out of farming and had to move away and provide for his family in another way. Can you see the toll this takes? Financially, emotionally, physically, socially, and personally—what more can we give?

According to the North Dakota Farm Business Management Education Program, the breakeven point for wheat in North Dakota is 30.59 bushels per acre—and that's just to break even! How long could you live in your house if the payments were \$500 and your income was \$400? How would you eat? How would you pay the electric bill? Those are the questions we face and will continue to face. We have already started to prioritize payment of bills and as we get closer to the beginning of the school year, expenses will mount for our four children. As the bills continue to mount, we will be in a position that so many others are in. The truth is, farmers borrow from a bank, from their savings, against their equity, and some are even using credit cards to subsidize food for this country. American farmers *fund* the food supply we all enjoy. The government doesn't, nor has it in the past, subsidized farmers—it has paid them back. It's not the government's money that goes into the ground, it's ours.

In North Dakota, there's a standing joke that we don't encourage our children to pursue agriculture as a career because it could be considered child abuse. Actually, it's too close to reality to be a joke. Why should we encourage our children to enter a career that doesn't pay them? As the number of trained, professional food producers declines, how do you intend to replace them?

For our family and farm, the next couple of months are

critical, as the question of how to pay back our investment without a crop looms over our heads. I have been looking for another job because my full-time job off the farm isn't enough anymore. I now may take an evening and weekend job at a local pizza place. . . . The sad reality is, I can make more money rolling the dough than I can investing to grow the ingredients! I shouldn't have two jobs that could belong to someone else—I should be on the farm. I want to be on the farm!

In 1959, Grandpa Lundgren bought a new tractor for \$6,400. I have the customer order here with me. A tractor with the same horsepower today would cost about \$45,000. A four-wheel drive tractor current with technology is over \$100,000. This spring, we put over \$7,000 into repairs alone on a tractor that is 17 years old. How can anyone think farmers can survive on a 1957 income at 1997 costs? I challenge anyone who wants to answer that question to first show me how you would live on the salary received by your colleagues 40 years ago. That's exactly what my family is trying to do.

Thank you for this opportunity to give you a farmer's perspective.

South Dakota: 'We just have farm auctions'

Testimony of Nicholas Nemec, livestock farmer, Holabird, South Dakota.

. . . I am 39 years old [with a wife and four daughters], the fifth generation of my family to farm and ranch in South Dakota. We raise wheat, corn, and sunflowers on one half, and the other half is pasture and hay ground for the cow herd which we've expanded to 100 head. . . . The price I receive has dropped steadily over the last four years to the point where I barely break even.

In other years, I may have been lucky because sometimes cattle and grain prices offset each other. When one is down the other will be up and your income will average out. That hasn't been the case the last few years. As bad as cattle prices have been, grain prices have also been in a long slow decline. The price of wheat has lost half of its value from a few years ago before the "Freedom to Farm" bill was passed. It is not unusual to get over \$4 per bushel of wheat, but just yesterday, the local price was under \$2 per bushel. . . .

This past May, I literally had to find things of value to sell off my farm so that I could have enough money to plant crops. I ended selling off an old bull I was keeping as a spare, in case one of my other bulls got injured. I did this just to put my crops in the ground. An unexpected machinery repair a month later required me to sell some feed that would have been used next winter.

Every month it seems there is a similar story. I dread sitting down and trying to figure out how to get by for another month. My oldest daughter had chronic asthma. Her inhalers and allergy shots cost around \$200 a month. Our health insurance has a \$5,000 deductible that we rarely meet and it still costs over \$3,000 a year. Yet we are afraid to go without

health insurance in case someone got really sick or injured. I always pay the pharmacy bill because a kid having an asthma attack is enough to scare any parent. . . . On June 15, the annual premium was due, but we didn't have enough money to pay the bill on time. This time, we were lucky, because we got the wheat crop harvested before the grace period expired, and I had enough money to pay the premium. But next time, they will likely drop our coverage.

When the price per bushel goes down, my family's everyday expenses go up proportionately. You could say that the cost of our health insurance went up over 40% this year. School clothes cost 40% more, gasoline costs 40% more, groceries cost 40% more. Think about this: If the Consumer Price Index goes up 40% in one year, there would be riots in the streets of cities in America. Out in the farm country, we just have farm auctions. . . .

Montana: 'Cheap food may be a thing of the past'

Testimony of Ellis Murdock, cattle farmer, Lodge Grass, Montana.

. . . There is a crisis in American farming. My future and that of many other farmers and ranchers is in your hands. . . . This problem is not only on my doorstep, it is throughout the farming community in Montana.

My family has raised cattle and grain in Big Horn County for over 70 years. We have survived countless weather and economic challenges, but I hear the one we face today will get the best of us. . . .

As of July 22, according to the USDA cost estimates, we are losing \$3.58 per bushel on wheat and \$200 per calf. There is no possible way I can make this pay. It is ridiculous to assume that I somehow can recover in the near future. I am 35 years old, and I was hoping to make a career in cattle and grain production. When I can't borrow the money to operate next year, my production will cease, and I will be looking for work to support my family. Right now, I have two piles of bills—60 days and 30 days. We long ago got rid of so-called luxuries, but I am now prioritizing between groceries, clothing for my young kids, and health insurance, so that for the time being our basic needs are met. These will have to be sacrificed if something doesn't change soon.

There have been numerous farm equipment auctions throughout this area of Montana. Much of the equipment is only bringing 10% of the original value. Anyone looking to sell off some of their production tools to help make some extra money, will not be able to get anywhere near a worthwhile price. With prices this bad, what farmer has money to buy it?

There are several farms for sale, but few buyers. My wife's family owns a farm not too far from where our family lives and they were forced to put it on the market, but no one wants to buy it. Because of the financing arrangement, the next month is critical to whether or not they can keep the farm.

Many young farmers like myself have already voluntarily quit and leased out their farms. My younger brother is 25 and has just started farming, but is looking for other work to support his family and his "farm habit." Many more will be forced out this fall because of lack of cash flow and equity. My 1998 production is nearly complete. Unless prices rebound significantly in the next few weeks, my future in farming is over. At current price levels, I would have made more money shooting the cows and leaving the seed in the bin. As a cattle producer, we looked at 1998 as a year to catch up from our previous low profits.

Everything I do seems to be for nothing. Over 2 million farmers and ranchers with their competitive and independent spirit guarantee an abundant and safe food supply for all Americans at a very low price. Unless the situation for those farmers and ranchers improves, the effect will not only be felt by my family and others in my business—it will soon crush agribusiness across the country and food production. When the number of American farmers can fit in this room, cheap food will be a thing of the past. Again, this is not something we can put off. The crisis is here and farming communities need help now.

Iowa: 'Exports are not the answer now'

Testimony of Gary Hoskey, hog farmer from Montour, Iowa.

. . . I grow corn, soybeans, hogs and cattle in Montour, Iowa. In Iowa, many farmers are now feeling hopeless. . . . I flew here to Washington, D.C. to say that, yes, Iowa farmers are suffering due to the farm crisis. I want to set the record straight: This crisis is not regional, it is national. Before I left home, there was a radio announcement about my trip here to Washington, D.C., and from that point on (6:45 a.m., in fact) I was flooded with phone calls from farmers wanting to tell their stories so I could bring their message to you here today. . . .

I would like to show you a copy of my local newspaper which states farm prices from 50 years ago. Fifty years ago the price for corn was \$1.92 per bushel, the price for corn today is \$1.77-2.00 per bushel. Fifty years ago the price for hogs was \$28.25 per hundredweight, and the price for hogs are \$33.34 per hundredweight today. No other segment of our economy is receiving the same price received 50 years ago. Why should farmers?

I would like to show you a copy of an advertisement that was distributed at my local grocery store a couple weeks ago. The ad is for a "complete meal deal" which includes 6 lbs. of pork, 6 lbs. of potato salad, 6 lbs. of beans, and some vegetables selling for \$89.99. Just last week I sold a 250 lb. hog for \$84.37. This difference in what the farmer receives and what the consumer pays is astounding. The complete meal deal shows that farmers are getting a bad deal. Iowa State University has confirmed that the farmer's share of the food dollar was 38¢ in 1980 and now is just 23¢ in 1998.

Farmers are repeatedly told that agricultural exports will

bring prosperity to the agricultural economy. U.S. agricultural exports are strong, as you, Senator Harkin, have stated on the Senate floor. Despite strong U.S. exports, prices are low, which suggests that exports are not the answer now. Perhaps long term, there may be some benefit, but today, we would focus on price because price is what is causing Iowa farmers to struggle.

We read that there is a move here to fund the IMF [International Monetary Fund] with over \$18 billion in American money so that Asian countries can be stabilized and their economic crisis is eased. At the same time, we are being told we cannot spend anything over budget to address the crisis in our own country's agricultural economy. This doesn't make sense to me. I believe we should help Asia through its crisis, but we should solve our own farm crises here at home as well.

Make no mistake, the farm crisis affects much more than just farmers and small businesses; it extends to the schools, churches, and entire rural communities. The farm crisis will also determine whether we are able to bring another generation of farmers on the land.

. . . I have in my hand a copy of a column written by Alan Guebert on July 19. The column states, for every dollar of new debt farmers added in that period, farmers generated -81.5¢ in 1997 and 1998.

How or why would my son or any other young farmer, begin farming, given the grim outlook on the farm? What should I do to start my son farming? Should my wife continue to work off the farm? Should I get an off-the-farm job, so all three of us can work off the farm in order to keep the farm? How can we bring the next generation on the farm to produce the food and fiber for the American people and the world?

. . . Cattle feeders are losing approximately \$125 per head, dairy farmers are being paid at least \$2 below the cost of production. The cost of producing hogs is over \$40 per hundredweight, yet farmers receive just \$33 to \$34 per hundredweight. How do farmers manage cash flow with these low prices?

The fact is there is nothing that shows promise of long-term profitability in farming. Hogs have been our traditional mortgage lifter. An article quoting Missouri Prof. Glen Grimes in the most recent *National Hog Farmer*, shows the level of concentration in the hog industry.

Here are some of the facts:

Eighteen producer companies raise 23-24% of the nation's hogs. These 18 producers expand year in and year out, regardless of price. He projects the price for hogs per hundredweight for 1998-99-2000 is in the \$30s, and possibly it will dip down into the \$20s. Here is a college professor asking us farmers to pray for a miracle, because we are going to be losing money for a long time to come. Grimes predicts these low prices will cause a major exodus of some fairly large producers, but that their units will not close. They will simply be bought out, most likely by the 18 large

producers I mentioned earlier.

The "Freedom to Farm" Act removed supply management as a means to support farm income. Any production business must manage its supply to avoid overproduction and unprofitable prices. These low grain prices benefit these 18 large hog producers. Because they operate by using contract producers and aligning themselves with the packers through contracts. All of this is supply management. The packer is managing the supply on his kill floor with his contracts with the producers. He only goes to the open market [to farmers] for hogs when he needs to, making family farm producers residual suppliers. . . .

Louisiana: 'I have never seen these conditions'

Testimony from Kenneth Methvin, cotton and corn farmer, Natchitoches, Louisiana.

. . . I appreciate the opportunity to come here today and provide you with information of a very desperate nature about the conditions in our farming community.

I have been a farmer for 34 years, and let me tell you, I have never seen conditions like this or a crisis like the one I and many other farmers are facing. The entire state of Louisiana and especially its Red River Valley where I live, has experienced some of the worst drought and heat conditions in April, May, June, and July of this year. These last few months have been the driest and hottest on record in the last 100-plus years, and it seems that Mother Nature is going to continue to bear down on us through the early fall. . . . I will be lucky if my farm produces one-third of the amount of a regular crop, and I will certainly not break even in the production costs. Just this past Sunday, we harvested a corn crop that usually yields 140 or more bushels of corn. We were only able to cut 25 bushels, and because of that, expect a \$300 per acre loss. My cotton crop has been especially hard hit. Although cotton is six weeks to two months from harvest, it is likely that I will experience at least a 50% loss in the cotton crop this year.

Statewide, conditions are no different. Over 20% of the farmers in the parish [county] will go out of business this year, and have to try to fall into the workforce. A close friend of mine, who has been farming for his whole life, lost his farm last year. When I asked him what he was going to do, he gave a fairly common response: "I don't know."

The three crops that I farm, corn, cotton, and soybeans, are also Louisiana's major row crops and are the hardest hit across the state. Preliminary estimates are that over 50% of our corn will be lost which will mean over \$62 million to Louisiana farmers. Thousands of acres of cotton statewide will be plowed up without yielding one single bale of cotton by the time the effects of the drought are over. In general, no crop or livestock has escaped this drought. Cattle, soybeans, milk, poultry have also suffered. Overall, projections are that Louisiana's agricultural and forestry economy will lose over \$325 million this year. . . .

The railroad and the space program

The construction of the U.S. railroads in the 19th century was an “Apollo project,” fostering the development of the nation. By Marsha Freeman.

On May 25, 1961, President John F. Kennedy announced that within a decade, the United States was going to land a man on the Moon, and return him safely to the Earth. Until then, the U.S. space program had been proceeding at a rather leisurely pace, as the Eisenhower administration refused to have itself seen as being in a “race” with the Soviet Union.

But President Kennedy knew that a national commitment to this great endeavor would accomplish something more important than reestablishing American prestige. The task would require the mobilization of the best of the nation in science, industry, technology, and education. The country would be changed, perhaps permanently, in meeting the challenge to do what had never been attempted before.

Even before the President’s announcement, British anti-technology cynics, pseudo-religious figures, psychological-warfare think-tanks, and sociologists, objected that the Apollo program could have a “damaging” effect on the U.S. population.

Pressure was put on the National Aeronautics and Space Administration (NASA) to give grants to sociologists for studies on how to blunt the unbridled optimism and economic opportunity the space program promised to provide, not to mention the wonder of the entire endeavor, and its impact on young children. On March 24, 1961, the House Committee on Science and Astronautics released a report prepared for NASA by the Brookings Institution, proposing studies on the “implications of peaceful space activities for human affairs.”

Three grants for such studies were awarded by NASA in 1962 and were overseen by the American Academy of Arts and Sciences in Boston.

One study was published as a book, *Social Indicators*, in 1965. It was reportedly the brainchild of Bertram Gross, later editor of the London Tavistock Institute’s psychological-warfare journal, *Human Affairs*. In his preface, Gross lauds President Johnson’s Great Society program, which he describes as “responsive to the new political situation created by the transformation of an advanced industrial society into the world’s first example of ‘postindustrialism.’” But, Gross complains, President Johnson is still relying on “concepts and data that have decreasing relevance to the new national goals,” such as economic growth, and “we find practically no information whatsoever on ‘social structures.’”

In the foreword, Earl P. Stevenson, chairman of the Committee on Space for the Academy, states that “such measures of social performance are all the more important in a ‘postindustrial’ society, one in which the satisfaction of human interests and values has at least as high a priority as the pursuit of economic goals. The development of a system of social indicators and accounting is a subject of real interest to the Johnson administration.”

The author of *Social Indicators*, Raymond Bauer, professor of business administration at Harvard, states straightforwardly the reason for his book: “In the conduct of human affairs, our actions inevitably have second-order consequences. These consequences are, in many instances, more important than our original action.” One example he cites is the use of pesticides which kill insects, but have the second-order effect of killing birds (repeating the lies later decreed into law to ban DDT).

Another study carried out under the NASA contract was by Robert N. Rapaport, and was to be titled, “Social Change: Space Impact on Communities and Social Groups.” This study was never published, however; perhaps because of the outrageousness of its reported conclusion, that the greatest danger of the space program would be the unbridled optimism that would lead “every man, woman, and dog” to want to be a scientist.

But in the report that follows, we examine the first study that was published under the NASA contract—a study that proceeds from quite a different premise than the two just mentioned. This was *The Railroad and the Space Program: An Exploration in Historical Analogy*, edited by Bruce Mazlish and published by MIT Press in 1965. In looking for an analogy to the impact the space program would have on the nation, Mazlish appropriately chose the 19th-century equivalent of the Apollo program: the building of the American railroads.

Mazlish writes that the approach of the book is to “study the impact of a social invention analogous to that of the space program.” Such an analogous invention should be “in part, technological, . . . which is economic in its effect, involving such things as the large-scale employment of manpower, the wide-spread use of materials, and extended, important financial ramifications; which is also political, in the sense of having legislation surrounding its use. . . . The social invention I



Apollo 11 astronauts in a motorcade through the streets of Madrid, Spain, Oct. 7, 1969. The space program, like the railroad-building endeavor of the last century, was an inspiration to young and old, the world over.

recommend is the coming of the railroad.”

Mazlish says that the boldness of the aims of the new space program can be justified “by the reflection that, though it is true that ‘Fools rush in where angels fear to tread,’ man has now been foolish enough to rush in where angels used to fly.”

Opposition to technology, then and now

The first chapter of the book discusses some of the historical analogues of the space program to the building of the railroads, including the role of the nay-sayers.

Mazlish notes that the British magazine *Quarterly Review* commented in 1825: “Can anything be more palpably ridiculous than the prospect held out of locomotives travelling twice as fast as stage coaches? We should sooner expect the people of Woolwich to suffer themselves to be fired off upon one of Congreve’s Rockets as trust themselves to the mercy of such a machine going at such a rate.”

Sociologist Lewis Mumford, writing in “The Transformation of Man,” published in 1956, had a similar view: “Under such conditions, life would again narrow down to the physiological functions of breathing, eating, and excretion. . . . By comparison, the Egyptian cult of the dead was overflowing with vitality; from a mummy in his tomb one can still gather more of the attributes of a full human being than from a spaceman.”

And Hannah Arendt, in “Man’s Conquest of Space” (1963), commented that the “philosophical impact” of the space program would be that “of making man insignificant.”

Some people saw the railroad, along with industrial society in general, as violating God’s intentions. “What is the *image* held by religious-minded individuals as to the significance in this area of the space program?” Mazlish asks.

In the early 1960s, the estimate was that each dollar of

funding for the space program would produce \$2 of economic activity. But this was really just a guess. A decade later, necessarily incomplete studies of the economic impact of the government funding for the Apollo program would estimate that at least \$10 of economic activity was produced for each dollar spent.

How does this compare with the way the nation was transformed by the coming of the railroads?

The railway: driving new industries

In the second chapter of the book, Thomas Parkes Hughes states a general dictum: “Wherever and whenever nature in her nominal manifestations frustrates man in the pursuit of his objectives, there exists a technological frontier.” Hughes goes on to observe: “The economic and political factors influencing technological decisions in less advanced America contrasted with those in Britain. The engineers surveying a route for the Baltimore & Ohio Railroad in 1828 acted on the assumption that the nation’s political economy created an unlimited and immediate need for railways in America. . . . These sentiments were reinforced by the politically minded who considered railways and canals as ties binding the new nation.”

In the 1820s, the emphasis was on the *railway* element of the system, not the motive power. Before the railroad, “internal navigation was limited to those areas where water ran naturally or could be channeled artificially; and to those waterways where frosts were not severe and prolonged. . . . For example, a major disadvantage of the Erie Canal—extending as it did from the lake to the navigable Hudson at Albany—was the freeze-up for four or five months during a hard winter. . . . The railway engineers transcended these natural limitations by substituting a ‘way’ of rails for the contingent-upon-nature waterway.”

The massive project to join up the nation by rail led to the development of entirely new industries, and pushed forward fledgling manufactures, by creating a vast market for them. The most prominent was iron, and then steel.

The small iron-making capacity in the *ante bellum* United States created a situation where, during the 1850s, foreign rails represented nearly two-thirds of all rail purchases. The quality was such that 40% of total rail requirements between 1839 and 1869 was for replacement rails. Most replaced rails were scrapped, which led to the development of the technology for rerolling of old rails. By 1849, one-quarter of all domestically produced rails were rerolled from discarded ones. Therefore, the net addition to pig iron production attributable to rails during 1840-60 was less than 5% of the output of blast furnaces.

After the Civil War, the new Bessemer process radically reduced the cost of producing steel, allowing for great economies of scale. This ushered in a new era, and after 1871, the consumption of steel was dominated by rails. At the peak, rails consumed 87% of steel production, turning it into a mass production industry. Robert William Fogel summarizes the situation in his chapter, stating, "The market for rails was indispensable to the emergence of a modern steel industry in the United States."

Henry Bessemer (1813-98) developed the process of steelmaking named for him. The process sent a blast of air through molten pig iron, greatly reducing the cost of producing steel. William Kelly (1811-88) independently discovered the same process in the United States, and, although the patent for the invention was granted to Kelly, Bessemer turned his steelmaking into a commercial enterprise.

Cheap steel in the mid-19th century had potential marketability for ships, boilers, bridges, buildings, ordnance, armor, springs, wire, forgings, castings, chains, cutlery, and other items. But, during the initial decades following the development of the Bessemer process, 80% of the Bessemer steel ingots went for rails.

Entirely new demands were put on manufacture, as techniques had to be found not only to power the railroad engines, but also to provide the braking to stop them. New materials were also required, to withstand the heat, weight, and speed of the iron horse.

Other industries were affected more indirectly from the growth and spread of the railroads. For example, in the case of the telegraph, the railroads were not a major user, but there was a parallel growth and alliance between the two. Telegraph companies could utilize railroad men "to watch the line, straighten poles, re-set them when down, mend wires, and report to the telegraph company," Fogel explains. This allowed them to reduce maintenance costs. The railroads also helped push forward the postal system, one of the telegraph's competitors, by delivering mail faster.

In his contribution, Thomas C. Cochran reports: "In the early days of the railroad, time was still read from sundials.

While such readings altered only slightly over short distances, between cities a few hundred miles east or west of each other, the variation would be several minutes. A railroad junction point, such as Buffalo, would have half a dozen clocks showing the time in other major cities such as Albany, Cleveland, Detroit, or Chicago.

"The railroad came to control time, first, by making the station clock the criterion for each town, and second, by establishing four time zones covering all of the United States. The latter change was the result of a decade of timetable conventions, and the ultimate agreement of 1883 superseded 54 regional times represented on railroad schedules."

Reshaping the land and the people

While it is obvious that the coming of the railroads made possible large-scale westward expansion, Thomas C. Cochran relates in *The Railroad and the Space Program* that the new transportation system changed the country's demographics in other ways as well. "The railroads sought to stimulate immigration in order to supply labor for their own construction needs, and to provide farmers and other businessmen for the development of the areas the companies served.

"The railroads advertised for workers in Europe and in the eastern ports, and provided cheap transportation from the coast. The Castle Garden Labor Bureau, supervised by the State of New York, was probably the chief mid-century source of immigrant labor for the railroads. The *Railroad Gazette* noted in 1883, the peak year of immigration up to that time and also a peak year in railroad building, that 'unless the rate of immigration continued high, construction would be handicapped.'

"By 1900 the pattern of what would now be called metropolitan areas was, in its new parts, a creation of the railroad. Chicago, the greatest of the cities built by the railroad, grew from 30,000 people in 1850 to 1,100,000 in 1890."

In his contribution to the book, Robert William Fogel states that, from an economic point of view, the central feature of the railroad was its impact on the cost of inland transportation. Following from the savings in transportation cost, most important was the change in availability of resources. The railroad "increased the *economic accessibility* of various parts of natural endowment of the United States."

One of the most interesting effects of the railroads was their impact on agriculture. By 1840, using natural waterways and canals, 40% of the nation's people lived west of New York, Pennsylvania, and the coastal states of the South. But without rails, studies have shown, economic growth might have been slower, because shipping rates would have been higher due to the higher cost of wagon transport to get to the ship, compared to the cost of rail to the ship. Higher transport costs would have led to the most intensive, rather than extensive, development of agriculture. Without railroads, the "feasible commercial agricultural boundary" would be limited to an average of 40 miles from the navigable waterway.

Fogel shows that shipping agricultural goods would have cost twice as much by water (which in northern climes is not possible for five months of the year), and that, therefore, the great bulk of such commodities was actually sent east by rail. Railroads greatly reduced the amount (and cost) of expensive wagon haulage.

The coming of the railroads had a profound impact on education, as well. Cochran reports, "The railroad was probably a major factor in developing higher education in engineering. At the time that Rensselaer Polytechnic Institute was founded in 1824, the Military Academy at West Point was the only college offering advanced technical studies. The founder of the Institute, Stephen van Rensselaer, thought that training in chemistry for use in agriculture would be the school's chief function, but the demand for engineers to build bridges and railroads soon moved the curriculum in that direction."

By 1835, schools like Rensselaer had civil engineering curricula, which included study of geodesy (leveling, topographical surveying, road surveying), road engineering (common roads, railroads, canals, tunnels), topographical drawing (plans, profiles, and sections of railroad surveys), construction, and the mechanics of solids (friction, strength of materials).

While population grew rapidly in Midwestern industrial cities, thanks to the railroads, Cochran notes, the impact on the rural population was even more dramatic. "The railroad raised the levels of expectation in relation to material success in many communities, and altered both geographic and cultural horizons. . . . Railroads brought city newspapers to rural towns with advertisements of bargains in clothes and home fittings, and of amusements not thought of before by country people. Now on a Saturday, the farm family could take a one-day cheap excursion trip to the biggest nearby city and live for four or five hours in a new world."

Not that this new potential did not have its run-ins with the less broad-minded. Cochran reports that the school board of Lancaster, Ohio "forbade the use of the schoolhouse for a meeting to promote a railroad on the basis that 'such things as railroads and telegraphs are impossibilities and rank infidelity. . . . If God had intended that His creatures travel at the frightful speed of fifteen miles an hour by steam He would clearly have foretold it through His holy prophets.' "

Generations of transport engineers

Discussing the impact of the railroad on education, contributor Paul H. Cootner remarks, "The railroads' needs stimulated technical education and a generation of trained engineers, some of whom were themselves easily drawn off into related areas. Schools set up to train engineers did not disappear when the railroads' needs became less pressing, but merely shifted their expertise and facilities into related educational channels."

Hughes documents how the technology of railroads was transferred to solve the next urgent transport challenge, that

in the cities. By 1870, more than 50,000 miles of railway had been opened, and engineering capabilities developed over a half century on the inter-urban frontier, would be transposed to the intra-urban realm.

"The wave of engineers who flourished at the turn of the century when the subways and elevateds opened had been educated during the postwar [Civil War] years, when engineering curricula throughout the nation had been strongly influenced by the railway," Hughes reports. By the 1880s, electricity was available and urban congestion was terrible, as cities had been growing very fast. Engineers who had learned their profession in railway construction played leading roles in introducing rapid transit. Hughes cites several examples:

James Laurie (1811-75), the first head of the American Society of Civil Engineers and chief engineer of several railways, including the New Haven, Hartford, and Springfield, proposed an elevated railway for New York City in a paper, "The Relief of Broadway," which was read before the first regular meeting of the Society.

Isaac C. Buckhout (1830-74) was the superintendent of the New York and Harlem Railroad before planning an underground from Grand Central Depot to City Hall, and another in Brooklyn. Later he became a member of the Committee on Rapid Transit.

Samuel Rea (1855-1929), who eventually became president of the Pennsylvania Railroad after beginning as a construction engineer, published a monograph in 1888 on underground railways. In the 1890s he built 1.75 miles of electrified railroad tunnel to bring the B&O Railroad into the heart of Baltimore.

William J. McAlpine (1812-90) served as the chief engineer of several railways, including the Erie, before planning an underground rapid transit system for New York City.

Theodore Cooper (1839-1919), after gaining experience as an engineer with the Troy and Greenfield Railroad, worked as a consultant for the New York and Boston Rapid Transit Company.

Walter Katta (1830-1917) did engineering for several roads and was a division engineer of the Belvedere and Delaware Railroad before he went to New York City in the mid-1870s, to become chief engineer of the New York Elevated Company. He built the first sections of the Third Avenue and Ninth Avenue elevated structures between 1877 and 1880.

Charles SooySmith (1856-1916) spent two years with the Atchison, Topeka, and Santa Fe before becoming a consultant first on bridge foundations and then on the Underground Transit Railway of New York.

The first major subway in America opened in Boston in 1897. New York pioneered elevated railways, which in 1890 extended 33 miles. Chicago had elevated 13.5 miles of track in 1895 and was judged a model at the time. The trains rode on a structure made entirely of basic steel and incorporated the advanced techniques of the main-line railway bridge builders.

When the trains came to the cities, the urban population

gained mobility, and people could expand their view of their world, beyond the neighborhood, to take advantage of the centers of culture that cities were becoming.

The railroad and the American imagination

In the final chapter of this study, Leo Marx writes that there is a “special affinity between technology and America. . . . The success of the industrial enterprise, in turn, has intensified [Americans’] commitment to an ideal of progress that entails the most rapid possible rate of technological innovation.”

Marx continues, “Not many inventions have aroused excitement like that which accompanied the construction of the American railroads. Almost as soon as the new machine appeared, in 1828, its economic import became apparent. By accelerating the pace of the westward movement and creating vast new markets for manufactured goods, the railroad quickly stimulated the over-all process of industrialization.

“It confirmed the predictions of men like Tench Coxe and Alexander Hamilton, who had foreseen (in the 1790s) that conditions once universally regarded as obstacles to America’s economic growth would prove to be stimulants. Thus the abundance of land and the scarcity of labor, far from perpetuating the ‘underdeveloped’ character of the economy, now increased the demand for labor-saving machinery and, in general, quickened the rate of economic growth. Between 1830 and 1860 the nation put down more than 30,000 miles of railroad track, pivot of the transportation revolution without which industrialization under American conditions would have been impossible.”

“In addition to its effect upon the economy,” Marx writes, “the railroad had an immense impact upon the public imagination. Within a few years the locomotive (variously known as the ‘iron horse,’ ‘fire-Titan,’ etc.) became a kind of national obsession. Its attributes were such that it seemed the very embodiment of the Age of Steam: fire, iron, smoke, noise, motion, speed, power. Newspapers and magazines of the period were filled with accounts of railroad projects, railroad speed, railroad accidents, railroad profits — the lore appearing in songs, poems, political speeches and stories, both factual and fictional. Here is the way Ralph Waldo Emerson describes the frenzy in 1848:

“The Railroads is the only sure topic for conversation in these days. That is the only one which interests farmers, merchants, boys, women, saints, philosophers, and fools. . . .”

“During the 1840s, as Emerson testifies, the image of the railroad became what might be called a cultural symbol. . . . It was taken to represent man’s newly acquired power over nature, and the idea of history as a record of virtually inevitable improvement or, in a word, progress.”

Great projects build nations

How did these analysts from the early 1960s see the space program, in comparison?

They knew, as early as the first days of the Apollo program, that the impact of the space program would be even more wide-ranging and profound.

In his summary of the comparison between the impact of the railroads and the space program, Fogel sees the main impact of the railroads as facilitating “processes and activities which were well under way prior to their advent.”

“With respect to the development of technology, the experience of the railroads offers little basis for assuming that the devices required for space transportation will lead to innovations that markedly affect productive techniques in other spheres of activity. Most of the devices invented to improve railroads had no significant applications outside of this industry. And in the case of Bessemer steel, a product with many applications that was clearly promoted by railroad requirements, the economy independently produced an extremely effective substitute, namely open-hearth steel.

“The difference is that rockets open up new areas not accessible before by any other means. In that, it will create new knowledge. . . . The space effort has a chance of affecting economic life far more radically than did the railroads. Examination of the railroad experience cannot aid in predicting the value of the scientific knowledge that may be gained from space exploration.”

But this judgment is too harsh. The study of the railroads does give a glimpse of the characteristics of great projects that mobilize a nation, and advance society.

If the railroads could create wholly new engineering fields, and revolutionize science and engineering curricula, the space program could do so even more. When the railroads brought mail, newspapers, and material goods from the rest of the nation, they uplifted the culture of the rural and backward parts. Through applications of space technology, such as satellite communications, entire libraries are now at the fingertips of students and young people anywhere in the world.

The fascination of young and old alike with the majesty and glory of the iron horse, since the advent of the railroad one and a half centuries ago, can be seen on the faces of observers of all ages today, watching a rocket lift off into space. Where you are going and what you will find is still left to the imagination.

Only a few could begin to imagine what the impact of space exploration would be on society 35 years ago — in medicine, weather prediction, agriculture, machine tools, new materials. But the mobilization by American System economists, entrepreneurs, the Army, President Lincoln, and people in many towns and cities, to create an iron land-bridge from one American shore to the other, is indeed comparable to the effort of this nation in the 1960s to put a man on the Moon.

The analogy that can be drawn between the building of the American railroad and the efforts to land a man on the Moon, is that it is the accomplishment of such great projects that builds a nation.

A long overdue debate on sovereignty

The Anglophiles have mounted an effort at damage control, as the truth gets out about the sabotage of German reunification.

Over the past nine years, there have been sporadic hints in the German media about the real history of the London-centered sabotage of German unification in 1990. Some of these hints have been interesting. For example, an essay by Detlef Junker of the Washington, D.C.-based German Historic Institute, which the *Frankfurter Allgemeine Zeitung* daily published on March 13, 1997, was spectacular. For the first time, the Allied conditions imposed for German unity in 1990, were addressed openly. But, outside the LaRouche organization, nobody else had dared address that issue in public. The establishment did not want a debate, and did everything to suppress it.

