

# EIR

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## From the Managing Editor

**O**ur *Feature* this week picks up from *EIR*'s exposé of the media cartel back in January 1997, which documented the pivotal role of the British-controlled news outlets in dictating American opinions. Over the last six months of intensive journalistic assassination efforts against the U.S. President, there has been an increasing realization that the media (“the elite”) represent a viewpoint diametrically opposed to that of the majority of “the people.” But the mind-control has yet to be broken.

A quick comparison of the stories in this issue of *EIR*, for example, with the fare which is included in most of the rest of the mass media, will give you a good idea of how the control is still operating.

Start with the world financial meltdown. This week we are highlighting the vastly underplayed story of the collapse of U.S. mutual funds, upon which untold numbers of pensions funds, colleges, and public entities have gambled their future revenues. Behind that, we review the world financial blowout, and the extremely significant moves toward FDR-style measures which are being mooted by the Primakov government in Russia.

What a contrast with the puff pieces for pumping up the financial bubble again, which are appearing in most of the U.S. media.

Then, look at our coverage of the Middle East summit, which has been going on at Maryland's Wye Plantation over the past nine days, and compare that with other media. By and large, the most significant story around the talks—the Israeli intelligence role in the terrorist incident that interrupted the negotiations—has been blacked out by all English-language media.

Most telling of all, is the fact that most English-language media continue to black out the impressive record, and increasing worldwide recognition of our Founder, Lyndon LaRouche. The cartel hopes that if they don't cover it, you will be intimidated out of acting on the truths which LaRouche, and *EIR*, represent.

A final caution, which our *Feature* draws out: The British-controlled media cartel also, by and large, runs the “alternative” media as well, which is crucial to their overall control of opinion-setting in the United States.

*Ronald Kokinda*

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## Equity mutual fund losses wiping out Americans' savings

by Richard Freeman

In the recent period, Americans opening letters from investment houses informing them about the performance of their mutual funds, stock portfolio, or pension plan, have had shocking news: Instead of the usual monthly gains, they are incurring heavy losses. Indeed, this will increasingly be the case in the months ahead.

The latest example is the reported return of mutual fund equity funds (mutual funds that invest in stocks) for August (the latest available month), which was reported at the end of September by the Investment Company Institute, the mutual fund industry's trade group. As **Figure 1** shows, at the end of July, equity mutual fund-held assets were worth \$2.81 trillion; by the end of August, assets had fallen to \$2.36 trillion. Some \$450 billion in assets—15.9% of the total—vaporized in one month. Of the \$450 billion drop, \$11.2 billion was attributable to the withdrawal by households of money from equity mutual funds; \$439 billion was attributable to the fall in equity values.

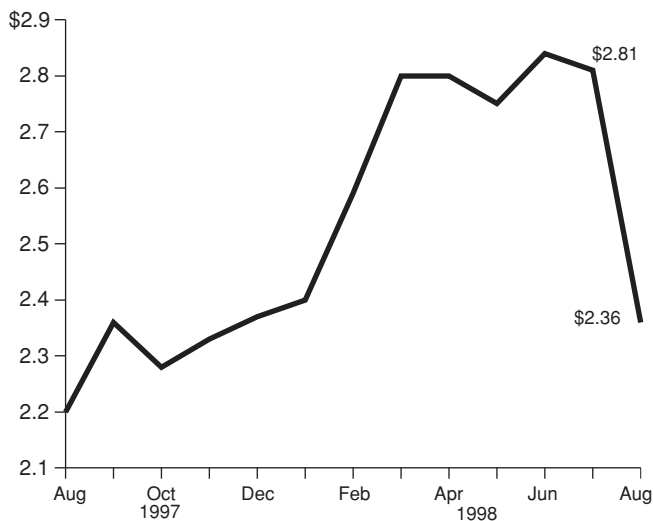
For the 26 million U.S. households that own equity mutual funds the meaning was unmistakable: 15.9% of their holdings had gone up in smoke. In the coming period, as the world financial disintegration accelerates, the conditions exist for the teetering, vastly over-valued U.S. stock market to free-fall again. A repeat of the loss by equity mutual funds of \$450 billion, or even double that—say, nearly \$1 trillion—in a month, is not only possible, but likely.

The effects of the downward spiral in stock values will be devastating, on a scale which the American family has never experienced. A social explosion could ensue.

The American family is vulnerable because it owns such a large amount of stock. Over the course of the last 15 years, American families, drawn in by an orgy of stock speculation built on pyramided leverage, acquired stocks on a large scale, both through direct stock purchase from stockbrokers, as well as through mutual funds, and through the holdings of their

pension and retirement funds. Today, on average, a record 45-50% of the financial assets of the American family, are stock holdings. They accomplished this by going far beyond the normal method of using family savings to pay for stock purchases. Instead, they borrowed heavily: margin loans from brokers; borrowings from credit cards; borrowing against home equity, against the assets in their stock-holding retirement accounts, and so on. They even threw their food and rent money into the market. An unprecedented level of holdings

FIGURE 1  
**Collapse of value of equity mutual funds**  
(trillions \$)



Sources: Investment Company Institute.

means an unprecedented level of exposure.

At the same time, Americans forsook their traditional holdings of bank accounts, certificates of deposit (CDs), and bond ownership, to put their money into the stock market, and became dependent on stock income. Now, retired people, children's education funds, and an increasing share of monthly family expenditures, rely on stock income for survival. This is the very income that will disappear.

Recently, the fall of the stock market received a respite. On Sept. 29 and again on Oct. 15, Federal Reserve Board Chairman Alan Greenspan cut the federal funds rate by one-quarter of a percentage point, so that it ended up on Oct. 15 at 5%. The federal funds rate is the rate at which the Fed can lend 24- to 48-hour money to the banking system. Greenspan made the move in an attempt to provide liquidity to save the collapsing world financial system, which is on the verge of "seizing up," thanks, in part, to the Sept. 23 failure of Long Term Capital Management (LTCM), and the near-insolvency of several American banks. On the day of the second rate cut, Oct. 15, the Dow Jones Industrial Average rose 338 points, and between Sept. 29, the day of the first rate cut, and Oct. 22, the DJIA has risen by 452 points, or 5.6%. But, the Greenspan move is the first step toward a 1921-23 Weimar-style hyperinflation, which will destroy the world financial system. The respite in the Dow Jones will not last long.

We look first at the degree of exposure of American families to the stock market, through pension and retirement funds. Second, we examine the multiple levels of leverage propping up the stock market, which will come unglued through reverse-leveraging, making the overexposure of American families in the market much worse. Finally, we look at some of the large losses so far.

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## Unprecedented exposure to the stock market

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Ownership of stocks through mutual funds is the primary means through which families own stocks.

In 1997, according to the Investment Company Institute, 37.4 million American households owned mutual funds of one kind or another. Since, in 1997, there were 100 million U.S. households, which means that 37.4% of U.S. households owned at least one kind of mutual fund. According to the ICI, 26 million of the 37.4 million U.S. households owning mutual funds, owned an equity mutual fund, i.e., one that invested in stocks. This represented 26% of U.S. households.

(There are three kinds of mutual funds. Aside from equity mutual funds, there are: "bond and income" mutual funds, which invest in corporate, U.S. government, and municipal bonds; and "money market" mutual funds, which invest in a variety of instruments that generally mature in less than one year.)

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TABLE 1

### American families having direct and indirect stock ownership

Year	Percent of all families
1989	31.7%
1992	37.2%
1995	41.1%

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Source: Federal Reserve Board of Governors, Division of Research, "Family Finances in the U.S.: Recent Evidence from the Survey of Consumer Finances," published in January, 1997; *EIR*.

However, in addition to owning stocks through mutual funds, households may own stocks through two other principal methods: purchasing stock directly from a broker, such as Merrill Lynch; or, having a pension or retirement plan that buys stocks directly (retirement or pension plans that buy stocks through mutual funds are counted as part of the mutual fund ownership). In the *Consumer Finance Survey* for 1995 (the Federal Reserve Board of Governors conducts this *Survey* once every three years), the Federal Reserve reported rapid growth in the percent of American families owning stock through all means — mutual funds, directly, etc. — since 1989 (see **Table 1**).

*EIR* estimates that today, 44-45% of American families own stocks through some means. As a basis for comparison, historians have told *EIR* that in 1929, only 7% to 15% of Americans owned stocks.

### Percent of financial assets in stocks

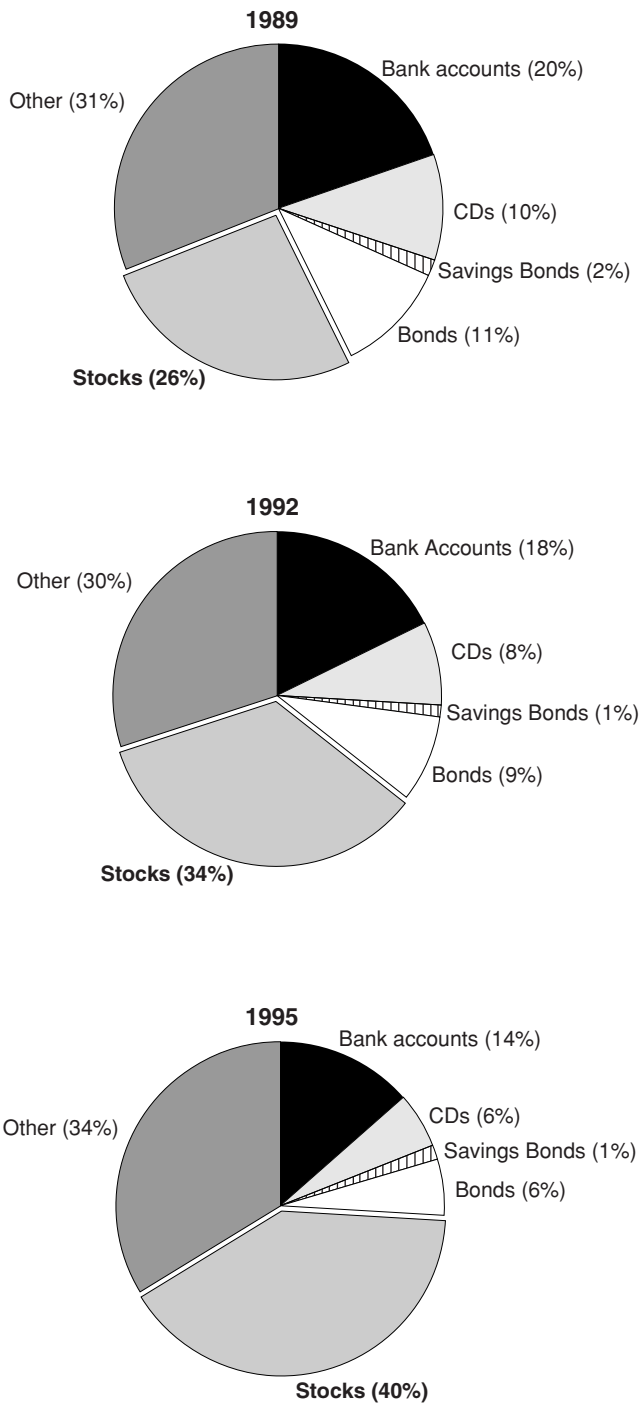
Another way that family exposure to the stock market increased, is in the percent that stocks constitute of a family's total financial assets, which is represented in **Figure 2**. Notice that during the last six years, the complete reversal in financial asset ownership of the average American family. In 1989, stock ownership constituted 26.3% of American families' financial assets, while the category representing ownership of bank checking and savings deposits (19.7%), bank certificates of deposit (10.4%), savings bonds (1.6%), and other bonds (11.0%), collectively constituted 42.7% of families' financial assets. By 1995, this had reversed: Stocks had leapt to 40.4% of families' financial assets, while the other category representing ownership of bank accounts (13.5%), CDs (5.5%), savings bonds (1.4%) and other bonds (5.5%), collectively had dropped to 25.9% of families' financial assets.

It is likely that in 1998, stocks surged to 45-50% of families' total financial assets, an unprecedented level.

It should be noted that while stocks did appreciate in value between 1989 and 1995, accounting for some of their increase as a percentage of family financial assets, during this same period, individuals only barely increased their savings account holdings, and decreased their checking account and CD holdings absolutely. That is, families effectively disinvested

FIGURE 2

**Stocks grow as percent of family financial assets**

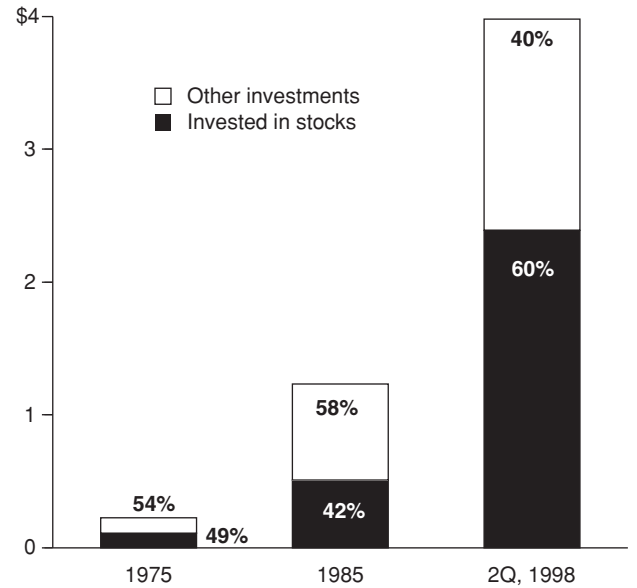


Source: "Family Finances in the U.S.: Recent Evidence From the Survey of Consumer Finances," Federal Reserve Board of Governors, 1997, Nos. 4 and 6.

FIGURE 3

**Private pension assets, showing amount and percentage invested in stocks**

(trillions \$)



away from bank-based accounts and CDs, and holding of bonds, into stocks. While during a financial disintegration, no financial instrument could be considered safe, bank accounts and CDs are relatively safer than the inflated stock bubble. Yet, families moved in the opposite direction.

**Pension and retirement funds**

Parallel to the stock exposure of tens of millions of families, is the stock exposure of the retirement institutions upon which tens of millions of retirees and future retirees depend. Over the years, both private pension funds (mostly those plans that employers have set up for their employees) and state and local government retirement employee funds have dramatically increased their ownership of stocks.

**Figure 3** shows both the amount and percent of private pension fund assets that are invested in stocks. Thus, in 1975, private pension funds held, out of \$225 billion in pension fund assets, \$110 billion, or 49%, in stocks. In the second quarter of 1998, private pension pensions held, out of \$3.982 trillion in assets, \$2.389 trillion, or 60%, in stocks.

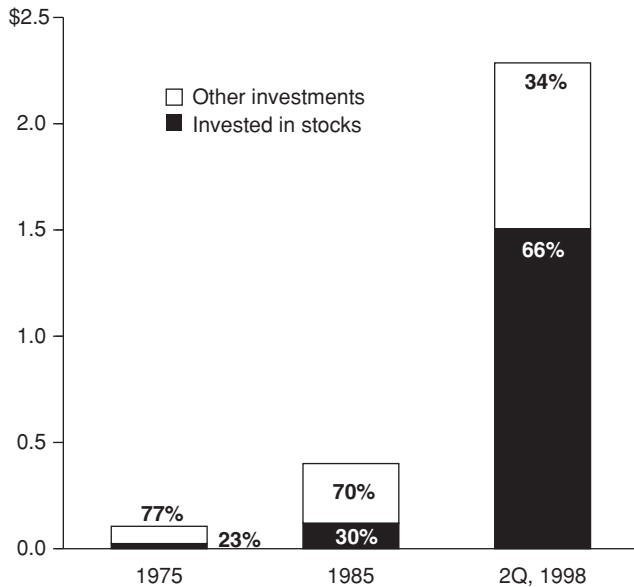
**Figure 4** shows both the amount and percent of state and local government employee retirement fund assets that are invested in stocks. In 1975, state and local government employee retirement funds held, out of a total of \$105 billion in retirement fund assets, \$24 billion, or 23.2%, in stocks. In the second quarter of 1998, state and local government employee retirement funds held, out of a total of \$2.285 trillion in assets,



FIGURE 4

**State and local government retirement assets, showing amount and percentage invested in stocks**

(trillions \$)



\$1.505 trillion, or 65.9%, in stocks.

As an example of what may be in store, take the the government employee retirement program run by the Florida State Board of Administration, which covers about 750,000 public employees, and is one of the biggest in the country. In July, the retirement fund had \$86 billion in assets. In mid-October, it held only \$75 billion. The Oct. 18 *Miami Herald* reported, "In a worst-case scenario, should the stock market collapse and the fund not be able to meet its obligations, the responsibility would fall to the various government entities [counties, municipalities, and districts] whose employees are covered by the fund."

Many Americans block out reality by assuming their retirement nest egg will take care of them. But the fact that pension and retirement funds of all kinds have 60% or more of their funds invested in stocks, means that they stand exposed to another deep plunge in the valuation of the stock market. Those Americans who feel secure, had better think again.

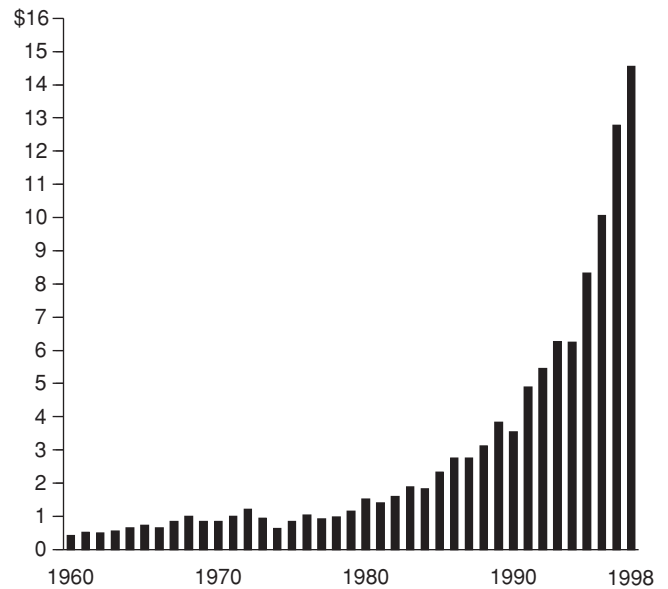
**A bubble based on multiple leverage**

It is easy to forecast that the stock market and its indices—the Dow Jones, Standard & Poors, Russell 2000, and so on—

FIGURE 5

**Capitalization value of all stocks traded on U.S. stock market, 1960-2Q, 1998**

(trillions \$)



Sources: Board of Governors of the Federal Reserve System, "Flow of Funds Accounts, Corporate Equities."

are headed for a much hotter meltdown, with fearful implications for all those with large stock ownership: The truth is that the U.S. "bull market" starting in 1982, and especially since 1990, did not grow because there was growth in the physical U.S. economy. To the contrary: The real U.S. economy has contracted at the rate of about 2% per year, and the stock market's growth is largely fictitious value. The U.S. stock market has been driven to such greatly inflated heights as a result of the greatest infusion of multiply-connected, mutually self-supporting leverage—debt at high gearing ratios—in American history.

We look at the extent of the leverage, and then how the leverage has driven up the fictitious value of the stock market, demonstrating that, since 1990, roughly three-fourths of the market's growth has been fictitious.

Figure 5 shows the U.S. stock market's capitalization (the market value or share price of a U.S. company's stock, times the number of shares outstanding, carried out for all the shares outstanding of all U.S. companies).

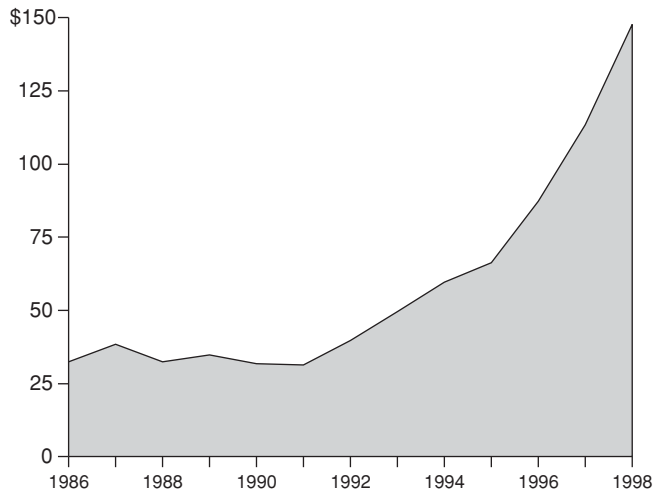
At the end of the second quarter of 1998, the capitalization level stood at \$14.556 trillion, which is greater than the combined Gross Domestic Product of all Third World nations, and represents more than a fivefold increase since the 1987 stock market crash.

Pushing the market up has been three principal types of leverage, which are interconnected:

FIGURE 6

**Margin debt**

(billions \$)

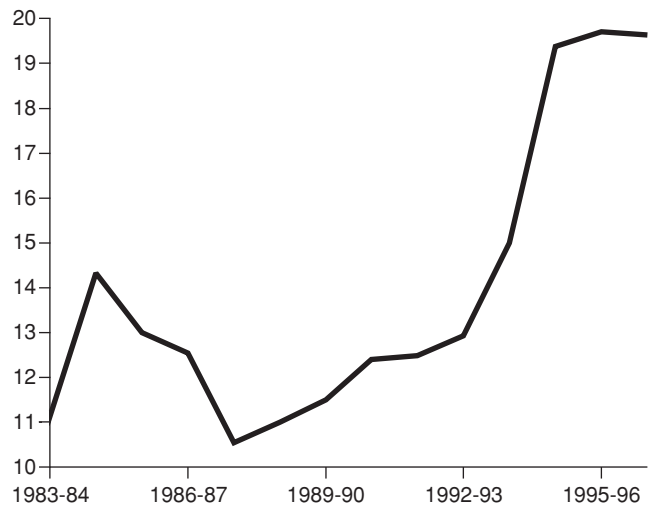


Sources: New York Stock Exchange.

FIGURE 7

**Volume of trading of S&P 500 future contracts, at Chicago Mercantile Exchange**

(millions of contracts)



Source: Commodity Futures Trading Commission, annual reports.

1. *Individual margin debt leverage.* In order to buy, say, \$100,000 worth of stock, an individual may either buy the stock with his own cash or secure a margin loan from a broker. The initial margin requirement on qualified stocks is 50%. That means that the individual can borrow up to 50% of the value of the stock he wishes to purchase through a loan extended to him by a broker. In this case, the individual can borrow a margin loan of \$50,000 to buy the stock in question, and will have to pay the other \$50,000 out of his own cash. In return for the margin loan, the broker may require the investor to pledge, as collateral, an amount of stock equal in value to the margin loan.

**Figure 6** shows that in 1990, the value of broker loans was \$31 billion. By 1995, it had doubled to \$60 billion. By the end of the second quarter of 1998, it had skyrocketed to more than \$147 billion. Raymond DeVoe, Jr., an economist for Legg Mason Wood Walker stockbrokers who has worked on Wall Street since 1949, estimated in a study he released in July 1997 that “the actual level of customers’ margin debt could be at least 2 to 3 times reported level.” The reason is that individuals have borrowed large sums from many sources other than brokers—on credit cards, against home equity, against stock-holding and individual retirement accounts, and so on—to invest in the market.

2. *Leveraged Buy-Outs (LBO).* The Leveraged Buy-Out fund, a big tool on Wall Street, transacts the leveraged buy-out with a considerable sum of leverage-borrowing. For example, let us assume that a firm that specializes in LBOs wants to purchase a company for \$10 billion. It could borrow \$9 billion, and put up only \$1 billion of its own funds, a 10:1

leverage. The LBO frenzy surrounding Michael Milken, pales in comparison with today’s levels. In 1997, there were in the United States alone \$909 billion worth of mergers and acquisitions; a sizable amount of these were carried out through leveraged buy-outs. One means by which an LBO firm can borrow for a takeover is through the issuance of junk bonds (high-yield, high-risk bonds). In 1997, some \$120 billion worth of junk bonds were issued in the United States, the first time more than \$100 billion worth of junk bonds had ever been issued.

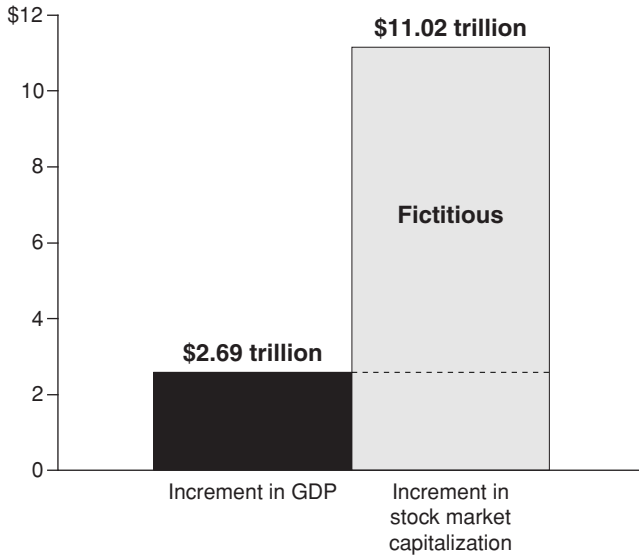
3. *Stock-based derivatives.* Stock-based options and futures, i.e., derivatives, with a leverage that ranges up to 660:1, are the most potentially explosive of the three types of leverage. These derivatives, which were practically nonexistent in the 1970s, have ballooned during the 1990s. These are options and futures taken out against individual stocks, or stock indices like the Standard & Poor 500 index (see **Figure 7**). The purpose of the stock-based options and futures is to both make money, and to manipulate the underlying stocks. Though a single comprehensive figure does not exist, *EIR* estimates that in 1997, about 50 million future and option contracts on stocks and stock indices were traded in America. They would have had a minimum combined value of several trillion dollars.

Each one of these three types of leverage is potentially deadly. Each stock on the stock market may be subject to one or all of these reinforcing types of leverage at the same time. But the same process that pushed up a stock’s value to new highs, can send it spiralling down. When reverse leverage kicks in against this multi-connected, multi-pyramided lever-

FIGURE 8

**1990 to present: increment in stock market capitalization is only 24% covered by increment in GDP**

(trillions \$)



Sources: Department of Commerce, Bureau of Economic Analysis; Federal Reserve Board of Governors, "Flow of Funds Accounts;" *EIR*.

age, broker loans will be called in, or investors will have to dump stocks to meet margin calls; junk bonds will melt down, as companies that issued them will not be able to pay interest costs; and the derivatives bubble of futures and options will collapse. Reverse-leveraging in one sphere will trigger reverse-leveraging in other spheres, because the leverage of all of the spheres is interconnected. This will happen at the same time, and the result will be disintegration.

While most "financial analysts" and media have alleged that the purchase of American stocks by foreigners is the prime reason for the rise in the U.S. stock market over recent years, according to Federal Reserve Board figures, during the second quarter of 1998, foreigners owned only 7.4% of stocks traded on the U.S. stock market. That 7.4% is an important margin, but leaves much of the market's increase to be explained. Only *EIR* has reported on the multiply-connected levels of leverage. The reason that "financial analysts" have not reported on the leverage in a full way, is that, were they to do so, they would have to say that there is almost nothing standing underneath the U.S. stock market.

**Fictitious value swells the stock market**

It is possible to represent through a crucial experiment, the extent to which leverage-driven fictitious value, not economic growth, has propelled the stock market upward, by comparing

the growth of stock market capitalization to that of Gross Domestic Product.

Figure 8 documents that from 1990 to the second quarter of 1998, stock market capitalization rose from \$3.54 trillion to \$14.56 trillion, an increase of \$11.02 trillion. During the same period, GDP rose only \$2.69 trillion.

To arrive at the fictitious valuation, we know that \$2.69 trillion of the \$11.02 trillion increase in the stock market valuation since 1990 is covered by a growth of goods and services (as bad as GDP is as a measure of real goods and services, we will accept it for the moment, for the purpose of this experiment). This, then, means that \$8.33 trillion of the increase is not covered by any growth of goods and services. This \$8.33 trillion, constituting 76% of the \$11.02 trillion, means that 76% of the increase of the stock market's so-called "valuation" since 1990, is hot air. Thus, 76% of the stock market's increase in value — \$3 out of every \$4 — is fictitious.

Further, as economist Lyndon LaRouche and *EIR* have documented, since 1990, the real physical economy, inclusive of unpaid costs to maintain infrastructure, as measured by the energy of the system, has declined at a rate of about 2% per annum. Using this more accurate standard, the entirety of the stock market's increase of valuation since 1990, is purely fictitious.

If the multiple levels of leverage that are propping up the market are knocked out through reverse leverage, then that paper value, whether it is 75% or the entirety of the stock market price increase since 1990, vaporizes.

**Reverse-leveraging**

In the upcoming global phase of financial disintegration, the density of singularities of adverse incidents — derivatives or hedge fund failures, debt defaults, etc. — originating anywhere on the globe, will increase. The danger is that any such incident can set off reverse-leveraging of the stock market.

The U.S. stock market's collapse would either immediately be the trigger for, or have already been triggered by, the reverse-leveraging of the \$140 trillion worldwide derivatives market. The combined effects of the reverse-leveragings would set off the biggest financial meltdown in 650 years.

The most egregiously over-exposed investments would be the first to go, such as those of the Oregon State Treasury Department, which has invested more than \$2.5 billion in highly speculative Kohlberg Kravis Roberts leveraged buy-out funds; or the endowments of Brown, Harvard, Yale, Cornell, and Loyola of Chicago universities, which have currently invested a portion of their monies into hedge funds like LTCM.

But, the reverse-leveraging meltdown would spread with mind-numbing speed to all stockholders. No investment would be exempt.

The 45% of American families that own stocks will quickly learn that the \$450 billion loss in equity mutual fund assets for August, may be repeated many times over.

# Questions raised on LTCM scandal in Italy

by Paolo Raimondi

On Oct. 16, in the middle of the government crisis in Rome, while the leading international speculative financial interests were still attempting to promote the monetarist Carlo Azeglio Ciampi as the new technocratic Prime Minister, Paolo Raimondi, president of the International Civil Rights Movement-Solidarity, the organization associated with Lyndon LaRouche in Italy, demanded an official investigation of Ciampi and others involved in the crash of the Long Term Capital Management (LTCM) hedge fund.

As Italian media have reported, the Ufficio Italiano Cambi (UIC), in charge of monitoring the monetary exchanges, under the control of the Bank of Italy, participated in the LTCM derivatives speculation with at least \$250 million of Italian central bank official reserves. The legal document (*esposto*) submitted by Raimondi has been sent to the state prosecutors' offices of Milan, Rome, and Naples. At the moment, Magistrate Carlo LaSperanza of Rome and Magistrate Antonio Guerriero of Naples are continuing their investigations of George Soros and others for their role in the speculation against the Italian lira in September 1992, investigations also solicited by Raimondi.

## Damning evidence

The documentation reports a number of points proving the responsibility of Ciampi; Mario Draghi, general director of the Treasury Ministry; and Alberto Giovannini, manager of the LTCM hedge fund, in the illegal speculation.

1. Pierantonio Ciampicali, director of the UIC, confirmed in public statements that UIC has acted as a strategic partner with LTCM since 1994. The UIC board which approved the operation in 1994 included: Antonio Fazio, at the time recently appointed governor of the Bank of Italy; Lamberto Dini, then general director of the central bank, and later Finance Minister; Draghi; and others.

2. Draghi, as general director of the Treasury Ministry, has led the efforts on behalf of the privatization and globalization operations which have wrecked the Italian economy. He was the leading actor promoting the total privatization of the Italian state-controlled companies in the famous meeting organized by the bankers of the City of London on Queen Elizabeth II's yacht *Britannia* on June 2, 1992, in the Tyrranean Sea. The event was followed by heavy Soros-led speculative

attacks on the lira which provoked a massive devaluation, making the privatization fantastically profitable for the City of London and other speculators.

3. Ciampi was the governor of the Bank of Italy in 1992, and later Prime Minister and Treasury Minister, i.e., in positions where he personally made the decisions giving the green light to UIC for the LTCM operations.

4. Alberto Giovannini, manager of the LTCM, has been presented by the press, such as the leading economic daily *Il Sole 24 Ore*, as one of the best-known of "Draghi's boys" who participated in the Treasury committee for the privatization policy. Today, he is president of the so-called "Giovannini Group," created by the European Commission for the euro project.

5. According to *Il Sole 24 Ore*, LTCM has accumulated positions for the equivalent of \$50 billion in Italian Treasury bonds, to speculate on the process of convergence of European interest rates. According to the international magazine *Institutional Investor*, as reported by the Italian daily *Corriere della Sera* of Oct. 11, LTCM was heavily involved in arbitrages on Italian state bonds. *Corriere* reported: "In that period the interest rate of the state bond was 1% higher than the rate to be paid for operations on the lira on the European markets. The difference was primarily due to a special tax imposed on foreign investors in Italy. LTCM found a system to make profit on the difference, buying liras on the European markets and using an Italian strawman to operate in Italy."

## A 'fortunate coincidence'

According to *Institutional Investor*, to make the operation particularly profitable—it is said for some thousands of billions of lira (billions of dollars)—a fortunate coincidence occurred: The Italian government decided to abolish the special tax, producing a big profit for those in possession of state bonds, LTCM included.

6. Ending the tax was decided by the Treasury Ministry of Ciampi, with a special promotional role for the idea played by Draghi.

So, the circle is closed. On the basis of this evidence, Raimondi asked to see whether the behavior of Ciampi, Draghi, and Giovannini violated a number of laws of the penal code, including Article 501 on insider trading, and Article 30 on overstepping authority.

Following the presentation of the *esposto*, the Movement issued a press release demanding that everyone, starting with Ciampi, involved in the LTCM speculation be barred from holding any government positions. On Oct. 18, a number of press, including the daily *Il Secolo d'Italia*, the organ of the conservative opposition National Alliance party, gave prominent coverage to the Movement's initiative, and endorsed the demand to bar those involved from any political post. It is expected that in the coming days, parliamentary inquiries on the case will be presented on the floor of the Senate and the Chamber of Deputies.

# Russian government, industry look to lessons of 'Mittelstand,' New Deal

by Rachel Douglas

Prime Minister “Yevgeni-Primakov—who-has-been-slow-coming-up-with-a-plan-to-revive-the-economy,” the Russian head of government is now called in the wire agencies’ word-processing ID format lists. His speeches of Oct. 14 to the Federation Council and Oct. 20 before a conference of the Russian Union of Industrialists and Entrepreneurs (RUIE) have been scantily reported, although in them Primakov both updated his government’s emergency measures to deal with food and energy supplies, and opened a window on his thinking about how to spark growth in the real economy.

Primakov’s remarks to the RUIE featured an emphasis, new for Russian economic policy discussions of recent years, on the importance of small- and medium-sized technologically innovative companies as the motor for economic growth. The key function of this layer of productive industry, called in German the *Mittelstand*, has also been grossly neglected under post-industrial policy dogmas in the West during the past 30 years. As the “machine-tool principle,” it is central to the Schiller Institute’s call for a New Bretton Woods proposal, circulating internationally since January of last year.

First Deputy Premier Yuri Maslyukov reiterated the Russian government’s order of priorities, speaking at a press conference on Oct. 21: “We must first solve the urgent tasks, achieve stabilization, survive winter, prevent hunger, and only then work out the necessary medium-term program.” Maslyukov was also conducting negotiations with an International Monetary Fund (IMF) delegation, but the fourth-quarter state budget draft does not assume disbursement of IMF funds.

At the RUIE conference, Primakov reviewed the emergency action areas: 1) payment of state-sector wages and pensions has been resumed; 2) dealing with “the crisis of food supply,” by reduction of taxes, creation of an emergency food reserve, lowering of customs duties on a list of critical imports, reduction of rail fees for shipping of fruits and vegetables, and payment-in-kind deals for debts owed Russia by Ukraine and Belarus; and 3) revival of the banking system, which has been almost non-functional since the liquidity crisis of mid-August.

