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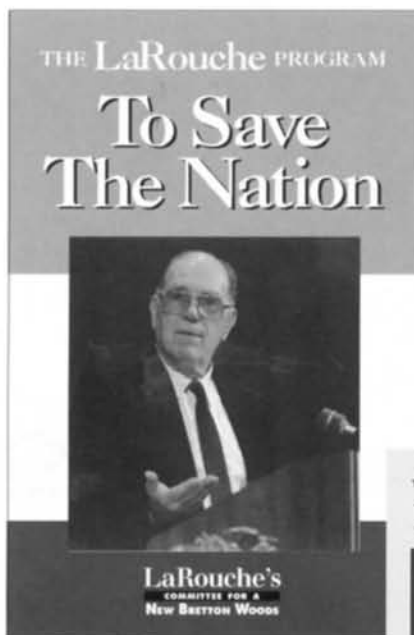
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Greenspan's folly: The June 29th that never was
The IMF and Wall Street push drug legalization
British push NATO to cross 'red line' in Caucasus

Lyndon LaRouche:
How to save a dying U.S.A.



LaROUCHE *for* President



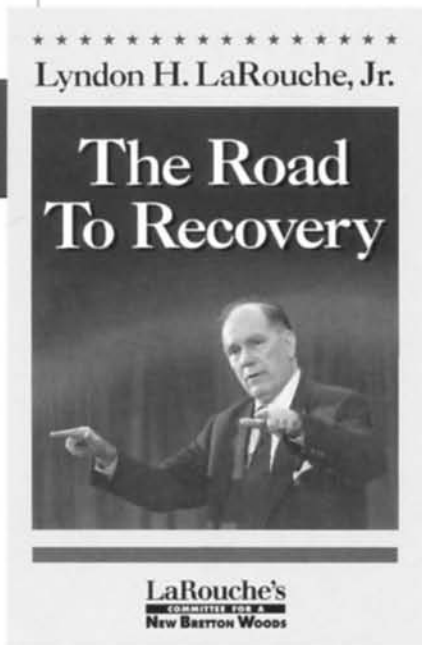
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From the Associate Editor

Thumbing through this morning's *Washington Post*, I find that today is just another hot, lazy summer day. U.S. children are better off now than ever before; a Kosovo Albanian lady returned home to find that her apartment was not the slightest bit damaged; the Business section headline proclaims, "Economy Goes Full Steam Into Summer," citing strong retail sales, low joblessness, and rising oil prices.

Just an ordinary day. Like Pearl Harbor on the morning of Dec. 7, 1941.

But in the real world—not the media-induced virtual reality in which most Americans live—tectonic shifts are occurring, just below the surface. And hot lava is beginning to burst through.

In this issue, William Engdahl reports that in June, we came "this close" to a meltdown of the global financial system, just as we had in October 1998. Do you want to know why the Japanese are selling yen, why the Bank of England is dumping gold, why Alan Greenspan is monkeying with interest rates? *This* is why. It's big. People who are not readers of *EIR* don't even know about it. Accompanying Engdahl's report is a Presidential campaign statement by Lyndon H. LaRouche, Jr., telling you what you have to do now.

The bankers are worried. So, they're bolstering the financial system with drug money. (We at *EIR* have said so since 1978, but people thought we were exaggerating. That's why we've put on our cover this week the photo of the president of the New York Stock Exchange, embracing the head of Colombia's narco-terrorist dope cartel. Read the feature package that begins on p. 30. This time, believe us.)

In the Caucasus, the British are pushing Russia toward the "red line"—the threshold to nuclear war, as Konstantin George reports. (But for a fuller picture of what's going on at the Russian Defense Ministry—they're debating LaRouche's ideas!—see also p. 43.)

Where, in this terrifying world picture, does one find the optimism and strength to turn the situation around? That's what LaRouche addresses in his *Feature* story, "How to Save a Dying U.S.A." Citing the events of Pearl Harbor, he recalls how the shock of that one day awakened the American people to reality. "This change saved the United States then," he writes. "If—but, only if—the right leadership were chosen by you, the citizens, the inevitable new great shock now awaiting you, could bring this nation out of the pit, once again."

Susan Welsh

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By Lyndon H. LaRouche, Jr.

"Nearly 2,400 years ago, history's greatest philosopher, Plato, premised his optimistic outlook for the future of civilization, on a rigorous scrutiny of those principles, by means of which mankind had risen out of even the most awesome among the types of natural and other catastrophes it had suffered during earlier ages.

Today's new threat of apocalyptic times, should impel us to examine, and to revive, once again, that lately neglected capability and wont of the human mind, by means of which the level of the human condition had been moved upward and forward, despite even the darkest among intervening periods of calamity."

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29 The June 29th that never was

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How to save a dying U.S.A.

by Lyndon H. LaRouche, Jr.

June 24, 1999

Nearly 2,400 years ago, history's greatest philosopher, Plato, premised his optimistic outlook for the future of civilization, on a rigorous scrutiny of those principles, by means of which mankind had risen out of even the most awesome among the types of natural and other catastrophes it had suffered during earlier ages.¹ Today's new threat of apocalyptic times, should impel us to examine, and to revive, once again, that lately neglected capability and wont of the human mind, by means of which the level of the human condition had been moved upward and forward, despite even the darkest among intervening periods of calamity.

Admittedly, this recently accelerated pattern of catastrophes around most of the planet, presents us with an increasingly desperate condition of the world at large. Presently, for all who understand the present situation, the world lurches toward the brink of a threatened, planetary new dark age; but, as Plato, among others, had assured us, this appearance should not be mistaken for self-evident proof that the situation is already a hopeless one.

Thus, we have come now, to such a perilous time for this planet as a whole, that hope of a future for our posterity must impel us to reflect on possible "last chances." We must weigh not only the currently accelerating, global succession of new disasters. We must also consider that contrasting progress, during the same time-spans, which had uplifted the human condition, despite often deep and prolonged, intervening peri-

ods of retrogressions, from Plato's time, up to the time of the globally catastrophic, 1901 assassination of U.S. President McKinley.

We have come into a time when the only basis for an optimistic outlook, is the fact, that history—and what we know of pre-history—shows us, beyond doubt, that there is something essentially good within human nature. Indeed, this is rightly recognized as *a divine spark of goodness*. As I shall present that case here, it is this spark of goodness, which has brought about the great steps of progress in the human condition, even despite the relatively "dark" ages, which have struck all or large areas of this planet at one or another past time. Among the relatively dark periods, we should include the two so-called "world wars" of our present, post-McKinley Century.

If we understand that essential side of real, rather than schoolbook history, there is reason for optimism about the future of mankind, even under today's increasingly catastrophic world conditions. A bright future could be within reach for coming generations, even despite the mass insanity which presently seems to grip, routinely, most among the leading powers and looted populations of this world, alike.

Recovery, or doom? The U.S. citizenry has no moral right to complain about the presently worsening situation. It is precisely they who had largely wasted, but still possess enough of that waning legacy of the Franklin Roosevelt Presidency, our residual military and political power, to be in a position to choose the brighter future for all mankind. We must use that remaining power, to change what has become very bad, for the better. We could succeed in that effort, only if you ceased encouraging your neighbor to continue his, or her presently ongoing descent into that apocalyptic nightmare of luna-

1. Plato, *Timaeus* and other dialogues. Among English translations are those in the Loeb Classical Library series (Cambridge, Mass.: Harvard University Press), which include the Greek text on the facing page.



The Death of Socrates, engraving after the painting by Jacques-Louis David. Faced with today's apocalyptic threat to the human condition, the Socratic method shows the way that the human race can make the creative discoveries required to save itself, even at this late hour.

tic, hedonist's fantasy, the widespread orgy of banal pleasures and greed which is the principal cause for the world's suffering today.

We have reached such a level of general moral, intellectual, and economic decline, that civilization could not now survive the threat of doom gripping the world as a whole, unless, as in past recoveries from analogous situations, new leaders of exceptional qualities are chosen. These must be leaders of the type which, as history shows us, may be summoned only from among the greatest poets and thinkers. Leaders of this type are now most urgently needed, to supersede the kind of overtly malicious, or simply pragmatic political leadership which the recent, misguided majority of public opinion has customarily preferred. *The nature, selection, and role of such a needed change in quality of leadership for these times, is therefore among the most compelling topics of strategic studies today.*

To illustrate this point, I shall pivot your attention on a typical case chosen from the history of Europe's Eighteenth Century. This is the case reported in the current edition of the Schiller Institute's *Fidelio* quarterly. It is the inspiring story of two young friends, persons whose names today's putatively educated and other political illiterates rarely even recognize, Gotthold Lessing and Moses Mendelssohn. This pair had come together in an effort whose outcome was to lead much of mankind into a great late-Eighteenth Century renaissance. That was the Classical Greek-based renaissance, premised chiefly on lessons from Plato, which gave the entire world

the greatest political, scientific, and artistic achievements of Europe's late Eighteenth and Nineteenth Centuries. This benefit of the work of Lessing and Mendelssohn, included a vital, decisive contribution to the founding and further development of the U.S.A. as a constitutional republic.

The relevant *Fidelio* authors, Helga Zepp-LaRouche, David Shavin, and Steven Meyer, have combined efforts, to show: At a time when the heritage of the greatest of the early Eighteenth Century's revolutionary scientific and artistic minds, Gottfried Leibniz and Johann Sebastian Bach, were intended to be consigned to oblivion, it was the collaboration of Lessing and Mendelssohn which saved civilization. This pair of collaborators unmasked the fraudulent, dilettantish claims of that so-called "Enlightenment" faction associated with the hoaxsters Maupertuis, Euler, Algarotti, Lagrange, Kant, and Voltaire.² This defense of the work of Leibniz and Bach, by Lessing, Mendelssohn, and their associates, contributed the most to making possible, all of the most important among the scientific, artistic, and political achievements of European civilization during the late Eigh-

2. Examples of dilettantish swill of that sort are such coquettish texts as Algarotti's "Newton for Ladies" and Leonhard Euler's fraudulent "Letters to a German Princess." In content, Kant's *Critiques*, his *Critique of Judgment* most blatantly, are of the same quality as the silliness of fellow-hoaxsters and Newton fanatics Maupertuis, Euler, Algarotti, and Voltaire. On the evil role of Euler follower Lagrange, see discussion of France's radical formalists, below. See David Shavin, "Philosophical Vignettes from the Political Life of Moses Mendelssohn," *Fidelio*, Summer 1999.

teenth and the Nineteenth Centuries.³

If you and your children, and their children, are fortunate, such rare individual leaders of the type of Lessing, Mendelssohn, and their immediate followers, will be sought out, fostered in their development, and accepted as leaders by much of today's, and tomorrow's population. Such is the quality of those leaders who may then lead you and your posterity, like the more fortunate populations of history past, upward and away from the doom which today's so-called popular opinion would otherwise bestow upon us all.

There is nothing magical about the apparently miraculous

We have reached such a level of general moral, intellectual, and economic decline, that civilization could not now survive the threat of doom gripping the world as a whole, unless, as in past recoveries from analogous situations, new leaders of exceptional qualities are chosen. These must be leaders of the type which, as history shows us, may be summoned only from among the greatest poets and thinkers.

way in which such relatively rare individuals, such exceptional leaders, then or now, might rally a people to save itself from its own such folly. I mean such terrible folly as that intellectual and moral decadence which prompts today's public opinion to adopt its customary, mind-crippling choices in popular entertainment. If you are willing to think about the matter I set before you, and that with appropriate concentration, the secret of the seeming great miracles of past history can be recognized, mastered, and, hopefully, repeated.

3. My collaborators and I, writing in numerous locations, have documented the relevant evidence for music, physical science, and the successful founding of the U.S. republic. For example: without the defense of Leibniz and Bach by Lessing and Mendelssohn, there would have been no Haydn, Mozart, Beethoven, Schubert, Felix Mendelssohn, Schumann, and Brahms. Without the collaboration of Lessing and Moses Mendelssohn, the legacy of Leibniz and Bach would have been virtually wiped from the memory of Europe, done so by the circles represented by Abbot Antonio Conti and Voltaire. It is notable, and relevant to our principal argument here, that the fiercest hatred against the legacy of Lessing and Moses Mendelssohn, was focussed by the followers of arch-existentialist Friedrich Nietzsche and Adolf Hitler in their intended expulsion of the influence of the Jewish followers of Mendelssohn in Germany; but, the guilt also lies with the supporters of that hatred of the Mendelssohn Reform which his enemies directed against his Yiddish Renaissance followers more widely.

The present crisis

For example, if it were possible, that either of two among Wall Street's currently leading political dummies, George W. "Tweedledum" Bush, and Al "Tweedledee" Gore, could be elected President, it were then virtually certain, that the United States, as you have known it, would not outlive the first several years of the coming century.

The election of either of those candidates as President at this time of crisis, could occur only as the result of a decadent state of mind of the majority of the U.S. citizenry, and of their institutions. The triumph of such a state of mind in those elections, would ensure not only the presently onrushing collapse of the world's rotting financial system, but also the collapse of that already teetering physical economy, on which the perpetuation of existing populations depends. Such a collapse would propel the entire planet into a global "new dark age," a dark age comparable both to that which Europe experienced during the Fourteenth Century, and the earlier collapse of the evil Roman Empire. "That," as the fellow said, "is the bad news."

At the beginning of Summer 1999, that news is very bad. Under the present world financial system, you have either run out of, or nearly exhausted, all of your old options for personal and family security, financial or other. If you imagine this could not happen, soon, you merely delude yourself, as do most of those people who, as President Lincoln warned, are fooled most of the time. We have come to that threshold of decision, at which most of you must either radically change the way you think about politics and culture, or you might as well kiss your future goodbye now, while you have still the opportunity to choose.

How bad is the situation? Review a few of the leading, undeniable facts which oblige all sane and intelligent U.S. citizens to accept my seemingly ominous conclusion.

1. Despite the present, wishful delusions of a rapidly diminishing, but still wide majority of U.S. citizens, nothing can save the present world financial system. *The fact is*, that with the world's financial bubble already estimated at more than \$300 trillions equivalent,⁴ more than ten times the entire world's annual

4. The world financial bubble is underpinned in part by multiply-connected, reinforcing levels of leverage—debt at high gearing ratios. There are three principal forms of this leverage: First, is margin debt, the debt borrowings by individuals and institutions from brokers, to play the stock market. From the end of 1992 to the end of 1998, customer margin debt borrowing jumped from \$44 billion to \$141 billion, a compounded annualized growth rate of 21.4%. But from the end of 1998 to the end of May of this year, customer margin debt borrowing rose from \$141 billion to \$178 billion, an increase of \$37 billion. This is an annualized growth rate of margin debt for 1999 of 74.9%, unprecedented in U.S. history.

A second form of leverage underpinning the stock market is mergers and acquisitions, in which buy-out firms can borrow \$5 for each dollar of their own money that they employ when they take over a firm—that is debt leverage. A third form of leverage is stock-based derivatives—such as the Standard and Poor's 500 index future—which are used to play and rig the stock

real trade turnover, the biggest financial “crash” in world history is now inevitable, unless my “New Bretton Woods” design is adopted, the only available, workable alternative, to replace the hopelessly worthless present system.⁵

2. Fools think that if the financial crash could be postponed a bit longer, things could go along, perhaps with a bit of strain, but without a collapse of the system. *Such people are being very foolish. The fact is, that, already, the onrushing collapse of the world’s present financial system, has brought us into an era of an horrifying blend of spreading economic depression and political chaos, a condition now already spreading with growing force, into ever wider areas of the world.*

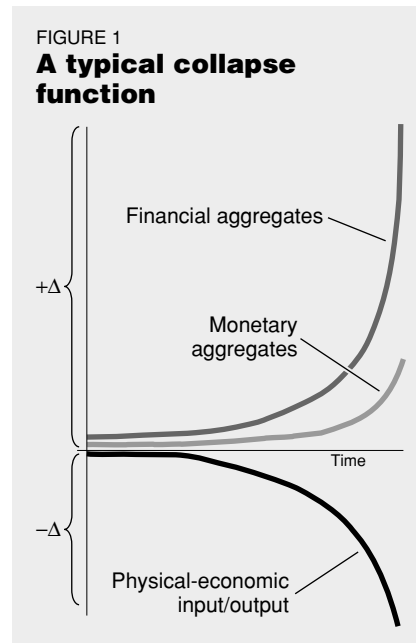
We see this pattern in the ongoing disintegration of the nations of South America, and in the continued U.S.A. toleration of the British monarchy’s and Vice-President Al Gore’s ongoing campaign of promoting AIDS and other modes of genocide against Africa. This deadly spread of economic collapse and chaos, is the direct result of such maddened fools’ hysterical efforts to postpone the inevitable, early collapse of the world’s present financial system.

Therefore, that pattern of increasing rate of demographic collapse, combined with cut-backs in real incomes, productive forms of employment, essential services, and production, already seen in Africa, South America, and elsewhere, is now being spread, at accelerating rates, within Europe and the U.S.A. itself. The driving force spreading doom is chiefly the successive waves of draconian austerity measures, like those of Germany’s pre-Hitler Brüning government, the attempt to eat the inedible, actions which, as I have repeatedly forewarned you, accelerate the collapse of *the political and economic system* by the very means forced through in the hope

market. The combined value of these stock-based derivatives is several trillions of dollars, out of approximately \$175 trillion in world derivatives overall.

When “reverse leverage” strikes, broker margin loans are called in, or investors have to dump stocks to meet margin calls; the derivatives bubble of options and futures collapses. De-leveraging in one sphere will trigger de-leveraging in another sphere, collapsing the system at lightning speed, since all these spheres are interconnected.

5. One of the measures which must be taken, if global chaos is to be avoided, would be a joint emergency declaration by a group of avowedly perfectly sovereign nation-states, to order the immediate nullification of all gambling debts, including those gambling debts typified by “derivatives” and kindred elements of a speculative financial bubble currently estimated as not less than approximately \$300 trillions equivalent (and still growing, that at a geometrically accelerating rate). That action would take more than \$300 trillions-equivalent of worthless debts—instantly—out of the world system, and permit an orderly, governments-directed reorganization-in-financial-bankruptcy of the remaining accounts of the global system. Without that specific form of action, and others in the same spirit, a descent into a global “new dark age,” resembling that of the Fourteenth Century, would be *physically* impossible to prevent.



of prolonging the *financial system*. [Figure 1.]

The Gingrich-Gore “welfare reform” of 1996, and the mass-murderous policies of Wall Street’s “managed health care” doctrines, both of which stampeded U.S. politicians have defended, are already typical of the way austerity- and free-trade-motivated genocide against black Africa is being brought home to senior citizens, AIDS victims, and others, inside the U.S.A.⁶ Under the present world financial system, and present U.S. law, these cut-backs will bring conditions like those now seen in South America, into the U.S.A. and throughout Europe—soon, and rapidly.

3. Consider the current upsurge of a greatly worsening financial crisis, in Europe, Japan, Brazil, and the U.S.A. itself. I forewarned you all, last Autumn, that this would be the case; but, from late Autumn, until now, except for some tens of thousands of citizens who have conducted themselves more wisely and responsibly in their support of my own and their common efforts, most U.S. citizens wishfully, foolishly rejected my warning. As if they were passengers clinging desperately to the sinking *Titanic*, most Americans, against all fact and reason, wishfully clasped themselves to the delusion, that the

6. Richard Freeman, “If You Get Sick, Will You Have a Hospital?,” *EIR*, June 18, 1999; Linda Everett, “‘Managed Care’ and Nursing: Back to the 19th Century,” *EIR*, June 18, 1999; Michele Steinberg, “America’s Missing in Action: Al Gore’s Genocide vs. the Poor,” *EIR*, June 25, 1999; Marcia Merry Baker, “California Destitution Rises as Welfare Ends,” *EIR*, June 25, 1999; Marianna Wertz, “How a Crime against Humanity Worked in Philadelphia” and “Mississippi: ‘Reform’ Where There’s No Work,” *EIR*, June 25, 1999.

Federal Reserve's Alan Greenspan had miraculously saved the system.

This already ongoing process of threatened disintegration of civilization as a whole, has been accelerated by the refusal of the U.S. government to face the ugly reality which continues, still, to underlie the August-September 1998 collapse of Wall Street's Long Term Capital Management (LTCM) syndicate. The renewed war against Iraq and the new Balkans war, were direct results of the follies adopted by the G-7

If it were possible, that either of two among Wall Street's currently leading political dummies, George W. "Tweedledum" Bush, and Al "Tweedledee" Gore, could be elected President, it were then virtually certain, that the United States, as you have known it, would not outlive the first several years of the coming century.

nations during the October 1998 meetings in Washington, D.C. We are presently headed in the direction of actually nuclear warfare in the not far-distant future—possibly with Russia, for example, unless U.S. public opinion, on many subjects, suddenly changes its ways in the meantime.

Therefore, under those conditions, conditions in which a duped U.S. electorate might take seriously the candidacy of pathetic creatures such as Bush or Gore, the worst features of the recent downward trends in the global economic and strategic situation would be controlling. The nation's choice of that type of candidate, would show itself to have been a folly which had shaped the destiny of our society as a comet's destiny is determined by its orbit. Once you choose to lie in that orbit, "free fall" does the rest: your fate is chosen for you. The results of lying within such an orbit now, would then be early and hellish.

These and related trends, show, that the election of either of those two political dummies, Bush or Gore, would be a terrible tragedy for our nation and its posterity. Such an election would signify that the overwhelming majority of the U.S. population had lost what China's tradition terms "the Mandate of Heaven," or, in the language of the European Christian tradition, "the moral fitness to survive." In that case, most U.S. citizens—most of whom still have the power to vote—would have no reason to complain against anyone as much as their own foolish selves.

To see the causes for the threatened doom of our nation, look at yourselves in the "fun house" mirrors of the present Bush and Gore candidacies.

Admittedly, in both of those "Third Way" types of candidacies, there is a pervasive stench of a quality of intellectual and moral mediocrity, which seems to reach down, like the legendary woodbine, into satanic roots.⁷ Such is the character, or lack thereof, in both the "wise guy" style of these "classy" candidates themselves, and of the circles immediately behind them. The fact that any among you, who should have recognized that stench in those candidacies, could consider supporting either of those two specimens of our national self-disgrace, ought to be taken as a warning of your own complicity in the onrushing doom of our financially bankrupt nation, and of its collapsing real economy.

Nonetheless, although those are typical of the true facts about our present situation, I remain an optimist. I am neither predicting the Apocalypse, nor suggesting that an admittedly, seemingly miraculous change for the better in the morals of our population might not save us, even at this late date. Think about the good news, such as it is.

For example: I remember vividly that Sunday morning, December 7, 1941, when a great shock awakened the U.S. population to reality. This shock, combined with the assuring leadership of President Franklin Roosevelt, brought about a sudden change for the better among most of the population of our nation. This change saved the United States then. If—but, only if—the right leadership were chosen by you, the citizens, the inevitable new great shock now awaiting you, could bring this nation out of the pit, once again.

I also remember, with still vivid memory of my profound sadness and bitter disgust at that time, how our nation, and most of its people, retrogressed, repeatedly, as I watched the majority among my fellow-veterans degrade themselves, after the untimely death of President Franklin Roosevelt. I have seen our nation degrade itself still further, now with potentially fatal results, in the aftermath of the assassination of President John F. Kennedy.

We have been through such apparent cycles of doom and renewal several times in our nation's history. So far, we have been relatively fortunate over the longer run. During the past, we have, from time to time, chosen from among us the kinds of exceptional leaders who would rally us to overcome the popular follies of an earlier decade; thus, we survived until now. At other times, unfortunately, as President Lincoln said, most of our citizens have been fooled most of the time, especially by the mass media, notably during the recent Presidential elections of 1968, 1976, and 1988, and the Congressional elections of 1994 and 1996.

7. There is no difference, in content, among the "Third Way" of Al Gore and Britain's Prime Minister Tony Blair, former House Speaker Newt Gingrich's and Alvin Toffler's "Third Wave," and the "compassionate conservatism" of Mortimer Snerd look-alike George W. Bush.

The U.S. was ruined, economically and morally, by the influence of British agent of influence Albert Gallatin's "free trade" policies, under Presidents Jefferson and Madison.⁸ We were rescued from that threatened doom, by Presidents Monroe and John Quincy Adams; but, we degenerated under Wall Street-controlled Presidents such as van Buren's stooge, Andrew Jackson, and the catastrophic Presidencies of van Buren himself, Polk, Pierce, and Buchanan. We were saved, once again, to emerge to great power in the world at large, under President Lincoln and such leading figures as Garfield, Blaine, and McKinley, who continued the Lincoln legacy.

Then, the assassination of McKinley brought down upon us the catastrophic era of Presidents enflamed by their love for the tradition of the Confederacy, such as Teddy Roosevelt, Ku Klux Klan enthusiast Woodrow Wilson, and Coolidge, too; but, once again, our nation was rescued from that by the leadership of President Franklin Roosevelt.

The only predictions I am making, are two. First, I warn you, that conditions have become so bad, so perilous, and most public opinion so foolish, that only a seeming miracle might occur in time to save us. Second, I assure you that such a seeming miracle is still possible, but the fact which makes such a rescue seem miraculous, is, that there is not much time now remaining for your neighbor to choose to come to his, or her senses — at long last.

What you, the citizen, need to know, most urgently, is how such seeming miracles have been brought about in past times, and such might occur, again, now. You must know how most among your neighbors, each as an individual, must each change his, or her own presently foolish opinions, and that radically, in order to help you make the much needed miracle possible now.

First, now, examine the principled issues involved in saving this nation. Then, this strategic study will turn your attention to the method by which those principles are to be applied.

1. The goodness within you

After all else is said and done, the best of the good news remains, as the prophet Moses taught this, that there is an essential, divine spark of goodness, an image of the Creator of the universe, embedded, as like a spark of life, within each newborn child.

This is not an arbitrary doctrine of blind religious faith. The truth of Moses' teaching, is supported by the most rigorous, most unique of all physical-scientific evidence. This evidence is, that that quality of cognition called *Reason*, which is unique to the member of the human species, is the means by which mankind, and mankind alone, is able to secure increasing dominion, willfully, within the universe.

8. Mathew Carey, *The Olive Branch*.

On that account, as Gottfried Leibniz insisted, this Creation is the best of all possible universes. You might wish to congratulate yourself: your soul has chosen the right universe to inhabit, rather than one among the awful alternatives proposed by Leibniz's adversaries. That, in itself, is already very good news.

Yet, in practice, society has always fallen far short of that unique standard of goodness which is innate in each human individual. *There's the rub!* That paradox defines the underlying principle on which our hope of a seemingly miraculous

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rescue of this civilization must be premised now.

The paradox may be summarized in the following way.

If, as Leibniz said, this is the best of all possible universes, and, if man, as a species, has that unique quality of inborn goodness which empowers him to exert dominion within that universe, what is the cause of all these avoidable miseries which afflict us today?

In our response to that paradox, let us put to one side those calamities which are fairly attributed to natural causes. These kinds of troubles "go with the territory," so to speak. Therefore, we must locate the cause for great calamities other than those which are attributable to the natural causes which we, so far, lack the means to correct. We must restate the paradox with that distinction in view.

Therefore, to define the problem in an appropriate way, take a lapsed-time view of the matter. Think in that lapsed-time image as it might be expressed, in first approximation, over a combined past and future span of billions of years of human existence. See those billions of years as expressed in terms of successive, validatable changes, changes flowing from additional discoveries of universal physical principle. If we state the paradox I have outlined within that frame of

reference, then, as I shall indicate summarily, in due course below, it should become clear to us, that mankind has the innate power, as a species taken in the wholeness of its existence, to bring the natural calamities of this universe increasingly under mankind's control.

Next, adopt the idea of compressing that lapsed-time view, and its included billions of years of successive validated discoveries of universal physical principle, into the span of an hypothetical individual person's thinking lifetime. Look at the succession of validated discoveries of universal physical principle in this way. We are now positioned to put the issues of combined natural and man-made calamities into the kind of perspective needed for understanding the true nature of the great, menacing paradox which I have identified in the opening section of this report.⁹

Situate the shortcomings of human behavior within that latter perspective.

Now, focus this investigation upon both the case of an original, validatable act of discovery of universal physical principle, and include in this the subsequent act, by the discoverer, which provokes the same act of original discovery, of that same universal principle, within the mind of a second person.

With that latter intent kept in view, let us define the natural condition of mankind, provisionally, as that state of mind. That is the same state of mind which leads humanity to overcome, eventually, virtually all those naturally caused afflictions, those which might threaten the assigned mission of our species' entire existence.

Let us concede, that those imperfections of human knowledge which are mankind's inexhaustible opportunities for fundamental scientific progress, shall never vanish completely within any finite time, no matter how many billions of years pass. Thus, we must humbly exclude the notion of absolute knowledge from our considerations here. Let us therefore define that goodness of the human mind, its power for validated discoveries of universal principle, in terms of its knowably expressed efficiency. See this in lapsed-time terms, as if by successive approximations of man's increasing power in the universe, over a span of billions of years of what is, in net effect, progressive human endeavor in this direction.

Let us agree now, to define the possibility of the perfection of mankind in accord with that goodness. Let us, for the moment, burden the term *perfection* with no other requirements than *successive addition of validated discoveries of universal physical principle*. As the great Sanskrit philologist Panini would have remarked, "perfection" is not a noun, but a verb. Or, to say the same thing, as Heracleitus and Plato insisted,

9. This will be recognized by literate modern philosophers and theologians, as an echo of the concept of "the simultaneity of eternity." The functional significance of that concept, as it bears on solving the paradox posed afresh here, will be made clear below.

nothing is constant except change.¹⁰

Once any among us has adopted that compressed view of human progress, as sampled from billions of years of combined past and future human existence, and as I have summarily described that process here, there is a resulting, immediate, most profound change of that individual's state of mind. The resulting state of mind differs most profoundly from that simple-minded, nominalist's sense of personal self, which pervades popular opinion today. The better state of mind, is true of such scientific minds; it is also true of the minds of masters, such as Ludwig van Beethoven or Friedrich Schiller were, of those Classical forms of artistic composition which trace their origins to, chiefly, Plato's Greece.

That profound difference in state of mind, so induced, even when expressed only in approximation, defines the required moral quality of world-outlook among the qualified leaders of society's times of deep crisis. This is the quality which sets those leaders of a nation, who are appropriate for a time of great crisis, apart from the more primitive, fumbling state of mind, the more barbaric state of mind, which is pointed toward by a conventional use of the term, "the practical politician."

That difference in state of mind, is key to solving the paradox we are addressing here.

Now, let us identify a real-life experience, of a type which each among all properly-educated students of physical science has shared. This experience represents, if only as a moment, the quality of goodness which corresponds to the quality of state of mind of all great leaders of society, science professionals or otherwise. Let us turn attention now, to the model case: the enactment, or student's re-enactment of a discovery of a validatable universal physical principle. Choose, for this purpose, the typical case of a re-enactment of such a discovery of universal physical principle as by one student, and then include in that same phenomenon, that first student's action in provoking a similar, non-deductive, creative experience of discovery within the mind of a second student. As Plato's *Parmenides* implied: focus upon the *change* effected by the action which prompts the replication of the discovery by the second of those students.

How reason is defined

Three multiply-connected aspects underlie the phenomenon I have just described. It is those aspects of that phenomenon, which set the cultivated intellect of the exceptional leader of society, apart from, and above the world-outlook of the more small-minded, so-called "ordinary, practical" person.

The first, is the Socratic principle of ontological paradox: A deeply embedded reliance upon those methods, by means of which validated discoveries of universal

10. E.g., Plato, *Parmenides*.

physical principle are generated. This is otherwise known as Plato's principle of Socratic truthfulness and justice, as developed in the great dialogue recognized more popularly by the name *The Republic*.¹¹ This is otherwise knowable as the principle of perfect sovereignty of the act of knowing through non-deductive modes of cognition (i.e., *Reason*).

The second, is fairly described as the Classical-artistic sense: cultivated by the person who has generated—or, regenerated—a validatable universal physical principle, who then fosters the generation of the same sovereign individual cognitive act of validatable discovery in another person.

The third, is the discovery of those validatable universal principles, beyond merely physical principles, of that Classical-artistic form, which subsume the capacity of society to cooperate to the practical—e.g., physical-economic—effect of increasing mankind's power within the universe. These principles are typified in expression by those Classical forms of poetry, tragedy, plastic arts, and musical composition coherent with the development of the notion of the *idea*, as Plato defines this. This is typified by compositions modelled upon the role of the idea in Classical Greek productions of plastic and non-plastic arts.¹² These Classical-artistic principles, as applied to the subjects of history, Socratic natural law, and of other matters of statecraft, provide society the means to rally itself in that rational form of cooperation needed for the successful great enterprises of human scientific and other progress.

It is an essential fact, that no validatable universal physical principle could be generated by methods consistent with deductive methods. Cognition occurs only within the sovereign privacy of the cognitive activity of an individual person. Thus, *ideas*, as typified by a validated discovery of a universal physical principle, can be communicated from one mind to another, in but one way: replication of the cognitive act of discovery

11. This Platonic connotation of the term “republic,” defines the scientific-legal meaning of “republican,” as in direct contrast to the characteristics and customs of an oligarchical form of society. British ideology typifies today's anti-republican, oligarchical mind-set.

12. For the case of musical composition, the development of polyphonic musical composition out of its roots in the vocalization of Classical (e.g., Vedic-Sanskrit and Greek) poetry, begins its modern development with the Fifteenth-Century Florentine *bel canto* singing, as the principles of vocalization were systemized by Leonardo da Vinci. What proved to be the decisive development, was the perfection of principles of well-tempered tuning and polyphony by J.S. Bach, that through Wolfgang Mozart's revolutionary examination of such Bach compositions as *A Musical Offering*. This produced the modern Classical principle of well-tempered polyphonic thorough-composition, which became the standard of Mozart, Haydn, and Beethoven, as continued through the last works of Johannes Brahms.

in the second mind. In this process, there is no reliance upon deductive methods, except for purely negative, auxiliary activities (e.g., reduction to absurdity).

Thus, the attachment of a notion of truthfulness to any notion of a universal principle, such as a universal physical principle, requires that certain special conditions be satisfied. The hypothetical discovery of principle, made as a sovereign act of one mind, requires empirical validation of a special type.¹³ For such a notion to be shared among two or more individual minds, each must have experienced the cognitive act of generating that idea, and must also share knowledge of the empirical validation of the notion as being a universal physical principle. If those conditions are fulfilled, the shared belief can be called a truthful belief.

What I am about to write at this juncture, is crucial. It might, in fact, be the most important idea ever presented to you. It, most probably, is just that. I shall craft the elaboration of this point for you with special carefulness, with a keen sense of the unfamiliar sorts of difficulties which you might experience in coming to grips with any idea of such exceptional importance.

What most of you have been taught, as the modern Aristotelianism of the mortalist Pietro Pomponazzi, or, as the empiricism of Galileo, Cartesianism, philosophical materialism, Kantianism, and so on, is false, but, as the record shows, all too easily believed by today's credulous people. Most among you were mistaught, thus, the popularized falsehood, that the connection among observed sense-phenomena can be reduced to a system of deductive relations.¹⁴ Through the growing influence of the mental disorder known as mathematical formalism, you were lured into believing the lie, that the physical universe can be reduced to a mathematical scheme consistent with such a system of deductive relations.¹⁵ While my subject here is a matter of moral issues, rather than issues of physical science as such, it is necessary to touch sufficiently on the scientific issues to make clear the moral significance, the intrinsic immorality, of those systems of belief based upon an asserted universal principle of deduction.

The delusion, that the relations among phenomena are connected in the form of deductive relations, requires the implicit adoption of the axiomatic assumption, that the ele-

13. i.e., Bernhard Riemann's requirements for a *unique experiment*. Bernhard Riemann, *Über die Hypothesen, welche Geometrie zu Grunde liegen* (1854).

14. This is immediately clear in the cases of the most radical logical positivists, such as the followers of Ernst Mach, Bertrand Russell, and such Russell disciples as Norbert Wiener and John von Neumann. However, these radicals have but carried to an extreme the more general practice among the modern followers of Pietro Pomponazzi, Paolo Sarpi, René Descartes, Kant, et al.

15. The August-September 1998 virtual bankruptcy of the Long Term Capital Management (LTCM) syndicate, an effect caused by blind faith in the Nobel Prize-winning Black-Scholes formula, is an example of the effect of the same kind of mental disorder, earlier featured in the Seventeenth-Century tulip bubble and the Eighteenth-Century South Sea Island and Mississippi bubble.

mentary principle of physical action in the universe, is of the form of linearity in the infinitesimally small. All attempts to derive a proof of principle, by applying today's "generally accepted classroom mathematics" to the blackboard, or in an analogous manner, are consistent with the axiomatic absurdity of assuming that the celebrated "limit theorem" of Augustin Cauchy's widely taught, but corrupted version of the Leibniz calculus, corresponds to physical reality.

In reality, as the earliest known valid forms of solar astronomical calendars, and related ancient practices of transoceanic navigation, show, the mind of the crafters of those calendars and navigational methods, measured action in the universe in terms of what we call today physical space-time curvature: in angular measurements. The ancient Greek scientists, for example, knew that the Earth orbited the Sun, had estimated the distance to the Moon (crudely, but significantly), and had measured the Great Circle circumference of the Earth. The ideas of "linearization in the infinitesimally small," like the deliberate frauds of Claudius Ptolemy's hoax, were influences dumped by ancient Latin Rome upon a post-Hellenistic Europe. These beliefs persist in today's ideologies, as relics inherited from the catastrophic cultural decay of the Mediterranean region, under the influence and aftermath of ancient Rome's rise to that inherently decadent form of imperial power, from which European civilization has not fully freed itself to the present day.¹⁶

16. Among the Jews and Christians of the First Century A.D., the Rome of Augustus, Diocletian, and Nero was known as "the New Babylon." The same conception appears in the Apostle John's dream of the Apocalypse, in the image of Latin Rome as "the Whore of Babylon." The Roman Empire was, in fact, modelled consciously by its architects upon the model of the ancient empires of Mesopotamia. This is the same "Whore of Babylon" on which the British monarchy has explicitly modelled itself, its Empire, and its Commonwealth, since the time of the Eighteenth Century's Lord Shelburne.

During the Eighteenth Century, the effort of the British monarchy to model itself on the legacy of ancient Rome, was recognized by the term "Romanticism." The term "Romanticism" has the same connotations on the continent of Europe during the same period. The British monarchy's recognition of the Roman Empire as based on the Babylonian form of the so-called oligarchical model, is reflected in the fraudulent version of history, which traces the origins of civilization to ancient Mesopotamia, and which therefore denies the simple fact, as reported by Herodotus, that the first known Mesopotamian branch of civilization was founded by what Semites of the time described as "the black-headed people," as the Dravidian maritime colony known as Sumer.

Thus, the legacy of ancient Rome occurred as a great set-back to Mediterranean civilization, a cultural degeneration which began about the time the Latins butchered Archimedes. Most of the leading traditional follies of European science and culture, still today, are, like France's Code Napoléon, products of the cultural decadence strictly identified by the term Romanticism.

For these reasons, every renaissance in extended European civilization, from the time of Christ to the present day, has been, as Augustinus appreciated this, a product of the revival of the pre-Roman legacy of the Greek Classic against the burden of that cultural disaster known as the Roman legacy, or, in modern times, Romanticism. This was the specific form of the controversy between the European Classical versus Romantic currents of art and science of the Eighteenth and Nineteenth Centuries.

In modern times, since the fraudulent empiricist doctrine was taught by Kepler-hating Paolo Sarpi to Sarpi's household lackey Galileo Galilei, it has become conventional to assume that space, time, and physical action proceed in straight lines, unless bent by applied external force. The more intelligent, pre-Roman ancients thought differently; they recognized that our knowledge of the universe, as defined by solar astronomical calendars and related practices of navigation, knew regular action only in the form of curvature, as angular displacement. The internal evidence shows us today, that these pre-Romans constructed their best solar-astronomical calendars on the basis of attempting to normalize observations, as France's anti-Newtonians Carnot, Fresnel, and Ampère did (for example), to conform to a system of interacting, elementarily spherical "least actions," not straight-line actions.¹⁷

The fact is, as I shall summarize this below, that no validatable universal physical principle can be generated by deductive methods.¹⁸ This signifies that man's practical power in the real universe lies outside the domain of any deductive schematization of mere phenomena. The fact, that humanity's increased power in the physical universe occurs only through the cognitive act of discovery of new universal physical principles, means, that the form of the mental action by which humanity's power is increased, is to be ascertained by investigation of the form of the uniquely creative act of individual cognition itself.

Therefore, since the universe shows itself to be obedient to nothing but the discovery of validatable universal physical principles, principles generated by cognition, the geometry of universal physical-space-time must have a characteristic curvature which is congruent with the form of action represented by cognition. Now, examine that argument summarily.

If efficient action in the universe is not primarily straight-line, but elementarily curved: *What is its curvature?* The world waited until Riemann's 1854 habilitation dissertation, to read the answer to that question adequately stated in first approximation.¹⁹ But, we must go further than Riemann does,

17. Regard "spherical action" here as an approximation of regular, but non-constant curvature. The latter includes not only conic sections, such as Kepler's ellipse, but curvatures from the higher orders of hypergeometry. Although the Leibnizian notion of "least action"—e.g., regular non-constant curvature—can be traced to the catenoid-caustic relations presented by Leonardo da Vinci, the generalized notion of regular non-constant curvature as "least action," was introduced by the Johannes Kepler who relegated the mathematical problems involved to "future mathematicians." Thus, the Leibniz calculus; thus Leibniz's corollary *analysis situs* and monadology. The catenary-tractrix case, served as Leibniz's stepping-stone toward what later emerged as the hypergeometry of the Gauss-Riemann multiply-connected manifold.

18. The so-called "law of entropy," as introduced by Clausius, Grassmann, Lord Kelvin, et al., is no law of nature, but simply a result of a foolish effort to reduce science to nothing more than a deductive theorem-lattice.

19. op. cit.

as I did in my own original, 1948-1952 discoveries respecting the branch of science known as physical economy.

As I shall now set forth the case, man's knowledge of the lawfulness of the universe, is delimited to that proof of practice by means of which man's power in the universe is increased. *Man proves that he knows the universe only to the degree that man is able to change that universe's relationship to the human species. This is, therefore, the only literate meaning of the interchangeable terms "cognition" and "creativity" within the provinces of physical science.*

Since man changes that relationship successfully only through cognition, it is only to the degree we are able to acquire a mental image of the action performed by cognition itself,²⁰ that we are able to define the nature of a quasi-regular, non-constant curvature of the real universe we inhabit. In turn, *it is only through the cognitive action of one mind in conceptualizing a validatable discovery of universal principle by another mind, that the "image" of cognitive action itself can be "visualized."*²¹ The study of the relationships among individual cognitive processes, from the standpoint of such forms of cognitive insight, leads to the discovery of a new array of universal principles, typified by the best work of Classical forms of artistic composition, such as the Bachian form of well-tempered thorough-composition developed by Mozart, Haydn, Beethoven, Brahms, et al.