The next round of revelations started in spring 1998, when the government in Bonn leaked to the media that it would break the normal 30-year secrecy rule and release *Documents on German Policy*—this being the title of a book on the blackmail leading up to unification. Unsure of his reelection chances in the Sept. 27 elections for parliament, Chancellor Helmut Kohl lifted the ban on the documents, in an attempt to justify his own actions. But again, except for the initiative of Helga Zepp-LaRouche, no other political leaders have shown interest in a public debate on this book.

However, there were private debates among the elite, for example, in a spring series of speeches arranged by the German Foreign Policy Association (DGAP), the Bonn equivalent of the New York Council on Foreign Relations and the London Royal Institute of International Affairs. The speeches,

one of them given by Green party leader Joseph “Joschka” Fischer on June 8, showed a common impulse: re-emphasizing the alleged necessity of limited German sovereignty, and warning against any consideration of alternatives.

This debate was forced into the public by Zepp-LaRouche, who reported on the *Documents on German Policy* revelations, in a speech to an international conference in Oberwesel, on July 25. This speech, and the expanded analysis she wrote for the Aug. 14 issue of *EIR*, apparently stirred up the establishment, which would have preferred to keep that genie in the bottle. But once it was out, the establishment shifted to “damage control.”

On Aug. 10, the *Frankfurter Allgemeine Zeitung* published an essay by Fischer, which was based on his DGAP speech of June 8. Its title, “Self-Containment of Power,” best illustrated that the theme here, was the counter-position to what Zepp-LaRouche had stated.

In his essay, Fischer advocated “continued self-constraint” for Germany, along the lines of the conditions forced upon the Germans in the 1990 unification. He declared that the containment of Germany by other powers portraying it as a Third Reich whenever there were political conflicts, “will remain a fact of crudest power politics for the future.” Fischer not only said that this is so, in his view, but also that it must be so: He called on the German political elites to ensure that this “founding principle of the old Federal Republic be made a fundament of

the Berlin Republic,” when the government moves from Bonn to Berlin next year.

Fischer endorsed a transfer of whatever aspects remain of German sovereignty, to the European Monetary Union, along the lines of the 1992 Maastricht Accords. But, he wants an even broader containment of Germany: “Globalization is a reality, from which this country will be unable to escape,” he said. Germany’s policies should be defined by “an enhanced international structure with a transfer of power to international organizations, led by the United Nations.”

This endorsement of a world government scheme was accompanied by a polemic against any German “bilateralism with the United States,” or “any bilateralism with France, outside the [Maastricht] European integration policy.”

Fischer warned that any attempt to break out of control would leave Germany appearing to its European neighbors like a remake of the Third Reich, and cause conflicts.

Fischer’s warnings sounded like a Green variant of British Prime Minister Margaret Thatcher’s Germanophobia of 1989. This conduct fits the profile of the Greens, who from late 1989 on protested against reunification with the slogan, “Never Again Germany!”

The decision by the German Foreign Policy Association and the *Frankfurter Allgemeine Zeitung* to provide a platform for Fischer shows that there is major establishment support for his personal ambition to become Foreign Minister in a new government coalition of the Greens and the Social Democrats, after the September elections. But, it is risky for Fischer to take such a high profile: The “Never Again Germany” slogan cost the West German Greens all their seats in the parliament in the first post-unification elections, in December 1990.

'Tax reform' will wreck the economy

Prime Minister John Howard plans to appease corporate giants with tax cuts and a regressive consumption tax.

On Aug. 13, the government of Prime Minister John Howard announced its long-awaited "tax reform" package, whose central feature is a 10% goods and services tax (GST). Ostensibly designed to "simplify" Australia's tax system, it is a sham which will shift the tax burden onto the poor and middle class, while offering huge tax breaks to big corporations and wealthy individuals. It will also help destroy what is left of Australia's physical economy.

In 1993, after Howard's Liberal party lost an "unlosable" federal election by campaigning for a 15% GST, Howard promised he would never introduce such a tax. However, after International Monetary Fund Managing Director Michel Camdessus demanded a GST during a visit to Australia in May 1998, Howard backflipped, and started pushing a GST.

Howard's plan, entitled "Not a New Tax, a New Tax System," will replace the current system of sales taxes on wholesale goods with the GST, which will be levied on almost all retail goods and services, including food and clothing. Only health care, education, child care, local government services, exports, and, crucially, "financial services," will be exempted. One effect will be that the prices of some goods that are now taxed at a higher rate, such as luxury items, will come down, while other prices, especially on untaxed items like food, will go up. The poor and middle-class families, who spend their income on essential items rather than luxury goods, will bear the brunt of the new taxes.

The government claims that the GST will result in an across-the-board

cost-of-living increase of just 2%, which is widely disbelieved. On Aug. 19, Michael Raper of the Australian Council of Social Services, the nation's welfare umbrella group, blasted the plan. "This package is unsustainable, it's unbalanced, it's unfair, and it's unacceptable," he said.

To compensate for the rise in cost of living, Howard is promising increased pension and welfare payments for low-income earners, and income tax breaks for fixed-, middle-, and high-income recipients worth \$13 billion. But, there are two problems with this: The payments and tax breaks are to be funded out of the budget surplus, a surplus achieved by two years of savage cuts in health, education, and welfare; and, they will almost certainly never happen, because the projected surplus will evaporate as the global financial collapse proceeds. Even if they were made, they are designed to largely benefit the wealthy.

A winner is big business, whom Howard is even letting design its own "reforms." On Aug. 12, Howard appointed powerbroker John Ralph to head a "review of business tax changes." Ralph is the head of the Business Coalition for Tax Reform, which funded a multimillion-dollar advertising campaign for the GST. More importantly, as the longtime head of the world's largest mining company, Rio Tinto, in which the Queen has huge holdings, and as chairman of the Queen's Trust, a charitable foundation financed by the Queen, he is the Australian business figure most closely associated with the City of London. He is also the chairman of Fosters Brewing Group. In addition

to the GST, Ralph wants a cut in the corporate tax rate from 36% to 30%. Ralph's own interests, in Rio Tinto and Fosters Brewing, stand to benefit greatly from the "reforms": The export-oriented Rio Tinto will largely escape the GST, while Foster's products will likely drop in price as the GST replaces the wholesale taxes.

The loser is Australia's physical economy. In order to meet Howard's stipulation that any business tax changes be "revenue neutral," it is expected that accelerated depreciation rates will be scrapped, a major disincentive to capital investment in plant and equipment, while the government has also slashed tax breaks for research and development. Like the disastrous Kemp-Roth tax "reform" in the United States in the 1980s, Howard's package will also encourage speculation by lowering the capital gains tax rate, while eliminating state taxes on financial transactions. On Aug. 15, Howard crowed, "You put all of those things together and you can't get a better location for financial activity anywhere in the Asia-Pacific region, and probably in the world."

In order to sell the package, the government has promised the GST will rein in tax avoiders, and shut down the cash economy. Not so, according to Ray Regan of the National Taxpayers and Accountants Association, who insists that the black cash economy will boom when a GST is introduced. "It happened in Italy, Israel, Turkey, and Thailand and it will happen here," he told the Aug. 15 *Herald Sun*. As for stopping tax avoidance, the claims are farcical: One of the most vocal supporters of a GST is Melbourne hotshot tax lawyer Mark Leibler, the chief figure in the "tax avoidance industry," which has ripped off \$50-60 billion from the Australian government in the past two decades, and which continues to flourish.

Business Briefs

Petroleum

British control grows, as BP takes over Amoco

British Petroleum announced on Aug. 11 that it had reached an agreement to buy Amoco, forming the biggest company in Britain, and giving the British oligarchy direct control over two of the world's three largest oil companies. The largest is Royal Dutch/Shell, followed by Exxon, and now BP Amoco.

The \$48 billion merger, said to be the largest-ever industrial merger, will create a company (to be named BP Amoco Plc) with a market capitalization of \$110 billion. The new company will have 14.8 billion barrels of oil and gas-equivalent reserves, with a daily production of some 3 million barrels. It will be the largest producer of oil and gas in the United States, with output from Alaska, the Gulf of Mexico, and the lower 48 states; BP is already the largest oil and gas producer in Canada, thanks to its 1988 purchase of Dome Petroleum.

BP's roots go back to Burmah Oil and the Anglo-Persian Oil Co., while Chicago-based Amoco, née Standard (Indiana), is one of the spin-offs of Standard Oil.

Aviation

Deregulation threatens safety, expert says

Air safety is being jeopardized globally, as wages, working conditions, and safety regulations are being "bid down in a global auction," warned Stuart Howard, secretary of the International Transport Federation (ITF) civil aviation section. "As markets open up . . . it is making it harder for airlines based in countries with high safety standards to compete. Operators and manufacturers are pushing for the (so-called) 'least cost safe' regulatory option instead of best practice," he told a regional meeting of the ITF in Sydney, the July 28 *Australian Financial Review* reported.

The statement echoes *EIR*'s warnings on

the danger of deregulation policies going back to the early 1980s.

"Labor has taken a battering and the reason is intense competition unleashed by liberalization. About 30% of airline costs are labor costs. So airlines engage in fare wars, which are actually costs wars, which in most cases are actually wage wars. The best way to ensure safety is direct employment of staff, but instead we are seeing more casualization," Howard said. "We are seeing the rise of the 'virtual airline' as big carriers franchised to cheaper operators."

The deputy chairman of Australia's Civil Aviation Safety Authority, Dick Smith, in a letter to senior aircraft engineers last December, stated that "evidence exists . . . that some organizations pressure licensed aircraft engineers to certify work which they would not ordinarily have signed for, or to breach regulations in some way which could affect air safety."

Mining

Queen's Rio Tinto eyes Australia's BHP

Rio Tinto Plc, the world's largest mining company, in which the Queen of England is a major shareholder, is eyeing the minerals division of Australia's Broken Hill Proprietary Co. Ltd. (BHP Ltd.), as a target in its expansion, the *Australian Financial Review* reported on Aug. 3. Although Rio Tinto refused to confirm the City of London rumor, a spokesman said that the company is "always looking at a number of opportunities in the mining sector." A Rio Tinto merger with BHP would be one of the biggest in Australian corporate history.

Unlike the cash-rich Rio Tinto, BHP, known as "the Big Australian," is founderling. It recently suffered a \$1 billion loss, and a \$3 billion write-down of assets. Its share price is around \$13 per share, down from more than \$24 per share a few years ago. For the last year or so, one of Rio Tinto's top Australian operators, John Ralph, has sat on BHP's board. Industry sources told *EIR* at the beginning of the year that this meant that Rio Tinto was sizing BHP up for takeover.

A merger between the two would give Rio Tinto control of 10% of future world diamond supply, putting it in a position to mount a serious challenge to DeBeers' CSO diamond cartel.

Trade

China, India seek to improve relations

Despite the setback to India-China bilateral relations in the wake of India's nuclear tests, China's Ambassador to India Zhou Gang called for increased bilateral trade and economic relations, at a meeting of the Federation of Indian Chambers of Commerce and Industry on Aug. 12, *The Hindu* reported. "The reforms and the opening up of the economy in both the countries has provided great opportunities for expanding trade and economic relations," he said.

Zhou Gang said that, on "the eve of the next century, trade and economic relations and cooperation between China and India would be pushed on to a new high . . . through sincere and fruitful efforts from our two governments, entrepreneurs, businessmen, and the people of our two countries."

Zhou Gang told the industrialists that there is a solid basis for expanding bilateral economic relations, because both countries are blessed with vast natural resources, very large domestic markets, and relatively cheap labor. He said that the Chinese government and the Chinese people have always attached great importance to the development of Sino-Indian friendly relations, and that over recent years, through concerted efforts from both sides, the Sino-Indian economic and trade relations and technological cooperation had developed rapidly, and the exchange of visits in economic and trade circles between the two countries had kept expanding.

Total mutual trade volume increased from \$265 million in 1991 to \$1.83 billion in 1997. However, this increase doesn't reflect the total economic strength of both nations, Zhou Gang said. "Total trade volume between our two countries in 1997 accounted for only 2.4% of China's that year." But the

INDONESIAN Foreign Minister Ali Alatas on Aug. 10 called for greater South-South cooperation to address the danger of globalization. This policy has left developing nations increasingly "marginalized" because most do not have strong bargaining power, he said.

POLAND'S Solidarity threatened to strike the arms industry on Aug. 24, unless it is quickly restructured. The union said that there is no money for wages, no new orders from the government, and 18 firms face shutdown by the end of the year with the loss of about 50,000 of 74,000 jobs.

THAILAND'S New Aspiration Party, the leading opposition party, has made construction of the Kra Canal a major policy theme, *The Nation* reported on Aug. 2. Former Prime Minister Gen. Chavalit Yongchaiyudh has set up a panel to study the issue, and the party may seek a public referendum on the project.

THE SOUTH ASIAN Association for Regional Cooperation needs a regional power grid to meet electricity demand, a workshop of the Federation of Engineering Institutions of South and Central Asia, meeting in Dhaka, Bangladesh on Aug. 12, reported. It would ensure easier financing for projects in nations unable to tap their water and gas reserves.

BOEING CORP. has announced that it will lay off 12% of its workforce, or 28,000 workers, during the next 18 months, due to a drop in demand for commercial aircraft in Asia. Boeing's profits fell 46% in the second quarter, and the firm says it has lost \$261 million on commercial aircraft production during the first six months of 1998.

CHILEAN privatized pension funds, promoted by the Mont Pelerin Society as a free market model, have lost \$5 billion over the last ten months, as a result of the global financial upheaval. One-third of the \$33 billion in privatized funds are invested in the Santiago stock market.

two nations' "economies are growing fast. In the field of commodities and resources for exchange, there exists a certain degree of complementarity. . . . Further expanding economic relations, trade, and technological cooperation between our two countries is beneficial for the overall development of bilateral relations, and in conformity to the fundamental interests of the peoples of our two countries."

Great Britain

Industry is in revolt against Blair policies

What remains of British industry is attacking the economic policies of the government of Prime Minister Tony Blair. Confidence among the manufacturing industry of Britain has been driven to "a new low," not only because of the worsening profile of investments, output, sales, and exports, but also out of fear that the Bank of England may raise short-term interest rates even more. This is the conclusion of a series of statements published over the last few weeks by the Confederation of British Industry (CBI) and other leading associations of Britain's manufacturing sector.

A July 28 CBI statement summing up developments over the first two quarters of this year, said: "Domestic orders in manufacturing fell for the first time in over two years and to the greatest extent since January 1993. Export orders dropped at the fastest rate for 12 years leading to the sharpest fall in business confidence since January 1991, according to the latest CBI Quarterly Industrial Trends Survey out today.

"The survey shows that only 7% of firms are more optimistic about the general business situation, compared with 51% which are less optimistic, giving a negative balance of 44%. This compares with a negative balance of 22% in April. Domestic orders are reported to have fallen, as indicated by a negative balance of 15% of firms, the worst figure since January 1993. . . .

"The survey also indicates that output has fallen for the first time in over five years. The decline, although fairly modest, is the

sharpest since early 1993. Output is expected to fall further over the coming four months, with expectations weaker than at any time since July 1991.

"Plant and machinery investment plans have been negative for two consecutive surveys, and are at their weakest since July 1991."

The CBI survey was conducted between June 25 and July 15, and involved 1,013 firms in 50 industrial sectors which account for half of the United Kingdom's manufacturing exports and about 2 million workers.

Indonesia

Habibie: We still need a vision for the future

Indonesian President B.J. Habibie announced on Aug. 10 that Indonesia will proceed with plans to build a bridge linking the islands of Java and Sumatra by the year 2006, despite the economic crisis, the Singapore *Straits Times* reported. The two islands are 32 kilometers apart. He made the statement at the inauguration of a series of six bridges linking the offshore development center of Batam with two nearby islands, Rempang and Galang. While admitting that there are hardships, he said that Indonesia needed to have a "vision far into the future. We should not lose hope, or even worse, drown in continuing disappointment, in facing the various challenges to the nation."

Meanwhile, Indonesia is shutting down crucial technology and infrastructure, because of the economic crisis. On July 31, the government announced that gas exploration in the massive Natuna Island reserves is being suspended because it is "uncompetitive at this time." The gas was intended mostly for Thailand and domestic markets. On the same day, the shareholders of IPTN, the company building the country's first jet aircraft, indicated that they will scrap the plane, which could lead to shutting down PT-DSTP, the firm that had contracted with IPTN to produce the plane. President Habibie's son, Dr. Ilham Habibie, is one of DSTP's project directors, and he is looking for overseas funding.

Zepp-LaRouche urges Brazil to dump IMF globalization

by Silvia Palacios

The Aug. 8-14 trip to Brazil of Schiller Institute founder Helga Zepp-LaRouche could not have come at a more dramatic moment. On Aug. 13, the Russian economy came to a virtual standstill, followed four days later by a 34% ruble devaluation and the imposition of limited currency controls. Mrs. LaRouche, wife of *EIR* founder and statesman Lyndon LaRouche, addressed Brazilian citizens in several public and private meetings during her visit, with an urgent message: Brazil must reject the International Monetary Fund's globalization policies, and become a leader in the mobilization to reorganize the world financial system, through an alliance of sovereign nation-states.

In this, her third visit to Brazil since 1989, Mrs. LaRouche participated in meetings in Rio de Janeiro and in the industrial center of São Paulo, attended by a total of more than 500 people. High-level political figures, businessmen, diplomats, political activists, economists, and active-duty military officers, turned out to listen to, and enthusiastically discuss, Mrs. LaRouche's evaluation of the world monetary crisis, and the proposals her husband has put forward to reverse it.

Her visit was most timely: The Brazilian President, Sir Fernando Henrique Cardoso, is desperately trying to prevent his country from blowing up financially, at least until the Oct. 4 Presidential elections, in which he hopes to be re-elected. But the rate at which the world monetary system is imploding, has created a climate inside the country in which patriotic forces in Brazil can come forward to shape policy — provided they act boldly, as Mrs. LaRouche suggests.

Zepp-LaRouche's presence in Rio de Janeiro was noted by the influential financial newspaper *Monitor Mercantil*, which observed in its Aug. 11 edition that, "during her talks

with the press, Helga Zepp-LaRouche expressed the great disappointment that exists in Europe and in the United States over Brazil. The country which held promise of becoming an emerging power at the end of the century, is in a process of Africanization. Deindustrialization and automatic alignment with the policies of the financial sector, has relegated Brazil to a secondary and declining role in the world picture."

In its Aug. 18 edition, one day after the explosion of the Russian crisis—whose forecast was a constant theme of Zepp-LaRouche's visit—*Monitor Mercantil* carried an exclusive interview with the Schiller Institute chairman. It was featured on the front page, right under the lead story on how the Russian announcement of the ruble devaluation and limited currency controls will affect "emerging markets" like Brazil. Continuing on an inside page, the interview included significant details on Zepp-LaRouche's evaluation of the world financial debacle, and the proposals for creating a New Bretton Woods system, and a new Non-Aligned Movement.

Economic principles

At an Aug. 11 seminar in Rio de Janeiro, Zepp-LaRouche presented the Portuguese-language edition of Lyndon LaRouche's book, *The Science of Christian Economy*, at a crowded press conference organized by the Ibero-American Solidarity Movement (MSIA), Lyndon LaRouche's co-thinker organization. The audience, consisting of 100 people representing different areas of the country, interrupted Zepp-LaRouche's speech with ovations at least 10 times, at each point that she addressed issues of defending the sovereign nation-state—debt moratorium, defense of nuclear technol-

ogy, defense of national industry, denunciation of Brazil's privatizations and of the oligarchy's one-worldist plans.

Zepp-LaRouche emphasized that the book she was presenting was written by her husband to reaffirm the principles of an economy based on the human being, requiring a kind of society that supersedes the oligarchical system. The problem the world faces today, she stressed, is that the world has been dominated by an oligarchic caste based in London and Holland. As a result, she said, we have reached a point in human history in which the financial system is disintegrating. The situation is so extreme, she warned, that trade could become paralyzed, and would only take place on the basis of barter.

A new Non-Aligned Movement

That is why, Zepp-LaRouche said, she was issuing a challenge that in the next several weeks, new alliances among nations must be forged, like those which were once established by Abraham Lincoln. We need a New Bretton Woods system, she added, promoted by a new Non-Aligned Movement established through an alliance of sovereign nations. Brazil, India, China, and other nations must play a key role in this new configuration, she urged.

The MSIA awarded Zepp-LaRouche a special plaque, to commemorate the five years of uninterrupted publication of the Portuguese-language newspaper, *Solidaridade Ibero-Americana*, whose creation she had promoted. Zepp-LaRouche confirmed that there exists tremendous ferment in Brazil, and also serious resistance to the oligarchy's globalization policy, of which two prime examples are the insane privatization of the giant mining complex Companhia Vale do Rio Doce, and of the national communications network, Telebras. Nonetheless, Zepp-LaRouche warned that this ferment has been too parochial, and will fail if it does not link up with worldwide efforts to replace the International Monetary Fund with a New Bretton Woods system.

Zepp-LaRouche was graciously received by the 101-year-old dean of Brazilian journalism, the energetic Dr. Barbosa Lima Sobrinho, who is also a public enthusiast and admirer of the American System of Political Economy, and especially of Alexander Hamilton. The institution which Dr. Barbosa Lima heads, the Brazilian Press Association, plays an important part in the anti-globalist resistance within Brazil.

Anti-globalists in São Paulo

In the city of São Paulo, capital of the most industrialized state in Ibero-America, which by itself produces a GDP larger than that of Argentina, Zepp-LaRouche's visit intersected the anti-globalist rebellion of a political-business elite responding to the destruction of Brazil's industry and agriculture at the hands of the neo-liberals, i.e., free traders. In an Aug. 12 seminar organized by the Institute for Freedom

and Economic and Social Development, its president, Dr. José Carlos Graça Wagner, greeted Zepp-LaRouche with praise for the contributions of herself and of her husband. Graça Wagner agreed with LaRouche that the history of the end of this century "will be defined by the power of ideas."

In the final phase of her visit, Zepp-LaRouche participated in a forum given by the São Paulo city council to honor Dr. Eneas Carneiro, Presidential candidate of the Party of National Reconstruction, who was granted the title of Honorary Citizen of São Paulo. Speaking to 350 people at a solemn ceremony that began with the Brazilian national anthem, Zepp-LaRouche was introduced by Dr. Carneiro (he is known in Brazil simply as "Eneas"). In her speech, she said, "with the message that Dr. Eneas sent to our organization's meeting in Washington, D.C. on June 18, Brazil has once again taken up the fight to rebuild the world financial order."

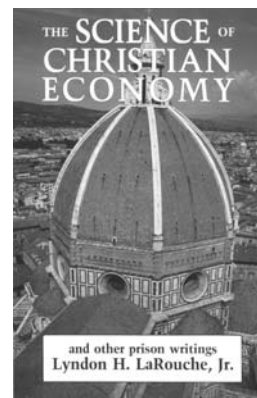
After describing the decay of the dying world financial system, Zepp-LaRouche stressed once again the need to awaken and generate a cultural renaissance as the *sine qua non* of the survival of nations: "We must establish the goal that every child in the world, each in the image of God, receive a Classical education. Only in this way can we guarantee the permanent eradication of the oligarchical system."

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Following Zepp-LaRouche, Dr. Carneiro began his own speech by acknowledging the importance of Mrs. LaRouche's words. "I didn't come here to ask for votes," he said, "but rather to show you the threat to Brazil's existence as Mrs. Helga Zepp-LaRouche has just described it." He detailed the structure of Brazil's speculative public internal and foreign debt, which totals \$500 billion. Through this debt, he said,

mega-speculators seized Brazil's real wealth—its natural resources. Together with Brazil's people, "this is our real wealth," Eneas said. He concluded with a powerful call for Brazilians to radically change the situation: "We have no other choice but to break with the international financial system, which includes the IMF, the World Bank, and the World Trade Organization."

Zepp-LaRouche speaks with Brazilian press

We publish below excerpts from the interview with Helga Zepp-LaRouche, published along with the interviewer's commentary in the Brazilian daily Monitor Mercantil on Aug. 18. It appeared on the front page under the headline, "Crisis Will Affect Germany's Banking System."

The devaluation of the ruble, and the declaration of an internal moratorium by Russia, will directly affect German banks, which hold Russian public and private bonds worth \$170 billion. The outbreak of the crisis didn't surprise German economist Helga Zepp-LaRouche, who was in Brazil last week and told *Monitor Mercantil* that the IMF and G-7 bailout packages barely postponed [Russia's] default. According to Helga, president of the Schiller Institute, the United States, England, and France united at the beginning of the decade, to prevent Russia from becoming a competitor. The policies implemented by [Russian President Boris] Yeltsin, followed the dictates of the IMF, destroying 30% of Russian industry. . . .

The IMF's help went directly to repay [Russia's] debt, without resolving the crisis. Russia rolled over debt with increasingly shorter maturities and higher interest rates, attracting speculators. This has now triggered a crisis in the German financial system, especially affecting Europe. . . .

Risk of speculative attack

Zepp-LaRouche . . . underscored that a speculative attack on Brazil's currency hasn't yet occurred, only because of a political decision on the part of the international monetary system to ensure FH's [President Fernando Henrique Cardoso] reelection.

Should FH be reelected, Brazil, according to the economist, will be the target of an attack. The purpose would be to obtain as many concessions as possible: greater opening of the banking system (including privatizing state banks),

sale of the remaining state companies, and even the imposition of a currency board. . . .

Helga was in Rio de Janeiro and São Paulo last week to present the book *The Science of Christian Economy*, written by her husband Lyndon LaRouche, the American economist who has harshly criticized the financial system. Helga has no doubt that the world is entering its most serious economic crisis since the 1929 depression, caused by the collapse of the international financial system, and she sees only one alternative—change the entire system:

"Only a new correlation of nations, led by the most populous nations, primarily China and India, can pressure the governments of the United States and the other G-7 countries, to confront the problem, and change the current situation," she affirmed.

Economy headed for global recession

For Helga Zepp-LaRouche, the economy is headed for a recession. . . . The depression already exists in Asia, beginning with Japan and Russia, and if it spreads to other countries, it will provoke dramatic effects, such as occurred in Indonesia. . . .

"Unemployment grows in Japan, and the economic crisis is only deepening, since the government refuses to recognize that the 'rotten' loans of the banking sector total \$2 trillion. Instead of cancelling 80% of that debt, and reorganizing the system, it is printing more money, putting liquidity into the market. . . ."

For the economist, the derivatives market, which is growing out of control, with no basis in real production, is the Achilles' heel of the system. She estimates that close to \$30 trillion circulate in that market. . . .

The crisis in the U.S. will hit the middle class

The crisis is beginning to hit the U.S., through the drop in exports and in industrial production. The New York stock market is undergoing a correction that could cause the Dow Jones to fall by 40%. . . . This, according to Helga, will have a disastrous effect on the savings of the middle class. . . . The economist debunked the notion that the U.S. is an island of prosperity. "The living standard of the population is half of what it was 25 years ago." . . .

As the financial crisis hits, humanity is all ‘in one boat’

by Helga Zepp-LaRouche

This speech was given in Rio de Janeiro, Brazil, on Aug. 11, 1998.

Dear friends of the MSIA, and of the Schiller Institute, dear ladies and gentlemen. I have the honor and the pleasure today, to introduce to you the Portuguese publication of the book by my husband, Mr. Lyndon LaRouche, about *The Science of Christian Economy*. And while this book was already written at the end of the '80s and the beginning of the '90s, for reasons I will discuss with you tonight, there could not be a more timely moment for this book to appear in your language.

Mr. LaRouche undertook the writing of this book at the end of the '80s, beginning of the '90s, and therefore at a time when it was already becoming clear that civilization was falling apart. Therefore, he regarded it as necessary to restate the fundamental principles of modern economy.

The essence of modern economy comes from the principles of Christianity, that at the center of any functioning economy, must be man, and man in the image of God: man and woman created as *imago Dei*. He wanted to make clear that the success of any economy depends on these principles, which are essentially those of Christianity.

Now, why are we saying that this is the center of economy, and the only source of wealth of any functioning economic process? Because it is that identity of every man and every woman in the image of God, which allows the individual to make valid discoveries about the laws of the universe. When an hypothesis forms in the mind of a person, then something occurs in the realm of the spiritual. And if this is then applied in the physical universe, and it turns out that this hypothesis was a valid one, then this newly discovered principle increases the power of man in the universe.

It happens to be the case that the essence of all economy is already laid out in the Book of Genesis, Book 1, verses 26 through 30. If you remember what that says, it's something like man has domination over the fishes and the birds, and should increase in numbers, and subjugate the earth.

Now, that requires the form of society which overcomes the division between the oligarchy and the state. The functioning economy, has to overcome a division in which a small elite, or so-called elite, of 5% or less, rules over 95% or more

of “human cattle.” The problem of the world economy today, is that the world is ruled by a dominant oligarchical interest centered around the Anglo-Dutch financial oligarchy. It is this oligarchy which, indeed, up to the present day, wants to regain a situation in which less than 5% of the world's population participates in civil issues, in culture, in literacy, and where 95% of the people are condemned, de facto, to the status of serfs or human cattle. The book was written to emphasize the education of that 95%.

The related issue is that, as the result of oligarchical domination of all world financial institutions, the global financial system is in a very advanced stage of disintegration. If the world is to survive, it is necessary that in the very near future, we reject all forms of neo-liberal policies: globalization, the free market economy, and privatization.

And we must return to the kind of economic system that used to be associated with Leibniz, Alexander Hamilton, Friedrich List, Abraham Lincoln, in what List called the American System of economy, as against the British System of economy.

We have now come to a point in history, where the entire world financial system is about to disintegrate, in the next weeks and months. We are in a very advanced form of disintegration. The IMF is not only bankrupt, morally and de facto, but also its credit system is collapsing.

The global strategic picture

In the coming weeks, we have to form new alliances, and put together new combinations of forces in the tradition of Leibniz, Lincoln, Franklin D. Roosevelt, and other such dirigist economists. If the world is not to be plunged into a deep Dark Age in the very short future ahead, we have to have a just, new world economic order centered on such countries as China, India, Russia, Brazil, and other countries with large populations, in the center of it.

We can discuss the details of this, but let me first give you some of the absolutely breathtaking, dramatic elements of the strategic situation. International bankers today were saying that if the final meltdown of the financial system is associated with the color red, we are now in deep, dark orange. There is what they call a “rolling crash.”

So, the result of this was that during the last few days, there was a plunge of the stock market. Today, the German stocks collapsed by 3.8%; Hungary, -8%; Russia, -18%; the Dow Jones, -250 points, which is around -3%. And this on top of the ongoing process. I think the markets in Brazil are called "super-nervous."

The Japanese yen is presently in a free fall, at 147 to the dollar. It could fall to as much as 200 to the dollar by the end of the month. The Dow Jones could go down as much as to 5,000 points by the end of August. We could go extremely quickly into competitive currency devaluation, where a collapsing yen would trigger new rounds of collapse of currencies in Asia. If the yen continues to fall, there could be massive capital flight out of Japan. It could lead to a situation where suddenly, paper is no longer negotiable. Under these conditions, a situation could emerge, within weeks or months, where trade could only occur on the basis of barter agreements.

The system is so volatile, that if independent counsel Kenneth Starr were to go for a serious impeachment procedure against President Clinton, that could trigger a worldwide meltdown of the financial system.

The problem is that Japan presently is sitting on \$2 trillion worth of bad debt, bad loans. And the present Japanese government, which is typical of the insanity of the oligarchs, is hysterically trying to hold on to worthless paper. Just imagine a crazy Japanese banker, who says, "I own an apartment in the middle of Tokyo, which is worth \$500 million." Now, this apartment is as big as a sardine box, or a rabbit hole. Obviously, here you have a case of the advanced insanity that also drives hyperinflation.

So, unless the Japanese are willing to write off 80% of their assets, there is no way this can be stopped. Japan right now drives central bankers bananas. It is the activity of a hopelessly bankrupt system. It is the most dangerous point right now.

But, you have other aspects, like Russia. Russia is on the verge of state bankruptcy. Because of the IMF shock therapy in Russia, industrial capacity has been reduced to 30% of what it was in 1991. As a consequence, the demographic curve in Russia is collapsing by 1 million people a year. This is called *genocide*.

Of these 30% remaining industries, only 40% are paying taxes. As a result, the state cannot pay wages; as a result, the workers are striking, and the country is about to disintegrate into anarchy. The Russian state tried to remedy that by putting out GKO's, Treasury bonds with the ridiculous interest rate of 150% for three months.

Now, you would think that the speculators would be very hot to make 150% profit within three months. But they could not sell these Treasury bonds, because people did not believe that they would get any money back after three months. A couple of weeks ago, only after the intervention of President Clinton, did the IMF give a so-called "rescue package" of

\$18 billion to Russia. The immediate danger was that Russia would default on its debt to the German banks and government. (The total exposure of German banks in Russia, despite varying published figures, is probably in the range of DM 130 billion. This, without taking into account additional derivatives problems.)