On Oct. 21, the Central Bank announced the plan for Russian banks. They are divided into four groups. Eight-hundred and sixty-two banks are deemed able to survive without assistance, or with temporary restrictions on some risky opera-

tions, in the case of a segment of this group that is less sound. The second class of 398 banks consists of relatively sound regional banks with large branch networks, which are to have Central Bank participation and Central Bank-appointed managers for a period of three years; they are to take over the functions of bankrupt regional banks and work chiefly in the issue of credits to industry, trade, small businesses, and households. Fifteen major banks, the third group, are dead on their feet, but will be restructured under Central Bank guidance, because their demise would be too injurious to society. A last group, comprising 275 insolvent banks, will be liquidated during the first six months of 1999.

## The real sector

The fourth policy area addressed by Primakov, he said might as well have come first: “galvanizing the real sector of the economy into action.” He reviewed previously announced measures, such as the settlement of mutual debts of companies by offsets—with centralized routing through the Treasury, to reduce fraud. In the past, Primakov said, 40% of mutual settlements or offset transactions “leaked” into the hands of commercial banks.

Imported equipment, impounded at customs for want of payment of the duties, is being released, with rescheduling of the customs payments onto an installment plan.

Primakov then elaborated on his government’s “fundamental line, promoting the real sector of the economy.” The privatization of industry that was done, under a theory of reform whereby “we should give ourselves to the mercy of the market and the market will put everything in place and solve all problems,” was false and a failure, he said. Privatization should not have been done for fiscal, revenue-raising purposes alone, or “for the selfish interests of a small group of people,” but as “a means of increasing efficiency, attracting investments, creating new jobs, and enhancing the competitiveness of products.”

The need to promote development of a *Mittelstand*, Primakov presented in opposition to either asset-stripping of industrial enterprises, or—what he and Maslyukov have been accused of by radical free-market ideologues at home and abroad—throwing money into obsolete facilities to save them. “Most enterprises facing bankruptcy,” he suggested, “should be either leased or given to experienced managers,

selected on a competitive basis. . . . But look at what is happening now. The most valuable assets are removed from such enterprises: machine tools, computers, premises are leased and workers are thrown into the street. We will stop such anti-social actions. . . .

“Naturally, the government will support domestic producers with a whole range of customs, tax, depreciation, and investment measures. Experience demonstrates, however, that monetary injections do not bring about economic growth, the production of competitive goods. This is our chief objective. This is the kind of growth we need, not the multiplication of old technologies.

“*World experience proves that the innovation basis for economic growth is largely created by so-called ventures, i.e., mostly small and medium businesses which specialize in addressing concrete scientific and technical problems. One should give thought to promoting such dynamic forms of business in this country as well.* Otherwise, permanent protectionism, in the final analysis, strikes a blow against the domestic producer. . . . The government intends to attract foreign investors, while shifting the emphasis to direct investments.”

### Volsky cites New Deal schedule

From the platform of his RUIE, an association that groups leaders of surviving industries from the Soviet period as well as other business figures, Arkadi Volsky has kept up a stream of criticisms of IMF policies for Russia since the early 1990s. Five years ago, he attempted to build a political force called the Civic Union. After Primakov spoke on the morning of Oct. 20 and departed for a meeting with President Boris Yeltsin, Volsky addressed his membership with a renewed denunciation of the IMF’s record, and urging that Franklin Delano Roosevelt’s New Deal was a better Western model to follow.

“Academician [Leonid] Abalkin recently joked bitterly,” noted Volsky, “that the world’s leading power had been enfeebled by previous governments. Equally dangerous, is the fact that instead of salvaging and developing Russian industry and agriculture, the country has been consistently turned into a supplier of raw materials. It has lost traditional markets and became seriously import-dependent.”

Volsky raised the prospect that Russian firms, barring new debt restructuring agreements, may default after the Aug. 17 ninety-day moratorium on private foreign debt payments expires in mid-November, or there could even be state bankruptcy. Nonetheless, he said, “many credit terms put forth by the IMF—further cuts in government spending, reorganization of the natural monopolies, accelerated privatization, creation of a land market—are unacceptable to Russia under present circumstances.” Volsky proposed to seek “at all levels—government, commercial, and banking—a deferment of the payment of principal of sovereign debts by at least 5-10 years.”

“Tough anti-crisis measures,” said Volsky, are not to be feared. As an example, he urged, “take the Great Depression in the U.S. They passed a set of laws—and they did this, by

the way, in a matter of 20 days; I note this for the benefit of our State Duma [lower house of Parliament]—including an emergency law on banking, a law on economy, a federal law on emergency assistance, a law on the reconstruction of agricultural production, a law on honesty in exchange transactions and securities trading, a federal law on the reconstruction and restoration of industry, and—remember this one—a ‘Buy American’ law. . . . If we want to learn something from the Americans, we should learn state regulation of the market, rather than the Harvard school of monetarism.”

## LaRouche ‘action program’ published in Moscow

by Rachel Douglas

The Russian weekly *Ekonomicheskaya Gazeta* of Oct. 15, excerpted the action program for “emergency world reorganization,” written by Lyndon H. LaRouche, Jr. and published in *EIR* of Oct. 9. The publication was contained within a report by Prof. Taras Muranivsky, on an economics conference held one week earlier.

Muranivsky wrote, “The now more than a year-long world financial crisis was the topic of discussion at an international seminar, held Oct. 8 by leaders of regular seminars from three institutes—the Institute of Comparative Political Studies, Russian Academy of Sciences (G.G. Pirogov), FIAN (D.S. Chernavsky), and the Schiller Institute for Science and Culture (T.V. Muranivsky).

“At the center of attention were the concepts of several contemporary foreign scholars and leaders of state, for overcoming the current crisis. G.G. Pirogov explored problems of the aggravated crisis in Japan, where the question of nationalizing some bankrupt banks and companies has been raised as one measure that can be taken. A comparative analysis of Domingo Cavallo’s ‘currency board’ in Argentina and the ‘currency controls’ of Mahathir bin Mohamad in Malaysia, was presented by T.V. Muranivsky on the basis of materials, some of which have been published in *EG*.”

In the Russian press, as in some places in Ibero-America, the “currency board” scheme, resurrected from British imperial practice and constituting a surrender of sovereignty to foreign interests, who acquire veto power over credit-creation in the victim country, has been jumbled together with exchange controls and other state regulatory measures, under the single, undifferentiated heading of “re-regulation.” Professor Muranivsky’s report addressed the disorientation that might result from such publications.

The *Ekonomicheskaya Gazeta* article continued: “Jona-

than Tennenbaum, a scholar from the U.S. who heads the scientific research of the Schiller Institute in Germany, reported on the evaluation of the current world crisis by the well-known American economist Lyndon LaRouche, founder of the new scientific tendency called physical economy.

“In connection with the further deterioration of the world financial crisis in late September and early October, Lyndon LaRouche circulated three personal memoranda, arguing for the necessity of emergency reorganization on a world scale. In the memorandum, ‘What Each Among All Nations Must Do Now,’ he observed that all countries are currently burdened by ‘derivatives’ and kindred, fictitious financial instruments, with a nominal value of more than \$100 trillion. Unless that mass of fictitious claims is wiped off the books, very soon the result will be an economic catastrophe, unprecedented in world history—the total, and chaotic destruction of public and private financial assets and monetary systems.

“LaRouche harshly criticizes the so-called ‘crisis management’ and ‘playing by the rules,’ proposed by various financiers, which he believes will ruin entire countries.

“As a way out of the crisis, he proposes an ‘action program,’ containing ‘directives’ of a certain type, comparable to ‘the tactic for execution of a combat mission’ (*Auftrags-taktik*). This makes it possible to avoid quibbling over supra-national structures, and to proceed quickly to success.”

### LaRouche’s eight points

The *Ekonomicheskaya Gazeta* article then quoted the eight points of LaRouche’s memorandum, as well as the three

leading considerations, enumerated under “The principle of emergency action” (*EIR*, Oct. 9, pp. 5-6).

“The general directives, put forward by LaRouche in his ‘program,’ define actions that can be taken unilaterally by sovereign nations. He proposes first to establish, ‘pragmatically,’ some relative values for currencies, referencing their prices prior to what the hedge-funds and other financial pirates unleashed during 1997. Next, to set up international projects and lines of credit, for increasingly large-scale movement into physical-economic forms of growth, in basic economic infrastructure, agriculture, manufacturing, and the transfer of high-technology capital into relatively less-developed regions. The methods which the Franklin Roosevelt administration copied from the U.S. economic expansion of 1861-1876, provide the model of reference sufficient for this purpose. Another excellent model for comparison is the Kreditanstalt für Wiederaufbau in Germany, in the period of post-war economic reconstruction. . . .

“His analysis of the causes of the crisis, rooted in erroneous state economic policy, has brought Lyndon LaRouche to his idea of the necessity for a ‘combat mission’ orientation. . . . This approach is especially important for solving difficult economic tasks, especially under conditions of continuous and ever more acute world financial crisis.”

The Oct. 8 issue of *Ekonomicheskaya Gazeta*, which was available for circulation the day of the seminar, carried Muravinsky’s skewering of former Argentina Minister of Finance Domingo Cavallo, promoter of the “currency board” model, and recent guest in Moscow.

## Georgian political figure urges Clinton to appoint LaRouche

*Dr. Vakhtang Goguadze, former Speaker of the Parliament of Georgia, on Oct. 21 released his Open Letter to the President of the United States, Bill Clinton. The text follows:*

Greetings from Georgia, which in the past was so distant, but today is rather close to you. We regret that our decades-long expectations about the American image have not been altogether fulfilled. We may say bluntly, that our tendency is not very desirable for the U.S. We would like to develop a more open and moral policy.

I, personally, and many of my compatriots are impressed by the philosophy and economic theory of Mr. Lyndon LaRouche, the well-known U.S. political figure

and scientist, who is deeply respected in Georgian society. Glory and Honor to such Americans.

I should say that his insightfulness and analytical approach in politics, culture, and economics, taken together, are no accident, and this is borne out in practice. He is not one of those political thinkers, who confuse wishes with reality. His trenchant forecasts about the world financial crisis are by no means based on some merely empirical or narrowly economic analysis. His negative attitude toward pop-culture and his concept of the necessary healing and intellectual renewal of society provide some prospect for the preservation and development of American prestige, on the propaganda of which the superpower spends so many billions of dollars.

We think it would be beneficial both for the U.S. and for the new friends of the U.S., to propose to you to invite Mr. Lyndon LaRouche as your economic adviser.

[Signed]

Vakhtang Goguadze  
former Speaker of Parliament,  
Member of Parliament of Georgia,  
Doctor of Philosophy, Professor

# Japan's policymaking takes positive turn

by Our Special Correspondent

The infernal paradox of the Japanese situation continues to confound nearly everyone. Japanese banks are almost in technical insolvency, corporate bankruptcies are at an all-time high, and the real economy is sinking precipitously. Ironically, were the Japanese prepared to adopt the approach on reorganizing their financial system recommended by *EIR* Founder Lyndon LaRouche (see "Save Japan! Not Banks!" *EIR*, Oct. 2), this problem could be solved rather quickly. However, Japan has decided to take certain measures on their bad bank debt that, although inadequate for addressing these fundamental problems, do represent a sign of increasing confidence on the part of all Japanese institutions. A new version of the expanded "rescue and reform" package was finally passed by the Japanese Diet (Parliament), in which \$550 billion was allocated to protect depositors, help insolvent banks, and provide liquidity for credit-starved banks that are burdened with bad debt.

The shift in confidence is reflected in the ongoing effort to aid a devastated Asia and take on more global responsibility for the current crisis. Led by the Ministry of Finance, the Japanese have proposed a \$30 billion package for Asian countries devastated by the crisis, and have given critical support for instituting capital and foreign exchange controls. As the International Monetary Fund's (IMF) approach to the crisis has become increasingly discredited, and the Group of Seven (G-7) nations have failed to act on the deepening depression, the Japanese have begun moving in a positive direction.

## A quiet U.S. shift

With limited U.S. support, the first phase of Japan's renewed efforts began on Oct. 3, when Finance Minister Kiichi Miyazawa announced the \$30 billion aid package just prior to the IMF meeting. It was only a year ago that Japan's Vice Minister of Finance for International Affairs, Eisuke Sakakibara, proposed an Asian Monetary Fund to aid the Asian economies. At that time, the IMF and its director, Michel Camdessus, reacted aggressively against that proposal, and they received U.S. backing. The idea of an Asian Monetary Fund was buried.

With events now overtaking the IMF, the United States has quietly shifted its support to the Japanese. Reacting negatively to these developments were the rest of the G-7

central bankers, who are desperately trying to get Japan to support the new European single currency, the euro. The European Central Bank, which went into operation last June, was hoping to convince not only Japan but also China that shifting to the euro would protect them from the fate of the rest of Asia, and to get Japan, in particular, to dump its dollar holdings.

However, for now the Japanese have ignored the European appeal, and it appears that the \$30 billion plan will aid those countries in desperate need. The Japanese are also signalling that they are prepared to expand that package. At a Tokyo conference, Sakakibara said, "Lessening the impact of the credit crunch on Asia is of critical importance. . . . It is necessary to increase that amount." The package includes loan guarantees and interest-rate subsidies targeted at some of the hardest-hit countries, including Indonesia, South Korea, Malaysia, and Thailand. Of the total, \$15 billion will be used for medium- to long-term financial needs to promote an economic recovery. In addition, earlier in October the Export-Import Bank of Japan signed a memorandum of understanding with South Korea's Ministry of Finance and Economy for \$3 billion in loans.

This important, albeit limited, step on the part of Japan clearly demonstrates that the Japanese recognize the danger of a global collapse. And, as Sakakibara commented, "If Japan collapses, it can't help Asian countries. We are at a turning point of our times. Japan and the rest of the world are faced with the worst crisis since the end of World War II. Asia must support the world economy. It is very important for Japan and Asia, which faced the crisis in the first place . . . [to] create a structure to support the global economy."

What has enabled Japan to move on this front is the fact that the Japanese still have the largest foreign currency reserves, and it remains the world's largest creditor. Its reserves totalled \$212 billion as of September 1998. Moreover, several top Japanese officials in both the government and private sector have openly supported the moves by Malaysia to impose capital controls in order to stem the speculative attacks by hedge funds.

Takashi Hosomi, chairman of Nippon Life Insurance Research Institute, strongly endorsed the moves to curtail short-term capital flows. "The ultimate solution to the problem of impulsive capital flows is to cut off the supply of capital that is floating capriciously around the world," he said. Hosomi and others have been highly critical of the IMF's proposal for surveillance of hedge funds as completely inadequate, because these funds and their banking allies that finance hedge funds operate at a high level of secrecy which makes surveillance practically impossible.

## Japan says, 'No' to short-selling

As part of the reaction to the fact that the current global financial system is out of control, Japanese institutions have legislated additional steps on stopping what is known in the



market as “short-selling.” Short-selling is a speculative technique where investors buy a stock at a price in advance, betting that the price will drop, and then cashing in when the price does drop. Now the Japanese government wants to tighten the screws especially on short-selling speculators who manipulate the market by spreading rumors that cause the price of a specific stock to drop. This technique was used by foreign investors on the Tokyo Stock Exchange, who targetted already fragile Japanese bank stocks, using rumors to ensure that their short-selling position came about. In effect, the Japanese, even if they wanted to reorganize their banking system in an orderly fashion, could not do so under the constant threat of speculative short-selling techniques.

Notwithstanding the short-selling, rumor-mongering, and other psychological warfare techniques, the Japanese banks are still in deep trouble and the real economy is hurting badly. Top Japanese banks are seeing their credit ratings downgraded, and corporate bankruptcies are at an all-time high. Most significant, the benchmark of the physical economy, machine-tool production, fell 16.3% in September compared to last year. Japanese machine-tool makers received fewer orders for the seventh straight month as manufacturing cut capital spending in the midst of the “deepest recession” in more than 50 years, according to figures released by the Japan Machine Tool Builders Association. In fact, domestic machine-tool orders for the same time period dropped 34.3%.

### A New Bretton Woods

High-level Washington sources have told *EIR* that there is an ongoing debate behind the scenes about the future architecture of the global monetary system. Essentially, there are two U.S. groupings who are battling it out on the issue of a New Bretton Woods system. The first group generally agrees with LaRouche that a new system is needed before there is a complete collapse. The other group believes that tinkering with the system could itself lead to a blowout of the financial system. Reportedly, Federal Reserve Bank Chairman Alan Greenspan is deathly afraid that any radical measures against hedge funds and their banking supporters would trigger a collapse, and therefore wants to keep the present system alive.

Part of this debate also centers on the role of Japan. In this regard, many Clinton administration figures and bureaucrats believe that a Japanese-led recovery of Asia could begin to turn around the global economy. Although this group sometimes disagrees with Greenspan, they believe that any radical restructuring along the lines of a New Bretton Woods would be dangerous. The grouping that supports a New Bretton Woods believes that what the Japanese are trying to do is too little, too late to stem the inevitable. They would like to see a New Bretton Woods conference held, so that a new global monetary system could be established before the inevitable occurs.

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## Interview: Chalmers Johnson

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# IMF, Federal Reserve discredited in Japan

*Chalmers Johnson is a professor at the University of California at San Diego. He is an “Asia hand” who has been a strong critic of Japan and of U.S. Asia policy. While his views represent a faction of the U.S. establishment, he is accurately reflecting the thinking behind the current policy debate in Japan. He was interviewed by Kathy Wolfe on Oct. 2.*

**EIR:** What will happen to Japanese banks after the failure of Long Term Capital Management (LTCM)? And, what is your view of Finance Minister Kiichi Miyazawa’s statements on exchange controls and the \$30 billion Asia fund?

**Johnson:** Miyazawa’s \$30 billion fund is the most important thing that has happened in Asia in a year. He is resurrecting the Asian Monetary Fund [AMF]; Ministry of Finance officials have been quoted in the Japanese-language press this week explicitly saying that East Asian currencies will no longer be allowed to collapse, and that this money and more will be used to see to that. Japan’s actions on this, and their careful raising of the subject of exchange controls, go straight with [Malaysian Prime Minister Dr.] Mahathir: They both have general contempt for globalization, and are making a sort of declaration of independence against the IMF [International Monetary Fund] and globalization. They are tired of the IMF running Asia into the ground.

Two major recent events, the crack-up of Russia and the LTCM bailout in New York, have shown the IMF and the Fed [U.S. Federal Reserve] to be total and complete failures. Globalization and the new world order, or whatever they call it this week, just died; it’s deader than a doornail. The Japanese elites are increasingly concerned that the IMF, the Fed, and the Americans don’t know what the hell they are doing with the global financial system, and thinking, “We’ve got to somehow protect Asia from the coming disaster.” They are preparing for a global crash which lets the air out of the lone superpower, coming fairly quickly.

The Japanese tried to stop the Asia crisis a year ago by proposing the AMF, but Larry Summers killed the AMF and put down [Vice Minister for International Financial Affairs Eisuke] Sakakibara last November. Sakakibara told Summers, “Well, so you turn it over to the IMF—the IMF won’t be able to handle it.” And now everyone agrees that Sakakibara was right and Summers was wrong.

What's more, in Miyazawa's press conference where he made the \$30 billion offer—this is being blacked out of the English-language press—he also said he is collaborating with the Chinese, and wants to get them to put more money into the fund. And, as you know, the Chinese, as well as Japan also, have more than \$200 billion in foreign reserves now.

Most of the money will be used to save Indonesia, immediately. The IMF has made a royal mess there, destroyed the place completely, and the Japanese and Chinese are furious about it. The infrastructure which the Chinese-Indonesians built up over 30 years has been totally destroyed, and it will take years to rebuild it; without them, Indonesia has no banking system. The IMF and Fed go on talking about “crony capitalism,” and then we see who the real cronies are in the LTCM mess with the Fed [bailout]. David Sanger today in the *New York Times* points out that one thing wrong with the IMF, is it's run by U.S. PhDs who have no idea of Asian or other foreign cultures. Now the LTCM bailout has only made this really obvious—how stupid and how incompetent the PhDs are.

Another reason this is a breaking point: Japan has now realized that they can't export to the United States as their way out of a crisis of this magnitude. Greenspan is totally discredited by the hedge fund crisis; for a man to call for the end of crony capitalism, more transparency, and now this—Japan now totally believes this guy doesn't know what he's doing! The Japanese are very famous for their stoicism and ability to be patient under the yoke of things like globalization, but when others don't also take their licks, they are quicker to explode at the unfairness of that than anyone. And now, here comes the Fed, cheating on everyone.

**EIR:** You've mentioned Japan, Malaysia, China, and Indonesia all together. Are you saying that the Asian nations expect a global crash and are desperately planning some sort of Asian perimeter economic defense mechanism?

**Johnson:** Yes. China has got the market, Malaysia and Indonesia have the raw materials, Japan is still the richest nation in the world—just add it up. The Chinese have been delighted about this Miyazawa proposal. From the day the financial crisis began, the Chinese have realized that they were the potential victors of this, in that it would discredit the IMF and the globalization people in Asia.

There's no problem with investor confidence in Malaysia by Japanese investors! They are perfectly happy with what Mahathir has done. Suharto fought in the Japanese Army, against the Dutch, and some of these people are real old-time anti-colonialists.

Most of the \$30 billion will go to Indonesia, and it will go directly toward trade. By not frontally confronting the IMF this time, the Japanese can just go at it and not get into doctrinaire confrontation.

But, Miyazawa has made it clear that his commitment is not to “economic reform” à la IMF/Russia, but to solvency and restarting the economy. There is unanimity in Japan today that the Asia crisis was not caused by crony capitalism; it was caused by newly rich countries like [South] Korea and Thailand following lousy Western advice to deregulate precipitously without understanding what they were doing, and then borrowing huge amounts of hot money without understanding what they are doing. They believe Korea should never have gotten rid of their Economic Planning Board.

**EIR:** You would put this together with the recent proposal by Japan's ambassador to Korea for a free-trade zone between the countries?

**Johnson:** Of course. Globalization just bit the dust. The Japanese papers, both the left, e.g., *Asahi*, and the right, e.g., *Yomiuri*, all reported this week that this was Miyazawa's way of saying that we have no more interest in what Summers and Greenspan have to say—LTCM discredits their talk about crony capitalism—and it's our time to declare independence. This \$30 billion will not go to finance U.S. Treasury debt.

[This is] yet another reason why the new U.S.-Japan defense guidelines are not going down well in Tokyo, aside from the negative Chinese reaction.

**EIR:** The famous 1997 Clinton-Hashimoto joint defense agreements?

**Johnson:** Yes; they will never be ratified. The agreement is stuck in both houses of the Diet [Japan's Parliament]. Do you remember Prime Minister [Morihiro] Hosokawa? He's not some playboy; he's a member of the elites. He keeps publishing essays on this.

**EIR:** Isn't he the grandson of Prince Konoe?

**Johnson:** Yes, the old Fujiwara clan. Hosokawa's views reflect not just a rich playboy, but the noble families, the elite of Japan. The elites are increasingly concerned that the Americans don't know what they are doing with the global financial system, and are thinking, “We've got to distance ourselves.”

**EIR:** I mention Konoe because you mentioned China, Malaysia, Indonesia, and Korea all in on this. These days, with China and the others, the Japanese wouldn't have to “strike south” to put together a market and a source of raw materials.

**Johnson:** Sure. These are the people who sent the Emperor to China, and the Gaimusho [Foreign Ministry] is doing everything possible to advance relations with China. There's no so-called China threat. They believe in fact China is moving in a peaceful direction. That's why neither of the Diet houses will pass the Clinton-Hashimoto defense guidelines. They've given the key Diet committee on Okinawa

to be run by a communist, and so, forget it. Actually, the JCP [Japanese Communist Party] is very interesting, too; they're controlled by another section of the elite.

**EIR:** But won't Japan blow up if they don't solve their own banking disaster? And won't there be a social explosion if they give taxpayer money to bail out the banks?

**Johnson:** Yes, that's why they're going to nationalize the banks, as they announced finally some of the legislation today.

**EIR:** They're going to have the government bail them out, like the U.S. Resolution Trust Corp. (RTC)? Or, real nationalization?

**Johnson:** One, nationalization Japan-style. LTCB [Long-Term Credit Bank], Fuji, and a half-dozen more banks will be nationalized, and they will send in the Ministry of Finance. They will fire the private-sector bankers, sell any good assets, and put the banks under state management. The real sticking point of the Japanese public is *not* that they don't trust the Ministry of Finance; it's that they don't trust the damn private banks. The Ministry of Finance can stay in power because they are the champions of the graying Japanese population, which does not want to get everyone into debt with fiscal stimulation; this is far more popular than Washington's view, to spend and consume.

**EIR:** I thought that the Ministry of Finance was scandalized, and is now being replaced by this new banking commission.

**Johnson:** That's for *gaijin* [round-eye] consumption. The Ministry of Finance has made some serious mistakes, but they have survived all the scandals. They handled it the usual way: two suicides, fired the Finance Minister, and got new ones. But, it didn't affect the power of the Ministry of Finance one iota. One friend told me recently, "We're not going to abolish the Ministry of Finance and turn it over to the most corrupt parliament on earth, any more than you are going to abolish the U.S. Navy because of corruption. Our job is to reinvigorate the Ministry of Finance." That is the genuine Japanese elite thinking on this subject. The Ministry of Finance remains the best intrinsic meritocracy the society can produce.

Two, once they've fired enough private bankers, the Ministry of Finance will announce that all depositors will be paid.

Three, they will have to use some public funds to recapitalize the banks, but they will not be able to do what we did with the RTC—just take the money. There will have to be an enormous public reckoning before this can occur. The history of public funds being abused in the 1930s is so deep, that it will be impossible for the Ministry of Finance to do, without making very extensively clear to the public why. They will say that they sure as hell are *not* going to do it the way the Fed did it in the LTCM case.

First, there will have to be a public humiliation of the private bankers at great length.

Second, there will also have to be an open pulling by Japan of money in from abroad—they will have to show they have mobilized all possible resources. They just didn't feel they could do it before in the face of U.S. criticism that Japan was not behaving in a responsible Nobel Prize economists' manner. Now, Russia has cracked and shown the IMF to be a total failure, and LTCM has shown the Fed to be a total failure, and all the Nobel Prize economists with it.

They may also have to go for general elections, and let Naoto Kan and the Democratic Party come in, and the LDP [the ruling Liberal Democratic Party] may be ruined. It may take that kind of an uproar, before they can recapitalize the banks.

**EIR:** Kan is a media creation.

**Johnson:** You have a point, but if they do this, it will be Kan acting on behalf of the noble families of Japan. Kan was a fake and a lefty media creation, but now he is being steered by the elites, the noble families. He is really saying, and the LDP has now agreed, to actually nationalize the banks, to change the *management*—and then they will use the tax funds. This is the device. They will actually nationalize the banks, but in a Japanese way.

Don't forget Hatoyama, who's the co-founder of Kan's Democratic Party; he's from the Ishihashi family, which ran the Japanese tire industry since World War I. He's part of the pre-war elite.

They are also encouraged by [Social Democrat Gerhard] Schroeder's win in Germany.

**EIR:** Once they nationalize and recapitalize the banks, then what? Go back to business as usual, like our S&Ls?

**Johnson:** No. They will then go back to MITI [Ministry of International Trade and Industry] methods: directed lending, window guidance, industrial policy.

Not only that, but this is what they want to do in Indonesia and in other countries where the financial crisis is melting down the banking systems. So, they are going to put Indonesia back together on a MITI basis.

Look, the real problem in Japan starting in 1989 was the death of the Emperor, not the collapse of the bubble. Before that, people believed they acted for the country. [Emperor] Akihito is a pacifist married to a commoner, and that has caused a demoralization of the elites.

The one thing which made me think the Japanese elite can still work was the Miyazawa appointment.

**EIR:** He's not just a bankers' toady of Kabutocho, Tokyo's Wall Street.

**Johnson:** No, he's going to nationalize, and this \$30 billion is the AMF all over again.

# India under globalization's shadow

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*The country has not totally succumbed to the "free trade" mania, but neither has it taken on the larger task of fighting it. Ramtanu Maitra reports.*

*The following was written as a contribution to the economics panel at the Sept. 5-6 Labor Day conference of the International Caucus of Labor Committees/Schiller Institute in Reston, Virginia. Transcripts of the oral presentations appeared in EIR on Sept. 25.*

The 12th Non-Aligned Movement (NAM) summit was held in Durban, South Africa, on Sept. 2-3, at a time when a distorted global financial system had already begun to collapse under its own weight, bringing untold miseries to the billions of people in general, and to the economically less-privileged majority, in particular. There are 113 member-countries of the NAM, and 12 non-member countries, including the United States for the first time, attended the 12th summit as observers.

This distorted financial system has not only thwarted efforts of the developing nations to raise themselves economically, but as it has now begun to come crashing down, it threatens to destroy much that the developing nations had created over the past few decades. For while the formal and recognizable forms of colonialism and imperialism are things of the past, the financial system devised for these forms of exploitation continues to thrive, and has devised new instruments of exploitation. The name under which modern nation-states are brought to their knees and forced to dilute their sovereignty, is "globalization." "Free trade," under the modalities set by the World Trade Organization (WTO) and the unconditional worship of a highly skewed free market, is similarly structured to rob the state of any interventionist role. It is in this context that the role of the NAM and the state of the Indian economy need to be analyzed.

The spirit and charter of the Non-Aligned Movement, this old and yet-to-be-effective organization, forms a part of India's economic and foreign policy foundation. Neither the Indian economy nor Indian foreign policy can be deciphered without having a basic understanding of the NAM.

## **Indian policy rooted in NAM's vision**

At the time of independence, India, the larger part of a subcontinent partitioned by the British colonialists in 1947, had a population less than 375 million and an economy which was based on primitive and semi-modern agriculture and an

undercapitalized textile industry. What India also had at that time, however, was a strong social set-up; an elite that had fought for more than 40 years for India's independence from a colonial ruler; a small, but highly developed and skilled group of people with a great deal of scientific background and a fervent hope that the Indians, with their destiny finally in their own hands, would be able to shape not only their own future and that of future generations, but also the future of the entire world.

The first few years of post-independence economic and political history were an education for the Indian elite. They saw and felt for the first time the reverberations set off by the violence, and the potential of a greater degree of violence, unleashed by the Cold War. Developed nations, driven by the threat of communism, were busy setting up a system which provided little opportunity for the just-freed colonial nations of Asia and Africa to have an all-round national development. Instead, much of the free resources were spent to counter the threat of communism, and the weaker nations were put in different baskets with labels. Those who were "with" the developed nations in the crusade against the communist Soviet Union and China were allowed to avail themselves of some of these resources, but were allowed to do so at a huge social cost.

It is in this environment, that the Non-Aligned Movement was born under the leadership of India, Indonesia, Egypt, and Yugoslavia. The object of the movement was to ensure the formulation of "just" state-to-state relations and an economic order which would enable the newly freed colonial nations to stand on their feet once again and get counted. At the First Conference of the Non-Aligned Movement in Belgrade, the task was set forth to put an end to the economic exploitation of "young" countries and to promote their economic cooperation.

In the Fifth Conference at Colombo, Sri Lanka (1976), this theme was further emphasized when the NAM Economic Declaration stressed: "The developing countries should use their sovereignty and their independence at the political level as a lever for the attainment of their sovereignty and their independence at the economic level."

The 1976 NAM summit is widely considered by various observers as a watershed, since it is in Colombo that the NAM



*India's first Prime Minister, Jawaharlal Nehru, inspects a newly opened steel plant in March 1961.*

for the first time looked formidable, and it was envisioned by the NAM leaders at that time that the outside world, particularly the United States, which had come out of the war in Vietnam morally and physically exhausted, would respond to the real world necessities. The weakness of the Soviet economy at that juncture was for all to see, and China, after two fruitless and dangerous decades (the “Great Leap Forward” and the “Cultural Revolution”), was then ready to take a pause and re-evaluate its own domestic scene and the world situation.

### **Frustrated plans and misplaced hope**

That time was also a watershed for the Indian economy.

In the earlier stages the Indian economy was built around two basic objectives: to attain self-sufficiency in the agro-industrial sectors and to develop its scientific and technological fundamentals. India's Five-Year Plans, following the broad sketches of the Soviet Gosplans, insisted on developing an industrial nation where the basic industries will occupy the “commanding heights” under the government's leadership. Steel plants and power plants; heavy engineering and heavy electrical production; dams and hydroelectricity were given priority, while a new set of elites were being developed out of hundreds of engineering colleges across the country estab-

lished in the first two decades following independence. The eagerness to become an industrial nation was never so clearly visible in India as it was then. A huge research center was set up in the shadows of the Western Ghat hills to muster the entire fuel cycle for the generation of nuclear power for commercial use, and at the same time, work began to develop indigenous space technology for communications and space exploration. There were none at that time who doubted that India would be in the forefront of the community of nations at the end of the 20th century.

The advent of the '60s, however, brought a new reality to Indian leaders. India, having spent much of its efforts to vitalize the nation through a crash course of industrialization, had decidedly fallen behind in a number of important areas, among which agriculture and the financial system stand out as the most important. The Sino-Indian border war, the 1965 India-Pakistan war, and a string of dry seasons had bankrupted the nation and had brought development to a grinding halt. The Indian currency, pegged to a basket of currencies, was devalued for the first time, and India faced mass famine.

It then dawned on Indian leaders that, despite India's deep-seated faith in international goodwill and extension of support in various world institutions set up by the victors of World War II, all and sundry abroad wanted India to give up its plan to industrialize and modernize. India also realized that the country's sovereign nation-state status would become greatly jeopardized unless it became self-sufficient and the state acquired the discretionary power to allocate credit. A new agricultural policy, which gave birth to a successful “Green Revolution,” and the nationalization of all major commercial banks were instituted before the decade was over.

It was then that India began to backtrack on its industrial policy. The lack of available funds to improve and modernize both the backward agricultural sector and the basic industries, and the increased militarization in the subcontinent in the wake of growing conflicts arising from the Cold War, pushed the Indian leadership to look inward. Removal of poverty as a project in itself emerged for the first time in the '70s. At the Colombo summit, where the Indian leadership was very much felt, the economic declaration reflects much of the state of economic affairs that were then prevailing in India.

A change in the world order was reflected in the Seventh Conference of the Non-Aligned Movement held in New Delhi in 1983. Most of the developing nations, still far behind in the agro-industrial and social sectors, were already burdened with massive foreign debt and were under international pressure to hand over their real wealth to fatten the private bankers. In addition, the newly freed states, regarding the prevention of a potential nuclear catastrophe as the fundamental condition for their advancement, noted once again the indissoluble relationship between disarmament and the prospects of economic progress of the young states. India's Prime Minister, Mrs. Indira Gandhi, told the assembled



*The gathered workforce at the inauguration of an Indian steel plant, March 1961. After independence, expectations were high that India could industrialize and develop out of its colonial-era backwardness. Now, in the face of the global financial disintegration, India has not completely abandoned its industrialist outlook, but, yet, has made potentially fatal accommodations to globalization.*

heads of state in New Delhi: “We are not asking for pity nor charity of any kind. We are asking for cooperation which will help them as much as it will help us. The industrialized countries ignore the Non-Aligned, they ignore the so-called South, they do so at their peril, too.” It became clear that the NAM leaders had come to realize then that the global financial system was bankrupt, and their dependence on this decrepit system to sustain a long-term development was futile.

### **Anatomy of a ‘mixed-up’ economy**

During the ’80s and continuing into the present decade, Indian economic policies have moved away from looking outwards to gain technological benefits to an inward-looking approach. In the ’80s, India borrowed heavily to help modernize its communications and road transport infrastructure, while falling behind perceptibly in the power, railroads, and heavy engineering sectors. Social sectors, such as health and education, were attended to only minimally, leading to further deterioration in these sectors.

In the ’60s, the Indian economy had lost the vision to become a major industrial nation, and instead worked out a plan to develop a highly resilient economy, which would enable it to maintain its sovereign nation-state status. Even today, when India’s economic growth flounders around a meager 5-6%, political debates rage against globalization

and economic liberalization. Even though millions of poor through the cities and India’s weak infrastructure continues to decay, the political leadership finds it almost impossible to shape the economy toward a high level of exports and a high level of growth, with dependence on foreign markets.