Now, keep that notion, of the *mental image* of the curvature of cognitive action, in view, as we now proceed. We shall return to this matter a short space later.

This quality of social relationship among what are each absolutely sovereign cognitive processes, is thus the essence of a truthful—e.g., Socratic—meaning-of-the-meaning of truthfulness.²² This truthful notion of truthfulness is essential for the social act of applying discovered universal physical principles as the authority for changes in social practice.

For example, the question whether science is truthful, or not, requires proof that, through scientific and technological progress, mankind's power in the universe is increased. This means mankind's ability to *increase its power to exist by no other means than such discoveries of principle*, and to include

20. i.e., Platonic *idea*. Images are of two types, perceptual, and those other, more important images, such as images of microphysical processes, which are beyond the capacity of sense-perception. The standard of truthfulness of the claim for the existence of a Platonic idea is Socratic truthfulness. Truthful mental images are as definite as images based on sense-perception, and have a more immediate correspondence to the physical world than mere sense-perceptions.

21. Hence, as some British psychiatrists have lately confessed, some of the world's worst modern philosophers, such as Thomas Hobbes, Newton and Kant, never married. Other bad philosophers may have married, but of course, have been so occupied with changing sexual partners, that they, too, find no breathing-space for love.

22. Why should it not be required, that the definition of truthfulness must itself be truthful? I.e., Socrates versus both Thrasymachus and Glaucon, in *The Republic*.

in the requirement of existence, the perpetuation of still greater powers, per capita and per square kilometer, by succeeding generations. In other words, progress as I have defined it for the science of physical economy, as measurable in terms of the human species' increasing of its *potential relative population-density*.

Thus, it is the nature of cognition, as knowable through the social relations among the individual cognitive processes sharing independently generated, validatable discoveries of universal principle, which is the most crucial issue in our efforts to define mankind's nature in a rigorous and truthful way.

In the first approximation, those social relations are expressed in terms of discovery and application of validated universal physical principles. However, as I have already emphasized above, the exploration of the social relations associated with individual cognitive processes, leads us to discovery of other sorts of validatable universal principles, other than what are recognized as universal physical principles.

The universal social principles, so defined, are typified by Classical artistic compositions, as typified by the Classical Greek models. However, if we recognize the efficient role for statecraft contributed by the mind cultivated in the composition of Classical art-forms, we recognize that history and statecraft, as those subjects were defined by Friedrich Schiller, for example, are properly studied as Classical art-forms, forms with the same characteristics as what are more narrowly defined as Classical sculpture and painting (Scopas, Praxiteles, Leonardo da Vinci, Raphael Sanzio), Classical tragedy (Aeschylus, Sophocles, Shakespeare, Schiller), Classical musical composition (Leonardo da Vinci, J.S. Bach, et al.).

Not only do Classical art-forms represent validatably universal principles, as do history and law when the latter are practiced in congruence with Classical-artistic standards. Society could not prosper without governance according to this array of multiply-connected universal principles.

The relationship between, and distinction between the principles of physical science and of Classical artistic composition, are crucial for attempting to understand either. It is this set of distinctions which accounts for the image of a mathematical formalist, such as systems analysis' John von Neumann, or the notorious Laplace earlier, as "a dead man talking"—a soulless automaton at the classroom blackboard. From the standpoint of the formalist, the difference between science and art is the *passion* which formalism prides itself upon banning from the scientific deliberations among the dispassionate talking dead of the formalist's lecture hall. Ah! But this is also the exact difference between mathematical formalism and validatable discovery of new universal physical principles!

The quality of cognition which will not let a paradox go, until a validatable discovery of principle has resolved the issue, and the joy which accompanies that discovery, typify the qualities of passion intrinsic to valid scientific discovery

and the Classical-humanist classroom's fostering of the re-enactment of original discoveries of scientific principle. These are the same qualities, identified by the Classical Greek term *agapē*, the term which appears as Socrates' passion for truthfulness and justice—in opposition to Thrasymachus and Glaucon—in Plato's *Republic*. This is also the passion which underlies all valid generation and reproduction of Classical artistic composition.

The face of the enemy is so exposed. The formalism—such as mathematical formalism—which characterizes the scientific opinion of the classroom's talking dead, is an alien to the innate nature of the human individual and social relations. It is the pseudo-art which eschews the standard of scientific rigor for art. Indeed, it is the passions seated within the domain of principles of Classical artistic composition, which motivate all of the accomplishments properly associated with the name of physical science.

The role of humanist education

In Schiller's and Humboldt's specifications for anti-Kantian, Classical humanist forms of education, the emphasis is upon the indispensable moral quality of an educational system which is based upon the principle of knowing through cognitive re-enactment, rather than mere learning. Textbook learning, is what is to be avoided on this account. The purpose of a universal secondary education premised upon Classical principles, respecting matters of science, art, and statecraft, is to develop the personal character of the student into the form of a Classically cultivated mind.

The function of Classical humanist education, and the proper function of all decent modes of public education, is to educate the inseparable passions underlying both physical science and Classical art. We must not teach the student what to think, but lead him or her into discovering how to think cognitively. If you are right, and if he thinks cognitively, he is likely to come to the same conclusion you have reached in that way. We must cease to be a society which shares taught opinions, and become instead, a civilized society, one which actually thinks in a human, that is, cognitive, way. That is the proper mission of universal education. In this way, education of that sort brings forth the innately human qualities of the young individual, those qualities which are in accord with the divine spark of Reason.

Such cultivation of the individual mind along the lines which Wilhelm von Humboldt, after Friedrich Schiller, defined as the principles of Classical humanist secondary education, typifies the way in which a society may develop at least a significant ration of its maturing youth into developing their potential as future foremost and secondary leaders of a society.

The scrutiny of those principles of Classical humanist education, as met among the earlier Brothers of the Common Life, France's Oratorians, and some other leading examples of the European Augustinian tradition, is key to knowing the

quality of difference between the relative moral frailty of the so-called practical citizen, and the higher moral powers for leadership of the cultivated Classical mind.

During my lifetime, in the United States, only a small fraction of the actual development of the mind of the student occurred within the classroom and related educational settings. Formal education never gave more than a sketchy outline of elements of human knowledge. Rarely did any of that formal education represent the prompting of the student's cognitive re-enactment of a validatable universal principle.

Rather, at best, from the combination of childhood nurture, books of a certain quality, and the schoolroom, a certain amount of cognitive generation of knowledge occurred. The child's playful sense of pleasure in these cognitive experiences, would prompt the child and adolescent into those voluntary plunges into cognitive activity, which produced the exceptionally cultivated mind thus exhibited by some among the adolescents or young adults. That cultivated state of mind defines the category of *Reason*.

There was a rapid degeneration of U.S. education on this account after World War II. Evidence of today's educational practices and related cultural impact on the child and adolescent, is simply awful. Today's younger generations are, therefore, far less *reasonable* than those of the U.S. veterans of World War II—and I was, quite justly, not excessively satisfied with the performance of my own and my parents' generation on this account.

It is from this standpoint, including the standpoint of my branch of science, physical economy, that the paradox posed above may be solved.

2. The individual act of reason

Now, focus more sharply on the relationship between an individual paradox of the so-called "ontological" form, and the nature of the kind of discovery of principle which this paradox requires. I have addressed these matters at varying length, and in varying depth, in numerous earlier locations. I now present a compacted summary of those points, as they bear directly upon the issue of political leadership being treated here. I begin with the case for discoveries of universal physical principle.

As a matter of preparing the assault on this topic, the actual nature of the cognitive act of discovery of a validatable physical principle, I include a summary restatement of points already introduced above.

From the standpoint of deductive method, any rationally coherent system of formal knowledge can be reduced to a theorem-lattice underlain by a single, multiply-connected set of definitions, axioms, and postulates. Such is the underlying, purely formalist misconception implicit in the way mathematical physics is taught and believed in most locations today.

The contrary view, on which the mid-Fifteenth-Century founding of actual modern European experimental science of measurement was premised, represents one of the most important of the revivals, this by Cardinal Nicholas of Cusa and his followers, of the Classical Greek way of scientific thinking associated with such leading figures of the famous Academy of Athens as Plato and Eratosthenes.

The legacy of Cusa's influence is typified by the succession of such figures as Leonardo da Vinci, Johannes Kepler, William Gilbert, Desargues, Fermat, Pascal, Huyghens, and Leibniz. The crucial breakthrough, after the work of Leonardo, was provided by Kepler, especially Kepler's definition of the characteristic, elementary form of physical action in the universe as regular non-constant curvature. Kepler's work led directly to Leibniz's founding of the original calculus, in 1676, a calculus based upon the elementarity of regular non-constant curvature, as opposed to the linear mentality of Galileo, Descartes, Euler, Lagrange, Laplace, Cauchy, et al. In other words, Leibniz's original development of the calculus is coherent with the notion of *analysis situs*, or "geometry of position."

The continuing residue of the influence of Leibniz in late-Eighteenth-Century France and Germany, led to the convergence of, and collaboration in the work of the Carnot-Monge circles in France, and the circles of 1806-1827 *Ecole Polytechnique* member Alexander von Humboldt, and Humboldt's continuing collaboration with Carl F. Gauss in Germany. Out of the confluence of, and interaction among these Platonic currents of modern science, there emerged the Gauss-Riemann conception of a universal *hypergeometry*, otherwise described as a series of "multiply-connected manifolds;" this was defined as a series, by physical, rather than mathematical-formalist methods. Thus, the combined contributions by the Oratorian-oriented Carnot-Monge faction of France's *Ecole Polytechnique*, with the continuing work of Alexander von Humboldt's circles in Germany, produced a best modern practice of experimental physical science, developed in the general form adopted by the best qualified scientific thinkers still today.

I merely summarize only the most relevant elements of Riemann's contribution.

Riemann's 1854 habilitation dissertation brought into the open what Gauss had already discovered, but had feared to disclose.²³ Riemann, proceeding from the work of Gauss, eliminated all *a priori* assumptions of definitions, axioms, and postulates, such as those of Euclid, the empiricists, Cartesians, et al., from geometry. He limited the adoption of any underlying axiomatic features, to universal physical principles which had been shown to be validatable by the methods

of what Riemann specified as "unique" experiments.²⁴ The very notions of time, space, matter, and physical action which had been premised upon *a priori* assumptions, were to be eradicated from physical science, and replaced by the notion of a manifold of uniquely validated, multiply-connected, universal physical principles.

After Riemann's habilitation dissertation, honest physical science had no honorable choice, but to treat every experimentally based ontological paradox in science in terms of assuming that, either some wrong choice of principle had been included in the pre-existing repertoire of science, or, in the alternative, that some missing discovery of a new, universal physical principle, must be added to the pre-established manifold of a number, *n*, of validated such principles.

In the latter case, by definition, such an added (n+1)th principle, could be neither generated, nor validated by pre-existing mathematics. A pre-existing mathematics, insofar as it is, or represents a deductive theorem-lattice, can not generate within itself a new axiom which overturns the existing system. The new "axiom" must be generated by cognition, and validated by following the advice of the founder of modern experimental science, Nicholas of Cusa, by going outside the domain of mathematics, into physics, into the domain of physical measurements of critical characteristics of processes. It must be validated by a unique quality of physical experiment, designed for this specific kind of purpose.

To this effect, Riemann turned, as he reports in his habilitation dissertation, to the work of Gauss on the general principles of curved surfaces. For me, back in 1952, Riemann's notion of a series of multiply-connected manifolds, was not only the standpoint from which problematic features of Georg Cantor's otherwise most valuable notion of the mathematical transfinite, must be corrected. Riemann's notion of a series of manifolds, ordered by their physical space-time characteristics (curvature), was the key to redefining the Leibnizian science of physical economy in the needed, fresh way.

The preceding account brings us to the point we are prepared to take up the most crucial of the practical issues confronting the President and Congress of the U.S.A. today: *The nature of the needed new economic policy, to solve the crisis caused by the foolish economic thinking dominating the policy-shaping of our Executive, Congress, and Federal Court today*. Whoever does not understand this needed change in economic policy of practice, is incompetent to determine what kinds of policies will actually bring the U.S.A. out of the "new dark age" now in the process of descending upon us all.

At the present stage of the present crisis, only a change back to the conceptions of Treasury Secretary Alexander Hamilton, combined with the principles of a science-driver agro-industrial growth program, could prevent the otherwise

23. That for reason of the anti-Leibniz, British political influences ruling Hanover at that time. See the relevant correspondence on the subject of "non-Euclidean geometry" among Gauss, Wolfgang and John Bolyai, and others.

24. op. cit.

inevitable disintegration of the U.S. itself. Therefore, all proposed new leadership of our nation must be judged, and shaped accordingly.

What need be added to the traditional American System of political-economy,²⁵ is contained in a coherent form in my contributions to the science of physical economy. The connections underlying my contributions to today's science of physical economy, are, summarily, composed of three steps: 1) The defining of the relevant ontological paradox; 2)

The connections underlying my contributions to today's science of physical economy, are, summarily, composed of three steps: 1) The defining of the relevant ontological paradox; 2) The experimental validation of the discovered new principle which overcomes that paradox; 3) The manner in which such a validated new principle becomes a driver for an upshift in the characteristic economic-physical-space-time curvature of that society, the society to which the new manifold is introduced as a standard of practice.

The experimental validation of the discovered new principle which overcomes that paradox; 3) The manner in which such a validated new principle becomes a driver for an upshift in the characteristic *economic-physical-space-time curvature* of that society, the society to which the new manifold is introduced as a standard of practice.

These considerations point, rather directly, to the new role which the science of physical economy must play, now, in defining those standards of statecraft, and related practice, by means of which the world could be led successfully away from the present brink of a global "new dark age." This reform redefines the meaning of individual reason, as reason is to be defined for purposes of future statecraft. Follow the

25. Among literate persons around the world, the term "American System of political-economy" has always meant the anti-British system of Hamilton, the Careys, and Friedrich List. Any different use of the term, is the mark of an economics illiterate.

following summary of the three indicated steps with that end in view.

I begin this summary with a thumb-nail sketch of a relevant case, the overturning of Isaac Newton's absurd doctrine respecting the propagation of light.

Reason on the attack!

Reason in all aspects of science, and also art, begins its work, as it must, with an assault upon the authority of mathematical and related expressions of either anarchic irrationalism, or formalism. Reason begins, in all cases, as a Socratic negating of presently established opinion. In the case of formalist opinions respecting scientific matters, including national economic strategy, the Socratic assault assumes the initial form of an attack on the set of definitions, axioms, and postulates (i.e., assumptions) which implicitly defines the formally defensible theorems of that entire body of opinion placed under attack.

I have chosen here an example, which as you shall see, is most relevant to this present report, that on several grounds. Take the case of a battle against the legacy of Newton, Euler, Lagrange, Immanuel Kant, and Laplace, by the *Ecole Polytechnique's* Fresnel and Ampère. To understand not only what Fresnel did in this case, but how he proceeded to do it, you must recognize that Fresnel applied the same principle otherwise known in its military guise as "the principle of the flank."

As a friend has expressed the point, "flanking does not mean 'always attack from the left.'"²⁶ The true principle of the flank comes immediately to the fore in battles over principle within science; Fresnel's ruin of Newton's reputation on the matter of light, is what should be considered a Classic example of the way in which the principle of the flank actually works, in science-wars and battles alike. The principle of the flank should be understood to signify, as in the case of Cannae itself, or in science wars, a matter of recognizing and exploiting, as Hannibal did there, that stupidity to which one is assured, the command of the adversary force will cling obsessively.²⁷ That is precisely what Fresnel did to Newton's reputation on the relevant occasion. That is also what Wilhelm Weber did later, to J. Clerk Maxwell, in Weber's experimental validation of Ampère's discovery of physical principle.

26. He points out, as von Schlieffen's *Cannae* supports this, that Frederick the Great's defeat of a superior Austrian force at Leuthen, demonstrates the folly of the Austrian command in their misunderstanding of the principle expressed by Hannibal's victory at Cannae.

27. It is for precisely this reason, that the worst military commands are those which have prepared themselves most thoroughly to refight the experience of the previous war, as the superior force of the Austrians marched to their defeat by Frederick the Great at Leuthen. And as the French went down to defeat in 1940, because the German command anticipated the folly of a French commitment to refight World War I against the Schlieffen Plan of 1905.

It is important for our purposes here, to get the strategic flavor of the circumstances under which Fresnel's ruin of Newton's claims occurred.

At the relevant time, the experimental scientists of the *Ecole Polytechnique*, representing the standpoint of the Leibnizians Lazare Carnot and Ecole founder Monge, were in a continuing, virtual life-death battle in defense of science against the rabid mathematical formalism of, most immediately, the Newton fanatics, the latter including Euler follower Lagrange, Laplace, and Cauchy. The Ecole had already been ruined, in significant degree, through Lagrange's role, by its takeover by the rabid Romantic Napoleon Bonaparte's intervention. The ruin was near to completion with the 1815 takeover of France by the Duke of Wellington's puppet, the Restoration monarchy.

If you are placed under attack by a force which intends to use that battle for the included purpose of imposing its stupidity upon the conduct of the war, as was done recently in a NATO war against Yugoslavia whose net results have not been recognized yet, use the fact that the enemy is committed to that stupidity, to bring about his defeat in ways which the attacker's bull-headed stubbornness (e.g., that of Blair, Robin Cook, Albright, et al.) refuses to recognize as possible.²⁸

Thus, in this illustrative case referenced here, Fresnel did not merely defeat the formalists' attempted defense of Newton. Fresnel's opponents had committed themselves to the folly of proposing to settle the absolute authority of Newton over Leibniz, as if for once and for all. Ampère collaborator Fresnel exploited their adversaries' stupidity on this account, by his Classic choice of flanking attack. He used the engrained stupidity of the mathematical formalists, to trap them into routing themselves in this battle over a matter of universal physical principle. Fresnel defended the Leonardo da Vinci principle respecting the propagation of light, the same principle of non-linear propagation adopted and demonstrated, if only in approximation, by the combined work of Christiaan Huyghens, Leibniz, and Jean Bernouilli.²⁹ The fact that the foolish French mathematical formalists were committed, as

28. One does not actually win the wars themselves; one actually wins, only if one wins the outcome of the war. In the case of Mr. Blair's and Mrs. Albright's war against Yugoslavia, the Yugoslav civilian economy was crushed, but, when the NATO command refused to carry through the exit strategy for ending the war, which President Clinton had outlined at San Francisco, by refusing to include Serbia in the reconstruction unless Milosevic were first ousted, it was the U.S.A. and NATO which had virtually lost the outcome of the war. Admittedly, President Clinton's credentials are not military, but those among his advisors who have responsibility for military matters, should have warned him against the ruinous potential of failing carry through the exit strategy outlined at San Francisco. The U.S.A. and western Europe have barely begun to feel what will soon be the monstrous effects of their folly on this account.

29. Like Kepler, much of the knowledge, by Huyghens and Leibniz, of earlier science, was most strongly influenced by the writings of Cusa and Leonardo. Huyghens and Leibniz came into possession of relevant manuscripts of Leonardo through the assignment of Huyghens' father as ambassador to London.

if suicidally, to the cause of Newton, made possible Fresnel's political victory over them on this occasion.

Perhaps in the early future, the detailed implications of Fresnel's work on that occasion will be reported, and explained, by others, in suitable other locations. I limit myself here to emphasizing the way in which the Socratic principle of flanking-action was mustered in this instance. Situate the opposing factions in science historically, together with what Fresnel and Ampère therefore knew of their opponents' flankable vulnerabilities.

During the period of William of Orange's coup d'état and dictatorship in the British Isles, the earlier role of Venice's founder of empiricism, Paolo Sarpi, was assumed, from a

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Paris base, by another Venetian clergyman, Abbot Antonio Conti. Many of you have heard me speaking, or seen me writing, on earlier occasions, on this crucial turn within modern European history.

As France, England, and the Netherlands were ruined by the prolonged wars foisted upon the reign of France's Louis XIV, William of Orange's protégé was enabled to assume the newly created throne of the British monarchy, and France lapsed into the monstrous state of corruption associated with the minority of Louis XV.³⁰ In this setting, Conti, the creator of both the cult of Isaac Newton and of the virtually bottomless Voltaire, too, became the central figure of a Europe-wide spider-web of power.

The central feature of the activity of avowedly pro-Descartes fanatic Conti, was cultural warfare in the domains of both art and science. This spider-web, which became known as "The Eighteenth-Century Enlightenment," featured such depravities as Pope and Dryden in England, the pathetic *kitsch* composer Rameau in France, and the corruption of science in

30. The John Law-style financial bubbles of both France and England during that time, are, like the even loonier derivatives speculation of today, a measure of the spread of moral depravity of the respective times.

Europe through the spread of the cult of Isaac Newton. Conti's networks represented the leading Romanticist movement in the arts and sciences throughout Europe as a whole. The use of the silly Rameau as the Conti cabal's chosen champion for the campaign to exterminate Johann Sebastian Bach, and the role of Maupertuis, Algarotti, Voltaire, Euler, Kant, and Lagrange in the activities of the Berlin Academy of Frederick the Great, are among the most significant elements of the cultural warfare coordinated by Conti and his late-Eighteenth-Century successors.

Fresnel and Ampère focussed their attacks upon the central features of the system of axiomatic follies constituting French mathematical formalism at that time. That folly was that same rejection of the principle of cognition which is expressed by depraved Immanuel Kant's *Critiques*. That same folly is expressed in every rejection of cognition, a rejection implicit in every attempt to limit learning, as Kant did, to theorem-lattices premised upon the axiomatics of deductive method.

It is the fact that, in such a contest, that superior efficiency of cognition which may be mustered against any competing deductive system, lies in the elementary fact, that cognition is a form of action which lies outside control from the domain of deductive formalism. This supplied Fresnel and Ampère the means for applying the military principle of the flank to the quarrel within the Ecole at that time. Axiomatically, cognition and its principle of efficient action, lie outside the domain of that which formalism is willing to conceive as existing. Thus, on this occasion, in military affairs, and in other ways, formalism is wont to outflank itself. That is the principle which, in that and other kinds of circumstances, provides "the good guys" their potential superiority over even the massed hordes of a great adversary.

Fresnel's starting-point lay not within his experimental hypothesis itself, but in a principle which is far more universal, more elementary than a notion of the principle of propagation of light as such. Together with his collaborator Ampère, he was an opponent of allowing the teachings of Kant to be introduced into scientific work.

Both of these collaborators started from principally two well-established authorities. First, the general principle that action in the universe is elementarily of the form of regular, or quasi-regular non-constant curvature. Second, the settled work on the propagation and refraction of light by Leonardo, Huyghens, Leibniz, and Bernouilli, and also the treatment of the notion of isochronic principles by the latter. They treated the issues of propagation of light and of electrodynamics in terms of comprehending Leonardo's notions of wave-propagation from a simplified expression of the standpoint of regular non-constant curvature, thus referencing the sine-wave which complements the cycloid, as a pedagogical starting-point of reference.

The results, in both cases, the work of Fresnel and Ampère, proved devastating against the formalists. This work

proved itself among the most crucial points of transition, from the methods of the Leibnizian Carnot-Monge *Ecole Polytechnique*, to the more profound Leibnizian achievements of Gauss, Dirichlet, Wilhelm Weber, Riemann, et al., in the further, post-1815 progress of modern science. There was never anything accidental in that connection. These developments must be situated within the intersection of Benjamin Franklin with the scientific circles of France and England, the common connections of Franklin's circles with the Lessing-Mendelssohn renaissance, and with the work of Carnot and the Prussian Reform faction of the succeeding generation's Schiller, vom Stein, Scharnhorst, and the Humboldts. These connections contain a lesson from living history which goes much deeper and is more far-reaching in its importance for today's global crisis than the particular controversy with France's mathematical formalists.

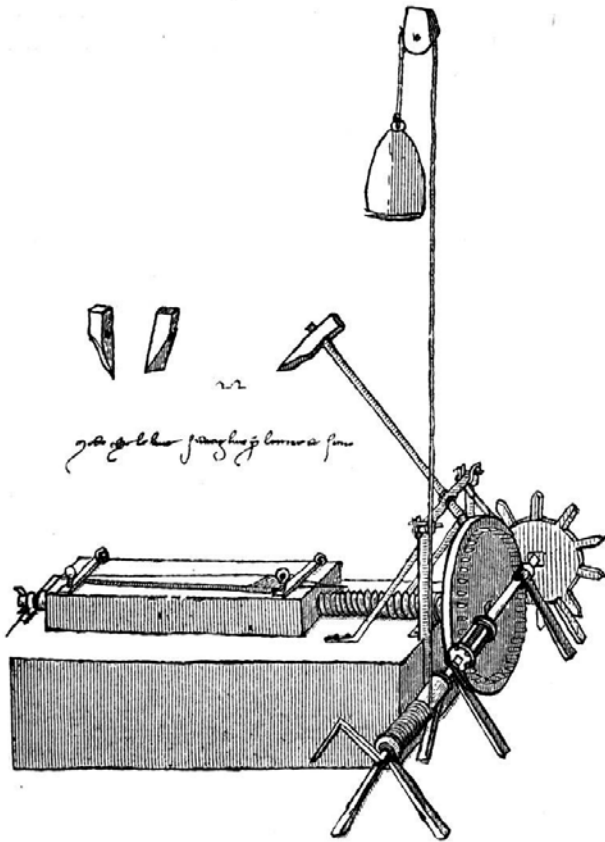
We shall resume that topic, after completing now the account of the relevant principles of physical economy.

Enter, the LaRouche-Riemann Method

The "LaRouche-Riemann Method" acquired that descriptive name from the consideration, that the adoption of Riemann's standpoint in physics, came as an addendum to my own preceding adoption of principle respecting the relationship between technological progress and Classical artistic methods. The significance of that connection has been already summarized above: *It is the principles governing the connections among two or more minds sharing the same, sovereign enactment of what is for each an original, validatable kind of discovery of any universal principle, which is the most elementary form of event, from which a science of epistemology and physical economy is to be derived.*³¹ Riemann's habilitation dissertation provided, in its elaboration of the notion of a multiply-connected manifold and its characteristic, the key needed to integrate my initial view of physical economy with physical science generally.

From the standpoint of that LaRouche-Riemann Method, there are two common varieties of paradoxes likely to prompt a discovery of principle. The first, is purely negative, of the type with which Riemann begins his habilitation dissertation: throw out the worthless garbage of aprioristic or other wrongly assumed definitions, axioms, and postulates. The second, more interesting type of paradox, is that which requires the discovery of a new, validatable form of universal physical, or other principle. The latter requires cognition in its purest form, the form corresponding to a progression from

31. As I had reported in earlier locations, this discovery was prompted in two steps. The first step came during adolescence, adopting the standpoint of Leibniz and choosing to make my combat against Kant's doctrine the focal point in my work on Leibniz. The second phase, premised on those earlier attacks on Kant, was prompted by early post-war encounters with, and against, Norbert Wiener's "information theory" and, a bit later, the "systems analysis" of John von Neumann.



Drawing by Leonardo da Vinci of a file-cutting machine tool. Leonardo's work, drawing on the legacy of Nicholas of Cusa, made possible the later breakthroughs of Carnot and Monge in the conceptual development of the "machine-tool principle."

an n -fold, to $(n+1)$ -fold Riemannian manifold.

What I have done, since the outcome of my work of the 1948-1952 interval, is to extend the notion of such manifolds to require inclusion of those principles which conform in quality to Classical-artistic principles.

The validation of an hypothetical new physical principle, requires a test of the form which Riemann defines, implicitly and otherwise, as *unique*. Here, as he says, in conclusion of that dissertation, science must leave the department of mathematical formalism, for the domain of physics. Naturally, the representatives of the Carnot-Monge faction of the *Ecole Polytechnique* would have agreed. It was the work of the latter, especially the development of the machine-tool principle by Carnot himself, which made possible both the U.S.A.'s preparation and conduct of the world's first, 1861-1876, development of a modern form of agro-industrial nation-state economy, and also the subsequent development of the science-driver features of a German economy modelled largely on the success of the 1861-1876 U.S. reforms.

The problem of physical, i.e., experimental, validation of an hypothetical discovery of principle, is two-fold. The most

obvious challenge is the validation of the principle itself. The additional challenge, is to measure the effect of the interconnectedness among the individual principles. After we have recognized the need to replace aprioristic geometries by physical hypergeometries, we can no longer presume that the interaction among these principles occurs in the way a naive, aprioristic form of physical geometry treats the relations among its attributed distinct dimensions.³² For both types of problems, the experimental requirements are, broadly speaking, the same.

The object of a unique experimental test of an hypothetical universal principle, is to determine whether a test design incorporating that principle, demonstrates some significantly different characteristic than a test design without taking that added principle into account. In such an experimental design, all that mankind knows of principles represented must be at least implicitly included. In that sense, a competent experimental design must compare manifold n with manifold $n+1$, the latter containing the hypothetical principle. The object of the test is to determine whether or not the manifest physical-space-time curvature of case $n+1$ differs significantly, necessarily, from that previously assumed for case n .

In the second case, it is the interconnectedness among (usually) only known universal principles, which is being tested. In both cases, the designer of the experimental apparatus must be the rare sort of shrewd old duck with proven maturity in such matters of machine-tool-design, or of equivalent scientific and engineering practice. He requires a sense of things which might be stirring out of the corner of his eye. This requires a highly cultivated scientific or engineering mind; such talent represents a crucial bottleneck in the possibility of realizing scientific and technological progress. Once one has assembled and developed a team specializing in such work, that team is of the quality of a virtually irreplaceable asset to any government or corporate productive enterprise.

Now, look at that experimental apparatus from a slightly different vantage-point. The settled result of tests conducted by a relevant such apparatus, will necessarily reflect the application of the new principle, or new combination of technologies, to the design of both products and productive processes. Thus, the machine-tool function (using "machine-tool" in the general sense implied) is the pivot which links science to technological progress, and, thus, to increase of a society's productive powers of labor, both per capita and per square kilometer of surface area.

32. The notorious design failure of Daimler-Benz's A-Klasse passenger vehicle, typifies the folly of using the computerized simulations of so-called "benchmarking," as alternatives to what were formerly the traditional experimental engineering programs of all respectable firms. Not only must unproven principles be tested; as the case of the fatal "O-ring" substitution shows, we must also test any arrangement in which new types of combinations might introduce an unexpected, even fatal, multiple-connectedness among principles represented.

That, however, is not the end of the matter. To produce, one must, first of all, produce the producers.

Monetarists, and kindred varieties of today's dangerously fanatical illiterates, think of an economy foolishly, as an anarchic aggregation of individual enterprises, whose interaction, according to the rules of a game set out by privateer financial interests, must produce the munificent benefits of the satanic Bernard Mandeville's god, "the Invisible Hand."

In fact, the required function of the private entrepreneur in a national economy, is his or her role in promoting technological and related innovations which ensure the infusion of both new and better products and productive technologies. However, no *viable* economy could exist if it relied on such private entrepreneurs alone. The greatest part of any healthy economy lies outside private entrepreneurship, in the basic economic infrastructure of the land-area as a whole, and in fostering, by aid of public law and government, of the nurture, the education, and the demographic characteristics of the households of the population as a whole.

Of all these required elements, the most important, and most precious is the interdependent development of the moral character and cognitive powers of all of the individual members of the population. It is the development and utilization of those cognitive powers of the population as a whole, which are the only source of the increase of those productive powers of labor upon which the welfare and progress of the economy as a whole depends absolutely.

Only the government of a sovereign nation-state can meet the combined requirements of the individual entrepreneur, basic economic infrastructure, national security, and the progressive nurture, education, and demographic characteristics of the population as a whole. Only the government of the sovereign nation-state republic can create the issuance of credit necessary to put all of these various essential elements of the society together in such a fashion as to ensure the welfare of all those essential elements.

To that end, as the Preamble of our Federal Constitution sets forth its fundamental law to this effect, the power of sovereign government must assume responsibility for the general welfare of all those essential elements combined. It must accomplish this chiefly through the regulation of the mechanisms of credit, finance, and taxation, in such a fashion as to match expenditure against that growth of the productive powers of labor upon which all possibility of prosperity depends.

This promotion of the general welfare rests upon the foundations of scientific and technological progress, from the nurture and education of the innate goodness of the newborn child, through the assurance of the opportunities for realization of the fruits of cognitive activity of its adult citizens. The succession of discovery of universal principle, experimental validation, and realization of the beneficial application of validated principles, is the view which we

must apply to our nation, and to our world, as we look back at ourselves today, from an hypothetical point, perhaps on a distant planet, a century or more ahead.

3. The Americas and Europe

This brings us to the matter of the kind of national economic and related strategy for survival, which a newly emerging leadership of the U.S.A. must adopt.

The rate of progress in the demographic characteristics of populations in Europe was significant, but relatively modest, at best, until the revolutionary change, the introduction of the modern sovereign nation-state, during the course of Fifteenth Century. From that point on, the chief impetus for progress came as a by-product of the struggle to establish a system of sovereign nation-states in western Europe and in the Americas. It was the repeal of those abominable forms of feudal law typified by England's disgusting Magna Carta, and the subordination of both the tyrannical feudal classes and overreaching supranational organizations to the superior power of a sovereign nation-state, which first established individual human rights under a form of law shaped by the concept of Socratic natural law, and created the necessary basis in political institutions and law for a successful form of modern economy.

With the establishment of the U.S. Constitutional Republic of 1789, the first true constitutional republic to appear in any part of the world, the long-term task of humanity became the obligation to bring the new republic in North America into cooperation with European states, this for the further purpose, as implicitly stated by then-Secretary of State John Quincy Adams, of extending the system of cooperating sovereign nation-state republics, to form a "community of principle" among the world at large. Today, that latter mission is centered around our prospective new form of equal partnership with two continents, Africa and Asia.

Relative to the sweep of history, and the nature of the combined immediate and long-term chores ahead of the world's nations, what is paraded by governments and mass media as "strategy," today, is mostly an evil sort of childishness, verging on the outlook of the perpetrators of the Littleton massacre, more or less in the spirit of *The Lord of the Flies*.³³

Strategy today must begin, by rejecting the sports fanatic's strategic view of current history, as typifying the kind of bloody competition practiced among gladiators in the Roman arena. We must delimit the notion of strategy, to purposes and conceptions which are fit for human beings. We must rethink today's use of the term "strategy," by looking at the relations among the Americas, Europe, Asia, and Africa in ways which

33. Or, the same thing, the current babblings of nasty Zbigniew Brzezinski. William Golding, *Lord of the Flies* (London: Faber, 1954).

accord with human nature as I have defined human nature here.

Since I am proposing that the United States use its remaining residues of global power and influence, we must abandon its present policy-trajectories, toward our nation's own, self-inflicted doom. We must redefine, so, what an effective leading action by the U.S.A. might be. Do not propose that someone else might be able to launch the required global initiative. Other parts of the world may represent important, weighty regional power and influence, but they have not yet reached that condition of their economic and other development, in which they could be a replacement for that specific role which we must assume at this juncture.

The power of the U.S.A., and the rest of the nation-states of the Americas, besides, lies in the elementary, essential fact, that the states of the Americas are products of a process of colonization by European civilization, a process of colonization whose impetus was supplied by the Fifteenth-Century Renaissance and its launching of the modern sovereign nation-state. That is what we are; therein, in our character so determined, lies our capacity to summon ourselves for meaningful actions in the world at large. When we, as a nation, act according to the nature impressed upon us in our struggles for freedom against the British monarchy, our natural strength is at our disposal. When we act to the contrary, we are weakened as a drunken man stumbles, contrary to his nature.³⁴

This requires that we pose to ourselves the question: *What is extended European civilization, and what is the essential significance of its colonization of the Americas?* This question carries us to answers which may grate against some strong prejudices in certain quarters, but these are answers we must face, and adopt, if we are not to fail in the role which the present world situation demands of us.

Those Greeks, again

European civilization is specifically Greek in its origins. Unless, and until that fact is recognized, and properly situated, talk about "European civilization" degrades itself to a blend of sundry varieties of silly prejudices and gossip.

The development of a Classical Greek culture, as best typified by Plato's work and circles, is most conspicuously indebted to its long association with Egypt, including the sometime region of Egypt known as Cyrenaica. The character of the Greeks who established this relationship to Egypt, is that they were Peoples of the Sea, a part of the great transoceanic maritime cultures, which evidently preceded the emergence of riparian and inland phases in the emergence of civilization.

There are two crucial developments within Greek culture

34. So, a poor military training policy, tries to break the recruit to a stereotypical mold. A better training-program draws upon the relevant potentials which already inhere in the recruit. The latter trainee, whether enlisted man or officer, were the one less likely to be flanked.

which came to define the proper meaning of the term "European civilization" today. Foremost, is the Greek development of the concept of the *idea*, as I have defined the notion of scientific and Classical-artistic forms of ideas, above. The second, is the early characteristic of post-dark-age ancient Greek culture: colonization, a characteristic of those ancient Greeks which they, like the Cyrenaicans, shared with all of the transoceanic maritime cultures classable as "Peoples of the Sea."

The known characteristic of these Peoples of the Sea, is

The power of the U.S.A., and the rest of the nation-states of the Americas, besides, lies in the elementary, essential fact, that the states of the Americas are products of a process of colonization by European civilization, a process of colonization whose impetus was supplied by the Fifteenth-Century Renaissance and its launching of the modern sovereign nation-state. . . . When we, as a nation, act according to the nature impressed upon us in our struggles for freedom against the British monarchy, our natural strength is at our disposal. When we act to the contrary, we are weakened as a drunken man stumbles, contrary to his nature.

their deadly serious, but also playful manner of exploring new areas, founding settlements which became colonies, bringing together the seeds of plants and strange cultures, to fuse these gathered elements into the synthesis of advances in the human condition. In this, the ancient Greeks operated in the eastern Mediterranean as Egypt's Etruscan partners in the western Mediterranean, and, somewhat as did their seagoing Caananite rivals of Tyre and Carthage throughout the Mediterranean littoral as a whole.

This ancient Greek notion of maritime colonization, was of quite different characteristics than the landlocked imperialism of ancient Mesopotamia, of the New Babylon which was Rome, or of the degeneration of the initial phases of modern European colonization by the Portuguese, Spanish, English,

and French, into the monstrosities which the Portuguese, Dutch, the British East India Company, and Napoleon III's French empires represented from early during the Eighteenth Century on.

Within the preceding sections of this report, we have already addressed that principle of the *idea*, as first known to us today from its Classical Greek origins. Now, we must briefly situate the needed conception of strategy, by some clarifying observations on the subject of colonization.

The continuing significance of the ancient, post-dark-age colonizations by the Greeks, is typified by the role of the Ionian maritime city-state republics, in setting the pace in the direction of a modern form of sovereign nation-state republic, such as the 1787 founding of the U.S. as a constitutional republic modelled, largely, on reference to the Classical Greek models. Colonization in that sense became a revived topic of policy-shaping, in the context and aftermath of that Fifteenth-Century ecumenical Council of Florence, which has been the watershed of modern European civilization. It was the circles of Cardinal Nicholas of Cusa that revived the pre-Roman, Classical-Greek map of a world orbiting the Sun, to promote global voyages as part of a strategy for flanking, then, the insurgency of the onrushing Ottoman Empire. This was the prompting of the Portuguese transoceanic explorations, and it was the map constructed by Cusa's associates, which guided Christopher Columbus to the rediscovery of the Americas.

The second phase in this post-Council of Florence wave of transoceanic exploration and colonization, came in the aftermath of the defeat of the League of Cambrai by Venice and its allies. Sixteenth-Century persecutions in Spain, and the degeneration of continental Europe's moral and political condition in the Spanish and religious wars of the 1512-1648 interval, turned the initial voyages of exploration into growing waves of European migrations into the lands of the Americas.

As it became clear, during that period, and later, that the prospect of establishing sovereign nation-state republics from within Europe itself, had been lost to the oligarchical forces of both the feudal landed aristocracy, and that aristocracy's sometimes partner and rival, the Venice-centered financier oligarchies, the idea took root, of flanking Europe by establishing the first true sovereign nation-state republic in North America, and then using that success to import that North American model back into Europe.

Thus, the greatest minds of Europe focussed more and more on the prospect of securing victory for the cause of establishing a North American republic among the circles rallied, more and more, around the figure of Benjamin Franklin. That relationship between the United States and Europe, is the natural, healthy relationship, still today. We must re-establish it, and carry it forward to include all of Asia and Africa.

The continuing trend of issues among the nations of Eu-

rope and the Americas today, is a continuation of a pattern which is most readily traced from those few centuries beginning the interval from the reign of Charlemagne through the Norman Conquest of England. This pattern persists as the underlying policy-motive behind the British monarchy's organization of the two so-called "world wars" of this passing century, and the recent folly of NATO's war against Yugoslavia.

The underlying issue has been the oligarchy's determination to check Christianity's impulse, the impulse to reverse the moral and other cultural decay bequeathed by the "New Babylon" empire of Rome, and to establish a form of society cohering with Christian principles, a form of society which would rely substantially on the benefits of that superior, Classical Greek culture which had antedated imperial Rome. This fight, led by the Augustinian currents within Christianity, as Charlemagne's Alcuin typifies this, faced two vigilant oppositions, the oligarchical faction represented by the landed aristocracy, and the financier oligarchy, as the latter came to be typified and dominated by the model of medieval Venice.

The natural inclination of Christianity, was the impulse to establish some form of nation-state, under which the sovereign's function was to serve the general welfare of a population defined as man and woman each equally made in the image of the Creator of the universe. The oligarchy, both financial and landed, was determined to prevent that conception of the state from being realized, as Castlereagh and Metternich were in the context of the 1815 Congress of Vienna. The idea of a Christian community of nation-states, whether federated or sovereign, both fiercely opposed by the core of both the landed and financier oligarchies, was the issue which motivated the oligarchy's wars to delay the emergence of the first modern nation-state, until the reign of France's Louis XI. This same issue has been the key to every war which the oligarchical forces have unleashed upon Europe and the Americas since the Council of Florence.

The characteristic feature of the oligarchical strategy, from Charlemagne through NATO's war against Yugoslavia, has been to destroy every effort to transform Europe into what John Quincy Adams defined as a community of principle. The chief recurring feature of this oligarchical strategy, has been to foster wars within Central Europe, and to work to ensure conflict and bitterness between France and Germany. Venice's virtual hundred years of Welf League wars against the Emperor Frederick II, are typical of this, as were the approximately 130 years of religious wars, from the defeat of the League of Cambrai, through the 1648 Treaty of Westphalia. So were the British monarchy's orchestration of two "world wars" of this century, and the most recent NATO war against Yugoslavia.

Since the founding of our republic, especially since the Presidency of James Monroe, the destiny of the U.S.A. was seen in finding partners against our British monarchical ad-

versary, and in reaching toward the prospect of a community of principle among both the nations to our south, in the Americas, and in Asia. Our essential military policy was always primarily defensive, just as Lazare Carnot emphasized the same doctrine, in opposition to the Romantic Napoleon Bonaparte, for France. Our object was not to conquer nations, but to build them up as prospective partners for an equitable community of principle. That was not such a far cry from the nation-building policies of the Emperor Frederick II, Spain's Alfonso Sabio, or Dante Alighieri.