So, it was not a bailout for Russia: It was a bailout to prevent the collapse of the Western banking system. But so far, almost nothing has been paid, because the IMF has no money, because the U.S. Congress has not ratified the \$18 billion, which they are supposed to pay.

So, Japan is the biggest danger. Russia is very dangerous, because obviously, if you have anarchy and chaos in Russia, and local mafias and regional armies taking control of nuclear weapons and ICBMs, we are faced with a tremendous strategic crisis. Indonesia is in a life-and-death situation: It's about to disintegrate. It's in danger of falling apart, into 7,000 islands. There is no food. South Korea, Thailand, Malaysia, Philippines, are in a similar deep depression.

But the biggest problem is the *\$130 trillion or more* of derivatives speculation. This is a pure bubble. It's just paper! It has no correlation to real values. And presently, the international central banks have just decided to print money in Weimar-style inflation, hyperinflation like 1922-23 in Germany.

So, if this process continues, as it is right now, in an advanced phase of collapse, the danger is that the entire monetary system will disintegrate. There will be a chain-reaction collapse which will blow out the financial system, and it will evaporate.

The problem is that all governments of the G-7 have refused to address this problem.

The situation in Brazil has to be seen in this context. There is no question that it is absolutely criminal to sell off the national assets of Brazil for peanuts. To sell off the mining company, Vale de Rio Doce, for one month of interest payments, is just insane. To sell off Telebras for three months' interest payments—not even principal, but interest payments—is absolutely irresponsible and criminal.

What do you think will happen, if this continues, by the month of October? Do you think that Brazil is able, any more than Malaysia, to withstand a speculative attack by the hedge funds? If Soros and some of the other mega-speculators have their way, they will do to Brazil exactly what they did to Malaysia and Indonesia. And Dr. Mahathir, the Prime Minister of Malaysia, has said that these people are criminals, that they are destroying in weeks what it took Malaysia 40 years to build up.

Toward a new Non-Aligned Movement

So, because the G-7 is not addressing the problem, we have to try to initiate the new Non-Aligned Movement. We need a new alliance of sovereign nation-states, to defend the lives of their people, their economies, and their nations, against this onslaught. Any new world economic order, must

be based on people. And it happens to be that the largest concentration of population in the world, is in South Asia, East Asia, and Southeast Asia. So therefore, China, India, and Southeast Asia must play the leading role in this reorganization.

Now, the good thing is that the Chinese government—up to now, the only government—is responding to the nature of the crisis in an adequate way. The Chinese Foreign Minister, Tang Jiaxuan, just equated the effect of speculation and the global crisis on the economy, to the devastation of a full-fledged war. Since the global economic crisis is threatening the existence of every nation, they have equated the question of the economy to the question of national security. And they have shifted the focus of their economy. They are no longer trying to export consumer goods to Southeast Asia, which is not possible any more; rather, the Chinese government has decided to invest in infrastructure in the next three years, in the dimension of \$1 trillion, to develop the western and central parts of China.

So, China has a crucial part to play. India has to be allied with that, because it soon will be the largest country in the world, in terms of population. And obviously, Brazil and Latin America have to play a crucial role in this new combination.

In the moment of maximum crisis, there has to be a group of nations which takes the following steps with respect to the reorganization of the world financial system.

- There has to be a cancellation of almost all public and private debts. No country in the world—not the United States, not Germany, not Africa—can pay the debt.
- There must be a return to those features of the old Bretton Woods system which meant fixed parities among the currencies, without which long-term investment in industry and infrastructure is not possible.
- There must be a return to national banking. In other words, the power of the creation of credit must be returned to sovereign governments, and it must be taken away from private banking interests.
- We must have national banks issue credit lines for productive investment for scientific and technological progress, to inject increases in the productivity of industry and labor power.

Continent-wide infrastructure development

The immediate program of such a reorganization, of such a New Bretton Woods system, in which the so-called developing countries must play an equal role with the industrialized countries, must be the following: The integration of Eurasia, of the European continent and all of Asia, through infrastructure corridors, is the engine of progress. In other words, the idea of building the Eurasian Land-Bridge.

I think the same thing is true for Latin America, where long-overdue infrastructural development from north to south, from east to west, the building of waterways, of high-

Coming soon in EIR

Next week's issue will feature a special report on "The Case of Classical Motivic Thorough-Composition," commissioned by Lyndon H. LaRouche, Jr., and with an introduction by him. This is a "musical appendix" to LaRouche's article on "The Substance of Morality," which appeared in *EIR*, June 26, 1998.

Two of the authors of the report, Liliana Celani and Kathy Wolfe, identify the report's primary mission: "Composition of Classical music according to the Italian Renaissance principle of *bel canto* ('beautiful singing'), is one of the best examples of mankind's ability to use that discovery to create new works of science and art, which then increase mankind's power to build civilization."

As LaRouche specifies in his introduction, this report is essential reading for two classes of *EIR* readers. First, it will guide professional musicians and teachers of music to reenact the process of discovery of the essential principles of singing and interpretive performance. Second, for even those amateurs who are qualified to follow only parts of the musical concepts presented, it provides much much-needed guidance, to parents and others who must choose the kind of musical educational program which must be restored to today's severely distressed, almost destroyed, public education system.

ways, of high-speed rails, as the center of opening up the country for industrial and agricultural development, is obvious. Because if you look at the existing infrastructure lines in Latin America, you do not have a normal integration of the continent. What you have, are the relics of the colonial time, in which they built waterways, highways, and railways only to transport raw materials *out* of the continent, for colonial exploitation.

This is where the question of Christian economy comes in. Because raw materials *are not* the source of wealth. If you look at Germany or Japan, you have countries which have almost no raw materials, but you have—or had—a tremendous wealth.

Where did this wealth come from? *It came from the development of the minds of the people.* Mr. LaRouche has put great emphasis on what he calls the *Machine-Tool Principle*, because man in the image of God, creates an adequate hypothesis about the laws of creation, about the physical universe. If this hypothesis is adequate, it leads to a scientific discovery.

Now, what does a scientist do, when he has a new scientific theory? In most places, like Germany, or Italy, or Switzerland, he goes to a machine-tool shop. And he calls together the entrepreneur and some engineers, and he says, "Here, I have the following theory; can you put this into the form of a technology?" And then the entrepreneur, who, in Germany, most of the time, is a middle-level industrialist, together with his engineers, starts to make a machine tool on the basis of that theory. When this improved machine tool is used in the economy, it leads to an increase in the productivity of the production forces, and it leads to an increase in the skills of the workforce.

So, the purpose of opening up the continent of Latin America, or Eurasia, through infrastructure connections, is *not* to pull out the raw materials. The idea is to have infrastructure corridors, in which you bring these productive industries to the places where the raw materials are, and then, on the spot, have the development of the labor force. And therefore, you uplift the people, you uplift the whole nation by doing this.

You all know that Brazil, I would say at least up to the '70s, was on the road to such development. At that point, Brazil had a nuclear program. At that point, there was the idea of developing the interior regions of Brazil. And I think it is extremely important that patriots today make plans for how to reconstruct the internal market and the internal economy of Brazil. Because, in the coming period, everything which has to do with the IMF, with globalization, the World Bank, the WTO, will all vanish. *But there must be people who have a well-thought-out plan of what to do in that moment of crisis, because that moment of crisis can be a moment of great danger—but it can also be a tremendous opportunity.*

Reverse the moral and cultural collapse

There is no question that we are in an incredibly dangerous moment in history. If you look at the moral and cultural collapse which has gripped nearly the entirety of the world—Europe, the United States, Japan, many parts of Asia, Africa—you see that we are not only talking about a financial collapse, at an unprecedented moral and cultural collapse. You're looking at a *civilizational crisis*.

This moral and cultural crisis, in many ways, is the reason for the economic crisis, because it is the mind which makes economic decisions; it is the culture which determines the thinking of the mind which makes economic decisions. And therefore, we have to combine the perspective of a global-economic reconstruction, with the idea of a cultural renaissance.

I think, if you look at popular culture in Brazil, Germany, and the United States—If you are Brazilian, I think it is very clear that your country will not survive, if you do not get rid of this popular culture.

I think mankind, for the first time in world history, has

come to a point where we are all sitting in one boat. In the past, you had empires collapse, like the Babylonian Empire, the Roman Empire, the Byzantine Empire, and many other empires. They just collapsed! But, when the Roman Empire collapsed, for example, there was the beautiful period of cultural development in India, which is called the Gupta period, in which Sanskrit had its greatest blooming, and the most beautiful poems, and the most beautiful plays were written. And people didn't know the Roman Empire had collapsed.

But for a variety of reasons, I think that this time, mankind as a whole either makes it, or dies, because of nuclear weapons, AIDS, communications. *The world is so closely connected, that we are one human civilization.* And therefore, only if we take the best of each culture, the best of 2,000 years of Christianity, the best of 2,500 years of Confucian tradition in China, the best of other cultures, and unite it in one new renaissance, can we win.

And therefore, I think Brazilian patriots must concentrate on the question of a new educational system for the children of Brazil. You have to think: What world will you leave behind? What environment? What circumstances are you leaving for your children and for your grandchildren? Your children are an incredible richness and wealth.

It is very easy to overcome oligarchism forever. All you have to do, is give every child a universal education. *If you give every child an ability to re-create, in his or her mind, the great discoveries of the previous generations in science and in art, you evoke that divine spark in the child which makes it human.* A child who has access to Classical music, a child which has the possibility to study the great painters of the world, or to taste the sweetness of the truth of scientific discovery, such a child will not become a drug addict; such a child will not waste his mind, particularly with these "designer" drugs, because this child will take as precious his creativity, which is the heart of discovery.

I want to interrupt my remarks here to give you the opportunity to contribute discussion, ask questions, and so forth. But I would like to end with one idea.

It may be that the world will plunge into a new Dark Age. If we fail, mankind could shrink to 2 billion people, or 1 billion, and we may have a new Dark Age for generations to come. I can easily imagine a world dominated by epidemics, local mafias, armed gangs, chaos, anarchy. I have no trouble imagining such a worldwide disintegration. But I think that man, who *is* created in the image of God, is also called upon to not let that happen. I believe that Gottfried Leibniz was right, when he said that God created the best of all possible worlds, and that when man is confronted with a great evil, a great catastrophe, he can, by his free will, develop an even more beautiful and more powerful Good, as an answer.

So, I call upon you to join our movement. You want to save Brazil? Then join us!

'The world must organize itself'

by José Carlos Graça Wagner

Here are excerpts of a speech, entitled "The Challenge of the Third Millennium," by Dr. José Carlos Graça Wagner, on Aug. 12, welcoming Helga Zepp-LaRouche to a seminar organized by the Brazilian Institute for Economic Freedom and Social Development, of which he is president.

... In the invitation to this seminar, we outlined the essential points which guide Dr. Helga Zepp-LaRouche's actions. [She is] the president of the Schiller Institute, which has a vast intellectual and technical presence throughout the world. ...

We stand at the turn of the millennium. ... We should mention, for example, the well-known conception of the crisis: the generalized feeling of a lack of grounding. At the same time ... the crisis represents a return to a certain sense of pioneering, of the opening up of new technological and market frontiers. Hence, the opportunities which are sometimes mistakenly confused with the radical replacement of human values, which are inherent to man's very nature. ...

There is also another aspect to the crisis: the constant preaching, in this century, that everything is in conflict with everything else—that ... it is all against all; that confrontation is seen as the appropriate way of dealing with upheaval, by imposing on others a social, economic, or human belief, using various instruments of social or state power. ...

It is worth mentioning, too, the indifference leaders have shown to the necessity of avoiding the huge waste of public and private funds—public funds wasted on unnecessary projects, without the slightest concern for the efficiency or effective functioning of institutions, and private funds squandered by the culture of pure and simple financial speculation. This ignores the true sense of savings, which is the investment and the increase of material, intellectual, and spiritual wealth of the members of society, allowing them to take advantage of the benefits of progress in all areas of human life. It is the case that, consciously or unconsciously, productive activity in all its forms is excessively controlled, and appears less attractive compared to the option for financial gains [which are] far less of a burden in terms of taxes, interest rates, the risks of economic plans, or market changes. ...

What we see today, is the notion of solidarity versus the notion of conflict; creation versus destruction; long-held values against fleeting ones; the human against the inhuman; the essential truth built, however painstakingly, against that

utopia which is incapable of becoming reality, and much less of promoting the fulfillment of the human being in all his dimensions. ...

Creative intelligence suffocated

The great challenges which demand creative intelligence are being suffocated by "generally accepted principles," by what is "politically correct" or "economically correct," i.e., by form over substance, in a type of "double-think." This is a repetition of the Tower of Babel which, aside from the irrationalism and total nonsense of its Biblical example, lends its name to one of those soap operas which destroys society, confusing freedom with libertinism, and transmitting to the public the message that the distortions and aberrations of human behavior are somehow normal. Even if these are understood as the weaknesses and defects of mankind, they cannot serve as examples for educating new generations.

... Lacking a higher purpose, nations appear to be losing their significance. ... The opening up of economies, absent reasonable international regulation, either favors consumption ... or punishes production. ...

Because of all this, it is increasingly the case that savings seek the earnings of speculation, rather than physical production. Moreover, the latter is minimized by the unbridled search for those financial profits, whose movement in the markets has become the economy's *raison d'être*. ... States spend, but don't produce services, and thus lose credibility. Deficits are covered by more public bonds, sustained by interest rates which, in turn, replace the profits of productive activity, with far greater risks than those offered by electronic financial gambling. Beyond this, production is burdened by taxes and interest rates, market risks, and legal contingencies which favor speculative capitalism over the capitalism of production.

The world has to organize itself as a world. There is a generalized sentiment that the world needs a more inclusive international legal order, which defines the rights of nations, peoples, and individuals, with courts capable of equalizing the relations among them, especially as regards to sovereignty, which is representative of nations' history and culture. ... Sovereignty cannot be reduced to a standardized common denominator. There must be a review of international agreements, particularly with regard to legal, financial, and monetary structures, so that excessive authority is not given to the technocracy of international organizations. In their presumption to control truth, the latter determine the fate of nations, peoples, and continents. The great documents of the social doctrine of the [Catholic] Church must be taken into account; although based on the Gospels, [this doctrine] does not seek to impose any religious creed. On the contrary, it defends as its very essence, full respect for religious freedom, while promoting a vision of humanity as a whole which does not undermine the cultural values and lifestyles based on traditions rooted in the social environment of the family.

London set terror-trap for President Clinton

by Linda de Hoyos

On the morning of Aug. 21, U.S. cruise missiles struck and destroyed the Al-Sifa pharmaceuticals plant in Khartoum, Sudan, killing at least seven people, and destroyed a terrorist training camp allegedly run by Osama Bin Ladin in Afghanistan, on orders from the U.S. President William Clinton. The attacks, according to statements by the President, Secretary of State Madeleine Albright, Defense Secretary William Cohen, and Chairman of the Joint Chiefs of Staff Gen. Henry Shelton, were based on evidence that Osama Bin Ladin was the mastermind behind the Aug. 7 bombings of the U.S. embassies in Nairobi, Kenya, and Dar es Salaam, Tanzania, which killed 12 Americans and more than 250 Africans. The action was also taken, the officials stated, in response to reports that Bin Laden-linked terrorists were preparing further major attacks on U.S. embassies and airlines in the near future.

The attack took place in an environment of a quickening pace of crises challenging to the U.S. administration:

- The continuing meltdown of the world financial system, marked on Aug. 17 by the announced 50% devaluation of the Russian ruble and the suspension of debt payments by three months, and news of further crises to hit immediately in China, Hong Kong, and South America;
- A renewed war threatening regional conflagration in the linchpin country of the Democratic Republic of Congo, propelled by the drive of British Commonwealth financial interests to grab raw resources as the only insurance against the financial cataclysm;
- The London-driven destruction of American Presidency and threat of impeachment of President Clinton, with the grilling of President Clinton by Inquisitor Kenneth Starr Aug. 17 and Clinton's nationally televised admission of "an inappropriate relationship" with Monica Lewinsky;
- The escalation of terrorist threats against the United States, marked by the Aug. 7 embassy bombings, in London's

"strategy of tension" against the U.S. government.

In this climate of strategic turbulence, British intelligence, in concert with its strategic partners in Israeli intelligence, succeeded in stampeding the U.S. Presidency into a strike against Sudan, based on flimsy evidence put forward by British and Israeli sources, that is, by those known to be enemies of the United States in general, and against President Clinton's efforts for peace in the Middle East in particular.

The precipitous action will only act to discredit the United States' war on terror in the eyes of the world, particularly the Arab and African world, and set up the United States for further attack from the same British-Israeli-guided forces that hit the United States, and Africa, so brutally on Aug. 7.

Cordon sanitaire around Britain

The major motivation for the U.S. military actions against Sudan and Afghanistan, was the emphatic statement from Defense Secretary William Cohen that "our message is clear: There will be no sanctuary for terrorists." But the administration has overlooked the key role of London's safe haven and the *official* blind eye turned by British intelligence to active terrorist-support activities on its own soil, and overlooked the covert support and deployment of such terrorists by privatized and mercenary operations arrayed around the Special Air Services (SAS) and Executive Outcomes. These services are interconnected institutionally and operationally with the financial interests behind London's global pyromania and resource-grab in the face of monetary implosion (see *Strategic Studies*, p. 48).

As *EIR* has documented, the Afghansi networks, of which Bin Laden is now the most celebrated member, were retained under the control of this London nexus, substituting the American "devil" for the Soviet "devil" in the post-Cold War period. Unless the United States takes a clear stance against the

British-cum-Israeli controllers of this apparatus, retaliatory actions against this network — no matter what the evidence — is being perceived by the Arab world as a declaration of war against Islam, as America's "enemy image."

The Al-Shifa hoax

In the case of Sudan, however, there is no evidence to justify the U.S. Aug. 20 cruise-missile attack on Sudanese soil and the destruction of the Al-Shifa pharmaceuticals plant. Sudan expelled Osama Bin Laden from its territory in May 1996, and, according to a statement of the Sudan embassy in Washington on Aug. 21, "liquidated his businesses." Sudan also condemned the destruction of the U.S. embassies on Aug. 7, and offered full cooperation to the governments of Kenya and Tanzania to locate the perpetrators of the atrocities.

"There is no evidence pointing to any responsibility on the part of the Sudan government for the bombings," a well-placed Kenyan government official told *EIR*.

The Al-Shifa plant is a private company, a joint venture between the private sector and the Economic Community for Central and Southern States (COMESA). In January 1998, the United Nations approved exportation of medicine from Al-Shifa to Iraq under the UN Oil for Food Program, given that the plant's major business is the production of antibiotics, anti-malaria medicine, and childhood disease medicines.

Those who made the charge of Sudan's alleged involvement in production of chemical weapons, give an idea of who the architects are of the terror-trap against the American President. The charge first surfaced on Nov. 16, 1997, in the

Times of London, a mouthpiece for the British Foreign Office. At the height of a crisis around reports of Iraq's production of weapons of mass destruction, the *Times* claimed, "Iraq Makes Lethal Gas in Covert Sudan Pact." The sole sources cited for the charge were "military intelligence and diplomatic sources in Kampala." The primary military adviser to Ugandan military dictator Yoweri Museveni, who has been at war with Sudan since 1986, is Israel's Gen. David Agman.

Again, on Feb. 17, 1998, at the height of another crisis around Iraq, Deputy Speaker of the House of Lords Caroline Cox, the most vocal proponent of a full-scale *American* war against Sudan, declared in the House of Lords that Saddam Hussein had transferred Scud missile delivery systems, and other items of mass destruction, to Sudan.

As *EIR* reported, Cox said her source for this news was a Feb. 10 report, entitled "The Iraqi WMD Challenge: Myths and Realities," prepared by the Task Force on Terrorism and Unconventional Warfare, an association composed of members of the U.S. House of Representatives, but which is not an official body of the U.S. Congress. The official director of the group is Yossef Bodansky, a former officer of the Israeli Air Force, who was the "spotter" for Jonathan Pollard, an Israeli agent convicted of espionage against the United States.

The targeting of Sudan by the United States, for the attack on its embassies, should give cause to re-examine the report in the Israeli newspaper *Ha'aretz* on Aug. 8, that Israeli intelligence had told the United States to "take with a grain of salt" a warning from a former Israeli operative of a coming terror-bombing on the U.S. embassy in Nairobi.

LaRouche gives preliminary assessment of U.S. strikes

The following is a summary of an assessment by Lyndon LaRouche on Aug. 21, of the U.S. strikes against Sudan and Afghanistan:

1. Any attempt to analyze these events outside the context of the systemic financial and civilizational crisis, is meaningless;

2. On Aug. 14, LaRouche began a paper, titled "The Current Array of Strategic Options" (see p. 48), which analyzes in detail the responsibility of London-centered oligarchical forces and their British-cum-Israeli mercenary assets, in carrying out the bomb attacks in Nairobi, Kenya and Dar es Salaam, Tanzania. Before this document could reach the Clinton administration, a powerful combination of British forces in the State Department and the FBI went into a full mobilization to mislead the President to take an investigative trail, which ultimately resulted in

the trap of the action in Sudan;

3. This massive and systematic operation to mislead the President was done in the environment of the Kenneth Starr operation around the Monica Lewinsky matter. Additional pressure was exerted on the President, indicating that retaliatory action, following the false State Department-FBI trail, would somewhat loosen up the hyper-tense situation for the President, including the danger of impeachment;

4. The operations in Afghanistan are of a special nature, and of a completely different quality, than the attack on Sudan. The pro-British clique surrounding the President, including Vice President Al Gore, Secretary of State Madeleine Albright, the FBI, and the Department of Justice, put special emphasis on targeting Sudan, as a way of not just trapping the President, but of targeting LaRouche. The so-called "proof" against Sudan, as indirectly admitted by Defense Secretary William Cohen, is completely ludicrous;

5. As long as Lyndon H. LaRouche is not exonerated and given his historically proper place, tragic events like these will occur again and again.

Terrorism: Britain's geopolitical tool

by Mary Jane Freeman
and Dean Andromidas

The deadliest bombing attack in three decades in Northern Ireland occurred on Aug. 15, just eight days after the Aug. 7 bombings in Nairobi, Kenya and Dar es Salaam, Tanzania, and three weeks before President Bill Clinton is to arrive there. At least 28 people were killed and hundreds were wounded, many suffering the loss of limbs, when a car bomb went off in Omagh, County Tyrone at 3:10 p.m. amidst a carnival celebration. Condemnations of this atrocity came from every side of the political divide. On Aug. 18, a dissident group calling itself the "Real IRA," comprised of disgruntled IRA members who oppose the peace process, claimed responsibility for the attack.

EIR has systematically documented, especially since 1995, that the British oligarchy is the "mother" of terrorism. Was the Omagh bomb made in London? Not physically. But, geopolitically speaking, it most definitely was. With the world financial system careening out of control, the financial oligarchical elite is desperate to prevent President Clinton from wielding the power of the U.S. Presidency to put the world monetary system through bankruptcy reorganization. Were he to do this, these family *fondi* and their speculators would be crushed. Thus, the continuity of purpose, politically, of the Africa and Northern Ireland bombings, as well as the British-orchestrated scandal targeted against President Clinton and the office of the U.S. Presidency in the Monica Lewinsky matter, is designed to maximize the destabilization of key Clinton foreign policy initiatives, distracting the President with multiple crises all at once.

In the case of the Omagh bombing, this point has been made explicit. First, the efforts to implement certain aspects of the peace process in Northern Ireland have been seriously set back. For example, policing reform issues and political prisoner releases were immediately halted. Instead, "draconian" measures, as Irish Prime Minister Bertie Ahern called them, to apprehend not just members of, but persons "associated" with proscribed groups, e.g., the Real IRA, have been adopted. (Clearly, terrorists must be found and tried, but such measures do not touch the command and control apparatus at the top.) So, when President Clinton arrives in Northern Ireland on Sept. 3, his mission of peace and economic prosperity will be welcomed, but it will also be met with fear and uncertainty.

The Anglo-Israeli nexus

The second element of this British-directed destabilization of the Clinton foreign policy agenda manifests itself in the form of media speculation that Libya's Muammar Qaddafi is behind the Real IRA. While this "made-in-London" rumor was initially published in the Hollinger Corp.'s London *Sunday Times* on Aug. 16, elements of the story developed by other journalists appear to have some credibility. Even more curious, however, is one account crediting the Israeli Mossad as the source of the Libya-connection line.

The gist of the story goes like this: Leaders of the Real IRA went to Libya last March, on the eve of the signing of the Good Friday peace agreement, in an attempt to win support from Qaddafi for an armed resistance to the peace accord. Reportedly, he was non-committal. A second meeting occurred in July, but with no firm results. Then, in August, came the revelations of former MI6 agent David Shayler, who is currently in a Paris jail awaiting possible extradition to Great Britain on charges that he violated Britain's Official Secrets Act. Shayler's revelations included that MI6 financed an Islamic fundamentalist group to assassinate Qaddafi in a car-bomb attack in 1996. The attempt failed, but a number of Libyans were killed and Qaddafi was hospitalized. This news, reportedly, galvanized Qaddafi into support for the Real IRA.

Elements of this story-line appeared in Ireland's *Irish Independent* and the German daily *Die Welt*. According to Kevin Dowling, an Irish journalist based in England, who also filed a story on this, the alleged meetings between the Real IRA and Qaddafi were "flushed to London from Tel Aviv on the authority of Efraim Halevy, the . . . British-born director of . . . the Mossad, late on Saturday." Israeli involvement in Northern Ireland terrorism surfaced in May when Britain's Channel 4 TV documentary, "The Spying Machine," detailed former Mossad director Raphael Eytan's collaboration with Britain's Special Air Services and the Thatcher government.

As Dowling writes: "If a Libyan connection to the [Omagh] bombing is proven . . . Tony Blair and U.S. President Bill Clinton will come under intense pressure to make renewed bombing raids on Libya." Such an action, he writes, "would suit the Israelis very well—but it would play havoc with the delicate geopolitical balance in Africa and the Middle East, already thrown into shambles by the even more horrific events in Nairobi."

Indeed, the Clinton administration's efforts for peace and development in the Middle East, Africa, Bosnia, and now Northern Ireland have been seriously compromised due to the Anglo-Dutch-centered financial oligarchy's land grabs, looting schemes, and "little" ethnic wars. As Dowling summed up his article, "The latest bombings in Africa and Ireland could not have come at a worse time. They threaten to destabilize international relations . . . while White House attention is focussed on . . . Lewinsky's dirty dress."

Nigeria's Abubakar tells nation: 'Let us all move forward'

by Lawrence K. Freeman

Following the deaths of Nigerian Head of State Gen. Sani Abacha and his nemesis Chief M.K. Abiola, many Nigerians in and out of government are expressing optimism about the future of their country. Nigerians from all different factions are giving the new Head of State, Gen. A.A. Abubakar, praise in his current handling of the country. On July 20, in his nationally televised address to the nation, General Abubakar announced that the military will hand the government over to an elected President on May 29, 1999, nine months from now. Considering that General Abacha had a three-year transition plan, this is certainly a tall order, and fraught with all kinds

of potential dangers.

General Abubakar has rejected calls for an interim Government of National Unity, and a National Sovereignty Conference. Instead, under General Abubakar's leadership, the military will remain in power and govern the country until next May, while the general concentrates his efforts on holding the country together, and preparing for the future civilian government. To this end he has received the support from the major "ethnic" groups, previous heads of state, and even from the opposition movement.

It is not expected that he can revive the stagnating economy in such a short period of time; his main task is to preserve the sovereignty of Nigeria for the new leadership. However, General Abubakar, knowing that it is vitally urgent that he rectify, in the short term, the acute fuel crisis plaguing sections of Nigeria, has already intervened into Nigeria's oil importation policy. As one of the richest oil-exporting countries in the world, Nigeria suffers from a lack of refined fuel, even though it has four refineries. Nigeria's refineries have never worked simultaneously at their maximum capacity, forcing the country to purchase petroleum products on the international market and transport them to Nigeria. Many consider the failure to properly maintain the refineries intentional.

In his national address, General Abubakar dissolved the five political parties, the Transitional Implementation Committee, and the National Electoral Commission, formed under Abacha in Nigeria's previous transition program (see *EIR*, Jan. 16, 1998). The Nigerian Constitution, the product of a year-long, delegated Constitutional Conference from 1994-95, will be preserved, but all of the municipal, state, and federal elections have been annulled. A new Independent National Electoral Commission (INEC) was created to oversee the transition process under General Abubakar, and the National Council of States was reconstituted with many new State Administrators.

The Petroleum (Special) Trust Fund (PTF), headed by General Buhari, will continue its investment in infrastructure, especially roads, education, and water supply. The National Economic Intelligence Committee (NEIC), led by Prof. Sam

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Aluko, an outspoken opponent of the International Monetary Fund, will also be retained by the current leadership (see *EIR*, Jan. 16). There are indications that the Abubakar government wants to resume more friendly relations with the IMF, the World Bank, and the Paris Club of creditor nations. Under General Abacha, Nigeria had ceased taking any new loans from the IMF.

At the moment, there is an atmosphere of good will toward General Abubakar, who has released all political detainees, and consulted with all groups, including the long-standing National Democratic Coalition (Nadeco) opposition, but the political and economic problems lying ahead are enormous. Given the treacherous role that the British continue to play in Nigeria, and the current meltdown of the global financial system, General Abubakar and Nigeria will need help and understanding to navigate this difficult course.

In the following interview, Lawal Idris, a businessman familiar with the Nigerian government over many years, says, "We must move forward. We have to tell the truth." This same optimism was expressed by General Abubakar in his speech: "Let us all move forward to a new opportunity, with confidence in the present and hope in the future." This sentiment is shared by many Nigerians, who are hopeful that their nation is finally on the right path.

Interview: Lawal Idris

Nigeria requires a national identity

Mr. Idris is a businessman from Kaduna, Nigeria. He was interviewed by telephone on Aug. 3 by Lawrence Freeman.

EIR: A great deal has happened in the last few months. Nigeria's head of state, General Abacha passed away; the leading dissident, Abiola, passed away. What direction do you think Nigeria should take, over the next few months?

Idris: The political field is open to all, and I wish the politicians would be truthful to themselves. The generals say the military is leaving by May 29, 1999, but then there is a snag there, because some people say, let the South take a shot, let the Ibos take a shot, and the minorities are saying, "We want it as well." People are talking, and in one or two months, we will know where we are going.

EIR: What do you mean by, "Let the South take a shot"?

Idris: Let them have the Presidency. But how they are going to do it, I'm not sure.

EIR: One of the things that General Abubakar did, in his speech on July 20, is to disband all five political parties; he said they weren't functioning. He also attacked corruption in his presentation, and he said that a new government, a civilian government, would be in place by May 29, 1999. What do you think? Is that realistic?

Idris: Yes, it can be. I know General Abubakar, and he is not one to go against the Nigerians. He meant every word he said. But it depends on the politicians to make it happen. And, God willing, [the military] will go, on May 29, 1999.

EIR: You mentioned earlier that there has been some discussion in the press, that the Yoruba, especially, are calling for a conference that is being supported by Nadeco [the National Democratic Coalition], a national sovereignty conference. Nadeco has also made proposals that an interim government, to govern for several years, should be picked. General Abubakar did not go in this direction; he said this won't work, and that the military pretty much has to remain in power until the transition is completed in May. What do you think about these calls for a national unity government? Is this the right way to go?

Idris: Never. You see, the majority of Nigerians are united. But the "microscopic Nigerians"—Nadeco and such groups—are not united, because they only look at Nigerian problems from their own point of view: that it has to be done their own way, or not at all. That is, their own type of democracy. So, what Abubakar said, is that there was no need for this congress. If Nadeco wants to form a party as Nadeco, let them go ahead and do it.

Nigeria has passed the point where a tribe can dictate where we go. We have passed the point where we will have a President just because he is a Yoruba, or just because he is an Ibo, or because he is a Hausa. We need a very reliable person who is a *Nigerian*, first and foremost, not a tribal chief.

EIR: Immediately after the death of Chief Abiola, there were some demonstrations and reports of rioting and looting; now things have appeared to calm down. How would you appraise the situation? Is it tense, or are people now prepared to settle down and work together to solve some of the problems?

Idris: At first, when Abacha died, there were no demonstrations, either in the North or the South, because death comes from God. Just as when Abiola was created, God never discussed it with anybody! He came into this world at an appointed time, and he left at an appointed time. But we have to build a nation without Abacha now, and without Abiola. So, we must move forward. We have to tell each other the truth.

Now, there is no tension in Nigeria. There was really not much tension, except in the southwest. And that had been

going on for so long, so there is nothing anybody could do about it. It used to be called the “wild, wild West.” Some parts of it are still like that.

EIR: Do you have any recommendations to people in Nigeria, about what steps the government should take, to bring about a new government by next year?