However, that is not to say that India ever rejected outright what is known as the “Washington Consensus”—meaning International Monetary Fund-World Bank conditionalities and the policies of the Washington think-tank circuit, and not the policies of the Clinton or other U.S. administrations per se—which held that good economic performance required liberalized trade, macro-economic stability, and budget austerity. Once the government got out of the way, private markets would produce sufficient allocation and growth, the Consensus claims. India never clearly rejected this approach, and, in fact, with much ballyhoo, adopted a program of economic liberalization in the early 1990s.

But, at the same time, it did not embrace the Washington Consensus hook, line, and sinker. India kept the import tariff up to a very high level all the way through the 1980s and brought it down to the Southeast Asian level in the mid-1990s:

- India never actually reduced subsidies to farmers, on items such as fertilizers;
- India continues to keep a vast number of consumer items off the Official General List of importable items;

- India refuses to formulate labor laws which would allow non-profitmaking private facilities to close their doors and throw workers out;
- India refuses to privatize the existing public sector enterprises;
- India has declined to make the rupee fully convertible and has remained steadfast in keeping all the major commercial banks nationalized.

If these are some of the areas where India continues to defy the IMF policy, it has also given in to pressure in other areas. For instance, its annual budget pays full heed to the International Monetary Fund demand that the fiscal deficit must be kept at a pre-determined level in order to keep inflation low, and the government must formulate fiscal, trade, and revenue policies which would enable the country to pay back domestic and foreign debts religiously. Accepting these terms has meant taking monetary measures which entail a tight money supply and upward adjustments of interest rates, paying little attention to the developmental requirements of the country. While the New Delhi Consensus does not mesh with the so-called Washington Consensus fully, there are areas of agreement which have resulted in keeping India poorer, and backward in technology and infrastructure.

In essence, though, India has continued to function as a somewhat isolated country, whose economic strength depends on an undernourished domestic market. India's total trade is less than \$90 billion, or about 25% of that of China, and amounts to only 6-7% of GNP. India's foreign exchange requirement, as a stated policy, is primarily to pay off the \$90 billion of foreign debt (more than 85% of which is long-term government debt and less than \$6 billion is private), and to import such essential items as petroleum products and high-tech items, including hardware for the military. Indian leaders, at least till now, have no plan to generate foreign exchange for investment in the Five-Year Plans. The Plan money comes from within. In recent years, however, enticements have been offered by the government to a number of foreign thermal power plant manufacturers to build, operate, and transfer power plants by bringing in foreign direct investment.

As a result of maintaining such an economic and financial policy, India has remained less vulnerable to the speculative bubbles which have grown all over the world. The collapse of these bubbles will nonetheless have an impact on the slow-growing Indian economy—but a delayed impact. The collapse will reduce India's export capabilities, making the foreign debt look bigger than it seems now. It will also reduce India's capability to import essentials as the production centers around the world would likely close down in large numbers. In addition, foreign direct investment, which Indian leaders have begun to seek fervently of late to alleviate crying infrastructural needs, will decline drastically following the collapse. But, more importantly, India will not be able to grow at the rate it needs to grow, even if it wants

to. The present arrangement that India has accepted has not made it vulnerable to financial storms abroad, but it gives India no chance to develop at all.

### **A genuine breakout holds great promise**

Once the Indian leaders shifted their views in the 1960s on what exactly India should be, a low-growth regime, acceptance of poverty, and use of low technology came to be accepted. It is for this reason that the Indian leaders have not fought against the IMF-dominated global financial system the way they should have.

It is clear to all of us who are aware of this country's potential that India has to move out of this arrangement and work out a different arrangement with the community of nations. Such an arrangement means developing a new global financial system which would provide India and all other nations with the necessary resources to sustain growth and development—industrial, agricultural, environmental, and social.

In addition, India is left with no option but to build large infrastructural projects, whose lack of development has remained a significant barrier to India's agro-industrial growth. In this context, close cooperation—technological, financial, and institutional—with China and Russia would provide all three what no one of them has individually. Between the three, almost all essential state-of-the-art technologies are available. Utilization of these technologies through a regime set up entirely to serve the nations in the region could provide the necessary edge that these large nations desperately require.

Moreover, both India and China are water-short nations and yet, they both get drowned annually by the monsoon deluge. Most water management technologies are generated in the West, but the West has an entirely different annual rainfall pattern. It is, therefore, up to India and China to work out a technological solution to the harvesting of water at the time of plenty to serve their people at the time of scarcity. This is not only necessary to prevent the annual scourge such as the floods of 1998, but would provide both nations with long-term food and social security.

Harvesting of rainwater can be done in a number of ways. The most widely known mode, and definitely the less desired, is by excavating large reservoirs. However, the technological challenge that lies before both India and China is to harvest the abundant rainwater and store it underground wherefrom the water does not evaporate.

India's arable land is close to 160 million hectares. Needless to say, if Indian agriculture, throughout the entire cultivable land-mass, achieves a yield comparable to the highest attained by any nation, it would not only produce what India, China, and Japan are producing together now, but a whole lot more.

But, in order to accomplish that, a new global financial system will be necessary.

# Space research is still a major priority in Asia Pacific nations

by Marsha Freeman

The 49th annual Congress of the International Astronautical Federation (IAF), on Sept. 28-Oct. 2 in Melbourne, Australia, included participation from many nations in Asia, and afforded a first-hand look at the progress being made by the less-well-known space powers. This was only the second time in its history that the congress was held in the Southern Hemisphere. The approximately 1,000 participants included large delegations from Japan and China, which have well-established and broad space programs. And, papers were presented describing the efforts in space research and applications of smaller countries which are just becoming involved in space technology.

As Sir William Deane, Governor General of Australia, pointed out in his opening remarks, the Asia Pacific comprises 60% of the world's population, and the region has seen substantial recent growth in space activity. Dr. Karl Doetsch, outgoing president of the IAF, remarked on Sept. 28, that the theme for this conference on the Pacific Rim was set two years ago, "before the economic, downturn in Asia." "Should space continue as a priority" in Asia? Doetsch asked. His emphatic answer was, "Yes." Overall, the Asian delegates agreed with him, that although a financial crisis exists and budgets are constrained at this moment, space development requires long-term planning and commitments, which should not be interrupted.

The developing nations of Asia have populations spread over hundreds and thousands of islands, with large areas of sparse population, and a great lack of communications and transportation infrastructure. To leap-frog the earlier technologies, such as coaxial cable telephone communications, which launched the development of modern communications in industrialized nations, most Asian nations have taken advantage of the commercial satellite communications technology increasingly available over the past three decades. Over the past few years, many countries have expanded their interest to include Earth remote-sensing satellite and other space technology applications. While the past year's financial and economic upheavals have put some of the more ambitious national space initiatives on hold, the Asia Pacific nations are pooling their resources collaboratively, to extend their reach

into space.

Indonesia has been a space pioneer among developing nations, and began using advanced communications satellites in 1976, to link its 17,000 islands. In 1984, the Indonesian Ministry of Education and Culture and the U.S. Agency for International Development put into operation a teleconferencing facility and satellite communications Earth station to provide links between Jakarta and the island of Sulawesi. The system also connects Sulawesi to 11 main campuses of the Eastern Island University Association, making the professors, research findings, and library resources widely available to students all over the country.

One year ago, then-Minister of Research and Technology, and currently President, Dr. B.J. Habibie, renewed advocacy for Indonesia to establish its own satellite-launching facilities. Previously, the islands of Biak and Waigeo, both near the Equator in the province of Irian Jaya, had been discussed as attractive sites for satellite launch pads. While this ambitious project is now stalled, Indonesia plays an active role in the region-wide space initiatives now under way.

In 1991, a commercial telecommunications company in Malaysia signed the first agreements for the construction and launch of two communications satellites. In an interview with *Aviation Week & Space Technology* in April 1995, Prime Minister Dr. Mahathir bin Mohamad explained that he sees aerospace as a technology-driver for his nation. Mahathir, who is a pilot, promoted the development of composite materials technology in Malaysia, as a future material in the aircraft industry. In the space sector, the Prime Minister told *Aviation Week* that Malaysia had started a long-term program with the French to develop the capabilities to build mini-satellites, to give Malaysian engineers experience, as a forerunner to a more ambitious space program.

In April 1997, Kuala Lumpur awarded a contract to Surrey Satellite Technology Ltd. of England, which specializes in small satellites, to manufacture a 100-pound remote-sensing and communications satellite and to share the technology with Malaysia. Eight months later, the government launched its "Blueprint for the Development of the Aerospace Industry," which set up a committee led by the Prime Minister to



strengthen its aerospace industry.

Thailand joined the space age at the end of 1991, when France's Arianespace announced that it had been selected to orbit Thailand's first telecommunications satellite, Thailand-sat 1. In 1993, Thailand proposed that the Asia Pacific nations form a space association to foster cooperation, which was part of a broader push to expand Thailand's own space capabilities. The Thai Transport and Communications Ministry began a cooperative program with China at that time, and opened discussions with the United States on space cooperation. A few months before the assault on its currency, in February 1997, Thailand was discussing with the U.S. Department of Defense a program to jointly construct and operate a defense communications satellite ground station. In October 1997, the program was cancelled after Bangkok had to announce emergency budget cuts. As recently as April 1997, Thailand was planning: a \$116 million program to build an 880-pound remote-sensing satellite; a \$20 million multinational program with China, South Korea, and Pakistan to build a small communications and Earth observation satellite; and \$500 million space defense program.

### **Technology transfer through small satellites**

The Asia Pacific nations hope to advance their space technology skills and capabilities—under the constraints of the current financial crisis—by working cooperatively with established space institutions in programs that transfer know-how and technology. In 1979, the University of Surrey in England began a student project to design and build small satellites, which has produced 14 microsattellites (about 100 pounds) since 1981. In a paper presented at the IAF Congress, three current microsattellite programs were outlined, involving China, Thailand, and Malaysia. Prime Minister Mahathir visited the Surrey center in March 1997, and personally initiated the TiungSAT-1 microsattellite program. The satellite is named after a beautiful small bird in Malaysia, the paper's authors report. TiungSAT-1, which will be an Earth observation and communications satellite, has been completed and is now waiting for launch. It will be used mainly for educational programs, and the ground stations to receive its signals will be installed at high schools and universities.

The Surrey center also has a program, called MERLION, with Nanyang Technological University in Singapore. The university's specialists are contributing an experimental communications payload to one of Surrey's microsattellites, which is intended to lead to designs of satellite communications systems for equatorial regions.

A third Surrey microsattellite program trained 12 Thai graduate engineers and scientists from Mekanakorn University of Technology, near Bangkok, through participation in the design, construction, and launch of Thailand's first microsattellite. The TMSAT was successfully launched this past July, and it was reported at the IAF Congress that TMSAT is sending back its first multispectral images of the Earth. The

long-term goal of the program is to create the trained personnel who will establish a national capability to build small satellites for commercial and scientific research applications.

### **The view from space**

At the IAF Congress, Anthony Milne, of the University of New South Wales, presented a paper outlining the application of remote-sensing technologies for the development of the region. Because there are many geologic, oceanographic, and other features of the Earth that cross national boundaries, a great deal can be gained from the joint study of both natural features and man-altered nature from satellite data.

The Association of Southeast Asian Nations has an ASEAN Experts Group for Remote Sensing (AEGRS), which operates under the Sub-Committee of Infrastructure and Resource Development of the Committee of Science and Technology. The last AEGRS meeting, held in Singapore in July, decided to publish a book, *ASEAN From Space*; to begin a pilot Earth observation program to study forest fire management, following the drought-driven ravaging of the region by fires earlier this year; and an ASEAN-Australia project on "Technology for Updating Maps Using Remote Sensing." Milne summarized the region's national resources that exist to make use of remote-sensing data. These include programs for analyzing U.S. Landsat, French SPOT, and other satellite data to map natural resources, to inventory forests, to monitor fires and other disasters, and to map oceans and coastal regions. He reported that the Malaysian Centre for Remote Sensing, for example, plans to expand its staff to 160 professional, technical, and support staff in early 1999, when its new buildings and facilities become available.

Four days after the IAF Congress, Dr. Cheick Diarra, UN Economic and Social Council (UNESCO) ambassador for Science and Technology Education, who is an interplanetary navigation expert at the U.S. NASA Jet Propulsion Laboratory, spoke in Kuala Lumpur. According to the Oct. 7 issue of Malaysia's *New Straits Times*, Diarra spoke on Mars exploration, before answering questions from the press. He stated that bringing developing countries into participation in space exploration was foremost on his agenda as UNESCO ambassador. "Malaysia can also participate, as I am sure it can contribute at least in data-gathering and analysis efforts, or even creating machinery needed for space exploration," he said. Malaysia's Deputy Science, Technology, and Environment Minister Datuk Abu Bakar Daud responded that the ministry would make a proposal to NASA regarding areas in which it could contribute to future space programs.

Prof. Datuk Mazlan Othman, the Ministry's Outer Space Research Division's director general, added, "We have successfully made our own micro-satellite, although initially the scientists and engineers involved were not specialists in the field. I am sure we can retrain them for a bigger challenge. "Who knows. We can even contribute ideas that the developed nations have not thought of," she said.

## Going, going . . .

*Reverse leverage turned the third quarter into a disaster for U.S. banks and securities firms.*

Looking at the third-quarter financial reports of the big U.S. banks and securities firms, one is reminded of the cartoon character who has run off the edge of the cliff, but has not yet looked down. With reverse leverage ripping through the financial markets, many of these firms are already bankrupt in reality, and perhaps even bankrupt by the more charitable standards of modern hide-the-losses financial accounting, and those that aren't yet bankrupt, are soon to be so.

One institution after another is plunging into chaos. Lehman Brothers, in a vain attempt to head off rumors of its demise, was forced to publicly deny it is insolvent; Bankers Trust, also rumored to be mortally wounded, is said to be desperately looking for a merger partner; the chairman of UBS, the giant Swiss bank formed by the merger of Swiss Bank Corp. and Union Bank of Switzerland, was forced to resign in the wake of the collapse of Long-Term Capital Management; the president of BankAmerica resigned over losses to another hedge fund; the head of ING Barings was forced out over losses; and Citigroup, Merrill Lynch, and Donaldson, Lufkin, Jenrette have all announced layoffs and cut-backs. In the vernacular of Wall Street, there's blood in the water.

Take the case of two recent death-row marriages, the Travelers/Citicorp and the NationsBank/BankAmerica mergers.

Back in April, when Travelers Group and Citicorp announced their intention to merge to form the \$700 billion in assets Citigroup, the deal was valued at \$70 billion, but by the time it was closed on Oct. 8, the price

Travelers paid had fallen to \$37 billion, reflecting the sharp declines in both institutions' stock prices. The merger combines two of the largest derivatives dealers in the world, Citicorp, with \$3.5 trillion in notional value of derivatives as of June 30, and Travelers' Salomon Smith Barney, which had \$3.3 trillion at the end of 1997. The deal was originally touted as a "merger of equals," but it is clearly a takeover by Travelers of Citicorp. It is, in fact, the second takeover of Citicorp this decade, the first being the November 1990 secret seizure of the bank by the Federal Reserve, as part of a covert bailout of the U.S. banking system.

The new Citigroup is off to a bad start, with a 65% decline in third-quarter profits, including a \$1.3 billion trading loss at Salomon Smith Barney, while Citicorp's corporate banking operation lost \$127 million, thanks to a \$384 million loss from Russia. Salomon lost \$700 million trading bonds, and has closed its U.S. bond arbitrage unit.

Then there's the new \$570 billion BankAmerica, formed by the Sept. 30 takeover by NationsBank of BankAmerica (NationsBank bought the bank, then adopted its name). On Oct. 1, BankAmerica chairman Hugh McColl (chairman of the old NationsBank) announced that the new bank had less than \$300 million in exposure to hedge funds. However, when the bank released its third-quarter results on Oct. 14, it reported a \$372 million charge-off, on a \$1.4 billion loan to D.E. Shaw & Co., a New York-based hedge fund. The bank also reported a \$529 million trading loss, some \$400 million of

which came from the old BankAmerica and the rest from the old NationsBank. As a result, BankAmerica president David Coulter, former chairman of the old BankAmerica, announced his resignation on Oct. 20.

The third quarter was a disaster for the commercial banks, with the market capitalization of the top 100 U.S. bank holding companies falling \$242 billion (23%), to \$795 billion, after hitting \$1 trillion for the first time in the second quarter, according to *American Banker*. The damage was concentrated in the biggest banks: Chase fell 42%; Citigroup fell 38%; Bank One fell 24%; and Bank of New York fell 55%.

Bank One acquired First Chicago NBD on Oct. 2, transforming itself from a regional bank into a major derivatives player, raising its derivatives holdings from \$36 billion, to \$1.3 trillion (and prompting suggestions that the bank should change its name to Bank Once).

The mergers have transformed the face of American banking, giving the United States two of the five largest banks in the world (Citigroup and BankAmerica join the Bank of Tokyo-Mitsubishi, UBS, and Deutsche Bank), and increasing even further the deadly concentration of derivatives. Chase still leads the pack among U.S. commercial banks, with \$8.5 trillion, followed by J.P. Morgan with \$7.5 trillion, Citigroup with \$7 trillion, BankAmerica with \$4 trillion, and Bankers Trust and Bank One with \$2.3 trillion each.

While most financial institutions are reporting reduced profits, rather than net losses, securities giant Merrill Lynch & Co. reported a net loss of \$164 million for the third quarter—its first loss since 1989—and announced plans to cut its workforce by 3,400, or 5%. Merrill's trading income plunged 71% in the quarter, including a \$135 million loss from emerging markets.

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### Ecologism in, technology and jobs out

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*The new red-green coalition government is willfully putting its head in a noose of its own making.*

On Oct. 20, the “red-green” coalition program was signed by the two partners, the Social Democrats and the Greens. The new government, which will take office immediately after the formal vote in the newly convened parliament on Oct. 27, has a majority of 21 seats. It would be a solid basis for governing the nation in normal times, but times are not normal. And, the new government has the same flaw as the old one: It believes it can handle things with a strong dose of populism, particularly the brand of ecologism which the new red-green team is obsessed with. The new team wants to “transform” Germany from an industrial nation into one that “puts ecology first.”

The developments around the nomination of the new Economics Minister tell a lot about this government: Just before the election campaign started, the Social Democratic Party (SPD) candidate for Chancellor, Gerhard Schroeder, picked a computer dealer, Jost Stollmann, as his choice for Economics Minister. Stollmann was thought to be a representative of “modern” industry, i.e., the service sector, and he was not even a member of the SPD. He was intended as a symbol of the populist, “nonideological,” and “unprejudiced” image that Schroeder wanted to put across to voters.

But, when the election campaign began, Stollmann was not available for the media—the SPD first sent him on summer vacation, and then allowed him to make a few public remarks with no relevance to the SPD party platform. Many observers suspected that Stollmann would not survive election day as a nominee for the Economics

Ministry, but would quickly be out of the picture, even before the new cabinet was formed.

And indeed, after Sept. 27, it became clear that the Economics Ministry would be cut back, to serve the personal ambitions of Finance Minister-designate Oskar Lafontaine, by making his Finance Ministry even more influential. In the current economic crisis, a powerful Economics Ministry would make a lot of sense, but the Social Democrats do not share this view.

Ecology-minded as the SPD leadership around party chairman Lafontaine is, they think that jobs can be created through ecology projects; the traditional role of the Economics Ministry in supporting heavy industry, such as coal, steel, and ship-building, does not interest the SPD and its Green coalition partner. They want to move into the post-industrial age, which implies that they want to phase out state support for industry, and for the nuclear technology sector. They believe that globalization and downsizing, even as the global financial system disintegrates, are just the “natural transition” from the industrial era to a service-based economy and ecologism. There is therefore no room in a red-green cabinet for an Economics Ministry.

“All that is left for this guy Stollmann,” as a leading Social Democrat commented in Bonn in mid-October, “is, maybe, to compose the web page for the ministry. All the rest he can simply forget.” When the coalition talks between the SPD and the Greens came to a close on Oct. 19, it became clear that the Economics Ministry would be a rump ministry in the red-

green design. Stollmann promptly announced his resignation, and the man who got the nomination for the post instead was Werner Mueller.

Mueller is an outright populist and opportunist. While working at VEBA, one of Germany’s leading energy producers, he developed the idea in the late 1980s, when there was a tide of anti-nuclear protests in Germany, that “nuclear energy is meaningful but not feasible, because it is not accepted by the population.” He played a role in VEBA’s abrupt pull-out from the planned national project for nuclear fuel reprocessing in Wackersdorf, in April 1989. And from 1990 on, he served Gerhard Schroeder, who had just been elected governor of the state of Lower Saxony, as adviser on energy questions.

During the eight years since, Mueller has promoted the idea of an “energy policy consensus between the power sector and the ecologists,” which would be an “ordered withdrawal from nuclear technology.” This is exactly the policy that he will implement now, as Economics Minister in the first national red-green coalition government. The first thing Mueller announced upon his nomination on Oct. 19, was that among his prime tasks would be to “organize a soft withdrawal from nuclear technology.”

Thus, 40,000 highly skilled jobs in the German nuclear sector, plus twice as many in the supply sectors, are going to be eliminated. Unemployment will rise in Germany, on top of the 8 million that already are jobless. Moreover, the new government is committed to pursuing a balanced budget as a top priority. But, fewer Germans with a job means less tax revenue. With its “ecology first, production second, jobs last” policy, the red-green government will soon run into even bigger troubles than the government it is replacing.

# Business Briefs

## Health

### Disease outbreaks in New Zealand spur debate

A debate has erupted in New Zealand over the cause of outbreaks of tuberculosis and meningitis in the Canterbury area in recent years. New Zealand, which has been subjected to vicious Mont Pelerin Society austerity policies, is in the seventh year of a meningitis epidemic, and there have been a growing number of cases of TB.

Michael Baker, an infectious diseases physician from the Communicable Disease Center in Wellington, says that immigration is probably the reason TB was not declining. Lester Calder, an Auckland medical officer, and the Communicable Disease Center, are calling for all immigrants to be screened for TB.

However, a senior lecturer at the Auckland University school of medicine, Colin Tukuitonga, said it was "a load of rot" to blame immigrants for the TB scare. He said that the area with a high incidence of TB was the Micronesian islands of Kiribati and Tuvalu, from which New Zealand receives very few immigrants. The real cause of TB is *poverty*, Dr. Tukuitonga said, with overcrowded housing, poor nutrition, and poor general health. A lack of access to health care is rife in some New Zealand communities. Minister of Immigration and Pacific Island Affairs Tuariki Delamere also said it was outrageous to blame Pacific immigration for the TB outbreak.

## Brazil

### Cardoso austerity may cost 3 million jobs

At least 3 million Brazilians may lose their jobs, after the government of President Fernando Henrique Cardoso puts through its expected austerity program, according to the projections of Marcio Pochmann, an economist from Campinas University who tracks the labor market in Brazil. For starters, at least 800,000 public sector jobs have been labelled "unnecessary," and are therefore to

be cut out of the budget, he warns.

Trade union institutes calculate that some 850,000 Brazilians have lost their jobs since October 1997, the Miami, Florida *Diario Las Americas* reports.

Auto production alone has fallen 20% in 1998. The collapse in auto, in turn, is shutting down the steel industry, as orders fall. The steel company Usiminas, the leading supplier for the auto industry, saw its steel sales drop 6% in the first half of 1998 compared to 1997, and by 15% in the third quarter.

In the state of São Paulo, loan defaults and bankruptcies have soared, according to economics journalist Aloysio Biondi in the Oct. 6 *O Globo*. In an interview on the Rede Mulher radio network, he reported that at the beginning of Cardoso's "Real Plan" in 1994, loan defaults stood at 700,000. Today, the number has reached 6 million. Biondi warned that the post-election austerity package will be unprecedented in Brazil's history, provoking total recession and "colossal" unemployment.

## Industry

### Indonesia aircraft firm seeks help in Taiwan

Dr. Ilham Habibie, the son of Indonesian President B.J. Habibie who heads the national aircraft company IPTN, visited Taiwan in search of support for the firm, the Sept. 30 *Straits Times* reported. The International Monetary Fund (IMF) officially demanded an end to all government subsidies to IPTN as part of its conditions, putting the company at risk of bankruptcy despite its successful development and production of mid-size commuter jet airplanes.

Contrary to the "comparative advantage" arguments used to justify the attacks on IPTN, the company was intended to make Indonesia independent of major airlines in commuter traffic, especially inter-island and Southeast Asian transport. In particular, inter-island traffic was a key function of IPTN as a national security "strategic industry." Every Asian airline is now in deep trouble due to foreign currency obligations for their purchase of foreign planes, parts, and maintenance.

The IPTN situation is symptomatic. More than half of Indonesia's listed companies reported losses for the first half of 1998, according to Trimegah Securities. Total losses for 123 firms was more than \$4 billion, due primarily to high interest rates and enormous foreign currency losses. The director of Trimegah, David Cheng, said, "It's a very ugly story. The magnitude of the problems facing Indonesian corporations is far worse than what we expected."

Eight of the ten major Chinese conglomerates in Indonesia posted losses for the first six months of 1998, and five are facing breakdown. The government made huge loans to the conglomerates' banks after the crash, and many failed to meet the Sept. 22 deadline to repay the credits. They have been given one year to raise the cash, which, without a transformation of the current situation, means selling assets to foreigners. Already the Salim Group and the Gajah Tunggal Group have transferred \$7 billion in assets to the government. The government has given the groups one month to prepare a plan for the sale of assets to meet their debt to Bank Indonesia.

## Pakistan

### Prime Minister vows not to bow to IMF dictates

Prime Minister Nawaz Sharif is on a collision course with the International Monetary Fund (IMF), as a result of his recent statements that Pakistan will not give in to IMF austerity demands, the Pakistani press reports. Speaking to reporters in Karachi on Oct. 15, on Pakistan's upcoming talks with the IMF set to begin in Islamabad on Oct. 21, Sharif said: "How can we agree if the international financial institutions ask us to defreeze foreign currency accounts and let the account holders to run on our foreign currency reserves. How can we accept their condition to increase the power tariff by 25%? How can we devalue our currency as per the conditions of the IMF and World Bank? We cannot accept such conditions. I cannot make anti-people decisions that might burden the lives of the common people."

In Peshawar on Oct. 16, Sharif said,

**LIFE EXPECTANCY** in Zimbabwe has fallen from 61 years to 39 over the past five years because of AIDS, according to a U.S. Census Bureau report, the Oct. 15 London *Daily Telegraph* reported. One-quarter of adults are infected with the HIV virus, and death rates are three times higher than they would have been without AIDS.

**THE EURASIAN** Trans-Asia-Europe fiberoptics cable became operational on Oct. 14, with a joint ceremony in Frankfurt am Main and Shanghai, the end points of the route. It serves 20 nations with 27,000 kilometers of cables. The main route follows "the route of the former Silk Road," German Telekom, one of the main contractors on the project, said in a press release.

**THAILAND'S** Manager Media Group filed for bankruptcy protection jointly with two of its key creditors, Thai Military Bank and Thai Farmers Bank, on Oct. 13, the *Bangkok Post* reported. The banks said that if rehabilitated, the company could continue to function. They pointed out that it continues to produce its Thai-language daily newspaper, *Phoojadkarn* (*Manager*).

**ANGLO AMERICAN**, the mining company controlled by the Oppenheimer family, will move its headquarters and stock listing from Johannesburg, South Africa to London. It recently merged with its Luxembourg-based affiliate, Minorco, to create a £6 billion conglomerate and become the world's largest mining company. The London *Guardian's* Alex Brunner commented that the move is "a serious blow to the new South Africa. . . . It is almost as if the emerging market era has given way to a new form of colonialism."

**INDONESIA** plans to increase "monitoring" capital flows, but still has no specific plans to impose capital controls or insist that exporters surrender export earnings for deposit, Bank Indonesia Gov. Syahril Sabirin told Reuters on Oct. 14.

"Whether Pakistan and the IMF come into agreement or not, the country will not bow to any conditions that add to the miseries of the people. . . . The people want to get their problems solved and see that basic civic amenities like potable water, education, roads, health care, and telecommunications are available to them."

Pakistan's arrears on its international debt obligations have been growing since Aug. 15, in part as result of financial warfare conducted against it in the aftermath of its nuclear tests. A 90-day grace period will expire on Nov. 15, when the first repayment comes due. But Pakistan has no ability to pay.

## Russia

### Arbatov blames collapse on IMF, Harvard experts

The financial collapse of Russia is due to "Western leaders, the IMF [International Monetary Fund], and Harvard economic specialists," Georgy Arbatov, a leading Russian policymaker, said in a commentary in the Oct. 15 *Los Angeles Times*. He attacked shock therapy and warned of the deterioration of relations between Russia and the United States as a result.

"Russia today is mired in a crisis much deeper and more destructive than the Great Depression of 1929-1932. The Russian people have placed the blame where it belongs: on their own leader, Boris Yeltsin, and his first-name-basis Western allies—Bill and Helmut—who, under the rubric of 'reform,' pushed market shock therapy on them. . . . In particular, the present crisis signifies such a complete failure of American policy toward Russia that, given the right spark, relations could rapidly deteriorate or even fall into the pattern of a new Cold War. Anti-American sentiment is already higher now than at any time since 1991," Arbatov said.

Arbatov wrote that the economy was devastated by "the years of shock therapy initiated by former Prime Minister Yegor Gaidar . . . that elicited so much enthusiasm in the West." Gaidar and his team were unknown economists who went from Marxist economics to those of Friedrich von Hayek and Milton Friedman, becoming "zealous

economic liberals." The West, he said, "fails to understand that the financial collapse of Russia was not an unfortunate incident, but the inevitable outcome of the economic reforms pursued since 1992." It is this predicament that Prime Minister Yevgeni Primakov is addressing.

"The idea of the market economy as the best way to go has also been discredited. Why, we ask, is the way we organize our economy the condition of our friendship with the West?" Arbatov wrote.

## Finance

### Mexican Supreme Court rules usury is legal

On Oct. 7, Mexico's Supreme Court ruled that compound interest (charging interest on past-due interest) is legal, despite the fact that it is outlawed by the Mexican Constitution. A blatant decision on behalf of the nation's banks, which will no longer have to pay out compound interest on deposits, the ruling has already led to incidents, such as those in Puebla, where arrest warrants were issued for six people who were behind in their mortgage payments. It would appear that debtors' prison is about to be officially established in Mexico.

*El Financiero* columnist Cárdenas Cruz wrote on Oct. 9, that for the Supreme Court, "there was more concern . . . over the reaction of bank owners, than over the . . . thousands, perhaps millions, of countrymen whose debts today are simply unpayable, and may cost them the loss of their possessions, and even jail, as has already occurred in Puebla."

While there is generalized popular outrage over the ruling, the group that is trying to benefit from it politically is El Barzón, the São Paulo Forum-linked debtors' movement. El Barzón organized demonstrations against the Supreme Court in several cities around the country, and on the day the justices met in Mexico City, it staged a demonstration outside, blocking access to the building, and banging on the closed doors. Many more debtors will now undoubtedly flock to it, in the aftermath of the Supreme Court's decision.

## Time to explode your myths about the U.S. media

by L. Wolfe and Jeffrey Steinberg

Recent polls show that the average American is disgusted with the media; the so-called media establishment is held in about as little esteem as lawyers and pornographers. However, other polls and statistical samplings find that these same Americans have more interaction with the media—they read more magazines and newspapers, watch more television, spend more time on the Internet—than ever before!

In the following report, we deal with this paradoxical behavior, this apparent addiction to something that you hate, and the effect it has on nearly every aspect of your life, from the styles of clothes that you wear, to your “entertainments,” and to what you think about the world.

To the extent that you are enraged about the media, it is for the most part an abreaction to the sense that it has contributed to your own degrading behavior, to the fact that you are addicted to it; it is the same kind of rage felt by an addict to his drug supplier—but it does not stop the addict from coming back for more. To deal with this problem, we have designed our report to explode some prevalent myths that prevent you from seeing how you are controlled and who is controlling you.

### Three myths

*Myth Number One:* There is a media elite controlled by such figures as Rupert Murdoch and Ted Turner who are “a power unto themselves,” and who have the ability to make or shape global policy.

This myth, promoted by the media itself, including through such popular culture items as the recent James Bond movie, *Tomorrow Never Dies*, conceals the fact that the entire media cartel, in all its varied forms, is effectively controlled by a shadowy London-based oligarchical elite, known as the Club of the Isles—people who view Murdoch, Turner, et al. with disdain, and use them as mere pawns in their operations. Policy flows down from such circles through the media sewer pipes, with little or no input from the more visible moguls.



Here is a sample of the propaganda generated by a tightly knit network of right-wing direct mail outfits. Although they all pitch an anti-establishment line, they are all tightly controlled by the British oligarchical circles out to destroy the United States.

**Myth Number Two:** There is such a wide variety of media sources, arrayed in such a way that if one picks through several of them carefully, one can assemble for oneself a true sense of current events. The subsidiary myth is that the wide variety of sources, with the citizens' ability to choose from among them, makes for a "free press." The facts, as we show, are quite the contrary. The cartel provides the basis for the most elaborate and extensive mass brainwashing mechanism in history.

We demonstrate that there is indeed method to this, and that the methods were developed by a London-centered network of practitioners of mass-brainwashing, linked to the Tavistock Center for Human Relations (formerly the Tavistock Institute). The unavoidable conclusion reached from this is that the majority of our fellow citizens are *brainwashed*.

**Myth Number Three:** That there exists, outside of the so-called establishment media, an "alternative media" that tells the truth, ferreting out the establishment media lies and exposing them. This is perhaps one of the cruelest of hoaxes, since, as we expose, this more appropriately called "junk food" section of the "media food chain" is controlled by the same pernicious and evil policy channels that run the establishment media.

We further demonstrate that the sources of much of the material in the so-called alternative media are leaks from the political and financial establishment itself, and we show how this channel is crucial in spreading lies, slander, and gossip which ultimately finds its way back into the "mainstream media," for consumption by the public at large.

As we explain, in the context of presenting our case, the media are at present among the major weapons being wielded against our Republic. It is through the media, with the strings being pulled from London, that the entire assault on the Presidency of William Jefferson Clinton was initiated and continues to be run.

The media, at the same time, currently serve as the major sources of disinformation about the worst financial crisis in world history, attempting to "sell" you and your fellow citizens the lie that your fate is linked to doomed efforts to save a hopelessly bankrupt world financial system.

Our report thus becomes a primer of sorts in how to deprogram yourself from the effect of media brainwashing. But, if we are to be successful in our endeavor, then Americans will have to give up some of their arrogance about how well informed they are, about how they are too smart to allow themselves to be brainwashed. It is that conceit that is one of most powerful assets of the evil media cartel and its controllers.

So, as you read what we present in the following pages, reflect upon whether you really understood any of this before. If you didn't, ask yourself why? It is from that moment forward, at the point that you give up some of the media-proffered myths about itself and about how you have come to think the way that you do, that you can begin the search for the truth about the world we live in, and its current and past history. And it is in the hopefully successful outcome of that search for truth that the future of our nation and your family's survival depends.

# Who controls the media cartel

by Marcia Merry Baker, Jeffrey Steinberg, and Frank Bell

At present, a handful of predominantly British and allied U.S. media giants dominate the newspaper, radio, and television markets across the United States, as well as movies, CDs, live performance circuits, music publishing, theme parks, sports broadcasting, and other aspects of the entertainment “industry.” What characterizes this monopoly situation is *not* that it arose from bigness-gone-too-far, nor English being a common language with Britain, nor mere greed. The media networks reached their extensive mind-control positions by deliberate efforts to achieve that goal, for strategic political purposes. Not each and every soundman, or newscaster may be aware of the top-down control, but the cartelization of the media, the central domination by British political interests, is a fact.

In its issue of Jan. 17, 1997, *EIR* documented this pattern

of control, giving profiles, featuring brief histories, and details of their current control of media assets, for the major media ownership groups. Here and in **Figure 1** on page 35 we summarize the essentials of that report, showing by category of media coverage, the dominant companies and their pedigree—either “Indirectly British” or “Directly British.”

Note that the chart also includes the category of “alternative” media, which is a component of the same cartel control. This picture emerges when the origins, practices, and lines of control of these so-called non-establishment media are more closely scrutinized.