Indeed, from the time of President Lincoln's victory over London's Confederacy puppets, until a British-controlled terrorist's assassination of President McKinley, that was the underlying strategy of the United States. With the fall of Napoleon III, France ceased to be our enemy. Those who bore the legacy of Schiller and the Humboldt brothers, in Germany, were virtually our allies from 1877 onward, as were the leading forces of Russia around Alexander II, Mendeleev, and Count Witte. With the emergence of Japan's Emperor as the anti-American tool of Britain, in the first Sino-Japanese war, the emergence of the *Entente Cordiale* alliance of France to Britain's Edward VII, and the replacement of the patriotic President McKinley by the Confederacy buff Theodore Roosevelt, all was rather suddenly switched around, with World War I as the more or less inevitable result.

The fact remains, that the establishment of a community of principle in Europe, including Russia, is the most vital strategic interest of the U.S.A. today. The kind of financier oligarchical forces which deploy lackeys such as Tony Blair, Zbigniew Brzezinski, and Madeleine Albright, will, as usual, do everything possible to prevent such a community of principle from coming into being. Nonetheless, the establishment of such a community is indispensable to the U.S.A. if we are to meet the challenge of bringing all of Asia and Africa into that same community, and if we can find a U.S. President with the insight, nerve, and support needed to carry it out.

The basis on which the success of such a community rests, is the kind of economic and related educational and social policy which I have outlined in this report.

4. Leadership as such

I like the old gag about the farmer selling what he professed as an "obedient" mule. When the mule obeyed, but only after being whomped along the side of the head, the farmer cheerfully explained: "You see. He's very obedient. You just have to get his attention, first."

I must admit that the present breed of typical American citizen seems to get into trouble more often through his own pure mulishness, than any other cause. Like that mule, don't expect that citizen to behave intelligently, until you have first brought him to attention. If you are one of those new-fangled, Baby Boomer type of "I can feel your pain" Americans, you

are not going to get that citizen's attention in the necessary way, and you, as a would-be leader, and that mulish citizen, both, are going to end up in a lot of trouble. If you are President, you are going to get the whole world into a great deal of trouble.

The characteristic of today's assuredly failed leadership, is the would-be leader who relies upon appealing to pre-established popular prejudices. Since all pre-established *popular* prejudices today, define an orbital trajectory which does nothing but ensure "free fall" toward doom, leaders who rely on readings of opinion polls, or mass media, to shape their policies, are worse than useless, to themselves, and to those who express the prejudices to which the would-be leader has chosen to cater. The so-called "Third Way," typifies the worst, most deadly of the political lunacies to be found in any so-called political leader today.

To lead the U.S. population—in particular—out of the grip of its present "free fall" toward doom, a leader must fight against the relevant popular prejudices.

One may anticipate the question: "How do you propose to fight against popular prejudices? Don't you know the typical American voter is the biggest lying gossip you could want to find anywhere? Those voters are so busy insisting on what they know more or less than nothing about, that they have no time, energy, nor desire left to seek out the truth on any really important subject. Those guys make even the corrupt politicians blush! The only things that are bigger liars than the typical voter, are Wall Street touts and the mass media."

The answer to that question is: "You must first get his attention." Baseball bats would have a certain kind of effect, but that is not recommended for the kind of problem at hand. You must simply point out the terrifying facts and other events which should be important enough to get their attention.

Once, at last, when you have their attention, your real work begins. You must use the same methods a scientist uses to eliminate a deeply held, false belief about current popular scientific principles. You do not resort to the foolishness of debating opinions you know to be absurd; you prompt the fellow whose confidence in his own folly has been shaken, to do some serious thinking.

From that point on, the process assumes a form and provokes feelings which might remind you of an experience of discovery of an idea, during childhood or adolescence. It is important that the person whose attention has been gained, come to an intelligent discovery of the alternative to a false belief. Even more important, politically, is the special kind of pleasure which that citizen gains from the experience of such an act of discovery.

The essence of politics, is to make citizens better people. The essence of doing that, is to evoke the goodness which lies, perhaps fallow, innate within themselves. Thus, it is the evocation of the goodness aroused by the act of cognition, which defines the educational task of the kind of political leadership qualified for today's sort of crises.

It is that relationship between such a citizen, and such a leader, which defines the kind of political process we require today. To evoke this quality in the poorly educated quality of citizen graduating from our secondary schools and universities today, we usually require the special circumstance associated with a most shocking crisis. That is usually what is required to bring the sense of shock up to the threshold level, at which the citizen's attention is gained in the necessary, relevant way. It is the moral connection between such leaders and such citizens, which defines the kind of political power needed for times of the gravest crises, such as today's.

However, that relationship can not be established, unless the leader has the qualifications needed to evoke such a quality of response. Such development is rare, far rarer today than when Franklin Roosevelt was President, or President Charles de Gaulle of France. It was often said among leading Gaullists I have known: "There never was Gaullism; there was only de Gaulle." Roosevelt became that kind of leader for his place and time of crisis, in his earlier rising from a crippling sickness, resolved to become functional again. In his studies of American history during that convalescence, he emerged as the President Franklin Roosevelt of the Depression and World War II.

Such qualities of leadership for times of crisis may appear in astonishing ways, but they are never accidents. If we take many facets of leadership as one — politics, Classical artistry, science, military leaders such as General Douglas MacArthur, and so on — the essence of their preparation for that role, is impassioned self-development of their cognitive potentials, combined with a toughness which enables them to be governed by those potentials, where weaker personalities would tend to vacillate, to compromise their way into great, tragic failures of will.

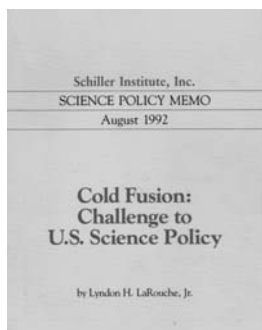
That said, what I have found, more and more, the most terrifying thing about leadership today, is that there is so little of it, and, of that we have, so very little that is qualified to play that part at all. The problem is, that we are producing a poorer quality of average personality than in former times, with the result that there are not only fewer qualified to be leaders, but also vastly fewer qualified to follow them.

Let the nightmare of today's world be a lesson to future generations. Never let civilization ever again degenerate so much, that the survival of civilization itself depends upon the biological and other uncertainties which may remove those few leaders, who may have been summoned to lead a nation out of pits like that into which civilization globally is sunken today.

For further reading

The following bibliography provides extensive documentary and analytical material on subjects that are covered in Mr. LaRouche's article (in chronological order by topic). See the end of this box for information on how to order.

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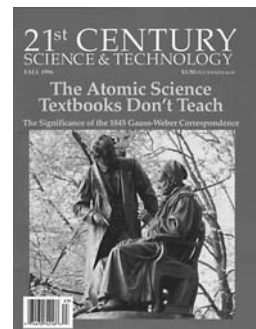
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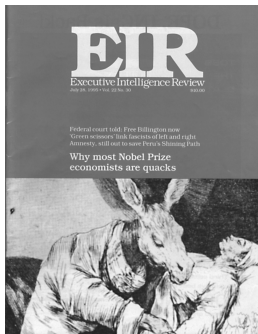
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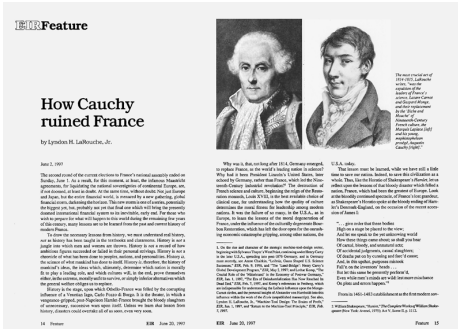
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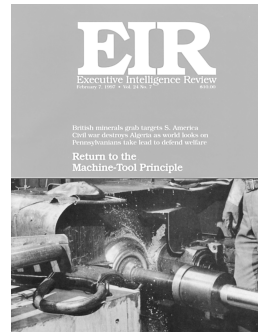
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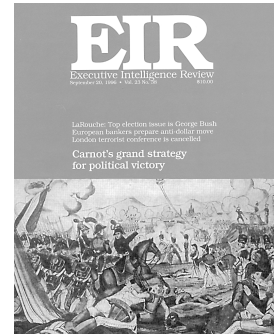


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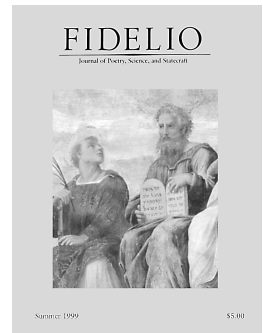
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G-7 central bankers hold a Tiger by the tail

by William Engdahl

Evidence being pieced together by this news service indicates that in June the global financial system had again been brought to the brink of a new meltdown, the second systemic near-miss since the collapse of the giant Long Term Capital Management (LTCM) hedge fund on Sept. 23, 1998—and it clearly won't be the last.

On Friday, June 11, according to reliable reports from the New York financial market, the \$13 billion Tiger Management LP hedge fund was subject of emergency talks at the New York Federal Reserve. Tiger reportedly was on the brink of insolvency. Tiger is the world's second-largest hedge fund, after George Soros's Quantum Group. Typically, the high-risk Tiger Fund might leverage its speculation through borrowed money, to 50 times its capital, which would imply a total market exposure of the fund above \$650 billion.

The insolvency rumors were firmly denied by Tiger. The same day, the New York Treasury bond market underwent a mini-collapse, pushing interest rates on 30-year bonds up to 6.14%. Bond market insiders said, had rates gone above 6.2% the following Monday, June 14, the world could have seen another "Black Monday" collapse of global stock markets, similar to the one that occurred on Oct. 19, 1987.

What is clear, after carefully scrutinizing the actions of the Bank of Japan, the U.S. Fed, the European Central Bank, and Group of Seven governments, is that sometime during the weekend of June 12-13, the leading G-7 governments, meeting in Frankfurt, Germany, covertly agreed to a system bailout to prevent a repeat of the October 1998 meltdown—or, of something far worse. Curiously, the press was deafeningly silent regarding the troubles in major hedge funds over the same June 12 weekend. Reports from senior City of London sources are that relevant central bankers of the G-7 let it be known—discreetly—through their market and media

contacts, that such reports on the Tiger crisis were not to be printed. Rarely has such a major financial story disappeared so rapidly from the press.

The Tiger with too much yen

As in the case of the global crisis last October, hedge funds and the Japanese yen's ultra-cheap credit market, were at the heart of this crisis. A German financial newsletter, *Der Goldmarkt*, leaked a report on June 23 that the otherwise bizarre behavior of the Japanese yen, and the major currency intervention by G-7 central banks during June, were part of an attempt to prevent a hedge fund liquidation that would have blown up the fragile global system.

On June 15, three days after the Frankfurt G-7 talks, the Bank of Japan made an extraordinary intervention to sell yen and buy U.S. dollars and the Europe's single currency, the euro, significantly weakening the yen. That day, the Bank of Japan sold the equivalent of \$10 billion in yen for dollars, and \$3 billion in yen for euros. The explanation was given that the bank did it to "support Japanese exports" with a low yen. The flaw in this argument, however, is that just three weeks earlier, the Bank of Japan had been alarmed about a too *weak* yen. Also, Japanese export surpluses were still huge, implying no need to force the yen lower in so dramatic a manner.

According to *Der Goldmarkt* editor Martin Siegel, the reason for the huge Bank of Japan intervention that began June 15, was to "allow the hedge funds the chance to cover their short yen positions. Had the Bank of Japan not intervened thus," Siegel said, "then there would have been a major rise in the yen to dollar. The open positions of the hedge funds then could only be closed with large losses, which would have forced them to sell U.S. stocks and bonds."

Just this kind of forced selling of U.S. and European bonds

to cover yen exposures of Tiger Fund was the consequence of the dramatic and violent market shocks between Japan and the United States in September–October 1998. At that time, Long Term Capital Management’s crisis forced funds to liquidate positions in Japanese yen at a loss. As central bankers — from U.S. Federal Reserve’s Alan Greenspan, to Bank of England’s Eddie George, to Bank for International Settlements Chairman Urban Baeckstroem — all recently have admitted: At that point, the world financial system was brought to the brink of an out-of-control meltdown.

By all market insider accounts, the hedge fund most exposed in Japanese yen borrowing was the offshore Tiger Management LP, which runs the Tiger and Jaguar funds out of Curaçao, Netherlands Antilles, which is also the home of Soros’s Quantum Fund.

The same Tiger Fund, which had \$20 billion in assets on Oct. 7-8, 1998, reportedly lost 10% (\$2 billion) overnight, when the yen rose dramatically against the dollar, as a consequence of the LTCM debacle. Tiger had bet that the U.S. dollar would rise against the yen. When the reverse took place on Oct. 7, Tiger was forced to liquidate large stock and bond positions in New York, and across Europe, in order to buy yen to cover its Japanese loans, the so-called “yen carry trade” speculative gamble.

‘Yen carry trade’ backfires

Since August 1995, when the Bank of Japan drastically slashed interest rates to 0.5%, and the Japanese government, in cooperation with the U.S. Treasury and Federal Reserve, forced the yen sharply lower to prevent the Japanese economy from collapse and the Japanese banks from meltdown, high-risk hedge funds like Tiger and Soros’s Quantum had indulged in what they saw as a “one-way bet,” known as the yen carry trade.

The funds would borrow yen by the carload from Japanese banks, and then turn around and use the cheap yen, often costing little more than the official 0.5%, and buy dollars with the borrowed funds. The dollars were then used to make leveraged bets on U.S. or other stocks and bonds, which often paid 5-8% or more. So long as the yen showed no sign of becoming strong again, the billions of dollars in Japanese yen credits of these hedge funds could always be repaid at a huge profit. That was the game that blew up in Tiger’s face on Oct. 7, losing the fund at least \$2 billion in one night.

After the LTCM debacle in October 1998, Tiger and other hedge funds got out of their yen loans, bleeding profusely in the process. In February 1999, the Bank of Japan effectively pushed interest rates to “zero” to try to jump-start the depressed Japanese economy, making the lure of yen borrowing for dollar speculation “irresistible” to Tiger and other hedge fund speculators. By spring 1999, Tiger and the same hedge funds were gambling on the yen-dollar again. By May, the Japan Center for International Finance reported that the “yen carry trade” held by overseas hedge funds had risen to \$8



Federal Reserve Chairman Alan Greenspan, writes Lyndon LaRouche, “has exposed himself to the world as one big fat nothing.”

billion, up from \$3.5 billion in April. The funds were betting that the Japanese economy would continue to collapse and the yen with it, falling to 127 or lower. They were by no means alone; this was the universally held consensus.

In addition, the banks — the major culprits in the LTCM debacle by lending billions in unsecured off-balance-sheet credits to LTCM to leverage their speculative bets on Russian GKO bonds to Japanese yen — quietly began to resume lending to hedge funds in the April-May period. The roulette wheel was starting to spin wild again.

The Bank of England noted the alarming trend of resumed bank lending to hedge funds for renewed speculation. The bank’s June “Financial Stability Review” warned, “Market anecdotes have suggested that financial institutions may have been rebuilding their positions this year . . . that lenders to highly leveraged institutions [i.e., hedge funds] may have begun to relax their terms again, by waiving ‘initial margin’ requirements, despite the obvious lessons of last year’s events.”

When the Japanese government’s Economic Planning Agency released astonishingly strong first quarter Gross Domestic Product growth data on June 10, showing a near 8% annual growth of the economy, the hedge-fund bets on a weaker yen exploded. The yen soared on the news of the data. Tiger Fund and the other hedge funds which had gone back into the Japanese yen carry trade casino, faced sudden ruin when markets opened on Friday, June 11. To cover its yen carry trade losses, Tiger was forced to panic-sell its holdings in U.S. and European bond markets, and convert its dollars and euros into yen.

The scale of the meltdown in progress on June 11, led the G-7 to decide that weekend to bail out a major hedge fund —

once again. Bank of Japan data just released confirm that in the entire month of June, the Bank of Japan increased its holdings of foreign currency reserves by a staggering \$22 billion. In normal times, a \$2 billion rise would be notable.

A golden parachute for a post-crash world

Another, seemingly unrelated event took place inside the Bank of England the first week in July—the very same Bank of England which has so accurately warned about the dangers to the financial system of bank lending to hedge funds.

On July 6, the Bank of England sold 25 tons of a planned sale of 415 tons of its gold reserves. The decision to literally “sell the crown jewels,” and cut the bank’s gold holdings by more than half, follows similar decisions by the central banks of two other British Commonwealth states—Canada and Australia—over the past three years. The mere announcement on May 7, by a central bank with such influence and historical ties to gold as the Bank of England, that it planned to auction the first of six tranches, pushed the gold price lower by \$30 an ounce to \$262 on the eve of the auction. The day after the sale, gold hit a new 20-year low of \$257, in London and New York, its lowest level since May 1979.

The July 6 auction of Bank of England gold drew a furious protest from the new President of South Africa, Thabo Mbeki. Mbeki accused “rich nations such as Britain” of following

policies that will have a “potentially disastrous effect on poorer economies.” The South African mining industry is threatened with wholesale unemployment, as numerous gold mines face bankruptcy or closure with the recent plunge in gold. South African Finance Minister Trevor Manuel stated, “Too many countries in Africa survive from export revenues, primarily from commodities, and this will impact very directly.”

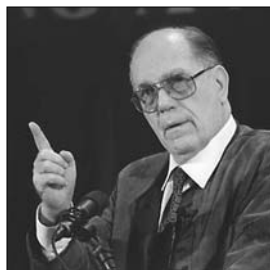
Commenting on the motives of the Bank of England creating such a deliberate collapse of the gold price and “privatization” of state gold reserves, Lyndon LaRouche stressed that the sale was part of efforts by the British-led international financial elites to prepare their “golden parachute” into a “post-crash world.” LaRouche insists that the price-dumping strategy now under way by the Bank of England, is intended to force gold sales on a massive scale, which will enable select financial elites to quietly amass huge private gold holdings, in preparation for the imminent day when paper stocks and bonds, or other titles, simply become worthless. Once the global market crash is under way, LaRouche noted, funds will be frantic to shift into gold again, driving the price up. By executing the collapse in gold’s price now, he notes, these powerful insider interests of the City of London, Switzerland, and such, hope to consolidate their control over one of the few commodities—gold—which is sought in a period of sys-

THE WORLD FINANCIAL COLLAPSE LAROUCHE WAS RIGHT! An EIR Video

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

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

“It seems the IMF isn’t the only organization



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

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

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LAROUCHE ON THE NEW BRETTON WOODS

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temic crisis.

In effect confirming LaRouche's charge of Bank of England collusion, the Marketing Director of AngloGold of South Africa, Kelvin Williams, told the *Times* of London on June 8, "The Bank of England chose the most disruptive method to go to market. To announce a transparent sale in advance is to allow every single speculator to speculate against the metal before your sale."

LaRouche pointed out that there is a fatal flaw in such

calculations by the London-centered financial oligarchy: "Under conditions of financial breakdown, all those public assets, such as publicly held gold, which are now being channelled into the hands of private financiers, will be confiscated. Whoever is now looting and stealing these public assets had better be aware: Those assets will be seized and put back into the public's hands. No 19th-century private gold standard schemes will be allowed. We need a New Bretton Woods system in order to rebuild the world, nothing less."

The June 29th that never was

by Lyndon H. LaRouche, Jr.

The following was released by LaRouche's Committee for a New Bretton Woods, his Presidential campaign committee.

July 9, 1999

Essentially, Federal Reserve Chairman Alan Greenspan has exposed himself to the world as one big fat nothing. All the official and press hype about the so-called "big decision" to be made at the June 29th meeting of the Federal Open Market Committee was all just one badly scripted dog-and-pony show. All the silly chatter about raising the discount rate was pure smoke-screen.

The real story is, that the G-7 governments and central bankers were up to their ears, from June 11 through and beyond June 29th, in the biggest bailout of bankrupt bankers yet on record, about \$25 billions worth, or more. All of this bailout of bankers and hedge funds — much bigger than the September-October G-7 bailout of Al Gore's cronies at LTCM, was, once again, ultimately at the taxpayers' expense. All the chatter about the big decision of June 29th, now turns out to have been nothing but part of one of the biggest cover-ups ever.

During June, some of the world's leading central bankers, including the Bank of England's Eddie George, not only lied, in effect, about what was really occurring during that month, but they distracted your attention from that lie, by — finally — admitting the truth about what really happened during the October 1998 Washington, D.C. G-7 meeting. George and others chose the month of June to announce that the entire world financial system was at the verge of a global meltdown during late September and early October of 1998.

If you are fussy about facts, read what leading press, Federal Reserve, and U.S. Government hand-outs said about the financial situation during the time this meltdown of 1998 was ongoing. Don't complain that they lied to you. They don't call it lies; they call it "spin."

Now, let me drop the other shoe. Not only was the world's

financial system on the edge of a global meltdown, once again, during June 1999. Despite the big bailout which Alan Greenspan tried to cover up with his June 29th dog-and-pony show, the entire system is still on the edge of the biggest financial collapse ever. But, even that, is not the really big story.

The really smart crowd operating from behind the curtains, is no longer trying to save the present world financial system. They put the dying system on a financial and political life-support system, just to keep it alive long enough to prepare to bury it in ways which various groups of high-level insiders think might be to their long-term advantage. They do not intend to save this financial system. They are buying a little bit of time to prepare their post-end-game scenarios, with various strategic plans for taking over the world after the present financial system has crashed.

Don't ask who is going to end up holding the money after the system crashes. Instead, ask yourself who is going to have the political power to create money after the present world monetary and financial system evaporates, soon, pretty much the same way the German Reichsmark evaporated in the 1923 hyperinflationary blow-out. The fools are worrying about "my money." The smart money is betting on the crash coming soon and is concentrating on post-end-game political power scenarios.

To understand these guys and the games they are playing backstage, you have to think ahead, think ahead to the point that \$300 trillions-equivalent, or more, of financial paper, is suddenly wiped from the map, just like the hyperinflated Reichsmark of Autumn 1923. What do we do then? That's the only thing that really intelligent people are asking about, are thinking about, right now.

You wish to know what the options are for that post-endgame situation? That is what I and my associates, among a few other knowledgeable persons around the world, have been trying to tell you. You do have options, if you will listen to what those are, in time.

The IMF and Wall Street are gunning for drug legalization

by Dennis Small

In early June, the Colombian government's National Administrative Department of Statistics (DANE) issued a tedious four-page press release with the bureaucratic title, "The DANE Presented the New Basis for National Accounts." Buried in the fine print, in a section called "Methodological Changes," the DANE listed six areas where new methods will be applied for calculating the Gross National Product. After reviewing such sleeper topics as whether to include value-added and other taxes in GNP calculations, the sixth and final point contained the following bombshell:

"Inclusion of illicit crops in agricultural production."

And, a few paragraphs below, the release announced drily:

"For the measurement of illicit crops . . . the DANE contracted out studies to specialized companies, whose results were incorporated into the new system."

Wait a minute!

Colombia, the world's leading drug-producing economy, is now going to count "illicit crops"—i.e., drugs—as part of its GNP? And a "specialized company," unnamed, has already been hired to carry out "the measurement"? *This is the legalization of the drug economy.* Whose idea was this, to count drugs as part of GNP? Who is behind this?

It turns out that it was the International Monetary Fund (IMF). And thereby hangs a tale.

'Sophisticated techniques'

As the news of the DANE announcement exploded in the Colombian press on June 9, DANE Director General René Verswyvel defensively told the media that his unit was only acting on a direct "recommendation" of the IMF going back to March 1998.

If the income from the drug trade were not accounted for, Verswyvel said baldly, "Significant errors could be committed in the financial accounts, and even in foreign accounts." This would suggest that Colombia needed more in foreign loans than is really the case, he added, since "in any case, the resources generated by these [illegal] activities are a source

of financing for other domestic activities," and must therefore be counted.

DANE spokesman Dr. Jairo Urdaneta explained the matter more fully to *EIR*'s Bogotá office. The new accounting procedure, he offered, is based on Articles 630, 631, and 632 of the "System of National Accounts Methodology" handbook, issued in 1993 by the IMF, the World Bank, the United Nations, and the European Commission, which mandates the inclusion of all illegal economic activities in national accounts.

But this was no mere recommendation, Urdaneta hastened to add. In 1996, Colombia formally adopted the IMF statistical standards, which require IMF visits to verify the statistics—"and they make drastic recommendations based on them," he confided. A 1997 IMF mission to Colombia discussed the matter further, and two additional missions in 1998 put the final nail in the coffin, deciding that Colombia should begin by counting drug crops, and move on to other illicit activities (drug processing, etc.) later.

IMF headquarters in Washington, D.C. was less forthcoming about their role in this scandal. When questioned by *EIR*, Western Hemisphere division public affairs officer Francisco Baker at first denied any involvement. Then he was forced to admit that the recommendation was indeed the IMF's, and that "sophisticated techniques" of accounting were required to fulfill it. And he eventually confessed that the IMF's view is that, "ideally," heroin and all other illegal activity should also be counted by all countries, just as the Netherlands includes prostitution as part of its national economic activity. "In principle, countries all over the world should be measuring illegal activity," he intoned (see interview below).

Not everyone consulted was so sanguine about the matter. Colombia's leading daily *El Tiempo* wrote that "if this means that the government is going to stop fighting the production of marijuana, opium poppies, or coca leaves, one of the first to be tried would have to be the International Monetary Fund." And U.S. White House anti-drug policy adviser Gen. Barry

McCaffrey (ret.) snapped: "It must be made very clear publicly that this is blood money: It is the blood of Colombian policemen and soldiers. It is an illegal activity. . . . Should we count prostitution or other forms of illegal activities as part of the economy? I doubt it."

But as such sane forces were still reeling from the implications of this latest IMF outrage, a second shocking development occurred.

Wall Street's 'new high'

On June 26, Richard Grasso, president of the New York Stock Exchange, returned from a trip to the southern jungles of Colombia, to announce that he had just struck a pact with the drug-running Revolutionary Armed Forces of Colombia, or FARC. Grasso hailed the FARC leadership as "extraordinary," said they had discussed a "mutual exchange of capitals," and announced that he had invited the FARC's "Supreme Commander," with other leaders, to "walk the trading floor with me" at the New York Stock Exchange (NYSE).

Grasso hailed his FARC pact as part of the stock exchange's strategy of being "very aggressive in trying to pursue international markets and opportunities," and he declared that he hoped his visit "will mark the beginning of a new relationship between the FARC and the United States."

What kind of relationship? Well, Colombia today is the number-one producer of both coca, and its deadly derivatives, crack and cocaine. In the last five years, opium poppy cultivation and processing in Colombia has so expanded, that 75% of the heroin seized on the streets of the United States now also comes from Colombia. *And the FARC is the largest cartel dominating that dope trade from Colombia today*, a fact fully documented by Colombian military intelligence, and corroborated by this news service over the years (see article below).

The FARC are feared and despised in Colombia, as drug-runners who wantonly murder, kidnap, and extort, wherever they have the power to do so. In areas under their control, families are forced to turn over children over 13 years of age, or be killed. The FARC admits that their people tortured and killed three U.S. citizens in March, but defend it, on the grounds that the Americans entered "their" territory without asking permission first.

The FARC are also on the U.S. State Department's list of international terrorist organizations, which (on paper) are prohibited from activities in the United States. Yet, Grasso's deal with the FARC was carried out in full coordination with the U.S. State Department. Grasso stopped in Bogotá to get a briefing from U.S. Ambassador Curtis Kamman before heading down to the jungle redoubt of the FARC, and he briefed Kamman upon his return. A State Department spokesman lied that Grasso's was "a free-lance trip," but had to admit that the State Department had no objection to it.

Grasso was accompanied on his Colombian mission by the NYSE's Vice President of International Relations, Alan Yves Morvan, and the NYSE's head of security and protec-

tion, James Esposito. They met with the member of the FARC secretariat who heads the terrorists' finances, Comandante Raúl Reyes. The translator for the tête-à-tête was Colombia's Finance Minister Juan Camilo Restrepo, who left ongoing emergency meetings with an IMF mission then in Bogotá, to participate.

In a June 29 press conference called to promote his trip, Grasso raved at how "very sophisticated" Reyes is, "despite what his appearance may have been, given his jungle fatigues and his M-16. And he knew *a lot* about investment and capital markets, and the need to stimulate outside capital coming to Colombia. . . . [There are] some very exciting companies in Colombia that will make good additions to the NYSE international list." (See *Documentation*.)

Gross Narco Product

There are two, deeper issues raised by the coincidence of the IMF's new accounting procedures, with the Grasso visit to the FARC—issues not yet addressed even by vocal critics of these developments, but which alone explain what is really going on.

First, the driving force behind the push to legalize drugs, is the fact of the ongoing, global bankruptcy of the world financial system. There are approximately \$300 trillion in financial derivatives and other worthless debt instruments rampaging through the world financial system today. The London-centered oligarchy has determined that this, their pet cancer, must be salvaged at all costs, including by looting the physical economy of the nations of the world to the bone and killing off their populations, and by feeding the cancer with ever new and ever larger issuance of debt—i.e., by hyperinflation, as occurred in the Weimar Germany of the 1920s.

The income stream coming from the drug trade—more than a half-trillion dollars per year in blood money, according to *EIR* estimates—is considered a necessary prop to the system by the desperately overextended financial oligarchy.

To put a fine point on it: Wall Street's Richard Grasso was in Colombia to scavenge for coca dollars. The Dow Industrial index has always reflected a healthy dose of dirty money; in fact, it's fair to argue that the Wall Street and London financial markets are as hooked on drug money as a junky is on heroin or crack—and a good number of brokers and traders are addicted to the real stuff, too.

So, if you, dear reader, are "playing the markets" and are involved on Wall Street, you should know that you are not only stupid, and will soon lose your shirt; you are also in bed, financially, with drug money—*blood money*, as General McCaffrey called it—whether you know it or not.

As for the IMF and its faceless bureaucrats, the nicest thing that can be truthfully said about them is that they push drugs. Lyndon LaRouche and *EIR* have repeatedly documented that point, as far back as 1978. Now, the IMF has openly admitted it in its own words. For those nations and leaders who have capitulated to IMF and banker blackmail,

and to their own pragmatism (“But what else can we do?”), it is time to draw the line. The IMF equals drugs, and there is no deal to be struck with drug runners. There is no Third Way. You must just say no.

The second fundamental issue at stake, is that it is now high time to give GNP its proper name: *Gross Narco Product*. The Unabridged Webster’s Third New International Dictionary defines GNP as: “The total value of the goods and services produced in a nation during a specific period (as a year) and also comprising the total of expenditures by consumers and government plus gross private investment.” But if economic activity is to be measured as the monetary value added as expressed on the markets, then there is in fact no way to distinguish between productive activity (such as building power plants or growing food), and destructive activity (such as drug running), or merely wasteful activity (such as most service-sector jobs).

In fact, if monetary value is accepted as an economy’s sole metric, then one has implicitly adopted London’s bestial view of man that banishes all morality from economics: After all, we are told, a dollar is a dollar is a dollar; you may not *like* the fact that it comes from drug production, prostitution, or gambling, but you can’t let your “personal tastes” dictate “objective economic measures,” such as GNP.

That outlook is called monetarism. And it is the way economics is taught today in every major university in every single country around the world—whether it be called neoliberalism, Keynesianism, or Marxism.¹

If that is *your* outlook, or the outlook you tolerate, then please answer a few simple questions: If drugs and prostitution are to be counted as part of GNP, shall we then consider a successful drug bust as a reduction in GNP or “value added”? Shall we also count pornography as “value added”? What about child pornography (it’s a multibillion-dollar business)? How about “snuff films,” where people (especially children) are sexually exploited and then murdered, on film?

Perhaps murder, rape, and torture should also be counted as part of GNP—with “sophisticated techniques,” no doubt? Was the poison gas used in Hitler’s death chambers also part of GNP?

Do these questions make you uncomfortable? Then where do you draw the line? More importantly, *how* do you draw the line between real economic value, and evil with a price tag? Is there not some fundamental difference between “bankers’ arithmetic” and “human arithmetic”?

1. Some readers may be shocked to see Wall Street’s Richard Grasso embracing “Comandante Reyes” of the FARC. But, more historically informed observers were hardly surprised. As one insightful person remarked upon seeing the photograph printed on the cover of this magazine: “Oh. Adam Smith meets Karl Marx.” In fact, the liberal monetarism of Smith and the materialist reductionism of Marx share the same roots in British political economy. As a result, their progeny, such as Grasso and Reyes, can often be found cavorting together in such projects as the legalization of the drug trade.

The stark reality is that there is no scientific, systematic, and valid way to repudiate drugs in an economy, until you are prepared to jettison the entirety of standard classroom economics, including its definition of GNP, and replace it with the science of physical economy as developed by Gottfried Leibniz, Lyndon LaRouche, and others. In this approach, economics and morality are united in the concept of economic value being defined as that which contributes to the successful social reproduction of humanity, as measured in rising potential relative population density. Science, classical culture, and creativity in all its expression—i.e., that which is moral about man—becomes the bedrock of economic advance.

Are you against drugs? Then you’d better begin to master LaRouche’s science of physical economy. A good place to start is with his article on “How to Save a Dying U.S.A.,” in this issue of *EIR*.

Documentation

An IMF spokesman on dope-accounting

A reporter for *Resumen Ejecutivo*, *EIR*’s Spanish-language magazine, held several conversations with the International Monetary Fund’s (IMF) Western Hemisphere division’s press officer, Francisco Baker, over the course of the last two weeks, seeking clarification of the report that the IMF pressured Colombia to include illegal crops in its national accounting statistics. It took a while to get an answer, Baker reported initially, because the IMF’s Colombia team was down in Colombia.

On June 28:

Baker: It seems that this is part of the UN National Accounts Manual, and has nothing to do directly with the IMF. There is something called the National Accounts Manual, which countries agree to, in the context of the UN, and it mandates that statistics should include everything produced in the country, legally or illegally. . . .

Q: And the *New York Times* article, which states that “instructions prepared by the IMF, World Bank and other international lenders clearly state that ‘transactions involving the sale or purchase of illegal goods and services must be recorded’ ”?

Baker: But that is in the context of the UN provisions.

Q: When was the UN National Accounts Manual produced?

Baker: I don't know. This is something that is probably in existence for some years.

Q: So why has Colombia suddenly decided to do it now?

Baker: I don't know. You have to ask the Colombians.

Q: Is not the IMF part of the United Nations?

Baker: Yes.

Q: So, when you say the UN National Accounts Manual has nothing to do with the IMF—

Baker: Directly. . . . Let's see. The IMF is part of the United Nations system, but it is not the United Nations per se. When I inquired about what you asked me, I was informed that this is something that has to do with United Nations Manual for National Accounts, which is something that I don't know about, or who produces it. . . .

Q: With whom did you inquire?

Baker: Within the IMF, the people handling statistics here.

Q: So it's the statistical department that might have something to do with this?

Baker: Yes, it's the statistical department, rather than the country area specific people.

Q: Are you saying the *New York Times* article is not true?

Baker: No.

Q: "Instructions prepared by the IMF, World Bank and other international lenders clearly state that, 'transactions involving the sale or purchase of illegal goods and services must be recorded.' "

Baker: I don't know. It depends on the context. . . . But where are they taking this information from? I have no specific knowledge about that, that's what I'm saying.

Q: Is this a step toward legalization of drug flows?

Baker: Of course not. It is being said that this is illegal. This is for *purely* statistical purposes, and you need the statistics even to combat illegal crops. . . .

Q: Can you find out a couple of things for me?

Baker: Yes. Let me have it.

Q: The first question is: Is this *New York Times* article's statement true or false? . . . When was the UN manual produced, and why is it being activated now? . . . What other countries include this? And what is the distinction between counting illegal agricultural crops, and the dope trade itself? The peasants get the least of it. What is the distinction, then, with cocaine, heroin, amphetamines, and all that? Why ac-

count for one and not the other?

Baker: Based on what I heard, it should include everything. All crops.

Q: But that's not what they are doing so far. It's only crops. . . . My question is: If your statistics are to include all financial transactions, "sale or purchase of illegal goods," then that should include processed cocaine, heroin, amphetamines—you name it. That would have quite a "statistical" shift in world financial flows, would it not?

Baker: Okay, let me find out what I can find out.

Q: Thank you. Because this is an inadequate answer.

On June 29, Baker called back, with his findings.

Baker: I have a little bit more information, more or less along the lines of what I told you yesterday. This manual is called the "System of National Statistics, 1993," and it is a methodology for compilations of data having to do with the national accounts of countries. This is a joint effort done by the United Nations Statistical Committee, plus the IMF, plus the World Bank, plus the European Commission, plus the OECD [Organization for Economic Cooperation and Development]. And, the part where it said that illegal crops—illegal activity, not illegal crops, particularly, but illegal activity—should be measured, has been there since 1993.

Your question about why not include heroin: There is nothing against—I mean, ideally it *should* include it. The problem is, that, in the particular case of Colombia, they don't know how to measure that kind of data. Crops, somehow, are easier to measure, that's why they include crops. But for you to have an idea, in the case of the Netherlands, for instance, they include prostitution as part of what the statistics measure.

We don't have a very clear idea—I am still waiting to talk to someone who would let me know which countries are doing this. But, in principle, countries all over the world should be measuring illegal activity as part of the exercise of assessing the size of the respective economies. We've made recommendations to Bolivia along the same lines, and to Colombia. By the way, that recommendation to Colombia to do that, was made back in 1997. . . .

Q: Do you have anyone there working on developing means for estimating—

Baker: No, No. the only role we have is on the preparation of the manual, and in telling people they should look at the manual.

Q: If you tell people to look at the manual, and the Colombians come back and say, "Look, we have a problem estimating this," I'm sure you have someone there working on how such estimates should be made?

Baker: I can see if this work is being done.

Q: The drug trade has been around for quite a while, and various people estimate what it is —

Baker: It requires — What I was told, is that this kind of measurement requires a lot of statistical sophistication. But exactly how it works, I have no idea how much we would train people to do that.

Q: I would think the IMF surely would have that kind of statistical sophistication.

Baker: We have a relatively small agency. We have some 2,600 people here, following the global economy, and doing all sorts of things, so I'm not sure that we would have people enough to do that kind of field work that has to be done by countries. We just provide the guidelines. But I will double check on that. . . .

Documentation

New York Stock Exchange chief hails dope deal

New York Stock Exchange Chairman Richard Grasso reported back on his visit to Colombia, at a press conference in New York on June 29. Initially scheduled on Colombia alone, the press conference was combined with the announcement that the Securities and Exchange Commission had issued its findings, following an 18-month investigation into NYSE functioning after eight brokers had been indicted for insider trading.

EIR was on telephone hookup for the press conference, but questions were only taken from journalists present in New York. The affair was surreal. Most of the journalists concerned themselves with questions about 'round-the-clock "e-trading," and the like. A few raised questions about Colombia, but not one raised the obvious questions about the NYSE's new partner's relationship to the dope trade. Nor did anyone seem to notice the irony of the conference: Here was the smooth-talking head of the New York Stock Exchange, waving around the fact that (once again) the SEC had imposed "no fine! no censure!" upon the NYSE for some relatively penny-ante crimes of insider trading, all the while fawning over his meeting with a leading drug cartel financier and killer. "We pride ourselves on the . . . integrity of this marketplace," Grasso intoned. "The public holds this institution to a higher standard, and appropriately so. So any time you read

about an infraction, whether it's committed by one, or five, or eight individual [brokers], that's one, five or eight too many." One would think that only a real sucker would buy this fella's snake-oil.

Grasso's comments on Colombia follow. The questions are summarized.

Grasso opening statement: The issue of our trip over the weekend to Colombia is one that I think has got to be set in the context of a private sector initiative; it was not at the initiative of the U.S. government, but rather at the invitation of Colombia's President [Andrés] Pastrana, whom I had met a few months back, and the President was very interested in having someone from the private sector, and particularly from the capital markets, come to Colombia in advance of the initiation of the peace talks which will begin on July 7, with FARC; someone from the private sector to come and share with FARC's leadership the merits of economic development in a post-, if you will, war Colombia. I use the term "war" not in the sense of the conventional application, but in recognition that for 35 years there has been guerrilla activity in Colombia, and the FARC being the largest of the guerrilla movements, with some 20,000 armed soldiers and a history of some 35 years of conflict with the government. The FARC negotiations which begin next month will be very important to the future of Colombia.

President Pastrana is a great believer that peace can be negotiated, with a timetable that is relatively achievable over the next few years, and it is his wish, that once peace is established, there be economic development, investment in Colombia, and that was the subject of my discussions with Comandante Reyes. We met for an hour and half, and talked about the opportunities for investment in Colombia once a lasting peace is achieved, and the world recognizes that to be one that can be widespread throughout the country.

Q: Do you wish to say any more about your trip to Colombia?

Grasso: For those who have had the privilege of visiting Colombia, it is an extraordinarily beautiful country. For the better part of 40 years it has been torn apart by guerrilla activity. The new President is a very impressive — an impressive man, and a strong believer that he will make the difference, that he will negotiate peace with the guerrillas.

The leadership that I met with, I believe understands the value of a peace in Colombia. Comandante Reyes and the FARC recognize that it is not acceptable to the world that Colombia be viewed solely as a narco-traffic economy, and that the days of that being the principal industry are over. He is very well-attuned to the subject of alternative investment, what will happen when a peace is arrived at in Colombia, and is very open to the dialogue we had on the whole process of democratization of capitalism: How neighboring countries such as Chile, and others in Latin America, had repositioned

their economies to create nations of owners.

He was very interested in the model here in the United States, because, to his surprise, we spent a bit of time talking about the breadth of share ownership in America. How stockholders were not simply those in the financial community, but those who are on assembly lines, those who are teaching school, driving buses. And I think the leadership of FARC is sophisticated enough to understand that there will be a next chapter for Colombia.

FARC currently has, by the government's grant, a piece of real estate that is the size of Switzerland, that they control. That is where we met with the guerrillas at Machaca, which is somewhere to the south of San Vicente—I think.

But it was an *extraordinary* experience, in the sense that the Comandante was trained as an engineer in the former Soviet Union. *Very* sophisticated, despite what the surface appearance may have been, in terms of his jungle fatigues and his M-16. And he knew a *lot* about investment and capital markets, and the need to stimulate outside capital coming to Colombia. Very interested in how Colombian companies could come to the U.S., and raise capital to be invested in the country.

So, it was extraordinary. It's the second time I've been to Colombia. This visit was the first under the leadership of President Pastrana, whom I have *enormous* respect for. I believe he is a true merchant of peace, and will make a difference in that country.

Q: Do you foresee playing an ongoing role in negotiations?