Idris: If Lawal Idris wants to form a party—himself, his family, and his friends, or whatever—let it be that way. Whoever wants to form a party, let him do it. Let the laborer, the common man, anybody who wants to belong, let them join. Let the government not give anybody any money. There is so much power in the center—that is why everybody is trying to be President. But let every section of society bring their best forward, and a President will be elected, be he a retired military officer, a businessman, or whatever. As long as a majority of Nigerians want this man as President, so be it. Give the judiciary their own powers back.

EIR: What have been the main problems that have prevented Nigeria from achieving the kind of stable government that it had at the very beginning, when it first became independent in 1960?

Idris: The leaders in 1960s were the best crop of leaders Nigeria has ever produced. I am not a prophet of doom, but I don’t think we will ever produce such leaders in my lifetime. First and foremost, they built their own country; they had no selfish interests; so they tried to build up the country. But, unfortunately, a group of military officers thought that these people were corrupt, and so they destroyed the country. That is where the problems came from. But now, if we are ready, we can build the nation.

What we have now are people who are thinking more about their own personal and selfish interests, than about the national interest. You cannot build a nation like that. America was not built like that; a lot of people did a lot of sacrificing.

Nobody wants to lose; everybody wants to win it all. But if you remember the story of Abraham Lincoln, he tried almost everything, and sometimes he failed, but he kept on trying. And he was one of the greatest American Presidents ever produced. I wish we had people who thought that way: If we lose, we try again, and keep trying.

EIR: We have seen that there are great difficulties in getting the Nigerian economy moving. As a reader of *EIR*, you are very familiar with Mr. LaRouche’s proposals for a New Bretton Woods agreement. Do you think this is something that Nigeria should participate in and would benefit from? How do you think that could happen?

Idris: For a long time, I have been thinking along that line. But, the problem we are having, is that the IMF and World Bank have squeezed us so dry, that they can hardly get any blood out of us. It makes people so lazy, when they think they

can get what they want from the government. People are not using their God-given talents, but just want to get everything from the government. But the government does not have the money to give to every individual Nigerian!

If we go for this New Bretton Woods, as Mr. LaRouche has been telling us for quite some time now, at least—not to take it 100% or something like that, but the IMF and World Bank program is a failure! Look at Asia: The economy has been destroyed!

So, we have to look at the economy, but aside from that, we have to look at the people. There are so many people in Nigeria who have not really lived here as a nation; they lived more in the United States, or England, or Germany. When you run away, you don’t contribute anything. How does the economy improve? The Nigerians have to help themselves, if the economy is to improve.

That is what LaRouche has been saying. I have read almost every article of his, for the past four or five years now.

So, just give it a try! That’s what I think.

EIR: The West—in particular Britain, the U.S. media, and sections of the U.S. State Department—have been very, very harsh on Nigeria, over many years, especially after General Abacha came into office. What do you think the United States should do to help Nigeria in this transition process, to get back on its feet, have a stable government and improve its economy?

Idris: What the press writes—the *Washington Times*, *Baltimore Sun*, *Washington Post*, and so on—I’m sure that President Clinton knows it is not true. They have been saying for four or five years that this country is going under. But it never happened! So what I want Clinton to do is to understand our problems as they are. Our problems are much more than what you hear from your ambassadors, or what people like the Coalition [opposition members] tell you.

You have been to Nigeria several times, and have written about it. You have an idea of what is going on.

They should discuss with the government, the politicians, with the business community. Then they will find out, “These are our problems—not what you think, not what CNN tells you, not what you read in the newspapers.” Unless you understand problems, there is no way you can ever find solutions.

EIR: During President Clinton’s last trip to Africa, he did not visit Nigeria, the most populous country in Africa, and he didn’t visit Sudan, the largest country in Africa. Would you like to see President Clinton come and visit Nigeria, before his term expires?

Idris: He’s very much welcome—if he’s allowed. But they are not looking at how well he has been doing with the economy; they are looking at his personal life. I pray he will come out of his problems. He is very much welcome, and I’m sure every Nigerian would like to have him visit our country.

How Peru is defeating narco-terrorism

by Luis Vásquez

Here are excerpts from a presentation given on July 23 by EIR's Lima correspondent, Luis Vásquez, at the Bogotá seminar on "The Peace Processes in Peru and in Colombia." See EIR Aug. 7, pp. 43-53 for a report on the seminar.

What has happened in my country, Peru, since 1990, is the only effective peace process that has been carried out anywhere in the continent in recent years. "Peace" in El Salvador, for example, is a total fiasco: what was mounted there was a more explosive time bomb than existed previously. Peru still has many problems—economic ones, for example—but with respect to security and the threat that hovered over the country in 1990, in which the integrity and existence of the nation itself was on the brink of the abyss, that danger is being successfully dealt with. We are not yet safe—no country is, given the *global* narco-terrorist offensive unleashed by London—but the strategy adopted by the Fujimori government has saved the nation.

How did Peru confront this problem? Peru's situation from 1990 to 1992 was an extremely critical one, very similar to that which you Colombians are facing at this moment. Peru was a destroyed country. The institutions of government had practically lost control of 60% of the territory. That 60% was controlled by the guerrillas, by Shining Path and the MRTA. The capital city of Lima was practically under siege. The narco-terrorists had nearly achieved a military and political strategic balance. At the time, it was highly probable that Shining Path would have total victory in taking over the country.

It was a very well-planned scheme. They hoped that with 5,000 political-military cadre, they could enter Lima and rapidly become an army of 150,000 people, with each militant capable of pulling another 30 combatants around him, during the taking of Lima. There were also weapons deposits stashed around the capital city for that operation. The city was under psychological bombardment. Shining Path controlled electricity and food supply into the city. They controlled the exits and could cut off the food supply at will.

The Constitution and legislation were completely unfavorable to the national institutions, with regard to their ability to combat Shining Path's offensive. The Constitution was used fraudulently by the terrorists: They couldn't be detained for more than 24 hours; interrogations had to be of one sort or another; terrorists had many rights, but no obligations. The Constitution was one of the terrorists' most important

weapons. The population was practically defenseless.

Shining Path also had Congress, which was not made up of terrorists, but was intimidated by them, and in certain cases was paid by them. They would approve no law, no constitutional reform, that would allow actions to be taken against terrorism. At the same time, the entire judicial system was at the terrorists' disposal, due either to corruption, because they received bribes from Shining Path and the MRTA, which kept substantial sums (and still do), or through fear—judges and their families were killed, to prevent the judges from trying and convicting terrorists captured by the authorities.

Those terrorists who were convicted went to jails which were . . . totally controlled by them. The jails became terrorist training schools, where irregular warfare was taught, where terrorist plans were prepared.

It was a very dramatic situation. Those of us who lived through that know at what point a nation can be paralyzed, and at what point a population can be terrorized. The fighting spirit of the population had nearly disappeared. Two million people fled the country: Those who could pay for a ticket to live elsewhere, or those who could send their children abroad, did so.

A miracle?

And what happened? Many say a miracle happened: Alberto Fujimori appeared. Many in other countries say, "If we had a Fujimori here, things would be different." But Fujimori is no miracle. We could say that miracles are in fact human beings; they occur because of human intervention. God helps those who help themselves. Divine intervention is not magical.

Fujimori was the result of the intervention of determined elites, primarily military, but also civilian, who saw that they had to create a political alternative, an executive adequate to the task of dealing with the situation. Fujimori was one of 15 Presidential candidates in 1990. Those elites knew the situation, and listened to those who agreed with a program of fighting narco-terrorism. When they asked candidate Mario Vargas Llosa, he rejected that program, because he was a globalist. Vargas Llosa said that the worst sins of humanity are nationalism and religion. Vargas Llosa was committed to an economic package within the policy of globalism, and with regard to security, would have handed over everything. So, the elites understood that they had to prevent Vargas Llosa from winning the Presidency, and decided to launch Fuji-

mori's campaign.

On this matter of elections: Really, we shouldn't have such respect for so-called "democratic" elections in our countries. Democracy is a system that has certain problems, which often enables those with the greatest amount of money, who can buy television time, who can change public opinion from night to day, to win.

What was done in Peru was an intelligent thing. This problem was seen, and Fujimori was launched in such a way that, from one moment to the next, he became the most popular candidate. In the beginning, Fujimori was a candidate who, to fill his electoral slate, had to choose his own relatives, because he didn't have enough supporters otherwise. Then, Fujimori went to the people, and there were demonstrations of support for him. Who pulled this off? Everyone in the country knows. He won the first round, and from then on, Fujimori ran his campaign from the military circle. From the very beginning, a civil-military alliance was forged, with a very well-defined project for saving the country.

Fujimori won the 1990 elections, and until 1992 there was a transitional period, in which nothing was done because they wanted to use the, shall we say, "legal" channels, to fight narco-terrorism. But this didn't work, because the Congress continued to reject those projects and all the institutions continued to be inclined toward narco-terrorism.

The 'Fujimorazo'

So in 1992, it became necessary for the state to run a "self-coup." There was a political pronouncement by Fujimori, which was backed by the Armed Forces, through which everything was put in order: Congress was closed for defending Shining Path; laws creating special courts were imposed; universities were shut down, putting an end to the autonomy which allowed them to function as bastions of terrorism; there was prison reform, and so forth. That was in April 1992. It had immediate effects. In September of that year, Abimael Guzmán, chief of Shining Path, was captured, and the entire leadership of Shining Path and the MRTA began to fall.

Afterwards came the repentance laws [which allowed guerrillas to surrender], which were a very important weapon for this war against the narco-guerrillas. Laws regarding peasant self-defense groups were also decreed, which were essential for military operations. Once the terrorists were defeated, Peru was successful in reducing drug production.

All of this is proof that decisive measures, taken with great courage against even threats from abroad, are key to pacifying a nation. One must not forget that when the 1992 pronouncement was made, the vast network of heavily funded NGOs wanted to put the Peruvian government and its Armed Forces in the dock of the accused. The United States government, headed by Bush, led the campaign to get Peru condemned internationally. In 1992, a meeting of the Organization of American States was held, where Peru was accused of having

shattered institutional order, and proposals for isolating Peru with economic sanctions were made. All U.S. military aid to Peru was suspended.

Fujimori took the 1994 elections by storm, because 98% of the population was in complete agreement with what he had done in 1992. He didn't need to make an electoral campaign then. He went out into the streets and people hailed him. This overwhelming electoral support prevented the supranational institutions of the NGOs, the OAS, the United Nations, etc., from destroying Peru.

The U.S. role

I should add that there was a critical period, in 1993, when the U.S. administration changed. Bush lost the 1992 elections, and Clinton took over. General Bedoya said a moment ago that we have to depend on U.S. cooperation. In fact in Peru, up until 1993, we waged the battle for the country with our fingernails, and it was very rough. Peru lost military and economic assistance; direct transmission to us of radar images was suspended, and this was the radar which detected all the planes used by the narco-terrorists to transport coca—they transported coca and coca paste to Colombia, and returned with money and weapons. And when Bush cancelled that cooperation, leaving us without electronic assistance or radar, it was impossible to make headway in the fight against narco-terrorism. Bush's actions favored the narco-guerrillas.

With the Clinton administration, there was a change of political will, and cooperation with Peru is the prevailing tendency now. There are people in the U.S., for example in the Southern Command and in the White House anti-drug office led by Gen. Barry McCaffrey (ret.), who know that narco-terrorism does exist, and who have supported the Fujimori government's anti-drug actions.

Moreover, we must look at Lyndon LaRouche's role in the United States; as you know, he is the founder of *EIR* magazine, and represents a key political current in that country. LaRouche has promoted this type of cooperation, because he thinks it's in U.S. national interest to support sovereign nation-states in Ibero-America—Peru, for example—in the war against narco-terrorism. Otherwise, narco-terrorism will destroy all nations on the planet.

So, as of the end of 1993, there was a change in the U.S. attitude, and things were easier. Thanks to this collaboration, Shining Path's and the MRTA's air transport power was destroyed. Right now, there is not a single plane that dares to take drugs out of Peru's coca-producing region to be refined in Colombia or any other country. They've had to look for other alternatives, such as using the rivers, or opening up trails in the jungle, but this isn't so easy. This policy of cooperation with the U.S., with respect for sovereignty, doesn't exist in the Colombian case—although there is a political debate inside the U.S. on this subject, which I hope will have a positive outcome.

International Intelligence

Jordan water crisis has political ramifications

A water crisis broke out in July in Jordan, when water from Lake Tiberias into Amman was found to be polluted. The Zai Water Treatment Plant, which provides domestic water to western Amman, was not able to deal adequately with the water, which was colored and had a bad smell. The water crisis provoked a scare among the population, and political protest in the Parliament, which blamed it on the government. The first political victim is Water and Irrigation Minister Munther Haddadin, who resigned on Aug. 9. (In 1995, Haddadin had denounced *EIR* and the LaRouche proposal to use nuclear-based desalination, to solve Jordan's water shortage.)

A petition is circulating in Parliament, demanding that the entire government resign. Although this session of Parliament, which is "extraordinary," is not empowered to organize a no-confidence vote, public discontent could explode. The ordinary session should convene in October. King Hussein, in the United States for cancer treatment, is due back in October.

Menem will not seek third term in Argentina

President Carlos Menem announced on July 21 that he will not seek a third term, although he did not say that his bid had been slammed by the London *Financial Times*. His withdrawal threw the "Peronist" Justicialist Party into turmoil, even though his bid would have required a constitutional amendment. On July 21, the *Financial Times* wrote an editorial, "No More Menem," saying that a Menem third term would damage "the country's still fragile democracy . . . [and] neutralize the short-term benefits of economic and political stability," by which they mean International Monetary Fund dictates.

The *Wall Street Journal* nervously reported on July 15 that infighting within the Justicialists between Menem and his rival,

Buenos Aires Gov. Eduardo Duhalde, could jeopardize passage of monetarist economic reforms in Congress. Menem couldn't have taken kindly the report from *La Nación's* London correspondent, that the election brawl was turning plans for his year-end visit to Britain into an occasion to portray him "as the dictator of a banana republic."

An angry Menem is now backing former Tucumán Governor (and monotone rock star) Ramón "Palito" Ortega, an outsider, rather than Duhalde. The latter is an older political machine man, frequently accused of corruption, who has begun to criticize the government's economic policies, reflecting the disgust in the party over IMF destruction of the economy. Political sources say that *EIR's* mobilization against the privatization of the Banco de la Nación also helped galvanize Peronist opposition to Menem's reelection.

S. African police raid Mark Thatcher's office

South African detectives, investigating charges of loan sharking by Mark Thatcher, the son of former British Prime Minister Margaret Thatcher, raided his Cape Town home and offices in mid-August, seizing records of his firm, Matrix Capital. The police are probing the possibility that Thatcher was using his money-lending operation, which has an average of \$350,000 "on the street" at any one time, to influence police and government officials, who are the principal recipients of his cash.

Thatcher's "loans" average a 20% per month interest rate, which is not illegal in South Africa. Anti-corruption police Superintendent Robert Bester told the *Sunday Times* of London on Aug. 16, "We are ploughing through piles and piles of documents to try to piece together how the operation worked, as well as to formulate possible charges." Thatcher allegedly hired large numbers of police officers to serve as "book makers" for his loan-sharking operations. He was in the process of expanding his operation into other ministries when the raids occurred. He moved to South Africa from

Texas in 1995, after he was hit with several multimillion-dollar civil lawsuits.

Fernandes: China and India need closer ties

India's Defense Minister George Fernandes, who had earlier been misquoted by many media about India-China relations, insisted that the two countries can have "closer ties," according to the *Asian Age* on Aug. 8. If China and the United States could have a strategic partnership to de-target their nuclear missiles in order to improve economic ties, there is no reason why India and China could not have a "still more closer" relationship, Fernandes told the Indian International Center, where he spoke on "National Security and the Role of the Media."

Fernandes said, "India does not want a war with Pakistan and never initiated one. There is a longing in the minds of most Indians to have not just friendship with Pakistan, but a special economic and political relationship." He spoke about the concern over China's nuclear weaponization and assistance to Pakistan in missile technology, but complained that his views had been distorted by "sections of the media." He wondered aloud if it "could be deliberate mischief" that his comment on China as "potential threat No. 1," was made into China as "enemy No. 1?" He added that the "damage such distortions by the media can cause to the nation's security interests is beyond measure."

Habibie addresses Indonesian nation

In his first major speech to Parliament since he took office on May 21, President B.J. Habibie delivered a two-hour address, broadcast live, spelling out his intent to launch a new era of "democratic resurgence," and outlining his program for economic stabilization and reform. His program is based on four priorities: 1) straightening up the financial institutions; 2) dealing with the private sector debts; 3) bringing about greater economic efficiency and eliminating

CANNABIS poses no health risk, asserted the New Zealand Health Ministry in a report last month. In a submission to Parliament's health select committee, the ministry disingenuously claimed that most people who use cannabis do so only occasionally and do not report any mental health problems. "Overall, the current public health risks of cannabis use are small to moderate in size," the submission says.

'FREE BURMA' foreign activists, whom Myanmar authorities had detained, pleaded guilty to violating a 1950 sedition law and were sentenced to five years in prison, before being ordered to be immediately deported. Moreover, the Thai Foreign Minister said that the Thais involved had been guilty and that he would *not* interfere with Yangon's actions, although he supports "democratic freedoms."

NATO has approved a military intervention contingency plan against Serbian genocide in Kosovo, which includes airstrikes. The plan can be implemented within 18 hours after a decision has been made to use a military option, according to the *International Herald Tribune* on Aug. 14.

YASSER ARAFAT, the President of the Palestinian Authority, returned to Gaza 12 hours early from an official visit to South Africa because of a reported assassination threat. On Aug. 12, President Nelson Mandela's security detail exploded a suspicious package that was among the presents he received for his birthday, as part of the security precautions that surrounded the Arafat visit. It is not clear whether the threat also extended to President Mandela.

THE TIMES of London claimed on Aug. 4 that Russia is selling Iraq devices used in guidance systems of long-range missiles. After claiming that a sale worth \$1.2 million was made utilizing a front company in Jordan called Al-Khayrat, the *Times* admits that the same device is used in oil-drilling equipment.

monopoly practices, as well as developing an incentive system; and 4) promoting openness and transparency in government and management in order to eliminate "corruption, collusion, and nepotism." He restated his commitment to hold parliamentary elections, with a revamped seating allocation, by May 1999, followed by the Presidential election in December. He said he would be a candidate, if the people wanted him.

Dr. Habibie also delivered his most public and damning denunciation of the orgy of violence in May, scoring the mass rapes of women, most of whom were ethnic Chinese, saying, "As a civilized and religious nation, we curse these barbaric acts." He expressed "deepest regrets" also on behalf of the government for past human rights violations, and addressed needed reform in the military, pointing to ongoing investigations of abuses, saying it is "imperative to restore the dignity and honor of our Armed Forces." He supported the separation of the national police force from the Armed Forces, and said that the police should serve primarily as a law enforcement body.

Anglo-socialists launch 'Third Way' movement

An international conference to promote the "Third Way" ideology will occur on Sept. 21, addressed by British Prime Minister Tony Blair, Italian Premier Romano Prodi, Sweden's Göran Persson, and President and Mrs. Clinton. The event is sponsored in New York by the World Policy Institute, to coincide with the UN General Assembly. According to the London *Guardian* on Aug. 14, "political thinkers, social scientists, and religious leaders are now being tapped to contribute to the conference."

The *Guardian's* Martin Walker writes that "much of Third Way thinking is fed by awareness of the global economy as the most potent current motor of change." Clinton and Blair think that "Third Way" doesn't quite define "the kind of market-friendly social democracy they believe is being built," he says. They "reject the idea of market forces unrestrained by social and democratic con-

cerns, but also see the traditional left-of-center faith in state intervention in the economy as outdated."

Walker, who has written a book on Clinton, blurs the distinctions between Blair and Clinton: While the former is not very successfully striving to implement Thatcherite austerity with a socially friendly face, Clinton's dabbling in "third way" policies, such as NAFTA and "welfare reform," has only occurred under pressure from advisers tied to the Dick Morris wing of the Democrats, exemplified by the Democratic Leadership Council, and have been unalloyed failures.

IRI out on a limb in Cambodia obstructionism

Liz Dugan, Southeast Asia representative of the International Republican Institute, the U.S. Republican Party wing of Project Democracy, issued a statement on Aug. 12 warning that "things are starting to unravel" in Cambodia, following the elections. The IRI is alleging "pervasive intimidation" of opponents of Hun Sen's CPP, and going so far as to thoroughly insult the 500 members of the Joint International Observers Group, representing the European Union, Japan, the Association of Southeast Asian Nations, and the UN Secretary General, claiming, "I wonder if any international observers, unless they were born and bred here or knew the language, would have had the tools to observe the election where it would have made a difference."

What's unravelling is the IRI's credibility: The Canadian technical adviser to Cambodia's electoral commission weighs in that, all things considered, he is deeply impressed by how well the Cambodians conducted this crucial election earlier this month. Western diplomats in Phnom Penh, not usually a Hun Sen fan club, add that the rhetoric of candidates Sam Rainsy and Prince Norodom Ranariddh is simply aimed at getting the best deal, but is a very dangerous game that could seriously hurt Cambodia. Both UN General Secretary Kofi Annan's representative and King Norodom Sihanouk have tried reasoning with them.

BEHIND THE BOMBING OF THE U.S. EMBASSY

What will happen, if . . . ?

by Lyndon H. LaRouche, Jr.

August 14, 1998

On the surface, the evidence points to the recent bombing attack at the U.S. Embassy in Kenya's capital, as being an expression of London's, and also Israeli Prime Minister Netanyahu's rage, against what they regard as the U.S. government's interference with London's ongoing, continent-wide stage-managing of mercenary armies' deployments in Africa raw-materials grabs. The message was clear, whatever accomplices, or mere cat's-paws may also have been drawn, actually, or only allegedly, into the picture of that Nairobi atrocity. The suspected, London-controlled perpetrators, and their right-wing Israeli accomplices operating in the Horn of Africa and immediately adjoining region, are, combined, the only existing capability operating on the scene which was positioned with the technological and other relevant capability to arrange the delivery of that specific, brutal message in that specific way.¹

1. It must not be forgotten, that the British and Israeli operations into the Horn of Africa and other sub-Sahara regions, are a continuing, integral part of the operations conducted against the Soviet Union's Afghanistan flank. The Taliban, for example, are a creation and instrument of the same combination of London-centered interests which ran jointly what were known, during the 1980s, as both "Iran-Contra" and the "Afghan" operations engaged in international drug- and weapons-trafficking, from Peru and Colombia to Central Asia, and involving such accomplices of "Iran-Contra's" Vice-President George Bush as East Germany's Shalck-Golodkowski. As to the matter of "cat's-paws" available for use by British and right-wing Israeli interests: That fact that someone of a certain apparent pedigree shows up, actually or only allegedly, in one of today's operations in Africa, or elsewhere, should prompt us to ask which section of the London-centered "Iran-Contra" or "Afghan freedom fighter" capabilities was enlisted to supply this probably diversionary element of the covert operation actually deployed. It should also be noted, that the largest percentile of known international terrorist

On the matter of the bombing of the Kenya U.S. Embassy itself, the reader will please have the decency to give the President of the United States credit for not being an idiot. The indications are, that neither the U.S. government, nor Egypt's was fooled by the ongoing British and Netanyahu efforts to plant misleading evidence for authorship of the Embassy bombing against sundry Arab, Iranian, and other actually or nominally Islamic interests. Otherwise, as to what the White House says publicly on this matter, unfortunately, in the U.S.A. and elsewhere: what diplomacy says rarely agrees with what the relevant governments actually think.²

Given, apart from the U.S. government's relevant knowledge of the bloody-handed Africa collaboration between London and Netanyahu, it is clear that, up to now, the U.S. government's understanding of the motives behind London's dirty work in Africa is somewhat accurate, but only limited. This is a limitation not only in scope, but, most emphatically, in depth. Like the many leading governments, and other relevant authorities around the world, who were caught by surprise in a related matter, the systemic character of the recent fifteen months' spiral of escalating financial and monetary crisis, the U.S. government has shown, so far, only a superficial grasp of the underlying realities of the Africa situation as a whole, and is only somewhat better informed on the crucial issues

organizations, is harbored with shameless openness, by the British monarchy, and that Britain continues to be the principal hand coordinating the terrorist bands of former and present "Afghan freedom fighters" and drug-traffickers deployed into various parts of this planet.

2. Notably, those who adhere to either the dictum of the "Red Queen" from Lewis Carroll's *Alice in Wonderland*, or the virtually identical axiom of British Prime Minister Tony Blair's "Third Way," or the virtually identical doctrine of unprincipled political opportunism, of the U.S.A.'s "New Democrats," do not believe in the political existence of either truth or justice.



President Bill Clinton confers with members of his administration. On the President's right: Secretary of Defense William Cohen and Gen. Henry Shelton, U.S. Army, Joint Chiefs of Staff. On his left: National Security Adviser Sandy Berger; Undersecretary of State Thomas Pickering; Attorney General Janet Reno.

in other parts of today's world, than they are in matters of Africa itself.³

In weighing the evidence to be considered in connection with the bombing of the Embassy, do not forget the "Leeson Principle." Junior mail clerks in Singapore offices, do not, on their own authority, organize multi-billion-dollar losses on the account of major London financial houses.⁴ Therefore, on

3. If we take into account those nominal U.S. citizens, such as Roger Winter, who are in fact agents of British influence on Africa affairs, the U.S. government has had virtually no independent policy-making capability operating within sub-Saharan Africa. "Black Africa" has remained the territory of the European colonial powers, chiefly the British, the French, and the Portuguese, in that order, down to the present date. The result is, that while some U.S. agencies do have important specialist overviews of some aspects of the internal Africa situation, U.S. foreign policy toward Africa has been almost entirely controlled from the "big brother" among the colonial powers, London. Israeli intelligence services, and their diamond and weapons traders, have more political-intelligence control over what occurs in Black Africa, for example, than the United States. Eritrea is presently a major base for Israeli military operations against Sudan and the Horn of Africa region. Israeli intelligence services have long harbored a special position inside Kenya (including the site of the present U.S. Embassy), with British blessing; Uganda is also an important part of the Israeli operations; the big Israeli asset, was, and continues to be the Republic of South Africa. Serious U.S. inquiries into the actual situation on the ground in Black Africa date from Clinton initiatives approximately 1996-97; this Clinton interest in the region has been received in London as intolerable interference into British colonial preserves.

4. Over the weekend of Feb. 25-26, 1995, the Bank of England placed Barings Bank into effective bankruptcy. The Barings failure was a function of London's 30-year-long creation of a gigantic speculative bubble. A scapegoat was chosen, in the form of 28-year-old Nicholas Leeson, the bank's Singapore-based director of Asian and American derivatives trading operations. Leeson's highly risky derivatives betting, contrary to the City of London and

this account, let the fading notes of Britain's retreating "Pied Piper," Prime Minister Tony Blair, guide his "Third Way" dupes toward that oblivion which they are bringing upon themselves. Let Tony Blair bury Tony Blair; respecting the matter at hand, we have far more weighty threats to humanity than the personal vanities of mental light-weights to consider.⁵ There is very little time remaining, for governments and other relevant influentials, to begin to understand the deeper processes afoot throughout this planet, the processes

Fleet Street, was not carried out secretly, but was known throughout Asia to be the position of the bank itself.

5. From the harsher of the pre-Hitler days of post-Versailles Germany, comes a relevant fictional tale of a man wearing a bed-sheet, a night-cap, bearing a lantern, and carrying a spade, on his way to the cemetery. In the story, the man explains, "I am a seventh-class funeral." It may be said, that Blair has truly earned his claim to a political version of such a "seventh-class funeral." As growing numbers of even social-democratic and other voices in the British and German press are currently reporting, Blair has discredited himself to the degree one wonders how much longer he might occupy his present office. There should be no mystery as to the reasons for Blair's rapidly growing unpopularity. The variety of totally unprincipled opportunism which Blair's "Third Way" and many of "Dick" Morris's clients represent, in seeking to appear to be everything to anyone, as Blair and Morris-linked Gerhard Schroeder have done, soon becomes nothing to everyone. In times of great travail and accompanying controversy, desperately anxious populations seek firm commitments to those principles and actions which, at the very least, directly address the real-life issues of nations and their component constituencies. There is a well-known historical precedent for the kinds of populist tactics employed by a Blair or "Dick" Morris: the "bread and circuses" tactics of the Roman Emperors; reference to this historical precedent for "Third Way" politicking tells us much of the mind of those who author and practice such forms of mass-media opportunism.

which will determine the outcome of the now-concluding century.

Our task in the present report, is to make clear some of the principal, if, unfortunately, rarely understood, determining features of that process which threatens not only an early general disintegration of the world's economies, but the extinction of most of the nations, and most of the population of all continents of this planet. It was not some petty, shallow, synthetic political figure like Tony Blair, but, rather, actually important, and often most cunning people, who created the crucial strategic problems menacing the world today.

To understand such among today's covert operations as the referenced Nairobi incident, take the precaution of recalling a relevant, ominous page from the opening decades of this present century. Recall, that the terrorist assassination of Austro-Hungary's Archduke Ferdinand, on June 28, 1914, led, as if by chain-reaction, to Russia's pan-Slavist threats against Austro-Hungary, on July 24. So, as a result of the foolish action of the self-doomed Czar Nicholas II, Russia's open declaration of the general mobilization for a joint British, French, and Russian invasion onslaught against Germany, the actual outbreak of World War I occurred, on July 29.⁶ The terrorist assassination of France's leading opponent of the war, Jean Jaurès, on July 31, eliminated the last chance of avoiding that outbreak of the actual war-fighting called World War I.⁷ The terrorist action against the U.S. Embassy

6. The crucial facts featured in the famous war-plan of Generalfeldmarshall Graf von Schlieffen should be recalled. The allied plan of attack on Germany required the simultaneous deployment of British and French forces from Germany's west, with a Russia onslaught from the east, and the overt complicity of Belgium in denial of German right of passage against the flank of the British and French assailants. Such a simultaneous, east-west assault on Germany could not occur without the relevant, preceding general mobilization of the Russian reserves. This defined a precalculable lapse of time between the moment the Czar signed the order for Russia's general mobilization, and the moment a capable Russian attacking force could be delivered to the territory of eastern Germany. During that interval of time, between Germany's general mobilization and the completed muster of the cumbersome Russia forces, the German forces must launch and win a decisive, war-winning, preemptive assault against the British Expeditionary and French forces on the French northern flank, an assault which could be made only by a preemptive assault through the territory of Belgium. (Had the Kaiser and "young" Moltke carried out the Schlieffen plan as defined, Germany would have won World War I within a matter of weeks of the time of Russia's general mobilization.) Thus, as the Czar and all other relevant parties clearly understood beforehand, the Czar's signing of the order for the general mobilization, established Russia, and its British and French allies, as the principal guilty party among the causes for launching of World War I. Germany's ultimatum of July 31, 1914 was simply the inevitable consequence of the Czar's launching of general war two days earlier, on July 29.

7. The combination of London-controlled political forces, which took control of France's Third Republic, in the context of the 1898 Fashoda incident, was a rag-tag composed chiefly of notoriously anti-semitic legitimists, bonapartists, and assorted leftists, the constituent elements of which came to be assembled behind Georges Clemenceau. The leading opposition to that criminal rag-tag from within France, was the powerfully influential Socialist Jean

in Nairobi, must be assessed similarly, not as an FBI parody of some "Sherlock Holmes" whodunit, but in historic terms of reference.

As in the case of the terrorist attack against the U.S. Embassy in Nairobi, the historical significance of important individual incidents, specially incidents of a distinctively terrorist type, is never located within the parameters of a local police-agency's investigation of the alleged perpetrators of a local criminal incident as such. Few more disgusting follies have occurred in connection with the major conflicts in history, than to brush aside the deeper, broader implications of an incident on the pretext of "abhorring conspiracy theories." According to the lessons of history, people who abhor "conspiracy theories" on alleged principle, are politely referred to, as may be appropriate, as either "witting accomplices," or, more gently, as "idiots."

No mere "incident," not even the Pearl Harbor attack of Dec. 7, 1941, was ever responsible for causing a modern general war; only some deeper, broader, underlying connection could imbue an individual incident, as a mere detonator, with the influence and importance of a major explosion.⁸ As in the case of events leading into World War I, or the pattern of recent incidents in sub-Sahara Africa, the relevant incidents are to be investigated as analogous to the individual observations of the motion of some astronomical body. Such bodies, like any of the observed bodies moving through our solar

Jaurès. Fourteen days before his assassination, Jaurès appealed to Russia not to launch World War I. He proposed that a Socialist Congress sponsored by France's socialists, "must attempt, by all means, to prevent that war," and also proposed a general strike be called in all relevant nations to effect that goal of war-avoidance. His assassination buried the efforts to prevent war; there existed no other person in France of his combined moral stature and influence who could replace him at that juncture.