All the major media conglomerates, at the board level, and through their financial arrangements, interconnect with the Club of the Isles, the London-centered oligarchical financial and political interests, shown at the top of the chart. The term “Club of the Isles” is used within these elite circles to designate the financial and oligarchical networks that operate through family and business ties, in their own interests, to wield global political and financial power. The House of Windsor is at present the *primus inter pares* within this network.

The London Tavistock Center for Human Relations, formerly known as the Tavistock Institute, operates as the chief psychological warfare unit for the Club of the Isles networks, developing methods and supervising the implementation of mass brainwashing through the media.

## Cartelization

The process of cartelization of the U.S. media has been under way for many years, but it was significantly advanced by a deregulation bill, the Telecommunications Reform Act of 1996, which was passed with overwhelming bipartisan support on Feb. 1, 1996, by the 104th Congress. This law opened the way for an almost complete takeover of the “news” and other mass information segments, by British and allied media giants.

This point can be seen in the profiles of just a few of the most influential media conglomerates that are directly British-owned and -operated, which we give here. Otherwise, thumbnail sketches are provided for certain other components of the cartel named on the chart.

The chart itself is not intended to be comprehensive, but merely indicative of the type and extent of the cartelized control of the U.S. (and international) media. For full documentation, consult *EIR*, Jan. 17, 1997.

TABLE 1  
Top 20 U.S. daily newspapers by circulation

Rank	Newspaper	Parent company	Circulation
1	Wall Street Journal	Dow Jones & Company, Inc.	1,837,194
2	USA Today	Gannett Co., Inc.	1,662,060
3	New York Times	New York Times Co.	1,107,168
4	Los Angeles Times	Times Mirror Co.	1,068,812
5	Washington Post	Washington Post Co.	818,231
6	New York Daily News	Daily News, L.P.	728,107
7	Chicago Tribune	Tribune Co.	664,586
8	Newsday	Times Mirror Co.	559,233
9	Houston Chronicle	The Hearst Corporation	549,856
10	San Francisco Chronicle	The Chronicle Publishing Co., Inc.	494,093
11	Chicago Sun-Times	Hollinger International, Inc.	491,143
12	Dallas Morning News	A.H. Belo Corporation,	489,338
13	(Phoenix) Arizona Republic	Central Newspapers	479,888
14	Boston Globe	The New York Times Co.	466,317
15	New York Post	News Corp.	428,401
16	Philadelphia Inquirer	Knight-Ridder, Inc.	422,829
17	(Newark) Star-Ledger	Newhouse Newspapers Group	402,331
18	Cleveland Plain Dealer	Newhouse Newspapers Group	387,011
19	San Diego Union-Tribune	The Copley Press	383,263
20	Detroit Free Press	Knight-Ridder, Inc.	363,426

Sources: *Editor & Publisher*, May 10, 1997; *Hoover's Handbook of American Business*, 1998.



TABLE 2

**Major magazines—largest U.S. revenue earners ranked by circulation**

Rank	Magazine	1996 total paid circulation	Revenue (\$ thousands)	Parent company
1	Parade	36,156,000	494,031	Advance Publications
2	USA Weekend	20,002,968	228,611	Gannett Co.
3	Reader's Digest	15,072,260	543,643	Reader's Digest Association
4	TV Guide	13,013,938	1,077,584	News Corp.
5	Better Homes & Gardens	7,605,325	474,695	Meredith Corp.
6	National Geographic	7,603,991	212,808	National Geographic Society
7	Family Circle	5,114,214	267,391	Bertelsmann (Gruner & Jahr)
8	Good Housekeeping	4,951,240	281,758	Hearst Corp.
9	Ladies' Home Journal	4,544,416	240,986	Meredith Corp.
10	Woman's Day	4,317,604	300,950	Hachette Filipacchi
11	Time	4,102,168	708,146	Time Warner
12	People	3,449,852	906,431	Time Warner
13	Newsweek	3,194,769	532,703	Washington Post Co.
14	Sports Illustrated	3,173,639	787,342	Time Warner
15	Southern Living	2,490,542	188,881	Time Warner
16	Cosmopolitan	2,486,393	235,927	Hearst Corp.
17	U.S. News & World Report	2,260,857	323,187	Mortimer Zuckerman
18	Money	1,993,119	191,339	Time Warner
19	Entertainment Weekly	1,280,230	198,670	Time Warner
20	PC Magazine	1,151,473	381,639	Ziff-Davis Publishing Co.
21	Business Week	893,771	348,395	McGraw-Hill Cos.
22	Forbes	789,182	269,893	Forbes Inc.
23	Fortune	775,031	245,993	Time Warner
24	Computer Shopper	550,174	201,272	Ziff-Davis Publishing Co.
25	PC Week	5,821	240,616	Ziff-Davis Publishing Co.

Sources: *Advertising Age*, June 16, 1997; *Hoover's Handbook of American Business*, 1998.

## The Hollinger Corporation

The Hollinger Corporation, a direct outgrowth of World War II British Secret Intelligence Service operations, housed in Canada and the United States, owns more than 80 daily newspapers and 100 weeklies in the United States, concentrated in the Midwest. These include the *Chicago Sun-Times*, the 11th largest in the United States, whose total U.S. circulation is more than 10 million copies per day.

Hollinger International, officially headquartered in Toronto, is effectively run out of London. It originally developed out of a multibillion-dollar British intelligence private asset from World War II, known as Argus Corporation; in 1985, Argus was reorganized as Hollinger Corp. The current CEO of Hollinger is Conrad Black, whose father, George Black, ran Argus. Argus was involved in the munitions and mob-linked liquor trade, while amassing a media empire with newspapers in Britain, the U.S.A., Australia, and the Caribbean.

The Hollinger Corp.'s International Advisory Board, which shapes editorial policy for all of the Hollinger publications, is chaired by former British Prime Minister Baroness Margaret Thatcher of Kesteven, and co-chaired by Sir Henry

Kissinger and Lord Peter Carrington. Other members include Dwayne Andreas (retired from Archer Daniels Midland, and formerly with Cargill) and Lord Jacob Rothschild. Conrad Black is himself a member of the Queen's Privy Council, the elite body which implements royal policy for the British Empire.

The Hollinger Corp. has been the driving force behind the "Clintongate" campaign to destroy the institution of the U.S. Presidency. Hollinger has been acting as a branch of British intelligence in this effort, employing the most advanced methods of psychological warfare, and deploying its own resources as well as those of allied media organizations, private tax-exempt foundations, and "wannabe" Tory fac-

tions of the Republican Party in the United States.

## Other British control operations

**The Thomson Group**, another British media conglomerate with long-standing ties to the British monarchy and British intelligence, owns more than 105 daily newspapers and 26 weeklies in the United States, many of them in the smaller media markets. The company is headed by Lord Kenneth Thomson, also a director of the Hudson's Bay Co. The Thomson Group owned the London *Times*, until it sold it off to Rupert Murdoch.

**Pearson PLC**, another Fleet Street giant, owns a large stake in the London *Economist*, the chief propaganda organ for the City of London financial establishment, and now owner of the U.S. business and trade daily, the *Journal of Commerce*. Pearson's flagship paper is the London *Financial Times*, now widely circulated in the United States. The most important Capitol Hill journal, *Roll Call*, is published by the Economist Group. Pearson owns Capital Publications, which prints 41 newsletters nationally, while its Federal Publications specializes in U.S. government procurement and immigration law. Pearson also owns the Penguin publishing house

TABLE 3

**Top 25 television groups in the U.S., by market coverage**

Rank	Group	Headquarters	% coverage of nation's 95.3 mn. TV homes	Number of stations
1	Fox	Beverly Hills	34.8	23
2	CBS	New York	30.9	14
3	Paxson Communications	West Palm Beach, Fla.	26.8	44
4	Tribune	Chicago	25.9	17
5	NBC	New York	24.6	11
6	Disney/ABC	New York	24.0	10
7	Gannett	Arlington, Va.	18.0	18
8	Chris-Craft/BHC/United Television	New York	17.6	8
9	HSN/Silver King	St. Petersburg, Fla.	16.4	17
10	Telemundo	Hialeah, Fla.	10.7	8
11	A.H. Belo	Dallas	10.5	16
12	Univision	Los Angeles	9.9	12
13	Cox Broadcasting	Atlanta	9.5	12
14	Hearst-Argyle Television	New York	9.2	16
15	Viacom (Paramount)	New York	9.1	13
16	Young Broadcasting	New York	9.0	15
17	E.W. Scripps	Cincinnati	8.7	15
18	Sinclair Broadcast	Baltimore	8.2	28
19	Post-Newsweek	Hartford, Conn.	7.1	6
20	Meredith Corp.	Des Moines, Iowa	6.2	11
21	Granite Broadcasting	New York	5.9	11
22	Raycom Media	Montgomery, Ala.	5.6	26
23	Pulitzer	St. Louis	5.2	10
24	Media General	Richmond, Va.	4.7	13
25	Albritton Communications	Washington, D.C.	4.2	10

Sources: *Broadcasting & Cable*, June 30, 1997; *Hoover's Handbook of American Business*, 1998.

and is the major supplier of U.S. textbooks, Addison-Wesley.

Rupert Murdoch, the Australian media mogul and personal protégé of Britain's World War II propaganda chief, Lord Beaverbrook, has spread his **News Corporation** all across the United States, in print media, radio, and television, while at the same time owning the semi-official organ of the British monarchy, the *Times* of London. The News Corp. owns 20th Century Fox, which has spawned the fourth major U.S. television network, Fox-TV, and has now launched its own 24-hour all-news network. The News Corp. publishes the *New York Post* and *TV Guide* (which, in revenue, is the largest magazine in the United States). It also owns the large HarperCollins publishing company and has a 20% stake in Reuters wire service, the number-one international news feed to the media in the United States, and the largest wire service in the world.

### The media top dogs

The tables published here give the rank order of the largest media, by circulation or equivalent, for the top newspapers, magazines, television and radio, and cable operations in the United States. Also shown, are the largest media companies, ranked by revenue.

What you see is that, among the American-owned media giants, a half-dozen companies share, with their British cousins, a near-total monopoly over the news. The Associated Press, the *New York Times*, the *Wall Street Journal*, and the *Los Angeles Times* (Times Mirror Corp.) are, along with Reuters and the British Broadcasting Corporation (BBC, and its U.S. de facto subsidiaries, National Public Radio and the Public Broadcasting System), almost the sole sources of news for the overwhelming majority of Americans.

Meanwhile, the television news departments at NBC, CBS, ABC, Murdoch's Fox, and the cable-based CNN are part of this same cartel; they are operated by controlled subsidiaries of even larger multimedia conglomerates: General Electric owns NBC; Time Warner recently absorbed CNN; Disney/Capital Cities owns ABC; and Westinghouse owns CBS. Each of these giant media entities owns local TV and radio stations in major urban centers, as well as magazines, motion picture companies, and record companies, (in addition to their more familiar product lines), throughout the United States.

The reach of this cartel extends far beyond the borders of the United States, to reach English speakers around the world. For example, the *International Herald Tribune*, the English-

TABLE 4

**Top 20 cable companies, by number of subscribers**

Rank	Multiple system operator	Basic subscriptions
1	Tele-Communications Inc.	14,710,846
2	Time Warner Cable	7,321,000
3	U S WEST Media Group	5,004,948
4	Time Warner Entertainment-Advance/Newhouse	4,479,000
5	Comcast	3,865,508
6	Cox Communications	3,259,384
7	Cablevision Systems	2,807,575
8	Adelphia Communications	1,851,850
9	Jones Intercable	1,523,740
10	Marcus Cable	1,271,140
11	Century Communciations	1,257,400
12	Falcon Cable	1,167,850
13	Lenfest Group	1,141,519
14	Charter Communications	1,139,354
15	InterMedia Partners	941,855
16	TCA Group	691,232
17	Post-Newsweek Cable	594,321
18	TW Fanch	531,500
19	Prime Cable	490,508
20	Multimedia Cablevision	452,795

Sources: Cablevision, March 17, 1997; *Hoover's Handbook of American Business*, 1998.

TABLE 5

**Top 25 media companies, by revenue, 1997**

1996 rank	Company	Total media revenue (\$ millions)	Headquarters
1	Time Warner	\$11,851.1	New York
2	Walt Disney Co.	6,555.9	Burbank, Calif.
3	Tele-Communications, Inc.	5,954.0	Denver
4	NBC TV (GE)	5,230.0	Fairfield, Conn.
5	CBS Corp.	4,333.5	New York
6	Gannett Co.	4,214.4	Arlington, Va.
7	News Corp.	4,005.0	Sydney, Australia
8	Advance Publ.	3,385.0	Newark, N.J.
9	Cox Enterprises	3,075.3	Atlanta
10	Knight-Ridder	2,851.9	Miami
11	New York Times Co.	2,615.0	New York
12	Hearst Corp.	2,568.4	New York
13	Viacom	2,404.0	New York
14	Times Mirror Corp.	2,321.0	Los Angeles
15	Tribune Co.	2,106.0	Chicago
16	Comcast Corp.	1,878.1	Bala Cynwyd, Pa.
17	U.S. West Media Group	1,726.0	Atlanta
18	Washington Post Co.	1,705.9	Washington, D.C.
19	American Online	1,690.0	Vienna, Va.
20	Thomson Corp.	1,664.0	Toronto
21	Dow Jones & Co.	1,501.8	New York
22	Cablevision Systems Corp.	1,315.1	Woodbury, N.Y.
23	Reed Elsevier	1,308.4	London
24	E.W. Scripps	1,167.5	Cincinnati
25	Advo Inc.	986.2	Windsor, Conn.

Source: *Advertising Age*, Aug. 18, 1997; *Hoover's Handbook of American Business*, 1998.

language “newspaper of record” abroad, is a joint venture of the *Washington Post* and *New York Times*.

Moreover, these same media cartel companies are now vying for more control, through “portal sites” for one-stop surfing on the World Wide Web. Among the top ten most visited “portals” for computer users at home, as of August 1998, was Walt Disney Online (with an estimated “reach” to 17.5% of such users), and Time Warner Online (with 13.9% reach).

In October, BBC World Service initiated its new Latin America Internet Service. The chief sugar-daddy for the BBC World Service is none other than mega-speculator George Soros, whose initial donation to the group was £1 million. At the beginning of October, Soros met with Baroness Kennedy, the Labour Peer and chairman of the British Council, to discuss more donations and projects. Watch out Ibero-America!

Whereas not too long ago, various trade journals would compile a profile of the 100 most powerful media executives, the list has now dwindled down to no more than 20 multimedia CEOs. And the merger mania and “restructuring” continues among these giant companies. For example, Times Mirror (owner of the *Los Angeles Times*, *New York Newsday*, and the *Baltimore Sun*) recently sold its legal-publishing subsidiary, Matthew Bender & Co., to the Anglo-Dutch conglomerate, Reed Elsevier PLC (based in London), for \$1.375 billion.

This, then, is the structure of an enormous cartel, operating in a mode that British intelligence official H.G. Wells dubbed an “open conspiracy.” Murdoch, Ted Turner, and similar media moguls have been trumpeted in the pages of the British-influenced “American” society journal, *Vanity Fair*, as holding the “real power” in what is called the “New Establishment.” But that too, like the other stories peddled for popular consumption by the cartel, is only partly true, and mostly a Big Lie.

As Figure 1 shows, the highly publicized moguls, such as Murdoch, Turner, and Sumner Redstone, are mere front men for the real conspiratorial power. That real power resides in the more shadowy Club of the Isles, whose media machine conceals its existence through the manipulation of perceptions and “public opinion.”

## How the media cartel works

Like a sewer pipe, power and control in the media cartel, flows from the top down.

At the top of this cartel sits a circle of powerful oligarchical families, the Club of the Isles, the power behind the British throne that determines who will rule over the far-flung Empire. The London-based Tavistock Center for Human Relations, and its international network of brainwashers, profilers, and pollsters, serves as the psychological warfare arm of the Club; Tavistock's operatives use the media to control the minds of those who consume its message.

Our chart delineates two basic types of control of the U.S. media. First, there is the direct British ownership of media outlets, through principally three major conglomerates: Hollinger, Thomson, and Rupert Murdoch's News Corp. This core group is supplemented by media owned by British assets within the U.S. establishment, which in turn are often incestuously interconnected in various joint operations.

The "line," as determined by London policy circles, is fed through this sewer pipe. The "media food chain" amplifies and recirculates "news" through various wire services, such as the British-owned Reuters, and Associated Press, a British asset.

### Who owns what

The following is a listing of news conglomerates and a description of what publications each owns. Although this is only a partial listing, it gives a sense of the power of a few large media outlets to control "public opinion." (See the more extensive dossiers in *EIR*, Jan. 17, 1997.)

The conglomerates listed are only *some* of the biggest and most powerful. While there are some honest journalists and editors around the country, the media are *dominated* and *infected* by this British-controlled cartel.

### Under direct British control

**The Hollinger Corporation:** 80 daily papers including the *Chicago Sun-Times*, and more than 300 weeklies.

**The Thomson Corporation:** 105 daily papers; 26 weeklies, mostly in smaller markets.

**Pearson PLC:** the London *Financial Times*, the London *Economist* (with the Washington Post Corporation), Washington, D.C. *Roll Call*, the *Journal of Commerce*; several weeklies and dailies.

**The News Corporation Ltd.:** the *New York Post*, the *Boston Herald*; 80 newspapers and 11 magazines; and the Fox television network.

**Reuters News Agency:** the largest wire service in the world, reaching all major media; Reuters Television, which reaches 650 million households worldwide.

### London's 'fellow-travellers'

**The New York Times Co.:** owns two dozen papers, in addition to its flagship, the *Times*, the *Boston Globe*, and the *International Herald Tribune* (with the *Washington Post*); also owns several radio stations and the largest supplemental news service in the world.

**The Washington Post Co.:** owns several daily newspapers and 15 weeklies, several cable operations and six television stations; owns 28% of Cowles Media, Inc., publisher of the *Minneapolis Star-Tribune*; *Newsweek*; and a wire service (with the *Los Angeles Times*).

**Dow Jones and Co., Inc.:** the *Wall Street Journal*; *Baron's Financial Weekly*; *Far Eastern Economic Review*; Dow Jones wire service; 19 daily papers; television operations.

**The Times-Mirror Corporation:** the *Los Angeles Times*; the *Houston Chronicle*; *Newsday*; the *Baltimore Sun*, and several smaller newspapers; *Popular Science*; the *Sporting News*; the *National Journal*.

**The Tribune Company:** the *Chicago Tribune*; the *Orlando Sentinel* and several other papers; the Tribune Entertainment Group owns 11 television stations as well as cable operations; 5 radio stations and programming operations.

**Advance Publications (Newhouse):** Two dozen papers, including the *Newark Star Ledger* and the *Cleveland Plain Dealer*; *Parade* magazine; dozens of cable franchises; Conde Nast, publishers of the *New Yorker*, *Vanity Fair*, and dozens of other magazines.

**Gannett Co., Inc.:** 92 daily newspapers, 16 television stations, 13 radio stations, and various cable systems; *USA Today*.

**Knight-Ridder, Inc.:** more than a dozen major papers, including the *Philadelphia Inquirer*, the *Philadelphia Daily News*, the *Charlotte Observer*, and the *Detroit Free Press*; a wire service (with Knight-Ridder).

**The Associated Press:** wire service and television and radio programming.

**The Reader's Digest Association, Inc.:** the *Reader's Digest* (worldwide circulation 27 million); several magazines, including *Moneywise*.

**McGraw-Hill Companies:** various journals and magazines, including *Business Week*; owns Standard & Poors investor rating service.

**Time Warner Turner:** the WB television network; CNN; Turner Broadcasting owns cable operations throughout the country; *People*, *Sports Illustrated*, and *Time* magazines.

**Westinghouse/CBS:** 14 television stations; 39 radio stations; the CBS network (operations merged with "Group W").

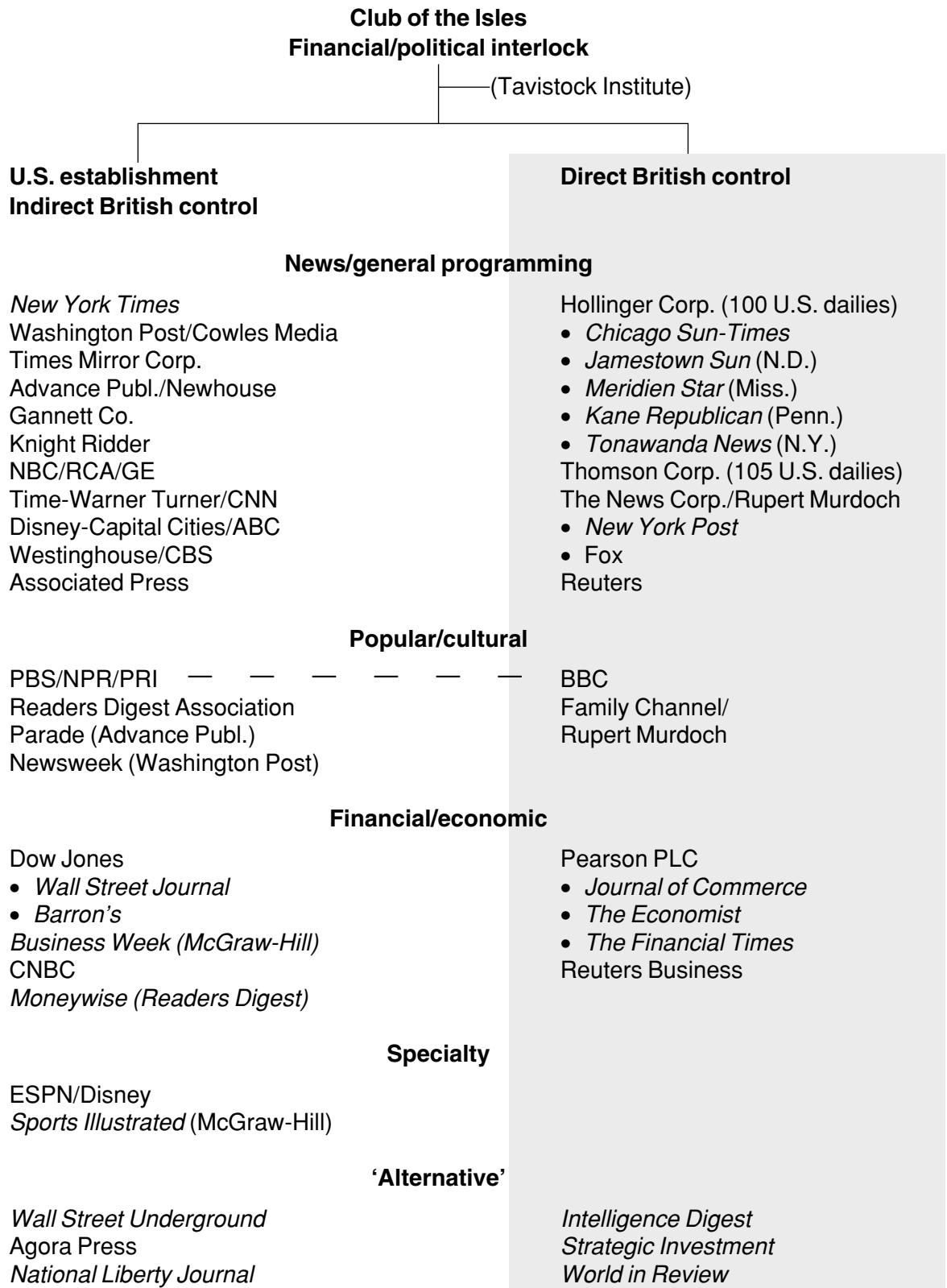
**Disney/Capital Cities/ABC:** 20 television stations; 21 radio stations; the ABC network; several newspapers, including the *Kansas City Star*; cable operations, including the Disney Channel.

**NBC/RCA/GE:** the NBC network, both radio and television; several cable channels.

**Corporation for Public Broadcasting/PBS/NPR/PRI:** network of more than 500 public radio and nearly 200 television stations.

FIGURE 1

**The U.S. media cartel's top-down control**



# Don't be a junk mail junkie!

by Jeffrey Steinberg and Charles Tuttle

If you are one of the countless millions of Americans whose home and office mailboxes are stuffed with a daily diet of “anti-establishment” junk mail, newsletters, and investment offers you can't refuse, beware! You have been targeted by one of the most stubborn and pervasive consumer con-jobs to come along in decades, one that also aims to twist your brain and transform you into a rage-driven pawn, in a decidedly anti-American, high-stakes political game.

The standard appeal of all the junk mail goes something like this: You (the victim) have been singled out for “membership” in an elite, albeit anti-establishment club, because you are more concerned, more “patriotic,” and better informed than most of your friends and neighbors. You understand that “The Media” is run, top-down, by a tightly knit Liberal cabal, that keeps most people around you confused, dazed, and disinformed. You know that the world economy and financial system is careening out of control, and that most people around you are going to lose their shirts. You also know that with the proper “inside” information, you can survive and prosper when there is “blood in the streets,” just like the big Wall Street survivors.

The standard pitch-lit always features shocking, but usually false or grossly exaggerated allegations against prominent public figures. Since 1993, “public target number one” of the junk mail moguls has been President William Clinton, who has been accused of everything from the assassinations of his former campaign manager and Commerce Secretary Ron Brown, and his White House deputy general counsel Vincent Foster, to the Oklahoma City bombing, to being a Chinese spy.

In many instances, the so-called promotional material is just a pretext for spreading vile hate propaganda against the President, and there is no real expectation of any financial return on the mailing. One recent mass-circulation “emergency” mailing by the *Wall Street Underground* consisted of a 38-page “secret report” claiming to provide “proof” that President Clinton ordered the assassination of Ron Brown. (Brown died, along with 39 CEOs of prominent American industrial firms, in a plane crash, during a tour of Bosnia and Croatia.) The report was pure disinformation, aimed at drawing the most gullible recipients into a rage against the President.

Printing industry experts estimate that the *Wall Street Underground* mailing, which went out with first-class postage, cost hundreds of thousands of dollars. Nick Guarino, the sole

proprietor of the *Wall Street Underground*, is a convicted swindler, who runs his junk mail operation from offshore, using a fulfillment house in Minneapolis to handle his mailings and screen all phone inquiries.

*EIR* has conducted an exhaustive study of this multibillion-dollar-a-year “media junk food” industry. The investigation has been abetted by many *EIR* subscribers, who have been victimized by this direct mail onslaught, and have helped us to piece together some previously unpublished details about how the tightly knit world of right-wing direct mail operations works.

## The ‘anti-establishment’ hoax

Among the current generation of print media, the most powerful and overtly anti-American conglomerates, the Hollinger Corporation and News Corporation, are directly owned by British Commonwealth figures. News Corporation, which also owns Fox TV, is the proprietary of Australian Rupert Murdoch. A few years ago, when televangelist and leading “Get Clinton” activist Pat Robertson ran into financial problems, Murdoch came through with a billion-dollar takeover of Robertson's The Family Channel cable TV outfit, leaving Robertson to continue to broadcast his 700 Club. A year earlier, Murdoch put up the seed money for launching a new neo-conservative weekly magazine, *The Weekly Standard*.

In the case of Hollinger, a direct outgrowth of the World War II British secret services, the owner is the Canadian-born Conrad Black. Black is a charter member of Prince Philip and Prince Bernard's 1001 Club, the super-secret financing arm of the Anglo-Dutch oligarchy's worldwide environmentalist movement.

In keeping with that London-centered oligarchical pedigree, Hollinger Corp. has been designated as the “war room” for the British secret service campaign to destroy the institution of the U.S. Presidency, via “Clintongate” and all its subsets, “Troopergate,” “Filegate,” “Fostergate,” and “Monicagate.” From 1993-97, Hollinger's point-man was Washington, D.C. *Sunday Telegraph* bureau chief Ambrose Evans-Pritchard, a self-confessed British MI6 stringer, whose father was a top British intelligence Africa-hand.

Hollinger is “High Tory Establishment.” Its international advisory board is chaired by Lady Margaret Thatcher, and co-chaired by Henry Kissinger, the confessed British agent and leading hate-object of most populists and other American anti-establishmentarians.

Kissinger's longtime friend, William F. Buckley, Jr., is another Hollinger board member. And here is where the hoax begins to unravel.

## The Buckleyite underground

*EIR* has discovered that, of the hundreds of organizations and newsletters that have flourished on the Right since the inauguration of Bill Clinton in January 1993, churning out their daily doses of propaganda, virtually every one is a spawn of the Buckley apparatus. In fact, about the only exceptions to this rule are publications like *Strategic Investment* and *Intelligence Digest*, which are both directly British. *Strategic Investment*, though published by Agora Press in Baltimore, Maryland, is run by Lord William Rees Mogg, former editor-in-chief of the London *Times*, and a member of the governing council of the British Broadcasting Corporation. Lord Rees-Mogg's "American cousin" is an Oxford University graduate, James Dale Davidson, who runs the National Taxpayers Union, an anti-government group which recently entered into a coalition with the most radical of the U.S. environmentalist groups, to press for the shutdown of much of the Federal government. The coalition is called "Green Scissors."

*Intelligence Digest* is the long-running propaganda sheet of British Israelite Kenneth de Courcy, a member of the English landed aristocracy, and a man with a long pedigree of shady intelligence operations. In the 1960s, de Courcy abetted the escape of confessed Soviet spy George Blake from a British prison.

William F. Buckley, whom author John B. Judis dubbed "The Patron Saint of the Conservatives," is not only a Hollinger advisory board member, along with the cream of the English aristocracy and colonial/corporate elite. He is a card-carrying member of the New York Council on Foreign Relations (CFR), a member of the Yale University super-secret Skull and Bones society (along with McGeorge Bundy, scion of the Ford Foundation; and George Bush, the man who gave the phrase "new world order" a bad name). Buckley also did a stint with the CIA before launching the "New Right" in the 1950s.

Buckley was personally responsible for ushering Henry Kissinger into the Nixon administration as President Nixon's National Security Adviser; and, to make matters worse, Buckley did everything in his power, in 1972, to convince Richard Nixon to appoint Nelson Rockefeller as his Secretary of State. It is hard to imagine a pedigree more hostile to the average right-wing populist victim of the junk mail onslaught.

Add to this Rockefeller-Kissinger pedigree, the fact that William F. Buckley has been one of the more long-standing advocates of drug legalization and decriminalization of pedophilia.

Yet, the majority of the junk mail operations are run by lifelong Buckley assets and loyalists, like Richard Viguerie, the recently deceased Morris Liebman, and a slew of veterans of the 1960s and '70s Young Americans For Freedom move-

ment, which was founded by William Buckley. To this day, YAF is a fixture on the junk mail circuit, shipping off millions of copies of *Campus Leader*, the newsletter of the Young Americans Foundation, its tax-exempt front. The latest issue of *Campus Leader* calls on all YAFers to bring the discredited Iran-Contra cocaine cowboy, Ollie North, to speak at their campus.

In a 1980 self-promotional autobiography, *The New Right: We're Ready to Lead*, Richard Viguerie spelled out the "junk mail revolution" in unambiguous detail:

"You may not have thought of it, but the U.S. mail is the principal method of communicating for conservatives. . . . You can think of direct mail as *our* TV, radio, daily newspaper and weekly magazine. Some people persist in thinking of direct mail as only fundraising. But it's really mostly advertising [emphasis in the original]."

"Raising money is only one of several purposes of direct mail advertising letters. A letter may ask you to vote for a candidate, volunteer for campaign work, circulate a petition among your neighbors, write letters and postcards to your Senators and Congressmen, urging them to pass or defeat legislation and also ask you for money to pay for the direct mail advertising campaign."

"Direct mail is, in fact, the third largest form of advertising in the country, spending about \$7.3 billion in 1978, third only to television and newspapers. . . . It is the advertising medium of the underdog. It allows organizations or causes not part of the mainstream to get funding. . . . It is not a cheap medium, but it is a highly effective one if you know what you're doing. And conservatives do."

In a more candid moment in 1976, Viguerie told a group of conservative money-bags: "My political principles? That's easy. M-O-N-E-Y."

Viguerie got into the junk mail propaganda business early. In 1961, he was hired by William Rusher, the publisher of Buckley's *National Review*, to serve as the account executive for the newly formed YAF. Viguerie, who twice flunked out of college in his native Texas, and then became chairman of the Harris County (Houston, Texas) Young Republicans, moved to New York City, where he was assigned by Rusher to work out of the Madison Avenue offices of Marvin Liebman, Buckley's de facto propaganda minister.

Liebman had been with the Young Communist League in the 1930s, was kicked out of the U.S. Army as a homosexual, and then made a "Damascus Road" conversion to right-wing Zionism, working as a fundraiser for the Irgun. He next became a top fundraiser for the International Rescue Committee of Leo Cherne, working under one of the earliest of the direct mail gurus, Harold Oram, another converso communist. The IRC was a joint British-American intelligence front (Cherne would chair President Ronald Reagan's Foreign Intelligence Advisory Board, where he would work closely with Henry Kissinger to launch the illegal judicial railroading of Lyndon LaRouche).

In the 1950s, Liebman was introduced to Buckley and the two men became partners for life. In addition to his commercial clients, Liebman's PR firm reportedly also received money from both the CIA and the State Department for special agit-prop projects during the Cold War. In the early '60s, for example, Liebman teamed up with soldier of fortune and Chicago police department informant Robert K. Brown, in running mercenary recruitment and fundraising operations for anti-communist rebels in the Congo. It was a dry run for the 1980s Iran-Contra secret parallel government program.

In 1962, Viguerie became executive secretary of YAF, and he and Liebman moved their offices to Washington, D.C. After working for the 1964 Goldwater for President campaign as a publicist, Viguerie set up his own Capitol Hill firm, Richard A. Viguerie Company (RAVCO), in December 1964. According to one published account, he hired Kelly Girls to hand-copy the names of all of the Goldwater contributors who had donated more than \$50, and he gathered up the mailing lists from the string of conservative causes and front groups he and Liebman had done work for in recent years. In 1965, Viguerie was dumped from YAF, and, according to several accounts, he pilfered the YAF mailing list as he was walking out the door, adding to his now formidable list of fundraising targets. But Viguerie's formal departure from YAF only placed him into an even more pivotal position within Buckleyland.

Liebman, Viguerie's first mentor, was soon off to London, where he wrote a string of plays extolling the homosexual life-style, and had his own share of strange encounters in the Piccadilly sex and drug scene (Liebman recounted some of these escapades in his 1992 autobiography, *Coming Out Conservative*). Liebman returned to the United States in 1975, in time to help Robert K. Brown launch *Soldier of Fortune* magazine, and to launch the career of another gay future Reaganaut, Terry Dolan.

Viguerie, on the other hand, found himself a new mentor, direct marketing expert Edward N. Mayer, Jr., and began picking up clients—all from the stable of young conservative politicians who had cut their teeth in YAF. In 1965, Viguerie also got his first contract to do fundraising work for the Reverend Sun Myung Moon's several front groups. Moon would show up again and again as Viguerie's fairy godfather, every time he got into financial trouble.

In 1968, Viguerie bagged a fundraising contract with George Wallace's American Independent Party Presidential campaign. The next year, in a special election, he managed the fundraising direct mail operations for Phil Crane, winning him the Republican nomination and a seat in the U.S. Congress. Crane was the first of a crop of "Conservative Revolution" radicals to enter the Congress, filled with the ideas of the Mont Pelerin Society of free market ideologue Friedrich von Hayek.

By 1971, Viguerie had figured out that direct mail fundraising has another advantage: The vast majority of the money

raised goes to the direct mail firm—not to the cause. That year, to give just one example, Viguerie raised \$1.2 million for a group called Citizens for Decent Literature. He kept 84% of the money.

In 1973, Viguerie was hired to retire the 1972 campaign debt of the George Wallace Presidential campaign. The recommendation to bring in Viguerie came from Morris Dees, who had been milking the Democratic Party with the same direct mail fundraising schemes employed by Viguerie (Viguerie had been approached by the 1972 George McGovern campaign to fundraise, and had referred them, instead, to Dees). Dees would later surface as the head of the Southern

## Media blackout of the real stories

With the media cartelized and under their thumb, the Club of the Isles has the ability to black out even major news events, and/or, through selective reporting and outright cover-up of facts, to falsify current history in a way that, unfortunately, seems plausible to the average citizen. Here we present brief case studies on this media manipulation on issues of vital strategic importance.