Grasso: To the extent that President Pastrana would like me to play a very, very tangential role, in terms of investment, capital market development, and advising both his government and those whom he's talking to in the peace process, I would be honored and willing to do that. I don't look at myself as a participant in the negotiations, although I will tell you that we are privileged to trade two of Colombia's banks, Banco Ganadero and GranColombia, and there are enormous—I think some very exciting other companies in Colombia that would make good additions to the NYSE's international list.

My ongoing role with Colombia is to serve as a member of President Pastrana's Millennium Advisory Board, which is how I got involved with the President, and with this visit this past weekend, and I believe that he is a true believer in peace, and to the extent that he chooses to use me going forward, in other than the political negotiations, I'm going to be at his disposal.

Q: [Comments on the FARC killing of three Americans.] Was there any reaction from the Clinton administration to this trip?

Grasso: Well, I think the State Department made it very clear that the trip was a trip from a private sector representa-

tion, not a representative of the U.S. government. . . . I was there at the request of President Pastrana, as a private citizen, as an emissary of finance, obviously, and certainly as someone who has benefitted, being the CEO of an institution that trades two of Colombia's banks. It was in that capacity, and not in an official representation capacity of the U.S. government, that I met with Comandante Reyes. I think that it is—suffice to say that FARC understands that when a peace is negotiated in Colombia, it's got to be peace based on justice, a system of justice, and in that negotiating process, I think that the leadership, the FARC and the leadership that President Pastrana will have at the negotiating table, will have to work those issues out.

Q: [Inaudible.]

Grasso: I invited Comandante Reyes and the Supreme Commander [Manuel "Tirofijo" Marulanda, head of the FARC] to walk the trading floor with me, and I hope that—and to do that together with President Pastrana. And I hope that when they do accept that invitation, they'll have the firsthand experience of what we talked about on Saturday: They will take the academic, and turn it into the real-life experience. It is very important to recognize that—as President Pastrana has—that FARC has got to take a much broader view of Colombia, of Latin America, and of the world stage that Colombia hopes to compete on. And I think extending and permitting differing factors the opportunity to come here, and to walk the trading floor, and to understand capitalism firsthand, will be very valuable in a post-settlement Colombian economy.

I'm not so naive as to think that the Comandante will be here next week, but he certainly recognized the value of coming to America, and experiencing, not just the financial markets, but the technology of agriculture, which will become very important in redeveloping the Colombian economy; where and how to stimulate foreign investment in Colombia; how to raise capital, both in the region and outside of the region.

And again, to underscore: This was a very, I believe, sophisticated leader. I think that Raúl Reyes—Comandante Reyes—is quite knowledgeable, and very much interested in coming and seeing this firsthand. Perhaps meeting many of you.

Q: Did you have any contacts with U.S. government officials before and/or after your trip?

Grasso: As you pointed out earlier, the U.S. government has broken off any relations with FARC. The American Ambassador to Colombia was gracious to give us a briefing before we went into the jungle. He was with us Saturday night, when President Pastrana hosted a dinner for the business community and the financial community, and we openly shared our experiences.

Without the banks, there would be no drug trade

by John Hoefle

The recent trip of the New York Stock Exchange's Richard Grasso to Colombia to meet with the top leadership of the narco-terrorist FARC, puts out in the open what the LaRouche movement has said for years: At the top, the global financial system and the global drug trade are run by the same people. In our blockbuster exposé *Dope, Inc.*, first published in 1978, we revealed that the international narcotics trade was run by the British-centered international financial oligarchy as a *political* weapon against sovereign nations, and that a large section of the international banking system was devoted specifically to the laundering of the revenues from this illegal trade.

Consider for a moment the volume of cash—not just the dollar amount, but the volume of actual bills themselves—taken in by drug dealers each day, in any major metropolitan area. Just handling the money is a major logistical problem, and without a sophisticated money-laundering apparatus, the drug trade would quickly choke on its own cash. Besides, it would be a little too obvious were the drug dealers to start shipping tons of \$20 bills to their masters in the City of London. Somebody might notice.

The key to laundering drug money is to get it into the banking system as quickly as possible, at the local level. One method of doing this is to set up a number of fronts—restaurants, parking lots, sports concessions, and the like—which take in large amounts of cash, mix in the dope money with the business revenue, and deposit it all in the company's bank account. Once it gets into the banking system, it can be transferred through a maze of banks and accounts around the world.

All of this is known to the bankers, their regulators, and law enforcement. The Federal Reserve's own figures showed how the cash piled up in the Federal Reserve Bank in Miami and then, when the law enforcement interdiction operations in the Southeast United States caused the drug trafficking to shift to the Southwest, the surplus shifted to the Fed's branches in Los Angeles and San Antonio. It was obvious to all, that it was drug money.

The role of the banks in the drug trade is nothing new. The infamous Hongkong and Shanghai Bank, the main British bank in the British Crown Colony of Hong Kong, financed the opium-trading companies led by Jardine Matheson, and

the opium-shipping companies such as the Peninsular & Orient Steam Navigation Co. and Canadian Pacific. British networks operating through Canada, then moved Asian opium and heroin into the United States. When the decision was made to set up a marijuana- and cocaine-production operation in Ibero-America, it was the Canadian banks which took the lead in establishing the offshore banking infrastructure in the British Commonwealth islands in the Caribbean, to finance the trafficking and launder the proceeds.

The overlords of Dope, Inc. would have us believe that the cocaine trade is run by the Colombians, and the trade in crack cocaine is run by inner-city gangs, a myth akin to believing that the oil cartel is run by gas station operators. Those who handle the dope, are relatively low-level employees, and expendable; to find out who runs the drug trade, follow the money, through the banks to the boardrooms of Dope, Inc. They don't ever touch the drugs, but they always take the money.

Many of the figures who seemed so powerful in their day, from Meyer Lansky, to Bernie Cornfeld and Robert Vesco of Investors Overseas Services, to junk-bond king Michael Milken, were nothing more than front-men for the financial oligarchy's dirty money apparatus, dangled like puppets on a string for public consumption. The same holds true for today's titans, such as hedge-fund operator and drug-legalizer George Soros.

The banks, on the rare occasions when they are caught laundering drug money, shed crocodile tears and claim they were victimized by devious dope dealers; if the evidence is too damning, they point their finger at the lowest-level employee plausible. But the fact is, that, not only do the banks knowingly handle drug money, they compete avidly for the business. Whole sections of banks, law firms, accounting firms, and consulting firms, have been formed to set up and run money-laundering operations; it is a big, and lucrative, business.

The Bush league

Take the case of E.F. Hutton, the prestigious Wall Street investment bank which got caught in the mid-1980s in the infamous "Pizza Connection" heroin case, laundering money for the mafia. Hutton pleaded guilty in 1985 to 2,000 counts of mail and wire fraud, and was subsequently taken over by Shearson. Hutton's president at the time was Scott Pierce, the brother of Barbara Bush; the chief of the Treasury Department's law enforcement division at the time was John Walker, Jr., a cousin of George Bush, and whose family firm, G.W. Walker, had once employed Pierce.

Then there's the case of Citicorp, and its involvement with Raúl Salinas, the brother of former Mexican President Carlos Salinas de Gortari. During the early 1990s, Raúl Salinas made a fortune from the drug business and laundered the money with the help of Citicorp, whose private banking

division helped him set up bank accounts in Switzerland. At the time, the bankrupt Citicorp was secretly being run by the Fed, which scrutinized all major transactions.

Bankers Trust—which cheated its customers so blatantly in 1994 that one, Procter & Gamble, accused the bank in court of racketeering—recently pleaded guilty to felony charges of misappropriation of unclaimed deposits, and was slapped on the wrist. The plea was timed to coincide with the bank’s

takeover by Germany’s Deutsche Bank.

In case after case, commercial and investment banks caught laundering drug and related dirty monies have received only minor punishment, while leaving the laundering capability intact. These same banks have fought bitterly against efforts by law enforcement to follow the money chain, thereby heading off any serious blows against Dope, Inc.

Wall Street and the State Department’s new allies: Colombia’s ‘Third Cartel’

by Dennis Small and Gretchen Small

As U.S. leader Walter Reuther used to say, “If it looks like a duck, walks like a duck, and quacks like a duck, then it just may be a duck.”

So, too, it can be said, that the Revolutionary Armed Forces of Colombia (FARC) and the National Liberation Army (ELN) guerrillas are *drug-runners*. Not “freedom fighters” with whom to discuss, but *drug-runners*. In fact, they are Colombia’s “Third Cartel,” superseding both the largely defunct Medellín and the Cali cartels of the 1980s and early 1990s.

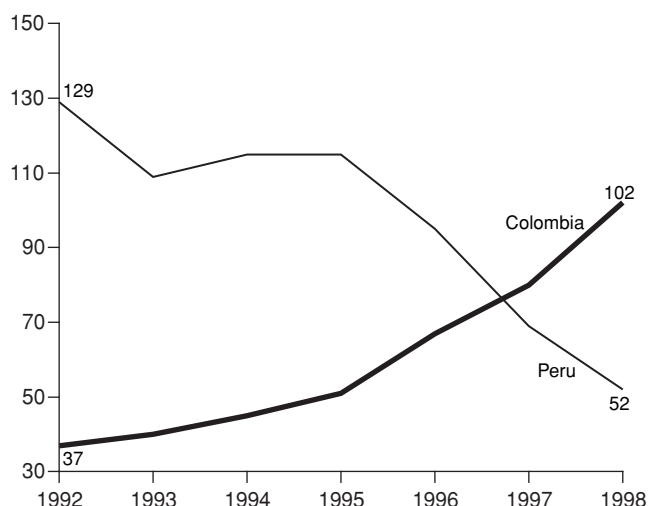
Yet, about the only official voice in Washington that has been willing to yell “duck!” has been drug policy adviser Gen. Barry McCaffrey (ret.), who, as far back as 1996, said about the FARC and the ELN: “They’re guarding drugs, they’re moving drugs, they’re growing drugs. . . . They’re a narco-guerrilla force, period.”

Start from reality

How do we know this? Review the snapshot summary of zooming drug production in Colombia, provided by the following graphs.

Only three countries produce all of the world’s coca crop (the raw material for cocaine): Bolivia, Colombia, and Peru—all in South America. Until the mid-1990s, Colombia was in third place in coca leaf production, although it was always the region’s top processor of coca leaves into refined cocaine for export. Since that time, under the successive Ernesto Samper (1994-98) and Andrés Pastrana (1998-) administrations, Colombia has been catapulted into the number-one spot, in terms of area under cultivation, doubling over the last three years, from 51,000 hectares in 1995 to 102,000 hectares in 1998 (see

FIGURE 1
Coca area harvested
(thousands hectares)



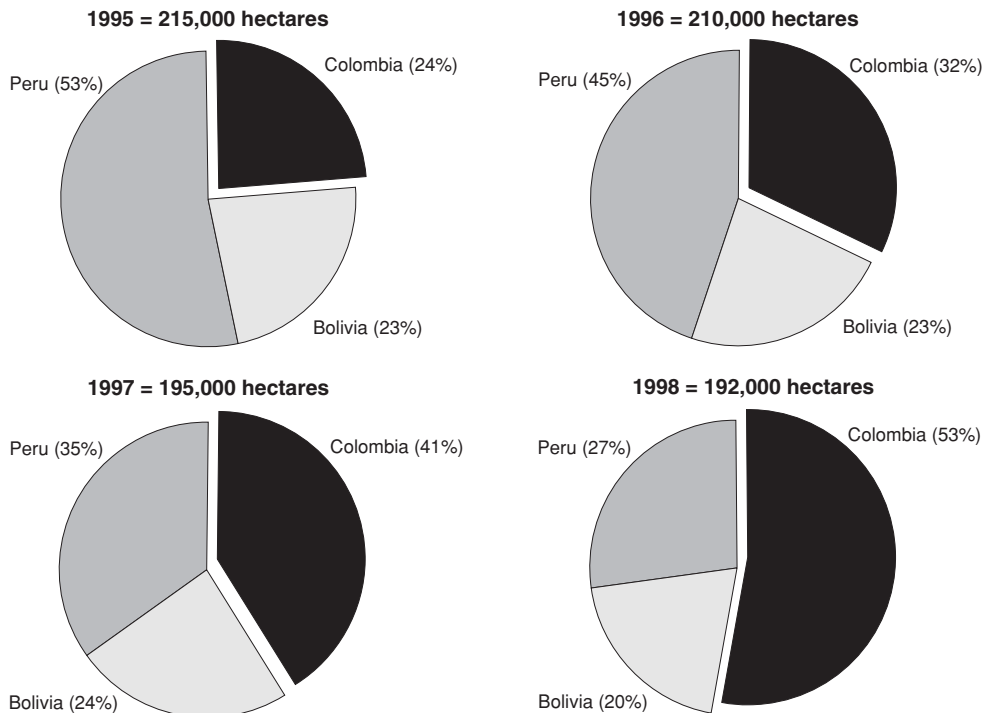
Sources: U.S. State Department and U.S. General Accounting Office.

Figure 1). Colombia today harvests 53% of all coca area worldwide (see **Figure 2**).

Colombia’s cocaine output (measured in tons of HCl equivalent, the psychoactive ingredient in raw coca) has also skyrocketed, rising by 154% over the last five years (see **Figure 3**). Whereas both Bolivia and Peru have engaged in

FIGURE 2
Coca area harvested

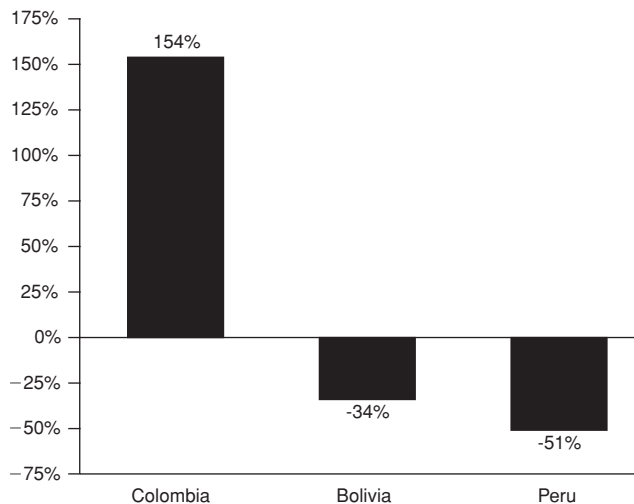
(% of total)



Sources: U.S. State Department and U.S. General Accounting Office.

FIGURE 3
Cocaine production

(% change, 1993–98)



Sources: U.S. State Department and U.S. General Accounting Office.

successful eradication campaigns, and a war against narco-terrorism in the case of Peru, the Colombian situation is out of control. Cocaine production rose from 125 tons in 1997, to 165 tons in 1998—a 32% leap in just one year (Figure 4).

Even though Colombia has more hectares under coca cultivation than Peru, the latter has historically produced more cocaine equivalent, due to higher yields and the greater potency of its crop. But even that is about to change. According to a June 1999 report issued by the U.S. General Accounting Office (“Narcotics Threat from Colombia Continues to Grow”):

“This new coca [being grown in Colombia], coupled with existing fields of coca, could increase potential Colombian cocaine production estimates from 1998 levels of 165 metric tons to between 195 and 250 metric

tons, or as much as 50%, over the next two years. According to the DEA [U.S. Drug Enforcement Administration], the production figure could be even greater if the cocaine-producing laboratories are more efficient at producing cocaine from the new coca leaf than their counterparts in Peru and Bolivia.”

The same GAO report notes that, between its own processed coca and what it refines from Peruvian and Bolivian leaves, Colombia is the source of about three-fourths of the cocaine entering the United States every year. Furthermore, Colombian drug-runners “are now capable of producing ‘black cocaine’ [adding charcoal and other chemicals] that hinders detection and are improving their transportation capabilities by manufacturing boats capable of carrying up to 2 tons of cocaine at high speeds.”

Then, there is heroin

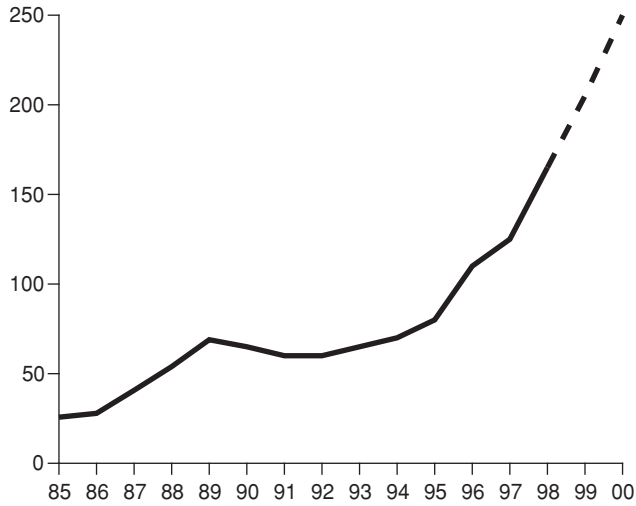
On top of that, there is heroin: Colombia has evolved over the last few years into the number-one supplier of heroin into the eastern United States.

Now look at the map (Figure 5). Where are the drugs being grown and processed? Who runs those areas? Who is producing all this poison? It is the FARC and the ELN—

FIGURE 4

Colombia: cocaine production

(tons of HCl equivalent)



Sources: U.S. State Department and U.S. General Accounting Office.

Wall Street and the State Department’s new allies. This news service has documented the organic link of terrorism and drug-running for 15 years. In 1996, the Colombian Army, then headed by Gen. Harold Bedoya (who was later sacked by the Samper government), published a book in both Spanish and English entitled *The FARC Cartel*, which documents that the FARC constitutes Colombia’s third, and greatest, cartel. And now, you can read about it even in the cautious GAO study mentioned above:

“The new growing areas are, for the most part, controlled by the insurgents,” i.e., the FARC and the ELN, the report states. “Within the area where most drug-trafficking activities occur, U.S. embassy officials stated that the drug traffickers and the insurgents have become virtually indistinguishable. . . . DEA reported that the presence of FARC units in Colombia’s eastern lowlands and southeastern jungle area was especially troublesome. According to the DEA, these areas include most of the coca and opium poppy cultivation and most of the major drug-trafficking production facilities.”

Peace, or legalizing the cartel?

So, you ask: How in the world does the U.S. State Department defend its support for the Pastrana government’s negotiations with the Third Cartel? How can they endorse, as they do, the fact that five municipalities in southern Colombia have been stripped of all government presence, and handed over to the FARC?

Simple. It is justified as part of a strategy . . . to fight

FIGURE 5

U.S. GAO's map of drugs and terrorism in Colombia



Source: GAO report, "Drug Control: Narcotics Threat From Colombia Continues to Grow," June 1999.

drugs! The FARC, you see, are taken at their word that they are not really *into* drug-running just because they are drug-runners; they only run drugs for “political” and “ideological” reasons. And they have made an “offer”: If they are handed control of half the country (particularly the areas of drug cultivation and production) as part of “peace negotiations,” they will generously curtail drug production there—eventually—so long as all of their other demands are also met.¹

You say we exaggerate? Go to your public library, and check out the July/August 1999 issue of the New York Coun-

1. As FARC “Supreme Commander” Manuel Marulanda so nicely put it in a January 1999 interview with Colombia’s *Semana* magazine: “If they can trust in us and give us money, we promise to end coca growing.” Not just a little money, either. He had earlier specified in a November 1998 video sent to Colombia’s Congress, that “a lot of money is required,” and that over “a period of three to five years,” and, maybe, then, eradication might be considered—but only if there is no fumigation or forced eradication of coca cultivation in the meantime.

cil on Foreign Relations's magazine, *Foreign Affairs*, an establishment mouthpiece if ever there was one. Look up the article, "Colombia on the Brink: There Goes the Neighborhood," written by Michael Shifter, head of the "Democratic Governance" program of the Inter-American Dialogue (IAD). There you will read:

"The two groups [FARC and ELN] have combined revenues of about \$900 million a year, some \$500 million of which is derived from taxes on coca producers and the rest of which comes from kidnapping and extortion. It would be a mistake, however, to see the guerrilla groups as common criminals or drug mafias (although some of the FARC's fronts seem to closely fit that mold). Their criminal activities help sustain a political agenda. Nor are they rigid ideologues, resistant to reason. The rebels should instead be viewed as fundamentally pragmatic actors, out to advance political, economic and strategic interests."

Shifter writes that he does not know *what* the political goals of the FARC and the ELN are, and admits they have given no sign that they seek peace. But, he writes, the United States must ensure that peace talks continue, even though they "result in intense fighting and continued blood-letting."

The same shameless argument was made by Shifter on Aug. 5 last year, before a U.S. Congressional hearing on "Regional Conflict: Colombia's Insurgency and Prospects for a Peaceful Resolution," sponsored by the House Western Hemisphere Subcommittee.

No Congressman threw him out on his ear, as he calmly intoned that the FARC and ELN "now derive their financing primarily from illicit drugs and kidnapping. They are no longer interested in a socialist plan . . . but in fact, in enhancing their position and expanding their presence throughout the country. In many places they serve as surrogate states," only to then insist that "the guerrillas should not be considered as common criminals or drug mafias, as they are sometimes characterized. . . . They are political actors with interests and agendas. They are pragmatic and very much linked to the economic structure and products of their country (petroleum in the case of the ELN, and the illicit coca in the case of the FARC)."

Shifter was echoed at those hearings by the former director of an IAD project on violence in Colombia, the Brzezinski-trained Georgetown University Prof. Marc Chernick. Chernick urged Congress to support peace with the FARC, arguing:

"Let me say very clearly, the FARC is not a cartel. . . . It is an insurgent group that exercises authority in parts of rural Colombia, particularly in these coca-growing regions. . . . [They] make lots of money. All evidence shows that they don't save lots of money. Over the last 10 years, they've dedicated almost their entire earnings to building a major fighting capacity, not to saving money. This is not a drug

cartel, this is a fighting machine that's put their money into sustaining an insurgency."

Medellín, Cali, and FARC cartels

That the FARC "fighting machine" would make such an offer, is not surprising. Each cartel—and the "gentlemen above suspicion" who front for them—has made such offers. In the 1980s, the Medellín Cartel suggested it could pay off Colombia's foreign debt, and get out of the drug trade—so long as they were allowed to keep their wealth, and pay no penalty.

Then came the Cali Cartel's turn, with Gilberto Rodríguez Orejuela's offer that he, with his power over the traffic, could "significantly reduce" drug trafficking from Colombia, maybe even by 60%, provided he, his family, and his henchmen were guaranteed the right to lead a "normal" life as honest businessmen.

That this latest cartel offer would receive the active support of the Inter-American Dialogue and its minions is, also, no surprise. The Dialogue, after all, began campaigning for drug legalization back in the 1980s, so that drug monies could be used legally by banks.

But the IAD, British-allied and banker-run, maintains an iron grip on United States policy toward Ibero-America these days; and, so, the State Department has taken the lead in organizing for the bid to legalize the narco-terrorist Revolutionary Armed Forces of Colombia cartel. As the U.S. General Accounting Office's report notes, State Department officials dispute Defense Department estimates that the "insurgents" earn between \$5-600 million a year from drug trafficking, as "not . . . confirmed." State Department officials even told *EIR* last September that "only" 7-10% of the FARC is involved in drugs.

The U.S. Embassy in Colombia, in fact, has spent the last year organizing private "retreats," where they bring in prominent Colombians to hear lectures promoting the idea of peace with the traffickers. The head of State's Andean Affairs office met personally with the head of FARC finances, Wall Street's new partner, Raúl Reyes, last December to discuss the FARC's "offer." At every opportunity, State officials repeat, as did spokesman Thomas Foley on July 6, that the State Department endorses the Pastrana-FARC deals, because "progress in the peace process will enable the Colombian government, with our support, to accelerate anti-narcotics efforts against production and transit of cocaine and heroin."

And these are not just words. The GAO report reveals that the Colombian and U.S. governments commitment to policy is such, that they have gone so far as "not to allow certain types of overflights, such as surveying coca-growing areas, through the [FARC's] demilitarized zone," because of "promises" made to the FARC by the Pastrana government.

EIR's record: Financial oligarchy pushes drugs

For more than two decades, EIR has exposed the role of the global financial oligarchy in forcing the drug trade on Third World nations, and in laundering the proceeds from drug sales. The following are some highlights of our past coverage.

“Why the World Bank Pushes Drugs,” EIR, Sept. 18-23, 1978:

. . . The threatened tidal wave of drugs is the first phase of a deliberate and operational plan by the World Bank, International Monetary Fund, and allied London, Amsterdam, and turncoat American financiers. They are engaged in forcing major portions of the Third World to abandon “expensive, wasteful” development hopes and become profitable, starving narcotics plantations. The minds and bodies of America’s youth are to be sacrificed to this debt-and-austerity imperative along with the lives of millions in the Third World, even as these bankers extoll the economic benefits of expanding the drug trade. . . .

John Holdson, the senior official for Latin America in the World Bank’s International Trade and Monetary Flows department:

“I haven’t looked at Colombia’s drug industry, although I’ve just returned from Bolivia, and I know that the coca industry there is highly advantageous to producers. In fact, from their point of view, they simply couldn’t find a better product. Its advantages are that no elaborate technology is required, no hybrid seeds, and land and climate are perfect. . . .”

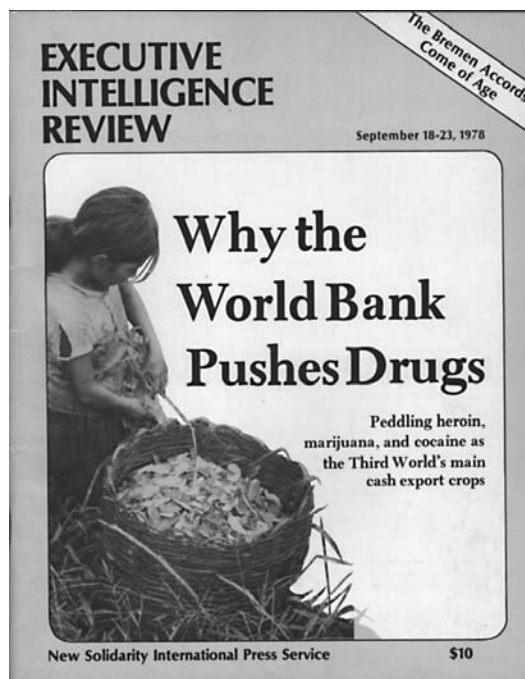
From an interview with a Colombian specialist at the International Monetary Fund:

Q: “. . . To simply ignore the parallel economy means to let it grow to the point at which it would just swallow up and destroy the national economy.”

A: “But there I must absolutely disagree with you, with the last thing you said. It would not destroy the national economy. From an economic viewpoint, the marijuana is just a crop, like any other. It brings in foreign exchange, and provides income for the peasants. . . . Well, you know, legality is a relative concept. In a few years, marijuana may become legal anyway.”

From a conversation with a top international banker in New York City:

“Coffee prices are simply too unstable, always fluctuating on the world market, you know. . . . Drugs, on the other hand, provide a stable source of income at all times. With coffee prices like they are, Colombia will never get its development going, can’t make plans like the oil producers can. . . . I happen to know that the World Bank has been pressuring some



Latin American countries — not Colombia as far as I know — to find some way of statistically accounting for their contra-band flows.”

“‘International Monetary Fund Forces the Third World into the Drug Trade,’ ” interview with Frederick Wills, former Foreign Minister of Guyana, EIR, Nov. 29, 1983:

EIR: . . . One of the things the IMF pushes is what they call ‘non-traditional exports.’ Are they aware of the fact that these actually include illicit drugs?

Wills: Oh yes, they are aware. But there is a certain conspiracy of silence. Nobody puts down on a government balance sheet or an IMF balance sheet “Export of Dope.” You put down “Agricultural Exports”! This is to cover up a multitude of sins. You may know that 90% of it is dope, but nobody puts down the word. The banks advance money, because the return on investment is very large; it is not ‘risk capital.’ ”

Bush’s Surrender to Dope, Inc.: U.S. Policy Is Destroying Colombia, EIR Special Report, April 1, 1991.

EIR quoted leading advocates of drug legalization, including:

The Economist, June 1989: “It is obvious . . . that drug dealers use banks. . . . The business . . . has become part of the financial system.”

U.S. Secretary of State George Shultz, Oct. 7, 1989: “We’re not going to get anywhere until we can take the criminality out of the drug business. . . . We need at least to consider and examine forms of controlled legalization of drugs.”

Milton Friedman, in his 1983 book *Tyranny of the Status*

Quo: “The belief that it is desirable to legalize marijuana and all other drugs does not depend on whether marijuana or other drugs are harmful or harmless.”

Inter-American Dialogue, report issued April 1986: “If selective legislation could reduce the enormous profits derived from drug trafficking, it would decrease vice and corruption.

Dennis Small, “How the Economy of Bolivia Became Adicted to Cocaine,” *EIR*, Jan. 10, 1992:

The nations of Eurasia which have recently freed themselves from communism, are today threatened by a new, more perverse form of enslavement. They are being told by the Anglo-American establishment that if they want to solve their economic problems, they have to become part of the West’s “free” economic system, and this means adopting the austerity conditionalities of the International Monetary Fund, and the “free-market reforms” associated with Harvard University’s *enfant terrible*, Jeffrey Sachs. . . .

The promotional “sales pitch” on Jeffrey Sachs is that he proved his genius by wiping out inflation in Bolivia between 1985 and 1987—his first “success story.” Inflation there dropped from an annual rate of over 20,000% in 1985, to about 11% in 1987. . . .

But the way Sachs stopped inflation, was by destroying

what little existed of Bolivia’s productive economy, and opening the doors wide for the international drug trade to come in and fill the vacuum he had helped create, and consolidate its death grip on the economy. . . .

The number of workers employed in coca leaf growing and processing leapt from about 350,000 (or 17% of the labor force) before Sachs worked his magic, to over 700,000 after—a third of the entire labor force.

Was all this an unfortunate mistake, a miscalculation on the part of the well-intentioned Harvard wonder boy and his establishment sponsors? Absolutely not. The destruction of Bolivia’s productive economy and the skyrocketing of the drug trade were the deliberate, conscious, and intended result of Sachs’s policies.

It is best to listen to Sachs himself on this subject, as he stated it bluntly in his 1988 study, *Bolivia: 1952-1986*:

“To preserve fiscal balance, the government had to launch a brutal battle to reduce payrolls in Comibol [the state tin company] and YPF [the state oil company]. Although fiscally necessary, the results are stunning, and indeed reflect a social tragedy. Comibol has reduced its employment from about 30,000 workers in 1985, to just 7,000, as of 1987. Many of these workers are still unemployed, or only marginally employed, or *have gone to the coca-growing region to find work*. The mining towns themselves have been decimated.”

‘Dope, Inc.’ and the jailing of LaRouche

In 1978, Lyndon H. LaRouche, Jr. commissioned the publication of a book by a team of EIR authors, which became known as Dope, Inc. The first edition was released in December 1978, and soon became a best-seller; updated editions were published in 1986 and 1992. The explosive impact of the book was one of the factors that led to LaRouche’s jailing from 1989 to 1994, as the result of a railroad prosecution in Federal court. The following brief excerpts from the introduction to the 1992 edition, subtitled “The Book that Drove Henry Kissinger Crazy,” give an idea of what the stakes were:

Thirteen years ago, the first edition of *Dope, Inc.* was released. Commissioned by anti-drug American statesman Lyndon H. LaRouche, Jr., it was the first book to reveal that the illegal drug cartel was becoming the world’s biggest business; to name the causes of the war “Dope, Inc.” has waged against every nation in the world; and to reveal the

names of the “untouchable” figures who protect it, including the European monarchs, whom our Hollywood media have sold to the public as veritable deities. . . .

Its effectiveness is attested to above all by the fact that the kingpins of the U.S. branch of the drug cartel—led by Henry A. Kissinger and the Anti-Defamation League of B’nai B’rith—launched a years-long effort to silence the authors, starting with LaRouche, who was railroaded to Federal prison in late 1988 on trumped-up “conspiracy” charges, and is now fighting in the course to overturn that travesty of justice.

Lyndon LaRouche was jailed within days of George Bush’s inauguration as President in January 1989, and Bush has kept him there, for reasons that include a fear by Bush and his backers of the information contained in this book. . . .

In the first edition of *Dope, Inc.*, Lyndon LaRouche warned that the International Monetary Fund and World Bank were committed to imposing narco-economies on many nations of the developing sector as part of a conscious policy of genocide on a scale worse than Adolf Hitler. LaRouche identified the IMF-World Bank as synonymous with Dope, Inc. These words have been borne out with a vengeance. . . .

Russian minister writes on ‘physical economy’ from Leibniz to LaRouche

The Russian-language book Osnovy fizicheskoi ekonomiki (Foundations of Physical Economy), published in Moscow this year, is co-authored by Dr. Yu.S. Savrasov, Dr. D.S. Kontorov, and Dr. N.V. Mikhailov, who is the First Deputy Defense Minister of the Russian Federation. The volume includes an introduction that reviews “physical economy,” as brought to life in the late 18th century as the “American System of Political Economy” in opposition to “official British political economy,” and in our day by Lyndon LaRouche. First Deputy Defense Minister Mikhailov is identified in the book as the author of that introduction.

Dr. Mikhailov is a leading Russian specialist in anti-missile defense, who is visibly active in current deliberations about Russia’s military posture. In 1996, he became Deputy Secretary of the Security Council, before moving to the Ministry of Defense the next year.

These excerpts from the introduction to Osnovy fizicheskoi ekonomiki have been translated by EIR. Subheads have been added.

Economics is “the law of the house” (Gk. *oikos*—house, *nomos*—law), from the household to the planetary level, the planet being the house for all humanity. . . .

The first known book on economics was the Book of Genesis. There it was said, that man is destined to live in no other way, than by means of daily labor, to be fruitful and multiply, to replenish the Earth and have dominion over all living and non-living beings of nature. It is evident, that mankind is following those dicta down to the present day, although not always with success.

The ‘American System’ of political economy

Economic science (in the modern sense) is significantly more recent. The works of Leonardo da Vinci (1452-1519) show that there were successful efforts to develop economic science already in the 15th century. In 1671, Gottfried Leibniz (1646-1716) published his article “Society and Economy,” devoted to questions of real value and compensation of productive labor. He established the terms “work” and “power,” which subsequently were used in physics. He defined the term “technology.” From 1791 until 1830, Leibnizian economic

science became known worldwide as “the American system of political economy,” which played a marked practical role.

At the beginning of the 17th century, the tendency of cameralism had emerged, which was a variety of mercantilism, manifested as the state’s active intervention into economic life in the interest of merchants. The partisans of this teaching believed that profit was created in the sphere of exchange, and that the wealth of a nation was comprised of money. The teaching of Leibniz was broader and deeper. In essence, Leibniz originated the synthesis of physics and economics. Then, the physiocrats, who modelled their schema on the Chinese economic model, influenced views in economics to a certain degree. Rejecting the notion of wealth as an accumulation of money, they considered nature to be the sole source of wealth. . . .

Official British political economy begins with the book *The Wealth of Nations*, by Adam Smith (1723-90). The British scientific paradigm opposed the American one, and took the upper hand.

Economic science underwent fundamental anti-capitalist development in the works of Karl Marx (1818-83), who synthesized the British, American, and physicalist tendencies and brought to the fore *human labor* as the source of wealth.

Thus it came to pass, that the fundamental ideas of Leibniz, about the concepts of labor and power, were first moved to the back burner, and then quite forgotten, although the principle of least action, which he discovered, was the central element for defining productive technology.

The discoveries of Leibniz and his followers (Huygens, Carnot, et al.), using the differential calculus and other mathematical achievements, were the basis for the development of heat-powered machinery, the creation of the coal and iron industries, and for methods to economize labor in economic practice. They played a certain role in forming the technosphere. This fruitful tendency was continued in the works of F. List (1789-1846), Henry C. Carey (1793-1879), E.P. Smith (1814-82), and, in our time, Lyndon LaRouche, who based his work on the geometrical conception of Bernhard Riemann (1826-66), and the works of Kepler (1571-1630) and Gauss (1777-1855). *Physical economy* did not win due recognition, perhaps because economics is inevitably bound up with the concept of law. Physical economy borrowed the idea of *natural law* from Nicolaus of Cusa (1401-61), who defined it as the *law of equity*. The economics of Adam Smith and his followers—traditional economics—proceeds rather from a notion of juridical, *legislative law*. It became a descriptive science, which identifies and interprets processes in production relations.

It may seem paradoxical, that the impulse to create physical economy came from the thinking of the idealist Plato, while the point of departure for modern traditional economics, which is alien to the physical paradigm, is the concepts of the materialist Aristotle. This paradoxical character, how-

ever, is purely superficial. The profound causes of the difference have another genesis. The pretensions on the part of traditional economics, to be able to establish economic laws that are effective for purposes of prediction, proceeding only from the conditions of existence, turned out to be illusory. In that sense, traditional economics failed to justify being called “the law of the house.” . . .

No fundamental achievements

Despite the dispensing of Nobel prizes for economics, this discipline has yielded virtually no fundamental achievements, which have predictive validity.

In the mid-20th century, a new tendency arose—mathematical economics, which is linked with the names of J. von Neumann, O. Morgenstern, L.V. Kantorovich, H. Nikaïdo, V.V. Leontyev [W. Leontieff], D. Meadows, M. Mesarovich, et al. The research and prognoses of the Club of Rome became particularly well known, but were not borne out. A powerful and highly ramified mathematical apparatus was developed, but due to the absence of promising economic ideas, the pragmatic validity of this tendency proved inadequate. The world developed so rapidly, that economics was unable not only to forecast coming changes, but even to explain those that had already taken place. In this phase, too, economics failed to justify its name, and, despite the prestige of the profession of economist and the need for such a science, it did not attain genuine scientific status as a basic science.

It is impermissible to deny the great contribution to the development of economic thought by such nearly contemporary scholars as Samuelson, Nikaïdo, Marishima, Dornbusch, J. Fischer, and J.M. Keynes. . . . The Soviet school added little to the gnoseology of economic processes, but it achieved significant successes in the development of mathematical models (V.L. Makarov, D.S. Lvov, et al.). Contemporary Russian economists are pure pragmatists, and not very good ones. Using the experience of the West, some of them carried out a monetarist policy, paying no attention to the specifics of the real situation in Russia. Another group appealed to “the achievements of socialism” and called for restoring it, with some corrections. Not one economist in the world, however, has yet been able either to predict, or to explain the economic phenomenon of Russia in our time.

The science of physical economy

Physical economy makes it possible to use physical analogies as a predictive instrument for economic research. Although the ideas of physical economy go back to Plato, Leibniz, and Cusa, physical economy is becoming a scientific tendency, recognized by the public, only in our time—because of the inability of traditional economics to solve problems of forecasting, and to the pressure of practical requirements. The representatives of this tendency—L. LaRouche, P. Kuznetsov, et al., have concentrated their attention on prac-

tical, as well as conceptual problems.

(Dr. Mikhailov provides a bibliographical reference to the Russian edition of LaRouche’s book *So, You Wish to Learn All About Economics?*, published in Moscow in 1993.)

Russians seek ‘asymmetric’ advantages in military technology

by Rachel Douglas

Dr. Nikolai V. Mikhailov is a key figure in Russian military science, and anti-missile defense in particular, who is taking a prominent role in current public debates in Russia about the proper military posture, now that NATO “out-of-area deployments” have commenced with the bombing of Yugoslavia. Co-author of the new book, *Foundations of Physical Economy*, Mikhailov has been First Deputy Defense Minister of the Russian Federation since September 1997, with the additional rank of “state secretary.” Before that, he was deputy secretary of the Security Council of the Russian Federation, beginning in July 1996.

N.V. Mikhailov, 62, has worked chiefly on the industrial and technical side of Russian defense. In 1997, he received a State Prize of the Russian Federation “for projects on the creation and development of warning systems against missile attack, space control systems, and anti-missile defenses.” Mikhailov holds degrees as “doctor of economic sciences” and “grand doctor of philosophy.”

From 1986 until 1996, Mikhailov headed a Soviet research organization, becoming a Russian joint-stock company after 1991, called “Vympel” (“Pennant”), which did classified work on radioelectronics and anti-missile defense. In 1993, “Vympel” was identified as one of the initiating organizations for the Russian “Trust” proposal for joint Russian-American anti-missile R&D, presented at the Vancouver summit. As *EIR* was one of the few publications to report at the time, President Boris Yeltsin carried to that very first summit meeting with President Bill Clinton a proposal for cooperative U.S.-Russian development of anti-missile “plasma weapons,” a proposal that, in its key characteristics, reflected the original LaRouche policy-design of a shift to effective defense against nuclear attack, based on scientific breakthroughs. The proposal was announced in an April 2, 1993 front-page *Izvestia* article, headlined “On the Eve of Vancouver—Russia Proposes to the U.S. a Joint Plasma

Weapons Experiment.”

Izvestia writer Viktor Litovkin reported then, “Our country may propose to conduct, on Kwajalein Atoll in the Pacific Ocean, a joint, large experiment on repulsing a missile attack. Russian scientists, who have worked for a long time in top-secret areas of defense, call this experiment ‘Trust’ [*Doveriye*]. Participating in design of the experiment were such scientific and production centers as the Scientific Research Institute of Experimental Physics from the closed city of Arzamas-16, the Central Scientific Research Institute of Machine-Building from Kaliningrad near Moscow, where our best missiles were produced, the Scientific Research Institute of Radio Equipment Construction which is part of the super-secret international joint-stock corporation ‘Vympel,’ leading institutes of the Russian Academy of Sciences, and other collectives.”

The journal *21st Century Science & Technology*, Summer 1993, published an analysis of the “Trust” proposal by LaRouche’s associate Dr. Jonathan Tennenbaum, which concluded, “The Russian offer might be a signal for the United States to break out of the suicidal anti-technology, anti-growth mood of recent years, and to join other nations in rebuilding our troubled world using the best fruits of modern science.”

The “Trust” proposal did not bear fruit, in immediate policy application in 1993. Russian-American relations were tracked into the International Monetary Fund-dominated financial sphere, while science and technology were put under the umbrella of the Gore-Chernomyrdin Commission.

First Deputy Defense Minister Nikolai Mikhailov has contributed several articles to current deliberations on Russia’s military posture. Excerpted here is the most recent one, in *Nezavisimaya Gazeta* of April 30, titled “Weighty Answers to Military Challenges—It Is Possible for Russia To Have a Rational Military-Technical Policy Under Crisis Conditions.” Here, Mikhailov raises the “physical economy” and “strategic defense” themes of the essential role of infrastructure in the economy, the possibility for “asymmetrical” military development—not matching NATO dollar-for-dollar, but focussing on certain key technologies—to provide adequate security for a devastated Russia, and elements of a “science-driver” concept of national economic development. He also sheds light on possible reasons for the participation of Tu-95 “Bear” aircraft in the “Zapad-99” military maneuvers last month (see *EIR*, July 2, p. 70), for the first time in over a decade.

Documentation

The article “Weighty Answers to Military Challenges—It Is Possible for Russia To Have a Rational Military-Technical Policy Under Crisis Conditions,” appeared in Nezavisimaya Gazeta of April 30, 1999. The author is Nikolai V. Mikhailov, State Secretary, First Deputy Minister of Defense of the Russian Federation.