8. The general outline of the joint British and Japan plan for a Japan naval attack on the U.S. naval base at Pearl Harbor, Hawaii, was the subject of continuing reviews of U.S. War Plans "Red" and "Orange" during the 1920s, and was one of the crucial issues of fact in the court-martial trial of General Billy Mitchell. Like the first and second Sino-Japanese wars launched by Japan, the first in 1894 and the second between April 4-16, 1930, the characteristic of these Japan developments of 1894-1941, is Japan's break from its long-standing alliance-in-fact with the United States, since the period of its collaboration with Henry C. Carey, to ally with Britain against the United States' growing influence and China policy in the western Pacific region. Once again, during 1989, London took the occasion of Japan Emperor Hirohito's last illness, to seek to revive the "geopolitical" London-Tokyo bloc, the shift within Japan's leading circles leading into the present Japan disaster. Both the origins and outcome of strategically significant "incidents" are expressions of long "orbits" in the solar system of world politics. In the case of Japan's attack on Pearl Harbor, this was a potential Japan action which had been provoked, with a certain cunning, by those, including Churchill, who wished the kind of shocking incident which would bring the U.S. population to support a general war. Japan's response to that prompting was, with one exception, right off the long-established war-plan for such an attack. The exception was a last-minute Japan modification of the forces for the attack, with a major increase of the number of carrier aircraft deployed, with devastating effects on Pearl Harbor itself.

system, do not determine their own trajectory independently; their significance lies in the underlying processes which determine the observed succession of cases.

To restate this historical reference to World War I in relevant terms: What developed into World War I, began in France, as what proved to be an historic connection between the Russia-France treaty of 1893 and the French *revanchiste* war-party's (the "*Entente Cordiale*" party's) orchestration of the fraudulent charges against Dreyfus.⁹ As long as Hanotaux and his faction remained in the leadership of France's Third Republic, the danger of France's involvement in a British alliance for war against Germany was apparently relatively minimal. Thus, *an apparently minor event in Africa, in the Sudan*, the Fashoda incident of 1898, led to the bringing to power in France of that revanchist party then controlled by the then British Prince of Wales, later King Edward VII. After Fashoda and the accompanying toppling of Hanotaux's faction in France, a British-French-Russian alliance for launching war on Germany was already *almost* inevitable: the general orbital trajectory of Europe's history was virtually set for the coming half-century and longer.

The process leading into those two World Wars was not a self-subsisting, European affair. Behind this pre-World War I pattern of incidents, was a long-standing quarrel between the cause of the United States' war for its independence, on the one side, and the hateful opposition to both the U.S. and the "model" it represented, by both the British monarchy and those other European circles which, in 1814, formed the anti-American abomination, later admired by agent of British influence Henry A. Kissinger, known as Clement Prince Metternich's "Holy Alliance."¹⁰

The history of major conflict on the Eurasia continent, in one way or another, from that time to the present day, was a reaction to the unexpected success of the United States, under the leadership of President Abraham Lincoln, in crushing two British operations which had been intended to destroy the U.S.A., these being both the Confederate States of America and the Nazi-like regime under Mexico's Britain-France-

9. Notably, not only was Dreyfus targeted for being Jewish, but for being *German-Jewish* and a German spy, two qualities of great importance to the raving anti-semites of the pro-British *revanchiste* faction. Although these developments of the 1890s were the immediate setting for what became France's role as a British cat's-paw against Germany, the very fact that the pro-British faction in France were styled as the "revanchists," should prompt our attention to the 1848-1870 rise to power of Napoleon Bonaparte's nephew, Louis Napoleon, as a both protégé and puppet of Britain's Lord Palmerston, and also an ally of the Spanish monarchy and Britain, as both an enemy of the United States and a co-author of the Nazi-like Maximilian regime in Mexico.

10. Henry A. Kissinger, *A World Restored: Metternich, Castlereagh and the Problems of Peace* (Boston: Houghton-Mifflin, 1957), and "Reflections on a Partnership: British and American Attitudes to Postwar Foreign Policy, Address in Commemoration of the Bicentenary of the Office of Foreign Secretary" (London: Royal Institute of International Affairs, May 10, 1982).

Spain-imposed Emperor Maximilian.¹¹ Since those events of 1863-66, the history of world conflicts has been shaped by the reaction of the British monarchy and its continental European dupes, a reaction to their fear and hatred of the kind of influence represented by Lincoln's model of the United States. The determination of both the British and feudalist relics of the European continent's landed aristocracy's tradition, to destroy the U.S. Federal constitutional system of government, eliminate the influence of the U.S. on the Eurasia continent, and, they hoped, to recapture the United States as a faithful member de facto of the British Commonwealth, has shaped the history of this planet since no later than 1763.¹²

It was the spread of the influence of that American model of modern agro-industrial nation-state economy, as epitomized by the 1861-1876 transformation of the U.S. economy, which impelled the U.S. admirers and anti-British collaborators in Japan, Russia, Germany, France, and others, into the great enterprise of creating transcontinental, railway-spined, development corridors, modelled upon the U.S. transcontinental railway system, from Brest in France to Tokyo, Baghdad and elsewhere.¹³ It was to prevent this transcontinental Eurasia railway-corridor development, that the British monarchy orchestrated what became World War I: putting all the original partners of the Eurasia project—France, Germany, Russia, Japan, et al.—at one another's throats.¹⁴

Unfortunately, the methods of analysis needed to cut through the myths of Versailles, and to understand how World War I actually occurred, or to understand the relevant implica-

11. The alliance of British, French, and Spanish forces engaged in putting the Habsburg Maximilian on the throne in Mexico, was the same concert of naval forces which had been intended, just previously, to break the United States' naval blockade against London's Confederacy puppets. It was the threat of Russia's Czar Alexander II, to unleash war throughout Europe, should Britain and France intervene against the U.S., which terrified Lords Palmerston and Russell into abandoning a planned direct naval attack against U.S. military forces by combined British and French pro-Confederacy forces.

12. Cf. Anton Chaitkin, *Treason in America*, 2nd ed. (New York: New Benjamin Franklin House, 1985), and, also, Lyndon H. LaRouche, Jr., "The Eagle Star Syndrome," *Executive Intelligence Review*, Aug. 7, 1998. 1763, as Chaitkin documents, was the time when Britain celebrated its defeat of its principal European adversary, France, by launching what has been, in fact, its never ended effort to crush and destroy the American faction associated with Benjamin Franklin. 1763 was also the year when the most evil British figure of that period, Lord Shelburne, engaged Adam Smith to work on a project for destroying both the increasing economic independence of the Americans and the economy of France. That project assigned to Smith, resulted in the 1776 *Wealth of Nations*, and those post-1782 "free trade" treaties between Britain and France, negotiated through Lord Shelburne's efforts, which resulted in the 1789 fall of France's monarchy.

13. Cf. Anton Chaitkin, "The 'Land-Bridge': Henry Carey's Global Development Program," *Executive Intelligence Review*, May 2, 1997, p. 32.

14. This anti-American opposition to any forms of economic cooperation among the nations of the Eurasia continent, is the content and motivation of what became known after Lord Milner and Halford Mackinder, as British *geopolitics*.

tions of today's raw-materials wars in Africa, are unfamiliar to most of today's leading statesmen, political parties, and intelligence services. Although unfamiliar, once the truth is told, these methods should be more or less readily comprehensible by any literate and reasonable persons with some knowledge of world affairs. However, comprehensible as these methods may thus be, they are, still today, unfamiliar to most, including leading statesmen generally. Hopefully, by the time we reach the conclusion of this report, our argument itself should be understandable to such readers.

A lesson from science

The background for the method employed here, is to be found in the applicability of certain scientific discoveries by Carl Gauss, to those historical processes which are to be defined in political-economic, rather than simply mathematical-physical terms of reference. Although Gauss's work is at the frontier of physical scientific work, still to the present day, the application of his method to historical processes defined in political-economic terms, should be readily accessible even to historically literate persons who may be otherwise merely laymen in mathematical matters.¹⁵ The argument, briefly, runs as follows.

In the instance of Gauss's unique solutions for determining the Keplerian orbits of the asteroids Ceres and Pallas, Gauss's rigorous, *analysis situs* method for examination of a series of relatively tiny intervals of motion,¹⁶ led to proof that these bodies were fragments of a destroyed former Solar planet, whose earlier existence and orbit had been defined by the founder of comprehensive forms of modern mathematical physics, Johannes Kepler. Gauss's unique success in this matter was a matter of his choice of method, a method in contrast to that of all other competing astronomers and mathematicians of Europe at that time. The key to Gauss's success, was the fact that he situated the existence of the relevant, relatively tiny, observed events, according to Leibniz's principle of the calculus. That is to stress, that Gauss, like Leibniz, situated the determination of the characteristically "non-linear" trajectories of physical processes, as measured within the relatively

15. For those who may need additional, background briefing on the relevant point of scientific method on which this report is based, we refer the reader to Jonathan Tennenbaum and Bruce Director, "How Gauss Determined the Orbit of Ceres," *Fidelio*, Summer 1998.

16. The conception of *analysis situs*, which was originally presented as a crucial feature of Leibniz's founding of the calculus, was given important further development by such Gauss contemporaries as Leibniz followers Lazare Carnot and Gaspard Monge. This conception is a central feature of the notion of a principle of multiple-connectedness in the modular (e.g., hypergeometric) mathematical physics of Gauss-Riemann. In other words, Gauss's approach to the problem of Ceres was developed according to Leibniz's principle of the calculus, that physical processes are characterized by non-constant ("non-linear") curvature in their relatively infinitesimal small intervals of action.

infinitesimally small, that within the determining context of the relevant larger process seen in terms of an inclusive system of modular functions. This had become, earlier, the characteristic feature of what Kepler's progress in his own work had produced, as his system of astronomy as a whole.

The same method for defining the problem to be solved, must be applied to the pattern of ongoing, seemingly isolated events in sub-Sahara Africa today. These events must be examined as one should have appreciated the implications of that series of seemingly isolated events which became the mile-posts of Europe's 1892-1914 march into World War I. As I shall show, in the concluding portion of this report, the person competently trained and experienced as both a physical economist and an historian,¹⁷ could, and should, readily recognize the intersecting influences of today's political-economic universe, as representing a modular function, in the same general sense as the successive, and eminently successful phases of development of the concept of modular functions for physical science, by Kepler, Leibniz, Lazare Carnot, Gaspard Monge, Gauss, and Bernhard Riemann.

As my collaborators and I have stressed this matter of scientific principle in earlier locations, Gauss shows, corroborating the earlier work on this point by Johannes Kepler and Gottfried Leibniz, that the characteristic features of processes taken in the large, are, as I have stressed again, just above, revealed by discovering the non-linear characteristic of the same process in the relatively infinitesimally small.¹⁸ This principle of Gauss's applies not only to astrophysical and other physical processes as such. We stress here, that this principle also applies to any more rigorous investigation into the current unfolding of history, even on a grand political scale.¹⁹ We shall emphasize, in this report, that it is the *characteristic* of London's raw-materials-grab operations in Africa, as Leibniz, and Gauss after him, define such a significance for the term *characteristic*, which is the most important evidence pointing to the nature of the horrendous developments now in the process of unfolding throughout the world as a whole.

17. The work of that true genius of statecraft, former U.S. President John Quincy Adams, typifies such competence.

18. The modern notion of characteristics ("non-constant curvature" in the infinitesimally small interval of action) was introduced by Gottfried Leibniz as the central notion of his development of the calculus, and his related notion of what is termed *analysis situs*. This notion is a product of the development of what are termed "modular," or "hypergeometric" functions, a notion which was begun as a central feature of Johannes Kepler's astrophysics, and is best known from the contributions of Gauss and Bernhard Riemann. The French scientist Lazare Carnot made important contributions to the development of these notions, as did other associates of *Ecole Polytechnique* founders Gaspard Monge and A. Legendre.

19. Cf. Lyndon H. LaRouche, Jr., "Russia Is Eurasia's Keystone Economy," *Executive Intelligence Review*, March 27, 1998; "The Substance of Morality," *Executive Intelligence Review*, June 26, 1998; "An 'American Century' Seen as a Modular Mathematical Orbit," *Executive Intelligence Review*, July 24, 1998.

Thus, from following the modular method successfully used by Gauss, we may adduce a similar method to be used by historians. This we present, and employ here, as an approach to the recent pattern of seemingly isolated occurrences in Africa. In all of the indicated types of cases, including the pattern in sub-Sahara Africa and the Middle East today, one can thus foresee the general trajectory—the “orbital pathway”—of which each of these events is chiefly but an expression. We define thus, the pathway leading presently, not only into the World War I of the past, but into the relatively immediate degeneration of this planet into a global “new dark age,” a “new dark age” analogous to that which decimated mid-Fourteenth-Century Europe, but, this time, on a global scale. The pure Hell now emerging from the London-orchestrated raw-materials grabs in sub-Sahara Africa, is a typical foretaste of the catastrophe now immediately threatening the virtual entirety of our planet.

These modular connections underlying the determination of the characteristic features of crucial events taken in the small, may seem strange, at first, but, this reaction is merely a reflection of the fact that the idea of such connections, as we portray those here, is greeted as something unfamiliar to most statesmen and other relevant persons, for the simple reason that they have remained uninformed on these matters.

Let us say once more, that once the literate reader has walked through the processes we address here, the connections we show become frighteningly obvious, and irrefutable.

Thus, as we shall show here, the bombing attack on the U.S. Embassy in Kenya, when taken in the context in which the present events in Africa are situated, reflects, in the small, the characteristics of those larger, global processes which shaped the occurrence of that bombing itself. Thus, the present global crisis, the combination of economic collapse, of escalating global financial and monetary crises, and increase in number and intensity of ominous types of bloody conflict around this planet, is reflected, in a relatively concentrated, and exemplary way, in the current process unfolding within the entirety of the raw-materials rich, London-dominated, sub-Sahara region of Africa.

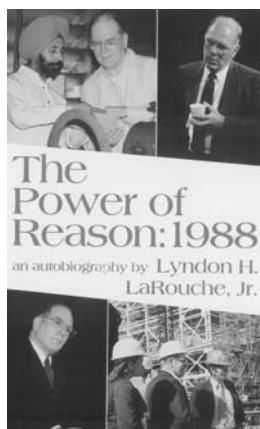
Contrast the historical method indicated in the preceding paragraphs, to the usual blunders of the U.S.’s and other nations’ policy-making.

The potentially suicidal folly of the U.S.A. and other notable governments, is those governments’ understandable, but, in this case, disastrous habit in dealing with crises. Repeatedly, as in the case of the currently escalating Africa crisis, these governments have brought their habituated delusion to each new round of the now perennial Russia crisis. They

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—**Former U.S. Attorney General Ramsey Clark**

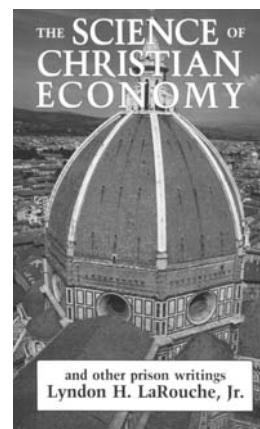
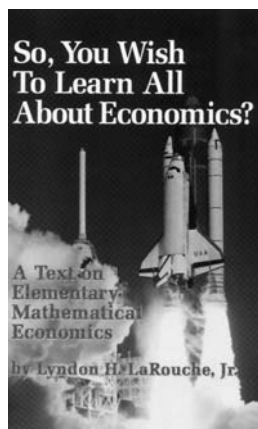


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delude themselves, that the purpose of problem-solving must be to discover ways of defending those same previously established trends in institutions, policies, and goals which have been, in this instance, the actual cause of the recurring Russia crises. In the matter of the present so-called "IMF system," these governments seem to be hoping vainly for that figurative, sinking Titanic's fatal completion of its voyage, when, in fact, these governments should be occupied with getting the passengers quickly, and safely off that doomed vessel. Governments must cease their customary, vain efforts to manage every crisis, each one at a time; they must, instead, begin to root out the causative, systemic errors central to their own longstanding policies.

To assist the reader in beginning to understand the processes which are actually determining current history, we begin by examining the follies of current U.S. and other governments' continuing, professed commitments to such pathetic catch-phrases as "globalism" and "democratic and economic reforms." The recent history of the Russia crisis is an example. From that, we turn to the deeper processes which are actually shaping the outcome of current history.

To begin that deeper investigation, we shall linger a bit longer over the exemplary case of recent U.S. policy for Russia. In this case, until now, the U.S. government has been gravely misled into believing that the proper object of present policy-making, is to behave like some foolish physician perversely dedicated to defending his favorite disease. Summed up in a single phrase, "the customary follies of crisis management." To repeat the crucial point we just made: official Washington's tragically misguided impulse, is to conduct crisis-management operations putatively intended to defend and strengthen what conventional opinion mistakenly regards as currently established, acceptable trends for defining strategic objectives, or, all too often, what a habitually corrupt and usually lying mass news media so often terrorizes weak-minded, suggestible political figures into thinking. Until now, Washington has been inclined to defend the present financial and monetary policies which have been imposed upon Russia, like the fabled Titanic, all the way to the bottom.

In the matter of Russia, and in related crises, the Clinton Administration's pre-established policy objectives, which it must now, so belatedly, abruptly discard, are those inherited from President George Bush's watch. These are the policies, respecting economic and other so-called "reforms," which were jointly, successively established by NATO, and the Mikhail Gorbachev government of the former Soviet Union, and shoved down the throat of the recently formed Yeltsin government, beginning the events of 1989-1992. These so-called "reforms" are, in fact, the policies which have been the chief, recent, continuing cause for all of the presently worsening disasters in Russia, as the same influences are responsible for most of catastrophes in progress elsewhere throughout the planet as a whole. Since 1992, every attempt by the U.S., and the International Republican Institute (IRI), to fix the problem

of Russia's financial and monetary stability, has only made the situation much worse than if Washington had done nothing at all.

Although, so far, President Clinton's personal attitude toward Russia has been a benevolent one, until this moment of writing, his administration has continued to reject, or even block every correction which might actually have been useful in ameliorating Russia's crisis. The problem is not limited to left-over policies from Bush's watch. As if to prove that leading governments appear to have learned nothing valuable from the disastrous follies of the 1989-1992 interval, take the example of what has now been exposed as a monstrously mistaken, recent policy, of the U.S.A. and others, which set into motion the rapid, presently ongoing disintegration of a major nation of the world, Indonesia.

For the next several minutes, continue to focus attention here on a summary of some preliminary, exemplary points respecting the strategically disastrous folly of the U.S.A.'s continuing Russia policy. That done, following that, we shall shift focus, to the core of the matter before us. We then focus our attention to the failure of virtually all of the world's relevant governments and leading private institutions (with the notable exception of China's government) to even begin to grasp the nature of the new phase of crisis which now grips the planet as a whole. In the conclusion of this report, we return to the subject of London's racist role in directing the ongoing holocaust against black Africa; there, in Africa, is the mirror image of the process now imperilling this planet as a whole. Within that relative microcosm of Africa, we meet the characteristic action which is now determining the trajectory of events world-wide, as a whole.

The idiocy of President Bush's Russia policy

We begin this phase of our report with the following paragraph, which fairly summarizes the present stage of the continuing crisis of Russia.

As long as Russia continues to be under the dictatorial thumb of those axiomatic "free trade" and related "reform" policies which were dictated by Britain, France, and the U.S.A. during President George Bush's 1989-1993 term, there is no possibility that Russia's finances would ever come into balance, nor any chance that Russia could now survive as a nation into the years immediately ahead. Under a continuation of any form of the conditions imposed by Bush et al., Russia's bankruptcy was inevitable, and would remain incurable; Russia's economy, and, probably, its political existence as a nation, would now soon disintegrate, unless every piece of current U.S. policy respecting the financial, monetary, and economic policy affairs of Russia, were scrapped. All U.S. efforts to defend and perfect the previously introduced "democratic and economic reforms" in Russia are, at their best, a fool's blunders. If that set of U.S. policy guidelines were to continue in effect, then, the inevitable, short-term result, is the alternative of either a ruthless dictatorship in Russia, or

disintegration of the nation of Russia as it presently exists, the latter possibly with nuclear complications.²⁰

The key to understanding the global setting in which this present crisis of Russia was created, is an *Executive Intelligence Review* report of August 14, 1998, on the history of German reunification, a report prepared by the founder of the International Schiller Institute, my wife, Helga Zepp LaRouche.²¹ Her report summarizes the facts of the reunification and related diplomacy, as officially documented recently by Germany's Chancellor Helmut Kohl,²² and also provides a documentation of those additional, crucial, sometimes startling facts from the 1988-1991 period, which Kohl's own report omits.

The fate of post-war continental Europe, including the former Soviet Union and other Comecon states, was decided, during the 1989-1992 interval, by the same four-power agency — the U.S.A., Britain, France, and the Soviet Union — which had come to power, and had retained world power, since the post-Franklin Roosevelt arrangements following the final collapse of the Hitler regime in Germany. The official documentation recently published by Chancellor Kohl, and the additional vital documentation supplied by Helga LaRouche, show two most important features dominating the 1989-1992 policy-shaping by the relevant four bandits of that time: Britain's Prime Minister Margaret Thatcher, France's President François Mitterrand, the U.S.A.'s President George Bush, and Soviet General Secretary-turned-President Gorbachev.

The first point of agreement, dictated by Thatcher and Mitterrand, and supported by Bush and his cronies, was that Germany's economic potential must be crushed. That policy was carried out, with President George Bush's full complicity.

20. Presently, the most likely scenario for Russia's involvement in a nuclear-weapons event in Asia, begins with the current escalation of Taliban deployments toward invasions of neighboring areas, such as Tajikistan and, probably, Kashmir. The roles of certain London, Saudi, and Pakistan interests in such Taliban deployments are of great relevance to such a nuclear-threat scenario. The antics of London's asset Netanyahu are also important factors in promoting the combination of a nuclear threat in both the Middle East and around the Taliban activities. It is not suggested that Russia were likely to unleash a nuclear scenario, but, more likely, could be drawn into such a crisis were the Taliban spill-over to threaten not only Tajikistan, China, and Kashmir, but, via the danger of a Taliban-sparked Kashmir crisis, a serious threat to India, and the almost certain sudden extinction of Pakistan's continued existence as a state. Such situations should alert us to the lunacy of allowing cracked pots like Zbigniew Brzezinski to spread the influence of their current polymorphous strategic perversity respecting what Brzezinski identifies as his "chessboard."

21. Helga Zepp LaRouche, "Germany's Missed Historic Chance of 1989," *Executive Intelligence Review*, Aug. 14, 1998, pp. 4-19.

22. *Dokumente zur Deutschlandpolitik, Sonderedition aus den Akten des Bundeskanzleramtes 1989/90*. The documents consist of transcripts of meetings at the Chancellor's Office, and letters and notes about discussions and telephone calls. They show the pressure that was put on Chancellor Kohl, to agree to reduced German sovereignty as a member of the European Monetary Union, as the price for national reunification.

ity. Despite President Clinton's offers to Germany, in 1994, and, again, more recently, the Thatcher-Mitterrand-Bush policy of destroying Germany's economy has been continued under the Clinton administration, to the present day.

The second point, was, that the economies of the Soviet Union and other states emerging from Communist rule must be so looted and virtually destroyed, that they would never re-emerge as healthy economies at any time in the foreseeable future. Any different interpretation of those negotiations, agreements, and perspectives, is either lame-brained nonsense, or, more simply, outright lies. Until the Thatcher-Mitterrand-Bush-Gorbachev policies of 1989-1991 are overturned axiomatically, there is no possibility of anything but the worst strategic result erupting in Russia during the period bridging the fourth quarter of 1998 and the first quarter of 1999.

After the recent publications of both Chancellor Helmut Kohl's documentation, and the supplementary report provided by Helga LaRouche, let no U.S. statesman continue to be the kind of fool or hypocrite, who would pretend that the 1989-1992 governments of Britain and France had any intention toward Germany, but to destroy its economy, its currency, even the last vestige of its national sovereignty. Let no one be such a silly fool or outright liar, as to pretend that Prime Minister Thatcher, President Mitterrand, and President Bush's cabal of Scowcroft, Eagleburger, James Baker III, et al., had any intention toward the former Comecon states of Eastern Europe and the Soviet Union, but to destroy those economies, turn them into ravaged "Third World" raw-materials exporting nations, and destroy the ability of Russia's population to rise, ever again, to the economic status of a world power. What Thatcher, Mitterrand, and Bush did, to bring about the ruin of the economies and populations of western Europe (including Britain itself), eastern Europe, and the former Soviet Union, is exactly what they intended to do to those regions. Thatcher, Mitterrand and Bush made no honest mistakes in their choice of policies on these accounts; in all honesty, they, personally, were the mistakes.

The problem which the present situation in Russia presents to the government of the U.S., can be summed up by three sets of questions.

First, could Russia be saved from financial and monetary disintegration by any methods which have been acceptable to the U.S. and relevant western European governments up to this present moment of writing? The answer is, flatly, "No;" any effort to employ, once again, a variant upon the combined "free trade," "globalist," and financial bailout-of-creditors policies used during recent years, will not merely fail, but will actually aggravate, and accelerate the onrushing disaster. Second, could Russia be saved, and that done in ways which would be consistent with the vital interests of both its principal creditor, Germany, and also the U.S.A.? The answer is, "Yes." With these first two questions, we



President George Bush and President Mikhail Gorbachev in 1990. "Until the Thatcher-Mitterrand-Bush-Gorbachev policies of 1989-1991 are overturned axiomatically," LaRouche writes, "there is no possibility of anything but the worst strategic result erupting in Russia during the period bridging the fourth quarter of 1998 and the first quarter of 1999."

are thus back to the principle of metaphor invoked by the famous soliloquy from the third act of Shakespeare's *Hamlet*, "To be, or not to be."

The third question is, "How do we prove the answers to the first two questions?" Any leading American economist could supply the form of the answer required by that question.²³ The best industrial production managements' practice, world-wide, up through the 1960s, also represents the influence of the same American System tradition.²⁴ All of the most

23. "American economist" signifies those followers of Gottfried Leibniz typified by Benjamin Franklin, U.S. Treasury Secretary Alexander Hamilton, Franklin's protégé Mathew Carey, Mathew Carey's son and leading economist of the Nineteenth Century, Henry C. Carey, the German-American Friedrich List, et al. The events of 1789-1798 left the U.S. Federal Republic as the only nation in the world which officially practiced economics in the tradition of the founder of the Science of Physical Economy, Leibniz. Thus, up to the present time, Hamilton's celebrated reports to the U.S. Congress, as supplemented by the writings of Mathew Carey, Henry C. Carey, and Friedrich List, continue to define the American System of political-economy, in direct opposition to the British East India Company model. Until the 1850s, every leading nation of Europe, either as part of the Anglo-Dutch financier oligarchy or the ultra-reactionary Holy Alliance powers such as France, Austro-Hungary, Russia, and Spain, was an enemy of the U.S.A. and U.S. economic policy. It was the victory of the U.S. over Britain's puppet-states, the Confederate States of America and Maximilian's Nazi-like tyranny over Mexico, which established the U.S. as the world's leading economic nation-state power. The policies of the economist who guided Abraham Lincoln, Henry C. Carey, together with the influence of Friedrich List, typify the explosive influence of the U.S.A.'s American System of political-economy around the world. The term "American economist" is properly applied only to those who follow in that Leibniz-Franklin tradition.

24. The model of modern agro-industrial society was never the British model, but rather the form of the American System model which emerged during

successful agro-industrial economies of the late Nineteenth and Twentieth Centuries, modelled their successful performance upon the form of American System economics developed in the U.S. during 1861-1876. Indeed, this was also the model adopted as "American methods," with certain well-known qualifications, for the industrial development of the Soviet Union, by V.I. Lenin and other Soviet leaders. The U.S. economic-mobilization standards of 1861-1876, standards re-invoked for the U.S. economic mobilizations of the period of World Wars I and II, remain the bench-mark standards for determining the degree to which economic policy of practice is, or is not fostering the net growth of the physical economy of the nation as a whole. Reference to these standards provides us the basis for a reasonable response to the third question posed here.

In the American System, we compare Hamilton's use of the notion of "productive powers of labor" to Leibniz's earlier definitions of the same functional notion. We include under "productive powers of labor," the level of improvement of all of the general territory, all of its basic economic

the U.S. mobilization of 1861-1876. Although the characteristic feature of the American agro-industrial system, the machine-tool-design principle, was originally developed and applied by France's Lazare Carnot during the mobilization of 1792-1794, it was around the efforts of the U.S. West Point Military Academy, under Commandant Sylvanus Thayer, that the U.S. produced and developed those military and engineering cadres on which the mobilization of 1861-1876 was based. Every successful agro-industrial economic development in the world was modelled upon the success of the 1861-1876 American mobilization, as copied in Germany, Russia, Japan, in the Americas, and elsewhere.

infrastructure, all of the material and cultural standard of life of all family households, and the factors of power and technology. We compare those expenditures which are required to maintain the potential and actual productive powers of labor of the economy as a whole, per capita and per household, with the total useful output of the same qualities. We define "growth" as the increase of the physical-economic output of the whole economy, per capita, over the expenditures which must be made to sustain the relevant productive powers of labor.

Put to one side the usually misleading, and merely secondary issues of money, prices, and finance. Get back to basics; measure the performance of economies in those American System terms which I have just summarized. Apply these standards to the problems of today's Russia.

Put the relevant "voodoo economics" of former President Bush, Wall Street's bookmakers, and the Mont Pelerin Society's freak-shows to one side. Before measuring anything in terms of prices, compare the total output of the productive forces of Russia, with the physical-economic costs of maintaining the continued existence of the present level of productive forces of Russia as a whole. By this standard, the so-called reforms imposed beginning 1989-1992, collapsed Russia's economy, not only to levels far below break-even, but the failure to overturn those policies ensured the continually accelerated collapse of those ratios to beyond any breaking-point. The absolute breaking-point, a new quality of phase-shift in the process, has now either been reached, or nearly so. No matter how international bookkeepers juggle the financial accounts, the physical costs and physical output of Russia's economy as a whole, and the balance of domestic and foreign accounts (as their effects are measured in physical-economic, rather than merely financial terms), remain hopeless as long as present "free trade," "globalization," and "reform" policies remain in force.

There is only one solution: scrap the existing, "globalized" international financial and monetary systems, and virtually outlaw any application of the doctrine of "free trade" to international relations. Many will stubbornly, hysterically object to such an abandonment of the cult of "free trade." Ask them, "Are you willing to pay the price of your stubborn folly?" Do you wish civilization to survive, as it will not, unless we now rid this planet promptly of the pestilences of "globalization" and "free trade"? If not, the death of your children and grandchildren, caused by nothing but your own folly, often a horrible death, is on your hands.

There is reality in this universe, a reality which is unmoved by the hubristic arrogance of popular or other bodies of opinion; stubborn defiance of that reality often brings a terrible punishment, as Aeschylus' *Prometheus Bound* foresees the self-induced doom of Zeus and Olympus. The price paid for such stubborn adherence to mere opinion, goes even to the point of the terrible extinction of those empires, and even entire popular cultures, whose defiance of reality, like

evil, self-doomed, ancient Mesopotamia, has stripped them of the moral fitness to survive.

Go to a new global system, modelled upon both the best features of the world's experience with the so-called "American System" of Hamilton, List, and the Careys, modelled upon the best features of the U.S. economic mobilizations of 1861-1876 and also World Wars I and II, and modelled upon the best features of the pre-1958 phase of the Bretton Woods, gold-reserve system. To Russia's seemingly hopeless situation, apply the lessons of the repeated successes of the applications of U.S. Treasury Secretary Alexander Hamilton's three celebrated reports to the U.S. Congress on the subjects of credit, a national bank, and manufactures. *Under those conditions, and only under those conditions, can the present ongoing, chain-reaction collapse of the world's financial and monetary systems be brought under control.*

In short, as we shall emphasize at an appropriate point, later in this report, the question whether this planet shall enjoy some form of civilized life, or the presently imminent, prolonged descent into global barbarism, will depend upon choosing the proven correctness of the American System of political-economy, over the assured doom consequent upon continued toleration of "free trade" and "globalization" policies. The fate of this planet now depends upon the outcome of the mortal political conflict between Aeschylus' Promethean Hercules of modern time, the American System, and the champion of Zeus' doomed Olympus, the wicked British "free trade" system. This conflict overrides all others, because, in practice, it presently predetermines the possible range of outcomes of everything else of much importance about the coming generations' prospects for human life on this planet.

The salvaging of Russia from its presently threatened doom, is exemplary of the same methods required to rescue the economies of the planet more generally. Moreover, the drastic reforms urgently needed for the salvaging of Russia, require complementary, drastic reforms of not only the world's financial and monetary systems and institutions, but also the principled, lawful features of economic relations among states. Since, Russia's survival depends upon sweeping changes within the system of international economic relations, in addition to matters of financial and monetary relations, without a general reconstruction of the economic order of this planet, no policy for Russia could succeed. Conversely, the global context required for a successful form of economic reconstruction of Russia, is implicitly the same reform required of the international system. With that qualification, the following summary of a reconstruction of Russia can be fairly stated.