### Mubarak's accusation of London as a source of world terrorism

A sequence of hourly news reports on Sunday, Nov. 23, 1997, on National Public Radio broadcasts, shows a flagrant pattern of news tampering and blackout. Beginning in the morning, NPR, which heavily uses news feeds from the BBC, reported on a press conference that Egyptian President Hosni Mubarak made at Aswan, in which he cited London, by name, as a center for harboring terrorists, in particular those who had killed 62 tourists at Luxor, only five days earlier. Over the course of subsequent hourly broadcasts, this story was changed to add the United States as co-responsible, which President Mubarak did *not* say. Then the story was changed to *omit* any mention of London at all; then dropped. Here is the sequence:

9 a.m. EST: NPR, as the second leading news item, reports that President Mubarak has accused *London* of harboring the terrorists responsible for the Nov. 17 mass shootings of tourists. The radio broadcast notes that this is not the first time that Mubarak has singled out London.

10 a.m. EST: NPR reports that President Mubarak has accused *Britain and the United States* as culpable in harboring the terrorists responsible for the Luxor atrocity.



Poverty Law Center, an outfit linked to the Anti-Defamation League of B'nai B'rith, which professes to defend minorities from persecution. Dees has been accused of racial bias and of defrauding his contributors, using the standard direct mail tactic of siphoning off the vast majority of money to cover overhead costs and salaries of his "public interest" law firm.

In 1973, Viguerie also went to work for Sen. Jesse Helms's (R-N.C.) Congressional Club. The following year, he linked up with Paul Weyrich, a man he had first come to know in the Wallace campaign. By now, the Viguerie, Weyrich, Howard Phillips, Morton Blackwell, Terry Dolan combine was being referred to as the "New Right." During

this period, they set up a string of new front groups, from the Coors family-funded Heritage Foundation, to the magazine *Conservative Digest*.

Viguerie described the reaction from some more traditional conservatives: "Between 1974 and 1978, the New Right received a lot of criticism from other conservatives who felt that we were wasting our time and dividing the resources of the conservative movement by moving in new directions and starting new publications, new political action committees, new research foundations, and new public interest law firms. They were greatly concerned about our massive use of technology such as computerized direct mail."

11 a.m. EST: NPR reports that President Mubarak has accused *Western powers*, of harboring the terrorists responsible for the atrocity.

12 a.m. EST: NPR drops the story altogether.

### **The LaRouche 1996 vote**

In the 1996 Presidential primary campaign, despite the fact that Democratic Presidential candidate Lyndon LaRouche was on the ballot in 26 states, and garnered nearly 600,000 votes—far more than many other prominent primary candidates—his campaign was completely blacked out of the national television, radio, and print media, to the point that the standard media line was that "President Clinton ran unopposed" for the nomination.

LaRouche averaged 6.5% of the vote in the states in which he was on the ballot, and received well over 10% of the vote in a number of those races—far more votes than were captured by the widely publicized bids of Republicans Lamar Alexander, Phil Gramm, Bob Dornan, and Pete Wilson. Had LaRouche received proportional media coverage, his vote totals would have increased significantly, and his input into the Presidential policy debate process would have shaped a very different kind of national election, one that would have, in all likelihood, led to a larger Clinton victory, and a possible Democratic Party sweep of both Houses of Congress.

The fact that a candidate who had fully qualified for Federal matching funds, had received some 175,000 votes in California alone (Ralph Nader, the Green Party candidate, who received significant nightly news coverage, got only 20,000 votes), and had aired four nationwide, prime-time, half-hour TV campaign broadcasts, received *zero* mass media news coverage, says volumes about the top-down control the media exerts over what the American public is allowed to know.

### **Bush's role in Contra drug-smuggling**

On Aug. 18-20, 1996, the *San Jose Mercury News* in

California published an important three-part series, revealing that members of a Nicaraguan Contra organization, the National Democratic Front (FDN), had bankrolled the war against the Sandinista regime in Managua by dumping tons of crack cocaine onto the streets of Los Angeles. The *Mercury News* story, by investigative reporter Gary Webb, provoked an angry reaction from the *Los Angeles Times*, the *Washington Post*, the *New York Times*, the *New York Post*, the *Wall Street Journal*, and the rest of the media cabal.

But, the real story behind the *Mercury News* scandal was the dimension of the Los Angeles Contra-cocaine tale that never appeared in the pages of the *Mercury News*: the role of Vice President, and, later, President George Bush, in supervising the cocaine-for-guns operations in Central America that placed segments of the Federal government in bed with the Colombian cocaine cartel.

The Bush role in the Contra-cocaine business was a perfect instance of rock-solid news. The government documents specifying Bush's role in the Central America program, were all declassified, and publicly available at the Library of Congress and the National Archives. There were thousands of pages of court transcripts, FBI and Drug Enforcement Administration affidavits, and other legal evidence of the Contra-cocaine links. Yet, no news organization apart from *EIR* saw fit to break the story as a high-priority item.

(As reported in last week's *EIR*, the recently released second volume of the CIA Inspector General's report on charges of CIA involvement with Contra drug smuggling, fully confirms the original story reported by this news service—namely, that the smuggling took place under direction of operatives linked to Bush's networks in the National Security Council and other agencies, and was not under CIA control; in fact, under Executive Order 12333, the drug-smuggling operations were protected from normal reporting procedures.)

During this period, Weyrich, in particular, targeted electronic ministers Jerry Falwell and Pat Robertson to draw them into the new scheme, to proliferate single-issue front groups that would issue a steady stream of fundraising propaganda.

In 1975, Terry Dolan, Roger Stone, Charles Black, and pollster Arthur Finkelstein created the National Conservative Political Action Committee (NCPAC), with Viguerie as their direct mail guru. Typical of the kind of fundraising material NCPAC began shipping out by the millions, was a letter signed by Jesse Helms, warning that “your tax dollars are being used to pay for grade school classes that teach our children that cannibalism, wife-swapping and the murder of infants and the elderly are acceptable behavior.”

In 1975, Viguerie also launched *Conservative Digest*, as the complement to Buckley’s own *National Review*. *Conservative Digest* afforded the new crop of New Right single-issue fronts and politicians a forum. In one of the first issues, Viguerie featured a long interview with Buckley.

One year earlier, Buckley had accepted an invitation to join the CFR. That year, he had also attempted to convince Gerald Ford to name George Bush as his Vice President, following Richard Nixon’s resignation. When Ford chose Nelson Rockefeller instead, Buckley endorsed the choice, defending Rockefeller as someone who always aspired to be “number one” and would, therefore, not sell out to the Soviets.

Edward Feulner, Paul Weyrich, and Phil Crane, then all involved with the Republican Study Committee, another New Right invention, had joined with Buckley in pushing for George Bush as Ford’s VP.

William Rusher, the publisher of *National Review*, was Buckley’s point man inside the New Right insurgency. During the 1976 Republican primaries, Buckley endorsed Ronald Reagan, but behind the scenes did everything in his power to soften Reagan’s hatred for Kissinger, to pave the way for Kissinger getting a post inside a Reagan administration (Kissinger eventually was placed in charge of the Central America Task Force, with Oliver North as his “secretary,” and later was named to the President’s Foreign Intelligence Advisory Board).

When Ford won the GOP nomination, the “Young Turk” Buckleyites, led by Viguerie, Rusher, and Weyrich, attempted to take over the American Independent Party. Viguerie was even floated to be their Vice Presidential candidate, under George Wallace. When Lester Maddox got the nomination, Viguerie denounced the AIP as “racists.” The flirt with Wallace ended; and Ronald Reagan became the settled candidate of the future for the New Right insurgents.

The key was going to be money. Already Reverend Moon was building up his U.S. operations with infusions of \$80 million a year, and Viguerie had bagged a lucrative contract with one of the Moon fronts, Children’s Relief Fund, headed by Korean CIA colonel and Moon CEO Bo Hi Pak. In March 1976, Viguerie and his cohorts convened a week-long meet-

ing at the Red Fox Inn in Middleburg, Virginia, to plot out the future. The bulk of the attendees were “the money people of the Right.”

Back in 1972, Viguerie had hired Morton Blackwell to work for RAVCO. Blackwell launched the *New Right Report*, another of the early vintage newsletters, appealing to the former Wallace populists, the YAF veterans, and the emerging young Reaganites. By 1980, Blackwell was chairing Youth for Reagan.

In April 1977, Viguerie brought in Bill Rhatican as RAVCO’s vice president of public affairs. Rhatican had been press secretary to Treasury Secretary William Simon, Interior Secretary Rogers Morton, and a top aide to Ron Nessen in the Ford White House.

One rising young politician who grasped the Viguerie method was Newt Gingrich, who told reporters in 1980, “The way you build a majority in this country is you go out and put together everybody who is against the guy who is in. And instead of asking the question, ‘What divides us?’ you ask the question, ‘What unites us?’ ” The age of single-issue, negative politics was in full swing.

On the eve of the 1980 Presidential elections, in the spring of 1979, Viguerie and Weyrich traveled to Lynchburg, Virginia to meet with Jerry Falwell. Their pitch: Falwell should launch the “Moral Majority,” using his TV show as a platform, and Viguerie would put together a slick fundraising program, setting up a string of tax-exempt front groups to conduct “non-sectarian” political operations. Soon, Robertson was drawn into the operation as well, and, by August 1979, Viguerie could publish a special edition of *Conservative Digest*, heralding “Born Again Christians: A New Political Force,” with a lead story by Weyrich titled “Building the Moral Majority.”

During the 1980 elections, RAVCO raised \$35-40 million for a string of “clients,” mostly right-wing political action committees. A lion’s share of the cash flow went to Viguerie’s computerized database of 25 million names and addresses. RAVCO had a staff of 300 non-union employees. Terry Dolan, by now a member of the Buckleyite inner circle, summed up the Viguerie method: “Make them angry and stir up their hostilities. The shriller you are, the easier it is to raise funds. That’s the nature of the beast.”

By 1985, in the midst of the Reagan Revolution, Viguerie had trained dozens of “Young Turks” in the fine art of direct mail solicitations. People like YAF leader Bruce Eberle, Larry Pratt, Ann Stone, and Blackwell, had all cut their teeth as junior executives with RAVCO. Now they were out on their own, and the cutthroat competition for the big populist bucks began to take its toll on Viguerie, who was locked into millions of dollars in computer equipment that was rapidly being supplanted by the first generation of cheaper personal computers, available over the counter at Radio Shack.

Strapped for cash, in late 1985, Viguerie sold *Conservative Digest* to William Kennedy, a Colorado-based right-wing businessman.

In January 1986, Viguerie was sued by eight creditors for \$2.3 million in unpaid bills. Viguerie was bailed out, once again by Reverend Moon, who gave RAVCO a lucrative distribution contract for the *Washington Times' Insight* magazine. The attorneys general of Maryland and New York were probing one of Viguerie's fronts, Response Development Corp., for co-mingling charitable and commercial funds. In early 1987, Moon gave RAVCO the direct mail account for his latest front group, American Freedom Coalition, headed by Bo Hi Pak and Christian Voice's Gary Jarmin, himself a Unification Church leader.

In October 1987, Richard Viguerie became, in effect, a wholly owned subsidiary of the Unification Church apparatus, when Bo Hi Pak's U.S. Property Development Company bought Viguerie's northern Virginia office building for more than \$10 million—more than a million dollars above the appraised value. Viguerie paid off his debts, and settled down to handling direct mailings for the *Washington Times* and the American Freedom Coalition. Viguerie's direct mail outfit was now staffed by 60 "volunteers" from the Unification Church; and their major product was a video biography of Oliver North, produced by Moon's Global Images Co.

By the early 1990s, Viguerie was running a non-profit outfit called United Seniors Association (USA), which drew the attention of the New York Attorney General's Office, which concluded that Viguerie had "used non-profit groups for the primary purpose of paying off his business debts and filling his personal coffers." In June 1993, Sen. David Pryor (D-Ark.) targetted Viguerie's United Seniors Association as a prime example of "fraudulent mailed fundraising campaigns that target the elderly."

But, by the time that attention was being focused on Viguerie, a whole new generation of ex-YAFers, who had been schooled through RAVCO, were running a veritable alphabet soup of right-wing direct mail operations, drawing from Viguerie's lists.

Almost every one of the "new" outfits can be found on the roster of the Council for National Policy, what some New Right-watchers call the "Right-Wing Council on Foreign Relations." The head of CNP is Morton Blackwell, Viguerie's personal protégé. CNP was founded, appropriately, in May 1981, at the home of Richard Viguerie; 160 New Right operatives gathered to launch a coordinated underground effort. CNP would meet four times a year, behind closed doors. No "establishment" media would be allowed in, or even briefed on the content of the meetings. Among the speakers at recent CNP confabs: Iran-Contra operatives Richard Secord and Oliver North.

The group now has more than 500 members. Some of the leading Congressional Republicans of the "Conservative

Revolution" stripe are on CNP, including Rep. Dick Arme (R-Tex.), Rep. Tom DeLay (R-Tex.), Sen. Jesse Helms (R-N.C.), Sen. Lauch Faircloth (R-N.C.), Rep. Dan Burton (R-Ind.), and Sen. Trent Lott (R-Miss.). In other words, the entire Congressional "Get Clinton" apparatus is part of the CNP.

Among the CNP, one also finds the key players in every single right-wing direct mail front, plaguing your mail box today. Here is just a sample:

- Gary Bauer, Family Research Council, Washington, D.C.
- Morton Blackwell, Leadership Institute, Springfield, Virginia
- Brent Bozell III, Media Research Center, Alexandria, Virginia
- William Bright, International Christian Leadership University, Orlando, Florida
- Judie Brown, American Life League, Stafford, Virginia
- James Dobson, Focus on the Family, Colorado Springs, Colorado
- Jerry Falwell, Liberty Alliance, Lynchburg, Virginia
- Edwin Fuelner, Heritage Foundation, Washington, D.C.
- Ronald Godwin, Washington Times Corp., Washington, D.C.
- Robert Grant, American Freedom Coalition, Falls Church, Virginia
- Reed Irvine, Accuracy in Media, Washington, D.C.
- David Keene, American Conservative Union, Alexandria, Virginia
- Beverly LaHaye, Concerned Women for America, Washington, D.C.
- Tim LaHaye, Family Life Seminars, Washington, D.C.
- Ed McAteer, Religious Roundtable, Memphis, Tennessee
- F. Andy Messing, Jr., National Defense Council Foundation, Alexandria, Virginia
- Gary North, Institute for Christian Economics, Tyler, Texas
- Oliver North
- Howard Phillips, Conservative Caucus, Inc., Vienna, Virginia
- Lawrence D. Pratt, Gun Owners of America, Springfield, Virginia
- Ralph Reed Jr., Christian Coalition, Chesapeake, Virginia
- Pat Robertson, Christian Coalition, Virginia Beach, Virginia
- William Rusher, San Francisco, California
- Phyllis Schlafly, Eagle Forum, St. Louis, Missouri
- Richard Viguerie, American Target Advertising, Inc., Fairfax, Virginia
- Paul Weyrich, Free Congress Committee, Washington, D.C.

- Jack Wheeler, Strategic Investment, Baltimore, Maryland
- John Whitehead, Rutherford Institute, Charlottesville, Virginia.

If you are on the right-wing mailing list circuit, you have received mailings on a regular basis from most, if not all of the individuals and groups listed above. In future issues, *EIR* will provide profiles of some of the most egregious of these outfits. In the meantime, beware!

*Scott Thompson contributed vital research to this report.*

## The ‘black art’ of spreading slander

by L. Wolfe

The “black art” of spreading slander has been practiced for centuries by those who understand it as a powerful means to destroy an enemy, or to render him ineffective. Rossini and his librettist, Cesare Sterbini, in the opera *The Barber of Seville*, based on the work of the great French republican author Pierre-Augustin Beaumarchais, offers a succinct explanation of the method, placing it in the mouth of a corrupt Spanish Jesuit, Basilio, in the famous bass aria, “La Calunnia” (“Slander”):

... Very subtly one must invent a falsehood,  
Which will blacken his character,  
Discredit him, and spoil his reputation.  
Damage him so completely, cause such a scandal,  
He’ll be disgraced forever.  
And, I am the man to do it.  
Before you know it,  
Just take my word, as sure as I am Basilio,  
We’ll chase him out of town, make him an outcast.  
I have a method and it’s foolproof.

Let me teach you the art of slander,  
So ethereal, you scarcely feel it,  
Not a motion will reveal it,  
Till it gently, oh so gently,  
Almost imperceptibly begins to grow.  
First a murmur, slowly seeping,  
Then a whisper, lowly creeping,  
Slyly sneaking, softly sliding,  
Faintly humming, smoothly gliding.  
Then it suddenly commences,  
Reaching people’s ears and senses.  
First a mere insinuation,  
Just a hinted accusation,

Slowly growing to a rumor,  
Which will shortly start to flow.

What began as innuendo,  
Soon is swelling to a crescendo;  
Gossip turning into scandal,  
Stopping nowhere, hard to handle;  
Louder, bolder, brazen sounding;  
Stomping, beating, thumping, pounding,  
Shrieking, banging, booming, clanging,  
Spreading horror in the air.  
Rising higher, overflowing,  
Whipped to fury madly growing.  
Like a stream of lava pouring,  
Like a mighty cannon roaring.  
A tremendous tempest raking,  
A tornado splitting, shaking,  
Like the day of judgment breaking—  
pandemonium everywhere!

And the victim—poor accused one,  
wretched, slandered, and abused one—  
Has to slink away in shame,  
And wish he never had been born.

In this century, the Tavistock networks have perfected this ancient method, developing new techniques and technologies to “spread horror in the air.” The so-called alternative media play a critical role in turning “gossip into scandal.”

Back in the 1930s and early 1940s, Tavistock’s networks studied the methods by which news of ideas, and related changes in public opinion, spread through the population; this is called “diffusion research.”<sup>1</sup> For a new “idea,” be it a style of fashion or an opinion about a political figure, to gain acceptance, it generally has to originate from a source outside of establishment opinion-setters and media. The operative concept is to create an “undercurrent of discussion” among the general population—what is sometimes called “a buzz” (or in “La Calunnia,” the “murmur”)—and then to spread or “diffuse” that “buzz” more broadly. To do this, an “idea” is planted on the “fringe,” among people known to have a proclivity to “talk it up” through gossip and other means.

In the case of the junk mail operation, this targeted “fringe” element is suspicious of the establishment, and is anti-establishment in its outlook.<sup>2</sup> That certain information

1. Nearly all product introductions and “style” changes are premised, to some degree, on diffusion research methodology, originally laid out in the work of Bruce Ryan and Neal Gross, who analyzed the spread of new hybrid seed corn among farmers in Green County, Iowa in the 1930s.

2. In making even a cursory survey of the content of the leading junk mail newsletters, one is immediately struck by how little they actually say that does not fall under one or more of the three topic headings—“anti-government,” “anti-establishment,” and “anti-media.” About the only other universal characteristic noted is the ever-present appeal for funds.

in such newsletters is effectively planted by establishment sources, or even that their operation is funded from such sources, is kept out of the view of their readers.

Once the “buzz” has been sufficiently spread among these anti-establishment networks, the information can then be picked up and reported on by the establishment media; that report usually cites a junk mail source. The establishment media then uses its normal methods to spread the story. As the 1940s studies had shown, the major media coverage has the effect of “confirming” the “buzz,” while bringing the news from the “fringe” back into the center of popular opinion.

It’s easy to see how this operated in the case of the British intelligence-directed anti-Clinton campaign. Disinformation attacking Clinton was leaked into the “fringe” elements of the junk mail food chain and circulated through its newsletters. Much of this material could be traced to various British conduits, including the spigots to which Lord William Rees-Mogg provides succor, such as the London *Sunday Telegraph*’s Ambrose Evans-Pritchard. Once the “buzz” got going in the these “fringe” circles, the wild anti-Clinton slanders were “brought in from the cold,” and placed into the establishment media for wider dissemination. Meanwhile, even wilder smears were placed into the “fringe” newsletters, and the cycle started again.<sup>3</sup>

In the fall of 1997, as the global financial crisis was breaking into the open, George Washington University Prof. Dr. Jerrold Post and Tulane University Provost Robert Robbins, both members of the extended Tavistock network, presented a “handbook” on the mass manipulation of paranoia for political purposes, titled *Political Paranoia: The Psychopathology of Hatred*. The two describe a manifold manipulation of paranoia in this current period of “mass stress.” First, have the establishment media label as a paranoid, anyone who can provide a coherent alternative explanation of what is happening, a different set of assumptions from the currently failing ones. Meanwhile, foster the creation of separate paranoid groups and movements, while providing these groups convenient targets for their paranoid expressions of rage; finally, put the groups into conflict with each other, and with those who label them “paranoids.” This manipulated conflict creates a controlled paranoid environment that dominates the entire society.

Post and Robbins surmise that if your identity is put under continuous stress, you will search for a means to relieve that stress through a simple explanation for its cause; that explanation can be proffered through the junk mail food chain, which will readily offer up an “enemy” for you to blame. You cannot

3. For example, some of the wilder allegations about the sexual exploits of the President were too libelous to be printed in the establishment press. They found currency in the junk mail circuit. Their readers were instructed to call in to radio talk shows to demand an “end to the cover-up”; this clamor provided the cover to insert the stories, first into the tabloids, and then into the establishment media.

comfortably exist without enemies, the two brainwashers claim; it is simply too “painful.” As long as the forces behind Tavistock have the means, in one way or another, to foist their preferred list of enemies upon the American people, we can always be controlled—and at no point is the control of the society by the oligarchical interests that sponsor Tavistock ever challenged.<sup>4</sup>

The junk mail food chain’s targeting of President Clinton as an “enemy” is but one example of how the game is played, as well as its planting of one loony conspiracy theory after another into public view.

4. The Tavistock quacks Post and Robbins reveal a certain understanding of the danger Lyndon LaRouche represents. After using some shopworn slanders from the liar and ADL-scribbler Dennis King, they point out that LaRouche and his movement are not really like the others that the book profiles. LaRouche has developed an integrated epistemology, based upon Plato, that says that the Good exists for itself, and for no other purpose (a self-sustaining Good, in a Platonic sense). This, according to Post and Robbins, must by definition be impossible, since history shows that Good only exists in relation to evil. Post and Robbins’s work reeks of hatred of Plato and of Christianity and all religion which flows from Platonic ideas. History, the two psychopaths claim, “proves” that there are no fundamental truths; anyone who thinks this way, who asserts that truth is knowable, is a dangerous, paranoid demagogue. Man has a propensity to commit evil, and to say otherwise, as LaRouche does, is not allowed in rational discourse, they claim.

**“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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# How the media brainwash you

by L. Wolfe

There is a popular conceit among most Americans that they consider themselves “very well informed.” After all, the average American reads one or more newspapers daily, reads a weekly news magazine such as *Newsweek* or *Time*, and watches more than 20 hours weekly of what is considered television “news” programming, including local and national news programs, and weekend and evening interview “talking heads” shows, such as “Meet the Press” or “Nightline,” as well as subscription cable television news networks such as CNBC and CNN.<sup>1</sup> In addition, a sizable number of hours are spent listening to “talk radio.” And in the recent period, a sizable and growing number of Americans are hooked into the Internet, which offers an almost unlimited number of so-called news sources, of all kinds.

But while there is certainly a wide variety of news sources available, the mere availability of such sources does not mean that the “news information” that they provide is either accurate, or even useful. As we explain in other sections of this *Feature*, the media operate as a vast cartel, with a single-minded purpose: to manipulate and shape the opinions of the American public, and in so doing, to assign a relative value and weight to these “opinions.” In that way, the media steer what is called “public opinion,” effectively governing what Americans think about everything from their style of clothes to how they vote for public officials, including their President. The fact is that the more you are exposed to the media, the more manipulated you are, the more deliberately misinformed about the world you live in.

Our “very well informed” Americans would never believe themselves “brainwashed,” yet, if by that term we mean that you have been given a set of opinions and values, which are otherwise alien to your thinking, by an outside source, then that is exactly what has been done to you by the media cartel. The vast array of media outlets conceals that the range of information that they offer is tightly controlled.

To locate the importance of any single event, one must

place it in a proper context, not merely in the current frame of events, but in relation to events past, and possible impacts on events in the future; there can be no such thing as an “isolated news story”—all stories must be placed in their broad historical context. By restricting or narrowing their context, they are mislocated; if this is done deliberately, then a person has been subjected to *disinformation*.<sup>2</sup> If that disinformation campaign is concealed, then its success becomes likely, and its victims will have their perception of reality thus altered. This is a form of brainwashing; that it is not understood as brainwashing, is itself a product of a media disinformation campaign.

## Are you brainwashed?

For most Americans, the image that you have of “brainwashing” comes from Hollywood movies of the 1950s and 1960s about the Korean War. The victim, usually a prisoner of war or political prisoner, is subject to torture, over an extensive period of time, often supplemented by drugs and other agents. He or she is worn down, and finally, his will to resist collapses, and he is ready to undergo “re-education.” The zombie-like victim is then shown to the public, speaking gibberish, praising his captors, attacking his former friends and country.

But this is only one type of brainwashing, known as “hard brainwashing.” Among people who study the black art of “mind control,” it is viewed as a rather crude, if brutally effective method, for a limited purpose, such as the production of a terrorist assassin.<sup>3</sup>

It is impossible to use “hard brainwashing” on large numbers of people. For “mass brainwashing,” an entirely different technique is employed, one that conceals the process of brainwashing from its victims, in part because it is carried out over an extended period of time, in the course of everyday life. This so-called soft brainwashing, while not capable of producing zombie-assassins, can change the belief structures of society, and enable a small elite to control what people believe.

One of the most expert practitioners of mind control, Dr.

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1. Despite the increase in so-called news programming over the last decade, the “news” content of that programming has not really increased. This is attributable to the packaging of “news stories” as entertainment, with an emphasis on human interest stories, as well as sports, celebrity gossip and entertainment “news,” and even weather. There was far more “news”—such as it was—and especially international news, in the 1960s “Huntley-Brinkley Report” than on comparable network nightly news broadcasts today.

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2. Such disinformation is also referred to as “gray propaganda,” as distinct from “black propaganda,” the content of which is outright lies.

3. The 1962 movie *The Manchurian Candidate* describes one such “hard brainwash” victim, programmed as a political assassin.



*Press assembles before press conference by President Clinton and Tony Blair, Feb. 6, 1998. The media's function today is to create what Walter Lippmann called "pictures inside the heads of other human beings." The nature of those "pictures" is determined by an oligarchy.*

William Sargant, wrote of this "soft brainwashing" in his 1957 book, *Battle for the Mind*: "Various types of belief can be implanted in many people, after brain function has been sufficiently disturbed by accidentally or deliberately induced fear, anger or excitement. Of the results caused by such disturbances, the most common one is temporarily impaired judgment and heightened suggestibility. Its various group manifestations are sometimes classed under the heading of 'herd instinct,' and appear most spectacularly in wartime, during severe epidemics, and in all similar periods of common danger, which increase anxiety and so individual and mass suggestibility."

Translated for the layman: Sargant tells us that if you can frighten a person enough, or otherwise keep him in a state of anxiety, he or she becomes an "easy mark" for someone who might want to alter his or her belief structure. The operative concept here is the deliberate creation of a state of anxiety; in "soft brainwashing," rather than accomplishing this through torture, drugging, etc., it is done through a manipulation of social circumstances, as well as the individual's perceptions of those circumstances, with the intent of inducing a fear-dominated, and highly predictable response to those events. That response can be further controlled through regulation of the intensity of the anxiety-creating tension, and alternately, regulating the ability of the targetted individual or group of individuals to seek release from that tension.

### **The Tavistock 'mother'**

Sargant was part of a global network of brainwashers linked to the Tavistock Clinic, later known as the Tavistock Institute of Human Relations. Tavistock, located in a suburb

of London, serves as the psychological warfare directorate of the intelligence and other networks controlled by the British royal family.<sup>4</sup> Since its founding in the 1920s, it has studied the means to control the minds of large numbers of people. Theirs is the thinking that underlies the principle of soft brainwashing. Using Freudian psychological parlance, they argue that what happens to a brainwash victim is that he or she is reduced to a regressive or infantile psychological state; in this condition, cognitive powers are impaired and suggestibility is heightened. The best way to induce such a regression is through the introduction of tension, preferably administered in the form of "shocks" that disorient, and therefore frighten, the victim or victims.

Not surprisingly, Tavistock's researchers demonstrated, starting in the 1930s, that the best means to create an all-encompassing controlled environment was through the dis-

4. The Tavistock Clinic was established in the aftermath of World War I, under the patronage of Duke George of Kent, under the direction of Dr. John Rawlings Rees. Some of its earliest studies dealt with the breakdown of soldiers under the stress and terror of battlefield conditions. Rees and his cadre of Freudians proceeded to create theories of how such breakdowns might be induced, absent the terror of war. During World War II, Rees, who led Tavistock through the 1940s, headed the Psychological Warfare Directorate of the British Army, where he held the rank of brigadier general. By the beginning the 1950s, Tavistock had a worldwide network of several thousand people located at several major U.S. universities. At this point, its global network, involves tens of thousands. The LaRouche movement undertook groundbreaking work on the Tavistock network in 1973-74 and published the result of those investigations in *Campaigner* magazine (Winter 1973, Spring 1974). Additional work has been published in *EIR*, including "Tavistock's Imperial Brainwashing Project," May 24, 1996, and "The Media Cartel That Controls What You Think," Jan. 17, 1997.

semination of managed news through the media. During World War II, a whole section of Tavistock's operatives studied—and implemented—news management techniques for mass propaganda/brainwashing on targetted sections of the U.S., Allied, and Axis populations.<sup>5</sup> Tavistock's operatives have continued to use these wartime mass brainwashing methods to this day.

Aside from containing a carefully arranged array of “masaged” news, the mass media also convey a range of acceptable responses to these stories. Often, all of those choices appear to be “bad,” or to have “bad” consequences. Here, the instruction implied by the media is to choose the least “bad” of the responses. In Tavistock parlance, this is called a “critical choice,” and it is a most effective means of controlling large numbers of people. It relies on another Tavistock-promoted fiction—the notion of “public opinion,” usually transmitted through various types of opinion-polling information. The polls themselves, through the structure of their questions, and in many cases, through outright doctoring of results, can shape a desired outcome. Thus, polls, as Tavistock studies in the 1940s demonstrated, can be used to create public opinion and keep people from straying outside the range of critical choices.<sup>6</sup>

## Pictures in your head

In 1922, Walter Lippmann defined the term “public opinion” as follows: “The pictures inside the heads of human beings, the pictures of themselves, of others, of their needs and purposes, and relationship, are their public opinions. Those pictures which are acted upon by groups of people, or by individuals acting in the name of groups, are Public Opinion, with capital letters.”

Lippmann, who was the first to translate Sigmund Freud's works into English, was to become one of the most influential of political commentators.<sup>7</sup> He had spent World War I at the British psychological warfare and propaganda headquarters

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5. In the United States, these studies were conducted as a response to the war bond drive, and dealt with, among other topics, the effect of media reports on morale and war bond sales; as such they provided the basis for a psychological profile of the American population, under conditions of extreme stress. Other studies were conducted of the effect of Allied terror bombing, and related propaganda efforts, on the German population.

6. The major polling services, such as Roper and Gallup, were developed out of the Tavistock networks. From the outset, they were funded by the same oligarchical networks for whom Tavistock's brainwashers work; their various offshoots today remain under the control of the media cartel. For more on this see L. Wolfe, “For Whom the Polls Toll,” *EIR*, Jan. 17, 1997.

7. Lippmann, who migrated from Fabian socialist networks to the circles of the Dulles brothers, became a spokesman for an American “imperialist” faction that was effectively controlled by the British; as such, he was often deployed against both the spirit and content of the anti-imperialist policy outlook of President Franklin D. Roosevelt. See Lyndon LaRouche, *The Case of Walter Lippmann* (New York: Campaigner Publications, Inc., 1977).

in Wellington House, outside of London, in a group that included Freud's nephew Eduard Bernays.<sup>8</sup> Lippmann's book *Public Opinion*, published one year after Freud's *Mass Psychology*, which touched on similar themes, was a product of his tutelage by the same networks that had created Tavistock. It is through the media, Lippmann writes, that most people come to develop those “pictures in their heads,” giving the media “an awesome power.”<sup>9</sup>

Lippmann observes in his book that people are more than willing to reduce complex problems to simplistic formulas, to form their opinion by what they believe others around them believe; truth hardly enters into such considerations. Appearance of reports in the media confer the aura of reality upon those stories: If they weren't factual, then why would they be reported? People whose fame is in turn built up by the media, such as movie stars, can become “opinion leaders,” with as much power to sway public opinion as political figures have.

In examining how this process works, Lippmann turns to a study of the newspaper-reading habits of college students. He observes that, while each of the respondents claims to be “well read,” they have little recollection of anything but the most superficial content of even important news stories. The students, in general, have the same recollections of these superficial “facts” of news stories, remembering the same details, despite that they may have received the news from different papers. Finally, the study seems to indicate that the more stories were recollected, the less the respondents seemed to recall about any individual story. Few respondents seemed to question that what they had read was a truthful account of events.

Lippmann also reports that the addition of “human interest,” sports, or racy crime stories, to a mix of more serious news stories, tends to cause a lowering of attention paid to those more serious stories, especially complicated stories about international affairs. If this is the case for educated populations, it must even be more so the case for the less educated “mass of absolutely, illiterate, feeble minded, grossly neurotic, and frustrated individuals” who make up the majority of society. Such people, he states, can easily be misled by Popular Opinion, into believing what they think other people will believe. If even the educated display a lack

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8. Bernays later became one of the most successful American advertising executives, effectively creating “Madison Ave.,” using the tricks of Freudian psychological manipulation.

9. Freudian psychology in general, including Tavistock's “brand” of it, proceeds from the image of man as a sensate beast. It explicitly rejects, with great malice, the Judeo-Christian view of man as created in the image of God, distinguished from all other creatures in that he alone has creative cognitive powers, giving him the ability to deliberately, and creatively, alter the universe. Tavistock “experts” claim that all creativity derives solely from neurotic or erotic impulses (or both); they see the human mind as merely a slate on which they can draw and redraw their desired “pictures.”



of critical judgment and only a superficial recollection of what the media report, the great mass of people cannot possibly do better.

And who shapes this Popular Opinion? Lippmann observes that it is ultimately determined by the desires and wishes of an elite “social set.” That set, he states, is a “powerful, socially superior, successful, rich urban social set [which] is fundamentally international throughout the Western Hemisphere and in many ways, London is its center. It counts among its membership the most influential people in the world, containing as it does the diplomatic sets, high finance, the upper circles of the army and navy, some princes of the church, the great newspaper proprietors, their wives, mothers, and daughters who wield the scepter of invitation. It is at once a great circle of talk and a real social set.”<sup>10</sup>

### The Nazi example

Lippmann was writing at the beginning of a technological revolution in mass communication. By the early 1930s, more Americans could be reached at one time by radio than could be reached by all print media over the course of days: The era of “mass media” had truly arrived. Through the decade of the 1930s, researchers, many either directly or loosely affiliated with Tavistock networks, worked on a mass media with the ability to present information simultaneously across the nation, and ultimately around the world. They discovered that the very thing that made it “mass” media—the awareness of the population that they were sharing a common experience and common news—enlarged the power of the media itself to mold “public opinion.” If a story or report were broadcast, the studies found, it was more likely to be believed than if reported in the print media; in fact, the studies found that there was a *predisposition* to believe a radio report.<sup>11</sup>

Each of the networks, led by the Columbia Broadcasting System (CBS) and William Paley, developed their own news department, eventually creating their own news bureaus, sep-

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10. This is the social set that controls the media cartel (see *EIR*, Jan. 17, 1997). In recent years, there has been an attempt to create the impression among the general public that the media cartel is a power unto itself, that its prominent members, such as Rupert Murdoch, are themselves capable of shaping policy. In that way the celebrity of such figures conceals the fact that they serve much higher masters among an international policy elite dominated by a London-centered European oligarchy. The image of the late media mogul Robert Maxwell floating face down in the waters off his yacht, the victim of a staged “suicide,” provides evidence of the disposable character of such “titans” of the media as Murdoch, Ted Turner, et al.