It appears that I made an unforgiveable error, in my [Sept. 24, 1998] article, “Russian Can Preserve Its Status As a Great Power.” Analyzing the major geopolitical changes in the world, which have coincided with the rapid development of both military and commercial technologies, I wanted to believe that these changes would set the stage for a radical revision of views of the nature of possible wars in the 21st century. It seemed that the anticipated shifts would lead, by about 2010-20, from highly destructive wars, toward wars, restricted to functional actions against military forces and capacities, with minimal physical effect on the population.

The character of U.S. and NATO aggression against Yugoslavia, with the large-scale employment of the most advanced means for waging war, leave no hope for the possibility of such an “ennoblement” of the essence of war through the intellectualization of military technologies. On the contrary, the character and possible scale of actions using new military technologies against social and economic infrastructure can place unprecedented tribulations on the shoulders of

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ordinary citizens. . . . It is already clear, that there are many grounds for the immediate adoption of an international convention to ban the use of several such technologies to destroy countries' social and economic infrastructure. . . .

Russia's military-technical policy in crisis conditions

Analysis of the real scientific-technical and economic possibilities provides the basis to say that Russia has good prospects to face up to military threats and challenges in the 21st century. Despite the crisis. Despite the destructive effects in the economy, especially the military-industrial complex, during the past 5-6 years. . . .

History always leaves a chance. . . . It is clear to everybody that our country continues, despite the fundamental loss of its economic position in the world, to occupy a worthy place in geopolitics, science, culture, and education. Our leadership in a number of military technologies has not been lost. Thus, there is a basis for carrying out an active state military-technical policy. This must be focussed on the effective solution of key military-technical tasks for Russia's defense security in the 21st century, in the strategic and tactical-operational spheres.

Key military-technical tasks. . . .

Strategic

1. Global control of the strategic zone of outer space.
2. Reliable ability to hit space-based electronic, optical, and radio intelligence capabilities.
3. Guaranteed determination of the aggressor country, carrying out a nuclear attack on our country or its allies.
4. Reliable suppression of the information components of national anti-missile defense systems, guaranteeing penetration of anti-missile defenses by nuclear- or non-nuclear-armed missiles, and the aggressor country's strategic vulnerability.
5. Highly accurate targeting of intercontinental ballistic missiles and non-nuclear-armed land-, sea-, and air-based cruise missiles, against stationary and minimally mobile targets.
6. Inter-regional air transport of troops during strategic deployment of the Armed Forces. . . .

It may be said with confidence, that there is none of the above-listed [including eight "tactical-operational" priorities, omitted here—ed.] tasks, in which any potential adversary has decisive superiority over Russia. Our most important task is to consolidate that state of affairs, for a minimum of 10-15 years.

I anticipate the voice of skeptics: "How can you seriously talk about accomplishing those tasks, when the ratio of real [defense] budget allocations in Russia and the U.S.A. is 4:279?!" [budget defense spending, expressed in billions of U.S. dollars—ed.]. Anyone who lives by the national interest and values questions of national security would like the ratio to be otherwise. Today we have only what we can allow our-

selves. No more. But even that is sufficient, to look to the future with optimism.

First. . . . The strategic deterrent, created by our people in past years, . . . makes it possible to ensure geopolitical stability in the years ahead. That is why balanced development of nuclear missile weaponry, associated information programs . . . and combat guidance systems for the strategic nuclear forces should remain the highest priority of state, regardless of budget strictures. . . .

Third. The crisis has promoted a concentration of budget allocations only on areas of armaments and military equipment, where we have real possibilities to consolidate our leadership, or on those where potential adversaries have vulnerable sides (the principle of asymmetry). This principle is based on the well-known law, that it is more efficient and economical to exploit the opponent's weak side, than to try to develop one's own strong sides. . . .

Fourth. The talent and foresight of our scientists and engineers have created systems of armaments and military equipment, which have a huge, in some respects unlimited, potential for modernization. This applies to strategic forces . . . as well as tactical-operational forces in all branches of the Armed Forces. Here is a gigantic potential for economizing resources.

Thus, while preserving the mechanical, electric, and information systems of the X-55 cruise missile, a new class of highly accurate weapon may be created by replacement of its warhead and redesign of its hardware compartment, to accommodate a highly accurate optical guidance system. This radically extends the combat capabilities not only of the strategic Tu-95 and Tu-160 aircraft, but also gives new capabilities to the Tu-22M and front-line combat aircraft. Modernization of the X-22 missile makes possible a 50% increase of its range and nearly doubles its speed and altitude of flight, . . . adding maneuverability. . . . Modernization costs four to five times less than new designs. . . .

Seven. We are only at the threshold of putting the intellectual property and dual technologies, accumulated at military-industrial complex companies, into economic circulation. In the context of rational restructuring, this sector can free up a huge potential for development. . . . With all the irreparable losses and negative consequences, the economic crisis and the degradation of the military-industrial complex create conditions that may allow us to free ourselves from obsolete dogmas and inertia in our thinking. . . .

I anticipate possible reproaches for excessive optimism in this article. I am ready to accept them, believing that today our greatest deficit is precisely a deficit of constructive optimism. . . . A rational state military-technical policy today can be a powerful factor for the stability of our national security, and a factor in the rebirth of the military-industrial complex, through which the shortest route lies to the activation of the industrial policy and technological independence of Russia.

IMF's \$24 billion: a loin-cloth to cover Mexico's bank bailout

by Rubén Cota Meza

On June 14, Mexican President Ernesto Zedillo reported that he had "instructed" his Finance Secretary, José Angel Gurría, to prepare and carry out a program of "financial armor for Mexico regarding its foreign obligations." Zedillo pointed out that, when he had taken over the Mexican Presidency in late 1994, he was faced with "\$44 billion in direct private sector debt, and, of course, [dollar-denominated] instruments of public debt all coming due" over the course of the following year. Now, Mexico has girded itself with financial "armor" to avoid bequeathing a similar situation to the next President, Zedillo reported.

The next day, Finance Secretary Gurría and the head of the Banco de Mexico announced that a \$23.7 billion debt refinancing package had been negotiated with the International Monetary Fund (IMF), the U.S. Federal Reserve, the Central Bank of Canada, the World Bank, and the Inter-American Development Bank (IADB).

The refinancing, which has been variously dubbed the "Program for Financial Strengthening 1999-2000," contingency lines of credit, the IMF's "anti-crisis window," or, as Zedillo christened it, "financial armor," is intended, over the next 18 months, "to reduce to a minimum [Mexico's] need for access to the international financial markets."

In other words, the battered body of the Mexican economy no longer has the strength to swim in the turbulent waters of financial globalization, infested with speculative sharks.

Despite Zedillo's claim to have given instructions to "design and implement" such a strategy, in fact the contingency refinancing was announced by the IMF's Interim Committee during its late-April 1999 meeting in Washington, and triggered an unusual protest by the Mexican government at the time. For weeks before and several weeks after the IMF announcement, Gurría and other Mexican government officials insisted that Mexico did not need to be included in the IMF's "anti-crisis window." Or at least "give it a different name," said the besieged Gurría. Further, declared Bank of Mexico Governor Guillermo Ortiz, the conditions for the new credits are "extremely severe."

What did the IMF directors see in the Mexican economy that made them decide to "protect it" from a forthcoming

speculative attack? What motivated the Mexican government to go from incipient rebellion to enthusiastic submission?

The banking hole

On June 17, two days after the announcement of Mexico's new "financial armor," the government's new Institute for Protection of Bank Savings (IPAB) announced that it would be taking over the administration of Banco Serfín, the third-largest bank in Mexico. The capital infusion Serfín needs, according to the IPAB, is 23 billion pesos (some \$2.5 billion).

The next day, IPAB executive secretary Vicente Corta Fernández warned that the Mexican banking system could be a factor that weakens the "financial armor," while at the same time announcing that he has authorized the release of 84 billion pesos (approximately \$9.3 billion) to clean up the financially troubled Bancrecer, another of the 16 insolvent Mexican banks which have required government intervention. To rescue Banca Promex, the IPAB assumed 20 billion pesos in bad debt; and resources allocated to the Banco del Atlántico will be another 22 billion pesos. In the case of Inverlat bank, the IPAB announced that it would hire a specialized accounting firm to review its portfolio, and to determine the reserve loss that IPAB must make up.

In the case of Serfín, it will be cleaned up in order to sell it off. Most probably, it will end up being given to the world famous Dope, Inc. bank, the Hongkong and Shanghai Banking Corp., which three years ago bought 19.9% of Serfín stocks, and whose investments are fully guaranteed by the Mexican government: If the bank suffers losses, the government not only guarantees the value of its assets, but will pay interest on them.

In the case of Inverlat, the Canadian Bank of Nova Scotia is negotiating to increase its participation by 10%, bringing it to 55% ownership; before such a move occurs, the Mexican government would assume the bank's losses. In the case of Banco Promex and Banco del Atlántico, the intent is to clean them up by merging them, respectively, with Bancomer and Bital, while at the same time merging Bancomer and Banamex, Mexico's two largest banks, which represent between them 40% of the national banking system.

According to Phil Guarco, vice president of Moody's Investors Service, the Mexican banking system needs "at least" \$13.4 billion, and if the government wants to clean up Promex, Atlántico, and Bancrecer, that figure would rise to \$25.4 billion. It must be remembered that in 1996, the insolvent banking system was already rescued to the tune of \$65 billion by the notorious Fobaproa scheme. Combined with the projected bailout cost today, the "financial hole" represented by the bankrupt Mexican banking system is now pushing \$100 billion. Further, the overdue loans of merely that portion of the banking system considered relatively "healthy" (i.e., not counting the 16 intervened banks) reached 110,575 billion pesos (a little more than \$12 billion) in just the first quarter

of 1999, equivalent to 11.5% of the total loan portfolios of those banks.

Holes everywhere

To satisfy the payment requirements on the \$44 billion in short-term foreign debt inherited from the Carlos Salinas de Gortari government, President Zedillo has subjected the productive economy of Mexico, for four and a half years, to bestial looting, in which all real (as opposed to speculative) economic activity is generating net losses. This includes the companies and sectors in which Zedillo's export strategy is concentrated, which has led to a growing trade deficit. This situation is looking an awful lot like that of 1993 and 1994, when Salinas de Gortari's "economic miracle" was headed toward the abyss (see "Mexico Is on Course for a Salinas-Style Blowout," *EIR*, June 11, 1999), only this time the weight of the debt is centered around productive sectors incapable of sustaining rising debt service payments.

The rate at which private foreign debt payments are coming due is simply stunning. Foreign debt of non-financial private sector companies which will come due in the second half of 1999 and in 2000 is \$25 billion, while the corresponding debt of financial companies coming due during that same time frame is \$17 billion. The combined private sector must somehow find and channel payments of \$32 billion in the next 18 months.

The so-called "financial armor" may be intended to reduce the Mexican government's need for access to the capital markets, but this won't help the private sector. "What the government announced is refinancing of public sector debt," said Jorge Marín Santillán, president of the Business Coordinating Council. In the meantime, the Finance Ministry has stated emphatically that the contingency credits "will not bail out any company, nor assume the credit risk of the private sector."

Mexican businessmen, above all those shady characters who became magnates via the fraud-ridden privatization process carried out under the Salinas government, are finding themselves forced into declaring bankruptcy or selling their companies at fire-sale prices, given the impossibility of getting new credit or refinancing their debts on the capital markets. Such is the case, for example, with the Ancira Elizondo and Autrey families, owners of Altos Hornos de México, a subsidiary of the Northern Steel Group, which has declared itself in default on \$1.9 billion in debt. So, too, is the case of Raymundo Gómez Flores, who received \$80 million for Motor Coach Industries, Inc., for which he had paid \$311 million in 1994.

Altos Hornos de México produces 25% of all Mexican steel, and is responsible for 19% of the country's steel exports. The Autrey family is also the majority owner of Banco Inverlat, which is on the list awaiting a bailout with public funds. Raymundo Gómez Flores had become the main producer of buses in North America.



President Ernesto Zedillo's call for new "financial armor" will do nothing to protect Mexico's economy.

Crystal armor

Given the refinancing needs of various aspects of the Mexican economy, the IMF put together a financial package out of baling wire and chewing gum. The IMF came up with \$4.2 billion to refinance debt owed *to the IMF itself*, to cover \$3 billion due in the second half of 1999 and \$2.9 billion due in the year 2000. This may speak to the IMF's own debts coming due, but it doesn't provide a penny to the strangled productive sectors of the economy.

The World Bank will provide \$5.2 billion for 1999-2000, intended for a program to "combat poverty" and to "support measures designed to preserve economic stability." Also for 1999-2000, the IADB will offer \$3.5 billion for "financial and institutional development of states and municipalities." These last two components of the "armor" are not for 1999-2000, as the official name of the program suggests.

The U.S. Export-Import Bank has approved trade credit lines for \$4 billion, to finance Mexican purchases of U.S. goods. These are the same lines of credit that had been announced during President Clinton's visit to Mexico in February. The other \$6.8 billion will come from renewal of "exchange stabilization lines" with the U.S. Federal Reserve and Canadian Central Bank, contracted within the context of the North American Financial Agreement, also known as the secret financial clauses of the North American Free Trade Agreement, or NAFTA.

So armored, it is the bankers' fondest hope that Mexico will be able to weather the speculative fury of the markets in the period ahead.

Zimbabwe faces off against the IMF

"That creature" is the way Zimbabwe President Mugabe refers to the IMF, in defense of his nation's sovereignty.

President Robert Mugabe of Zimbabwe took the occasion of the funeral of independence fighter and leader Joshua Nkomo to state his defiance to the decision of the International Monetary Fund (IMF) to withhold a promised tranche of \$200 million to Zimbabwe, despite the fact that the country is not in arrears on its debt payments. Speaking before thousands of mourners in Harare, the capital, on July 5, President Mugabe referred to the Fund as "this creature," and noted that the conditionalities it imposes on countries constantly change. He accused the IMF of "shifting the goal posts" every time an agreement is in sight.

More than \$15 billion in "donor community" aid is being held up by the IMF's refusal to deliver the tranche to Zimbabwe. In May, President Mugabe visited China, where he was able to procure project aid. The Fund's response was to renew negotiations again. But, less than a week before it was to meet on July 9 to give a final approval for the delivery of \$53 million on the tranche, the IMF announced that it would suspend all payments, because the government had taken action to control the price of the main food staple, mealie-meal, or maize meal.

Millers have been refusing to sell the meal because the price is so low that it does not cover the costs of production. The government has now raised the price, in order to stave off a food crisis, but will subsidize the price to consumers. The Fund says that the subsidy violates its rules, and therefore the tranche will not be delivered. The July 9 meeting has been indefinitely postponed. As reported by Zimbabwe

national TV, "Comrade Mugabe questioned whether Zimbabwe is not free to look at its own needs and to apply its own solutions. He said Zimbabweans are a proud people who have strived to use their own ways."

Mugabe has broad support in the population for this fight against the Fund. On June 22, the Zimbabwean churches organized a demonstration against the Group of Seven industrialized countries because of their refusal to cancel all debts owed by poor countries. Petitions were handed over to the Japanese and U.S. embassies demanding debt cancellation. "Thousands of children die each year due to the debt burden on their countries," declared Rev. Guide Makore of Jubilee 2000, citing the fact that because of debt service payments, many African countries have been forced to shut down medical services.

Previously, the Fund had cited as its obstacle a plan put forward by the government for the redistribution of uncultivated land, now in the hands of large landowners. Cultivated and productive land is not to be touched. Since colonial days, when British colonialists seized the best land for themselves and removed the farmers on it, Zimbabwe's people have been land-starved. This has now reached such a crisis point that, in order to survive, landless farmers are seizing property on their own. President Mugabe has argued that the land redistribution is necessary in order to stave off bloody revolution.

At the same time, the Zimbabwean government has faced strikes and threats from civil service workers who are asking that their pay increases be

commensurate with the rising inflation. The country's currency has also depreciated to the dollar by more than 65% in the last year.

However, despite the IMF demands that Zimbabwe adhere to all features of its deadly Structural Adjustment Programs, it is noteworthy that the row between the Mugabe government and the IMF did not break out until after Zimbabwe deployed troops in August 1998 to the Democratic Republic of Congo, to defend the Congo against invasion from Uganda and Rwanda. According to sources, the IMF technocrats have been told by the Fund's executive committee that no funds will be released to Zimbabwe until all its troops are withdrawn from the Congo.

Strangely, no such gauntlets have been thrown down to either Rwanda or Uganda, which invaded the Congo in August 1998 and are occupying one-third of the country, whereas Zimbabwean troops are in Congo at the invitation of its sovereign government. The Fund's actions over the past months raise the question as to whether the IMF is a belligerent in the Congo war, and to what purpose and on whose behalf?

Certainly, the interests of the British Commonwealth may be exerting themselves in the Fund's intransigent behavior, since it is British Commonwealth and allied European companies that are following in the wake of the Ugandan and Rwandan armies into eastern Congo. In April, President Mugabe threatened to take charges against Great Britain to the United Nations, prompting the British Ambassador, Peter Longworth, to erupt: "We have not been recruiting a network of agents with a view to destabilizing Zimbabwe; we have not set out to block the release of IMF funds to Zimbabwe, and we are not attempting to derail the land reform program."

Business Briefs

Eurasia

Land-Bridge gets boost, Russian press reports

"First Stone for a Euro-Asian Bridge," is the title of an article that appeared recently in the Russian government daily *Rossiyskaya Gazeta*. Written from Nizhny Novgorod and Moscow, it reported on a meeting of the ministers of transport of Russia, Kazakstan, and Belarus in Nizhny Novgorod, "on the revival of the overland trade route from Asia to Europe." The meeting resulted in "the signing of an agreement on the formation of a Europe-Belarus-Russia-Kazakstan-Southeast Asia land transport corridor," chiefly for transit of Asian freight by highway and rail through these countries.

Quoting Russian Minister of Transport Sergei Frank, the article emphasized the potential for job creation and revival of idle truck-producing factories, as well as revenues comparable to the \$3 billion per year that Iran earns from transit fees. Frank said that members of the Commonwealth of Independent States are "ordained by God, by virtue of their geographical location, to assume a substantial part of trans-Eurasian transportation," but they don't fulfill this role at present.

By October 1999, the group is to produce draft agreements on tariff coordination. Frank pointed out that "roads, terminals, and so forth" already exist, but "rolling stock . . . is another matter." Three-fourths of the entire truck fleet needs to be replaced in Ukraine, for example.

Finance

Nigeria imposes foreign exchange controls

Following the fall of foreign exchange reserves from \$7.1 billion to less than \$4 billion in six months, the Central Bank of Nigeria on June 21 introduced foreign exchange controls in order to defend the naira, the national currency. All commercial and merchant banks were told, that from June 23 on, every foreign exchange application will

have to be backed up by an investment in non-discountable treasury bills.

The Central Bank order reads, "Under this arrangement, any bank bidding for foreign exchange shall provide the initial cash backing while the amount demanded shall be collateralized 200% by treasury bills and held for a minimum of one month." The London *Financial Times* is quite unhappy about this development, and on June 22 quoted "business leaders and bankers" arguing that devaluation and deregulation should be the only answers to Nigeria's foreign exchange problems. The newspaper added, "They fear that failure to do so could jeopardize the chances of an early loan agreement between President Olusegun Obasanjo's new administration and the International Monetary Fund."

Economic Policy

World Bank's Stiglitz: Shock therapy failed

Joseph Stiglitz, the World Bank's chief economist, said that after years of so-called shock therapy, the East is worse off than in 1989, at the Annual World Bank Conference on Development Economics, in Paris. While such results have been clear for years, the admission by an institution involved in imposing such policy, is significant.

In a review of the "reforms" in the eastern Europe and the former Soviet Union, Stiglitz said, "The facts are jarring. Almost without exception, these countries have yet to return to their 1989 GDP levels, meaning on average, they are worse off today than before the transition to capitalism. More disturbing, we are seeing similarly dramatic downturns in social indicators. Life expectancies have fallen and for 18 of the 25 countries for which we have data, poverty has increased from 4% to 45% of the population."

"Among the countries of eastern Europe, early liberalization and overall growth exhibit no positive relationship, if anything, there appears to be a negative correlation," Stiglitz said, pointing out that after a brief period of short-lived growth, countries such as the Czech Republic that liberalized fast, are now suffering the weakest growth,

while countries such as Uzbekistan and Slovenia, "castigated a few short years ago for the slowness and incompleteness of their reforms," are performing relatively well.

Trade

India, Malaysia to use barter in rail deal

India's state-run rail construction firm, Ircon International, secured a \$124 million contract for a rail construction project in Malaysia, which will be paid for in palm oil shipments. The deal between Malaysia's KTM Bhd. and Ircon is India's first barter deal involving a construction project overseas.

Ircon will receive roughly 200,000 tons of palm oil over a two-year period in lieu of cash, for laying a 34 km rail track. India's annual purchase of palm oil from Southeast Asia, as of March 1999, was valued at \$706 million. The rail line will link Malaysia's new container port at Tanjung Pelepas with the main Malaysian Railway system.

Another Indian state-run firm, CMC India, has secured a 4.2 million rupee (more than \$100,000) project to computerize operations at Tanjung Pelepas. Both of the Indian firms will train Malaysian rail and port officials. Indonesia and Morocco have offered similar barter deals to Ircon in exchange for shipments of coal and phosphate.

China

Rail link to Tibet in latest national plan

A railroad to link Tibet with the rest of China will be included in the 10th Five-Year Plan for 2001-05 now being drafted in Beijing, Vice Chairman of the Tibet Autonomous Region government Mr. Nimaciren stated on June 23, the *South China Morning Post* reported. Nimaciren, responsible for the economy, said that the plan would "highly likely" include a rail line linking Tibet with other parts of China. To date, Tibet has no railroads at all. "Such a plan is of utmost impor-

tance to the development of Tibet," he said. "Tibet is the only place in China that is not linked up by railways. Such a deficiency has hindered the opening up of Tibet and discouraged foreign investment."

There are four design possibilities now under study which could connect Tibet with Qinghai, Yunnan, Sichuan, or Xinjiang provinces or regions. The project—which would mean an enormous engineering effort, to build a railroad up to the "Roof of the World"—would take 5-10 years to complete. Nimaciren said that construction would be costly and the working environment very difficult, and the rail line could at some points reach extremely high altitudes. However, he said, a rail link would be very important for the industrial development of Tibet. He said that Beijing is committed to improving Tibet's economy.

The central government had identified six priority areas for investment, including technology, transport, and energy. Tibet is receiving special assistance from Beijing in every area.

Nimaciren said that some projects in Tibet were not being built or used efficiently, including some small hydroelectric power stations. "It is true some of them have been left idle because of bad management, poor-quality construction, and insufficient technical back-up," he said. Greater supervision will be undertaken to ensure that investment in future projects would be better used. Efforts will also be stepped up to develop the raw materials industry, speed up construction, and improve poverty alleviation and medicine.

Investment

Germany, Iran to boost economic cooperation

The Iranian government expressed its wish for a "new flourishing" of German-Iranian economic ties, former German Economics Minister Jürgen Möllemann said about the trip of a high-ranking economic delegation to Tehran, in an interview with the June 26 daily *Die Welt*. Möllemann, representing the Federal Association of German Industry (BDI), headed the delegation, which included 30 top managers of German industry

and banks, including Siemens, Thyssen-Krupp, and Daimler-Benz.

Several projects were discussed, altogether amounting to an investment of more than 10 billion deutschmarks (more than \$6 billion). This includes the modernization of Iran's oil and gas industry, and the petrochemical sector. Iran is also interested in German cooperation in the transport sector, including road construction, enlargement of airports, and the delivery of airplanes and locomotives. Other areas discussed were telecommunications and local infrastructure, such as water processing.

Möllemann called upon the German government to upgrade the ranking of Iran in the state-run "Hermes" export-guarantee program, as necessary for boosting the German participation in the economic development of Iran.

The BDI released a statement on June 24, noting that the political obstacles between the two countries have all been removed, and that Iran's leadership wants a "decisive role" of German industry in Iran's new five-year plan, starting in the year 2000.

Central Asia

Form economic union, Nazarbayev urges

Central Asia, Russia, and China should form a Eurasian economic union, Kazakstan President Nursultan Nazarbayev said in a speech before the Salzburg summit of the World Economic Forum on June 30. He said that because of its geographic position, his own country could be a link between Europe and Asia. The Kazaks also have good relations to Russia and China, and to other Central Asian states, including Tajikistan, Uzbekistan, and Kyrgyzstan, with which Kazakstan already maintains close cooperation, he said.

Nazarbayev said that the Russian crisis since last August has badly damaged the Kazak economy, which has been a traditional exporter of raw materials to Russia. Apart from pipeline projects, the government of Kazakstan is also focusing on the modernization of the transport infrastructure, to improve conditions for industrial investments from abroad, he said.

ITALY "will not be able to stay in the euro" if it fails to cut labor costs and fight inflation, stated Romano Prodi, upcoming president of the European Commission, the June 22 London *Financial Times* reported. An economist at Barclays Capital was quoted: "This is the first time a senior European official has publicly mentioned the prospect of a country withdrawing from the euro."

SOUTH AFRICAN Development Community executive secretary Kaire Mbuende called on the Group of Seven industrialized countries to cancel the debt of the SADC nations. "In addition to Mozambique," he said, "Malawi, Tanzania, Zambia, and Zimbabwe currently spend about 80% of their gross domestic product each on debt servicing annually. Debt is too harmful to the poorest of our communities. Therefore, I am appealing for total debt write-off for these four countries."

CROATIA is being told to stop wage wage increases by the International Monetary Fund, as a condition for a \$200 million IMF standby loan. Earlier this year, the Croatian government agreed to a 12% wage increase for public sector workers. The economy is facing recession, with capital flows disrupted because of the Yugoslav crisis.

'ECONOMIC SECURITY is integral to national security," Lockheed Martin executive Thomas A. Corcoran said, in testimony on June 24 before a U.S. Senate Foreign Relations Committee panel. He urged that U.S. export policies be "transparent and predictable" for U.S. firms to be able to compete for international business.

THE BELARUS banking system is "on the verge of collapse," Belarus Central Bank head Pyotr Prokopovich told the Parliament on June 25. He said that the collapse of the banking system had only been prevented so far by the Central Bank's money-printing efforts, which the central bank could not continue to do.

British push NATO to cross 'red line' in Caucasus

by Konstantin George

Although the Balkans War has barely ended, there is a new flashpoint at another crucial link in the Eurasian Land-Bridge region, the Caucasus. The attention of British geopolitical strategists to this region, which is rife with manipulated ethnic conflict, is on display in the Spring 1999 issue of the U.S. policy journal *Strategic Review*, where British Royal Navy Cdr. Michael C. Evans writes at length on "Europe's Strategic Role in the Caucasus and the Black Sea." He calls for the European NATO members to build up their military capabilities during the next decade, in order to defend their right of access to oil and natural gas reserves of the Caspian Sea region — whether Russia likes it or not.

In Moscow, some strategic analysts term the Caucasus a "red line," warning that NATO expansion into the territory of the former Soviet Union, in the Caucasus or in the Baltic, would bring on a new phase of confrontation between Russia and the West.

In the Caucasus theater, first of all, a new war around Chechnya in southern Russia cannot be ruled out. The Russian media are filled with the term "new Chechen War." On July 5, Russian Interior Ministry troops launched what Prime Minister Sergei Stepashin and his protégé, Interior Minister Vladimir Rushailo, called a "pre-emptive attack" against Chechen guerrillas in their bases, inside the breakaway republic of Chechnya. The operation marked the end of a two-year phase of purely defensive response by Russia to repeated attacks by Chechen gangs on Russian police and troop border posts, mostly along Chechnya's border with the autonomous republic of Dagestan. Since Jan. 1, 1999, more than 100 people, mostly troops and police manning border posts, have been killed in such raids; most of the deaths occurred between March and the end of June. Now, indeed, a "new Chechen War," being only one of several regional war triggers, with spillover effects throughout the Caucasus, cannot be ruled out.

The pattern reflects a London-driven strategic decision to replay, in geopolitical essentials, the game by which Russia was severely weakened and "contained" during 1815-54, from the end of the Napoleonic Wars until the outbreak of the Crimean War. In that period, Russia was bogged down in military involvement in the Balkans (when the British were playing the Ottoman Empire off against Russia), in wars in the Caucasus, including a 20-year war against the Chechens, and, finally, wars in Central Asia. Now, as then, the British aim has been to engage Russia in three theaters of protracted conflict: the Balkans, the Caucasus, and Central Asia.

As a senior Russian Orientalist told *EIR* July 5, behind the well-organized "Chechen" terrorists is the British oligarchy group of ex-Prime Minister Margaret Thatcher and Lord McAlpine, working with one of London's top global terrorist assets, Osama bin Laden. "Osama bin Laden . . . is creating troubles for us in Chechnya," he said. "His network in Chechnya is basically the same as that of Lady Thatcher and her friend Lord McAlpine, who have been mobilizing British capital for the purpose of creating a 'Caucasus Common Market.' Thatcher works with the people who work with bin Laden."

The buildup of the Caucasus Common Market apparatus, and its intersection with Chechen separatist operations, was exposed in *EIR* of Dec. 5, 1997, under the headline "British 'Do Business' in the Caucasus," published with Lyndon LaRouche's first major warning about the danger inhering in Zbigniew Brzezinski's "Grand Chessboard" approach to the Caucasus. LaRouche's article in that same issue was titled "Tweedle-Dum Goofs Again."

Bin Laden, the self-proclaimed mortal enemy of both the United States and Russia, finances the operations of the "Chechen" and "mujahideen" gangs operating from the territory of Chechnya. Close Russian attention to the activation of bin Laden's "Afghansi" guerrillas, veterans of fighting the Soviets in Afghanistan, inside southern Russia, is evident in

articles such as that of Dmitri Nikolayev, "A New Empire: Osama bin Laden and His Partisans Aim to Seize Power in the North Caucasus," in *Nezavisimoye Voyennoy Obozreniye*, June 18, 1999. Citing bin Laden's financial backing to the Chechen "field commander," the Jordanian citizen Khattab, Nikolayev wrote: "According to the plan of Osama bin Laden and his comrades-in-arms from the 'Green International,' an Islamic state should be established in the north Caucasus. It is initially expected that this will consist of Chechnya, Dagestan, and Ingushetia. Subsequent plans call for the boundaries of the state to be expanded to encompass the entire region."

Balkans war and Caucasus escalation

The present irregular warfare is not a "natural" phenomenon of "Chechens" against Russia. A wrong Russian response in the form of again sending forces into Chechnya, however, would touch off just such a conflict.

Russia is perilously close to falling into the trap. The cautious approach toward Chechen gang provocations by ex-Prime Minister Yevgeni Primakov, has gone by the wayside with his successor, Sergei Stepashin. This is not surprising, given Stepashin's profile. It is no secret to London (nor to the man on the street in Moscow), that Stepashin, along with his mentor, ex-Prime Minister Viktor Chernomyrdin, played the decisive role in getting President Yeltsin to issue the order to send Russian forces into Chechnya in December 1994. The present danger is magnified by Yeltsin's proclivity for seeking pretexts, under which to impose a state of emergency, and thus prevent the scheduled Duma elections in December and the June 2000 Presidential elections. This may not happen, but Yeltsin is certainly open to the temptation of trying to extend his reign.

Now, less than two months since Stepashin has become Prime Minister, the fateful Russian counter-escalation has begun. The change in Russian policy is a dangerous, and potentially fatal response according to profile, to a dramatic escalation in British-steered irregular warfare, using Chechen and imported "mujahideen" assets, against the Russian Federation. The escalation can be traced back to March 1999, not coincidentally the month in which NATO formally expanded eastward, followed within days by the start of the NATO war against Yugoslavia.

The Caucasus escalation that began in March, was marked not only by a higher death toll and much higher number of kidnap victims (Chechen guerrillas now hold more than 200), but by a qualitative escalation, highlighted by two events: First, the kidnapping in the Chechen capital of Grozny of Russian Gen. Maj. Gennadi Spigun, the Interior Troop general who was formerly the assistant to then-Interior Minister Stepashin; and second, the most dramatic escalation to date of the British-steered irregular warfare, to points in the northern Caucasus beyond Chechnya, namely, to the autonomous republic of Northern Ossetia. In the Northern Ossetia capital of Valdivkavkaz, days before NATO aircraft began bombing

Yugoslavia, a bomb planted by Chechen terrorists went off in the central marketplace, killing 60 people.

As a result of this escalation, the Russian elite became convinced that "after the Balkans, the Caucasus is next." While the world's attention was fixed on Kosovo, this Russian conviction was translated into action through a quiet but hefty military buildup of Russian troops in the northern Caucasus, near the borders of Chechnya. Between March and the end of June, at least 17,000 Russian Interior Troops were brought into such pre-emptive strike positions, and Stepashin's hand-picked Interior Minister, Vladimir Rushailo, has stated that this force could easily be increased to 70,000. Already in the last half of June, these troops were buttressed with heavy artillery units.

The Russian counter-escalation

Two days before the attacks actually began, Rushailo had told the Federation Council (the Upper House of Parliament), on July 3, that Russia was ready to carry out such "pre-emptive attacks" against Chechen "criminal groups" which had been engaged in cross-border raids, murdering, kidnapping, and plundering in the neighboring autonomous republic of Dagestan. Referring to the nominal Chechen President and moderate, Aslan Maskhadov, Rushailo declared: "The leadership of Chechnya does not control a large part of the republic's territory." Rushailo said that the ever-growing guerrilla cross-border raids were for the purpose of kidnapping for ransom and for white slavery. "Meanwhile, human trade is developing. At the Grozny Market, you can find advertisements on sale of prisoners. Rich Chechens, building new houses for themselves, reserve special rooms to be used for containing prisoners."

With Stepashin standing at his side, Rushailo made it clear that Russia would from now on engage in a combination of hot pursuit and pre-emptive attacks into Chechnya, to try and contain the dangerous spillover before it goes out of control: "In case the Russian leadership changes the status of Chechnya, this will bring no result, as these gangsters have larger appetites. They want to tear off the whole Caucasus in order to transform it into a pseudo-Muslim criminal state. Shamil Basayev [a British-steered Chechen terrorist leader and opponent of moderate Chechen President Maskhadov] has built a heroin-refining factory, by which this operation is going to be financed."

One sees here a Russian version of the "Domino Theory," with the growing danger of a Caucasus quagmire.

Since the end of the war in Chechnya in 1996, although no major wars have yet erupted in the Caucasus, the region has been hit by non-stop irregular warfare conducted by British-pedigree "mujahideen" guerrilla bands, exemplified by the Basayev gang. These bands contain both Chechen and imported Arab and other "mujahideen" fighters, veterans of the Afghan War, now operating out of bases in Chechnya, who have regularly crossed borders to conduct murder, theft, assassination, and kidnap operations into the neighboring au-

onomous republics of Daghestan and Ingushetia, and into the Russian territory of Stavropol.

These operations escalated in March. Most shocking was the expansion of irregular warfare into the hitherto quiet northern Caucasus autonomous republic of Northern Ossetia. In contrast to all other northern Caucasus autonomous republics, this region has no history of conflict between Russians and the native ethnic group, because the great majority of Ossetians, like the Russians, are Orthodox Christians, and not Muslim, as are the other tribes of the northern Caucasus.

And there is yet another crisis brewing within this overall area: the Transcaucasus, where the republics of Armenia, Georgia, and Azerbaijan are located.

Crisis-plagued region

The present danger in the northern Caucasus is resumption of the Chechen war, with a spillover effect into the entire northern Caucasus. The Caucasus contains two politically defined regions. First is the region formed by two territories (Krasnodar and Stavropol) and a chain of autonomous republics of the Russian Federation, each of which is home to the ethnic group that gives the autonomous republic its name, and each of which has an ethnic Russian population.

One of these republics, Chechnya, exists in the Russian Federation only on paper, and has been de facto independent since August 1996, when Russian troops pulled out in the context of a "peace" agreement which left open the final status of Chechnya till 2001.

The second region is the Transcaucasus, which, since the dissolution of the Soviet Union, has existed as three newly independent republics: Georgia, Armenia, and Azerbaijan. The region was the scene of heavy military conflict in 1992-94. This Armenia-Azerbaijan war, was fought over the ethnically Armenian region of Karabakh, located inside Azerbaijan. In that war, where Armenian forces, with heavy Russian support, triumphed, Karabakh and the Azerbaijani territory between Karabakh and Armenia was, in effect, annexed to Armenia, and the mountainous "high ground," plus additional territory to the north, east, and south of Karabakh, was seized by Armenian forces, who have held it since then. The war produced 1 million Azerbaijani refugees, persons displaced or driven out from the 25% of pre-war Azerbaijan which is now occupied by Armenia. The failure to resolve the problem of 1 million displaced persons, in a poor country whose total population is about 7 million, is the reason why the manipulation and blandishments by NATO, and the opportunistic leadership around Azerbaijani President Heidar Aliyev, have been both successful and popular.

Since early this year, Aliyev, through his foreign policy adviser, Vafa Gulizade, has been calling for the United States and/or Turkey to establish bases in Azerbaijan, and for a U.S.-Turkish-led NATO intervention to restore to Azerbaijan the territory seized by Armenia. Gulizade's latest statement on this, given to Agence France Presse on July 1, said: "I believe

that a NATO operation in the Caucasus would be desirable. Azerbaijan has undergone its own ethnic cleansing. Thanks to a NATO operation, the Kosovo refugees are returning home. I think that if NATO forces were brought into the region, the Armenians would be forced to leave our occupied territories."

Here, one can see the dangerous turn of events in the aftermath of the NATO war against Yugoslavia. Virtually all Azerbaijanis firmly believe that "we are the Kosovo Albanians of the Caucasus," and cherish the hope, or rather, illusion, that NATO will next ensure the return of the displaced Azerbaijanis. For this reason, the population gives support to the dangerous moves by the Azerbaijani leadership for some form of membership or association with NATO. In one of many recent examples, Murtuz Aleskerov, Azerbaijan's Speaker of Parliament, announced on Iranian Radio on June 29: "Today, over 20% of Azeri soil is being held by Armenia, so we demand NATO to settle our dispute. That is the main reason that our country seeks to become a NATO member state."

What the Azeri people do not know — although their leaders do — is that three parties, namely, Russia, Iran, and, of course, Armenia, could not simply look on should NATO intervene, but would tend to respond militarily.

The war in Kosovo also gave rise to the same syndrome of national illusion in Georgia, that NATO could also ensure the return of 200,000 "ethnically cleansed" Georgians from the region of Abkhazia, a formerly autonomous republic of Georgia along the Black Sea coast, which, with Russian military support, broke away from Georgia after a bloody war in 1992-93. As a consequence, the entire Georgian population of Abkhazia fled — or was driven out. Another festering sore is the former Georgian autonomous republic of South Ossetia, effectively separated from Georgia since the early 1990s, and, like Abkhazia, patrolled by "Commonwealth of Independent States," that is, Russian peacekeeping forces.

The comparison of Abkhazia to Kosovo was made by Georgian President Eduard Shevardnadze, and on July 1, Georgian Foreign Minister Irakli Menagharishvili told journalists, "Georgia's goal is to completely integrate into European economic, political, and defense structures," adding that "European security structures" would better guarantee Georgian security than the CIS Collective Security Treaty, where Georgia will not renew its membership. On the same day, Deputy Foreign Minister Giga Burduli told a journalist from *Svobodnaya Gruzija* that Georgia had requested membership in NATO. Although nothing will come of this soon, or even down the road, it illustrates the ease with which these republics can be manipulated by Western oligarchical forces.

In any case, the question of formal expansion of NATO is purely tertiary. As the Balkans war has shown, NATO has become an alliance of members, "protectorates," and willing client-states. In the category of protectorates, NATO has added three since March: Kosovo, Albania, Macedonia. In the third category, client-states, the list is open-ended.

Barak takes office: a second chance for Middle East peace

by Dean Andromidas

“It is now our duty to finish the job and bring about a comprehensive peace in the Middle East. . . . It is our duty to ourselves and our children.” With these words, Prime Minister Ehud Barak officially took office in Israel, on July 6. On the same day, the Prime Minister’s spokesman announced that Barak will be holding meetings with Palestinian National Authority President Yasser Arafat, Egyptian President Hosni Mubarak, and King Abdullah II of Jordan, after which he will travel to Washington to meet with President William Clinton as early as July 16.

The change in government has been widely acclaimed as the first step to reviving the comatose Middle East peace process. For President Clinton, it represents a very rare second chance to create a true foundation for a lasting and durable Middle East peace based on a policy of widespread regional economic development. It must be remembered that the collapse of the 1993 Oslo Accords, which culminated in the assassination of Prime Minister Yitzhak Rabin and the election of Benjamin Netanyahu as Prime Minister, occurred not only because of an orchestrated campaign of Israeli-Palestinian terrorism, but more importantly, because of the sabotage of the economic development perspective that was at the core of the Oslo Accords. With Barak now in power, and other regional leaders eager to get on with the task, Clinton has the political partners he needs to dump the World Bank, the International Monetary Fund, and other international financial institutions that sabotaged that “first chance.” Such an approach would dovetail with the strategically crucial Balkan reconstruction policy elaborated by Lyndon LaRouche. With its location between east and west, and north and south, Middle East reconstruction would serve as the bridge between Russia, China, Central Asia, and Europe, on the one hand, and Africa and the Indian Ocean region, on the other.

‘Our historic duty’

In presenting his new government to the Israeli Knesset (parliament) for approval, Barak said, “It is our historic duty to use the window of opportunity opened to us and bring long-term security and peace to Israel. We know that a comprehensive and stable peace will occur only if it rests on four pillars at the same time: Egypt, Jordan, Syria and Lebanon, and, of course, the Palestinians. . . . From here today, I call on all the

leaders in the region to reach out to our outstretched hand and bring about the peace of the brave in a region which has known so much war, blood, and suffering.”

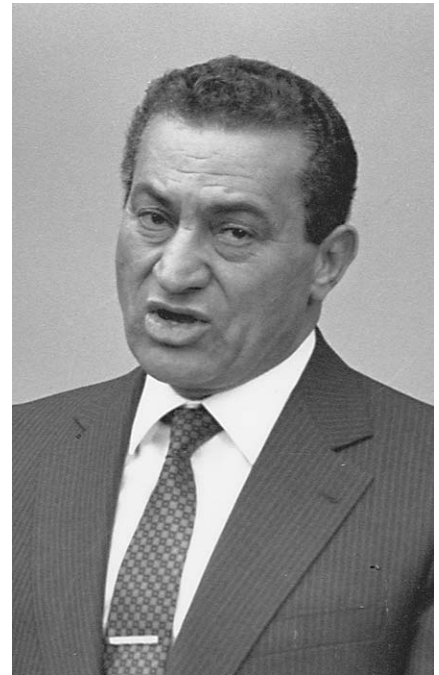
Directly addressing Syrian President Hafez Assad, Barak said, “The new Israeli government is firm in its intent to further, as soon as possible, the negotiations to reach an arrangement of peace and security—reciprocal and full—on the bases of UN Security Council Resolutions 242 and 338. We were bitter enemies on the battlefield. The time has come for an open and bold peace which will ensure the future and security of our people, our children, and our grandchildren.”