Express the feasible alternative in terms of a series of steps as follows.

The first step is to define a program under which Russia's *physical* economy could become truly self-sustaining. The crucial factor here, is the hope that we might mobilize at

least a large ration of the former scientific-military-industrial complex of the Soviet Union, as an advanced machine-tool-design capability, a capability which would include the decisive margin of Russia's export earnings. The idea of sustaining Russia chiefly through export of raw materials, is a piece of lunacy which must be rejected. It is the margin of physical-economic growth in productive powers of labor, represented chiefly by the impact of a machine-tool-design sector, on which the future of Russia depends absolutely.

The market for this kind of Russian high-technology export is defined by two factors, the sheer mass of the populations of China, India, and associated Asia nations, and the crippling dearth of the scale and quality of machine-tool-design capacity needed to give these Asia nations (and other relevant nations) the rate of technological progress needed to sustain rates of social-capital-formation at levels consistent with urgent needs of these nations. If we add to the residual machine-tool-design capabilities of traditional technology exporters such as the U.S.A., Germany, and Japan, the mobilizable new quality of such potential which might be mustered in Russia, a feasible physical-economic solution for the most pressing of the world's economic problems is in sight.

For Russia, to play its part, it, and its potential customers in Asia and Africa, must enjoy the advantage of long-term production and trade credit, at rates not in excess of one to

two percent per annum, over periods equal to the physical-economic half-life of the technology transferred under such credit-trade arrangements.

The greater part of such credits extended to developing nations, and to exporters of physical capital to such nations, has four leading components: large-scale basic economic infrastructure development, typified by the ongoing development of China's Three Gorges water-management system; the development of food-producing potential, in which sub-Saharan Africa is potentially the leading major new source; high rates of technological progress in increase of the per-capita and per-square-kilometer productive powers of labor, largely through large-scale infusions of machine-tool-design effects into developing economies, accompanied by the development of an increasingly dense, supporting machine-tool capability, on the ground, in these developing economies; great emphasis upon the development of the education of the population as a whole, especially in matters bearing upon the connection which crucial experimental proofs supply, between validatable discoveries of physical principle, and technological progress in depth throughout the pores of the economy.

The development of modern, mass-transport-defined development corridors, integrated with large-scale water management, modern standards of both energy-flux density, and volumes of power supplied through these corridors, will be the dominant feature of development in Asia, Africa, and in Ibero-America, during the coming two decades or longer. In Africa, such measures, delivered largely as grants of direct assistance, mean the transformation of one of the world's largest agricultural areas, into a prospering food-basket for the burgeoning populations of South and Southeast Asia, and a significant source of added food-supplies into China. The combination of a massive engineering project, for control of the water systems of Siberia and Central Asia on the largest scale, will transform one of the most underpopulated and relatively barren, and potentially unstable, regions of the planet into a leading area of economic growth, and peaceful cooperation.

These measures of development, accompanied by crash programs of scientific breakthroughs in exploration of the outer reaches of astrophysics and microphysics, including living processes, will ensure reaching what the U.S.A.'s Dr. Edward Teller once described, in late 1982, as "the common aims of mankind."

Thus, under the conditions, that at least a large portion of the potential for import, by so-called "developing nations," of machine-tool-design grade and related technologies, is realized by aid of such credit-trade arrangements, the physical-economic output of nations such as the U.S.A., Japan, and western Europe would be greatly expanded, readily reaching levels above national economic break-even. On the side of the importing nations, the result is a comparable rate of physical-economic growth.

**“Long before Paula Jones,
long before Monica Lewinsky,
there was a conscious decision, made in
London, that there would be a full-scale
campaign to destroy Bill Clinton,
and to destroy, once and for all,
the credibility of the office of the
Presidency of the United States.”**

—Lyndon H. LaRouche, Jr.



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Thus, since the sovereign nation-state is the only kind of vehicle which can generate low-price, long-term import-export credit in the forms and on the scales required, the present trends toward “free trade” and “globalization” must be scrapped, world-wide. We must strengthen the authority of the sovereign nation-state, and must rely upon agreements among such nation-states as the indispensable mechanism for regulation of currencies and trade in international relations.

Then, given such a return to such forms of regulated economic affairs, what is required to address that blend of crisis and opportunity to which we have referred, is a new system of international cooperation among sovereign nation-states, which operates on the basis of calculating feasible levels of credit and trade, and sustainable relative prices of currencies, levels at which both technologically more developed and developing nations will operate at levels above physical-economic break-even.

For the rest, it is sufficient to find the will to act in a manner echoing the achievements of the U.S.A. in rising up from the 1930s Depression, and into the efforts of economic reconstruction required by war and the post-war conditions of the late 1940s and the 1950s. This approach will provide the foundations for solving the Russia crisis.

Otherwise, the financial affairs of Russia must be put through the equivalent of a U.S. “Chapter 11” bankruptcy-reorganization. Some financial paper must be simply written off wholesale, without mercy to the speculator. Other financial claims must be considered more compassionately, with a view to social justice for, and stability of households, and, especially, of vulnerable classes of persons, such as pensioners and the ill. The stability of productive enterprises must be considered a priority, similarly. Claims which can not be paid currently, but which should be honored in some way, nonetheless, may be postponed by issuing rationed credit against holders of titles to frozen financial assets. It is not necessary to write out the entire list of measures to be taken. With the illustrations stated here thus far, the principle should be obvious to relevant historians and other professionals.

The general feasibility of reaching agreements on such a “New Bretton Woods” system, depends upon completing President Franklin Roosevelt’s intention to eradicate the residues of the colonial system at the end of World War II. Instead, U.S. President Truman, acting under the British policy later praised loudly by Henry A. Kissinger,²⁵ took the opportunity created by Roosevelt’s death to restore the colonial territories of Britain, France, the Netherlands, and Portugal to their overlords, in direct violation of Roosevelt’s earlier policies and promises.²⁶ Thus, to the present date, the majority of the population of this planet—of Asia, Africa, and Ibero-America,

25. *op. cit.*

26. Lyndon H. LaRouche, Jr., “Where Franklin Roosevelt Was Interrupted,” *Executive Intelligence Review*, July 17, 1998.

most notably—has been denied true political and economic justice.

Under the present circumstances, the political feasibility for the immediate establishment of a new world economic order, requires the largest possible constituency, with specific emphasis upon those nations which have been associated with the Non-Aligned Nations movement. It will be necessary to persuade those political forces associated with the traditional colonial powers, the Anglo-Dutch and kindred complexes of financier-oligarchical power, that they are politically outnumbered to the point that they must accept today what they earlier successfully resisted then, during the term of U.S. President Truman. Such reluctant parties will find an overwhelming preponderance of political-nation-state power a persuasive argument.

As I have stressed in various publications, since my 1977 *The Case of Walter Lippman*, U.S. policy must be based upon the concept of “community of principle” as formulated by President James Monroe’s Secretary of State, and later President himself, John Quincy Adams. Adams’ and my own principles are in direct opposition to the doctrines of such U.S. personalities of British persuasions as Henry A. Kissinger and Zbigniew Brzezinski. The latter, unfortunate creatures seem to drool forever, most obscenely, over the words “balance of power.”²⁷ The persisting aim of the foreign policy of a true republic, is to create and maintain a world order on the basis of a community of principle among perfectly sovereign nation-state republics. Kissinger rightly identified his own “balance of power” notion, as in direct opposition to the American patriotic intellectual tradition; he also described British thinking and his own, accurately, as characteristically Hobbesian.²⁸ From the standpoint of the traditions of Chinese philosophy, Kissinger and Brzezinski, like Hobbes, have taken the wrong side in the choice between being a person and a beast.

The essence of modern civilization, the essence of the difference between a true constitutional republic, such as Abraham Lincoln’s U.S.A., and an oligarchical tyranny, such as the British system, is precisely that which sets me, and President John Quincy Adams, against Kissinger and Brzezinski. For me, as for Adams, and for Christians generally, man and woman are each and all made, equally, in the image of the Creator, endowed with that power for creative reason which presents man as in that image. Thus, for us, the object of society is to devise means and ways in which each person is enabled to realize that potential of creative reason.

It is crucial for understanding the terrorist bombing at Nairobi, and for understanding the British Africa policy which is the setting for that bombing, that for representatives of the contrary, “balance of power” persuasion, such as Hobbes and his followers, the great mass of humanity deserves

27. Zbigniew Brzezinski, *The Grand Chessboard: American Primacy and Its Geostrategic Imperatives* (New York: Basic Books, 1997).

28. *op. cit.*

no better fate than that of human cattle. Thus, the Africa slave-traders and other past and present Leporellos of the diplomatic trade, such as today's Kissinger and Brzezinski, fancy themselves the privileged, mean-spirited lackeys of whatever oligarchical class-interest they esteem themselves to serve; mean-spirited lackeys that they are, these modern "Simon Legrees" herd the hounds, and beat, or kill such peasant slaves as they might deem requiring such exemplary instruction on obedience to their alleged "betters."

The object of the notion of a community of principle as a policy of statecraft, is the intent to bring agreement and cooperation through inspiring others to discover the essential goodness in themselves, to discover both the beauty of reason, and the joy of what reason recognizes as beauty. Put aside the Hobbesian, satanic passions underlying Kissinger's and Brzezinski's notions of managed conflict as the art of "balance of power." The hatred needed to energize the cunning craft of "geopolitics" has given us the premises for two World Wars during this century, and augurs nothing other than a worse sort of planetary Hell, if it rules relations among principal powers at the present time. Rather than the doctrine of hatred known under such rubrics as "balance of power" and "geopolitics," it is that quality of love of the people of one republic for the people of another, which defines a community of principle, a principle which, as the great American Cotton Mather wrote, is a commitment to do good, a good of which one need not be ashamed in the eyes of either ancestors or future generations of mankind.

On the basis of seeking to establish a new world economic order, under conditions of the humility suited to the conditions of a presently terrifying global emergency, and recognizing that a community of principle is the only trustworthy basis for finding a solution, perhaps we shall avoid the "new dark age" now threatening this planet. The available solution is, technologically, a feasible one, as I have indicated here; the question is, are governments prepared enough to give up their old, rotten habits, and seize this new opportunity instead?

Three options for mankind

At present, there are apparently three options open to the population of this planet.

First, there is the technical feasibility, and urgency, of establishing a new world economic order, which would echo the objectives and methods of what we have identified as the American System of political-economy. This is an alternative which reaffirms the perfect sovereignty of the institution of the nation-state republic, and the benefits of using scientific and technological progress, this effected through cooperation among nation-states, all in the common interest of these states in improving the productive powers of labor, and thus the cultural and material conditions of life of the individual household.

Second, there is that utopian prospect which has been considered inevitable by most leading opinion, especially the

opinion of the so-called "environmentalists" and contemporary monetarists. This is the widespread, delusory belief, that we are in the process of establishing what would be, in effect, Bertrand Russell's design for his hellish notion of paradise, called by such various names as a "world federalist," or "one-world order." In such a conjectured, post-industrial utopia, a supergovernment, controlled by the world's financier oligarchy, rules this planet like some giant financial corporation, a corporate form akin to the utopias depicted in the novels of H.G. Wells, or the novels of such Wells protégés as George Orwell and Aldous Huxley. Such a utopia is not a likely prospect. The reasons for my view on this matter will be made clear soon enough.

Third, there is the awful prospect of the kind of society which all sub-Sahara Africa is presently in the process of becoming, if the current British monarchy continues to reign. This is already the looming, Africa-like situation in drug-lord terrorized Colombia, among the George Soros-backed and other so-called "drug legalizers" generally, in a mass-movement with such a purpose now suppuring in Brazil, and in other regions of Ibero-America, among the Taliban drug-lords of Afghanistan, and in such other parts of Asia as the Indonesia which is being destroyed by the after-shocks of IMF policy.

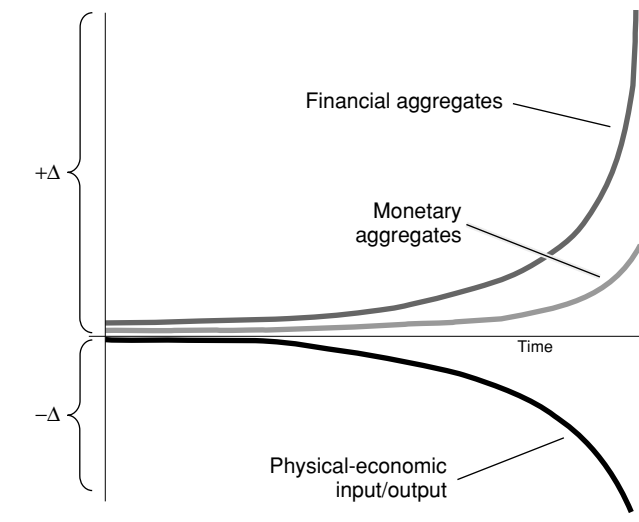
I am assured, that if we fail to realize the first option which I have identified here, the world as a whole will live in a "new dark age" like that which Britain's Gaia-worshipping heathen, Prince Philip, he of the World Wide Fund for Nature, is bringing into sub-Sahara Africa. That would be a world, virtually without actual nation-states, a world whose map is speckled by regions of brutish warlords, regions whose surrounding territories are overwhelmed by *terra incognita*. If those who share my purpose fail, the latter result, the British monarchy's new Africa model, will almost certainly rule world-wide.

First, let us consider, in summary, the reasons why the second, ostensibly more likely outcome is, in fact, improbable. After that is stated, focus upon what Leibniz would recognize as the *characteristic* of what has been the British monarchy's policy toward Africa since no later than 1961. This has been the drift of the British monarchy's Africa policy, especially of Royal Consort Prince Philip, since the combined actions of European financier-oligarchical royalty in both the butchery of Congo President Patrice Lumumba, and the 1961 launching of the World Wildlife Fund and its adjunct, "1001 Club" funding organization, the latter by joint sponsorship of Britain's Prince Philip and Nazi-SS veteran Prince Bernhard of the Netherlands.

Until the middle of the 1960s, all contrary factors taken into account, the general trend throughout most of this planet taken as a whole, was a significant rate of growth, as growth may be measured in physical-economic terms. The assassination of U.S. President Kennedy, the replacement of Germany's Chancellor Konrad Adenauer, and the succession to the

FIGURE 1

A typical collapse function



position of United Kingdom Prime Minister by Harold Wilson, marked the beginning of an accelerating rate of downshift in the economic policy-shaping of this planet. During the second half of the 1960s, there was a rapid decline in the quality of relevant governments, in the U.S.A., in the process leading into the Grand Coalition and Willy Brandt governments in Germany, in the undermining and destruction of the Presidency of Charles de Gaulle in France, and in parallel trends which had been already set afoot, before the summary ouster of N.S. Khrushchev. These, and related, intersecting developments of the post-Kennedy 1960s, marked the preliminary steps toward that onset of the precipitous, global decline in economy unleashed by the monetary follies of 1971-1975. Since the global impact of the U.S. Carter Administration, the rate of collapse of the world's economies has been, overall, precipitous. The recent two decades' progress in China, has been the only clear exception to the prevailing downward trend in the world at large.

Now, the combination of increasingly lunatic, monetarist trends in financial, monetary, and economic policies of the world at large, has brought matters to a breaking-point. The characteristic of the post-1971 trends in policies and related practices of governments, especially since the disastrous global impact of the U.S. Carter Administration's radical changes in policy, has been a galloping increase in nominal financial holdings, an increase sustained by a corresponding looting, and contraction of the physical-economic basis upon which payments to financial accounts ultimately depend. The process, leading toward doom, so defined, is best fairly depicted by my "Triple Curve" diagram (Figure 1). The point in that "Triple Curve" has now been reached, at which the hyperinflationary steepness of the growth of nominal finan-

cial obligations, relative to the physical-economic means for payments of such obligations, has virtually reached its limiting asymptotic angle. This, in mathematical terms, defines a fatal discontinuity in the world's present array of financial, monetary, and economic policy-making. This is the cause for the fact that the world's financial and monetary systems are in an accelerating process of disintegration at this present juncture.

As we are now witnessing, in Japan, in other parts of East Asia, in Southeast Asia, among most of the nations spun out of the former Soviet Union, in Africa, and spreading throughout Central and South America, the national economies of the world are in the process of disintegrating. Unless the estimated \$140 trillions of claims on account of speculative items such as "derivatives," and "hedge funds" generally, were simply wiped off the books by executive action, the attempt to maintain the existing financial and monetary system would produce global effects akin to the situation in western Europe during the disintegration of the Roman Empire in those regions. In those circumstances, the juridical foundations for a "globalist" form of monetarists' utopia, were simply swept away. The delusory dreams of the sundry "globalists," are then simply buried in the rotting debris of their fallen delusions.

In fact, the view I have just summarized is not uniquely my own. During the recent years, it has been, increasingly, the view of certain influential circles, that a return to a "new dark age," resembling the post-Rome collapse of political order in western Europe, is a likely perspective for a significant period ahead. Evidently, Britain's Prince Philip shares that estimate. His policies, since no later than 1961, have represented a consistent commitment to such an outcome. The practices of relevant British monarchical interests in Africa, have been consistent with his expressed commitment to such a downfall of civilized conditions.

In summary of these considerations on the three noted options before us, we may say, quite fairly, that the elimination of the likelihood of the second of the three options, reduces the prospects of the early Twenty-First Century to two actual possibilities, those of God versus Satan. That is to say, that if Satan considered his darling, Adolf Hitler, to be relatively a wimp, Satan must be gloating over his selection of Prince Philip as Hitler's successor.

As I shall demonstrate, this view of Prince Philip as quite literally a satanic figure, is no hyperbole. There are some figures, like the Roman Emperors Tiberius, Caligula, and Nero, or, modern figures such as Friedrich Nietzsche, Lord Palmerston's Giuseppe Mazzini, Georg Lukacs, the "Frankfurt School's" Theodor Adorno and Hannah Arendt, and Adolf Hitler, who must be viewed as literally satanic. These are persons who can not be defined except as we locate the characteristic feature of their personality in a hate-filled devotion to evil for the sake of doing evil. Martin Palmer's Prince Philip is, without exaggeration, such a figure. Evidence

supporting that implication will be made clear in the concluding portion of this report.

The legacy of African slavery

In the history of China, as in that of Mediterranean civilization, the greatest thinkers have insisted, that the essential distinction between good and evil, is, as the applicable principle appears in *Genesis* 1, the distinction which separates the nature of man from that of the beasts. The essential form of simple wrongness is expressed as anything, including cultivated ignorance, which degrades persons from man and woman made in the image of the Creator, to the condition of life and behavior of a mere beast. Evil is that which takes sadistic pleasure from inducing men and women to degrade themselves in such a fashion. Prince Philip is, therefore, not merely wrong, but evil; his own public advocacies and practice consistently affirm that fact.

In any branch of knowledge dealing with human behavior and its effects, the functional distinction between man and beast, is the principle upon which every competent study depends absolutely, and fundamentally. That principle is the crucial feature of the matter immediately at hand now. The characteristic of the British monarchy's role in bringing humanity to the brink of a "new dark age," can be understood only from the standpoint of this distinction. Nowhere, are the practical, global implications of Prince Philip's perversity more clearly demonstrated, than in the matter of the "new dark age" already in progress in sub-Saharan Africa. We now proceed accordingly.

Applying this distinction between man and beast, to expose the characteristic feature of specific social systems: evil is expressed typically as oligarchical forms of society, forms of society in which an oligarchical caste, aided by its lackeys, relegates the subjected majority of the society to the status of virtual human cattle. In the history of the Mediterranean littoral, including the case of the Akkadian caste-system, the principal forms of oligarchy which today's global European civilization oligarchy has inherited, are three: landed aristocracy, financier oligarchy, and bureaucratic oligarchy. Since the dumping of Clement Count Metternich, and the "Holy Alliance," by Queen Victoria's Lord Palmerston, the London-centered financier oligarchy has either virtually eliminated the residual political power of the landed aristocracy, or assimilated it into the status of a kept appendage of the financier oligarchy.

Until the impact of western Christianity was expressed in the mid-Fifteenth Century, or "Golden Renaissance," the oligarchical system, including the legal systems existing in feudal western Europe, maintained a not-uncontested, but ruling system, under whose rule the juridically decreed fate of mankind was the subjugation of approximately ninety-five percent, or more, of the population to the status of virtual human cattle. The conflicts within the global scope of European civilization today, are rooted in the struggle for suprem-

acy between the anti-oligarchy form of society, typified by the design of the 1789 U.S. Federal constitutional republic, and that republic's chief, most powerful, and most hateful adversary, the extended form of the British financier oligarchy for which the current British monarchy is *primus inter pares*.

Briefly, the historical background for today's global conflict, features the following.

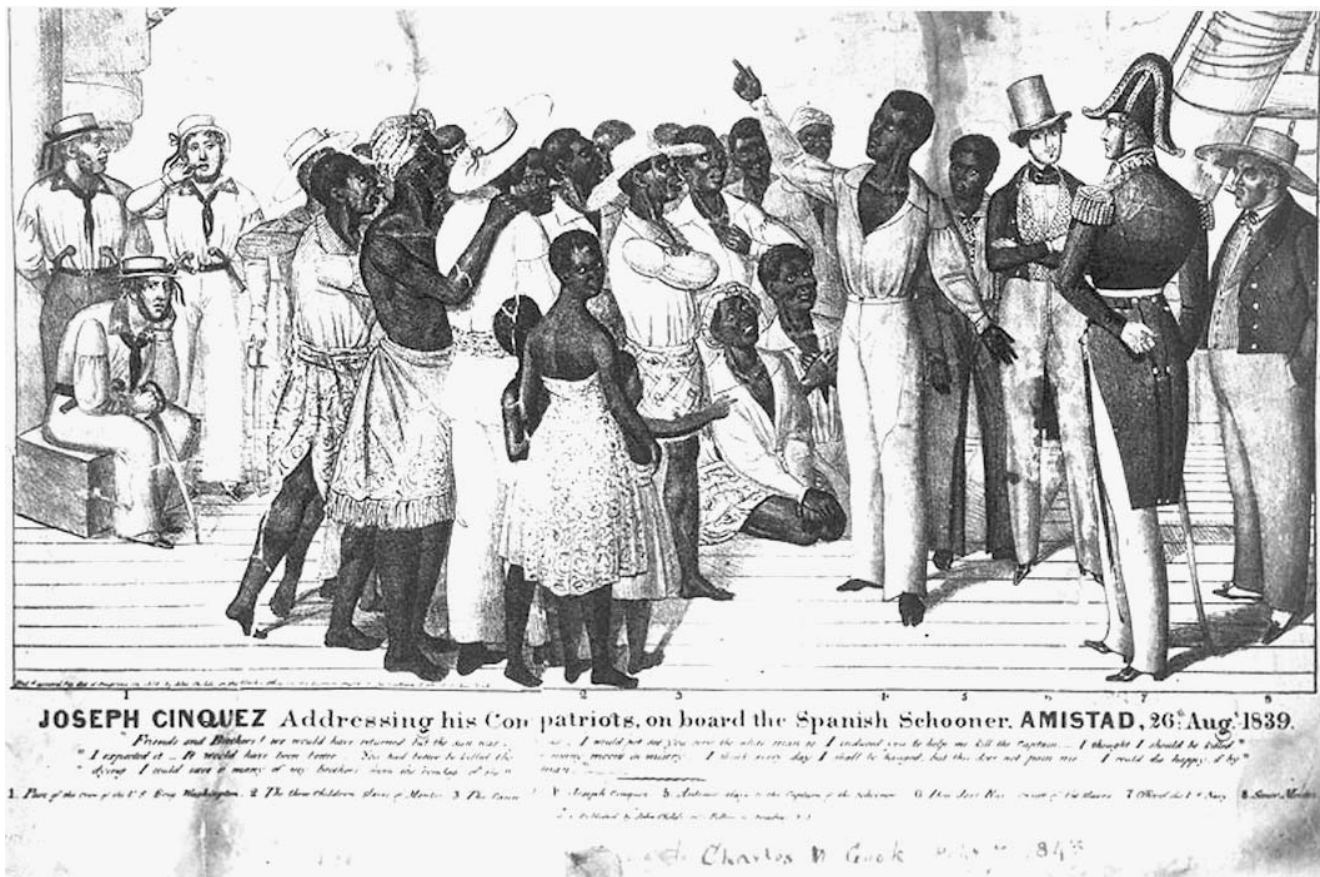
Late Fifteenth-Century France, under the reforms instituted by Renaissance-influenced King Louis XI, was the first true European nation-state, the first nation in which mankind in general was lifted above the political status of virtual human cattle. This intertwined impact of the Golden Renaissance and Louis XI's reforms in France, unleashed a process leading into the later establishment of the U.S. Federal constitutional republic of 1789, and, its true successor, Abraham Lincoln's U.S.A.

Otherwise, European civilization, including much of the internal affairs of the U.S.A. up to the present moment, has been entwined, like the fabled family of Laocoön, in a continuing mortal struggle with the U.S. republic's great adversary, the oligarchical system represented, most emphatically, to this present day, by the ruling royal family of financier-oligarchical Britain. Since the relative defeat of the noble efforts of the France-led League of Cambrai by the oligarchical forces of Venice and its allies, the European oligarchies have been continuously engaged in a hateful campaign to eradicate from this planet, any system of government based upon the principle that all persons are made equally in the image of the Creator. From that specific oligarchical quality of hatred, a hatred typified by the rantings of the syphilitic Friedrich Nietzsche, typified by Nietzsche's clone, Adolf Hitler, also typified by the rantings of hate-filled Bertrand Russell, comes that quality of pro-oligarchical passion which can not be adequately identified by any less pungent term than "satanic."

In the history of the Mediterranean's cultures, the most typical expression of this specific type of oligarchical hatred, has been the recurring defense of chattel slavery. The most characteristic expression of that specific form of oligarchical passion, is typified by the persistent defense of the enslavement of "black" Africans, over centuries, as by the Spanish and Portuguese oligarchies,²⁹ as also by the U.S. followers of John Locke.³⁰ Although the British government, beginning the 1790s, abandoned the African slave-trade to its Portuguese subjects, in favor of the more lucrative China opium trade, Britain was otherwise a supporter of the cause of slavery, and its cotton production in the United States, until the

29. Despite the condemnation of slavery by Christopher Columbus' sponsor, Queen Isabella I, the Spanish and Portuguese monarchies fostered "black" African slavery deep into the Nineteenth Century.

30. The defense of property-right in slave-owning is a cornerstone of Locke's notion of "life, liberty, and property." Locke's influence inside the U.S.A. was always associated with the legal defense of the continued practice of slavery.



African slave Joseph Cinqué addresses his compatriots on board the Spanish schooner *Amistad*, on Aug. 26, 1839. “The last-ditch argument of the Aristotelean defenders of slavery was, that even if other people must not be enslaved, slavery is the naturally intended condition of the ‘black’ African.”

defeat of Britain’s puppet-state, the Confederacy.

This is in no way a specific issue of the British monarchy as such. That monarchy’s significance today lies in the fact, that it is *primus inter pares* among the leading parasites of both Europe and the British Commonwealth. Virtually the entirety of the European oligarchy, both landed aristocracy and Venetian-style financier-oligarchy, continues to hold to its culpable view on this matter. The argument of the pro-slavery Spanish monarchy (into the late Nineteenth Century!) underscores the most relevant point.³¹ The last-ditch argument of the Aristotelean defenders of slavery was, that even if other people must not be enslaved, slavery is the naturally intended condition of the “black” African. Thus, the assertion of the right to enslave a “black” African, became the most precious jewel in the philosophical-legal arsenal of the European oligarchy generally; by denying the humanity of one class of human beings, the principle of sanctity of human life was breached. The denial of a natural human right, as of one made

31. The slave revolt aboard the Spanish-Cuban slave-ship *Amistad* has become well known through the Stephen Spielberg film, based on a novelized account, *Amistad*, by David Pesci (New York: Marlowe & Co., 1997).

in the image of the Creator, to an African with a “black skin,” became the line of defense for the view that the distinction between men and virtual “human cattle,” was a matter relegated to varieties of possible litigation requiring protracted, cunningly crafted litigation of uncertain outcome.³²

It is a fundamental error, an error of principle, to presume that the institutions of slavery are rooted in simple material greed. As Henry C. Carey showed, the early Nineteenth-Century U.S. economy lost money on slavery!³³ The U.S. econ-

32. Exemplary is the *Amistad* case, as pled before the U.S. Supreme Court by then former U.S. President John Quincy Adams. See *Argument of John Quincy Adams before the Supreme Court of the United States in the case of the U.S., appellants, vs. Cinque and others, Africans, captured in the Schooner Amistad, by Lieut. Gedney, delivered on the 24th of February and 1st of March, 1841, with a review of the case of the Antelope, reported in the 10th, 11th, and 12th volumes of Wheaton’s Reports*, (New York: Negro Universities Press, 1969). Also, Howard Jones, *Mutiny on the Amistad* (Oxford: Oxford University Press, 1987).

33. See Henry C. Carey, “The Slave Trade Foreign and Domestic,” in W. Allen Salisbury, *The Civil War and the American System: America’s Battle with Britain, 1860-1876* (Washington, D.C.: Executive Intelligence Review, 1992).

omy was not built on the profits of slavery; quite the contrary. As Henry C. Carey documented the evidence, although the southern planter profitted, as did the New England and British processors of slave-produced cotton (such as, ironically, Carey adversary Frederick Engels³⁴), the U.S. economy as a whole suffered a crippling economic loss as a result of the costs imposed on the national economy by the slave-system. Once the U.S. was freed from the economically ruinous “free trade” and related effects of the slavery system, the U.S., from 1861 to 1976, zoomed into the most powerful, and most technologically advanced economy in the world. Earlier, the effect of the growth of slavery under the Roman Empire, and the Republic of Rome before that, was similar. It was the economic, and related demographic and other losses from the slave system, which were the principal economic factor causing the collapse of the Roman Empire in the West.

34. Early in their association, British cotton manufacturer Engels persuaded his recently recruited associate Karl Marx to launch savage, incompetent attacks upon Marx’s predecessor as editor of the *Neue Rheinische Zeitung*, the leading American-German economist Friedrich List; later, it was the same trader in profits of slave-produced cotton, Engels, who demanded that Marx launch savage denunciations of President Abraham Lincoln’s principal economic advisor, and the world’s leading economist of that time, Henry C. Carey.

The essential motive of the slavery system, was not economic, but cultural. The motive for the slavery system was to maintain the peculiar kind of combination of landed aristocracy and its lackeys, which the slave system represented. In short, it was not the profits of slavery which motivated the ruling class of the Confederacy; it was the system of slavery, the slave-owner’s “way of life,” which motivated the slave-system.

One sees a similar pattern in the history of United Kingdom since the accession of George I.

The fact that the industrial revolution was brought into England by the American Benjamin Franklin, and that the Watt steam-engine was developed through Franklin’s introduction of Watt to Franklin’s friends among scientists in France, is typical. Britain lived as a parasite, not from fostering the industry of its own population. The same was typical of early Nineteenth-Century England. Into the 1820s and beyond, relative to the United States, France, Germany, and Russia, England was a backwater in science. It was through the initiative of young Herschel and Charles Babbage, that science was dragged into a mid-Nineteenth-Century England whose ruling oligarchy was most reluctant to receive modern technology. Much of the science imported into Britain under the impetus of the newly formed British Association for the

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Advancement of Science, was imported from the continent of Europe. It was only as Britain prepared for a conflict with Germany, as with the development of the dreadnought, that the development of the British industrial economy of the early Twentieth Century emerged.

True, Twentieth-Century Englishmen were not slaves, but they were subjects of a financier-oligarchical monarchy, and therefore not truly free people. The misery which has taken over the British Isles, at a generally accelerating rate since the days of the first Harold Wilson government, was not imposed by some necessity; it has proceeded so, because the ruling circles within the British oligarchy wished it to go so. The point is, that the reluctance of Britain to foster internal technological progress in a general way, reflected not an economic motive, or lack of such motive, but, rather, an effort to maintain a "way of life," in the same sense that the Confederate slave-holder saw himself as prepared to go to the bitter end in warfare to preserve the "peculiar institution" of southern slavery.

The British oligarchy was, generally speaking, never motivated by the desire to *produce* wealth. It was, however, motivated to gain and maintain power, especially the power to defend its social system. It was concerned with production of wealth to the degree that that might be considered indispensable to achieving a certain amount of power. In short, individual greed's value as a controlling motive is greatly overrated.³⁵

So it was with the European oligarchies' promotion and defense of enslavement of Africans. Complementary to this use of the image of the "black skin" to break the code of Mosaic law set forth in *Genesis* 1, was the fostering of gnostic, only nominally "Christian" sects, which rejected the notion that each man and woman was given a "divine spark of reason," certifying each as made in the image of the Creator. Indeed, such poor Yahoos will sometimes shriek late into the night, in protest against what they insist is the hubristic evil of claiming the divine spark given to each man and woman made in the image of the Creator. The logic of that gnostic argument is the same insistence, that mortal men and women are essentially mere beasts, which is also the underlying logic of the racist's denial of innate humanity to "black-skinned" Africans. Not accidentally, such gnostic beliefs proliferated most readily among those misbeknighted "poor whites" who, in not distant times past, were the most likely recruits to the local Klavern.