11. The Princeton-based Radio Project, conducted by a network associated with the Frankfurt School, then relocated to the United States, produced the most prominent body of research on radio programming and its mass effects on the U.S. population. Much of this work was later incorporated into the World War II propaganda operations, run by Tavistock. For more on the Radio Project and the Frankfurt School, and its role in shaping media policy and cultural warfare, see Michael Minnicino, “The New Dark Age: The Frankfurt School and ‘Political Correctness,’” *Fidelio*, Winter 1992.

arate from the wire services<sup>12</sup>; supplementing this, were the commentators and “news personalities,” such as H.V. Kaltenborn, and later Edward R. Murrow. Techniques of conveying urgency—and also fear—were developed, such as the news “bulletin.”<sup>13</sup>

But the most advanced experimentation in the use of mass media, especially radio, for mass brainwashing purposes, was taking place in Nazi Germany, under the direction of the Hitler machine that London and Wall Street had helped place in power. While various public figures decried the use of German media for “mass propaganda,” the British-run Tavistock networks carefully studied successes and shortcomings of the Nazi propaganda machine in order to find ways to improve its efficiency.<sup>14</sup>

The Nazis were brought to power in a German society driven by economic collapse into chaos, violence, and insanity; to the fear-stricken German population, anything was better than the uncertainty and disaster of continued social chaos.<sup>15</sup> Once in power, the Nazi police state apparatus maintained the controlled environment of terror, in a heavy-handed way that was found to be abhorrent to generally accepted norms of Western society. Was there a way to accomplish the same result, without the “jackboots”? Tavistock was asked. The answer came back from the networks of U.S.-based Kurt Lewin<sup>16</sup>: the constant bombarding of a population with fearful images, supported by threats, from alleged enemies, both internal and external, could produce the kind of “chaotic social

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12. The radio news departments, especially their foreign bureaus, have had a historic relationship with the intelligence services. The case of William Paley is exemplary.

13. The use of the news bulletin as a tension-creating and attention-grabbing device became widespread during the 1938 Munich crisis. Its effects were further studied by the Radio Project in its analysis of the Orson Welles Mercury Theater play on H.G. Wells’s “War of the Worlds”—his famous 1938 “invasion from Mars” broadcast, which was aired in the form of a series of news bulletins. For more on this, see Minnicino, *op. cit.*

14. There has been a common myth that the Nazi media were so tightly run from the top down, that their lying was transparent, and therefore hardly effective. The Nazis allowed for a large number of seemingly privately run media outlets, as well as with official government press. While the information that comprised the “news” was carefully leaked, its reporting was not all that different in form from what Americans find in the media today. There were dozens of different angles presented for any given story, with “sources” cited that were often deliberately conflicting. The various media outlets were able to simulate an illusion of “accuracy” and “truthful” reporting, and were even allowed to challenge certain facts presented by the Nazis.

15. The terror and fear in the German population of the early 1930s is not dissimilar to that of the Russian population today, creating the possibility that the failed International Monetary Fund policies might lead to the imposition, with the connivance of Britain and allied continental assets, of a “Hitler solution” in Russia.

16. The German émigré Lewin was perhaps the most influential of Tavistock’s theorists. His work became the basis for group dynamics brainwashing and mass psychological profiling. For more on this, see L. Wolfe, “How Tavistock Helped the ADL Make the Jews ‘Victims,’” *EIR*, April 26, 1996.

field” that would leave the mass of people in an easily manipulable state; control of information through the mass media offered the opportunity to outdo even the “Big Lies” of Josef Goebbels, Hitler’s Propaganda Minister.

### The one-eyed babysitter

It was another technological breakthrough that gave the “mass brainwashers” their most effective tool.

Television was first experimented with by the Nazis in the 1936 Berlin Olympics. It made its flashy domestic debut at the New York World’s Fair in 1939. From the end of World War II in 1945, television began its forced march through American life; what was a community oddity in 1946, by 1952 had mass penetration into American households, especially in urban areas.

As a tool for mass brainwashing, television represents an exponential increase in potential effect over radio. It provides the simultaneity of radio—the capability of delivering instantaneously, a message to a vast audience; but, by combining sound with images, it confers an even greater authenticity to what it broadcasts. In so doing, a *virtual reality* renders the mind incapable of distinguishing what is real.<sup>17</sup>

James Fallows, in his limited, but useful attack on the media’s assault on the American republic, *Breaking the News* (New York: Pantheon Books, 1996), says that this process has turned all news events into “spectacles,” and reduced everything to a surreal “nowness”:

“For TV the ideal world is one in which whatever is on the screen at this moment is entirely engrossing. One event is not necessarily more important than another, because they are all supposed to claim our attention in the brief *now* in which they exist. . . . TV’s natural tendency is to see the world in shards. It shows us one event with an air of utmost drama, then forgets about it, and shows us the next.”

Even the earliest clinical studies of television (some of which were conducted in the late 1940s and early 1950s by Tavistock operatives) showed that viewers, over a relatively short period of time, entered into a trance-like state of semi-awareness, characterized by a fixed stare; the longer one watched, the more pronounced the stare. In such a condition of twilight-like semi-awareness, people became susceptible to messages both contained in the programs themselves, and through transference, in the advertising. They were being brainwashed.<sup>18</sup>

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17. One is reminded of the story of the man who was run over by a bus on a city street; refusing hospital treatment, he picked himself up, and made his way over to the nearest bar to watch himself on the local evening news, to check out “what happened.” An early advertising campaign for an audiotape used to ask, “Is it ‘live’ or is it Memorex?” The answer now is, “It doesn’t matter. It’s all virtual reality anyway.”

18. For more on television and its role in brainwashing the American population see the 16-part series, “Turn Off Your Television,” by this author in *The New Federalist*, 1991-93. It is available in reprint from *EIR* for \$25. While there is nothing inherently evil about radio, television, or any form of commu-

The children of the World War II veterans, the Baby Boomers, became the first generation to be weaned on what Lyndon LaRouche calls “the one-eyed babysitter.” And it was television that played a key role in shaping the personality of that generation, and their parents. It was television that had terrorized and humiliated the nation through its broadcast of the political witch-hunt led by Sen. Joe McCarthy; then, once “Tailgunner Joe’s” usefulness was over, it was television that helped destroy him. Through the decade of the 1950s, and into the 1960s, parents and their children watched, with terror, as the world was brought to the apparent brink of nuclear annihilation several times, including that most terrifying confrontation and showdown over Soviet missiles in Cuba in October 1962. As the terrified Baby Boomers grew up, the nightly news brought home the bloody images of a senseless war in the jungles of Southeast Asia, made all the more real by the proliferation of a new technology—*color* television.

### Global shock therapy

The events described above, along with others of the same period, including the assassinations of President Kennedy, Robert Kennedy, and Dr. Martin Luther King, Jr., the latter two in the space of two months in 1968, had an effect similar to that of electroshocks administered in a hard brainwashing torture; in this case, they were being administered simultaneously, through the power of mass media, to an entire society—a global shock therapy.

In the 1970s, twenty years after television became the dominant means of mass brainwashing, two top Tavistock operatives, Eric Trist (who, until his death in 1993, headed Tavistock’s operations in the United States) and Fred Emery, surveyed the mental wreckage.<sup>19</sup> They made a startling observation: The content of programming was not as important to the brainwashing process as the medium itself. Television had achieved a drug-like, addictive status for the population, with the average American watching more than six hours per day (and the figures have risen since the Trist-Emery studies were taken); this meant that Americans spend more time in front of their television sets than doing anything else except working and sleeping.<sup>20</sup> They observed that this level of viewing had succeeded in effectively turning off key cognitive centers of the mind; the zombie-like trance observed in most viewers was just that—a non-thinking state, in which emotional reaction replaced critical thought. Viewers chose their programming according to what made you “feel good,” and usually in accord with what they thought their neighbors were

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nication technology, what can make them evil and dangerous is their control by oligarchical networks, whose intent is to manipulate habituated or addicted listeners, viewers, or users, whose critical capacities are seriously impaired.

19. See Eric Trist and Fred Emery, *A Choice of Futures* (1972), and Fred Emery, *Futures We Are In* (1975).

20. With the advent of cable television, with its channel for every perversion, the amount of viewing time per household has risen considerably.

watching. The same was true about “news programming”—you watched it because you thought that “everyone” watched, but you cared little about what the content was.

Television viewing, the two brainwashing theorists reported, was part of a “maladaptive” response to a fearful reality—a “reality” for which the principal reference points were provided by the mass media, and especially television. They found society moving through a progressively degenerative social process. By regulating the “social turbulence” of the global order—i.e., by creating a controlled environment of economic and political shocks—the degeneration would take a predictable path. In other words, Trist and Emery claimed that they could reliably predict the response of a majority of any population influenced by a mass media-dominated environment to most administered shocks, in much the same way that a “hard brainwasher,” administering a psychotropic drug to a victim, can anticipate the victim’s response to that drug.

Trist and Emery proceed to offer a number of possible “futures,” based on levels of and intensity of the “social turbulence” in the global field. Putting aside the possibility of the most extreme turbulence—a nuclear war—they anticipate that, should the world economy break down into a chaotic collapse, the population, with its choices and range of action manipulated by the media, would likely choose a maladaptive response of intense *dissociation*. Society would, under these circumstances, become psychotic; a small elite might survive as masters and rulers, protected by private armies. It would resemble, they state, the world of Anthony Burgess’s 1962 novel *A Clockwork Orange*, where urban areas are terrorized by gangs of deranged youth who rush home to view their daily dirty work on the evening news broadcasts. The mass media help keep the society terrorized, while conveying a sense that this insanity is “normal.” The citizen, too scared to travel the streets in even late afternoon, can at least turn on the TV set to be entertained.<sup>21</sup>

Trist and Emery are themselves insane, in the same way that the Nazi doctor who oversees the slaughter of thousands speaks of his work as furthering “science.” Such insanity is also expressed in the hubris of a whole breed of practitioners of mind control such as the Futures Group’s Hal Becker, who told this author in a 1981 interview: “I know the secret of making the average American believe anything I want him to. Just let me control television. . . . You put something on the television and it becomes reality. If the world outside the TV set contradicts the images, people start trying to change the world to make it like the TV set images. . . . Americans

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21. Burgess, a linguist, creates a degraded language for his beast-like youth, not unlike the rap and other grunt-like dialects that are celebrated by today’s youth culture. But that butchering of the English language is only more noticeable than the destruction that takes place daily in the broadcast and print media, in general, which is far less literate than what could be found in the popular media even 35 years ago.

don’t really think—they have opinions, feelings. Television creates opinion, then validates it. Are they brainwashed by the tube? It is really more than that. I think that people have lost their ability to relate the images of their own lives without television intervening.”<sup>22</sup>

Becker went on to rave about the future of mass media, and its power to control what people think. Back in 1981, people like Becker longed for the moment when most of mankind would be “wired” in a single network—an interactive “wired society,” capable of pouring out instantaneously a myriad of “information” that would keep people confused and controlled. In such a degraded “Clockwork Orange” society, people sit at home and participate in “mass democracy,” expressing their opinion through computer mice on the Internet or in interactive cable television “instant” polls. The wire (or, fiber optic cable) that binds this new society together becomes, according to Becker and others, the road to “true freedom,” effectively replacing what they consider to be the “outmoded” nation-state means of governance.

Less than two decades later, the “wired society” has become a reality, as hundreds of millions of miles of cable and fiber optics span the globe. The world is “connected” through the vast “Information Highway,” the Internet, with its access to unlimited sources of “information.” As powerful as television has been as a soft brainwashing medium, the Internet has the potential to be even more effective.<sup>23</sup>

The reality is, that in the hands of the powerful media cartel, controlled by a handful of oligarchical interests, the cable and phone lines of the “wired society” have replaced the “hard brainwasher’s” electroshock wires, numbing and distorting the minds of millions, and shaping your opinions.

### Example: the Lewinsky affair

Let us now briefly look at the Monica Lewinsky affair, as a classic case of *attempted* media mass brainwashing.

The operation was set up long before the first information of the scandal made its way into the press in January 1998. From the moment he took office, and even before, during the 1992 campaign, Bill Clinton has been under a constant press assault focussed on his personal life. There has been one report after another about alleged sexual affairs, of which the Paula Jones case is only the most prominent. In each case, the media “food chain,” as the White House has labelled the mechanism for the production of scandals against the Presi-

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22. Becker was one of the Futures Group, a private think-tank that was among the first organizations to specialize in the use of computer interfaces in psychological manipulations of corporate executives and world political leaders, with contracts from the State Department and major multinational corporations. It also conducted extensive “market research” profiling of the U.S. population.

23. Although the Internet is a relatively new development, early studies have shown that its use is even more addictive and habituating than television. It is producing a large number of Internet junkies, whose interpersonal and creative capacities are severely impaired.

dent, has carried the reports, usually with leaks from the agencies involved in the scandalizing or related legal cases. This entire array of “bimbo eruptions,” is the equivalent of an artillery barrage, intended, in this case, to soften up the mind of the population to accept the idea that the President is “immoral.”

The sexual charges were accompanied by allegations pertaining to the Whitewater land deal, and further allegations of corruption, none of which were ever proven. However, the combined effect of the mass circulation of the charges was to give general credence to the idea that the “President is corrupt.”

The American people did not think any of these things were all that important; however, the persistence of the media, especially in the period of the Starr investigation, kept the allegations against the President alive and in the minds of Americans. There are some people who will say that the media were just doing their job; but examine the volume of coverage of the alleged scandals, over the same period, against coverage of the ongoing economic collapse and troubles in the international financial system, and the disproportionate weight given to the story becomes obvious.

As we indicated, there is no such thing as an isolated “news story.” But what is the proper context in which to locate the Lewinsky-Starr affair? Is it part of a series of interrelated scandals and cover-ups—sex, lies, and videotapes—that have engulfed the White House, as *all* the media reports (other than those of this news service) would have one believe? Or, is there something else going on? Have forces decided to “take out” this President through a “political character assassination” precisely at the moment that the President’s leadership is needed to deal with the worst financial collapse in history? What has been concealed by the media portrayal of the “sex scandals” is their potential relation to anything, but especially to the financial collapse; in fact, the soap opera quality of the scandal provides an excuse to reduce reporting of the international financial collapse, unless events on Wall Street and elsewhere are so calamitous as to force such discussion.

Polls showed that the Whitewater scandal did not “grab” the average American; its only “inflamed constituency” was the hard core of Clinton-haters. The sex scandals had a greater pull. The Lewinsky story reinvigorated the media assault on the President. But despite all the various “ins and outs” of the scandal, people still didn’t bite at the media’s attempt to convince people that it was all that important.

The Starr report and its release to the public by the U.S. Congress became the “last best hope” for the promotion of the scandal. No holds were barred to drag the American people into the gutter. From the dramatic dropping off of the “boxes” at the Congress on Sept. 10, all media outlets devoted seemingly endless volumes of newsprint and hours of broadcast time to the story. For the first time in history, a scandalous legal brief was made available instantaneously

to everyone in the world through the Internet; several papers printed in its entirety the Starr-written summary, which read like the pornography that it was, while others featured major excerpts.

This total media immersion overwhelmed the American public. At first, the reactions from the average citizens seemed to indicate that this soft brainwashing offensive was achieving its desired effect. Polls showed that many Americans were starting to shift from the view that Starr was nothing more than a venal prosecutor on a witch-hunt, to the belief that there might be something to his charges, after all. The media barrage around the report was intended to convey an aura of truth to the salacious garbage in the document; clearly, no one but an obsessed idiot or a pornography addict, would have the desire to pick their way through the entire report. With the media providing the “reviews,” its readers were being effectively asked behave like viewers of porno videos and to “fast forward” to the “good stuff”—thereby overlooking the weakness of Starr’s overall legal argumentation.

But for all the use of soft brainwashing method and capabilities, and the deployment of novel means of mass distribution, the effort may have backfired. Despite the continued push to force a Clinton resignation, and the ongoing “serious” coverage of the clownish efforts of the GOP leadership to conduct impeachment proceedings, the American people aren’t buying it—at least not yet. There has been what psychiatrists might call an abreaction to the filth that has poured in endless stream from Starr through the media spigots. But, perhaps even more disturbing to the brainwashers, the vast array of mind-bending propaganda surrounding the Starr report has exposed the brainwashing function of the media itself. As several reports indicate, including some taken by the brainwashers’ own pollsters, the American people suspect that the scandal is being rammed down their throats by a media “elite” who serves something other than the national interest.<sup>24</sup>

### **They won’t give up**

With the brainwashing effort around the Starr report faltering, and even backfiring, the media machine shifted tactics

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24. Typical is the moaning of the *Washington Post* and *Newsweek* magazine on this issue. “For months now, many media commentators have been saying . . . that the public would come to share their outrage about President Clinton soon enough,” the *Post*’s media commentator Howard Kurtz wrote on Sept. 15. “Once ordinary Americans learned the seamy details of Clinton’s conduct, once the independent counsel’s findings became public, the president’s poll ratings would surely plummet.” Yet, in the days since the release of the Starr report, “there has been no such public explosion. . . . The contrast with the media’s collective sense of betrayal has never been greater,” Kurtz wrote, noting the number of newspapers which have editorially called for Clinton to resign, plus that “the weekend talk shows were filled with indignant questions and harsh commentary. . . .” *Newsweek* columnist Jonathan Alter wrote, “The greatest surprise in this whole story is the ongoing gap between the elites—who now almost uniformly despise Clinton—and the people, who have stuck with him so far.”

somewhat. Media coverage now sought to narrow the range of possible choices for Congressional action to two—either impeachment (which remained in the polls an unacceptable choice to most Americans) or censure (for which the polls claimed greater support). This classic “critical choice” presentation of options eliminated as “unthinkable” the idea that *any* Congressional action against the President was both uncalled for and unnecessary, and that instead of such action, a Congressional attack on the illegal Starr operation should be launched. The media have pulled out all the stops in this “critical choice” debate, from editorials, to “talking heads” commentary, to “man-in-the-street” interviews and polling reports. And while most people still believe that the Starr report is garbage, many seem to have accepted the “critical choices” offered, choosing “censure” over “impeachment”—at least for the moment.<sup>25</sup>

Despite these obstacles, the media brainwashing machine still believes that it can achieve its desired outcome: the political assassination of President Clinton and his removal from office. Following the release of the Starr report, nearly all the talking heads and other media sources were putting out a uniform line: The November Congressional election is a “referendum” on the President and “the people will decide his fate.” Nearly every media source—including many “favorable” to the President—is saying that should the Democrats lose a significant number of Congressional races on Nov. 3, then the President would likely be forced to resign, or face an almost certain impeachment.

In that way, the media intend to lead the electorate into participating in an unconstitutional parliamentary coup. It is totally against the principles of our Republic, as defined by the Constitution, that the fate of the President should rest on the outcome of any election for the Legislative branch of government. That is what occurs in parliamentary systems, when governments live or die on the outcome of parliamentary votes and numbers of seats held by various parties. If the outcome of the so-called Clinton Crisis is to foster belief or support for a parliamentary system, then its effect would be ultimately destructive to our form of government. (Not coincidentally, a parliamentary government is even more susceptible to manipulation by the media cartel.)

Those behind the impeachment drive are responsible for putting this bilge in the media sewer; they are counting on a low voter turnout and the treasonous activities of the Democratic leadership to assure a big loss for the President’s party on Election Day. Right now, hardly anyone is campaigning around the issue of the President; it is the media

which are doing the “campaigning,” and calling for a “Clinton referendum” on Nov. 3. No doubt, some Gingrichite lunatics might pick up this tactic, but it remains a “Big Lie” that the election is any kind of referendum on President Clinton.

The President’s and party leadership’s support for disastrous and failed economic policies, such as the Welfare Reform Act, cost the Democrats control of the Congress in 1996. Should the Democrats lose seats on Nov. 3, the media are primed to analyze the loss as “devastating” for the President. The environment for an impeachment or resignation will be revved up. And, our media-addicted population might finally succumb to the brainwashing offensive: “Hey, the Democrats lost, didn’t they? Maybe I was wrong about what I thought about Starr.” At least, that’s what those behind the brainwashing offensive hope. And if that doesn’t work, they still have the spectacle of Congressional hearings, an impeachment vote, and trial, to try to win the day. They do not plan to give up.

### Harlow’s monkeys

The key to resisting brainwashing, is to seek to know truth, through questioning one’s own assumptions, and testing them. The truth is not found by adding up the number of news sources that say it is so.

Back in 1981, Tony Lentz, an assistant professor of speech at Pennsylvania State University, observed that he had witnessed destruction of oral and written skills, by the mass media and television; not only could most students not write coherently, but they could not even speak intelligently. This was not merely a function of miseducation, he stated in a paper, “The Medium Is Madness,” but also because they had no desire to think. Arguing that Plato states that our knowledge of the world must be based on knowing the mind of someone who knows something about it, Lentz said that television has left people with the idea that mere images represent knowledge. There is no questioning, no effort to get inside the mind of someone, merely dialogue and image.

“Allowing ourselves to be influenced by the subtle but powerful illusions presented by television,” wrote Lentz, “leads to a kind of mass madness that can have rather frightening implications for the future of the nation. . . . We will have begun to see things that aren’t there, giving someone else the power to make up our illusions for us. The prospect is frightening, and given our cultural heritage we should know better.”

The worst fear of the people who run the media, is that somehow, people will see through the haze and lies to the truth. Then, there could be the equivalent of a Harlow’s monkey rebellion against the media and the people who run them, just as Harlow’s psychologically tormented experimental animals turned on him and gave him a thorough drubbing. That happy moment in history might not be too far off.

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25. There are indications that the President is himself a target of this critical choice brainwashing. His political handlers, especially those people associated with Vice President Al Gore, have been pressing him to make a deal for censure, rather than risk impeachment. This keeps President Clinton in a box, and away from a vigorous counterattack against the Starr apparatus and what stands behind it.

## Netanyahu's paid terrorist targets Wye summit

by Joseph Brewda

Just as *EIR* predicted, Israeli Prime Minister Benjamin Netanyahu launched an "Islamic terrorist" massacre to blow up the Clinton administration-sponsored Israeli-Palestinian summit at Wye Plantation in Maryland. On Oct. 19, during the middle of the summit, "Islamic terrorist" Salem Rajab Sarsour threw two grenades into a crowded bus station in Beersheba, Israel, wounding 64 Israelis, one critically. As a result, Netanyahu defiantly announced that he was "suspending" all negotiations except those pertaining to security, and later threatened a walkout.

And also quite predictably, the terrorist group Hamas claimed credit for the attack, and warned of more to come.

Fortunately, Netanyahu's typical game of killing Jews to evade treaty commitments under the Oslo Accords was disrupted when Palestinian Authority Preventive Security chief Jibril Rajoub revealed that the so-called "Islamic terrorist," Sarsour, was a *paid informant of the Israeli intelligence agency Shin Bet*. The Palestinian delegation at the summit emphasized that the target of the terrorist attack was the Palestinian Authority, not Israel.

In the aftermath of Rajoub's charges, and the presumed release of Palestinian files to the summit documentating them, Shin Bet spokesmen publicly admitted their accuracy. In an extraordinary statement to the Israeli daily *Ha'aretz*, a spokesman for Shin Bet said that the agency had "held several meetings with Sarsour in an attempt to recruit him." But, the spokesman added demurely, the agency was "unaware of his terrorist activities." *Ha'aretz* reported that "Shin Bet officials met with Sarsour on three occasions—once in August and twice in September—and in the last meeting provided him with money to buy a cell phone so that they could keep in touch with him." It added that according to Shin Bet, "Sarsour agreed to work for the Israelis on Sept. 23."

The Israeli press also revealed that "Islamic terrorist" Sarsour was also guilty of fatally stabbing Rabbi Shlomo Ra'an in Hebron on Aug. 20—another example of an Israeli-staged murder being blamed on Palestinian Authority President Yasser Arafat's alleged unwillingness to fight Palestinian terrorism. According to *Ha'aretz*, "It is still not known whether Sarsour was an Israeli agent at the time of Ra'an's murder." On Sept. 30, Sarsour also threw two grenades at Israeli soldiers in Hebron, injuring 14.

Netanyahu's latest games show once again that President Clinton must help sane Israelis topple Netanyahu, in favor of someone committed to peace. Otherwise, Clinton's efforts to secure Mideast peace are a waste of time; it doesn't matter how many solemn treaties Netanyahu signs. In the meantime, Clinton must purge his administration of those advocating such Netanyahu policies as busting up Iraq and Sudan, playing Iran against Afghanistan and Pakistan, and the like, which are pushing the region toward war, and are also ensuring that the United States takes the blame for whatever Netanyahu does.

### Sharon back in control

That Israeli-run "Islamic terrorists" would give Netanyahu the pretext to blow up the summit, was forecast by *EIR*, when Netanyahu announced on Oct. 16 that he was appointing Gen. Ariel Sharon as Foreign Minister. Throughout his career, Sharon has helped keep the Mideast in turmoil, through wars, and through fielding "Jewish" and "Islamic terrorism" (see "Sharon Appointment in Israel Makes Death of Oslo Accords Official," *EIR*, Oct. 23). Sharon's appointment was announced just a couple of hours after the U.S. Congress voted for an impeachment investigation of Clinton, as part of a general Israeli and British assault on the U.S. Presidency.



*Israeli Prime Minister Benjamin Netanyahu, President Bill Clinton, and Palestinian Authority President Yasser Arafat in Washington on Oct. 15, at the start of their talks which continued at the Wye Plantation on Maryland's Eastern Shore.*

Among their projects is a new Arab-Israeli war.

In order to blow apart the Oslo Accords, Sharon and Netanyahu orchestrated the defamation campaign of its Israeli architect, former Israeli Prime Minister Yitzhak Rabin, as a necessary precondition for his November 1995 murder. Sharon and Netanyahu also provided the "Jewish terrorist" gun-man Yigal Amir, and ensured that Amir was conducted past several layers of Rabin's security screens to kill him. Following the Rabin murder, Sharon and company unleashed a Hamas/Islamic Jihad bus-bombing spree in February-March 1996 in Jerusalem and Tel Aviv, which killed dozens of Israelis. In its aftermath, Netanyahu was elected Prime Minister that May on a campaign platform of opposition to the Oslo Accords (helped, it is said, by vote fraud).

Since his election, Netanyahu has consistently sabotaged the accords, as he had promised, in part through ordering "Jewish" and "Islamic" terrorist bloodbaths.

Arafat had obviously been worried that Netanyahu and Sharon would unleash a new round of terrorism to sabotage the summit, which was evident in what Arafat said there. According to Israeli and U.S. press accounts, Arafat rebuked Netanyahu's screaming about "Islamic terrorism" on Oct. 18, by emphasizing that Avishai Raviv, the leader of the "Jewish terrorist" sect that provided the gun-man to kill Rabin, operates as part of a joint Jewish/Islamic terrorist front.

This is not the first time that Arafat has made such charges. On Feb. 29, 1996, for example, after the first of the Hamas bus-bombings that were to help put Netanyahu in power, Arafat told the Italian daily *La Repubblica*: "We know that there

is a pact between Israeli and Palestinian extremists to obstruct peace. Avishai Raviv, the head of the Jewish extremist organization Eyal, said in an interview granted the day before Rabin's assassination, that he had met with representatives of the Jihad. And he said that it was not the first time. These are all things I can prove."

Raviv was not only a Hamas and Islamic Jihad collaborator, however. He was also, like Netanyahu's Hamas grenade-thrower, a paid agent of Shin Bet. This, too, is public knowledge.

On Nov. 9, 1997, the head of the Shin Bet at the time of the Rabin assassination, Carmi Gillon, confirmed in an interview with Israeli TV's Channel 1, that Raviv was a paid "government agent" of the Shin Bet, and that he had worked for them for "eight years" prior to the assassination. Gillon and other top Shin Bet officials made the same admissions in sworn testimony before a special Israeli commission called to investigate the murder. They also testified that they knew that Raviv, and his patsy Yigal Amir, had frequently discussed killing Rabin, but the Shin Bet officials said that they thought the men were just bluffing. Raviv was a "troubled youth," Gillon tried to explain.

### **Who is in charge?**

Sharon's ability to run "Islamic" and "Jewish" terrorists gangs in tandem, was considerably enhanced in September 1997, when Netanyahu ordered the murder of Hamas political department chief Khalid Mishaal, in Amman, Jordan. In the aftermath of that bungled Mossad assassination attempt—

which was apparently meant to provide the pretext for a new Hamas killing spree—Sharon flew to Jordan and arranged that Israel would spring 60 Hamas leaders from prison, in exchange for Jordan releasing the captured Mossad assassins. Among those released was Hamas spiritual leader and founder Sheikh Ahmed Yassin, who returned in triumph to Gaza, helping to resurrect the largely Israeli-steered terrorist organization. It was Yassin who claimed credit for Shin Bet agent Sarsour's recent grenade attack.

The main Israeli official currently tasked with overseeing "Islamic terrorist" and "Jewish terrorist" attacks is Gen. Meir Dagan, who heads the Prime Minister's Office for the Warfare against Terror. That office funds, arms, and deploys the Jewish terrorist movement, in close coordination with the Shin Bet and Mossad.

Dagan, like Sharon, rose in the ranks of the Israeli military through commanding secret units which massacred Palestinians, under the guise of Israeli civilian revenge attacks. But Dagan's unit, Rimon, also used Israeli commandos disguised as Palestinian civilians, to kill Palestinians. These same commandos also kill Israeli Jews.

Like Sharon and Netanyahu, Dagan was also violently opposed to the Oslo peace accords. Dagan was a key voice against Oslo and Rabin within the Israeli Defense Force, Israel's largest daily, *Yediot Aharonot*, reported on Oct. 24, 1997. "In early 1994, in a closed meeting IDF generals held with Prime Minister Rabin, Dagan took everybody by surprise when he asserted: 'Don't take it for granted that soldiers will obey orders to withdraw from the [occupied] territories.'" As a result of such defiance, General Dagan's

## Interview: Yossi Beilin

### 'A Palestinian state is the only solution'

*Yossi Beilin is a Member of the Israeli Parliament. He is former Deputy Foreign Minister and a longtime aide to former Prime Minister and Foreign Minister Shimon Peres. He was interviewed by Bill Jones in Washington, D.C. on Aug. 6.*

**EIR:** It seems like in the last couple of years or so, the peace process in the Middle East has almost ground to a halt. Could you say something about the situation today?

**Beilin:** Well, actually, the situation right now is frozen. I mean, the interim agreement has not been implemented. We are not negotiating about the Permanent Solution, and the end of the five years of [Palestinian] autonomy is very close. It's May 4, 1999. If by then, nothing happens—God forbid—it might be conducive to violence, this way or another.

**EIR:** Do you think that the United States has been reticent to apply pressure on the government in order to move the peace process forward?

**Beilin:** Well, the United States was reticent in applying pressure, and rightly so. I don't think that pressure is needed. What is needed, is an American involvement. What is needed, is American mediation in the process. And, although there is some kind of such mediation, I believe that the profile right now, is lower than needed.

**EIR:** The formula for the Oslo Accords is land for peace, and it seems like Israeli Prime Minister Benjamin Netany-

ahu has had the formula, "We keep the land, we keep the peace." Is there any possibility now of getting to a situation where you can have a solution on land acceptable to the Palestinians?

**Beilin:** I'm afraid that under Netanyahu, it won't be possible to get to a solution whereby a Palestinian state will be formed. And that is the only solution: a demilitarized Palestinian state, not in the '67 borders, while Jerusalem is united, and while most of the settlers are under Israeli sovereignty. That is the only solution which is, I believe, feasible, and should be the case. I don't believe that the Likud government is ready to pay this price.

**EIR:** There has been a lot of concern within Israel over the situation, which has created a somewhat unstable electoral situation, in which Netanyahu perhaps doesn't have the support that he once had. How is the Labor Party now; is it united and ready for a fight? If it would come to some kind of a showdown, would the Labor Party be prepared and able to take power, and to move things forward?

**Beilin:** Well, we passed the first reading for early elections last Wednesday. So we are in the process of enacting a law of early elections, which might take place at the beginning of '99. If you are ready—You are never ready for elections, and you can never know what the results may be. But we are very optimistic, because the majority of the Israeli people are supporting peace, and supporting peace means supporting us.





career suffered a setback under Rabin, but since Netanyahu's election, his career is once again advancing. "Dagan's advantage is that he supports daring proposals of the kind Netanyahu likes," the paper explained. "Here, Mr. Terror Netanyahu has met the officer who considers terror his favorite arena."

Another "Islamic terrorist" kingpin is Alistair Crooke, the British MI6 official that Britain and Israel jointly imposed on the Palestinian Authority as its European Union Adviser on Counter-Terrorism. Crooke is well-qualified for this post.

In the 1980s, Crooke oversaw arming of the Afghan mujahideen, while serving as British deputy counsel in Peshawar, Pakistan. The mujahideen now run many of the "Islamic terrorist" organizations operating in the Mideast today. Simultaneously, his brother, Col. Ian Crooke, the head of the British Special Air Services Special Warfare Department, helped oversee Afghan mujahideen training. Colonel Crooke was later hired by the British intelligence liaison to Israeli intelligence, Sir Jimmy Goldsmith, to oversee "Third Force" massacres in South Africa, in which warring Zulu followers of Chief Mangosuthu Buthelezi and the African National Congress were regularly killed by British operatives disguised as their opponents, to further inflame the Zulu/ANC conflict. Netanyahu and Sharon are using the same techniques in Israel today.

## London's warlords annex eastern Congo

by Linda de Hoyos

The new U.S. Ambassador to the Democratic Republic of Congo, William Swing, arriving in Kinshasa on Oct. 17, emerged from a meeting with Justice Minister Mwenze Kongo to announce support from the United States for the Congo government: "It is President Clinton who accredited me to President [Laurent] Kabila and his government. This should represent for you a signal and evidence of where we stand in our relations with your country. I am here to support your government." The ambassador called the war now ongoing in Congo "aggression to which the country and the courageous Congolese people are being subjected." Two days later, after meeting with Congo President Kabila, Swing said that the United States had "clearly stated that foreign troops, which were not invited, and which continue to cause damage in this country, must withdraw"—a reference to the invasion of eastern Congo by the military forces of Rwanda and Uganda.

The ambassador's statements differ from the stance in practice taken by the current practitioners of U.S. policy toward eastern Africa, centered around Susan Rice, Assistant Secretary of State for African Affairs; John Prendergast, director for African Affairs at the U.S. National Security Council; and Roger Winter, executive director of the U.S. Committee on Refugees. This grouping, which entrenched itself in position since last October, has promoted a policy of war in the region, centered around backing for British-sponsored warlord Yoweri Museveni, dictator of Uganda: war against the government of Sudan waged by Museveni's Uganda, Eritrea, and the renegade Sudanese People's Liberation Army; war against the people of Burundi by the Tutsi Burundian military; and war against the Democratic Republic of Congo, carried out by the Tutsi Rwandan Patriotic Army and Uganda. As *EIR* has documented in detail, what stands behind this war policy are the mining and other extraction interests of primarily the British Commonwealth, who seek the annihilation of any national institution that might act as an obstacle to the wholesale looting of this mineral-rich region.

Reflecting this latter policy, at the end of September, Prendergast informed a delegation of Africans concerned with peace in the Great Lakes region that the war against Kabila's Congo was necessary, giving as a prime reason that "the Congo must be ruled differently; it must be decentralized."

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The statement is contrary to all official policy statements on Congo-Zaire since October 1996, that the United States is committed to the territorial integrity of the Congo. But it is British policy. For decades, the forces orbiting around the British Privy Council have sought to hive off the western Congo — where the mineral wealth is — and attach it administratively and financially to its “pearl,” Uganda. This is the geopolitics behind Kagame’s stated desire to create a “security zone” along the Rwandan-Congo border.

### The decimation of Kivu

One thing is for certain: The people of eastern Congo, particularly those in the provinces of North Kivu, South Kivu, and Haute-Zaire, have not been consulted. The war has brought renewed suffering upon them, after only a short breathing space since the 1996-97 invasion.