Addressing the Palestinians, Barak said, “I know not only the suffering of my people, but also recognize the suffering of the Palestinian people. My desire and aspiration is to put an end to the violence and suffering and to act with the elected Palestinian leadership, headed by Chairman Yasser Arafat, working in cooperation and with respect together to find a fair and agreed-on arrangement for a coexistence of freedom, prosperity, and good neighborliness in this beloved land in which two peoples will always live.”

Barak also stated that King Hassan of Morocco could contribute to the peace effort, along with President Clinton, Jordan’s King Abdullah II, and Egypt’s President Mubarak. The reference is important, because relations with this very major North African Arab country had, in effect, collapsed under Netanyahu’s prime ministership.

Barak’s new government

It took Barak a lengthy 42 days to form a coalition government, but the coalition parties command 75 of the 120 members of the Knesset. The delay had much to do with the fact that both Labor, now called One Israel, and the Likud-allied parties had lost a significant number of seats in the May 17 elections, a political environment that has been splintered into an unprecedented number of parties representing special religious, ethnic, and political interests. Barak’s assemblage of the impressive majority of 75 seats was won at the expense of including seven political parties in his government. While the coalition includes One Israel, the pro-peace and secular Meretz, and the new Center party, it also includes the hawkish National Religious Party, which represents the settlers movement, the Shas party, representing ultra-Orthodox ethnic Sephardic Jews, and the more hawkish United Torah Judaism



Left to right: Israeli Prime Minister Ehud Barak and two of his most important Arab interlocutors, Palestinian Authority President Yasser Arafat and Egyptian President Hosni Mubarak. Barak pledges to use “the window of opportunity opened to us” to work for Mideast peace and security.

party, made up of ethnic Ashkenazis. These latter parties, along with the Yisrael B’Aliya party (the ethnic Russian party), all were members of the previous Netanyahu government.

Some commentators criticized Barak’s inability to forge a government much more rapidly, as a mark of political inexperience, and charge that his inclusion of right-wing parties is an indication of his own alleged right-wing tendencies. All agree that Barak has maintained a sphinx-like demeanor, letting few outside his own close circle know what his real intentions are until he finally acts. Nonetheless, Barak seems to have out-flanked the ultra-right-wing Ariel Sharon. The latter, as the new chairman of the Likud, hoped to enter a national unity government with Barak by threatening to organize a very disruptive opposition. But, when Barak finally brought the Shas party, whose 17 seats make it the second-largest party in the Knesset, into his coalition, Sharon was left out in the cold. The opposition could only muster 29 votes against the government, when it was brought before the Knesset for a vote of approval. Since the remaining 10 seats in the opposition are controlled by the Israeli Arab parties, which abstained from voting, Sharon will in the future find it hard to mobilize an effective parliamentary opposition.

Barak’s new cabinet seems as unwieldy as the coalition. In fact, Barak is endeavoring to have the official number of cabinet posts expanded from the legal limit of 18, to 24 ministers, a move of which many of his own party members disap-

prove. With only 18 portfolios to distribute among seven parties, Barak has managed to ruffle a few feathers among his own One Israel leaders and draw criticism from the political commentators. Nonetheless, here again there seems a bit more reason than madness to his choices.

In the Israeli system, the most important ministries, in order of precedence after that of the Prime Minister, are Defense, Finance, Internal Security, Foreign Affairs, and Justice. The ministers who hold these positions are automatically members of the security cabinet, which will play the most important role not only in the peace process, but also in dealing with attempts at sabotage of the process from both within and outside of Israel. It is important to remember that a very high level of personal security has been placed around Barak, since he won the elections. For this and other reasons, his choices for these leading positions take on added significance. All are committed to the peace process, and each is highly regarded in his or her own right.

The new cabinet

Barak will be his own Defense Minister, as had been Prime Minister Rabin. The others are as follows:

Avraham Shohat has been appointed Finance Minister, a position he held under Rabin. An engineer by training, former director of Israeli Aircraft Industries, and a founder of the city of Arad, Shohat was not welcomed by the neo-liberal financial community.

David Levy has been given Foreign Affairs. Although now a leading member of One Israel, Levy was formerly in the Likud, and had been Foreign Minister under Yitzhak Shamir (Likud). He resigned as Netanyahu's Foreign Minister, because of the latter's obstruction of the peace process.

Yossi Beilin has been named Justice Minister. Although not a lawyer, his integrity and honesty have been greatly welcomed by a ministry that had become haunted by allegations of corruption and impropriety under Netanyahu's government. In fact, outgoing Justice Minister Tzachi Hanegbi faces criminal charges for corruption. More important is the fact that Beilin is a protégé of former Prime Minister and architect of the Oslo Accords Shimon Peres. He hopes to use the ministry to initiate a policy that could lead to the eventual drafting of an Israeli Constitution. His inclusion in the security cabinet is significant.

Shlomo Ben-Ami has been named Internal Security Minister, putting him in charge of the police and Shin-Bet, Israel's domestic security service. Unlike previous holders of this post, who were usually retired generals, Ben-Ami is a former university professor. Nonetheless, he is the most popular One Israel member of Knesset, is considered a powerful intellectual, and is firmly committed to the peace process.

A new ministry has been created for **Shimon Peres**, who will be Regional Development Minister. The responsibilities of the ministry will be worked out in the coming weeks, although Peres is said to want it to have authority for engaging in regional economic development projects. Peres may also be included in the security cabinet.

Among the other important cabinet positions are that of education, which has gone to **Yossi Sarid**, leader of the Meretz party. A ministry which has traditionally been in the hands of one of the religious parties, Sarid's appointment is considered a minor revolution because the Maretz party, and Sarid in particular, are strong secularists, as well as strong supporters of the peace process.

The Center party's **Yitzhak Mordechai**, the former Defense Minister whose resignation led to the downfall of Netanyahu's government, has been named Transport Minister. He could also sit on the security cabinet.

The peace process

The big question continues to be what policy Barak will have behind his peace commitments. The two major tracks have been Syria and the Palestinians. Over the last three weeks of June, there was a lively debate and informal interchange between Israel and Syria, mediated through British journalist Patrick Seale, the official biographer of Syrian President Assad. Seale visited both Israel and Syria, meeting top officials of both countries, and also interviewing Barak and Assad. Seale's informal shuttle diplomacy brought out three crucial points that will lay the basis for the renewal of Syria-Israel talks. First, that they begin where they left off prior to Netanyahu coming to power in 1996. Second, a commitment for an

Israeli withdrawal from the Golan Heights to its 1967 borders, based on mutual agreement, in return for a full peace, including diplomatic relations. Third, is the absolute necessity of the United States playing a decisive role in bringing the two parties to an agreement, and then guaranteeing that agreement. Both expressed a commitment to begin the process as soon as possible.

As for the Palestinian track, Barak is said to have preferred to skip the implementation of the 1998 Wye Agreement, which was signed and then sabotaged by Netanyahu, and to proceed directly to final status talks. But, neither Clinton nor Arafat would agree to that, and therefore it is now expected that Barak will implement the remaining commitments of the Wye Agreement, which includes withdrawal from 17% of the West Bank.

Final status talks are expected to commence at the same time that Wye is being implemented. It is at this point where the more thorny issues will be taken up. These include the question of Jerusalem, which Barak is officially committed to ensuring remains undivided and under Israeli sovereignty. On the question of the Jewish West Bank settlements, Barak has publicly stated that he is against the establishment of new ones, but is not committed to dismantling the majority of settlements that have been established throughout the West Bank.

Netanyahu may be down, but not out

In what is perhaps the only promise Netanyahu ever kept, he resigned his seat in the Knesset on the day Barak became Prime Minister. This was part of his promise to take leave of public politics for the immediate future. He will probably tour western Europe and the United States, to line his pockets with speaking fees from the same lucrative lecture circuit frequented by George Bush and Margaret Thatcher. It was also reported that he will be raising money for the same ultra-right-wing settlers movements and political parties that were politically responsible for Prime Minister Rabin's assassination, and that now promise to block and destabilize efforts of the new government.

In the last week of June, Irving Moskowitz, the bingo parlor king of Florida and one of the money-bags of Netanyahu's election campaigns, started a housing project in the middle of an Arab neighborhood in East Jerusalem. Moskowitz is one of the major financiers of the most extremist elements in Israel. He is the principal backer of the Ateret Cohanim yeshiva, whose members will live in this Jerusalem settlement. It is this yeshiva which seeks to build the so-called Third Temple, but only after it destroys the Al-Aqsa Mosque on the Dome of the Rock, the mosque which was built on the site of the First and Second Temples, neither of which has existed for almost 2,000 years. The Dome of the Rock is the third holiest site in Islam, and it is widely acknowledged that a provocation against it could trigger a new Middle East war.

India, China focus on regional security

by Ramtanu Maitra

More than one year following the five underground nuclear tests which India carried out in its Rajasthan desert, the two Asian giants, China and India, have decided to raise the level of their bilateral talks. This could lead to both nations discussing a broad range of bilateral and international issues. Observers believe that the Sino-Indian bilateral relations, which had become mired in inane generalities since the thawing of relations in the early 1990s, now have the potential to blossom into a full-fledged strategic dialogue, taking into account economic, political, and security matters that concern the vast populations—more than 2 billion people—of these two nations.

This process, which may lead to a significant upgrading of bilateral relations, and identification of specific common objectives, became evident during the June 14-15 visit to China by Indian External Affairs Minister Jaswant Singh. During their meeting, which was slated for one hour but lasted for more than two hours, Chinese Foreign Minister Tang Jiaxun and Singh emphasized the importance to now begin formal talks on demarcation of the Line of Control between India and China.

The dispute over this Line of Control had led to the Sino-Indian border clash in 1962, and subsequently, had frozen bilateral relations for almost three decades. However, under the tutelage of the late Deng Xiaoping, and a number of Indian leaders, China and India signed an agreement to maintain “peace and tranquility” along the non-demarcated border in 1993. To a large extent, this agreement, and later agreements which led to the reduction of troops along the borders, removed the potential of any sudden flare-up between these two nations because of misunderstanding and confusion. Yet, the lack of a clear demarcation of an international border in the extremely hilly and difficult terrain in the Himalayas—by far the world’s highest and steepest mountains—still provides opportunities for any number of mischief-makers, such as the intelligence-linked international media, to attempt to create instant animosity. Such situations have been exploited earlier by various lobbies, who do their bit to subvert consolidation of the Sino-Indian relationship.

New initiatives

Another development that emerged from the Tang-Singh discussions, is that both foreign ministers agreed to give a

“new impetus” to the Joint Working Group, which has been, over the last 10 years, engaged in resolving the border dispute between China and India.

While “substance” dominated the talks between the two ministers, some token gestures were also included. For example, both sides agreed to participate in the 50th-anniversary celebration of the establishment of Sino-Indian diplomatic relations, which falls on April 1, 2000.

A few days later, the Chinese Communist Party’s International Department announced resumption of contact with the Bharatiya Janata Party, the dominant partner of the interim coalition government in New Delhi. Contact between the two political parties was rudely disrupted last year, following India’s nuclear tests and subsequent identification of China as India’s “main threat.”

Agreements that emerged out of the Tang-Singh talks can best be described as part of a slow, natural process. However, a number of international events in recent months have decidedly played a positive role in nudging the bilateral relations forward. This has been helped along from the Indian side, of course, by New Delhi abandoning the irresponsible rhetoric about the alleged “Chinese threat.” This was a definite step forward in helping to cool Beijing’s ire.

Second, Indian Prime Minister Atal Behari Vajpayee’s famous bus-diplomacy trips to Lahore, Pakistan, in February, and to Dhaka, Bangladesh, in June, to initiate friendly and cooperative relations with India’s smaller neighbors, and thus to create a more peaceful environment in the subcontinent and region south of China, must have been noted with a great deal of satisfaction in Beijing. It is another matter, however, that the promises made in, and hopes raised by, the Lahore Agreement, were soon torn asunder by a confused and demoralized Pakistani leadership. Nonetheless, Beijing recognized New Delhi’s sincerity in the latter’s attempt to bring stability to the subcontinent.

The Kashmir conflict

From Delhi’s viewpoint, Beijing’s dogged neutrality over the ongoing border problems with Pakistan, indicates that China has no intention to mediate, and thus internationalize, the Kashmir issue. Over the last 50 years, Islamabad had been cajoling foreign powers to get involved in the Kashmir dispute, while India has resolutely opposed this, and asserted that the Kashmir issue can only be resolved bilaterally between India and Pakistan. From time to time, particularly when the chips were down, Islamabad had reluctantly gone along with the Indian proposal, but, in reality, has refused to accept it. On this particular issue, there has been an amazing unanimity within all Pakistan’s political parties, and their tormenters, the Pakistani Army, since 1947.

China’s opposition to internationalizing of the Kashmir issue is widely recognized as Beijing’s tacit support to the Indians. Equally important were statements issued by the Chi-

nese leadership and the Foreign Ministry in Beijing in the latter weeks of June, which called for maintaining peace and tranquility along the Indian-Pakistani Line of Control (LOC), the result of three wars between the two nations since their independence from British colonialism in 1947. These statements from Beijing have been read in New Delhi as China's recognition of this Line as a firm, demarcated line, in contrast to Islamabad's repeated references to the LOC as non-demarcated, and therefore, open to violation.

A learning process

In addition, in these last few months, Beijing has taken a fresh look at various external forces and their activities. Beijing had strongly opposed NATO's unilateral declaration of war against Yugoslavia. Beijing's protests about the NATO bombing of Yugoslavia were much stronger than its opposition to the 1991 Gulf War—an Anglo-American onslaught against Iraq carried out under the pretext of eliminating the alleged “madman,” Saddam Hussein, and “destroying” Saddam's plans to annex Kuwait as well as to develop weapons of mass destruction.

Beijing's sustained protests against the current NATO operations, which include the bombing of Iraq, the bombing of Sudan, and the onslaught against Yugoslavia, must not be read simply as opposition to the unilateral invasion of a sovereign nation-state, financed and funded by the West. Chinese policy has followed the same reasoning as Moscow has used in its opposition to the NATO attacks. China has also read the attack against Yugoslavia by NATO, as a clear message that NATO will henceforth be used as the military arm of the West, to enforce the expansion of Western economic and strategic interests. Beijing realizes that NATO's expansion will soon reach its doorsteps—east and west—if measures are not taken immediately.

Beijing's apprehensions were confirmed when its Embassy in Belgrade was hit by several missiles from separate directions on May 7. While the American and British governments have insisted that the attack was an “accident,” Lyndon LaRouche immediately saw the perfidy of this attack, and proved that it was no accident (see *EIR*, July 2, p. 64). The Chinese youth, who had all along been a strong motivating force behind the high-growth-based economic developments undertaken by the Chinese leadership since the early 1980s, erupted spontaneously all over China and condemned the attack on the Embassy as one planned by the West. If Beijing had had any difficulty in understanding the problems associated with being a part of a unipolar world, that came to an end on that day. The expansion of NATO eastward toward China and the punitive measures meted out by NATO to “teach China a lesson,” have been thoroughly noted in Beijing. China's recently strengthened support for the creation of a “multipolar world”—its policy since the end of the Cold War—and its renewed emphasis on opposing “global

hegemony,” indicate that a new debate has begun in Beijing on how China should cope with the extraordinary power of the West in international affairs.

China has also been made uneasy by the situation in Afghanistan (see p. 60). The infiltration by the battle-hardened mujahideen, many of whom were trained in Britain and others in the prolonged 1979-89 Afghan War, waving the flag of *jihad*, into the India-held part of Kashmir, which was exposed in late May by the Indian leadership, is also very disturbing for Beijing. Already, China has expressed its worries at the advancement of Afghan Taliban—who also use *jihad* as their battle cry—into Tajikistan, and elsewhere. Unconfirmed reports indicate that both India and China are involved in materially supporting the Afghan leader of Tajik descent, Ahmed Shah Masood, to contain the Taliban. Mujahideen, trained in Afghanistan and elsewhere, have already shown up in the India-held part of Kashmir in the thousands, and, in much lesser number, in the Chinese western region of Xinjiang. Neither Beijing nor New Delhi would like to see the Taliban, or NATO, moving further eastward.

What next?

These are the international issues which concern the leaders in both Beijing and New Delhi. However, little concrete has been done so far in New Delhi or in Beijing—or in Moscow—to formulate a constructive policy which could actually *prevent* catastrophes such as befell Yugoslavia and Iraq. There has been talk of developing a multipolar world, not as an opposition to counter the powers-that-be, but as an instrument to maintain peace and stability in the vast area stretching from eastern Europe to South, Southeast, and East Asia. It is recognized by both Beijing and New Delhi that peace and stability is the prime requirement for executing unimpeded long-term economic development for the benefit of the vast multitude who reside in this area. It is an idea which needs to be given life.

In order to make this peaceful, developing multipolar world a reality, Beijing and New Delhi will have to take stock of what is required to be done to ensure that Eurasia does not remain vulnerable to those Anglo-American external forces who promote unipolarity, as others still worship colonialism. The two great nations must understand each other's strengths and weaknesses, and similar virtues of smaller nations in the region, and mobilize their forces for a genuine, just new world order.

In this context, both Beijing and New Delhi, in conjunction with Moscow, must formulate active policies which will help to stabilize Central Asia—an area of great potential and immense vulnerability. It is important that the Sino-Indian security and strategic dialogue touch upon these issues. In the coming months, both will have to focus on economic, political, and security matters of the region and assert themselves in international affairs.

Intrigues target India, Russia, China triangle

by Hussein Al-Nadeem

The escalating wars in Afghanistan and Kashmir are an attempt to reverse the important, positive development of a Russian-Chinese-Indian strategic-economic triangle. Nawaz Sharif's Pakistan and Iran were being brought into this arrangement, as an important flank for the triangle, stabilizing the Caucasus, Central Asia, Afghanistan, and Kashmir. Most of these crisis spots were historically created by British geopolitics, and continue to be fuelled by what Lyndon LaRouche has called the British-American-Commonwealth (BAC) Dark Age forces.

The apparently complicated conflict in the region can be understood, if viewed in the light of the following events.

- In early May, Pakistani Prime Minister Nawaz Sharif and government officials openly accused the "British intelligence establishment" of attempting to destabilize and overthrow Sharif's government. Spearheading this campaign was the British intelligence apparatus of the Hollinger Corp.'s *Daily Telegraph* and the British Broadcasting Corp., in cooperation with British "insurance" firms and certain Pakistani factions. The campaign aimed to defame Sharif and his family as "corrupt, money launderers," and to fuel the faction fight inside Pakistan between, mainly, Sharif's Muslim League and Benazir Bhutto's People's Party of Pakistan. In 1996-97, the same British establishment had helped the Pakistani opposition reveal some of the "corruption" of then-Prime Minister Bhutto and her husband, Asif Zardari. Bhutto was forced to resign, and Zardari ended up in a Pakistani jail. This paved the way for Sharif to come to power in 1997. The wealthiest Pakistani and Kashmiri families' businesses are based in Britain, closely observed by British intelligence. As the saying goes, the British Empire has "permanent interests, no permanent allies."

- Two weeks later, during May 14-19, tensions along the Line of Control (see **Figure 1**) broke out into fighting between Indian forces and the Pakistan-backed "Kashmiri infiltraters."

It was later learned that, at the same time that diplomatic preparations were being made by the Pakistani and Indian governments to break through the ideological deadlock that has strained relations between the two countries for decades, which led to the February signing of the Lahore Declaration and the initiation of "bus diplomacy" in April, the so-called Kashmiri "mujahideen" were slipping through the Line of Control from the Pakistani side of Kashmir into India-con-

trolled Kashmir, and entrenching themselves in a number of strategic positions in the mountain areas, especially in Kargil. This was reportedly done with the help of certain factions within the Pakistani military intelligence organ, Inter-Services Intelligence (ISI). This grouping is the controller of Afghanistan's Taliban and related operations, such as the Arab "Afghansis" in the Middle East. The ISI obtained its over-arching governmental power because of its role as "intermediary" between the Thatcher-Bush war campaign against the Soviets in Afghanistan, and the mujahideen who were fighting this war on the ground. Many governments, including that of India, have recently warned Sharif that if he does not regain control over the Pakistani Army, nuclear-armed Pakistan will end up either as a military dictatorship or a new Afghanistan.

The Taliban

- In early June, the Taliban, who now control almost 80% of Afghanistan's territory, were planning a number of operations to take over the strategic areas north and northeast of Kabul, the capital, which are under the control of the opposition alliance headed by former Afghanistan Defense Minis-

FIGURE 1
The Afghanistan and Jammu and Kashmir areas of conflict



Jammu and Kashmir province is claimed by both India and Pakistan. The Line of Control is the de facto administrative and military boundary between the two countries.

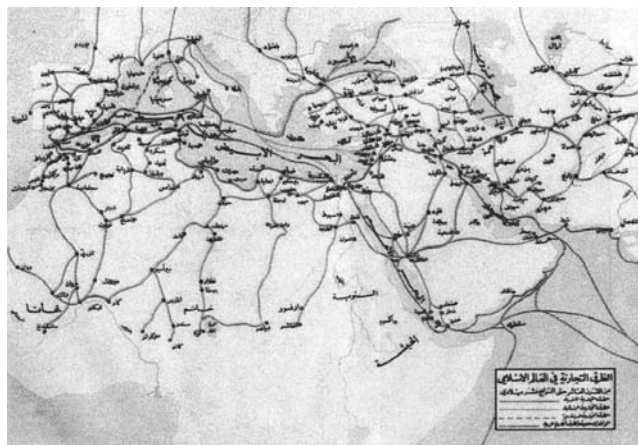
ter Ahmad Shah Masood. On June 24, the Chinese news agency Xinhua reported that Masood's forces, in anticipation of a major offensive by the Taliban, had purged its ranks of renegade commanders. A spokesman for the alliance told Xinhua that Cmdr. Taj Mohammed, who was in charge of the front line north of Kabul, had been arrested, together with three other commanders who had made a deal with the Taliban to switch sides and surrender their strategic positions when the Taliban started an offensive on Charikar, the Salang Tunnel, and the Panjshir Valley. A similar plot in 1998 helped the Taliban take over the northern city of Mazar-e Sharif, putting the Taliban on the border with Uzbekistan and Tajikistan. This also helped them take control of the central Bamyan Mountains, where Iran-supported Shi'ite minorities are based.

The strategic importance of this incident is that, had the Taliban plot been successful, they would now have a major foothold on the way to the border with China, Kashmir, and Tajikistan. Masood's forces control 20% of Afghanistan, including Charikar, the Bagram Airbase, and the Salang Tunnel, which links the north and south of the country. This area extends along the Hindu Kush mountain range, where Masood is entrenched in the Panjshir Valley, an impregnable mountain pass. Masood's forces also control the narrow Wakhan Strip which extends eastward, along the Vanah River, to China, separating Tajikistan and Pakistan. The Wakhan Strip was made part of Afghanistan following an agreement by the British colonial government of India and the Russian Empire at the beginning of this century, bringing about a pause in the 200-year-old "Great Game" by creating this buffer zone between British India and Russian Central Asia. It is one of the very few passages between three of the world's highest mountain ranges: the Hindu Kush, Pamirs, and Karakoram. The Pakistan-controlled north Kashmir also lies on the border with the Wakhan Strip in the north and China in the east.

If the Taliban get control of that area, they would not be far from troubled Tajikistan, where the Russia-supported government is trying to deal with the Islamic opposition by offering them control of whole provinces. Thanks to joint Russian-Iranian pressure, the peace process in Tajikistan is moving ahead, albeit slowly. However, ambitions among factions of the opposition have had bloody consequences.

The Taliban would also be adjacent to the Chinese province of Xinjiang, where Islamic movements have been manipulated to play a destabilizing role in the region, by claiming independence. Most of these groups, such as the East Turkestan Liberation Movement, are based in Turkey and controlled by NATO-penetrated, "anti-communist" Sufi sects. These movements were very active in 1995-96, but have been weakened in the past three years, mainly because of the Chinese government's swift imposition of security measures, but also because of its concentration on development of this very poor region. The Karakoram Highway is also part of the geo-

FIGURE 2
Ancient trade routes



graphy of the region. It is the only advanced transport link between the South Asian subcontinent and China. Between the 9th and 13th centuries, at the height of the Islamic Renaissance, it was one of the main tracks on the Silk Road, connecting the Middle East with the Indus River region and Kashgar in China, and farther to southeast China.

- On Feb. 16, an assassination attempt was made against Uzbekistan President Islam Karimov. The attempt involved a series of car-bomb explosions in Tashkent, the capital, as Karimov was arriving to attend a conference. The assassination attempt was later blamed on "Islamist" groups supported by the Turkish Nursi sect. This is part of the same pan-Turkic, "anti-communist" networks supported by NATO. Uzbekistan plays a central role in Central Asian affairs both politically and geographically. It also has played a leading role in countering British geopolitical games in the region and has resisted the moves of the International Monetary Fund and other financial institutions seeking to impose destructive economic policies on the nations of the region.

Looking at the map of this region, we find that it is in the center of the strategic triangle of Russia, India, and China. The destabilization of Pakistan, Kashmir, Afghanistan, Tajikistan, and Uzbekistan is exactly what Zbigniew Brzezinski (one of the strategic spokesmen of the BAC) considers important in what he calls the "Zone of Percolating Violence" (see Brzezinski's book *The Grand Chessboard*, p. 53; Lyndon LaRouche, "Mad Brzezinski's Chessboard," *EIR*, April 2, 1999). These conflicts are a potentially fatal impediment to the economic cooperation among the nations of Eurasia, and the wider prospects of extending the Eurasian Land-Bridge as a generator of history's greatest construction project, and accordingly leading the way to mankind's greatest scientific revolution so far.

The ‘Marie Antoinette factor’ in the Diana murder coverup

by Jeffrey Steinberg

On July 2, 1999, a Paris appeals court rejected a petition from Mohamed Al Fayed, to compel Judge Hervé Stephan to expand his investigation into the Aug. 31, 1997 fatal car crash that claimed the lives of Princess Diana, Dodi Fayed, and their chauffeur, Henri Paul. For nearly two years, Judge Stephan has been investigating the causes of the fatal car crash. Now, with some important allegations emerging, that could link officials of the British intelligence services and members of the British royal family to the wrongful deaths, the judge has decided to shut down his probe, without questioning three possibly key witnesses, or attempting to access classified U.S. government documents that could shed further light on the events in Paris two years ago.

The decision by the Paris appellate court to allow Judge Stephan to submit his final report and recommendations—unless reversed by a higher court—will almost certainly wed the French government to a monumental coverup of the death of Princess Diana, a coverup desperately desired by the British royal family.

After her death, Princess Diana was given a solemn burial by her family, accompanied by a general mourning for her among the English population. The interment of those accomplices who seek to cover up the fact of her wrongful death, after the fact, will be much less generous. The latest turn toward burying the truth of the case, in French proceedings, is one of that type of event which recalls the impact of the case of the “Queen’s Necklace” in preparing the doom of France’s Louis XVI monarchy.

In other words, it is France that is now once again on trial, as it was during the days of Marie Antoinette. And once again, the French leadership is in the process of failing the test of history.

Then . . .

In 1785, following its defeat in the American Revolution, the East India Company-centered British oligarchy was desperate to prevent the spread of republicanism on the European continent. France, as the first modern European nation-state, and as a bastion of support for Benjamin Franklin and other American Revolutionary leaders, was the primary target of Lord Shelburne, his Jeremy Bentham, and others in the “Venetian Party” of London.

Through a series of intrigues, involving a lewd collection

of East India Company allies and assets—including the Duke of Orléans, Lord George Gordon (of the famous London “Gordon Riots” of 1779), Marat, Danton, and other leading Jacobins—the France of the Marquis de Lafayette was brought down in a frenzy of self-cannibalism and violence, leading to the dictatorship of Napoleon Bonaparte.

France was saved from post-Napoleon dismemberment by the military-defense actions of France’s Maj.-Gen. Lazare Carnot; but the exile of Carnot, by Britain’s Duke of Wellington, prevented Carnot from being appointed, with support of the Prussian military, as President of France. Wellington’s puppet, the Restoration monarchy, was appointed instead of the patriot Carnot, and France descended into that spiral of degeneracy culminating in the regime and disgrace of Napoleon III.

The early seeds of that doom were sown in 1785, when a notorious Venetian agent, Count Alessandro Cagliostro, orchestrated the famous “Necklace Affair,” which began the process of discrediting King Louis XVI and his wife, Marie Antoinette, in the eyes of the French public. Napoleon himself commented later that the manipulations of the French court by Count Cagliostro marked the opening phase of the French Revolution, an event from which France has never recovered.

. . . and now

If the French courts and Judge Stephan move forward with their coverup of the wrongful deaths of Princess Diana, Dodi Fayed, and Henri Paul, France will sink deeper into moral quicksand. In contrast, a full airing of what is known about the events surrounding the Aug. 31, 1997 car crash in the Place de l’Alma tunnel in Paris, while damaging to some French officials, and devastating to the British monarchy, would transform the political landscape of Europe, very much for the better.

There are rumblings even in Britain against the coverup. On June 22, 1999, Charles Wardle, a Conservative member of Parliament, raised several questions about the Paris events, and subsequent British government actions against Mohamed Al Fayed (see *Documentation*). Wardle reviewed many of the unanswered questions about allegations of British intelligence activities in Paris around the time of the fatal crash, and the efforts by the late Tiny Rowland, longtime boss of the

Lonrho African raw materials cartel, to have Mohamed Al Fayed wrongfully prosecuted and prevented from obtaining his British citizenship. A British appeals court has also launched a review of the Home Secretary's rejection of the Al Fayed citizenship petition.

What is known

No competent investigation can be concluded into the events in Paris on Aug. 30-31, 1997, until a number of vital, unanswered questions have been resolved, with full public disclosure.

1. What was the role of the still-missing white Fiat Uno, which forensic evidence and eyewitness accounts have confirmed, collided with the Mercedes 280-S, causing the fatal crash? The Fiat sped out of the Place de l'Alma and disappeared, along with the driver. At least one qualified police witness saw the Fiat waiting at the entrance to the Place de l'Alma tunnel, seconds before the crash.

2. What factors contributed to the delay of two hours in getting Princess Diana, still very much alive, to the La Pitié-Salpêtrière Hospital? She died moments before being wheeled into surgery. High-ranking French police and Interior Ministry officials were on the scene, or at the hospital, directing the emergency medical response and the initial investigation.

3. What role, if any, did three senior British intelligence officials, alleged to have been in Paris prior to and after the crash, play in the Aug. 31 events? Newspaper accounts in Britain, published before the crash, reported that the Royal Consort, Prince Philip, had personally ordered an MI6 campaign against Dodi Fayed.

4. What is contained in the more than 1,000 pages of U.S. files from the National Security Agency, Central Intelligence Agency, and Defense Intelligence Agency on Princess Diana? A Federal District court judge in Washington, D.C. has ordered the Central Intelligence Agency and the Defense Intelligence Agency to turn over the relevant files to attorneys for Mohamed Al Fayed, but a protracted court battle is expected, before any of the classified material is released.

Documentation

MP demands probe of Crown, MI6 actions against Al Fayed

On June 22, 1999, Conservative MP Charles Wardle raised a parliamentary question about the role of the London Metropolitan police, MI6, and other British government agencies, in wrongfully targeting Mohamed Al Fayed, for his persistent

efforts to get to the bottom of the Paris car crash of Aug. 31, 1997. Excerpts follow.

Mr. Charles Wardle (Bexhill and Battle): In this debate I intend to question the accountability of the Metropolitan police over their arrest of Mohamed Al Fayed last year. I shall also question the accountability of the security services, which influenced the decision to arrest him because he had openly challenged their role over the death of his son in Paris. . . .

Well before that arrest was made, those senior police officers and the Crown Prosecution Service had in their possession clear evidence that Rowland had paid hundreds of thousands of pounds into the Jersey bank account of the key prosecution witness and his common-law wife, but the police refused to consider that evidence until after the extremely damaging and high-profile arrest of Al Fayed. Shortly before he died, Rowland admitted his covert payments to the key witness in the discovery process for the civil action that he began after the police case collapsed.

Al Fayed's counsel, a former first Treasury counsel who regularly prosecuted for the Crown, insisted that the payments should first be investigated, on the ground that, if there had been payments, they would jeopardize the entire validity of the prosecution and no arrest should properly be made. Burton Copeland, Al Fayed's solicitor, showed Scotland Yard that Rowland's allegations that valuables had been stolen from his deposit box [at Harrods, which is owned by Al Fayed] were weak in the extreme. Rowland was unable to verify that he had ever owned what he claimed to be stolen—let alone that he had placed it in the box 30 years earlier. Burton Copeland gave Scotland Yard the details of Rowland's payments to Robert Loftus, a disaffected ex-employee of Harrods, but the police deferred the investigation of payments to Loftus, arrested Al Fayed, and released him on bail which was periodically renewed amid frenzied media speculation. . . .

Why did the police, who had done little or nothing about Rowland's patently false allegation from May to November 1997, suddenly acquire fresh enthusiasm for the case at the end of that year? Why did they arrest Al Fayed with a prior tip-off to the media in March 1998, despite having known for weeks about the bribery of the key witness, to which Rowland himself later admitted? . . .

Significantly, Al Fayed's solicitors now have in their possession a note from Rowland's solicitors, Cameron Markby Hewitt, reporting that Rowland told them on 2 February 1996 that he had been involved in activities for MI6 immediately after the war and had committed various unlawful acts.

The Scotland Yard and Home Office grapevine—which no one in Whitehall will discount—makes no secret of one interpretation of events. It is that Al Fayed had incurred the wrath of the Security Service, and its stringers in the press and elsewhere, after the tragic deaths in August 1997 of Diana, Princess of Wales, Dodi Fayed, and their chauffeur Henri

Paul. Al Fayed had given offence by his increasingly vocal protest that the Security Service . . . had not been sufficiently open about its activities in Paris when the tragedy occurred. The grapevine quotes a top police officer as saying:

“I don’t care what the evidence is. I want that man arrested.”

Eventually, the Metropolitan Police admitted to Al Fayed’s solicitors that the only offense they could find had been criminal damage to a paperclip. Bail was lifted and proceedings dropped, but the media humiliation had served its purpose. The press hatred and dishonesty had known no bounds. It had been open season for the media, thanks to Rowland’s lies. . . .

There are other sources of information that indicate a cover-up of events before and after the Paris tragedy that raise questions of accountability for the Security Service as well.

I do not subscribe to conspiracy theories. I draw no conclusions about what happened on that fateful day. I have no inclination to question the conduct or anticipate the outcome of a French judicial inquiry into a car crash in France. Judge Stephan has proved to be more than a match for the British press by declaring that the Mercedes was travelling at 62 mph, and not 113 mph as was previously reported as fact in Britain. It is possible, but not certain, that the judge will admit fresh evidence that throws doubt on Henri Paul’s blood test. It is not known whether the final report, which is likely to be published in the early autumn, will be detailed or not.

It is surely inconceivable that once the French report has been produced, there will not be an opportunity in this country as well to explore questions about the circumstances leading to the sudden and violent death of the Princess of Wales and the man the entire world could see was her lover. The overwhelming public response at Diana’s funeral could leave no doubt about the natural justice of allowing some form of British inquiry. The hostile response from some quarters to awkward questions about the Paris tragedy can never put the lid on worldwide demands for a thorough explanation of events.

It would be better for Parliament to treat with the questions and deliver the answers than to allow suspicion to fester and speculation to grow. It is in this context that other sources of information should be considered, in so far as they throw light on accountability.

The first of these additional sources which challenge Security Service accountability was the Princess herself. As with the other sources that I shall list, there have been those who devalue what she had to say. Her detractors have already called her manipulative and obsessive, but it would be unwise to dismiss what she said on holiday in the south of France.

I told the Home Secretary in my letter of 23 July last year that Al Fayed’s much-publicized ideas about a conspiracy in Paris originated from what Diana repeatedly said to him of her fear and resentment at the way she was treated. I have no

reason to doubt what I have heard of what Diana said in St. Tropez. In any case, there are many others in whom she confided in a similar vein — for example, Andrew Morton, Martin Bashir, Maggie Rae, Debbie Frank, and so on.

Diana’s remarks to Al Fayed concerned the royal household’s antipathy to her; its habitually close links with the security services; the manipulation, interference and control, as she saw it, exercised by officials of the household; her conviction, based on what she said that she had been told, that Barry Mannakee’s death was not an accident; and her apprehension that she, too, would be assassinated. . . . [Mannakee was a former bodyguard of the Princess who became a personal friend, was dismissed from service with the royal household, and soon after died in a motorcycle crash.]

If there is to be clear accountability, there are many questions to be answered. For example, what prompted Scotland Yard to arrange the much-publicized arrest of Al Fayed when it already knew that Rowland had bribed the key witness? Did Veness [Assistant Commissioner in charge of the case] discuss the safety deposit box allegations with the security services? Have the security services recorded with the Home Office an opinion about Al Fayed’s citizenship re-submission? If so, what did they say and when? Has the royal household ever expressed a view to the Home Office about Al Fayed’s citizenship?

Do records exist of the royal household’s communications with the security services relating to the Paris tragedy? Why was Mannakee transferred out of royal protection duty and what is known about the circumstances of his death? Which members of the royal household made threats to Hewitt [Al Fayed’s lawyer]? What reasons does [Diana’s private secretary] Jephson give for his advice to Hewitt? Was Henri Paul employed by MI6? Are there assassination plans on file at MI6?

To whom and to what extent does MI6 account for its operations? What were the operational duties of the undeclared MI6 officers in Paris at the time of the tragedy? Were any of the paparazzi pursuing the Mercedes employed by MI6? What records of telephone messages, telegrams, and memorandums exist on MI6 files concerning the events before and immediately after the Paris tragedy?

There are a great many more pertinent questions that should be dealt with openly and frankly in some form of parliamentary inquiry, to be conducted either by the Intelligence and Security Committee or by a special Select Committee appointed for the purpose. . . .

If the Government or Parliament itself do not launch an inquiry, they will be shutting the door on precisely the sort of openness about the security services already advocated by the Liaison Committee and now being recommended by the Home Affairs Committee. . . . Worse still, if an inquiry is refused and factual evidence implicating the security services in any way in the Paris tragedy trickles out later, the House will be seen to have failed in its responsibilities.

Attacks on Sudan slave trade exposed as fraud

by Our Special Correspondent

A renewed intensification of warfare against the elected government of Sudan, was jointly launched by the Georgetown Center for Strategic and International Studies (CSIS), and three members of the U.S. Congress, on July 1.

At a CSIS forum, "The Crisis in Sudan: An Assessment from Capitol Hill," in the Dirksen Senate Office Building, Rep. Donald Payne (D-N.J.), who has been the point-man in Congress advocating the "overthrow" of the Khartoum government, rejoiced over new-found Republican support for his cause. There, Rep. Tom Tancredo (R-Colo.) and Sen. Sam Brownback (R-Kan.) were speakers at the event, along with Payne. All three, who had travelled to Sudan illegally, in defiance of a sovereign government, over the Memorial Day holiday, recited the unfounded litany of charges against Sudan, which have been used to whip up support for rebel leader John Garang, of the Sudanese People's Liberation Army (SPLA), in his foreign-backed efforts to split up Sudan through a bloody civil war—a war that would lead to millions of deaths in the Horn of Africa.

Payne highlighted the fact that House Resolution 75, which passed on June 16 with only one abstention and no opposition, called for increased assistance to the SPLA, and to the "civil administration" in SPLA-controlled areas. The resolution also called for stepped-up enforcement of U.S. sanctions to isolate Sudan, to make it capitulate to Garang (see *EIR*, July 2, 1999).

Brownback bragged that the Senate passed the Foreign Appropriations bill (S. 1234) by vote of 97-2, including "humanitarian assistance to the people of Sudan [i.e., the SPLA] suffering under the rule of the National Islamic Front (NIF) government."

U.S. missiles for Garang

Tancredo, a freshman Congressman who knew nothing about Sudan (and probably Africa) until this, his first official trip, described how he had been opposed to U.S. military intervention into Kosovo, because there was no U.S. strategic interest. But, he ranted, intervening into Sudan is different, because the United States has a strategic interest to stop so-called Islamic terrorism and fundamentalism coming out of Khartoum from spreading to the rest of the African continent. In this frenzied atmosphere, he blurted out what many anti-Sudan enthusiasts would like to say (but don't): "I am not opposed to the United States giving missiles to Garang" for

the SPLA to use against Sudan, as long the United States doesn't fire them.

Payne reported on the support and openings from the U.S. Congress to escalate their attacks against Sudan. In this mood of flight-forward eagerness, they expect to pull the Clinton administration along and trap President Clinton in a new military escapade in Sudan and the Horn of Africa. John Prendergast, now a fellow at U.S. Institute for Peace and an adviser to the U.S. State Department, who has been leading the charge against Sudan—along with Roger Winter of the U.S. Committee for Refugees, and Susan Rice, Assistant Secretary of State for African Affairs—was all smiles, as he reported that Congress and the administration were on the same page, with only minor differences. He said that the sanctions will be maintained, and that the policy is to isolate Sudan, while using Ambassador Thomas Pickering to maintain a minimum dialogue with Khartoum.

'Humanitarian' slavery

While the alleged involvement of the Sudanese government in sponsoring slavery was being furiously asserted by all three Congressmen, the July issue of the *Atlantic Monthly* exposed the real reason for the rise in slave-trading in southern Sudan: U.S. dollars from so-called humanitarian organizations. Richard Minter, who travelled to Sudan, titles his article "The False Promise of Slave Redemption," and, although he praises British colonialism in Sudan, he lets slip the truth by identifying Christian Solidarity International (CSI, Zurich) headed by John Eibner, and Christian Solidarity Worldwide (London), steered by Deputy Speaker of the House of Lords Baroness Caroline Cox, as the real culprits for the increase in slavery. Minter reports that the Khartoum government has been "retreating" in the south, and, since 1995, the SPLA rebels "have seized an increasing share of Bahr al-Ghazal, where most of the [slave-trading] raids take place. So why is slave-taking on the rise? The raiders are privateers; *if the raids did not pay for themselves, the raiders would stay at home*" (emphasis added).

Minter points out that, since the average wage in Sudan is \$500 a year, the \$50-100 that "humanitarians" pay to "redeem" a slave is a huge financial incentive. According to Minter, in January, Eibner freed 1,050 slaves at \$50 each for a total of \$52,500, and Cox freed another 325 slaves for a similar per-head amount. James Jacobson, who became CSI's Washington representative admitted that the huge amounts of money were enticing more poor people to become slave raiders, to cash in all the humanitarian dollars flooding into Garang-controlled areas in southern Sudan. One director for humanitarian assistance said, "But giving the money to the slave-traders only encourages the trade."