The deeper significance of the role of racism in enslave-

35. This is not to argue that the passion associated with greed does not exist. Our point is, that the underlying characteristics which govern the choices which greed selects, are determined in the way in which the self-image of characters out of *Gone With the Wind* might, for example, determine the selection of their overriding lusts. This is consistent with the general argument being developed in this section of the report.

ment of Africans, is shown by comparing this with broader expressions of the same anti-Christian assumptions. One must take into account, not only other examples of racism as such. To grasp the axiomatic roots of obvious expressions of racism, we must include all types of those so-called "ethnic" prejudices which attribute some personality-trait as biologically (e.g., "genetically") determined. These symptoms of racism in general are expressed not only in the form of explicit or implied defamation of the targetted "ethnic" category of persons, but, more slyly, and just as perversely, as, for example, assertions that persons of some ethnic differentiation have biologically-determined attributes which afford them some genetically determined cultural attribute.

It is to be emphasized, that all such variants on the underlying axioms of pure and simple racism, differentiate one person from another in terms of a reductionist view of biological determinism. This point is underscored by going beyond the relevant examples of outright racism, or related ethnic prejudices, to examine the way in which oligarchical ideology generally defines what might be termed the "fractional distillation" of prospective oligarchs and privileged lackeys, on the one side, from those members of the same ethnically defined populations, even the same families, who are relegated, as individuals, to the relative status of "human cattle." Exemplary, is the argument that because some persons, as children, are destined to relatively more menial lives, as adults, their education ought to be limited to matters "which they will need to have learned for the purposes of performing the duties their biologically destined employment will prompt their employers to require of them." All these pathological behaviors may be summed up fairly in a single clinical example: the so-called "fundamentalist," i.e., heathen variety of Christian, whose face blossoms like a blowfish, in his insatiable, choleric rage against the suggestion that each man and woman is made, equally, in the image of the Creator, that each is supplied that "divine spark of reason" which represents that likeness to the Creator.

It is this legacy of the same bestial, Victorian outlook as Charles Darwin and Thomas Huxley, which is drawn upon for the Nazi-like bestiality of Prince Philip against sub-Saharan Africa.

British racism in Africa

For the purposes implicit in the subject-matter of this report, we must stress the intrinsic immorality of the European feudal system, as a type, relative to that natural political condition of mankind which U.S. President Abraham Lincoln defended in his war against an evil, treasonous, feudalistically minded, racist British puppet-state, the Confederacy.

From the satanic quality of evil which spewed out of ancient Mesopotamia, despite the successive struggles by such as Solon of Athens, by the tragedian Aeschylus, and by Plato on this account, and as Abelard of Paris, Dante Alighieri, and

Nicholas of Cusa, fought to define a form of society consistent with the notion of man and woman made in the image of the Creator, the ruling notions of law in the Mediterranean region, including under western European feudalism, had been essentially evil ones. The types of exceptions noted taken into account, in the typical cases, the notion of law was limited to the power of a supreme law-giver, the emperor. Although that imperial law-giver might reign at the pleasure of the oligarchical body with the power to choose and depose his hereditary power, he was the supreme law-giver as long as he ruled. At the bottom of all these societies, European feudalism included, a proverbial ninety-five percent were relegated to the status of virtually human cattle.

Under these prolonged, evil circumstances, the ruling oligarchies and their attached, privileged, Kissinger-like lackeys, were advised by a satanically cruel hatred, directed against any imagined insolence, any act or mere suspected attitude which might suggest a present, or future threat to the oligarchical system. The persecution of Abelard of Paris, in his lifetime, and later, typifies this quality of hatred directed by the apostles of empowered irrationalism. Most notable, on this account, is the explosion of mass-murderous rage which the European oligarchy in general summoned against the outcome of the A.D. 1439-1440 sessions of the great ecumenical Council of Florence, and also the religious wars which Venice orchestrated, during the following three centuries, drowning Europe repeatedly in blood in the attempt of ruling financier and other oligarchs to preserve the old feudal order in Europe.

What was the threat which prompted the mass-murderous rage of these oligarchs—then, as now? The threat was—and remains—the fear that those masses of humanity earlier so long subjected to the status of virtually dumb human cattle, might establish a form of society based upon tolerating no supreme authority in matters of statecraft, but that power of reason imparted to each person made in the image of the Creator. It is against that threat to oligarchy, that the hateful religious wars of the Sixteenth and Seventeenth Centuries were unleashed upon Europe, where men fought men not as men, but as beasts.

This brings us to the case of British Africa.

To understand all of sub-Sahara Africa today—British Africa—we must understand the specific, racist quality of hatred which the British oligarchy musters, both in its own persons, but also the lackeys they have enlisted from among so-called “black” Africans themselves. Thus, the horrors unleashed in the Great Lakes and other regions, express a satanic quality of hatred, a quality so hateful that it beggars the ordinary imagination. That cholera expresses, with relatively greatest directness, the literally satanic quality of hatred, and also self-hatred, which otherwise underlies the tradition of enslavement of “black” Africans. This is the same axiomatic quality of hatred, and also self-hatred, which Dar es Salaam matriculant Yoweri Museveni of Uganda expresses, as a trained, and expendable lackey of the British monarchy

against the “black” African population of his own and adjoining nations.

The denial of the fact, that each and every person is made in the image of the Creator, that by virtue of an innate “divine spark of reason,” is the root of all the sundry branches of satanism. But, we have not yet considered the depths which this quality of evil reaches, until we have turned our attention to the Victorians’ Africa of John Ruskin’s Cecil Rhodes, Lord Milner, and today’s Prince Philip. If we trace British operations in Africa since the time of Rhodes, Milner, et al., the evidence considered confronts us with an overwhelming sense of the special passion with which the British oligarchy regards its possession and prerogatives in dealing with both the combined, human, animal, plant, and mineral populations of this continent. Pervading all of that, is the stink of a quality of racism which we would probably not otherwise imagine to exist anywhere on this planet.

The Victorian monarchy of Queen Victoria and her son Edward VII, regarded Africa as its special playground. The Portuguese? As Philadelphia’s Mathew Carey emphasized, the Portuguese oligarchy had been mere lackeys for the British monarchy for centuries. The French? The French Empire of Lord Palmerston’s Napoleon III was created as a junior branch of the British Empire, which it remains to the present day. That British client, the Belgian monarchy? That was the worst! All of sub-Sahara Africa today is controlled from the top by the British monarchy *personally*, by agencies operating out of the private household of the Queen. Agencies such as the London-Rhodesia Trust (e.g., Lonrho), operating in tandem with the great Anglo financial trusts of South Africa, control virtually everything, from the sometimes most cunningly hidden real-estate titles, on up the tree.

The British royal family, personally, treats both the animals and people of sub-Sahara Africa alike, all of them, as creatures to be captured, herded, culled, and killed, as the dictates and whims of royal plantation management inform the inclinations of Prince Philip et al. Just as Prince Philip et al. control vast areas of Africa through their game preserves, so they also administer the areas occupied by the Africans as game preserves.³⁶ For these heirs of Rhodes, Milner, et al., nothing has changed since the time of the notorious “Rhodes Plan” for keeping the African population down to the size deemed convenient for British big game hunters of future generations.³⁷

The nastiest features of this bloody history are coming

36. “The Coming Fall of the House of Windsor,” *Executive Intelligence Review*, Oct. 28, 1994.

37. See “The African Parks Were Created as a Cover for Destabilization,” in “The Coming Fall of the House of Windsor,” *Executive Intelligence Review*, Oct. 28, 1994. The model was South Africa’s Kruger Park, set up by Lord Milner in 1902. The park warden, Maj. James Stevenson-Hamilton, was so effective at clearing the park of Africans, that he earned the epithet *skukuza* (“he who sweeps clean”). See also, Carroll Quigley, *Tragedy and Hope: A History of the World in Our Time* (New York: Macmillan, 1966).



"The Rhodes Colossus," circa 1895. "For the heirs of Rhodes, Milner, et al., nothing has changed since the time of the notorious 'Rhodes Plan' for keeping the African population down to the size deemed convenient for British big game hunters of future generations."

into focus now, expressed as the "raw materials wars," local wars in which London is orchestrating all sides. These are "wars," run chiefly under the management of British mercenaries, which London is running from the Horn of Africa, in southern Sudan, and across all sub-Saharan Africa, North, East, West, Middle, and South.

To situate these raw materials wars in the full dimension, consider four classes of assets now being targeted, globally, for this operation by London. These four classes of assets are: 1) virtual monopoly-control over the world's principal petrochemical resources; 2) the other raw materials reserves of

Africa and Central Asia; 3) world trade in food supplies; and, 4) the major drug-trafficking operations run out of South and Central America, Afghanistan and vicinity, and southeast Asia.³⁸ The aim is, to use strategic control of crucial raw materials sources, as a weapon for controlling the world at the time financial and monetary systems evaporate, and most of the world outside warlord-controlled raw-materials areas is relegated to the status of *terra incognita*.

The pattern has been set already, by the British use of "ex-SAS" and other mercenary forces in conducting the now rapidly-spreading, genocidal "raw materials wars" in Africa. These wars are largely modelled upon, and also intersect, the system of Africa game preserves set up (largely) through the impetus supplied, since 1961, by "environmentalist" Prince Philip's World Wildlife Fund. These wars pre-empt the processes afoot, next to come.

Think back to western Europe during the period from the Fourth Century A.D. until the Emperor Charlemagne introduced a semblance of order into that territory: pockets of warlord control of food production and so on, amid large regions which had become virtually *terra incognita*. In the light of the imminent breakdown of the present international financial and monetary system, consider the relevance of the circum-

stances for which the recent operations of Prince Philip and others have prepared sub-Saharan Africa today.

Under the conditions produced today by the cumulative impact, since 1964-1972, of "post-industrial" utopianism, "free trade" and "deregulation," and anti-nation-state rampages in the service of "globalization," no existing financial and monetary system can continue to exist. Whatever else

38. The role of European Club asset George Soros' international campaign for drug legalization, typifies the intended role of high-level European sympathy for the drug lords of Colombia, for example.

happens, the present, deregulated form of system based axiomatically upon “free trade” and “globalization,” will not live out the period immediately ahead. Unless the presently disintegrating international system, is replaced by a return, globally, to pre-1964 policies of financial and monetary practices, and a return to fostering of large-scale investment in basic economic infrastructure and in scientific and technological progress, the world as a whole is being toppled, already, into a prolonged “new dark age.”

In that circumstance, trade can not be based upon a global financial and monetary system which no longer exists. The world is, essentially, back to barter. There are principally two global conditions on this planet under such circumstances. First, a collapse of the total population of this planet, to perhaps as low as less than one billions persons, a population fairly guesstimated as reaching within about one generation, average life-expectancies not much above thirty years, if that. Thus, as we have indicated, the condition of the planet would be degraded, generally, into a division between warlord-controlled pockets of local power, and large areas of *terra incognita*. Under such circumstances, the policy of the present British monarchy, is to establish its position as a virtually controlling agency, coordinating crucial features of trading and other relations among warlord-controlled areas of the planet. As I have indicated, warlord-controlled

regions based upon what we view conventionally as “essential raw materials,” and also drug-lord-controlled regions are indicated as predominating under such British-coordinated arrangements.

There are two principal aspects to such a “new dark age.” In large degree, the terrible conditions we have described would arise simply by default. Assume, for a moment, that London, for example, were to succeed in preventing the early establishment of the “New Bretton Woods” system which I have proposed as the replacement of the presently bankrupt, “globalized” form of international financial and monetary order. In that case, the kinds of conditions of “warlordism” would arise “naturally,” as they appeared in western Europe during the Fourth Century A.D. The second aspect of the picture, is the fact that the British monarchy has prepared itself, at least to a significant degree, for precisely such a “new dark age” situation. The second, willful feature of the process, is typified by the way in which the British monarchy has used its Africa “nature reserve” policies and practices, especially since the 1961 foundation of the World Wildlife Fund, and murder of Patrice Lumumba, and has built on those “game preserve” operations to create the presently increasing reign of regions of raw materials by mercenary bands turned warlords.

The coming, threatened, early disintegration into regions of “warring tribes and mercenaries,” of both British Commonwealth-controlled Nigeria and the British-Commonwealth-controlled Republic of South Africa, is all that is required to transform the entirety of sub-Sahara Africa into the first phases of evolution of the kind of “new dark age” status we have described.

A second region of the world marked for analogous treatment is the region of Central Asia from the northern Transcaucasus into Afghanistan and Kashmir. The leading point to be emphasized here, is the relative scale of crucial raw-materials reserves known to be concentrated in two regions of the planet: sub-Sahara Africa and the former Soviet Union. The efforts of some to promote the break-up of Russia into warlord states, each with its own nuclear-weapons arsenal, is part of the picture. So, the present British monarchy’s efforts to destroy Australia, by the ruse of pretending to turn vast areas back to temporary ownership by those “indigenous people” who would be soon extinct (and replaced by warlord type syndicates, in any case), is part of the same picture. The addition of virtual monopoly control over international trade in food supplies, by some London-centered syndicate, and the complementary role of a global network of drug-warlords such as the drug-warlords of Colombia and the Taliban’s Afghanistan, completes the general outline. The British monarchy’s operations in sub-Sahara Africa are, thus, both the paradigm, and the large-scale pilot-project for that monarchy’s preparations for a “new dark age.”

Does Prince Philip intend to create such a “new dark age?”

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Given the available evidence, no reasonable person could doubt that he does. His intention to that effect, is key to the Africa policy which the monarchy has pursued, as consistently as the British are capable of doing almost anything, since about the same time Prime Minister Harold Macmillan announced “the winds of change.” Macmillan probably did not grasp the irony of the situation; a careful study of the continuing operations associated with the World Wildlife Fund, beginning 1961, shows the Prince Philip was witting — satanically witting.

There is a satanic current in British life, including that spawned out of the circles of the relevant figure of Venice cultist John Ruskin of Oxford, the mentor of Cecil Rhodes. This is part of the Europe-wide, pro-satanic, oligarchical circle, which included the networks around Houston Stewart Chamberlain and Richard Wagner in Bayreuth, Germany, and the kookish, theosophist circles of Aleister Crowley, the radical positivist Ernst Mach, et al., in Vienna and Budapest. Budapest’s satanic figure of Georg Lukacs was a product of these influences, and a key figure in the founding of what became known as “the Frankfurt School” of Theodor Adorno, Hannah Arendt, et al. (In short, the emergent new philosophical fads of late Nineteenth-Century Europe, were pretty much right, left, and liberal trash heaped upon a cultural, moral, and intellectual garbage-dump.) These were all, in their time, a leading current into either Adolf Hitler’s Nazism or comparable forms of leftism, including former pro-Nazi, and like-minded currents in Germany dating from among Prince Philip’s family circles of the 1930s. This satanic side of Prince Philip is exposed most clearly, and consistently, in his views on the subject of religion. We take the implications of his stated views on religious matters, as crucial evidence showing that Philip is satanically witting in his Africa policy.

What ancient and modern European history know as satanism, takes its principal origins from Mesopotamia. However, apart from the Mesopotamian roots of the cult of Apollo and the spread of the sophists into Athens, there are other relevant currents, including the Gaia-Python-Dionysus cult at Delphi, the same Delphi cult in which the figure of Apollo subsequently emerged as leading.³⁹ The association of Prince

39. For example, the famous figure of Roman literature, Plutarch, was a priest of Apollo. Gaia was the “mother-earth” goddess, the principal figure of the site of the Delphi cult. Gaia’s consort (her Prince Philip, so to speak) was known as the phallic symbol and snake-god Python, who also came to be known as the Dionysus of the Cybele “mother earth” cult. At the main shrine at Delphi, the priestess, named generically “Pythia,” sat before the grave of Python-Dionysus, pulling out marbles from an urn, to the accompanying recitation of her meaningless babble, which was then interpreted by the ancient equivalent of “White House political advisors,” known as the priests of Apollo, who were seated in benches at the side of the Python-Dionysus grave-site opposite to where Pythia was seated on her stool. The cult of Apollo, which created the Lyncurgan form of oligarchy associated with Sparta, was a leading pestilence in the history of ancient Greece. Its roles featured

Philip with attempted revivals of the Delphi-based, satanic cult of Gaia, is crucial and sufficient for our purposes here.

Not only are Prince Philip and his circles (typified by Martin Palmer) representatives of what is symbolized by Gaia; their practice in Africa, in particular, has occurred under the influence of an association, the World Wildlife Fund/World Wide Fund for Nature, whose practice is consistent with the worst features of teachings associated with the Gaia cult. Prince Philip’s involvement with sponsorship of efforts to eliminate Christianity, by dumping fragments of it as mere ingredients, within the minestrone of a “world religion,” is an integral, functional part of the same intention.

There are two ways in which humanity may willfully order its affairs. One is reason, in the sense of a “divine spark of reason” imparted to each man and woman as made in the image of the Creator, a divine spark of reason which may be adduced by means such as a Classical humanist form of education made available to all young persons. This notion of a universal reason is correlated with the notion that we are obliged to make no policy-decisions, without an impassioned search for those qualities of truth and justice which have implicitly universal authority. That commitment to truth and justice, provides the only rational basis for law; it is the only basis on which the entirety of a people may participate rationally in defining what is law. It is the only basis for appeal to a body of law which represents higher authority than that merely positive law created by legislatures, dictators, or judges. The alternative to reason, is arbitrary belief, arbitrary law, and arbitrary rule. As long as there is no rule by reason, oligarchical rule, or simply chaos, are inevitable consequences; for if each may have his own arbitrary opinion for himself, then he with the greater cunning and sheer force at his disposal, will rule as tyrannically as it may please him to so.

Take as an example of the principle involved, the case of the horror which the British monarchy orchestrated in the Africa Great Lakes and adjoining regions.

The exemplary clinical figure is the protégé of Tanzania’s Julius Nyerere, Uganda’s dictator Yoweri Museveni. Museveni’s pedigree includes his association with Communist insurgency networks operating in Africa from Cape Town to Eritrea, networks whose eastern European connections were chiefly East Germany, the Soviet Union, and Fidel Castro’s Havana. One of the key centers for the coordination of such networks throughout Africa, was the university at the British Commonwealth center, Dar es Salaam, where Museveni and others received their indoctrination in a nightmarish mish-mash of Marx and the French existentialists’ synthetic concoction known as Frantz Fanon. Most of the relevant butchers in nearby parts of Africa today, including British agent John

its function as a leading loan-shark of the Mediterranean, and a founder of the cults introduced to the Latins at Rome.

Garang, Laurent Kabila, and so on, are products of these networks based upon Julius Nyerere's Dar es Salaam.

Look at what has been done by this British-backed Marxist-Fanonist collection, these forces of unreason, in, for example, Rwanda and Burundi.

Until a couple decades ago, the leading cultural influence among the people of Rwanda and Burundi, was a program of Classical humanist education supplied by priests. The benefit of this educational program, included one of the most literate and capable populations in sub-Sahara Africa as a whole; one might say fairly, "beautiful people." These benefits were undermined and destroyed in two principal, successive steps. The first step, undertaken with much outside influence, was a campaign to eradicate Classical humanist education, and replace it with something closer to the brutishness of Maxim Gorki's Makarenko. Thus, most of the entirety of a new generation of Rwandans and Burundians were deprived of the quality of education which had been available to their parents. The next step, taken by British agents such as Museveni, was to slaughter the educated Rwandans and Burundians in a mass-genocide, which has driven the great part of that population to the perilous refuges of jungles and other available places of the region where one might die in anonymity.

Such has become the fate which most people of sub-Sahara Africa have already experienced, or are about to receive, unless Prince Philip, and what he represents, are stopped, very soon.

It is useful, perhaps even indispensable, to compare the ideology of Prince Philip with that of his most kindred, Nazi predecessor, Adolf Hitler. To understand Hitler, read Nietzsche, and compare Nietzsche's pronouncements on Socrates, Plato, Christ, Christianity, and the Jews, with the relevant blather from such revealing locations as Hitler's table talks; compare Hitler's blather with Hitler's deeds. Or, compare both with the most notoriously evil of the Caesars, including the person whom the modern satanists themselves have certified as anti-Christ, the Isle of Capri's Emperor Tiberius. There is no essential difference among these figures, and no principled differences among the deeds they will unleash upon humanity, unless they are checked.

As a featured element in the conclusion of this report, ask now: What is the Gaussian *characteristic* of Prince Philip's mind? What is the awful microcosm of that perverted mind, the which portends the trajectory history will soon take, unless what Philip represents is rendered powerless?

That question and what it implies, may be answered by the following series of observations.

First, Philip represents a current within the London-centered European and Commonwealth oligarchies. This current, as it may be contrasted, at least in approximation, to the utopian-monetarist current identified earlier, may be fairly termed "The Chaos Faction." How extensive this current is, is uncertain; the evidence piled up over recent years, indicates that it is a large, and powerful interest.

Secondly, the pattern of deployment of mercenary and other operations, aimed at setting up drug-lord or other varieties of "raw materials" warlord entities, reflects in at least some part, the degree to which this Chaos faction has been fully operational on a global scale, during a period bridging decades, since sometime during the 1960s.

Third, the actions of this faction, like the policies represented by Philip himself, have certain mental characteristics, including axiomatic and homicidal qualities of racism, characteristics which correspond to observed policies of practice of the Chaos Faction in operation.

Fourthly, this Chaos Faction coincides with the forces behind the deployment of terrorist and related actions over decades. During the recent period, since 1989-1991, this faction has enjoyed a virtual monopoly over strategically significant such operations. Virtually all of the military, paramilitary, and terrorist capabilities deployed within sub-Sahara Africa today, are deployed out of an environment which operates totally under the control of those British Commonwealth interests which are, at least predominantly, associated with the Chaos Faction.

Fifthly, the operations of this Chaos Faction in Africa, are inseparable from the command and control conducting related operations either in the Middle East and Central Asia, or in political support, as by the circles of George Soros, for the cocaine terrorists and warlords of Colombia.

Ultimately, the most crucial evidence bearing upon the characteristics of this faction, is the evidence taken either from public utterances by Philip and his coterie themselves, or by instruments of his operations, such as Uganda-based warlord Yoweri Museveni. If those correspond, in implication, to the pattern of deeds done by that faction, we have the case. In any such case, we must proceed by adducing, first, those axiomatic features of a human mind which correspond, functionally, to a modular calculus of relevant kinds of universal action. If we have once shown, by the same methods used for crucial experiment, that the modular scheme associated with that set of axiomatics is the characteristic ordering of practice, that is the characteristic of the process being considered.

In such a case, to investigate one of those kinds of crimes which correspond to an historically significant action, the investigation and evaluation should proceed by fitting the action and implications to the characteristics of the kind of mentality which the action, so assessed, implies.

The nature and consequences of human, as opposed to animal behavior, is lodged, essentially, within the nature of man as a creature of reason, or, in other words, a creature of ideas, as Plato defines *ideas*.

In our relations with animals, we play. Animal intelligence reaches no higher than play. Thus, we train animals, such as our pets, by sharing play with them. They are happy, as pets, to play with us. This corresponds to the notion of Friedrich Schiller's *Spieltrieb* in the fifth letter on aesthetical

education of man.⁴⁰ Cardinal Nicholas of Cusa, earlier, spoke of animals as a lower species which may be able to participate in a higher species, man. Thus, we have joy, and rightly, and fruitfully so, in working with the horses and dogs which we train (or, the pet cats which, we often suspect, presume that they train us), to the benefit of their happiness, and ours, by means of the play-principle. When we play happily, so, our physical stresses are lessened, and, on that account, we might even live longer lives. The two conceptions united by Cusa's notion of "participation," are clearly connected ones. The universe rejoices! Through the participation of our animal pets in us, living species as a whole, are united, in principle, with that perfection of living species which is man.

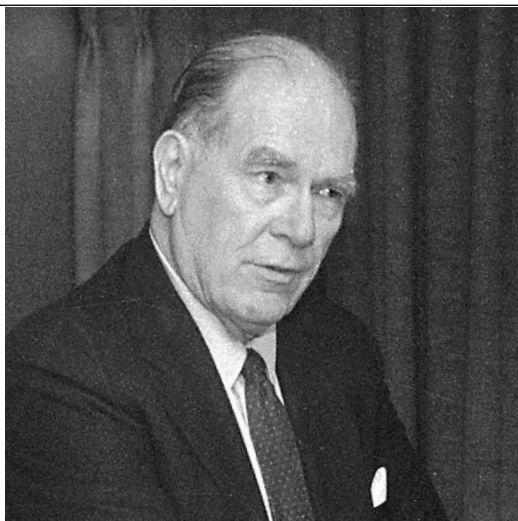
With man, play, in its best sense, is transcended by reason, the power to discover crucially-experimentally validatable solutions for those apparently insoluble paradoxes posed by reality, paradoxes which appear in the form which Classical art recognizes as metaphor. It is reason, so situated, which defines the human species, and the human individual.

Ah, but there is much more!

40. F. Schiller, *Über die Ästhetische Erziehung des Menschen in einer Reihe von Briefen*, in *Friedrich Schiller Sämtliche Werke: Fünfter Band*, Gerhard Fricke und Herbert G. Goeppfert, eds. (München: Carl Hanser Verlag, 1993), p. 614.

We are the masters of this universe. To the degree that our solutions to paradoxes are valid discoveries of physical principles of this universe, the universe, to that degree, is obliged to obey us. In that fashion, and in that constrained degree, human knowledge, so defined, coincides with that lawfulness which governs the universe. To that degree, through our reason's submission to the Will of the Creator, we are rulers of this universe. Thus, our species exerts a power over the universe absolutely superior to the power exerted by any animal species. This power we have, is both a power of the Creator's universe, and a power over the universe. This power has implications. It has an awesome consequence.

On this account, the characteristics of the willful individual human mind become the characteristics of the processes over which that mind exerts its power of *ideas*. Thus, in the mind of even a single, powerfully influential individual, the power of ideas, for good, or for evil, may often determine the fate of whole sections of mankind, or, even mankind as a whole. On this account, the failure to recognize the evil inhering in the present British monarchy, and in its Prince Philip, might incur a penalty for all mankind, a price which it might be poorly situated to pay. Let us hope, that relevant influentials, and others, learn that lesson before it is too late to prevent the looming holocaust now threatening this planet as a whole.



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Kenneth Starr's hidden conflict of interest

by Edward Spannaus

One of the biggest lies circulated in the wake of the President's Aug. 17 testimony and speech to the nation, is that it is President Clinton who is responsible for what has happened over the past seven months. If Clinton had just admitted the relationship with Monica Lewinsky last January, the story goes, the whole thing would have ended right then and there.

Anybody who suggests such a scenario, just hasn't been paying attention the past five years.

Independent counsel Kenneth Starr's objective is not uncovering crime. Starr's objective is to bring down the President. He has utilized one pretext after another since 1994.

And now evidence is emerging showing that Starr's close circle of friends was involved with the creation of the "Whitewater" investigation already in 1993. At the first available opportunity, in August 1994, Starr was put in place as independent counsel, as an agent-in-place for the pro-British circles around Richard Mellon Scaife and the *American Spectator* who had originally set the Whitewater and "Troopergate" scandals in motion.

The driving force behind all this is the global financial collapse, and the determination of the British-American-Canadian cabal to so destroy or weaken President Clinton that he cannot act decisively against this financial oligarchy under crisis conditions.

It is widely reported that when President Clinton made his ill-advised closed-circuit appearance before Starr's grand jury on Aug. 17, he read a statement acknowledging an intimate relationship with Lewinsky, and then refused to answer any more questions about sex or his private life. And then, on his nationally televised address to the nation that evening, the

President lit into Starr for prying into his personal life, and he called upon the nation "to turn away from the spectacle of the past seven months."

The President also pointed in the right direction, by noting that the questions he had been first asked about Lewinsky had arisen in a "politically inspired lawsuit."

In fact, the President had been set up in a trap during his deposition in the Paula Jones case on Jan. 17. That was no accident. Starr did not "stumble into" an investigation of possible perjury and obstruction of justice around the Paula Jones case. That was something which was carefully orchestrated, and was one of a number of traps set up for the President during the course of Starr's investigation.

How it began

Although the "Whitewater" real estate story had been in national circulation since the spring of 1992, in the form of the grossly inaccurate and misleading *New York Times* story by Jeff Gerth, it didn't take hold until the end of President Clinton's first year in office. This was the result of two closely related operations: the creation of David Hale as the key witness to implicate the President and the First Lady in allegedly illegal financial activities, and, the launching of the "Troopergate" sex-scandal stories at the tail end of 1993.

Both of these were essentially private intelligence operations financed by the British-intelligence-trained news media propagandist Richard Mellon Scaife.

David Hale was a thoroughly crooked businessman and municipal judge in Little Rock, Arkansas, whose transgressions caught up with him in July 1993 when his office was

raided by the FBI. He immediately offered to provide damaging information on the “political elite” in Arkansas, but the local United States Attorney wasn’t buying, and Hale was indicted in September 1993. The newly minted story Hale was peddling was that that Governors Bill Clinton and Jim Guy Tucker had pressured him into obtaining a \$300,000 loan from the federal Small Business Administration for James and Susan McDougal.

Through the circle of Bill Clinton’s longtime enemies in Arkansas, Hale was put in touch with the national news media, especially NBC, and eventually his stories made their way into the *New York Times* and the *Washington Post*. When the latter two publications both called for the appointment of an independent counsel to investigate the Clintons and Whitewater in January 1994, the President and the Attorney General quickly succumbed to the pressure, leading to the appointment of Robert Fiske by Attorney General Janet Reno under Justice Department regulations; this was because the independent counsel statute had lapsed and was not re-enacted until July.

But meanwhile, Hale had been taken under the wing of one of Starr’s closest friends and his longtime law partner, Theodore Olson. Operating on behalf of the *American Spectator* and that magazine’s Educational Foundation, Olson had been instrumental in organizing the “Arkansas Project,” a \$2.4 million venture financed by Mellon Scaife for the purpose of conducting covert investigations and operations against President Clinton. The project resulted in articles published in the *American Spectator* and the *Wall Street Journal*, among others, and the creation of witnesses such as David Hale.

Telephone records exist which show that in November-December 1993, Hale was calling Olson in Washington, and Hale has acknowledged that he had “retained” Olson as one of his lawyers by December 1993.

The on-line magazine *Salon* has just published a lengthy series of articles which document Olson’s ties to Hale, as well as Olson’s role in creating the “Arkansas Project” in late 1993. Also involved were other representatives of Scaife’s foundations, and a former high-ranking FBI official, John A. Mintz, who was “of counsel” to Olson’s law firm of Gibson, Dunn & Crutcher at the time.

Salon quotes one individual familiar with these events as saying that “Olson is somebody who Scaife would trust to see that nothing went wrong and that his money would not be wasted.”

The Olson-Starr connection

Oddly, as thoroughly documented as the *Salon* articles are, they skim over Olson’s relationship with Starr. As *EIR* has reported (March 13, 1998), Starr and Olson were partners in the Los Angeles-based Gibson, Dunn & Crutcher law firm in the late 1970s. (Olson had joined the Gibson firm in 1965

and became a partner in 1972. Starr joined the firm in 1977 after clerking for U.S. Supreme Court Chief Justice Warren Burger; he soon became a partner in the firm’s Washington, D.C. office.)

Olson and Starr joined the Justice Department together in 1981 when another partner, William French Smith, became Ronald Reagan’s first Attorney General. Olson became the head of the Office of Legal Counsel, an office previously headed by both William Rehnquist and Antonin Scalia under Presidents Nixon and Ford. Starr, whose position was “Counselor to the Attorney General,” worked closely with Olson in the Justice Department, until he was appointed to the U.S. Appeals Court for the District of Columbia Circuit in 1983.

Both Starr and Olson are activists in the mis-named Federalist Society, an organization of self-identified “conservative” lawyers founded in 1982 under Scalia’s direction; at present, Olson heads the Washington, D.C. chapter. Notably, one of the most active speakers on the Federalist Society’s circuit is Appeals Court judge David Sentelle, who heads the panel which appointed Starr as independent counsel in August 1994, after abruptly firing Robert Fiske.

Starr and Olson are also associated together in various of the so-called “public interest” law firms funded by Scaife and related intelligence-linked foundations such as the John M. Olin Foundation (which is also the primary funder of the Federalist Society).

Moreover, it is reliably reported that Ted Olson and his wife (as of 1996) Barbara Olson have regularly hosted a weekly “salon” at their Great Falls, Virginia home with guests including Starr, D.C. Circuit appeals judge Laurence Silberman, former appeals court judge Robert Bork, and Supreme Court Associate Justice Clarence Thomas. (Starr, Bork, Silberman, and Thomas were all part of the effort during the Reagan and Bush administrations to pack the D.C. Circuit Court of Appeals with “conservative” judges.)