The Congolese population has reacted in general to the Rwandan-Ugandan occupation by fleeing. According to the correspondent for the *Kampala Monitor* of Oct. 6, the crucial city of Kisangani, which was taken by the “rebel” forces in September, is now a ghost town, as half the population of the city of 3 million fled. “Those who are returned loiter around the city, almost like zombies — many are so hungry, malnourished, and emaciated. There is just not enough to eat, and the little there is, is too expensive. A bottle of mineral water costs five U.S. dollars, just like a cup of tea and a morsel of bread.”

The economic base of Kisangani, the correspondent Kevin Oliro reported, was its function as a depot for the Congo River trade between eastern Congo and Kinshasa to the west. “The river is now cut into two — one-half is held by Kabila and the other side is under the rebels, meaning life on the River Congo is simply ‘dead’ — except for the miserable canoes that ply the opposite banks.”

The Belgian daily *Le Soir* has also reported that people in the Kivu provinces are extremely resistant to the occupation. “Parents are refusing to send their children to school, fearing that they will be conscripted as soldiers. They are refusing to accept 10-, 20-, and 50-franc bills reinjected into the money supply after having been illegally taken from the banks by the rebels, . . . are refusing to pay taxes levied by authorities considered to be illegitimate, and . . . in the villages, populations are fleeing contact with the rebel forces and seeking refuge in the forest, without humanitarian assistance.” The town of Kalima, taken over by the rebels as the prelude to their seizure in mid-October of the central city of Kindu, is now emptied, according to British press reports. “Everybody fled into the forest,” a resident was quoted as saying. “They’re afraid to come back because they think the rebels will kill them.”

The Ugandan-Rwandan invaders have disrupted all relief operations in the region, where already government services had long ago ceased to exist. On Oct. 20, Unicef child relief manager Ibrahim Jabr reported that since the invasion began on Aug. 2, the Rwandan-Ugandan troops had seized \$800,000

worth of Unicef equipment in the area. “Military commanders take what they want and are selling it on the market. They have even taken doors and taps from buildings. . . . We have practically no vaccines left.”

The crippling of relief operations has caused a drastic rise in disease. Cholera is now raging in the Shabunda region of eastern Congo, with medical centers registering up to 30 deaths a day for people directly under their care. The people are dying of diseases, relief workers said, because the invasion had disrupted all delivery of medical supplies that would otherwise permit them to treat cholera. Sleeping sickness is also reportedly on the rise in the area.

Looting of the region by the Ugandans and Rwandans is taking place at unprecedented levels. According to the *Ugandan Monitor*, “People have hidden their cars for fear they could be looted and shipped off to Rwanda.” A human rights activist who fled the Congo in October told French radio that in the border city of Bukavu, electricity is shut off from midnight until six in the morning, and under the cover of this total darkness, there is a major removal of property into Rwanda. Under the same shroud, more troops are moved into the region from across the border.

Jean-Charles Magabe, a governor of South Kivu province, fled the Congo on Oct. 18, in protest against the occupation of his region. At the time he left Bukavu, he told French radio on Oct. 20, “life had virtually come to a standstill, despite the fact that some essential activities were still going on. The social sector had been paralyzed, schools were not operating, hospitals no longer have medical supplies, patients were fleeing because of insecurity. . . . The people have been abandoned.”

Under the guise of the Congolese rebel group, the Congolese Rally for Democracy, the Rwandans and Ugandans are attempting to impose an occupation administration, weeding out any officials who oppose them. “We have had to make new appointments,” Ernest Wamba dia Wamba, head of the Rally, has stated. The Rally has also announced the creation of military courts empowered to hand out the death penalty to civilians and soldiers alike in what it calls “the liberated regions.”

To be sure, death is taking place in an occupation of the region that is reminiscent of the Nazi occupation of Europe during World War II. Local sources report that in the first weeks of October, massacres of civilians were carried out by the Rwandan-Ugandan forces in the areas around the border city of Uvira: 20 civilians in Kitundu near Uvira on Oct. 5; 50 civilians in Lubarika on Oct. 6. Mass graves of Congolese civilians have also been found on the Rusima River near Uvira, with 350 bodies; in an area near Buerera, with 600 bodies; and in Luvudi, with 150 bodies. Assassinations have also been carried out against local intellectuals and officials. Unicef’s Ibrahim Jabr further reported, “People in the east are being taken to neighboring countries and nothing is being heard of them.”

# Congressional yahoos peddle 'big lie' on Cambodia

by Michael O. and Gail G. Billington

During the same week that the U.S. House of Representatives voted to launch a treasonous investigation into the impeachment of President Clinton, several leading Republican Congressmen succeeded in passing a "sense of the House" resolution, regarding the recently re-elected Prime Minister of Cambodia, Hun Sen, which ranks with the "big lies" in the tradition of Josef Goebbels. On Oct. 10, Rep. Dana "Beach Bum" Rohrabacher (R-Calif.), backed by Doug Bereuter (R-Neb.) and Benjamin Gilman (R-N.Y.), passed House Resolution 533, calling for the United States to support an indictment of Cambodian Prime Minister Hun Sen, to stand trial "for violations of international humanitarian law after 1978 in Cambodia." Under the cover of rhetoric defending democracy and denouncing genocide, House Resolution 533 is actually part of a campaign by these Congressional yahoos to do exactly the opposite—to defend the perpetrators of the greatest genocide of the second half of the 20th century, the Khmer Rouge, and to overthrow the universally acknowledged free and fair election in the sovereign state of Cambodia.

Although the resolution is not law, and has no binding power, and although the Clinton administration has unequivocally dissociated itself from its content, House Resolution 533 is nonetheless a gross violation of Cambodia's sovereignty, and a threat to America's interests and influence in Asia and worldwide.

To understand why these Republican leaders, with backing from certain Democrats, are willing to peddle such outrageous lies about a small, impoverished nation like Cambodia, it must be recognized that the target of the anti-Cambodia campaign is not just Cambodia itself. Rather, it is part of the attack on President Clinton, and especially on the President's efforts to build a strong alliance between the United States and China.

A U.S. alliance with China is crucial if the United States is to take the steps necessary to lead the world out of the financial explosion and economic collapse now sweeping the globe. Cambodia, as a pivotal point of instability in Southeast Asia and on China's southern border, has long been a target of British geopoliticians and their allies in the

U.S. Congress to sow Asian disunity at the expense of the long-suffering people of that nation.

## Three levels of lies

There are three overlapping categories of transparent lies in the campaign against Cambodia carried out by the United Nations Human Rights Center, led by Ambassador Thomas Hammarburg with some strong Western media support, and by a nest of non-governmental organizations (NGOs) run by the British-American-Canadian oligarchy. These are: 1) the lie that the July 26 election was fraudulent; 2) the lie that Prime Minister Hun Sen carried out a coup in July 1997 against his co-Prime Minister, Prince Norodom Ranariddh; and 3) most important, the lie that the "concern" is Cambodia, when, in fact, the real target of the attack is U.S. relations with Asia, and with China in particular.

As to the July 26 election, Rohrabacher's backers in the International Republican Institute (IRI) and the National Democratic Institute (NDI), two of the branches of the National Endowment for Democracy (NED) set up by the Bush apparatus in the early 1980s, spent millions of dollars in an attempt to unseat Hun Sen, openly backing the two opposition candidates, Sam Rainsy and Prince Ranariddh. The NED expected that the army of "international observers" who monitored the elections would document government terror and intimidation against a frightened electorate. It backfired, as the monitors universally reported a joyful and patriotic population flooding the polling stations, with more than 90% of the electorate taking part. Far from stealing the vote, Prime Minister Hun Sen's party received a respectable but hardly overwhelming 41% of the popular vote, and a bare majority of seats in the Parliament.

A two-thirds majority under Cambodia's Constitution is required to form a government, and Hun Sen, after the election results became known, immediately called on both Prince Ranariddh and Rainsy to join him in a coalition government. Both have refused, with Rainsy leading the way in accusing the government of fraud, terror, and intimidation, and claiming that the method of counting the vote was rigged in Hun Sen's favor. The NED crowd and the



*U.S. Rep. Dana Rohrabacher (R-Calif.) (left) is shown early this year in the company of Gen. Nhiek Bunh Chhay, senior officer allied to Prince Norodom Ranariddh, at the O'Smach base camp on the Thai-Cambodian border. General Nhiek shares the camp with the remnants of the hard-core Khmer Rouge under the command of mass murderer Ta Mok, a.k.a. "The Butcher."*

Western press hooted and hollered in support of these unsubstantiated accusations, which were refuted by nearly every other international agency, including the UN. Ironically, even the NDI's director for Asia, Eric Bjornlund, admitted that the "allegations of fraud in the balloting and counting do not appear to be significant enough in their totality to have affected the overall outcome of the election." The change in the vote-counting procedure, which, contrary to the opposition's charges, were duly reported to all parties, were corrections to a technical error, and the method adopted was internationally recognized as fair and accurate. The totality of the accusations concerning the elections amount to: "We don't like the results, so it must be overthrown."

His Excellency Var Huoth, the Kingdom of Cambodia's Ambassador to the United States, raised serious questions about the commitment to democracy of HR 533's instigator, Rohrabacher, suggesting that "the author of the Resolution should encourage the Cambodian parties to work together instead of dividing them for an ulterior motive, thus obstructing the formation of the new Royal Government of Cambodia. The action of Rohrabacher has mainly contributed to the division among Cambodian political parties and Cambodian people, the slow-down of the peace process, and the reconstruction and development in Cambodia." In other words, so much for democracy.

### **Whose coup?**

The second lie, and the core of Rohrabacher's resolution, is that Hun Sen is an unreformed Khmer Rouge murderer,

who conducted a coup in July 1997, seizing total power from the shared-power arrangement between himself and Prince Ranariddh, who had served as co-Prime Ministers since the UN-brokered 1993 elections. To back up his accusations, Rohrabacher charged Hun Sen with bloody, genocidal crimes going back to the 1970s, even calling him a "former Pol Pot trigger man." Even most of the human rights NGOs choked on this one. Hun Sen is most admired within Cambodia precisely because he helped lead the liberation of the nation from Pol Pot and the reign of terror under the Khmer Rouge.

Hun Sen, like many young Cambodians, had responded in 1970 to King Norodom Sihanouk's call to resistance against the U.S.-backed coup of Gen. Lon Nol, only to witness subsequently that a then-little-publicized, but nonetheless ruthless, communist cadre organization, which King Sihanouk named the Khmer Rouge, would emerge as the dominant force in that anti-Lon Nol resistance, toppling the Lon Nol government in 1975. Then, the horror of Cambodia's nightmarish four years under the Khmer Rouge began. Hun Sen, who was near fatally wounded shortly before the Khmer Rouge seizure of Phnom Penh, the capital, was a deputy commander of units along the Vietnamese border, and was ordered to conduct murderous raids against Vietnamese villages by the Khmer Rouge leaders. Instead, he went over the hill, seeking support from Vietnam to defeat the Khmer Rouge. For his efforts, he was jailed by the Vietnamese, and only subsequently did Hanoi support a Cambodian-led force, including Hun Sen, to oust the Khmer Rouge, who, by 1979, were estimated to have killed 1-2 million of Cambodia's 7.5 million people.

As Prime Minister in the 1980s, Hun Sen successfully held the Khmer Rouge at bay, despite the fact that the Republican administration in the United States (for which Rohrabacher worked as a special assistant, 1981-88) unconscionably supported the deposed Khmer Rouge as the legitimate government.

As *EIR* has documented over the last year, the events of July 1997 were anything but a coup by Hun Sen. In fact, the opposite was the case—and, again, the evidence is incontrovertible. Co-Prime Minister Prince Ranariddh and Rainsy, faced with an almost certain election defeat to the popular Hun Sen, took the criminal measure of forming an alliance with the remnants of the Khmer Rouge, against Hun Sen. This renewed an alliance that had existed throughout the 1970s and 1980s. When this illegal pact was exposed, revealing formal signed documents between the conspirators (which broke several laws against collusion with the Khmer Rouge), Prime Minister Hun Sen moved to carry out his constitutional responsibility, crushing the insurrection and coup. Khmer Rouge forces that had been covertly deployed into Phnom Penh, and a small faction of the Army under Gen. Nhiek Bunh Chhay, who remained loyal to Prince Ranariddh, were driven out of the capital. The rapid suppression of this Khmer Rouge

revival was carried out with extremely little bloodshed—about 100 deaths were reported, mostly of Army personnel in Nhiek Bunh Chhay’s faction. Prince Ranariddh and Rainsy fled the country before the scheduled coup attempt.

Any doubt about the existence of the alliance with the Khmer Rouge was dispelled when Gen. Nhiek Bunh Chhay proceeded to set up military operations with the Khmer Rouge killers, led by Ta Mok, a.k.a. “The Butcher,” in the village of O’Smach, along the Thai-Cambodian border—operations that continue to the present.

Thus, while Rohrabacher accuses the man who saved Cambodia from the Khmer Rouge of being a “Khmer Rouge trigger man,” he himself is aligned with political figures who tried to bring the Khmer Rouge back to power. Incredibly, it has recently been revealed that Rohrabacher travelled to this illegal base camp of Gen. Nhiek Bunh Chhay and his Khmer Rouge allies at O’Smach, proudly posing for a photograph with the general himself.

### **Demonstrations coordinated by terrorists and foreign nationals**

There has also been an enormous hue and cry among the NGOs and in HR 533, about the supposed “violent crackdown on thousands of unarmed demonstrators,” who protested the election results. Perhaps the best response to these charges is that made by Prime Minister Hun Sen himself—a response which, not surprisingly, has gone almost unreported in the Western press. The following is an excerpt from a letter written by Hun Sen to Sens. John McCain (R-Ariz.) and John Kerry (D-Mass.), whom he describes as “two old friends of Cambodia,” who have been “recipients of false and misleading information” about the situation in Cambodia.

“When the public demonstrations began on 23 August 1998, a request had been made by the opposition parties for a single day of protest regarding the elections to last for about three hours. On the basis of the constitutional rights of free speech and assembly, as well as the relevant municipal laws and regulations, this request was granted.

“In a totally illegal action, the demonstrators took over a park across from the National Assembly. They set up a squatters’ camp and refused to move for two weeks. I would humbly suggest that if protesters illegally occupied a park at the U.S. Capitol, it would not take your police long to have them vacated.

“In our case, the Royal Government bent over backwards to avoid a confrontation. Not only did we allow them to stay in the park without benefit of a permit, but we provided security and sanitation facilities.

“How was our restraint rewarded? The opposition parties set up loudspeakers where they encouraged the crowd to violence. In the most vitriolic terms, Mr. Sam Rainsy called for the overthrow of the government, asked the U.S. govern-

ment to bomb my house, demanded that I step down, and referred to me as a ‘*yuon*’ puppet. In case Your Excellencies are not familiar with the term, ‘*yuon*’ is a highly derogatory and racist term used to denigrate those of Vietnamese ancestry. In fact, his repeated use of the word, designed to inflame the passions of the people, places Mr. Sam Rainsy in the category of a David Duke or a Pauline Hanson.

“These racist diatribes and calls for military action, made not only by Mr. Rainsy but many other opposition speakers as well, got their desired results: Over the two weeks of protests, the level of violence rose considerably; pro-government demonstrators were beaten by the mob, persons of Vietnamese heritage were bludgeoned to death by the crowds, monuments dedicated to the ouster of Pol Pot destroyed, etc. Finally, when my home in Phnom Penh was attacked with hand grenades, the situation was out of control, and we were on the verge of anarchy. We then authorized the police to close the illegal demonstration at the National Assembly. The closure itself occurred peacefully and without major incident.

“This is why I was so surprised to hear the allegation that there was a ‘violent repression of peaceful demonstrators.’ I can assure you that the demonstrators had a number of *agents provocateurs* who were anything but peaceful and that our security personnel acted with great restraint, acting forceful only when forced to do so by the mob.”

As to the presence of *agents provocateurs*, Gen. Nhiek Bunh Chhay admitted that he had a number of his troops, perhaps Khmer Rouge cadre, under cover in Phnom Penh at the time of the demonstrations. Exemplary of this manipulation, Western press played up that “Buddhist monks” had taken a leading role in the later phase of these demonstrations. However, the Sept. 22 *Phnom Penh Post*, a paper *not* sympathetic to Prime Minister Hun Sen, ran pictures of two such monks, one of whom confessed to being a former bodyguard of Prince Ranariddh, and another, who had led chants calling for the lynching of Vietnamese, was revealed to be working with the Sam Rainsy Party. As Hun Sen added in his letter: “It was clear that the demonstrations were well coordinated by terrorist groups and a handful of foreign nationals who provided support and protection to their leaders.”

### **Rainsy’s racist provocations**

Even more damning is the evidence demonstrating Rainsy’s racist provocations. Increasingly, reports around the world have caught up with the truth about this French-trained banker, anarchist, and Khmer Rouge ally. The October issue of the monthly *Le Nouvel Afrique-Asie* described Rainsy as “a controversial oppositionist,” who spent the most traumatic 30 years of Cambodia’s recent history in France, cultivating an image as “an elegant and modern man endowed with a gift for communication,” but who built his

Sam Rainsy Party from the ranks of former Khmer Rouge, both in Cambodia and abroad. In the demonstrations that followed the July elections, “in a few days, Rainsy lost his credibility . . . beginning with Americans.” According to one observer, “Rainsy, the Westerner, put his extremist vision of American-style democracy ahead of peace and the pressing interests of a country coming out mournfully from 20 years of war. His speeches seduced only those who had not experienced the Khmer Rouge. Rainsy misread the country. He could, perhaps, be a good Cambodian opposition leader, but in 20 years.”

Closer to Rohrabacher’s back yard, the Oct. 17 *Los Angeles Times* quoted David Hawk of the UN Center for Human Rights in Cambodia, commenting on the anti-Vietnamese diatribes of the post-election demonstrations. “This violence has not been a spontaneous outbreak of Khmer against Vietnamese, but deliberately planned, incited or instigated by political leaders to advance their cause.” The *Times* goes on to report, “The most strident anti-Vietnamese voice has been that of Rainsy, a bespectacled intellectual who touts himself as a progressive.” In an interview with the *Times* at his home in Phnom Penh, Rainsy said that he does not attack the Vietnamese people, but holds the Vietnamese government responsible for putting Hun Sen in power. But, as the *Times* adds, while Rainsy may make that distinction, “it’s clear that many of his followers don’t. The animosity is almost palpable in the capital, where virtually any mention of Vietnamese triggers an instinctive ‘I hate them’ response from Cambodians.”

Furthermore, Rainsy does not hide his slavish adherence to British-orchestrated efforts to undermine the sovereignty of Third World nations. In an interview with the English-language newspaper *The Nation* of Thailand, Rainsy said: “There is no government, no legal authority, so the country needs assistance and scrutiny—monitoring from the UN, friends like the U.S., ASEAN, EU, Japan, and Australia.”

Both Rainsy and Prince Ranariddh are now refusing even to meet with Hun Sen to discuss a compromise on the forming of a government, unless Hun Sen agrees to meet outside of Cambodia. Rainsy made clear in an Oct. 14 interview with Belgium’s *La Libre Belgique* that the two parties are united in stonewalling the formation of a new government, with all of the elected deputies from Rainsy’s party and half of elected royalist Funcinpec deputies deliberately going abroad, in order to deny the National Assembly the necessary quorum to act on pressing matters of government. Perhaps these two gentlemen would not be offended by the *New York Times* correspondent Henry Kamm, who recently published a book, *Cambodia: Report from a Stricken Land*. According to a review in the *Los Angeles Times*, Kamm concludes that “Cambodia cannot save itself. . . . The country’s only chance is the most unlikely one: *outsiders must take over* and keep it until a new generation of Cambodians,

better prepared and not haunted by their history, comes of age.” The White Man’s Burden revisited.

### Target: Clinton and China

The third lie, the unstated targetting of President Clinton and his administration’s commitment to a strong U.S.-China relationship, is most clearly revealed by a look at the man reported to be the architect of Rohrabacher’s diatribes against Cambodia: Al Santoli. Santoli is a virulent anti-Vietnam and anti-China lobbyist, who led efforts to use the POW-MIA issue to disrupt the reestablishment of relations between the United States and Vietnam. Since 1997, Santoli writes for the *China Reform Monitor* newsletter, published by the American Foreign Policy Council, whose propaganda lays emphasis on warnings about China’s military power and ambition, and accusations that the Clinton administration is guilty of contributing to that supposed threat. The *China Reform Monitor* was established in the months preceding Chinese President Jiang Zemin’s historic visit to the United States one year ago, when the Republicans and the radical New Age wing of the Democratic Party launched a barrage of China-bashing propaganda aimed at disrupting Jiang’s trip.

That anti-Clinton and anti-China coalition is the same “bipartisan” coalition behind the attack on Cambodia. In fact, Rohrabacher led an earlier effort to sabotage U.S.-China relations by denying Most Favored Nation status to China.

President Clinton’s administration, through the U.S. Embassy in Phnom Penh, has stated that it “does not support the establishment of a tribunal . . . as called for in House Resolution 533,” adding that, if passed, the resolution “does not have the force of law and is not binding on the administration.” Congressional Democrats, with backing from the State Department, are reported to have prevented Rohrabacher and his crew from allowing Rainsy to spread his lies in testimony before a Congressional hearing, cautioning that a foreign national cannot be allowed to so testify. In addition, a spokesman for Hun Sen’s Cambodian People’s Party, Khieu Kanharith, expressed Cambodia’s anger at the insult to their nation, but said that “it won’t affect the relationship between the American government and the Cambodian government at all.”

Nonetheless, Cambodia’s UN Ambassador H.E. Ouch Borith released a statement protesting the resolution as an assault on Cambodia’s democracy and announcing an investigation into “this immoral attack, and the recent visitation of Mr. Rohrabacher to O’Smach,” the base now occupied by Ranariddh’s Gen. Nhiek Bunh Chhay and his Khmer Rouge allies. H.E. Ouch Borith also points out that Rohrabacher’s Oct. 10 statement condemning Hun Sen “is the same statement made by Ta Mok, the Khmer Rouge butcher who is the most wanted by the international community, as quoted by the *Phnom Penh Post* on Oct. 2, 1998.” An investigation could be most revealing.

# Pakistan's Sharif gets yet another opportunity to set things right

by Susan B. Maitra and Ramtanu Maitra

In early October, Pakistan's Prime Minister Nawaz Sharif emerged as the most powerful among the elite in that nation after he forced Army Chief Gen. Jehangir Karamat to resign. While the unique event has been welcomed widely by the votaries of democracy, Sharif must now turn his attention beyond the endless internal power plays to the economy and larger strategic issues, both for his own political survival and the country's long-term benefit.

The resignation of Karamat from what is said by many to be the most powerful position in Pakistan, was brought about following his statement about the poor state of affairs in Pakistan, and his suggestion that a national security council or committee should be set up to institutionalize participation of the Armed Forces in the making of policy decisions. What Karamat said was neither wrong nor malicious considering the state affairs that prevails in Pakistan, but it was construed as a warning to the present government and a clarion call for implementing a new period of military rule.

A displeased Prime Minister Sharif moved in quickly, and within 48 hours General Karamat was gone. Lt. Gen. Pervaiz Musharraf, a Mohajir from Karachi, was handpicked by the Prime Minister as the next Army Chief, superseding two senior generals who promptly resigned.

## Consolidation of power

The high drama involving General Karamat and the Prime Minister took place at a time when the Sharif government was pushing a watered-down version of an Islamization bill, introduced in the National Assembly on Aug. 28. The bill was passed, amending the 1973 Constitution for the 15th time, to enforce the rule of Islam. The amendment, which a section of Pakistan's elite criticized as catering to the mullahs, has, however, not satisfied religious groups, such as the Jamaat-e-Islami, either. The Jamaat, at a large public rally at Karachi, accused the Prime Minister of using the amendment "to concentrate all powers in his hands and establish monarchy in the country." The Jamaat also alleged: "The Prime Minister does not want to implement the Islamic law, the *Shariat*."

Prime Minister Sharif justified his Islamization bill on the National Assembly floor, saying that "there is a law of

the jungle prevailing in the country." He used his large electoral majority to push through the hastily drafted bill.

Since he was elected for the second time in the spring of 1997, Prime Minister Sharif has moved adroitly, if unscrupulously, to strengthen the Prime Minister's office. He used his party's overwhelming majority in Parliament to strip all extraordinary powers of the President invested in the Eighth Amendment of the Constitution. The amendment of the Eighth Amendment at lightning speed forced President Farooq Ahmed Leghari to resign. At the same time, Sharif removed Chief Justice Sajjad Ali Shah, when the latter tried to cast Sharif with a contempt of court citation. It is with the power vested in him through the amendment of the Eighth Amendment that the Prime Minister picked General Musharraf to head the Armed Forces.

## Economic failures

Having taken care of a belligerent Chief Justice and an equally unfriendly President, the Prime Minister went ahead with a set of nuclear tests in August that drew wrath and sanctions from Washington, its longtime ally. Prime Minister Sharif, who had imposed emergency laws following the nuclear tests, used the suspension of fundamental rights to push through the decision to build the Kalabagh Dam—opposed strongly by the Sindhis and Baluch—for redistribution of vital Indus River waters for the benefit of farmers in Punjabi. The calculated exercise of power has undoubtedly made Prime Minister Sharif nearly invincible within the country.

On the other hand, Prime Minister Sharif, and Pakistan, have become highly vulnerable because of the volatile strategic situation around the country, and the lack of law and order and economic crisis within the country. The Sharif government, which has exhibited its ability to stay alive, has, however, done little to alleviate the complex political and strategic situation that confronts the nation.

To begin with, Pakistan is bankrupt. It has been bankrupted by a ruthless elite working hand-in-glove with foreign bankers who came riding on the shoulders of the International Monetary Fund (IMF). In early October, the IMF turned down a "rescue package" for Pakistan. As a result,

Pakistan is now on the verge of a debt default and is trying desperately to amass at least \$1 billion to avoid an imminent default on its \$40 billion foreign debt—an issue which bothers Islamabad much too much.

On the other hand, every economic indicator in Pakistan is showing negative. The growth picture is horrendous. Exports are sliding fast and furious: The \$606 million in export revenue in August is a 12% drop from August last year. It is likely that the exporters, considering the economic and internal law and order situation within Pakistan, are stashing their hard currency in foreign banks, thus further aggravating the foreign exchange situation. Commerce Minister Ishaq Dar, beside complaining about the situation, has done little to improve matters. During his 19-month tenure under the present government, Pakistani currency has lost almost 40% of its official value and more than 50% on the streets. Another round of devaluation is going to take place very soon, maybe before the end of October.

If exports look bad, so does the overall economy. In the midst of growing unemployment and increasing numbers of people living in poverty, the Prime Minister, despite the power he has accumulated, seems paralyzed. Instead of taking urgent steps, he is pushing through bank reforms at the behest of the IMF. His government, now controlled by the Pakistani idolators of the IMF, is steadily moving toward wholly adopting the IMF demands of an overall reform of the financial sector.

Planning Commission deputy chairman Hafiz Pasha has told bankers that Prime Minister Sharif will announce a contingency plan to meet the budget shortfall. The 1998-99 budget, in essence a mini-budget, was riven with cuts and expenditure controls. But Hafiz Pasha claims that “the spirit of sacrifice was not quite visible in the budget,” and that the time has come to “announce measures to safeguard the interests of the economy.” With industry in deep recession and agriculture doing less well than what had been expected, further budget cuts would no doubt lead Pakistan into severe long-term problems. But the IMF wants imposition of austerity in a country which needs immediate infusion of money for development, and, let it be said, the Sharif government is making no efforts to displease the IMF.

### **Vulnerabilities abound**

Simultaneously, Prime Minister Sharif’s security in office has been weakened because of Pakistan’s involvement with the Taliban in Afghanistan and the development of increased tensions between Pakistan and Iran. As a result, Pakistan is getting blamed from all sides. If Tehran seems cooler to Islamabad in recent days, Washington is downright critical, and so is Moscow.

At the recent hearing on events in Afghanistan convened by a U.S. Senate Foreign Relations subcommittee, U.S. Assistant Secretary of State for Near East and South Asia Karl Inderfurth claimed that Islamabad not only provided support

to the Taliban earlier, but continues to provide support even now. Inderfurth said that beside the Sunni Muslim volunteers from Pakistan who are going over to Afghanistan, the Taliban are also receiving petroleum, including jet fuel, wheat, and other foodstuffs which help to keep the war going.

Dr. Barnett Rubin, a director for the Center for Preventive Action at the New York Council on Foreign Relations, told the same hearing that “an ethnic Pushtun lobby in Pakistan’s military and bureaucracy supports the Taliban. . . . Afghan and Pakistani traders who profit from the multibillion-dollar trade in illegal drugs and consumer goods smuggled from Dubai, both pay assessments to the Taliban and contribute to the Madrassahs [Islamic academics where the Taliban recruit in Pakistan] that furnish the troops. . . . The administrators in Pakistani border provinces also receive their cuts from smugglers markets and profit from sales of permits to trade in Taliban-ruled Afghanistan.”

These reports indicate that, appearances aside, Prime Minister Sharif is neither in charge of his economic policies nor of the very dangerous situation festering for years along the Pakistan-Afghanistan border. The Afghanistan situation is extremely volatile, and it has already created a lack of confidence in Tehran about its old ally, Pakistan. It is time for Prime Minister Sharif to intervene and prevent the vested interests in Pakistan from playing favorites in the Islamic world. Central Asia, heavily targetted by British destabilization operations, lies at Pakistan’s doorstep, and it would be naive to expect that Iran, Turkey, and Russia would continue to exhibit unlimited patience with Islamabad’s tinkering in Afghanistan.

### **London has more weapons**

Prime Minister Sharif also remains highly vulnerable on yet another front. Recently, the London *Observer* published excerpts of a 200-page report by the Federal Investigation Agency to the Pakistan President and former Army Chief General Karamat, highlighting corruption charges against the Prime Minister. Although the veracity of the report will be decided in Pakistan, it is evident that London will use it to hunt down the Prime Minister, if and when it so desires.

Reports from London indicate that British intelligence is getting interested in some of the private “jihadis” trained, armed, and controlled by the slithery international controllers of Pakistan’s Inter-Services Intelligence (ISI), who are now seeking a domestic role. Reportedly, warnings have been issued by umbrella groups such as the 30,000-strong militant Markaz Dawat ul-Irshad, which runs the Harkat ul-Ansar and Lashkar-i-Toiba, to throw out the opponents of the *Shariat* bill, and to the government to stop paying interest on loans. The target of these groups, as the president of the Pakistan People’s Party has pointed out, has all along been Afghanistan and Kashmir. But now, their interest is veering toward enforcing their own agenda in Pakistan.



## Leiblers take a hit

*The "Australia/Israel Review" has been forced to dump its editor, following its latest political dirty trick.*

In mid-October, the editor of the *Australia/Israel Review*, Michael Kapel, suddenly resigned after five years. The resignation followed the decision by the magazine, a right-wing Zionist rag founded by followers of the 1930s Jewish fascist Vladimir Jabotinsky, to publish (apparently stolen) membership lists of Pauline Hanson's One Nation political party in its July 8-28 issue. It clearly intended to terrorize the members of One Nation, an insurgent political force in Australia which espouses policies of economic nationalism.

The magazine's personnel, including Kapel, stressed that the resignation was not linked to the uproar over the One Nation list. The claim was obviously absurd. The *Melbourne Age* of Oct. 13, for example, noted that "sources yesterday blamed the fall-out over the list for Mr. Kapel's departure."

*Australia/Israel Review's* "outing" of One Nation had been denounced by numerous Jewish leaders, such as Marika Weinberger, president of the Australian Jewish Holocaust Survivors, who told the *Australian Jewish News* of July 17, that the publication was "irresponsible. . . . It is not the way Jews operate. Nine members of my mother's family were taken away because their names appeared on a list. About 22,000 Hungarian Jews were taken away because their names were on lists."

Although the magazine ostensibly attacked One Nation and its leader, former Member of Parliament Hanson, because they were "anti-Semitic," Holocaust survivor Walter Dohan told the *Australian Jewish News*, "I don't

think Pauline Hanson would have done any damage to the Jews. She has never said anything anti-Semitic. . . . Why are we attacking someone who's never attacked us?"

That question was answered in an exposé of *Australia/Israel Review* in the August/September issue of the *New Citizen*, published by Lyndon LaRouche's associates in the Citizens Electoral Council (CEC). Entitled "The Leibler Brothers and the *Australia/Israel Review*: Economic Rationalism, Dope and Land Rights," it demonstrated that "despite its high falutin' name, *AIR* represents neither Australia, nor Israel, nor anyone but the people who set it up"—Mark and Isi Leibler, who have dominated Australia's Zionist organizations for 25 years, and their clique of ultra-wealthy followers of Jabotinsky, whom Israeli founding father David Ben Gurion called "Vladimir Hitler."

The *New Citizen* charged that, although the Leiblers and their friends are nominally "Jewish," they are in fact toadies for what the old Australian Labor Party used to revile as the London-centered international "Money Power," which is pushing free trade, drug legalization, and the Prince Philip-sponsored scam of "Aboriginal land rights." The exposé reported that the Leibler clique had been sponsored by the two financial organizations in Australia most closely tied to London, the now-defunct Tricontinental Bank of Victoria, which, before it collapsed in mid-1989, loaned billions to the Leibler circle, and the ANZ Bank, which was headquartered in London until 1977, whose name has surfaced in all sorts of shady matters.

The *New Citizen* also revealed the names and fortunes of the Leibler gang behind the *Australia/Israel Review*: Australia's second richest man, Frank Lowy, \$2.1 billion; co-founder Isador Magid, \$165 million; the much-investigated Melbourne businessman Solomon Lew, \$600 million; and Isi Leibler, co-chairman of Canadian booze baron Edgar Bronfman's World Jewish Congress, who originally called for founding the magazine in 1973, worth \$80 million. Isi's brother Mark, a lawyer, former head of the Zionist Federation of Australia, and now chairman of the Australia/Israel Jewish Affairs Committee (the parent body of *Australia/Israel Review*), has deep pockets as well: His tax-dodging schemes for major corporations have helped cost the government \$50-60 billion over the past two decades. No wonder, then, after meeting with some Leibler associates on a recent visit to Australia, Israeli journalist Akiva Eldar charged, in the Israeli paper *Ha'aretz*, that "the Jews of Australia practically worship money."

*Australia/Israel Review* attacked Hanson and her party for the same reasons that it and the Leiblers have attacked LaRouche's associates in the CEC for years: because the LaRouche policies of economic nationalism are a grave threat to the globalist, free-trade policies of those in the British and Australian establishment who own the Leiblers.

Asked why the uproar over the list had continued so long, Mark Leibler told the *Age* of Oct. 17 that it was due to jealousies among rival Jewish organizations and "rogue organizations running around creating trouble"—i.e., LaRouche's friends in the CEC, who had circulated 100,000 copies of the *New Citizen* exposé, including to every federal and state MP, and 10,000 copies into the Jewish communities in Sydney and Melbourne.

# International Intelligence

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## ***Indonesia's Muslims hold national unity congress***

The Indonesian Council of Muslim Scholars (MUI) will convene the largest-ever Muslim congress in the country's history on Nov. 4-8, in a bid to forge unity during the economic crisis. MUI Deputy Chairman Ali Yafie said the congress would bring together Muslim scholars and leaders from across the nation to discuss the crisis. "There is no single institution that can handle the current problems alone, including MUI," he said. Speakers will include Abdurrahman Wahid, head of the largest Muslim organization, the Nadlatul Ulama, and Abri (Armed Forces) Commander General Wiranto.

The last time a similar congress was held was in 1945, the year Indonesia declared independence from the Netherlands. That congress led to the creation of the Masyumi Islamic Party, which was later fused, during the Suharto period, with several other Islamic parties into the United Development Party. Since Suharto's ouster last May, over 100 new political parties have been created in Indonesia, including dozens of Islamic parties.