When will Payne and other members of the Congressional Black Caucus be forced to admit these elementary truths, which, of course, would deflate their phony "anti-slavery" crusade against Sudan?

London subjects S. America to Jacobin ‘Chávez Project’

by Dennis Small and Gretchen Small

Over the course of 1999 to date, the world’s media have been brimming with commentary characterizing Hugo Chávez Frías, the former Army lieutenant colonel who was elected President of Venezuela in late 1998, as a “new breed” of political leader in the Americas, who is bringing a “fresh approach” to the continent’s persistent problems of economic and social development. He is battling corruption, he is at war against the entrenched elites, he is a man of the people, one repeatedly hears.

Sounds good. But it isn’t true.

The Chávez phenomenon, radical rhetoric and all, is actually a re-run of the age-old British strategy of deploying enraged and violent mobs to destroy the institutions of the nation-state, and to get their economic policy of usury implemented without resistance. This time around, the British have added a new twist: drugs.

Chávez himself presents his movement as a modern version of the 18th-century Jacobin French Revolution—a revolution that was concocted and financed by London’s bankers at the time. Chávez also proclaims that his main Venezuelan role model is Ezequiel Zamora—the 19th-century military leader who was used by London to launch the bloody Federal War, and to destroy the country’s nation-building faction which opposed usury. Today’s international financial elite are using Hugo Chávez, and his popularity among Venezuelan citizens, for the same job.

Michel Camdessus, the Managing Director of the International Monetary Fund (IMF), explained to a January 1998 Paris conference of Transparency International that the kinds of reforms which the IMF is demanding of nations, require the equivalent of a French Revolution in order to be implemented:

“If you permit me to paraphrase the words of the Duc de

Liancourt, Master of Robes to Louis XVI [later guillotined], on July 14, 1789, I would say: ‘It’s not progress, Sire, it’s a revolution!’ Such reforms will require a vast change in domestic business practice, corporate culture, and government behavior. . . . Like all revolutions, this one will be successful only with the unrelenting and ultimately irresistible pressure of civil society.”

An IMF official confided to *EIR* the more specific import of his boss’s remarks: “The French Revolution is a perfect example of a structural adjustment crisis.”

As for Chávez, British Ambassador to Venezuela Richard Wilkinson told a select gathering of British businessmen in October 1998, just two months before Chávez’s election: “His popularity and his legitimacy . . . [are] indispensable conditions for the hard measures which the next President will have to adopt.”

Chávez’s mission

Just what are these “hard measures,” the tasks that London has set for Chávez? As we document in the sections that follow:

First, he is to bring Venezuela fully on board to IMF policies of economic looting and globalization. Chávez has complied by pronouncing himself an ardent supporter of British Prime Minister Tony Blair’s “Third Way” doctrine, and implementing every aspect of IMF policy demanded of him.

Second, Chávez is to unleash his *enragé* followers and (illegally) convoke a Constituent Assembly to thoroughly rewrite the Venezuelan Constitution, and shred every existing national institution and political force that might get in the way. It is to be modelled on Colombia’s 1991 *Constituyente*—which was bought and paid for by the drug cartels.



The victory parade of Venezuela's new President Hugo Chávez, late last year. He rubs shoulders with the high and mighty in London, and embraces the coca-running guerrillas in the jungles of Colombia, shaking hands with Fidel Castro in between. In short, he is London's perfect model for "new French Revolutions" to destroy the nation-states of Ibero-America.

Third, Chávez is to use his Jacobin movement to build an alliance with the FARC and ELN narco-terrorist insurgency in neighboring Colombia—known in that country as the “Third Cartel”—which is well along the way to establishing an independent, internationally recognized coca republic in the south of Colombia.

Fourth, Chávez is being groomed—both directly by the British and by their long-standing associate, Fidel Castro—to be the new leader of “the revolution” throughout Ibero-America. As a charismatic military leader, Chávez’s special assignment is to finish off the task of dismantling the institution of the national armed forces across the continent, a long-sought London objective which *EIR* laid bare in 1993, with a best-seller, *The Plot to Annihilate the Armed Forces and the Nations of Ibero-America*, in Spanish, English, and Portuguese. Inside Venezuela, Chávez is proceeding in this task by politicizing the Armed Forces and transforming them into his personal political party, thereby turning them into defenders of the *government*, rather than non-partisan defenders of the *state*, which is their constitutional task.

One of the more perverse ironies of the Chávez case, is that he first made a name for himself on Feb. 4, 1992, by heading a military coup d’état against the hated government of Carlos Andrés Pérez, one of George Bush’s tightest allies among Ibero-American heads of state. Although the coup failed, Chávez became a national hero overnight—and understandably so, given Pérez’s bloody efforts to shove IMF poli-

cies down the throats of the population.

Chávez went to jail as a result of the failed coup . . . and emerged two years later a changed man. As Lyndon LaRouche noted: “Col. Hugo Chávez’s opinions underwent a miraculous metamorphosis, during his brief vacation spent in a prison cell.” The transformation—from loose cannon to manipulated asset—apparently had to do with a combination of nasty personal circumstances he was forced to endure while in jail, and the coordinated ministrations of agents of Venezuela’s wealthy and powerful Cisneros family, who from that time forward became increasingly close advisers—some would say his controllers—to Chávez.

Be that as it may, Chávez came out of jail to Fidel Castro’s waiting embrace. In a high-profile pilgrimage to Havana in 1994, Chávez was anointed by Castro as the new Che Guevara, the dynamic young leader of the continental revolution. Chávez promptly set to work strengthening his ties with the parties and movements affiliated with the Cuban-run São Paulo Forum across Ibero-America.

While visiting Argentina the next year in the company of his new mentor, the Argentine nazi-communist windbag Norberto Ceresole (see accompanying profile), Chávez took up his assigned role as spokesman for narco-terrorist insurgencies with gusto. He praised the FARC/ELN construction of a coca republic in Colombia: “There is a state within the state, where the Colombian state has no presence, where the laws that are obeyed are not the laws of the Colombian state,

and the Armed Forces that patrol there are not the Colombian Armed Forces.” And he similarly endorsed the Zapatista revolt in Chiapas, Mexico: “From the first day, we expressed our solidarity . . . with the Indian revolt of Chiapas. We believe that this phenomenon has similarities with ours. . . . We believe that the Chiapas matter was a legitimate rebellion.”

London and Wall Street

Besides Castro, the British were also there to greet Chávez when he emerged from jail. Since at least that time, Chávez has been groomed, protected, and promoted directly by the British Embassy in Caracas. Throughout most of that time, Chávez could not get a U.S. visa, even when he had an invita-

British bankers owned French Revolution *enragés*

When most people think of the French Revolution, the image of the storming of the Bastille by the people of Paris leaps to their mind. In point of fact, the *sans-culottes* who marched on the Bastille were led by a banker brandishing a pike, were paid with House of Orléans (British) money, fought with arms handed out to them at the Duke of Orléans’s Palais Royal, and were called into action by the British agent Georges Jacques Danton. Aside from displaying the heads of a few prison guards on pikes and releasing a few criminals, the major objective of the Bastille march was to reverse the impending forced resignation of Swiss financier Jacques Necker from the post of French Finance Minister, and prevent what Swiss creditors feared would be French national bankruptcy.

If anything, the march on the Bastille represented a counter-revolution against the French-American Alliance, which, together with the League of Armed Neutrality against Britain—organized by Benjamin Franklin and John Adams—had assured the 1781 victory of the American colonists over Great Britain. The Marquis de Lafayette and American revolutionary Thomas Paine, in the late 1780s, were in France working with the ministers of the French Bourbon monarchy, to bring about a constitutional monarchy in France and implant the ideas of the American Revolution to French soil.

The House of Orléans was the chosen channel for British operations to ensure that the American Revolution would be stopped short of the European Atlantic coast. For years, Orléans had been subsidized by the Barings financial moguls of London. The Duke had further secured for himself the post of Grand Master of the Freemasonic Lodge of the Nine Sisters, an offshoot of Scottish Rite Freemasonry, from which he organized an anti-Bourbon and anti-American coterie of *enragés* and Jacobins, that is, terrorists. It was this gang that later organized the Reign of Terror, which guillotined King Louis XVI, along with many others. It was this gang that systematically used the people of Paris, the *sans-culottes*, to carry out the system-

atic extermination of anyone deemed an enemy of the Terror state. One of the victims of this Terror carried out by the foremost agent of the Duke of Orléans, Danton, was chemist Antoine Lavoisier, who had collaborated with Lafayette to supply the ammunition that would ensure the American victory. The Danton “judge” who condemned Lavoisier to death, declared simply: “The Revolution has no need of science.”

The American revolutionary Thomas Paine, whose writings had inspired the American colonists and who was the chief propagandist of the American-French alliance, was imprisoned by the Jacobin Terror.

‘I am the anger’

Enragé Jean-Paul Marat was one of the most flamboyant deployables of this British bankers’ gang. Marat was the head of Danton’s Committee of Surveillance, authorized to search all houses for reactionaries and aristocrats. Marat rationalized this mob rule, thus: “Learn that my reputation with the people rests not upon my ideas, but upon my boldness, upon the impetuous outbursts of my soul, upon my cries of rage, of despair, and of fury against the rascals who impede the action of the Revolution. I am the anger, the just anger of the people and that is why they listen to me and believe in me. When a man lacks everything, he has the right to take what others have in superfluity. Rather than starve, he is justified in cutting another’s throat, and devouring his palpitating flesh.” Marat himself frequented the House of Orléans, and also was able to slip away to London whenever he came under suspicion.

The Terror nearly succeeded in destroying France. The British money and the House of Orléans combined, not only to carry out mass murder within France, but also provoked war against Britain and its imperial allies on the continent, an alliance that now threatened France from without. The British method is the same today, as then: destabilize a country via an agent and Jacobin fifth column, then provoke it into a war in a weakened condition, and thus smash it.

France was ultimately able to survive only after Lazare Carnot reorganized the French Army in 1794 and established the Ecole Polytechnique, which revived France’s scientific capabilities and greatness.—Linda de Hoyos

tion in hand from the New York branch of London's favorite bank, J.P. Morgan. It was not until the final phase of the 1998 Presidential campaign that Britain's loyal U.S. networks, led by Vice President Al Gore's minions, joined the "Chávez Project" prominently, and he was assured that the United States would welcome him, should he be elected.

The British sponsorship of Chávez is of a piece with London's defiant promotion, during the same time period, of the drug cartel's Colombian President, Ernesto Samper Pizano, stymying efforts from within the Clinton administration to isolate Samper by decertifying his government as non-cooperative in the war on drugs. As the House of Lords set up a "Samper Pizano defense committee" (led by the son of the notoriously imperial racist Field Marshal Gen. Montgomery), Britain orchestrated a virulent campaign demanding that the United States never again initiate any "unilateral" action whatsoever against the drug trade in the Americas. Samper Pizano survived, and Colombia now faces disintegration.

Elected in December 1998, Chávez's first measures were to extend Venezuela's support to Colombia's narco-terrorists.

In mid-June 1999, Chávez travelled to Wall Street to seal that side of the deal, offering Venezuela up for looting to hundreds of gathered financiers. Revealing how desperate Venezuela is for cash to avoid bankruptcy, Chávez announced significant new measures, which include:

- Issuance of dollar-denominated government domestic bonds, much like the infamous Mexican Tesobonos, which led to that country's debt explosion in late 1994.
- Dollar accounts will now be permitted inside Venezuela, and banks will be permitted to extend dollar loans.
- The privatization of the state's aluminum, electrical, gas, and petrochemical industries will proceed, and private foreign capital is sought for the state oil industry.

After Chávez's performance, Venezuelan financier Gustavo Cisneros publicly praised Chávez for having made "commitments" to the gatherings of "very important businessmen." He will now have to fulfill these promises, Cisneros smirked: to honor the debt, to welcome foreign investment, and to provide the legal framework to protect private investment.

A few weeks earlier, on May 21, Chávez had given the closing address to the London *Economist's* ninth annual Roundtable, held in Venezuela for the fifth year in a row. Chávez could not find sufficient words to express how "truly honored" he was, to address a gathering sponsored by the financial powers of the City of London. Urging conference participants to consider Venezuela as "their house," he assured them that his national project "is not one of obsolete, archaic nationalism," but is "outward-looking." He held up the nickel and gold mines already exploited by British and Canadian companies as examples of the investment possibilities opening up.

Interspersed among dissociated quotes from Zarathustra, Galileo, Albert Camus, Vivian Forrester, and Descartes, Chávez waxed eloquent about "the unforgettable days that we

spent in London"; of how, in the "hot, hot" phase which Venezuela will soon be entering with the new Constituent Assembly, his government looks to "countries which have experience. Just look: England, the United Kingdom. Talk about experience!" He concluded with a fervent call to the vultures assembled by the *Economist*: "You are welcome here. Do not leave. Stay. . . . A country is being reborn here, and this country is opening up, and it is at your orders."

Chávez abets 'Third Cartel' in Colombia

by Juan Avila

During its four months in power, the Venezuelan government of Hugo Chávez has consolidated a de facto alliance with Colombia's narco-guerrillas, an alliance which began long before Chávez became President of Venezuela, but which now poses a highly dangerous threat since it has become enshrined as state policy. Although the rhetoric is full of fine-sounding phrases about peace, dialogue, and social change, the reality of the alliance is alarming: The "Third Cartel" of drug trafficking in Colombia—that is, the FARC/ELN narco-terrorists—politically, diplomatically, and even logistically supports the Venezuelan government, in its drive to secure the status of a "belligerent force" in the Colombian conflict, the better to fragment that Colombia and establish an independent narco-republic in the south of that country.

Most recently, Chávez made a public statement, expressing his hope to travel to the FARC-controlled demilitarized zone (DMZ) in Colombia, to meet with FARC chieftain Manuel Marulanda ("Tirofijo," or "Sureshot"), and "preferably to meet together with President Pastrana" of Colombia. Apparently, the trip was supposed to take place immediately following the heads-of-state summit in Cartagena in late May; but opposition from important sectors in Colombia, and the crisis triggered when Defense Minister and the high military command resigned in protest, prevented the Venezuelan President's rendezvous with the FARC—at least for now.

Some Venezuelan officials who did go to meet with the FARC one week after the summit included Sen. Pablo Medina, from the Venezuelan PPT (Patria Para Todos) party which is part of the ruling Polo Patriótico movement, and Congressman Rafael Uzcategui, also from the PPT. Medina is one of the most important leaders of the pro-terrorist São Paulo Forum. Although President Chávez denied that Medina went as his official mouthpiece, his visit clearly represented an advance in coordination between the FARC and Chávez: Medina met for five days with the narco-guerrilla leaders, had a lengthy interview with Marulanda himself, and returned



Chávez brokered a three-way meeting in Caracas with Colombian President Andrés Pastrana (left) and Fidel Castro in February 1999, after Pastrana had handed over huge chunks of his country to the narco-terrorists. Like Chávez's MBR-200, Colombia's FARC/ELN are members of Fidel's continental São Paulo Forum.

with several messages from FARC military commander Raúl Reyes. Among these was a videotaped greeting to the Venezuelan government and people, which was broadcast on Venezuelan television. Medina and Uzcatogui returned from what has already come to be known as "Marulandia," through the border with the Venezuelan state of Zulia. That same route has been taken by hundreds of Colombian refugees fleeing narco-terrorist rampages in the zone of La Gabarra.

Developments in La Gabarra are another recent indication of the collaboration between the Chávez government and the Third Cartel. In mid-May, there was an avalanche of Colombian refugees, after the FARC and ELN warned that so-called paramilitary forces were moving in to seize their towns. The unfortunates fled from La Gabarra into Venezuelan territory. Under the coordination of Chávez follower, Zulia's Gov. Francisco Arias Cárdenas (whose office has hosted peace talks with the ELN), and with the convenient presence of United Nations and International Red Cross delegates, who thus managed to "internationalize" the incident, the Venezuelan government gave the order to receive all the refugees and facilitate their return to other Colombian territories where they are not threatened.

The reality, however, was revealed by international wire services, which noted that La Gabarra is a coca cultivation area, whose control is under dispute by the narco-guerrillas and the paramilitaries, and that the so-called "refugees" are primarily coca-farmers linked to the Third Cartel.

Conferring 'belligerent' status

Since 1995, there has been much speculation about meetings between Chávez and the FARC/ELN, even before he became a Presidential candidate. It began during Chávez's visit to the Zapatista terrorists in Mexico's southern state of Chiapas, and his first meeting with Fidel Castro in Havana, when a speech by the latter anointed Chávez as the new commander of the Ibero-American Revolution, a dream that Chávez has nurtured since adolescence, when he apparently was active in the youth cells of the Venezuelan Communist Party.

During his Presidential campaign, Chávez denied that he had had contact with the FARC/ELN, claiming that this rumor came from an intelligence report released by then Colombian narco-President Ernesto Samper Pizano, for domestic political reasons. What he could not deny, however, was that he attended meetings of the São Paulo Forum, in Montevideo, Uruguay and in San Salvador, El Salvador, in 1995 and 1996, respectively. There, his Bolivarian Revolutionary Movement became affiliated with the Forum, and participated in discussions, cheek-by-jowl, with representatives of the Colombian FARC and ELN.

Once he assumed the Presidency, Chávez began to openly manifest his support for the Colombian narco-guerrillas, setting aside Venezuela's military doctrine, history, and security and defense postulates. On Feb. 22, 1999, just two weeks before taking office, he announced that Venezuela would

henceforth be “neutral” in the Colombian conflict, and that the FARC and ELN terrorists would be accorded the same treatment as Colombia’s Armed Forces. Immediately, spokesmen for the FARC and ELN thanked Chávez for his “equanimity,” and proclaimed that he had, in effect, recognized them as “belligerent forces.”

Chávez’s Foreign Minister José Vicente Rangel then travelled to Bogotá, to calm the waters by declaring that his use of the word “neutral” was merely “colloquial, not juridical.” As is known in international law, the “neutrality” of one state toward the internal conflict of another state is the first step toward granting belligerent status to the insurgent force, which accords it international recognition as a government, with its own territory, diplomatic relations, and international trade—including arms trade.

On March 10, President Chávez went even further, arguing that the state of “belligerency” for the guerrillas was not being granted by him, but had already been granted by Colombia’s President Andrés Pastrana; the remark generated a serious “impasse” in relations between the two countries. In April, with the re-launching of “peace dialogues” in Colombia and meetings between Presidents Pastrana and Chávez at the CARICOM meeting in the Dominican Republic, and later along the Colombian-Venezuelan border, the involvement of the Chávez government in negotiations with the narco-guerrillas took another step forward. The FARC proposed that Venezuela, together with three other countries, serve as “guarantors” in peace negotiations with the Pastrana government, and formally invited the Venezuelan President to visit the DMZ.

The new official relationship with the ELN, responsible for the majority of kidnappings and assassinations along the Venezuelan border, is very important. The Venezuelan government has also offered to mediate in talks with the ELN, and has facilitated more than 60 meetings with Colombian civilian spokesmen, at the office of the Zulia government, in Maracaibo. Heading these meetings was the ELN’s second-in-command Antonio García, who had been responsible for the 1995 massacre of Venezuelan naval cadets at Carabobo. In a letter to the Venezuelan Foreign and Government ministries, García thanked the Venezuelan government and people “for offering us your territory and collaboration,” and made reference to “the discretion and the respect with which we have been treated.”

Supranational intervention

Moreover, Zulia Governor Arias Cárdenas—an ally of Chávez since the 1994 coup attempt—has assumed an important role in this de facto alliance with the narco-guerrillas, as can be seen in the meetings he hosted between Colombian leaders and the ELN, already mentioned. Fully aware that his border state is one of the areas most affected by the narco-guerrilla rampages next door, Arias has undertaken lunatic

initiatives of his own, such as having his own foreign policy, under which he named former Nicaraguan President, the Sandinista leader Daniel Ortega, as his international adviser, and proposed that the ELN be given control over a broad demilitarized zone along the border of Zulia, just a few kilometers from Venezuela’s main oil centers. Arias Cárdenas has also urged the presence of UN “blue helmets” in the Colombia-Venezuelan border zone.

These initiatives, while quickly rejected by Venezuelan’s Defense and Foreign ministries, nonetheless coincide with the guidelines for a U.S. or supranational military intervention into Zulia oil fields under terrorist threat, which had been elaborated by Henry Kissinger’s State Department in the 1970s.

Large Venezuelan sectors (agricultural producers, military, businessmen, and church layers) are particularly worried about this policy of the Chávez government, which appears to be more concerned with its relations with Colombia’s narco-guerrillas than in protecting its own citizens. The kidnapping of Venezuelans has continued, not only on the border, but even in the capital of Caracas and in interior cities such as Valencia, where, last April, an entire ELN “kidnap industry” infrastructure was discovered. In the recent kidnapping of a young student, Mely Alejandra Carrero, in the border region of Táchira, the Chávez government gave its support to the narco-guerrillas, which infuriated Venezuelans.

Also continuing is the growth in collection of bribes, extortion, and cattle rustling. In April, three businessmen in Apure state were murdered by the ELN for not paying their bribes. Weapons-trafficking to the guerrillas is also increasing. In early May, it was reported that the U.S. government suspended weapons sales to Venezuela, because there was an unheard-of rise in purchases during the previous year (eight times more than in 1996), presumably by the Colombian narco-guerrillas.

But perhaps the most worrisome is the silence of the Chávez government on the evident links of the FARC/ELN to drug production and trafficking, the processing laboratories, the trade in drug inputs, the illegal airstrips, etc., and the growing use of Venezuelan territory for these activities.

The only official voice to come out against all this has been that of the recently named president of the Venezuelan Anti-Drug Commission, Mildred Camero, who declared on April 5: “Drug trafficking is an international business, and from every viewpoint, it is extremely serious that the narco-guerrillas are gaining ground in Venezuela. . . . Although we don’t have the latest statistics, there has been an increase in the exchange of drugs for weapons and for persons. The guerrillas buy and sell both inputs and finished products. There are theaters of operation, but relations between guerrillas and Venezuelan military and civilians have to be carefully reviewed.”

The case of Colombia's Constituent Assembly

On Dec. 9, 1990, less than 25% of the Colombian electorate chose 70 delegates to represent the nation in a Constituent Assembly, given responsibility for writing a new Constitution that would supposedly “modernize” the state. The referendum which brought the Assembly into being was explicitly prohibited by the Colombian Constitution, and therefore illegal. Nonetheless, it was rammed down the throats of Colombia's terrorized and compromised Council of State and Supreme Court under a “state of siege” decree, by a President in league with the country's rampaging narcotics cartels. The Constituent Assembly was, in fact, the principal demand of the narco-terrorist forces, which were seeking to parlay their violent blackmail of the nation into political power.

Once installed, the Assembly was empowered—if it so chose—to declare Colombia a monarchy, to dissolve the Congress or the Armed Forces, to declare the nation a colony of a foreign power, to drive the Catholic Church underground, even to tear up international treaties. The first act of the Assembly was, in fact, to shut down the National Congress. Its delegates—most of them outright terrorists, such as the M-19's Antonio Navarro Wolf, or front-men for the narcotics cartels—then moved to the primary business at hand, banning the extradition of Colombian drug-traffickers and narco-terrorists, especially to the United States, where the drug lords' ability to bribe, terrorize, or otherwise subvert the Colombian justice system would be neutralized.

The narco-Constitution drawn up in 1991 has no legal standing, and the Colombian government has been operating outside the bounds of constitutional law since that time.

Articles 35 and 19 of the 1991 Colombian Constitution did explicitly ban the extradition of nationals, even if their crimes were committed abroad. In fact, a videotape from the U.S. Drug Enforcement Administration (DEA) emerged at the time, showing a drug-cartel lawyer in the act of bribing one of the Assembly delegates, and boasting that he had similarly “arranged” another 37 delegates, to vote against extradition. One leading politician said that “authentication of the video would vitiate the new Constitution.” Yet the investigation of the video scandal went nowhere: Then-President César Gaviria possessed that videotape *before* the Assembly vote on extradition, but he chose to bury the story. Immediately after the ban on extradition was approved, Medellín Cartel boss Pablo Escobar “surrendered” himself, and proceeded to serve his sentence in a five-star prison, where

he continued to run drugs under the protection of the new “law of the land.”

Shattering the national institutions

Besides the immediate task of doing the bidding of the drug lords, the 1991 *Constituyente* took aim at the nation's most fundamental institutions. The Assembly targetted the Roman Catholic Church by legalizing abortion and divorce, prohibiting religious education, and placing Christianity on a par with Satanic cults by announcing that “all churches are equally free.” The military, too, came under attack. Under the pretext of “subordinating military power to civilian,” the Assembly limited the jurisdiction of the Armed Forces such that it could no longer deploy on national territory without the prior authorization of regional and local leaders, including in the zones where mayors and governors were at the beck and call of the narco-terrorists. The result can be seen today, where about 50% of the national territory is in narco-terrorists' hands.

The neo-liberal “opening” demanded by the international financial oligarchy was enshrined as a constitutional precept as well. Article 333 intones, “Free economic competition is the right of all,” and that “the state, by mandate of law, should prevent any obstruction of economic liberty.” The takeover of basic state companies, and of the energy and mineral resources in the hands of the state, by international sharks, was also guaranteed, when privatization was consecrated as a constitutional norm. Article 336 states: “The government should transfer or liquidate state enterprises and give to third parties the development of their activity when they do not meet the requirements of efficiency.”

Further, by granting autonomy to the Central Bank, the Constituent Assembly eliminated the sovereign ability of the state to control the issuance of credit and currency. The Monetary Council, which had determined internal credit for productive sectors, was shut down, and it was determined that the Central Bank of Colombia “will not be able to establish credit quotas.” But, it adds, to the glee of the creditor banks, “The Congress will be able to eliminate or reduce expenditures, with the exception of those allocations needed to service the public debt and other contractual obligations of the state.” Assuring foreign debt repayment is now a constitutional precept.

It is worth recalling that one of the leading international promoters of Colombia's Constituent Assembly was none other than then-President of Venezuela, Carlos Andrés Pérez. When Gaviria illegally imposed the Constituent Assembly, and then dissolved the National Congress, Pérez travelled to Colombia to give his wholehearted backing to Gaviria's monstrosity. Pérez appeared before the Assembly delegates, declaring that they were “an example to Latin America, to accommodate its constitutions to the new political and economic realities,” such as “opening up the economies.”

Chávez's economic program for IMF looting, with Jacobin rhetoric

by David Ramonet

From the standpoint of his economic program, the so-called “Third Way” touted by candidate Hugo Chávez Frías during his Presidential election campaign, has proven to be nothing more than a militarized version of the same “shock package” that Carlos Andrés Pérez (CAP) attempted to carry out during his second, uncompleted Presidential term: an International Monetary Fund (IMF) austerity program designed to guarantee payment on the foreign debt at the expense of the national productive apparatus and of economic and national sovereignty. Toward this end, Chávez has pledged to ignore every legal principle, and to do away with the organized labor movement in Venezuela.

Some ten years ago, CAP launched the globalist economic reforms in Venezuela which led to the disintegration of national industry, the bankruptcy of agriculture, the growth of the “informal economy,” and a ballooning financial and capital market that wrought the bankruptcy of Venezuela’s banking system in 1994. CAP became known as one of George Bush’s Ibero-American favorites, along with Mexico’s Carlos Salinas and Brazil’s Fernando Henrique Cardoso, for imposing his evil “new world order.”

CAP never did get to finish his experiment, and this can be blamed on two coup attempts in 1992 (including the one on Feb. 4 headed by now-President Chávez) and his subsequent impeachment and removal from office in mid-1993 for embezzling public funds. During the interim government of Ramón Velásquez, City of London mouthpieces, such as the *Economist* and the *Financial Times*, opened up a campaign designed to distract public attention from CAP’s shock package, and to concentrate it instead on CAP’s corruption.

During the first two years of Rafael Caldera’s government, when he attempted to apply nationalist and protectionist economic measures to production and national employment, all of the opposition—including the government parties currently allied with Chávez—participated in a destabilization effort, once again orchestrated by the *Economist* and similar mouthpieces for international usury, to force Caldera to return to the reforms undertaken by CAP. Now, Chávez blames all of Venezuela’s economic and social ills on all the governments that have preceded his, since 1958.

Of CAP, they say that it was his “charisma” that enabled him to convince Venezuelans to swallow all the suffering

wreaked by the IMF and the globalist financiers. Of Caldera, these same forces had hoped that his reputation as an honest man would help him to impose the same austerity, but “honestly.” Now, with Chávez, they are hoping that the man with no ties to the political parties—the “AD-COPEI bureaucracy,” as civil servants are referred to—will have no qualms about firing half a million public employees to “reduce the state” (i.e., slash the budget), wipe out the labor movement, and see the privatization of public companies through to the end.

During the celebration of his first 100 days in office, President Chávez made every effort to demonstrate his willingness to fulfill these expectations: He reiterated that there will be no exchange controls, no price controls, no controls of any sort, and he promised to sign with the IMF as quickly as possible. In sum, that his “constituent revolution” will bring Venezuela on board the globalized moribund financial and monetary system.

The IMF noose

On April 25, 1999, the referendum that Chávez had called to create a National Constituent Assembly was held, with 63% of Venezuelan voters abstaining from the polls. The referendum included a question for the voter to approve or disapprove the basis for convoking the Assembly, drafted by Chávez personally, with the only limit being respect for all standing international treaties and agreements. That is, the Constituent Assembly, which according to Chávez—and against the ruling of the Supreme Court—will be allowed to immediately dissolve the judicial and legislative branches of government; it will not be allowed, however, to abrogate the existing, unconstitutional agreements which Venezuela has been forced to sign with its financial creditors. These agreements require, among other things, that all legal disputes that might arise be settled outside Venezuelan territory, thereby subordinating the Venezuelan state to foreign jurisdictions, specifically the City of London and Wall Street. The same applies with the foreign oil multinationals that participated in this “opening.”

With a public budget estimated at 12.46 trillion bolivars (some \$19.54 billion), which presents a deficit of some \$8 billion (8.2% of the GNP), the government is rushing to reach

an agreement with the IMF—any agreement—which would serve as an endorsement and enable Venezuela to turn to the international credit markets. Without the IMF's stamp of approval, any new credits would come with highly onerous conditions. "We haven't yet given a name to the agreement that we are, nonetheless, going to establish," Chávez remarked about the pact with the IMF, on April 26.

But the IMF's stamp of approval has its own, highly onerous conditions. In order to prove that austerity is proceeding in earnest, the President has ordered a census of all state cars, planes, and cellular phones, preparatory to selling them off. Then, to further convince the IMF and the "markets," Chávez fought with the Congress to win approval of an "Enabling Law" that would permit the government to introduce a Bank Debt Tax (0.5% for each bank transaction), and to turn the Wholesale Sales Tax and Luxury Consumer Tax into a General Sales Tax that would expand the taxable base.

Debt for assets

The government had originally requested authorization from Congress for a gross indebtedness of \$12 billion, equivalent to 50% of the current foreign debt. That was first lowered to \$7.8 billion, and finally to \$3.8 billion. Looking at the public foreign and internal debt combined, this represents an increase of nearly 20% in state indebtedness, which will rise from the \$20.5 billion left by the previous government—after reducing it by more than \$6 billion—to \$24.3 billion, in a single year.

The Chávez government's foreign debt policy is the same that was designed by CAP's Planning Minister Miguel Rodríguez, which, in effect, was based on exchanging debt for state assets (or as it is euphemistically called today, "debt for investment"), by placing bonds that could then be exchanged for public holdings.

Of the planned new indebtedness, Chávez is hoping to place \$1.4 billion on world speculative markets, by changing them for the Brady bonds and other global bonds in circulation, with the intent of paying off those bonds which come due with other bonds.

According to Planning Minister Jorge Giordani, the government is hoping to get an additional \$700 million to pay the foreign debt, by selling off the national electricity distribution grid (with the exception of a portion of electricity distribution in Caracas, the rest belongs to the state).

Regarding the state aluminum complex, government spokesmen have indicated that they expect to be concretizing its sale, unlike the "failure" of the previous government, which had been unable to meet the expectations of would-be purchasers, starting with George Soros.

The physical economy disintegrates

Among the achievements presented by President Chávez at the celebration of his first 100 days in office, was an increase in the price of oil, as the result of production cutbacks, which

has led to a recovery of international reserves to the level of \$14 billion. Chávez also stressed that inflation had fallen to 1.1% in April, and predicted that, in May, it would be even lower than 1%. He boasted that the exchange rate had been kept stable, floating within the established limits, and that the stock market had recovered.

But in May, inflation rose two points, while the stock market lost half of its profits, merely because of the "Tango Effect" from the Argentine crisis.

In any case, economists had a good laugh at Chávez's expense, because "he confuses stagnation with stability." To nearly everyone, it was obvious that the drop in inflation was in response to the barbaric collapse in consumption, including food. According to the president of the Chamber of Commerce (Consecomercio), Alvis Muñoz, figures pulled together by the Supermarket Council linked to the Chamber of Commerce show that food consumption in April alone fell by 12%. "This is extremely worrisome, because it means that the crisis is much worse than we thought. When someone doesn't buy a pair of shoes, a dress, or jewelry, it is not as serious as when someone stops buying eggs, pasta, and meat," he said. Chávez decreed a token wage increase of 20% for public employees, starting in May, which served as the basis for an increase in the minimum wage in the private sector, which went from 100,000 bolivars a month (\$168) to 120,000 bolivars a month, roughly 60% of the cost of a basic family basket.

The Central Bank acknowledges that the slowdown in the inflation rate so far this year is largely due to the drop in consumption of basic foods, clothing, shoes, and services. According to the Venezuelan Food Council, consumption of cheese, sardines, flour, tuna, vegetable oil, chicken, and pasta fell more than 5% between January and February of this year.

On top of this, the paralysis of the economy has driven up unemployment and expanded the informal economy. Cutbacks in oil production in the state of Anzoáteguia, for example, left 10,000 workers without work; the construction industry is operating at below 15% of capacity; and, in two cities alone in this oil state, there are more than 2,000 apartments without potential buyers.

But the worst hit is the manufacturing sector. According to the National Industry Council (Conindustria), industry so far this year has lost 60,000 jobs, or 21%. Between 1996, when the Caldera austerity package was first begun, and today, employment in the manufacturing sector has lost 450,511 jobs, leaving only 223,053 workers total.

This is the direct result of the drastic shrinkage in public expenses—the much-touted "reduction of the state"—which has worsened since last year, because of the fall in oil prices. Actually, public expenditures have been falling since the IMF's neo-liberal austerity programs first began. According to the Office of Economic and Financial Advice of the Venezuelan Congress, "the level of real per-capita expenditure by the central government is currently below the level it was at in the beginning of the 1970s, with the aggravating factor that

it has fallen 24% since 1990.”

Juan Mejías, president of the Venezuelan Industry Council, reported that “in 1999 so far, industrial plant has not been reactivated, as a consequence of the decline in internal demand.” A study by his Conindustria indicates that some 50 small and medium-size firms have declared bankruptcy in the first quarter of 1999. Machine parts manufacture, chemicals, steel, paper mills, and suppliers to the oil industry are all facing severe recession conditions.

According to the Datanálisis census firm, family incomes declined by 2% in the first quarter of 1999. Two years ago, family budgets allocated 36% to food purchases; today, they allocated 42% to buy products which are on sale and/or of poor nutritional value.

In total, unemployment grew by 4% in the first quarter of 1999, according to the Center for Documentation and Analysis for Workers (Cenda) and Datanálisis. While the Central Office on Statistics and Information maintains that unemployment was 11% at the end of 1998, and has risen to “only” 12% so far this year, Cenda insists that it rose to 15% in April and that, if the trend continues, it will end at 17% by the first half of this year, according to Oscar Meza, Cenda’s director.

Datanálisis reports that through March 1999, the total unemployment rate was 14.1%. Of an economically active population (EAP) estimated at 9.5 million workers, that 14.1% represents 1,339,500 unemployed in March. Of the remaining 85.9% of the EAP, the employed number was 8,816,500. It is estimated that fully 52.5% (4,282,262) of these, however, were employed in the informal sector, and that only 47.5% of the EAP (3,876,238) enjoy the benefits that accrue to a worker with a fixed salary in the formal economy.

Seniat, a state agency in charge of tax matters, reformulated its forecasts based on an analysis of the Venezuelan Central Bank, which predicted a 7.9% fall in GNP this year. Originally, the government had estimated a “simple” zero growth for this year. Later, it modified its expectations to a 1.5% decline. But, after an analysis of economic performance in the first quarter of 1999, the Central Bank technical experts now estimate that the reduction in oil activity (some 650,000 barrels per day less) will have a greater impact on the rest of the economy, than was first calculated.

The earlier forecast had contemplated a growth in the oil GNP of 2.9%, and a 3.2% decline in the rest of the economy. The new estimate forecasts a 12.1% decline in the oil GNP, and a 6.4% decline in the rest of the economy. As a result, it is also estimated that imports will be \$1.4 billion less than the \$13.9 billion previously expected.

Both Finance Minister Maritza Izaguirre and Planning Minister Jorge Giordani deny that these latest estimates are correct. However, Seniat director Gen. Humberto Prieto (ret.), who is more realistic, given his agency’s need to accurately predict revenues, recalculated income that can be expected this year, including the new taxes, based on the Venezuelan Central Bank’s technical assessment.



Former Venezuelan President Carlos Andrés Pérez (CAP), seen here in 1991. Widespread hatred of his implementation of IMF austerity created the fertile ground for Chávez’s 1992 attempted coup against him. The 1992 graffiti (inset) reads, “Long Live Chávez, Down with CAP.” Now, Chávez is putting a “revolutionary” face on exactly the same austerity, and worse.

‘Project Bolívar’s’ work armies

On Feb. 27, to commemorate the tenth anniversary of the street violence in 1989, Chávez inaugurated “Project Bolívar 2000,” by means of which he divided the national territory into “Theaters of Social Operations,” based on the military outposts in the country. It was announced, as if it were an employment program, to link the Armed Forces to the civilian population for the purpose of raising infrastructure and attacking the problem of unemployment. In Caracas alone, 15,000 people were immediately registered, of whom fewer than 100 actually got real jobs. The rest were reduced to some 2,500 civilians accompanying some 9,123 army troops on weekends, to help repair schools and hospitals, and clean up neighborhoods, as well as to set up “people’s markets” at subsidized prices.

But part of the financing for these “work armies” stems from programs financed by the World Bank, along with the “recommendations” that go with them. And thus, among the medical services being offered on weekends by the military doctors, in public hospitals as well as ambulatory surgical units, include the sterilization of poor women.

“Population control plans cannot substitute for the duty

of the state, and of other national and international institutions, to promote real development that guarantees the right of every man to benefit from the abundant resources of the Earth and from man's intelligence," read a statement by the Episcopal Commission on the Family, headed by Puerto Cabello Bishop Msgr. Ramón Linares, and endorsed by the Episcopal Commission on Faith, Morality, and Ecumenicism, headed by Cabimas Bishop Msgr. Freddy Fuenmayor.

Norberto Ceresole: Chávez's Rasputin

by Cynthia R. Rush

As some members of Venezuela's elites have already figured out, most of President Hugo Chávez's proposals aren't the product of his own thought processes—to the degree he has thought processes at all. Rather, they come from Norberto Ceresole, the unkempt Argentine geopolitical freak who landed in Caracas almost immediately after Chávez's victory in the December 1998 elections, boasting that Chávez was his "creation." What is attractive about the new President, he told an interviewer from *Siete Días* magazine, "is that he represents a political model that I designed in the 1960s. *I designed that model*. . . . What's happening now in Venezuela, is something that I dreamed of, that I imagined years ago."

There is surely an element of megalomaniacal self-promotion in Ceresole's outbursts. But they also contain a significant element of truth.

The basic precepts of the "Chávez model" are to be found in Ceresole's lengthy, convoluted, and pompously named geopolitical tract, "Caudillo, Army, and the People. The Venezuelan Model or Post-Democracy," which Ceresole just happened to have ready for Chávez, upon arrival in Caracas in January 1999. Not known for his modesty, he demanded that 100,000 copies of the work be reproduced and widely disseminated, so as to educate the Venezuelan people on the "new state" Chávez intends to build.

Ceresole may not be a household word in Venezuela, but he is well known to *EIR*, whose founder, Lyndon H. LaRouche, Jr., he has attacked openly. Since the early 1990s, this news service has tracked his activities as an agent of what we have made famous as the British-conceived "Plot" to dismantle the institution of the armed forces, and the sovereign nation-state itself. Predictably, Ceresole can be found wherever the "Plot" is well under way, working with London's São Paulo Forum to promote the model of a "new" military, which won't interfere with London and Wall Street's nation-wrecking policies.

'New revolutionary project'

Starting in 1994, after Chávez was released from jail, Ceresole began shuttling back and forth between Buenos Aires and Caracas in his role as adviser to Chávez, whom he was grooming to become not only the leader of Venezuela's *sans-culottes* "revolution," but a leader throughout the continent as well. "In my opinion," he states in his geopolitical tract, "all the elements needed to make Hugo Chávez a leader of all Hispanic-Creole America exist today. . . . He could also become the necessary referent of the great disinherited masses, and of the humiliated armed forces of all of our Hispanic-Creole America."

In 1994 and 1995, Ceresole accompanied Chávez on a tour of several Ibero-American nations, in each of which the São Paulo Forum's leftist military or ex-communist networks were the contact points. As Chávez would later say, "We are a movement of military men which welcomes ex-guerrillas. . . . I am a revolutionary."

In Colombia, he and Ceresole reportedly met with leaders of the narco-terrorist ELN, and, in December 1994, also attended a conference in Santa Marta, Colombia, sponsored by the São Paulo Forum, which called for creating a new Bolivarian movement "freed from models linked to the past and which proposes to build a new revolutionary project." It is instructive that one of Chávez's big supporters is Enrique Gorriarán Merlo, the terrorist Cuban intelligence agent in Argentina, whose All for the Fatherland Movement (MTP) assaulted the La Tablada Army base in Buenos Aires in early 1989, allegedly to halt a coup attempt by nationalist Col. Mohamed Alí Seineldín and his "Carapintadas" against then-President Raúl Alfonsín. Gorriarán told a reporter for *El Nuevo Informador* that "when Lt. Col. Hugo Chávez Frías takes power in Venezuela, we shall have an ally of iron to extend the revolution to other parts of the continent."

Nazi-communist

Ideologically, Ceresole is a Nazi-communist. A onetime stringer for Soviet and East German intelligence, and reportedly also close to Cuba's G-2, he is an overt racist and anti-Semite, a Hitler-lover who raves that the Holocaust "was a big lie." In fact, after his manic remarks to a Venezuelan interviewer, to the effect that Auschwitz and Treblinka "are made in Hollywood. . . . Today, no one believes in the Holocaust," in mid-March, Foreign Minister José Vicente Rangel was constrained to invite him to leave the country, amidst growing scandal around his role as "adviser" to Chávez. In an interview in the March 1 edition of the Venezuelan daily *El Nuevo País*, Ceresole said that "the political party of the future, is civic-military unity—make the revolution just as Lenin, Mao or Hitler did. . . ."