Additionally, two other participants in the “Olson salon” are *American Spectator* editor Emmett Tyrrell, and *Wall Street Journal* editorial page editor Robert Bartley, both regular recipients of information generated by Scaife’s “Arkansas Project.”

Olson has been described as the person who runs Starr. He is the one with the “overview,” according to informed sources; it is Olson who serves as Starr’s link to the Justice Department permanent bureaucracy and who recommends whom Starr should hire for his staff.

At the time of Starr’s appointment by their mutual friend Sentelle, Starr’s ties to Olson were known. But, what was not generally known was Olson’s own deep involvement with Scaife and David Hale, and with the creation of the whole “Whitewater” affair in the first place. Had this been known at the time, it is doubtful that Starr could have ever been appointed Whitewater independent counsel. Starr’s other, well-

publicized conflicts of interest pale by comparison with those involving Olson and the “Arkansas Project.”

The Paula Jones trap

Another myth floating around is that Starr happened upon evidence involving possible perjury and obstruction of justice by the President and the President’s associates in the Paula Jones case, and that Starr had no choice but to pursue the investigation.

The Paula Jones case was an outgrowth of the *American Spectator*’s “Troopergate” article in its January 1994 issue, in which an incident involving a woman named “Paula” was mentioned. It was Ambrose Evans-Pritchard, the British intelligence stringer operating in the United States as the Washington correspondent for the *Sunday Telegraph* of London, who, by his own account, persuaded Paula Jones and her family to file the lawsuit against Clinton. In a series of articles written in May 1994, Evans-Pritchard described the Paula Jones case as a “ticking time bomb” under the Presidency.

At the same time, in May 1994, according to his own account, Pritchard attended a dinner party during which he discussed the Jones case with Judge Silberman. Whether the discussion took place at one of the regular gatherings at Ted Olson’s house is not known, but Pritchard did describe how Silberman was analyzing the Jones case, and the question of whether the suit might be delayed until after the 1996 elections on grounds of Presidential immunity.

Meanwhile, Starr, not yet having been appointed independent counsel, was also getting involved with the Paula Jones case. At the request of Rosalie Silberman, a founder of the Independent Women’s Forum and the wife of Judge Silberman, Starr was preparing to draft an *amicus curiae* legal brief to be filed on behalf of Paula Jones, arguing against Presidential immunity from a civil suit.

The public was not aware of any further involvement by Starr with the Paula Jones case until Jan. 21 of this year, when the Monica Lewinsky story crashed onto the front pages. Over the next few days and weeks, background details emerged, showing how Starr had taken over the Jones case, before it was thrown out of court in March.

A few days earlier, on Jan. 16, attorneys from Starr’s office and from the Justice Department had gone to Judge Sentelle and the special three-judge court to obtain official authorization to expand Starr’s investigation into allegations of perjury and obstruction of justice in the *Jones v. Clinton* case. But, that was simply rubber-stamping was had already taken place — without any legal authority.

Starr Tripps up Clinton

In October 1997, the Rutherford Institute, which had just taken over funding of the Jones case, received a number of anonymous calls, reporting that a woman named “Monica” had sex with the President in the White House. These calls apparently came from Linda Tripp’s “literary agent” Luci-

anne Goldberg. At about same time, Jones’s Dallas lawyers called Linda Tripp, after Tripp had been cited in a *Newsweek* article, and Tripp gave them Monica Lewinsky’s name. Shortly after this, Tripp began illegally taping her conversations with Lewinsky — at the recommendation of Goldberg.

In November, Jones’s lawyers issued a subpoena to Lewinsky, and her deposition was scheduled for Dec. 18. The deposition was postponed, and on Jan. 7, Lewinsky signed an affidavit denying that she had had an affair with Clinton; that affidavit was submitted by her attorney in an attempt to prevent her from having to testify.

Soon thereafter, Tripp went to Starr’s office and gave them 20 hours of illegal tapes of her conversations with Lewinsky, in which, allegedly, Lewinsky claimed that President Clinton, and Clinton’s friend Vernon Jordan, had encouraged her to lie under oath in the Jones case.

Tripp was no stranger to Starr’s office. She had been interviewed by Starr’s office in 1995, during Starr’s investigation of the death of White House aide Vincent Foster, and it is likely she remained in contract with them, directly or indirectly.

As directed by Starr’s office, Tripp set up a meeting with Lewinsky for Jan. 13. Tripp was wired up by the FBI, who recorded her discussion with Lewinsky at a hotel near the Pentagon. Starr then had Tripp set up another lunch meeting with Lewinsky for Jan. 16. It was only after this, that Starr went to the Justice Department to seek ratification of what he had already done. Starr’s and Reno’s representatives then went to the three-judge panel on Jan. 16 — while Lewinsky was already on her way to meet Linda Tripp for the last time.

Lewinsky walked directly into the arms of waiting FBI agents and Starr’s deputies, who threatened her and her parents, and tried to convince her to wear a wire in order to entrap the President of the United States and Vernon Jordan into making incriminating statements. Meanwhile, Tripp spent the afternoon at the same hotel talking with FBI agents and lawyers from Starr’s office.

Tripp then called Paula Jones’s lawyers, and told them to meet her that evening. Jones’s lawyers were getting ready to take a sworn deposition from President Clinton the next day, Jan. 17. Tripp gave the lawyers a full briefing on her conversations with Lewinsky — including on the Jan. 13 discussion which Tripp had secretly recorded with FBI microphones, at the direction of Starr.

Tripp, operating as Starr’s agent, thus provided secret information from Starr’s investigation to Paula Jones’s lawyers, for them to use in their deposition of President Clinton the next day. At that point, Starr abandoned everything he had been doing since 1994 (Whitewater, Travelgate, etc.), and threw all of his resources — including his assets in the news media — into trying to construct a perjury and obstruction-of-justice case against the President. Nothing that Bill Clinton could have done since Jan. 17 would have changed any of this.

Town hall meetings build coalition to end DOJ tyranny

by Marianna Wertz

A nationwide series of town hall meetings sponsored by the Schiller Institute, beginning in late July and continuing through August, is organizing a growing coalition, to expose and destroy the tyrannical apparatus that controls the Department of Justice. As Debra Freeman, national spokeswoman for Lyndon LaRouche, told an audience of 100 citizens at the July 27 meeting in Prince George's County, Maryland, "What the Department of Justice represents is the chief enforcement arm of the financial establishment and their Nazi-economics/slave-labor policies."

In order to clean out that apparatus once and for all, Freeman said, the LaRouche movement has resolved to build on its victory in the battle to pass the McDade-Murtha "Citizens Protection Act," by bringing new forces into the fight. By exposing those slave-labor policies behind the North American Free Trade Agreement, workfare, and the transformation of America's prisons into Nazi-style work camps, Freeman said, thousands of Americans can be moved to demand honest hearings in Washington, D.C. when Congress returns in September. Those hearings would, in the most explosive way, shine a spotlight on the Department of Justice fascist apparatus, and its controllers in London and Wall Street, who have so viciously targetted President Bill Clinton, Lyndon LaRouche, and every other political leader who dares to speak out against this tyrannical monster and its fascist policies.

Beginning on July 25 in Phoenix, Arizona, where Pennsylvania State Rep. Harold James (D-Philadelphia) endorsed LaRouche Democrat María Elena Milton in her campaign to unseat Gingrichite Rep. John Shadegg (R), town hall meetings have been held in Prince George's County, New Orleans, Boston, Pittsburgh, Chicago, Philadelphia, Flint, Birmingham, Seattle, Los Angeles, Newark, and Manassas, Virginia. By the end of August, meetings will also have convened in Norfolk, Washington, D.C., Youngstown, Oakland, Buffalo, Toronto, Baltimore, and New York.

Human rights violations

At every town meeting to date, elected officials, labor leaders, and minority and other grassroots constituency leaders are speaking out against the policies that are destroying Americans' livelihoods, and lives. We indicate here a cross-

section of those speeches.

At the first town hall meeting, in Phoenix, Representative James, who heads the Pennsylvania Legislative Black Caucus, spoke about the trip he took in February 1997, together with Congressional candidate Milton, to Sudan: "This issue of Sudan," James said, "is important for exposing the hypocrisy of some American politicians, who cry crocodile tears about alleged 'human rights violations' in other countries, but turn a blind eye to gross human rights violations occurring right here in America. One of the most important areas of human rights violations in America that must be addressed, is that associated with prison privatization, and the use of prisoners as virtual slave labor." He said, "In the emergence of privatized prisons as a big business, perhaps we are seeing the true reasons for the 'tough on crime,' 'three strikes and you're out' policies of Newt Gingrich, John Shadegg, and the rest. Perhaps this is one reason they want to fill the prisons and build more of them every year, while they keep people incarcerated for longer and longer periods of time."

Two days later, in Prince George's County, LaRouche spokeswoman Freeman was joined on the podium by Dr. Abdul Alim Muhammad, a national spokesman of the Nation of Islam, and the medical director of the Abundant Life Clinic in Washington, D.C.; and by Matthew Fogg, a highly decorated member of the U.S. Marshals Service, who recently won a \$4 million judgment against Attorney General Janet Reno and the U.S. Department of Justice, in a lawsuit charging them with racial discrimination against DOJ employees of African-American descent.

In his speech, Fogg, who has played a key role in bringing some of America's most notorious drug kingpins to justice, said of the endemic racial prejudice in the DOJ: "You know, sometimes the best measure of someone's nature is to see how they behave in their own house." In the discussion period, a woman who is the wife of a prominent Prince George's County judge and had lost a son in the battle against the DOJ, said, "I can't tell you how much it means to someone like me, to find a national organization that is prepared to take this on. It has been very difficult to take this on alone, but every other organization that I expected to help—well, they were just too frightened."

'This is a serious fight'

"This is a serious fight. Now is the time for you to get into it." That was the way that Louisiana State Rep. Arthur Morrell summed up his message to New Orleans citizens, at a town hall meeting on July 28 on the campus of Dillard University. Representative Morrell, who had travelled to Washington, D.C. to help the Schiller Institute lobby for passage of the Citizens Protection Act, told the audience that what they were hearing may be shocking, but was not "fairly tales."

Participants in the meeting included a number of prominent New Orleans political leaders who are well-acquainted with the political battlefield, among them a former judge who had himself been illegally railroaded into jail.

More than 125 people attended the Aug. 1 town meeting in Los Angeles, on the theme "Stop the Political Lynchings, Stop NAFTA and Prison Slave Labor." Speakers included Ray Cordova, a member of the executive board of the State Democratic Party and president of the Los Angeles branch of the Communications Workers of America, who had introduced and succeeded in passing a resolution supporting the Citizens Protection Act in the Orange County Central Committee. Cordova told the audience, "The government lied to me about Vietnam and they lie about Lyndon LaRouche!" Another speaker, Theresa Allison, who founded a prison rights group called "Mothers Reclaim Our Children," told the story of her son, who had helped to bring about a truce between two rival gangs, and was then himself framed up for doing good.

Four Congressional offices sent messages of support or greetings to the conference. Attendees spanned the political map, from Hispanic organizations to representatives from Bosnia and eastern Europe, and a Chinese journalist, who was fascinated to hear about human rights violations in the United States.

Over the next two weeks, audiences in Boston and Philadelphia heard presentations from political prisoners, state legislators, and religious leaders, who condemned the slave-labor policies which the DOJ's tyranny is helping to enforce. On Aug. 11 in Philadelphia, following a stirring keynote by Representative James, Rev. Carl Fitchett of the Mount Moriah Baptist Church, who serves as the first vice-president of the National Association for the Advancement of Colored People in Philadelphia, invoked the spirit of Dr. Martin Luther King in exhorting the group to oppose prison privatization. Leodus Jones, head of the Philadelphia-based Community Assistance for Prisoners, gave a terrifying account of his experience as a human "guinea pig" at Holmesburg prison in the 1960s, when prisoners were convinced to take part in trials of pharmaceutical and psychedelic drugs.

Rochelle Ascher, a former political prisoner associated with LaRouche, wound up the program by showing that the United States is headed directly into a repeat of the policy of Nazi concentration camps. She reminded the audience that the

LaRouche movement still has four political prisoners serving long sentences in Virginia.

In Boston, Lynne Speed, another LaRouche organizer targeted by the DOJ for prison time, gave a powerful presentation on the history of the DOJ's illegal operations. She then introduced former State Senator Bill Owens, who reviewed the way in which he and his family had been politically harassed by so-called law enforcement officials.

The Aug. 14 meeting in Birmingham was addressed by Stu Rosenblatt of the Schiller Institute; James Barnett, president of the Coalition of Black Trade Unionists (CBTU), Northwest Alabama; and Norm Stover, president of Amalgamated Transit Union Local 725 and vice president of the CBTU, Central Alabama. Longtime civil rights leader Amelia Boynton Robinson also spoke briefly. Stover urged a broader mobilization by organized labor against these policies, while Barnett detailed the destruction of human labor power that NAFTA's "free trade" policies have wreaked in Mexico.

'Support the Citizens Protection Act'

The Newark town hall meeting, on Aug. 15, opened with a message sent by U.S. Rep. Robert Andrews (D), a co-sponsor of the Citizens Protection Act: "On behalf of the First Congressional District of New Jersey, I commend the Schiller Institute for its sponsorship of the Citizens Public Hearings in an effort to generate support for the Citizens Protection Act of 1998, legislation which protects American citizens from prosecutorial misconduct.

"I believe this forum will give our neighboring communities the opportunity to be educated about human rights violations across our nation. It is my sincere hope that, through this forum, citizens will be able to offer prevention tactics and will create solutions to further violation of our very basic, human, decent rights. . . ."

Former New Jersey Rep. Henry Helstoski (D), who was himself a victim of DOJ illegal targeting, also sent a message to the meeting, commending the Schiller Institute for its "recent landslide victory in the House on the McDade-Murtha bill." "This signals the beginning of the end of the Justice Department reign of terror. FDR said, in his first inaugural address, 'The only thing we have to fear is fear itself.' The Justice Department witch-hunts induce fear in political leaders, labor leaders, civil rights leaders, and ordinary citizens. We stop the witch-hunts, and we can re-establish the political freedom that is required to deal with the great problems of our time," Helstoski said.

Also speaking in Newark were Gilberto Soto, administrative organizer, District 1199J, National Union of Hospital and Healthcare Employees (AFSCME), who discussed the horrible conditions in hospitals; Moses Ballon, also of AFSCME, who described the economic ills brought on by privatization; and Cassandra Savoy, an attorney from Essex County, who described the horrors she has seen while visiting "every Federal prison from Maine to Maryland."

Houston meet: Revive Non-Aligned Movement

by Harley Schlanger

With dramatic developments in the world economy as a backdrop, representatives from key Asian and African nations participated in a seminar in Houston on Aug. 15 sponsored by *Executive Intelligence Review*, to formulate a strategy to establish a New Bretton Woods monetary system. The panel included speakers from Pakistan, Bangladesh, Indonesia, and Nigeria, while in attendance were consular officials from the People's Republic of China, Indonesia, India, and Venezuela.

The specific focus of the seminar was the critical role which must be played by those developing sector nations which formed the core of the Non-Aligned Movement, in reorganizing the present, bankrupt world monetary system into a New Bretton Woods system. Helga Zepp-LaRouche, the founder of the Schiller Institute, has called for a revival of the Non-Aligned Movement, as a force which could tip the balance toward the grand design of her husband, economist Lyndon LaRouche, who is the author of the proposal for a New Bretton Woods system.

The keynote of the seminar was delivered by Harley Schlanger of *EIR*, who outlined both the initiatives of the LaRouches—the New Bretton Woods, and the revival of the Non-Aligned Movement to implement it—and the intense political warfare which has erupted over them. The future of humanity depends today on defeating the British Empire, and what Franklin Roosevelt referred to, with disdain, as “18th-century British methods.” Drawing upon the analysis in the groundbreaking strategic study by Lyndon LaRouche, “Where Franklin Roosevelt Was Interrupted” (*EIR*, July 17, 1998), he demonstrated why failure to defeat the British-American-Canadian financial oligarchy today will ensure the descent of mankind into a deadly Dark Age.

Scrap the old order

The second presentation was submitted by Syed A. Ahsani, who served as Pakistan's Ambassador to Ghana and Sudan. Ahsani's speech was presented by Mohammad H. Morshed, former Ambassador from Bangladesh to Libya. Ahsani sharply criticized the present monetary system, arguing that the “policies of the developed world through the IMF [International Monetary Fund] and World Bank have failed to usher in the promised land of peace and plenty, widening the disparity between the rich and poor nations. Since the old economic order has failed, it is imperative that it be scrapped and replaced by a new order.”

He reviewed the effects of the debt burden on developing nations, and how cheap labor and raw materials prices imposed on them subsidize a small percentage of wealthy people in the developed countries, while building a speculative debt bubble. “Now, the world economic bubble has exploded in East Asia, Africa, Latin America, Russia, and is about to burst in . . . the U.S., resulting in worldwide depression. The seeds lay in the usurious free trade economic system postulated in the wake of World War II. The colonial powers granted political independence to Asian and African nations, but enslaved them economically.”

Concurring with LaRouche's analysis of the tragic consequences of FDR's death in April 1945, Ahsani said it was “Truman and Churchill [who] reversed Franklin D. Roosevelt's policy of U.S.-Soviet-China entente and self-determination and reconstruction of the Third World.” This led to a return to colonialism for the Third World, and to the division of the advanced sector into competing superpowers. To avoid entanglement in the Cold War, and to decolonize, the Non-Aligned Movement was launched in April 1955.

Despite advances made since then, the “paradigm shift from national economy to rentier-financier economy” under Adam Smith free-trade dogma has replaced an economy “based on production of tangible goods and services” with one designed “to make money out of money, pure speculation and gambling.” Attacking derivatives and speculation, Ahsani concluded, “It is necessary that a New Bretton Woods conference . . . be convened, based on national economy, whereby each country will determine its tariffs, quotas, exchange rate, and subsidies on essential goods and services needed by the poor. Currency speculation will be banned and there will be no devaluation.” He endorsed the LaRouche proposal for construction of the Eurasian Land-Bridge, in the tradition of the American System of Henry Carey and FDR's Tennessee Valley Authority.

Following him was Andi Jularto, president of the Indonesian Students Association of Houston. He said that LaRouche's proposal for a new world monetary system “has a strong argument,” given the collapse of the present system. He reviewed the battle of his nation against Dutch colonialism, and its role in establishing the Non-Aligned Movement.

With the end of the Cold War, he said, one might ask, “Is the Non-Aligned Movement still relevant today?” In the present crisis, North-South dialogue, and South-South dialogue, is urgent. “Mr. LaRouche says that the Bretton Woods system must be changed,” he said, “and the Non-Aligned Movement might become a tool to bridge the old system to the new. . . . I think it is an excellent idea.”

The final speaker, Abdullahi Audu Sule, a leader in the Nigerian community in the United States, stressed that African nations suffer from the same economic problems as those of Asia and Ibero-America. He added his voice to the call for a New Bretton Woods, and said that Nigeria must play a leading role in the fight to end the present IMF system.

National News

Workfare in New York is a 'colossal disaster'

Rev. Peter Laarman of New York's Judson Memorial Church told *EIR* on Aug. 6 that the workfare situation today is a "colossal social disaster," in the wake of Mayor Rudolph Giuliani's declaration on July 20 that he will require virtually all adults on welfare to work for their benefits by the year 2000. Laarman works with the Urban Justice Center and its "Workfare Campaign of Resistance." He said that Giuliani's plan "flies in the face of reality here, which is actually that the number of women and children in extreme poverty in New York is still growing, not declining."

Of the 32 public assistance centers, Laarman said, "three or four are now designated job centers and people wear smiley faces. What used to be caseworkers are called financial advisers. What they're really doing, essentially, is denying benefits on an unprecedented scale. You can come in there in desperate need and they'll now say, 'Well, you haven't had your job interview, so we can't help you.' Basically, they've reduced the rate of initial grants from 40% to about 9%."

Since 1995, nearly 400,000 people have been purged from the welfare rolls in New York City. Under the new policy, only the most severely disabled people—some 340,000 adults—will continue to receive cash assistance.

D.C. 'medical marijuana' ballot initiative fails

The Washington, D.C. Board of Elections and Ethics announced on Aug. 5 that a ballot initiative, which would have legalized the distribution of "medical marijuana" in the District, would not appear on the ballot, because sponsors failed to gain enough valid signatures. The initiative was launched by the AIDS activist group Act-Up, and there were early indications that the group was expecting to receive personal financial backing from George Soros.

White House drug policy adviser Gen.

Barry McCaffrey (ret.), in an Aug. 13 press release, described the initiative as "another orchestrated effort to undermine sensible drug control policies designed to keep dangerous substances away from our country's children. The end result of an initiative such as this would be to weaken our science-based approach to safe and effective medicine. . . . This is not the time to use ballot-box ploys to make this drug more readily available. Instead, it is time to pay attention to the science-based information already available about the consequences of marijuana use. Residents of the District of Columbia were wise to reject dangerous policy and confusing rhetoric that made up this ballot initiative."

Robertson evangelizing for Bush-Ashcroft slate

Pat Robertson put in the good word for Texas Gov. George Bush for President, on CNN's "Evans, Novak, Hunt and Shields" broadcast on Aug. 15. "I think George W., as he's called, is a wonderful guy. He's been a good governor. He's coming out with a social and moral agenda that I would applaud, especially for individual responsibility," Robertson said. He proposed a ticket with Bush and Missouri Sen. John Ashcroft, as ideal.

Co-host Robert Novak asked Robertson if Ashcroft is his first choice. "I like John a lot," he replied. "I think he has a message that plays very well in the heartland of America. And if you would pick the way the electoral vote would come down, I think if you can take Ohio and Michigan and Wisconsin and Illinois and Missouri, all those states, plus a good portion of the South and some of the West, I think you've got it in a walk. And I think that's the kind of message that John Ashcroft could deliver."

Earlier in the broadcast, Robertson revealed House Speaker Newt Gingrich's (R-Ga.) role in the British-led "morality wars" against President Clinton. Robertson described President Clinton as "a serial philanderer" and "a liar, who apparently has perjured himself and may well have suborned perjury." Robertson said that he had met Gingrich shortly after the Speaker had spo-

ken with the President: "And he said the President said to him, 'Are you accusing me of lying?' And he said, 'Yes, I am.' And I said, 'You called the President of the United States a liar?' And he said, 'Well, he is.'"

Robertson patted himself on the back for turning Gingrich around, saying that he had instructed the Speaker a few months ago: "Please get moving on these issues. We have a great grassroots movement we have to energize. And if you folks just continue to make nice with Clinton and there's no differentiation, how can we get people to the polls?"

As for morality and truth: *EIR* revealed last year that, between August 1994 and September 1995, Robertson raised funds for "Operation Blessing" to fly medical aid to Africans in the Rwanda/Zaire war zone, which were used instead to ship equipment to Robertson's Zairean diamond-mining concession.

Washington Post howls over McDade-Murtha vote

After a lengthy and deep silence on the McDade-Murtha "Citizens Protection Act," the *Washington Post* published an editorial attack on the bill on Aug. 13, using formulations straight out of the lying propaganda prepared by the Justice Department (DOJ) and its foot soldiers, Newt Gingrich (R-Ga.) and Ed Bethune, FBI Agents Association general counsel.

The *Post* admitted that "the House supported it overwhelmingly as a reform," when it was included in the Justice Department appropriation, but added, "in fact it is a bad idea. In the name of reining in prosecutorial misconduct, the so-called Citizens Protection Act would create a procedural web that is simply incompatible with effective federal law enforcement."

The *Post*—perhaps fearing loss of copy if the DOJ permanent bureaucracy couldn't try its untenable cases in the *Post*'s pages—mouthing the DOJ's complaints that the bill would create an outside review board that would "easily become a roving, unaccountable body meddling in sensitive and continuing law enforcement matters." The editorial

concluded, "Prosecutorial misconduct is a serious problem to which the department cannot be too sensitive. The McDade legislation, however, is deeply flawed. Fortunately, the Senate version of the appropriations bill contains no such provision, so there is a good chance it will be stripped from the legislation in the conference committee. Failing that, President Clinton should consider vetoing the whole package."

Medicare patients' rights vs. HMOs upheld

The U.S. Court of Appeals for the Ninth Circuit has just handed a major victory to Medicare patients who are wrongly denied medical care by their health maintenance organizations (HMOs).

In its Aug. 12 decision, the court ruled that the government must abide by Medicare law and rigorously oversee HMOs, and even terminate their contracts if necessary, in order to uphold the rights of Medicare patients. It states that the Secretary of the Department of Health and Human Services, which oversees Medicare, must guarantee Medicare HMO patients their "due process" rights. The Ninth Circuit's ruling, albeit only applicable to Medicare patients, appears to have set a significantly higher standard than that typically used to judge HMO crimes.

No disability pay for mentally ill, says daily

The *Richmond Times-Dispatch* came up with a novel way to save the budget in its Aug. 10 editorial: deny Social Security disability payments to mental patients who are functional enough to perform low-wage jobs. "Many (most?) psychotics are functional as long as they take medication," wrote the daily's editors. "There is no reason they cannot mop floors or wash dishes to earn a living. . . . Today's jobs may be less physically demanding than at any time in history. How much exertion does it take to sit and type on a keyboard all day?" (The

editors should know.) "Individuals truly disabled by mental illness should be in institutions. . . . The money for their care could be deducted from the \$74 billion doled out annually for disability."

Social Security disability is critical for the seriously or chronically mentally ill. It helps to fund group homes and half-way houses, which, in many cases, is the preferable medium-term solution for people who can no longer live with their families. It also helps to fund affordable housing, which a job washing dishes or mopping floors could not—even assuming that an individual suffering from hallucinations and/or delusions (with or without medication) could consistently perform.

State Dept. suspends Sea Launch project

On July 27, the State Department suspended the international Sea Launch project, to launch Ukrainian Zenit rockets, using a Russian third stage, integrated and controlled by Boeing, from a converted Norwegian Kvaerner oil platform, placed close to the Equator. In the wake of the hysteria over Chinagate, the State Department had concluded that "sensitive" U.S. information was improperly disclosed to Russian and Ukrainian engineers. The project was to be the first launch of a commercial communications satellite from the floating platform scheduled for early next year.

Boeing discovered last year that some security procedures had been lax, and in March disclosed the information to the State Department. Both industry and government officials admit that "all the secret stuff is theirs, not ours," and that the project would have allowed the United States to look into the technical aspects of the Ukrainian Zenit rocket, which was previously the Soviets' SS-18 ballistic missile.

The United States has spent tens of millions of dollars to create civilian work for Russian and Ukrainian engineers and rocket specialists to keep their capabilities intact. Boeing's Tim Dolan was quoted in the *Washington Post* on Aug. 11, that about 10,000 Russian and Ukrainian jobs created through Sea Launch are now threatened.

FEMALE CHAIN GANGS are now picking up trash in Scottsdale, Arizona, courtesy of Maricopa County Sheriff Joe Arpaio, who prides himself as "America's Toughest Sheriff." At the time the chain gang was sighted by an *EIR* reader, the temperature was 118°F. Arpaio says that his female chain gang, the first in America, is "voluntary."

SEVENTY MEXICANS have died this year trying to get into the United States over the border, considered a virtual Berlin Wall since Operation Gatekeeper was put into effect to stem illegal immigration four years ago. Seven of the deaths occurred on Aug. 13. Despite warnings and television announcements, clearly, some consider the risk of dying in the desert less threatening, than dying in a *maquiladora*.

MARGARET THATCHER appeared over the weekend of Aug. 15-16 at several Republican Party fundraisers in Iowa, at the behest of Republican Presidential aspirant Steve Forbes, where she reportedly raised \$500,000 for the Iowa GOP.

NORTHWEST Airlines pilots have set a strike deadline for Aug. 29, after a 30-day cooling-off period, at the same time that the airline has not reached contract agreements with its machinists or flight attendants. Northwest workers had made substantial pay givebacks in order to prevent the airline's bankruptcy in the early 1990s, while its owners had become obscenely rich from the leveraged buyout.

LAROCHE Democrat Larry Freeman, running for Maryland's governor, called on "good Democrats to ensure that Republican candidate Ellen Sauerbrey is resoundingly defeated in November." Freeman was responding to Eileen Rehrman's decision to withdraw as a Democratic contender against incumbent Parris Glendening (D). Rehrman, like Sauerbrey, backs legalized slot machine gambling in Maryland, which is staunchly opposed by Glendening.

Time to end free trade

Tumultuous developments on the international financial front, reported in this issue, show that the tide is beginning to turn against the insane British ideology of free trade. As the world systemic crisis deepens, governments are going to have to re-regulate their economies, if they want to avoid complete collapse.

As Joseph Yam, chief executive of the Hong Kong Monetary Authority, put it in a memorandum on Aug. 19, "Whether we like it or not, governments have a role in protecting the level and employment of their people."

When even the London *Times*, house organ of the British oligarchy, publishes a commentary titled "Kick Speculators Over the Hedge," backing Hong Kong's spectacular strike against the currency speculators, you know that somebody's "paradigm" is shifting.

The Aug. 20 commentary by Graham Searjeant charges that the hedge funds "aimed to destabilize an entire economy for a fast buck." The destruction of the economies of all Asia "is a high price to pay for the freedom to speculate," he writes. "It may yet trigger a world slump." Hong Kong was right to act to defend its currency, but the battle is not over yet. "If Mr. Yam succeeds, Hong Kong should find out who did what, name them, and shame them," Searjeant concludes.

In Hong Kong, it's the nation-state versus the hedge funds, in hand-to-hand combat. More broadly, the People's Republic of China, of which Hong Kong is now a part, is waging a pitched battle to defend the economic achievements of the nation. Confronted with disastrous flooding, the Beijing government is moving to take control of the situation. The *People's Daily* devotes some two-thirds of its daily coverage to decrees and marching orders, aimed to prevent speculation and hoarding, and to rally both soldiers and civilians to deal with this national catastrophe.

Russia, too, has acted on the basis of national sovereignty, taking preliminary action against the currency speculators on Aug. 17, with the imposition of controls on currency and capital, the suspension of payment on certain government bonds, the devaluation of the ruble, and other measures. But there continues to be an all-out battle over the next step, with Prime Minister Sergei

Kiriyenko urging measures by the state to revive the economy and protect the population, and with foreign creditors brandishing threats.

For the efforts at re-regulation to succeed, we require the top-down approach that Lyndon LaRouche has outlined. He has specified a five-point program, to be adopted in the context of a New Bretton Woods conference:

1. Governments must not attempt to bail out the speculators. Let the derivatives market and other paper values collapse: It's only paper! The only necessary action of government on this account, is to protect people, productive enterprise, and useful trade in hard commodities and science-related services.

2. The credit and issued public Treasury debt of national governments must be protected at all costs; otherwise, the necessary measures of economic recovery and growth would not be possible.

3. There must be no mass evictions, or breaks in continuity of operations of essential production and distribution of goods and essential services.

4. The President of the United States must act in concert with other governments, to put the existing financial and monetary system into bankruptcy, and to put a new world monetary system into place. This must echo the highly successful, pre-1959 form of the Bretton Woods agreements, with the proviso that, to replace the bankrupt central banking systems, we require the principles of Hamilton-style national banking.

5. A global recovery program must be adopted to foster immediate recovery in world hard-commodity trade, and to provide an urgently wanted general stimulant for the private economies of the participating nations. The core of such a recovery program is the Eurasian Land-Bridge, creating corridors of high-technology infrastructural and industrial development, with "spiral arms" extending to Africa and the Americas.

Each point of this program is essential, and each is bitterly opposed by the free traders and speculators. They must be politically smashed, with the courage and determination shown by the authorities in Hong Kong on Aug. 14.

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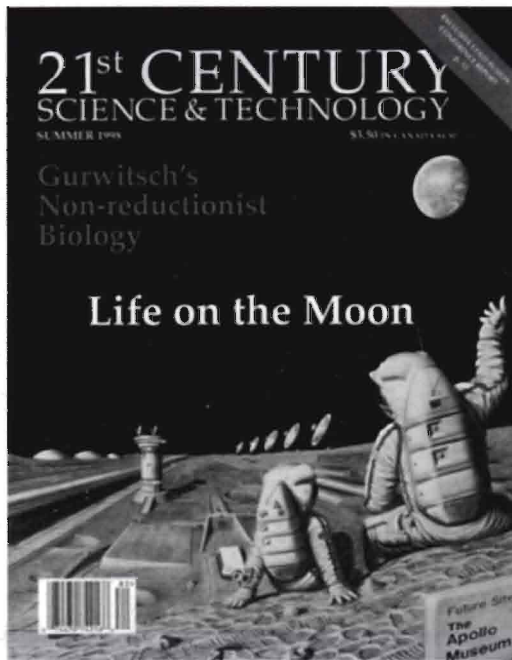
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A student of the great biologist discusses the importance of Gurwitsch's thought and work.

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