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## ***ESA tight-wads threaten space station work***

The European Space Agency is unwilling to join with the U.S. National Aeronautic and Space Administration to spend more money than planned to keep space station work in Russia on schedule, according to a mid-October announcement by the ESA's space station chief, Jorg Feustel-Beuchl. Speaking at ESA headquarters in Paris, Feustel-Beuchl said that ESA is planning to sign previously negotiated contracts with Russian organizations for about \$100 million for station-related hardware, but it will be paid out over several years, based on incurred expense as the work is performed. There will be no advance payments to help the Russian companies cope with the economic crisis.

The formation of a Social Democratic-Green coalition government in Germany has added more uncertainty over continued sup-

port for space from the ESA's second-largest contributor. France, the largest ESA participant, has been publicly attacking the space station, and all manned space programs.

Meanwhile, *Space News* reported in its Oct. 12-18 issue that NASA has deposited with the Russian Space Agency the first \$34 million of a \$60 million payment that NASA plans to make by the end of the month. NASA plans to transfer another \$40 million by the year's end. In 1999, NASA is set to transfer an additional \$110 million to Russia, and a total of \$660 million over four years.

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## ***U.S. official: Relations with Nigeria are mending***

Strained relations between the United States and Nigeria are over, said U.S. Assistant Secretary of Defense and International Affairs Franklin Kramer, who visited Nigeria at the end of September. Kramer also said that Sept. 24 talks at the White House between President Clinton and Nigerian President Abdulsalam Abubakar were "fruitful." The talks took place while President Abubakar was in the United States for the UN General Assembly.

Kramer said that the United States was prepared to work with Nigeria in maintaining security in West Africa and Africa as a whole. He commended Nigeria for helping to restore democracy in Liberia and Sierra Leone. "Closer military contacts between the United States and Nigeria would benefit not only Nigeria's military, but all the Nigerian people," Kramer said, during a speech at the Nigerian National War College in Abuja.

He also said that "having a closer bilateral military relationship first requires that Nigeria complete its transformation to include: the successful transition to civilian government, the military's permanent support of civilian government, the formalizing in law and in practice of civilian control over the military, and the military's commitment in word and action that abuses of political power and human rights have no place in the new Nigeria."

Kramer expressed optimism that programs would be put in place between the two nations, including U.S. training and more coordination on regional security.

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## ***Pakistani murder linked to British intelligence***

The murder of a Pakistani woman, and the flight to England of her British lover, a top diplomat and alleged spymaster, has rocked Pakistan. One important feature of the story is that it leads in the direction of exposing how Britain runs the Taliban.

The story is as follows: In the first week of October, First Secretary of the British High Commission (embassy) in Pakistan, Dominic Jermy, fled to England, one day after the decapitated body of his lover, Nina Aziz, was found in a closet in her home. Aziz was the daughter of a retired Pakistani Air Force commodore.

According to coverage in *Asian Age*, Jermy was in charge of overseeing British intelligence operations in Afghanistan, "running the Afghan war with aplomb from his desk in Islamabad." Citing unidentified sources, the paper added that Aziz was also a British intelligence agent. The sources told *Asian Age* that she "was beheaded by an agent of the British intelligence agency MI6. . . . The police had evidence that Nina, through Dominic, had special links with the British MI6. She was killed by the agency when it thought that Nina was no longer reliable."

The British Foreign Office, through its spokesman, said that Jermy was "deeply shocked . . . and it is not surprising that he has taken some leave." The spokesman said Jermy would be returning to Pakistan shortly to help the investigation. *Asian Age* added that the proof of Aziz's intelligence link was her connection with British Security Techniques agency, which it described as an arm of MI6. The former head of BST in Pakistan was Ian Crooke, who had been implicated in espionage.

In fact, Ian Crooke, a retired SAS colonel, later ran a British dirty war in southern Africa, under cover of the World Wildlife Fund's "Operation Lock." His brother, Alis-

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tair Crooke, oversaw arming the Afghan mujahideen during the mid-1980s when he was a British diplomat in Islamabad. Alistair Crooke is currently the EU counter-terrorism adviser to the Palestinian Authority.

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### ***Canada shutting down Tamil Tiger haunts***

The Canadian government has informed the government of Sri Lanka that it is considering adopting new British laws restricting terrorist organizations, which would mean shutting down the Canadian operations of the Sri Lankan Liberation Tigers of Tamil Eelam, according to India's *The Hindu*. The British laws, which were enacted after an international uproar and, especially, U.S. pressure over British safehousing of terrorists, will likely be adopted with "suitable amendments," Sri Lanka's Justice Minister G.L. Peiris, was told in Ottawa.

The Tamil Tigers, which killed more than 100,000 persons in suicide bombings and similar attacks since the 1980s, and which provided the hit man to murder former Indian Prime Minister Rajiv Gandhi in 1991, are internationally headquartered in London. But they also have important bases in Toronto and in the United States.

Ironically, the new restrictions come at a time when restrictions in the United States were forced to be lifted, as a result of a Federal lawsuit brought jointly by two of Britain's favorite terrorist gangs: the Tamil Tigers and the Kurdish Workers Party (PKK). A Los Angeles Federal court declared in September that most of the provisions of the October 1997 ban were unconstitutional.

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### ***Yemen wins disputed island from Eritrea***

An international arbitration committee in The Hague decided in mid-October in favor of the Republic of Yemen in its dispute with Eritrea over the Hanish Island, which is strategically located at the southern opening of the Red Sea. Eritrea occupied the island in 1995, reportedly with Israeli help. Israel has sought beachheads in East Africa.

Rather than respond militarily, Yemen sought arbitration, while Egypt and France intervened diplomatically to solve the problem which posed a danger to maritime traffic through the Suez Canal. Eritrean President Isaias Afwerki telephoned Yemen's President Ali Abdullah Assalih to confirm that his country approved the decision and is looking forward to normalization of relations.

The Hanish Island issue is also an important strategic point for the crazies around Israeli Prime Minister Benjamin Netanyahu, who are seeking military control over the Red Sea and leverage over Egypt.

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### ***New German rulers face labor protests***

Germany's incoming red-green government, the Social Democrats and the Greens, already experienced their first labor protests on Oct. 15, before even completing coalition talks. Trade unions demonstrated against the mass layoffs that would take place should Gerhard Schroeder's government shut down the nuclear energy industry and pull government support out from under the Transrapid maglev transportation project.

In Kassel, where Thyssen-Henschel, the producer of the core technology of the maglev train, is located, union representatives strongly denounced the red-green plans, as not only killing numerous highly specialized jobs, but an entire modern transport technology.

Workers from nuclear technology firms have voiced concern over the future of their jobs. At Siemens alone, about 4,500 jobs, most of them engineers, would be eliminated, should the withdrawal from nuclear power and the shutdown of nuclear plants begin during the four-year term of the government.

The red-green coalition has told the nuclear power industry and other utilities to draw up a plan within 12 months for creating a non-nuclear energy supply, and to set a timetable for a voluntary shutdown of Germany's 19 nuclear plants. Otherwise, the new government threatened, it will change the laws regulating nuclear power, to shut it down by force.

## ***Briefly***

**A CANADIAN** indigenous activist is pushing for Australia's Aborigines to use a Canadian precedent and claim native title, or land rights, over freehold title (i.e., privately owned land). Don Ryan is touring Australia, citing the ruling of a British Columbian court that native title rights are not extinguished by freehold titles.

**PHILIPPINES** President Estrada gave a populist speech at a major international economic conference in October, pledging a war on poverty and more extensive social safety nets for the poor. However, he fully embraced free trade, including greater foreign investment in social infrastructure, the modernizing of capital and bond markets, foreign involvement in management of pension and social security funds, and no currency controls on the peso.

**VIETNAMESE** Prime Minister Phan Van Khai arrived in China on Oct. 19 for talks with Chinese Prime Minister Zhu Rongji. This is the first visit of a Vietnamese Prime Minister since 1991, when Vietnam normalized ties with China. Phan will also visit the cities of Suzhou and Hangzhou, as well as Guangxi province, which borders Vietnam.

**SCOTLAND YARD** will help train the police in Argentina's province of Buenos Aires, after the provincial police force was "reformed" under the aegis of Prince Philip's anti-corruption gestapo, Transparency International.

**WESTERN GEORGIA** is being subjected to an armed rebellion, according to various Russian news reports on Oct. 20. On the night of Oct. 18, supporters of the late President Zviad Gamsakhurdia raided a Georgian tank battalion post, seizing tanks and armored personnel carriers. Headed by former military commander Col. Akaki Eliava, the band reportedly took three government officials hostage. President Eduard Shevardnadze appealed to the rebels to surrender.

## Congress must first investigate Starr!

by Edward Spannaus

When President Clinton's lawyers emerged from a meeting with counsel for the House Judiciary Committee on Oct. 21, they reported that the procedures being planned by the majority Republicans on the Judiciary Committee violate fundamental standards of fairness. Gregory Craig, the President's attorney for impeachment matters, said that the procedures being followed by the committee "would not be adopted by any court in America," and that "they should not be adopted by the Congress in one of the most somber and important constitutional processes you can have."

Speaking to reporters after the meeting, Craig said that the President's attorneys had raised three fundamental concerns.

"The first was that, like any American, the President deserves and has the right to know precisely what the charges are against him.

"Secondly, like any American, the President has the right to know what the standards are that are going to be used to judge his conduct.

"And thirdly, the nation has a right to a quick and rapid disposition of this process."

Craig's points are correct, but they do not go far enough. In truth, the rules of the game have already been rigged by the Judiciary Committee's uncritical acceptance of the Starr report. Fairness and compliance with the United States Constitution require much more of the House of Representatives.

### **The House's constitutional responsibility**

In a normal criminal case, defense attorneys are permitted to submit pre-trial motions, such as seeking a bill of particulars to specify the charges against a defendant, challenging the indictment on various grounds, and seeking to suppress evidence on grounds that it was illegally or improperly obtained.

In the case of an impeachment proceeding in Congress, of course, the rules and procedures of the criminal justice system do not obtain. However, the fundamental guarantees of the Constitution for fairness and due process cannot be tossed out the window.

Moreover, the Constitution vests the responsibility for impeachment *solely* with the House of Representatives. (The Senate tries an impeachment, once articles of impeachment have been voted by the House.)

What flows from this, is that the House of Representatives cannot abdicate this responsibility to any other agency or branch of the government. The House cannot simply take a referral from the independent counsel and vote it up or down; it must, to conform to the requirements of the Constitution, "start from scratch," so to speak, by independently evaluating any "evidence" originating outside the House of Representatives.

The independent counsel is not an agent of the Congress; he is—or is supposed to be—an agent of the Executive branch, subject to dismissal by the Attorney General. Having created the Office of Independent Counsel (OIC) by statute, Congress has *oversight* responsibility for the conduct and performance of the OIC, but an independent counsel cannot be an evidence-gathering arm of the Congress. Under the Constitution, the House and only the House can initiate an impeachment, and the House must take responsibility for the probity and reliability of any evidence dumped in its lap by the OIC.

Therefore, the first thing which the House should do is to "investigate the investigator"—to determine if the evidence provided by Starr was gathered improperly or illegally, and whether pervasive prosecutorial misconduct taints the entire case presented to the House by the OIC.

## Areas of inquiry

Following are some suggested areas of inquiry which ought to be the first order of business, before any evidence is considered by the House Judiciary Committee:

### 1. Was independent counsel Starr operating under a conflict of interest, or a political bias, which tainted his investigation from its inception?

What was the extent of Starr's involvement with the Paula Jones civil suit prior to his appointment as independent counsel, and of his declared political bias against President Clinton? What sort of conflicts arise from Starr's relationship with Washington attorney Theodore Olson, Starr's former law partner and current close friend and associate? Olson was the attorney for the *American Spectator's* anti-Clinton "Arkansas Project," financed by funds from Starr's benefactor Richard Mellon Scaife. Also to be examined is Olson's representation of David Hale, a former municipal judge and con-man, who became Starr's key "Whitewater" witness against Clinton.

Was any influence exerted on the special division of the U.S. Court of Appeals which appointed Starr, by Olson or others tied to anti-Clinton political or legal activity?

### 2. How did the Whitewater independent counsel obtain authorization to enlarge his jurisdiction to include matters involving Monica Lewinsky and President Clinton regarding the Paula Jones civil suit?

What did Starr disclose to the Justice Department when he first went to the Attorney General on Jan. 15, seeking permission to expand his investigation to include possible perjury and obstruction of justice by President Clinton in the Jones case? Did Starr disclose the fact that he had both consulted with Paula Jones's lawyers, and that he had planned to write a legal brief on behalf of the Independent Women's Forum, a conservative women's group which overlaps Starr's own personal and political circle of friends?

What was the role of Lucianne Goldberg in creating a "back-channel" to the OIC through a circle of lawyers who are all members of the Federalist Society—an organization in which Starr and close friends of Starr's such as Olson, have played a prominent role?

When did the OIC first come into possession of any information concerning Monica Lewinsky or Linda Tripp's discussions with Monica Lewinsky? (Starr's friend Olson was reportedly approached about Tripp in December 1997.)

On what authority had Starr already expanded his investigation into President Clinton's private life, beginning in late 1996? Why were FBI agents and prosecutors working out of the OIC already questioning Arkansas state troopers and others, in 1996-97, about extramarital affairs which Clinton was rumored to have had, including questioning about Paula Jones?

### 3. Was crucial evidence in the Lewinsky matter ob-

**tained illegally or improperly?** It is unlawful under the Code of Maryland (Sec. 10-402) to willfully intercept any electronic communication, or to *disclose* or *use* the contents of such an interception. Although the OIC promised Linda Tripp that she would not be prosecuted under Federal law, this does not legalize the taping, nor does it legalize the disclosure and use of the contents of her taped conversations.

On what authority was the FBI permitted to wire Linda Tripp to secretly record her conversation with Monica Lewinsky on Jan. 13—three days before Starr received authorization to expand his investigation into the Lewinsky matter?

Why was Tripp allowed to meet with Paula Jones's lawyers the night before the President's deposition, after Tripp had spent the day with Starr's prosecutors and FBI agents? Why was Linda Tripp not given the usual instructions to not disclose secret or sensitive information about the Starr investigation to others?

**4. Is the independent counsel's investigation so infected with prosecutorial abuse and misconduct, as to poison any evidence or recommendations coming from the OIC?** Areas which should be examined by Congress include the following:

- Illegal leaks of grand jury material to the news media; this is currently the subject of a contempt-of-court inquiry against the OIC by the Chief Judge of the U.S. District Court in Washington, as well as a separate inquiry by the Justice Department's Office of Professional Responsibility (OPR).

- Possible witness tampering or improper contacts between Federally protected witness David Hale, and opponents of the President tied to the *American Spectator's* "Arkansas Project" of Theodore Olson and Richard Mellon Scaife; this is the subject of an investigation being conducted by former Justice Department OPR official Michael Shaheen, which includes testimony being taken from Scaife and others by a Federal grand jury in Fort Smith, Arkansas.

- The OIC's vindictive and repetitive attempted prosecutions of Webster Hubbell and Susan McDougal.

- Improper use of a Federal grand jury and the subpoena power to harass and intimidate witnesses, both in Little Rock and later in Washington, D.C.

- Improper use of a Federal grand jury—a secret, one-sided proceeding in which the target has no legal rights—to gather evidence to initiate an impeachment proceeding—which is the sole prerogative of the House. And further, then providing thousands of pages of raw, salacious grand jury testimony to the House, in the almost certain knowledge that this normally secret material would be released to the news media and the general public.

- Starr's repeated violations of Justice Department policies and guidelines, despite the requirement of the independent counsel statute and of the Supreme Court's holding in *Morrison v. Olson*, that an independent counsel is obligated to abide by Justice Department policy.

# Victory won vs. DOJ on McDade-Murtha

by Suzanne Rose

In a tremendous victory over Department of Justice (DOJ) tyranny, Congress included a section of the historic McDade-Murtha "Citizens Protection Act" in the final Omnibus Spending bill (HR 4328), which passed both Houses of Congress the week of Oct. 19. Section 801 of the Omnibus bill is Section 101 of the McDade-Murtha bill. It states that Federal prosecutors and independent counsels will be subject to state-enforced ethical standards, overturning the practice of the DOJ permanent bureaucracy to hold itself above the law.

Passage of this amendment was hailed by the National Association of Criminal Defense lawyers, in a release issued on Oct. 21. The association praised Congress for overturning the 1989 memorandum by then-Attorney General Richard Thornburgh memorandum, which stated that DOJ employees were not subject to state ethical standards with respect to contacting persons for interrogation without their lawyers. Other, subsequent DOJ policy memorandums have made the same point, vis-à-vis the right of states to enforce ethical standards and discipline DOJ prosecutors. Attorney General Janet Reno proclaimed the department's opposition to this and other sections of the McDade-Murtha bill when it was pending before the House. It has recently become the practice for the DOJ to sue states which have tried to enforce ethical standards on Federal prosecutors through the state supreme courts.

The McDade-Murtha bill was introduced in March 1998 in response to the growing Gestapo-like activities of DOJ prosecutors. Both Reps. Joseph McDade (R-Pa.) and John Murtha (D-Pa.) had been targets of DOJ political prosecutions, designed to weaken the power of Congress.

McDade-Murtha included three sections: the one which has finally passed into law; one which enumerated particular egregious offenses, including indicting people without probable cause, failure to turn over evidence of innocence to the defense, lying in court, and so on, which the Attorney General would be mandated to investigate and punish; and an outside "misconduct review board," to which defendants could appeal prosecutorial abuse during trial.

After intense negotiations between representatives of the House, which passed the full McDade-Murtha bill, and the Senate, where such a bill had not been introduced, and where pressure from the DOJ was especially heavy on members of the Judiciary Committee, a compromise was reached where subjection of DOJ prosecutors to state ethical standards, but not the other two provisions, were included in the final legisla-

tion. Sources involved in the negotiations described the bill as extremely controversial, and said that there was a big fight to keep even the section on state ethical standards in.

It is known that the DOJ went all-out to stop this legislation, to the point of contacting individual members directly, and using its channels on the Judiciary Committees to campaign against it. There was a nationwide media blackout of the fact that such legislation challenging the DOJ abuses of power was even before Congress.

Importantly, the final legislation does include, under the category of prosecutors who will be subject to this law, the independent counsel and his employees. When the original McDade-Murtha bill passed the House by a vote of 365-72, an amendment was successfully introduced on the floor with bipartisan support, which subjects the Office of Independent Counsel to the McDade-Murtha provisions. Many of the speeches endorsing the bill referred to Kenneth Starr's abuse of power as exemplary of the reason legislation was needed to curb the power of Federal prosecutors.

## State rules of conduct will apply

The amendment states that Chapter 31 of Title 28 of the United States Code, which governs the administration of the courts, is amended by adding, "Ethical standards for attorneys for the Government." It says that an attorney for the government shall be subject to state laws and rules governing attorneys in each state where such attorney engages in that attorney's duties, to the same extent and in the same manner as other attorneys in that state. This means that state courts and state bars can enforce state ethical standards and local Federal court rules against Federal prosecutors and independent counsels. The U.S. Attorney General is mandated to make and amend rules of the DOJ to assure compliance with this section. The effective date of enforcement will be six months from the date of enactment of the legislation.

A mobilization for the enactment of McDade-Murtha bill was led by associates of Lyndon LaRouche, whose supporters in every state intervened at public meetings of Congressmen, wrote opinion columns, and visited, wrote letters, and phoned Congressional offices directly, demanding its passage. At the point that McDade attached the legislation to the Commerce Justice and State Appropriations bill for 1999, in which form it passed the House on Aug. 5, it had 200 co-sponsors. Supporters of LaRouche also demanded hearings on the legislation, which would smoke out the political agenda of the core group of permanent bureaucrats who run the DOJ. Such hearings to expose the politically motivated prosecutions of Lyndon LaRouche, black elected officials who have been systematically targeted, and others, were deemed necessary to exonerate the innocent, and to demonstrate the political motivations behind the abuses characteristic of DOJ prosecutions. A full airing of the LaRouche case would spotlight the fact that leading DOJ permanent bureaucrats operate as towel boys for the New York and London financial oligarchy.

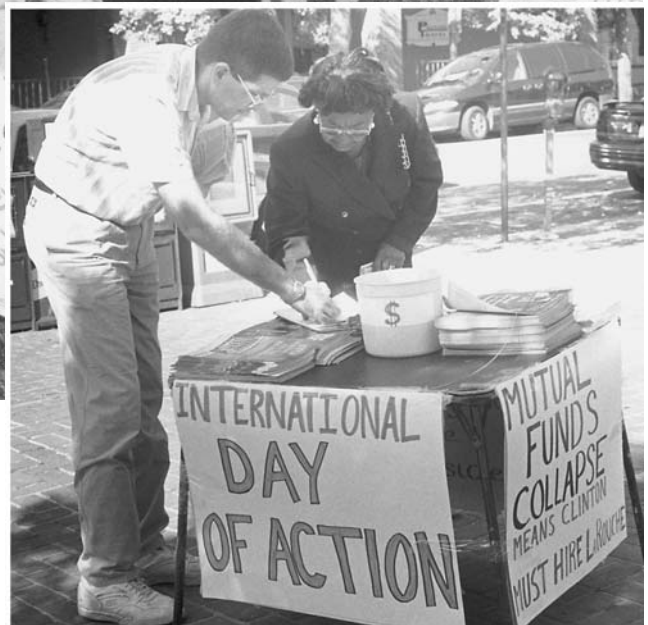
# Rallies tell Clinton: Bring in LaRouche!



*Rally to Save the Presidency sponsored by Schiller Institute in Lafayette Park, across the street from the White House, on Oct. 17.*

All around the world, political activists are circulating an “Appeal to President Clinton,” urging him to appoint Lyndon LaRouche as an economic adviser to his administration. On Oct. 17, the Schiller Institute held a rally of several hundred people across the street from the White House, mobilizing support for the President and calling for him to appoint LaRouche. Then on Oct. 20, the second International Day of Action took place (the first was on Oct. 13), with mass demonstrations, meetings, and actions by small groups or individuals to organize support for this initiative. In the United States, thousands of signatures were gathered on the petition to Clinton, at rallies in a dozen cities.

In Peru, a group of legislators signed the petition, and the signatures were presented to the American embassy. A seminar on the Day of Action was held in Mexico City. In



*A Schiller Institute organizer in Alexandria, Virginia gathers petition signatures calling for President Clinton to appoint LaRouche as economic adviser.*

Sweden, petitioners mobilized outside the Parliament and at a meeting of financial experts. In Germany, petitioning was carried out in eight cities. In France, petitioners signed up hundreds of supporters at the Place Victor Hugo in Paris. In Australia, demonstrations were held in five cities, featuring a “funeral for the International Monetary Fund” in Perth and Melbourne.

## **M**ikulski warns: Don't repeal Glass-Steagall

On Oct. 8, Sen. Barbara Mikulski (D-Md.) brought a bit of reality into the debate on repealing the Glass-Steagall Act, which prohibits banks and securities firms from merging and doing each other's business (although they are doing it anyway). She told the Senate that she opposes the financial services modernization bill "because it is inappropriate to bring down the protective firewalls in U.S. financial services while a firestorm is sweeping global financial institutions." She said that she understands the arguments for the bill, but "I would suggest to my colleagues that changes in the global economic picture make this bill unwise."

Mikulski launched a broadside against globalization. "Advocates of this legislation," she said, "always mention the free market. . . . But look at what the free market has brought us lately—a global financial meltdown and hedge funds that are 'too big to fail.'" She said that the Long-Term Credit Management debacle "was a failure of proper supervision," and it doesn't make sense to have "too big to fail" institutions if the regulatory structure is not up to handling them.

Mikulski also expressed reservations about the "unhealthy concentration of financial resources" that will result from relaxing the laws regarding who can own and operate financial institutions, and about transferring regulatory authority from the Office of the Comptroller of the Currency to the Federal Reserve. "This would be like letting the bankers regulate themselves," because the Fed "is not independent of the bankers and finance companies that it would regulate," she said.

The Senate later voted 88-10 to cut off debate on a motion to proceed with

consideration of the bill, but, it did not take up the bill before final adjournment.

## **D**emocrats make another effort for HMO reform

On Oct. 9, Senate Minority Leader Tom Daschle (D-S.D.) made a last-ditch effort to get the Senate to take up the Patients Bill of Rights, by making a procedural motion to bring the House-passed version of the bill to the floor. Majority Leader Trent Lott (R-Miss.) immediately moved to table Daschle's motion, and Lott was upheld on a vote of 50-47, with one Democrat and four Republicans crossing party lines.

Afterwards, Daschle complained that the GOP has been blocking any serious efforts to address abuses by health maintenance organizations (HMOs). "Frankly," he said, "the priority that this legislation should have is probably as great a dividing line as there is between our Republican colleagues and Democratic Senators." He said that the bill that the Republicans prefer "is filled with loopholes that benefit the insurance industry, and today, once again, they have refused to debate the real issues and our real differences regarding this legislation."

## **G**OP, White House agree on spending package

Marathon negotiations and six continuing resolutions finally resulted in an agreement on \$500 billion of Federal spending, that passed the House by a vote of 333-95 on Oct. 20, and the Senate by a vote of 65-29 on the following day. Wrangling over hundreds of individual issues kept the House and Senate in session almost two weeks past the Oct. 9 target adjournment date, and

left a bad taste in the mouths of many conservative Republicans.

Even though both sides declared victory when the agreement was announced on Oct. 15, it was President Clinton's veto pen, combined with Republicans' extreme fear of the potential political fallout from a government shutdown so close to an election, that ultimately decided many issues, including funding for the International Monetary Fund (IMF) and education, in favor of the Democrats.

In the end, the administration got the \$18 billion, with conditions attached, it had been seeking for the IMF; \$1.1 billion for the hiring of 100,000 new teachers; \$6 billion in disaster relief for farmers; and no cuts or additional funding for numerous other programs supported by the President. The administration also got a supplemental spending package that included \$6.8 billion for military readiness issues, including \$1.9 billion for Bosnia, \$2.4 billion for anti-terrorism operations, \$3.35 billion for year 2000 computer compliance, and \$1.5 billion for hurricane disaster relief. The total package covers 8 of the 13 appropriations bills, and marks the fourth year in a row that the GOP-controlled Congress has had to finish the appropriations process with an omnibus package negotiated with the White House.

While the GOP succeeded in retaining numerous legislative provisions that attach conditions to various spending programs, including several related to funding of abortion and use of contraceptives, the \$81 billion tax cut passed earlier this month was reduced to \$9.2 billion, mostly consisting of extending existing tax credits that were about to expire. Two out of every three votes against the package, however, came from disgruntled conservatives, who called the bill a "spending spree."



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# National News

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## Pakistani paper hits coup against Clinton

The Peshawar-based *Frontier Post* blasted what it called a right-wing conspiracy against President Clinton in its Oct. 15 issue: "Hard evidence is surfacing pointing toward a conspiracy by the independent counsel Kenneth Starr, suspected to have colluded with right-wing elements based in the Republican Party to destroy the twice-elected and popular Democratic Party President." This collaboration is "widely perceived as a sort of coup d'état against the President with the potential to compromise the integrity of electoral process itself."

The paper noted that special prosecutor Kenneth Starr is himself being investigated for illegally leaking grand jury evidence. And after reviewing the case against Starr, the *Frontier Post* described the role of Lucianne Goldberg, as a "link between Paula Jones's lawyers and Starr's office to exploit Clinton's personal failings and trap him, to force impeachment charges."

The *Frontier Post* believes that the conspiracy behind the attack on Clinton, hates "President Clinton's resolve for a new economic deal" and his effort "to improve the lot of the downtrodden." The article concluded: "All those powerful right-wingers, including future Republican Presidential hopeful Newt Gingrich, and others like Henry Hyde and Tom DeLay, hate Bill Clinton, just as the American left hated Nixon. . . . In their stone-blind hate, regardless of what happens to this country or what people of this country [the United States] want, the Republicans want to accomplish what they failed to do in the election."

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## NASA releases new book celebrating its 40 years

As part of NASA's celebration of its 40th anniversary on Oct. 1, Administrator Dan Goldin released a new book, *NASA & The Exploration of Space*, at an Oct. 15 event at the National Museum of Women in the Arts. The book, by NASA chief historian Roger Launius and Bertram Ulrich, the curator of NASA's art program, chronicles man's ex-

ploration of space through 175 illustrations, dating from the inception of NASA's art program in 1963. Some of the artwork details the life of the astronaut. Others portray the drama of sending man into space. Some of the works have rarely been seen.

Sen. John Glenn wrote the introduction, and the book includes contributions from former astronauts Bob Crippen, James Lovell, and Kathy Thornton.

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## Starr's media lapdogs bite hand that fed them

After spending the first nine months of the year serving as Kenneth Starr's "lapdogs" (in the words of *Brill's Content* publisher Steven Brill), some of the leading establishment news media are now raising questions about the process by which Starr inserted himself into the Paula Jones case in January. The *New York Times*, *Washington Post*, *New York Newsday*, and the *Los Angeles Times* have all reported about Lucianne Goldberg's back-channel into Starr's office, and they have all suggested that Starr misrepresented the facts when he first sought permission from the Justice Department on Jan. 15 to expand his investigation into the Lewinsky matter.

As to why sections of the Washington press corps seem to be suddenly turning against Starr, columnist Gene Lyons, of the *Arkansas Democrat-Gazette*, suggested on Oct. 14, that, after Congress released the salacious Starr grand jury file, news organizations were no longer dependent upon his office for grand jury leaks—and thus are no longer subject to Starr's "discreet blackmail." "No longer an indispensable source," Lyons wrote, "Starr has suddenly become the story."

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## G-man's memoirs include 'Get LaRouche' letter

Former FBI assistant director Oliver "Buck" Revell's new memoirs *G-Man's Journal: From the Kennedy Assassination to the Oklahoma City Bombing*, includes three pages on the FBI's role in the "Get Lyndon

LaRouche" task force. Revell describes how he was contacted in 1982 by then-Director William Webster regarding going after LaRouche, after Henry Kissinger had written a "Dear Bill" letter to Webster about the "LaRouche people." Revell reports that he then had several discussions with Kissinger.

Needless to say, Revell doesn't elaborate on the policy he then pursued to deal with the "LaRouche question"—i.e., the decision by Kissinger's friends in the President's Foreign Intelligence Advisory Board to go after LaRouche "under the guidelines or otherwise." Revell whitewashes his role by whining that he became the "target" of the "LaRouche people," relating an incident in Copenhagen where he was met by some LaRouche activists with a flyer and a reprint of an article about him in "*Intelligence Report*," i.e., *EIR*. He covers for the FBI's role in the "Get LaRouche" operation by lying that LaRouche spreads "hate propaganda."

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## Judge orders California Pot Clubs to close

On Oct. 13, Federal Judge Charles Breyer ordered the three remaining California Pot Clubs to cease operations by Oct. 16 or face forcible closure. The clubs were opened after the 1996 passage of a ballot referendum Proposition 215, legalizing so-called "medical marijuana." Ten of the 13 clubs have already closed. Judge Breyer's ruling specifically named the Oakland Club for violating a May 19 injunction which had ordered the club to stop selling marijuana.

At an Oct. 14 press conference, Oakland City Councilman Nate Miley complained that "this decision will have a devastating impact on our patients and our city, and we will fight it every step of the way." Miley announced that he will ask a Council Committee to declare a state of emergency to shield the club from closure. Earlier this year, Miley sponsored two Council resolutions to protect the operations of the club, one that designated club employees as "officers of the city," and a second legalizing possession of up to a pound and a half of marijuana for personal "medicinal" use. If the club is closed, Miley intends to push for the City of Oakland to become a dope pusher.

## Editorial

### *The hour of the nation-state is here*

It's impossible to identify the precise time it happened, but the turning point has passed: The global markets are finished, and the hour of the nation-state has arrived. The future lies with the reassertion of government power over the markets, for the benefit of the world's population and its posterity.

A vignette which underscores this reality occurred in Tokyo on Oct. 20, during a private symposium that featured both Japan's Vice-Finance Minister, Eisuke Sakakibara, and the Malaysian Prime Minister, Dr. Mahathir bin Mohamad. Mahathir has been the international symbol for the war against the global speculators since the International Monetary Fund meeting of September 1997, when he attacked George Soros by name. Malaysia's announcement of currency controls on Sept. 1, 1998, created even more hysteria among the financial elites.

But, reality is winning out over ideology. Thus, at the Tokyo meeting, according to the *South China Morning Post*, Sakakibara responded to Dr. Mahathir's speech attacking the global speculators by saying: "The trend of world opinion is changing. . . . I think the world situation has changed lately and what the Prime Minister has said is no longer heretical. . . . It is important to clearly declare to the market that Malaysia is going to maintain the current rate for at least two, three, or four years."

Such statements were unthinkable over a year ago. Now they are being mooted by editorial columnists, bankers, and even government officials all over the world. A consensus is growing that the fate of nations cannot be left to the whims of the markets.

Along with this shift is the reintroduction of the concept of physical economy, something which had also been abandoned in favor of worshipping the all-powerful markets, and the information, consumer society. All of a sudden, economists, and world leaders like Russian Prime Minister Yevgeni Primakov, are talking about "the real economy." "Real," as opposed to what? "Real," as opposed to the fictitious wealth which is the trillions of dollars which is being wiped out on the financial markets. "Real economy" means the farms, factories, mines, and other physical produc-

tion plant that has been neglected for so long.

And once "physical economy" comes back into prominence, that turns our attention to the leading thinker who has fought for that concept, as against the pyramid of paper, Lyndon LaRouche. LaRouche's economic ideas are also now undergoing a resurgence of prominence around the world, in a way that underscores the reality of a paradigm shift.

There has been an extraordinary response to LaRouche's latest proposals for sovereign nations to take control of their economies, in the midst of the global financial meltdown. His eight-point program in "What Each Among All Nations Must Do Now," released at the end of September (*EIR*, Oct. 9), has now been reproduced in full in a major Arabic-language newspaper (the London-based *Al-Arab*); the major newspaper in Mexico (*Excelsior*); and a major economic weekly, *Ekonomicheskaya Gazeta*, in Moscow. In addition, there has been extensive coverage in a conservative Polish newspaper, a regional edition of *Gazeta Mercantil* in Brazil, and *El Siglo* in the Dominican Republic.

Then, on Oct. 22, the largest circulation daily newspaper in Denmark, *Jyllands-Posten*, with a circulation of 184,000, published an extensive article on the New Bretton Woods proposal of the Schiller Institute and Lyndon LaRouche. As author Poul Rasmussen, chairman of the Schiller Institute in Denmark, points out, that paper itself has undergone a dramatic change over the past year, from attacking Dr. Mahathir's blast against speculators, to mooted the necessity to curb destructive speculators.

True, none of these indications of a shift toward FDR-style state measures to rebuild the economy have yet been seen in the major media of the United States, or the major western European nations. There have been scattered articles talking about the failure of the speculative system, but clearly no consensus. But a citizens movement demanding that LaRouche be brought into the Clinton administration to deal with the economic crisis—along with the explosion in the financial markets—is growing. It would behoove responsible citizens to make sure that it is effective in time.

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Fridays—9 a.m.
- MIDDLETOWN—Ch. 3  
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Charter Ch. 21  
Thursdays—9:30 p.m.

## DISTRICT OF COLUMBIA

- WASHINGTON—DCTV Ch. 25  
Sundays—2 p.m.

## ILLINOIS

- CHICAGO—CAN Ch. 21\*  
(no shows until Nov.)
- SPRINGFIELD  
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1st Wednesdays—8:30 p.m.  
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- WATERLOO—TCI Ch. 15  
Mondays—11 a.m.

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- SALINA—CATV Ch. 6\*

## KENTUCKY

- LOUISVILLE—Ch. 25  
Fridays—2 p.m.

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Thursdays—6 p.m.
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- ST. LOUIS PARK—Ch. 33  
Friday through Monday  
3 p.m., 11 p.m., 7 a.m.
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Sundays—10 p.m.
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Sun., Nov. 1 & 15: 9 a.m.
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- ROCHESTER—GRC Ch. 15  
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T/W Ch. 12—Sat.: 9 p.m.
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Wednesdays—8:30 p.m.
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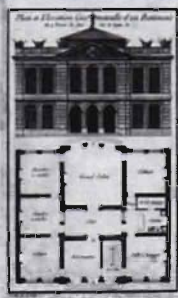
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