His geopolitical writings, which are largely unreadable, are filled with references to such forebears of Nazism as geopoliticians Friedrich Ratzel and Halford Mackinder, as well as the "clash of civilizations" thesis of ethnic warfare

peddled by that other British-owned geopolitician, Samuel Huntington. What is all-important for Venezuela's "revolution," Ceresole writes, is a Nazi-like "caudillo-masses" relationship, mediated through a new civic-military "party," while all other institutions are to be "pulverized." "I believe," he says, that Chávez should "wear his military uniform with ever greater frequency, because only a civic-military 'party' can act effectively . . . between the leader and the masses." Who needs existing institutions? Ceresole asks. "We should burn everything that we've read and learned up to now. . . . Nor can a revolutionary process of the type generated here in Venezuela be shared with other 'institutional' entities."

Ceresole's hasty departure last March wasn't the first time he had to leave Venezuela under less than ideal circumstances. On June 15, 1995, Venezuelan military intelligence (DIM) and state security arrested and deported Ceresole, accusing him of subversive activities, leading the campaign to discredit Venezuela abroad, and with advising Chávez's Bolivarian Movement (MBR-200), a member of the São Paulo Forum, in preparing a coup d'état against then-President Rafael Caldera. At that time, Caldera had made himself unpopular with the International Monetary Fund, by resisting its demands that he impose its harsh austerity dictates on the Venezuelan people.

Ceresole tried to bluster his way out of deportation, boast-

ing of all his high-level contacts and seminar plans in several countries, including his friendship with his former sociology professor, Brazilian President Fernando Henrique Cardoso. He sputtered: "I, I'm not just anyone. I travel to important places." The Bolivarian Movement, he added, "already has its connections in many countries."

Ceresole later claimed that his deportation was run through the Israeli intelligence service, the Mossad, because he was about to publicly reveal his findings that "the Jews" were behind the 1992 bombing of the Israeli Embassy in Buenos Aires as well as the 1994 bombing of a Jewish social welfare agency, AMIA, in the same city.

'Get LaRouche and Seineldín'

When Ceresole was deported, some Venezuelan and Argentine media lied that he was the liaison between Chávez and the Argentine Army nationalists, or Carapintadas led by former Colonel Seineldín. But in a June 18, 1995 letter to the Venezuelan President, Seineldín denied any such link, explaining that, like Caldera, he, too, had been attacked by both Ceresole and Chávez. Warmly praising Caldera for defending "his Fatherland from the global action of local and foreign financial interests," Seineldín reported that Ceresole had visited him in prison, and tried to sell him on his crazy theories. But today, he said, "and after the events which have been publicly reported, I am certain that his visits [to prison] hid his intention of selling us 'the project' which Hugo Chávez later bought."

In fact, much of Ceresole's "Chávez project" revolves around putting malleable Hugo Chávez forward as a new continental leader who, unlike Seineldín, will follow London's orders.

As early as October 1992, as Seineldín and his allies were launching a new nationalist Movement for National Identity and Ibero-American Integration (MINeII), Ceresole openly attacked Seineldín and, especially, Seineldín's open association with the ideas of Lyndon LaRouche. In a press release dated Oct. 1, 1992, Ceresole announced that the MINeII's principles were "diametrically opposed to our own political conception," and protested that LaRouche "deploys in our country and in other Latin American [countries] . . . with confidential information which could affect our national security."

Ceresole organized Chávez's tour of Argentina in early April 1995, as an explicit attack on Seineldín, and as the platform from which Chávez would launch his Presidential candidacy. From Buenos Aires, Chávez predicted, "We don't think Caldera will make it to the end of his term . . . we are prepared to govern, now." During his tour, Chávez went to great lengths to clarify that "I've had no contacts with . . . Mohamed Alí Seineldín."

On this trip, Chávez also hooked up with Ceresole henchman, Raúl de Sagastizábal. De Sagastizábal is the former head of the Argentine Navy's Albatross unit, who was briefly jailed

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with Seineldín after the December 1990 rebellion against the Army high command. After being released from jail, De Sagastizábal broke with Seineldín and hooked up with Ceresole to found the Argentina in the World Studies Center, the organization which sponsored Chávez's trip to Argentina.

Shortly after Chávez's visit, De Sagastizábal supported Army Chief of Staff Gen. Martín Balza, whose public *mea culpa* for having waged war against terrorism in the 1970s, was used by the human rights mafia to step up demands for the Armed Forces to be dismantled, and officers incarcerated for human rights violations. De Sagastizábal also vehemently asserted that "we have no type of contact with ex-Col. Mohamed Alí Seineldín, with whom we have profound differences, which go far beyond politics."

A project that was 'Made in Britain'

by Gretchen Small

Hugo Chávez's relationship with the British government first publicly emerged on March 12, 1995, when an *El Nacional* columnist reported that the political counsellor of the British Embassy, Paul Webster Hare, had been seen dining with Commander Chávez at a deluxe restaurant in Caracas. Columnist Jesús Eduardo Brando featured his report under the subhead: "Perfidious Albion."

Chávez soon revealed that his relationship with the British Embassy involved much more than being treated to sumptuous dinners. Speaking later that month in Buenos Aires, Argentina, at a press conference organized for him by his notoriously anti-Semitic Argentine controller, Norberto Ceresole, Chávez whined that he faced political "persecution," his human rights violated by the government of Venezuelan President Rafael Caldera, which objected to the "official conversations" which he had been holding with the British Embassy. Chávez reported that British Ambassador John Flynn had been organizing a visit to London for him, but the trip had been cancelled, after President Caldera personally protested to the Ambassador that if such promotion of Chávez continued, perhaps the Venezuelan government would meet with leaders of the Irish Republican Army.

The Chávez radicals were proud even then that they had British support, boasting in the publication of the Revolutionary Bolivarian Movement-200 that their man Chávez—fresh from his meetings with Fidel Castro in Cuba and with Colombian narco-guerrillas in Santa Marta, Colombia—had been meeting with Ambassador Flynn.

Defending the Cali Cartel's men

At the same time that it was laundering Chávez as a "democrat," the British Embassy was engaged in its own campaign against the Caldera government, which had dared violate "free trade" by imposing capital controls, after the national banking system had collapsed. The virulence of the campaign was best expressed by the London weekly the *Economist*, which labelled President Caldera a "cockroach," during this time.

In 1997, the British Embassy opened another war against the Caldera government, this time coordinating with networks openly linked to the Colombia's narco-terrorist Cali Cartel. In April 1997, the Venezuelan military captured one of the last remaining kingpins of the Cali drug cartel, Justo Pastor Perafán, who had been hiding out in Venezuela for more than a year. Because the multibillionaire Perafán was a well-known socialite in Colombian high society (e.g., he had been a special guest at President Ernesto Samper Pizano's 1994 inauguration), he could provide hard evidence on the "gentlemen above suspicion" who protected the drug trade in both Colombia and Venezuela, should he decide to talk.

The Clinton administration immediately filed papers for Perafán's extradition to the United States. His networks in the Venezuelan Congress, based in the Interior Affairs Committee of the House of Deputies, went into action, seeking to block his extradition by cooking up a case to have Perafán extradited instead to Samper Pizano's Colombia, on the legal technicality that he entered Venezuela illegally.

Caldera's Minister of Interior Relations, José Guillermo Andueza, a hard-liner on narcotics, denounced the Congressional maneuver. He soon found himself the target of a cooked-up "corruption" scandal, based on material provided by . . . the British Embassy. Perafán's supporters in the Interior Affairs Committee of Congress charged that Andueza had illegally negotiated with a German government company, for a contract to revamp Venezuela's national identity card program, ignoring a bid for the contract placed by Britain's De la Rue company. The Congressmen, waving around documents provided by the British Embassy on the advantages of De la Rue's services, launched war against Andueza, and called hearings into his alleged "corruption."

Perafán was, finally, shipped up to the United States, but the new British Ambassador, Richard Wilkinson, immediately jumped into the middle of the De la Rue fight. Wilkinson, who announced that he considered his mission to be to aid in "the modernization of the Venezuelan state," used an interview with the Venezuelan newspaper, *El Globo*, to blast the Caldera government for acting "without any transparency," when it signed with the German government company, rather than with Britain's De la Rue. De la Rue not only prints the national banknotes of some 100 countries, but also specializes, interestingly enough, in providing "security and cash processing equipment to the banking, retail, leisure and trans-

port industries in over 120 countries.” One Venezuelan journalist thereupon dubbed the new Ambassador Wilkinson, “the Blade.”

Campaign managers

In May 1998, Chávez finally got his visit to London, a trip, as he informed the Ninth Annual Roundtable of the *Economist* held in Caracas in May 1999, which was organized by “my friend Wilkinson.” Here, Chávez finally was introduced to all the “right people”: officials from the Blair government, members of Parliament, a gathering at Oxford University, and the president of British Petroleum.

As his Presidential campaign took off, so did Chávez, who began flying around the country to campaign in a plane provided by Henry Lord Boulton, the scion of the most Anglo-philic family in Venezuela for centuries.

Next to come on board Chávez’s team was Al Gore’s machine. In August, Chávez began meeting with a Gore close friend and top fundraiser, Miami businessman Howard Glicken. On Sept. 16, Glicken wrote a memorandum to U.S. Ambassador John Maisto, urging that the U.S. government establish “a credible working relationship and dialogue” with Chávez. Glicken explains in the memo, later published in its entirety by the Venezuelan magazine *Primacia*, that he and Chávez “have become personal friends,” and that he has stressed to the “very malleable and receptive” Chávez that he must not only “talk the talk,” but he must “walk the walk,” if he wants to be elected. As evidence that he is learning to “walk the walk,” Glicken reports that Chávez has met with David Rockefeller’s man, Gustavo Cisneros. And, he informs Maisto that the Inter-American Dialogue—the leading voice for British policy toward the Americas in Washington—is eager to invite Chávez to Washington.

Glicken, himself, has walked in mighty dirty circles along the way. Glicken’s recent career was built around his ties to Gore, since he became Gore’s chief fundraiser in Florida in 1987. (He and his wife reportedly drive around in two Jaguars with license plates reading “Gore 1” and “Gore 2”). Glicken is said to have built up his business connections by telling the clients of his Americas Company, that he is a key Gore Ibero-American adviser. But, in 1998, he pleaded guilty to charges of money-laundering for Gore’s campaign, shortly before picking up the Chávez assignment in Caracas; still, that’s the least of his dirty dealings. In 1991, a gold-trading company that Glicken had founded in 1983, Metalbanc, and two of its officers, were indicted for drug money-laundering and conspiracy, in Operation Polar Cap, a major U.S. government strike at the Medellín, Colombia drug cartel. Glicken, who claimed not to have known that two of the six officers of the company were involved, received limited immunity, in exchange for testifying for the prosecution. Not so his Metalbanc partner, Harry Falk, who received a 27-year jail sentence.

A re-made man

On Sept. 28, Chávez’s candidacy unveiled a new image. In a lengthy interview with the daily *El Universal*, Chávez proclaimed: “Over the last few years, I have been revising my positions, and I am very close to the thesis of British Prime Minister Tony Blair, when he speaks of the Third Way. . . . I adhere to it, and we continue studying it.” Venezuela must work within globalization, he declared, “because we cannot return to the paternalistic state which bankrupts the economy.” Chávez promised he would never resort to the exchange controls which had so angered his sponsors, when Caldera applied them. “Exchange controls are nefarious,” Chávez pronounced. “We know that exchange controls generate corruption, parallel markets.”

In mid-October, Ambassador Wilkinson told a meeting of London’s Anglo-Venezuelan Society (where former Ambassador John Flynn now operates), that Chávez would almost certainly win the election in December. That was a good thing, he averred, because in his personal experience, he had found that Chávez is “a man with whom one can hold an intelligent conversation. . . . His popularity and his legitimacy . . . [are] indispensable conditions for the harsh measures which the next President will have to take.” If Chávez reduces corruption and the inefficiency of the state, Wilkinson added, this would be “a good beginning.”

British interests have wasted no time since Chávez’s election. U.K. Energy and Industry Minister John Battle visited Venezuela in April, and signed agreements which strengthen Venezuelan ties with the British oil industry. A bulletin issued the same month by Britain’s Department of Trade and Industry (DTI) promoted the “excellent opportunities” which are available for British companies under the Chávez regime. U.K. companies are moving back into oil exploration, and “large untapped gas reserves . . . are expected to be developed under open market conditions,” while power generation, transmission, and distribution, telecommunications, environment and tourism also offer opportunities, the DTI wrote. (Labeling Venezuelans “compulsive consumers,” the DTI also made clear that Britain will not abandon its strongest tie to Venezuela: the sale of Scotch whiskey, which today generates one-third of all British exports to Venezuela.)

So, too, Britain’s lackeys in the United States are making their move. No sooner had he been elected, than Vice President Al Gore (who has an impeccable eye for corruption) extended a personal invitation to Chávez to attend his February global conference against corruption in Washington, D.C. Chávez announced that he would attend, and would meet with President Clinton at the same time, but when no meeting with Clinton materialized, Chávez stayed home. On June 18, Venezuelans were treated to pictures of Commander Chávez being hugged by Sir George Bush, as he emerged from his limousine at Bush’s 75th birthday bash in Houston, where Chávez was one of the honored guests.

Debate over health care must end HMOs' murderous logic

by Linda Everett

On June 29, President Clinton unveiled his long-awaited plan to modernize the 34-year-old Federal Medicare program, the nation's second-largest health insurance plan, which provides medical care for 40 million older and disabled Americans. The centerpiece of Clinton's proposal would, for the first time, help Medicare patients pay for part of the soaring costs of their prescription medications and would eliminate their out-of-pocket costs for all Medicare-covered preventive services, such as cancer screenings and diabetes management. The plan, which calls for making Medicare "fiscally secure" with an infusion of \$800 billion from a nonexistent budget surplus, offers an early Medicare buy-in option to Americans between the ages of 55-64 who are uninsured because of involuntary loss of a job or retiree benefits, and who cannot afford health insurance because this age group has the highest premiums in the nation.

These proposals, however well-intentioned, are part of a package that focusses on instituting major "market-driven" reforms in the Medicare program, modelled on those already established in the private sector under "managed care." *EIR* has demonstrated these "reforms" to be fundamentally at odds with the standards of decent health care. In 1996, the FDR-PAC, the political action committee launched by associates of Lyndon LaRouche in the Democratic Party, undertook a nationwide campaign to expose how managed care, a product of failed post-industrial policies, is a threat to the public good. Since then, we, alone, reported how managed care is simply the Wall Street and London-based financiers' vehicle to divert the trillion dollars which the nation spends annually on health care into their coffers. It constitutes a full frontal assault against every aspect of America's health care delivery infra-

structure, its skilled personnel, and its patients.¹ The only way to save Medicare is to scrap both predatory market reforms and managed care altogether, and to rebuild the nation's health care infrastructure based on a revised Federal Hill-Burton Act. This must be backed by LaRouche's New Bretton Woods financial reorganization proposal to foster the infrastructure preconditions for expanded population growth.

The debate on health care in the United States is not touching the real issues, always falling short of dumping the health maintenance organization (HMO) approach, which is based on triaging, or cutting out, care for "useless eaters." But, nonetheless, with 43 million Americans uninsured, hospitals closing, and the death toll from HMOs' cost-cutting skyrocketing, patients, hospitals, and doctors alike are up in arms. The intense debate is reflected in the battle over the Patient's Bill of Rights, which the Clinton administration has championed, and which would attempt to make HMOs accountable. The bill, now under heavy attack from a media campaign by the insurance companies, is currently scheduled to come to a vote in the U.S. Senate in mid-July.

The 'market' breeds collapse

The administration's new proposal seeks to change the traditional Medicare fee-for-service plan, by using the same means that managed-care wielded to destroy our health-care infrastructure: "market-oriented" tools and "competitive" pricing, contracting with hospitals and doctors, and offering

1. See Linda Everett, "'Managed Care' and Nursing: Back to the 19th Century," and Richard Freeman, "If You Get Sick, Will You Have a Hospital?" *EIR*, June 18, 1999.

economic incentives for physicians and hospitals to cut the costs of treating chronically ill or disabled persons. Americans who believe the lying axioms behind managed care—that we can't economically support the medical needs of the population—have adopted Wall Street's prescription: Cut health care costs by letting the free market and profit-hungry managed-care promote competition in order to close "inefficient" hospitals.

In order to be "competitive," a hospital must continually sacrifice its capacity to provide medical services—the opposite of Hill-Burton's mandate—even though managed-care plans never cover the actual costs of treating patients enrolled in their own plans. Now, a "reformed" Medicare would similarly have hospitals "compete" for its low rates.

In a single decade (1985-96), we lost more than 600 community hospitals, but not because it was some necessary shakeout of inefficient hospitals. A decades-long study shows that efficiently run hospitals, no matter how much they are needed by a community, are *more often* closed by for-profit hospital chains, because profit-driven entities are less tolerant of low financial margins.² For example, by all "market" standards, Columbia HCA, the largest U.S. operator of for-profit hospitals, is a Wall Street success story. Columbia, recently charged by the Federal government for defrauding the Medicare system, is known for its ruthless practice of buying up most of the hospitals within a community, closing some of them, and forcing patients into the remaining hospitals where substandard care is offered.

In 1997, the Conservative Revolution in Congress, led by Senate Majority Leader Trent Lott (R-Miss.) and House Speaker Newt Gingrich (R-Ga.), reportedly with the help of Vice President Al Gore, passed the Balanced Budget Act, which gouged \$71 billion out of Medicare payments to hospitals over 1997-2002. Those cuts, the American Hospital Association says, "have shaken the foundation upon which the Medicare program is built." Independent analysis documents that Medicare pays hospitals substantially less than the costs of providing services; yet, the new Medicare plan cuts another \$39 billion from hospital payments between 2002-09.

The Medicare plan would use financial inducements to get patients to join low-cost Medicare HMOs, which have a long history of cheating the elderly out of promised benefits, at the expense of their lives. About 100 of largest HMOs dumped 450,000 Medicare patients in 30 states last year—right after the U.S. Circuit Court in Arizona ruled, in a national class-action suit in August, that HMOs that deny Medicare patients needed medical treatment and their right to a timely appeals process, are violating patients' "due process," as guaranteed by the Fifth Amendment of the U.S. Constitution (*Grijalva v. Shalala*). In December 1998, the U.S. District Court in Western Texas upheld efforts by chronically disabled

Medicare patients to sue their Medicare HMOs for withholding treatment for disabling heart and pulmonary diseases. The court found the HMOs' financial incentives to doctors to stay below a set number of referrals to specialists, hospitalizations, and tests, served to motivate discrimination against patients with disabilities, which constituted a violation of the Federal Americans with Disabilities Act (*Zamora-Quezada, et al. v. HealthTexas, et al.*). HMOs plan to dump 200,000 more Medicare patients this year.

Dangerous mandates

HMOs once boasted that they cut costs for medications. Now, they're hiking premiums up to 59% to cover the high cost of "new advanced medications." They don't mention that they now pay billions of dollars to middlemen, called prescription benefit managers (PBMs), who work to increase HMO profits by overruling a doctor's prescription orders. This is done by forcing pharmacists to unilaterally substitute, for example, a different, cheaper cardiac drug each time a more costly drug is prescribed, without the prescribing physician's knowledge. The drug is not a generic brand of the prescribed medication: It is a different medication, and the practice is potentially life threatening. While PBMs use financial incentives to steer doctors and pharmacists to an HMO's cheaper list of drugs (called a formulary), they are also paid by drug companies to substitute their more expensive drugs. Between 1994 and 1996, some 80% of PBM businesses were owned by major drug companies, covering 107 million patients. Yet, Medicare says the "market" and PBMs will now give the elderly discounted drug rates!

The system of managed care is as powerful as the government in setting health care policy today: State legislatures spend billions on new bills and creating new new agencies to protect patients—often unsuccessfully—from noncompliant managed-care plans whose illegal scams bankrupt the plan and leave the state with the tab. After New York passed groundbreaking HMO reforms, it found that its largest HMOs failed to comply with the law 83% of the time. This is hardly an anomaly. States are powerless to enforce regulations: In California, HMOs simply ignore the majority of bills from emergency room doctors for treating their members. Managed-care plans calculate when, if, or how you get treatment.

But, why continue down this disastrous managed-care road at all? To date, several agencies within the U.S. Departments of Labor, Commerce, Health and Human Services, the Health Care Financing Administration, the U.S. Census Bureau, and the Bureau of Labor Statistics, along with several national health-care policy and advocacy groups, have no idea what the impact of managed-care policy on the U.S. workforce and productivity has been. This writer posed this simple question, asking how many days, weeks, or months of work are lost annually due to HMO policies that delay or deny needed medical treatment or referrals to specialists. No one had any data, or any intention to obtain it.

2. Alan Sager, Ph.D. et al., "Before It's Too Late: Why Hospital Closings Are a Problem, Not a Solution," Boston University School of Public Health, 1997.

Gore commits 'murder by decree' against Africa

by Scott Thompson

According to United Nations statistics, every day in Africa an average of 5,500 men, women, and children are buried, victims of the human immunodeficiency virus-acquired immunodeficiency syndrome (HIV-AIDS) holocaust. This death toll, growing at an explosive rate, is several times more than that acknowledged by U.S.-British sources to have been murdered during the "ethnic cleansing" of Kosovo. Yet, while the media hammered on about the horrors in Kosovo, hardly one story was written about the AIDS devastation in Africa—a holocaust that was preventable, and one in which an entire continent is disappearing under the onslaught of the disease.

Could any human being sit by and permit such a holocaust to occur, were there a way to stop it? What kind of person would prevent a solution? According to documentation supplied by the coalition called AIDS Drugs for Africa, one man has taken steps to stop Africa—particularly South Africa, where 3.2-6 million people are already infected by HIV and condemned to a horrible death—from affordable access to life-extending medications. That man is Vice President Al Gore, Jr.

At a rally on June 28 in Philadelphia, some 3,000 members of the AIDS Drugs for Africa coalition took part in a protest demonstration against Gore, who was there campaigning for the Democratic Presidential nomination. While Gore is keeping the price of drugs high by preventing Africans from manufacturing or importing generics, the pharmaceutical companies that benefit from his callousness have begun to heavily fund his campaign.

But, dismay and outrage at the Vice President's murderous views, as well as alarm at the spread of the AIDS epidemic throughout the African continent, have begun to be expressed around the world.

How bad is it?

On July 1, Agence France Presse reported that nearly 3.6 million people in South Africa are infected with HIV, according to statistics gathered by the Medical Research Council. The MRC found that the number of people carrying the disease has increased 30-fold since 1990. Spokesmen for AIDS Drugs for Africa have estimated that as many as 6 million South Africans are HIV-positive. Given a population of 40 million, this means that 9-15% of South Africans are infected.

Among those hardest hit are young people. According to

the MRC study, the number of pregnant women in South Africa infected with HIV rose from 0.76% in 1990 to 22.8% last year—a staggering increase. The MRC findings support government statements that South Africa has one of the world's fastest-growing HIV epidemics, with some 1,500 new infections each day.

It is against South Africa, as this author documented in the July 2 *EIR* ("The Ehrlichs: Two Genocidal Maniacs Whom Gore Loves"), that Gore is working to stop the production of affordable generic drugs to combat the disease. Among other things, Gore has placed South Africa on a "watch list" as a violator of free trade laws, which denies the country certain tariff benefits. This is murder by decree.

As *EIR* pointed out, 300 milligrams of a generic brand of AZT (used in combination with other medications to combat the effects of AIDS) can cost as little as 42¢ a pill, whereas the pharmaceutical giants charge a retail price of \$6. A one-month supply of AIDS medications would, under the conditions enforced by Gore, cost more than the annual salary of an average South African.

Meanwhile, the Chinese news agency Xinhua has reported that Nigeria has an estimated 571,036 cases of HIV-AIDS infection, and averages 1,500 new infections daily, according to the national coordinator of Nigeria's National AIDS Control Program, Nasir Sani-Gwarzo. An estimated 139,282 adults died of AIDS last year, and there were 158,598 new adult AIDS cases reported in 1998.

In 1991-92, some 1.4% of the Nigerian population were infected with HIV-AIDS, and by 1993-94, that figure had risen to 3.8%. Now, there are 3.1 million HIV cases in Nigeria, and it is expected that there will be 5.5 million by the year 2004.

Xinhua also reported that the situation in Kenya has become so grim that the Kenyan government plans to form a National AIDS Council for prevention and control of the disease by the end of this year. HIV-AIDS has been a grave social problem in Kenya, seriously affecting the country's economic development. It is said that the number of AIDS orphans in Kenya is expected to reach 580,000 next year, and almost 1 million by 2005. Kenyan Health Permanent Secretary Philemon Mwaisaka said in mid-June that more than 200,000 Kenyans would die from AIDS before the end of this year.

Kofi Annan's 'Diana Memorial Lecture'

On June 25, UN Secretary General Kofi Annan delivered the first Diana, Princess of Wales Memorial Lecture, entitled "The Global Challenge of AIDS," in London; his depiction of Princess Diana's simple search for a mission on this Earth stood in stark contrast to Gore's genocidalist policies. Much of the lecture focussed on the devastation that HIV-AIDS has wrought throughout Africa, including in South Africa, where Gore has blocked the production of protease inhibitors to combat the worst effects of HIV-AIDS, perhaps permitting

people to live until an AIDS cure is found. Here are some excerpts from Annan's lecture:

"First, of course, I am deeply moved at being asked to deliver the first lecture in memory of Diana, Princess of Wales. Today, we pay tribute to Diana's name; but more than that, we give thanks for her life, and for what she did to improve the lives of so many others. . . .

"But, above all, I am grateful for this opportunity to speak about the global challenge of HIV-AIDS, which ranks very high among the current concerns of the United Nations. In fact, there can never have been a disease so international. I want to speak particularly about the devastating impact of AIDS on the developing world—especially on Africa. . . .

"The struggle against AIDS is a moral imperative—who could deny it? . . .

"And finally, to Diana, Princess of Wales, were she with us today, I would say this: . . . You were among the first in this country to fight the conspiracy of silence and prejudice against AIDS. . . . Maybe that takes a special kind of sensitivity to do what Diana did. The rest of us can only draw inspiration from it. Faced with her example, we simply cannot leave the neediest on this Earth to needless death and degradation. . . .

"Today, we have the chance to practice hard-headed realism and heartfelt idealism at the same time—to combine self-interest with a sense of shared responsibility. It is a chance that does not come often."

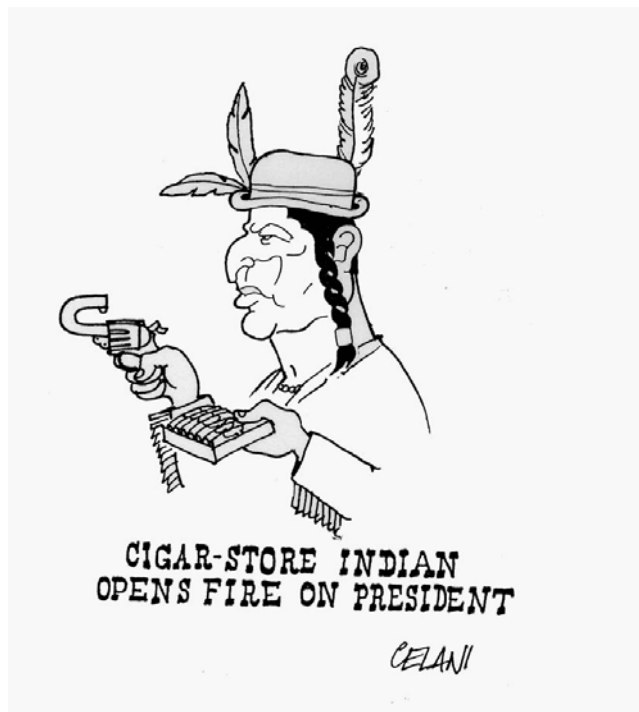
For the amoral Gore, the idea that fighting AIDS might be seen as a "moral imperative" by a world leader, is certain to have no meaning. As *EIR* documented in its July 2 issue, Gore not only promotes the fallacy that the world is "overpopulated," but he is preparing to line his campaign coffers with more contributions from large pharmaceutical companies. In contrast, Rep. Jesse Jackson, Jr. (D-III.) has sponsored a bill that would prohibit U.S. sanctions against African nations' efforts to secure abundant, affordable AIDS medications.

Greed

However, in addition to his sick belief that Africa is "overpopulated," and that the HIV-AIDS infection may be nature's way of helping to resolve that problem, Gore has demonstrated corruption as well. According to the *Ouch! Report*, dated June 16, entitled "Al Gore, AIDS Drugs and Pharmaceutical Money: Gore's Patented Moves," Gore is starting to rake in his filthy lucre:

"Despite the fact that the WTO [World Trade Organization] explicitly allows members to take such steps in the face of a national emergency or for public non-commercial use, the U.S. has placed South Africa on a 'watch list' as a free-trade violator and denied it special tariff breaks on its exports. . . .

"The Gore campaign is also well-positioned to reap a bumper crop of pharmaceutical cash. Anthony Podesta, a close friend and top adviser to Gore, is one of the PhRMA's



[Pharmaceutical Research and Manufacturers Association's] chief lobbyists. His firm was paid \$160,000 by PhRMA to lobby on patent issues, among other matters, between January 1997 and June 1998. He was also retained by Genentech, a major biotech firm with intense interest in protecting its patents, to the tune of \$260,000 for the same period. . . . Peter Knight, Gore's head fundraiser, made \$120,000 lobbying for Schering-Plough, another deep-pocketed drug company, in the first half of 1998. And Gore's chief domestic policy adviser, David Beier, was previously the top in-house lobbyist for Genentech.

"These people know who to dial for dollars.

"One last sign that the pharmaceutical industry is warming to Gore: \$11,000 in contributions to Gore 2000 from PhRMA, Pfizer, Bristol-Meyers Squibb, Genentech, and Glaxo-Wellcome lobbyists in the first three months of 1999, including a thousand-dollar check from Glaxo-Wellcome's Director of Government Relations on March 31. Most of this money rolled in after consumer and AIDS activists started putting pressure on Gore's office to change his South Africa policy."

These firms have started pouring money into Gore's campaign coffers, and they are demanding tough economic sanctions against South Africa for seeking to produce generic AIDS medicines. Ironically, AIDS Drugs for Africa coalition members told *New Federalist* (the weekly newspaper of the LaRouche movement) that most of the more advanced drugs for combatting AIDS were developed with U.S. taxpayers' dollars, so there were no huge research and development costs borne by the pharmaceutical giants.

Only physical economy methods will solve Saipan's problems

by Carl Osgood

On May 24, Global Survival Network, a Washington, D.C.-based human rights non-governmental organization (NGO), released the results of an undercover investigation into the garment industry and forced prostitution on the island of Saipan, the largest island in the Commonwealth of the Northern Marianas Islands (C.N.M.I.), a U.S. territory. That evening, ABC's "20/20" program aired a 15-minute story that drew heavily on GSN's report, including segments of an undercover video that GSN released earlier that day. These salvos were the latest in a campaign to pressure Congress to close the legal loopholes that have allowed a sweatshop-based garment industry to flourish, a campaign which began with the filing of several class-action lawsuits last January (see *EIR*, Feb. 26, 1999).

Since the lawsuits were filed, the battle to end the horrendous conditions on the island has escalated. In March, members of a Congressional delegation led by House Resources Committee Chairman Don Young (R-Ak.) were confronted by immigrants who had been brought to the island by job-recruiters, protesting working conditions and the failure of the local administration to address their plight. In April, bipartisan legislation was introduced in both Houses of Congress to prohibit the use of the "Made in the U.S.A." label in garments manufactured with immigrant labor on Saipan. Also in April, the law firm of Milberg, Weiss, Bershad, Hynes and Lerach, the lead firm in the class-action suits, issued more than 150 subpoenas to 17 U.S.-based retailers, seeking "full disclosure" of the retailers' involvement in producing garments "under intolerable work and living conditions" on Saipan, and all documents "relating to the consideration, determination or decision" by the retailers to purchase apparel made in Saipan.

On May 13, Frank Murkowski (R-Ak.), the chairman of the Senate Energy and Natural Resources Committee, introduced legislation to require the Department of Justice and the Immigration and Naturalization Service to develop and impose appropriate immigration standards for the C.N.M.I. Murkowski expressed concern about a "fragile economy that is becoming ever more dependent on a system of imported labor," at a time when unemployment among local U.S. citizens is 14.5%. He added, "The recent downturn in tourism as a result of economic problems in Asia has only served to aggravate the situation in the Marianas, increase the pressures on public sector employment, and tighten the dependence on

imported labor for the private sector, mainly garment manufacturing."

Slave labor on videotape

The most explosive development so far, however, has been Global Survival Network's undercover video and report that was released on May 24. GSN executive director Steve Galster, who conducted the investigation, described the C.N.M.I. as a "major center" of human trafficking by a syndicate ranging all over East and South Asia that is profiting from its trafficking to Saipan by about \$4,000 a head. "With nearly 40,000 victims now on Saipan," he said, "that represents \$160 million in profits to this syndicate." This syndicate not only supplies the demand for workers of the garment, hotel, and construction industries, but there is also a thriving sex trade, that primarily serves vacationing Japanese businessmen. The women are mainly Filipino and are recruited to be waitresses, hotel workers, and the like. When they arrive on Saipan, they discover a different reality.

Both the GSN report and the "20/20" broadcast featured the role of House Majority Whip Tom DeLay (R-Tex.). Posing as a garment buyer, Galster interviewed Hong Kong businessman Willie Tan, the owner of at least three of the garment factories on the island and the most dominant figure in local politics. In the interview, Tan boasted of his relationship with DeLay: "I have a real good friend of Tom DeLay, and Tom tell me, say, Willie, as long as we [Republicans] are in power, they can't even see the light at the end of the tunnel. . . . So now, it going to be two years, because Tom become real powerful this Congress, because Tom is the one who basically do—is the peacemaker. So guaranteed next two years, no problem. Now, it look like George Bush son will become next President. . . . Quite possibly. If we are Republican, we have no more problem again, so we are going to have six years."

Tan later added that DeLay promised him that because he controls the House schedule, no legislation addressing minimum wage and immigration problems in the Marianas will get to the floor. He also credited DeLay with pressuring Young not to hold hearings on the islands' labor and immigration situation.

Galster, as have 13 other NGOs including GlobalExchange and the American Bar Association's East European Law Initiative, has sent a letter to Attorney General Janet

Reno summarizing the investigation. "We urge you to make available whatever resources are necessary to bring to justice those in Saipan who would so brazenly traffic in labor of fellow human beings," the letter reads. "And we ask that you also investigate whether Congressman Tom DeLay may have improperly promised the use of his elective office to protect and defend criminal enterprises on the island of Saipan."

DeLay, through a spokesman, has defended his actions as "above board," and he continues to oppose any Federal legislation intended to address Saipan's problems. DeLay's friend, Tan, filed a lawsuit against GSN within hours after the video was released, charging defamation and "violation of privacy." A spokesman for C.N.M.I. Gov. Pedro Tenorio called the ABC "20/20" report "pathetic" and not worth responding to.

Economics and human dignity

However, all of this avoids the real issues, not only of what constitutes sane economic development of the Marianas, but also the C.N.M.I.'s relationship to the United States, and by implication, the relationship of the United States to the Asian nations that are the sources of Saipan's imported labor. One of the problems in the approach of the human rights NGOs and some members of Congress is that the slave-labor issue on Saipan may become a wedge between the United States and China. For example, Rep. Bob Franks (R-N.J.) blames the situation almost entirely on China, because most of the garment factories are owned by Chinese or Hong Kong businessmen.

Unfortunately, the human rights NGOs involved in exposing the sweatshop conditions on Saipan, and the C.N.M.I.'s critics in Congress, oppose the very economic measures that would provide the long-term solutions to Saipan's dilemma. For example, GlobalExchange outlines a plan on its website for an alternative to globalism, that not only rules out further development of nuclear energy as an energy source, but also calls for its phase-out, along with the phase-out of fossil fuel energy sources. The C.N.M.I.'s critics also refuse to abandon free trade policies, such as those that have caused so much havoc in Mexico. For example, Al Meyerhoff, the lead attorney in the class-action lawsuits, argued in a commentary in the April 10 *San Francisco Examiner*, that closing the legal loopholes, that is, imposing Federal minimum wage and immigration standards, "is not the solution, but it is a step toward implementing the true principles of free trade." Congressional critics of the C.N.M.I. also are strong defenders of free trade.

Not only must the question of sensible economic policies for the C.N.M.I. be taken up, but also a new relationship between the United States and the nations of East and South Asia whose national economic development has always been limited by external conditions, most notably by the forces of globalism. The Philippines, for example, has exported 6 million of its workers, and in Cambodia, where Tan has just set up another garment factory, most of the people have never

held jobs because of the wars that have ravaged that country since the 1960s. Only government-to-government economic cooperation based on infrastructural development and export of U.S. capital goods, will begin to address the problems of these nations.

As for Saipan itself, or any similar island economy, a comparable approach must be taken. In 1968, the engineering firm of Hawaii Architects and Engineers, Inc. developed a master plan for the development of Saipan. Elements of the plan included transportation, land use, community facilities, utilities, community appearance, and implementation. The plan calls for the expansion of existing harbor and airport facilities and upgrading of the road system. It proposes residential development for a population in the range of 30,900 to 58,000 people, all to live in single-family dwellings or apartments. It includes plans for commercial development and municipal facilities, such as shopping centers, schools, and government buildings, designed to be both functional and pleasing in appearance.

The plan places great emphasis on agriculture as part of Saipan's future. The plan would set aside 45% of the islands' 46 square miles, and suggests that fruits and vegetables and dairy farming would be highly profitable. Agriculture, it says, "is a prime economic potential for Saipan and other islands in the Marianas, including Tinian and Rota." It adds, "Intensive cropping of areas of good soil as small as 10 acres can be highly profitable."

Such intensive development of agriculture would have implications for the water supply. A 1985 U.S. Geological Survey water resources report provides evidence that suggests that the naturally available groundwater resources might be insufficient to support the kind of development envisioned in the master plan of 1968, but this problem could be overcome by the addition of nuclear-powered desalination—as similarly proposed by Lyndon LaRouche in his Oasis Plan for the development of the Middle East. Such a development approach, with the inclusion of nuclear power and high-technology light industry, would provide the basis for transforming the Marianas' economy from dependence on a low-skilled, imported labor force which produces largely for the benefit of a handful of businessmen, to one which demands a highly educated, highly skilled labor force producing to raise the average per-capita living standard of the entire population.

The purpose here is not to provide a detailed plan for developing Saipan, but rather a model for how it can be done rapidly, since, for strategic reasons, other parts of the world are demanding greater attention in the near term. Only LaRouche's proposals for reorganizing the global financial system, however, can provide the framework under which both the economic development of Asia as a whole, and the local problems of the C.N.M.I., can be addressed. However, this requires jettisoning both the Malthusian assumptions of environmentalism and the anti-government assumptions of free trade.

Financial services reform clears House

On July 1, the House passed the financial services modernization bill by a vote of 343-86. If passed into law, it would repeal the Depression-era Glass-Steagall Act, legalizing what banks, insurance companies, and securities firms are already doing, i.e., affiliating with each other. The House passed a similar bill last year, but it died in the Senate when then-Banking Committee Chairman Al D'Amato (R-N.Y.) was unable to marshal the votes necessary to bring the bill to the floor before adjournment.

However, the overwhelming vote in favor of the bill did not reflect the turmoil surrounding the issue. Democrats, as has become more common in recent weeks, complained about the process by which the bill was brought to the floor. The rule for debate blocked amendments that Democrats argued were essential for getting the bill passed into law, especially amendments dealing with privacy rights and discrimination by insurance companies against women and minorities. The ranking member on the Rules Committee, Joe Moakley (D-Mass.), told the House that "the Republican leadership decided that it was more important to keep Democrats out of the process than to pass this banking bill," by removing key provisions from the bill authored by Democrats. "This pattern of sabotage" of bills that have bipartisan support, he said, "is becoming more the rule than the exception."

Opponents of the bill, led by John Dingell (D-Mich.), brought some reality into the debate. Dingell warned, "It looks like this Congress is setting out to create exactly the same situation which caused the 1929 crash . . . by setting up monstrous conglomerates which will expose the American tax-

payers and American investors to all manner of mischief and to the most assured economic calamity." He added that because the bill will allow "megamergers" of financial institutions that can engage in almost any sort of transactions, it "creates a situation where banks and other financial institutions will be made too big to fail and that taxpayers then will be compelled to come in and bail them out."

Foreign Ops bill primes geopolitical conflict

On June 30, the Senate passed a confrontational Foreign Operations Appropriations bill. The \$12.6 billion bill includes provisions that set U.S. foreign policy with respect to the Balkans and Central Asia, that follow closely British geopolitical policies.

With respect to the Balkans, the bill declares Serbia to be a terrorist state, which characterization prohibits bilateral and multilateral aid to that country. Such a declaration, which has serious implications for the economic reconstruction of the region, is in line with the policy pronouncements that have come out of both London and Washington since the end of NATO's bombing campaign.

The bill also contains a provision that conditions U.S. aid to Russia on Russia's total cooperation with NATO's peacekeeping operation in Kosovo. Mitch McConnell (R-Ky.), the chairman of the Foreign Operations Appropriations Subcommittee, said, "If stability is to be restored in Kosovo, the Russians cannot be allowed to maintain a client relationship with Serbia which may lead to de facto partition of the country."

A comparable approach was adopted with respect to Central Asia.

An amendment sponsored by Sam Brownback (R-Kan.) authorizes U.S. assistance to eight Central Asian countries on the presumption that Iran, Russia, and China have hostile intent toward these countries. "What we are seeking to do," he said, "is to create an area of democracy, an area of free enterprise, and area of independence free from these world powers that seek to dominate them." The amendment was approved by a voice vote.

New budget projections send parties scrambling

New budget projections released by the Office of Management and Budget on June 28, predicting \$1 trillion more than had been previously forecast in Federal budget surpluses over the next ten years, set off a mad scramble by the two parties as to how to best use this new "bonanza." President Clinton proposed using part of it to retire some of the national debt and to strengthen Social Security and Medicare, and he left open the possibility of using part of it for a tax cut.

Although Republicans were reserved until the Congressional Budget Office came out with similar numbers on July 1, the new forecast revived moribund efforts for a major new tax cut. The House GOP leadership held a rally on the Capitol steps that day, to motivate support for a plan by House Ways and Means Committee Chairman Bill Archer (R-Tex.) for \$800-900 billion in tax cuts, including cutting the so-called "marriage penalty," and estate and capital gains taxes. Democrats said that the plan is irresponsible, to which Archer replied, "No Democrat has said they will vote for it, no matter what I put in it."

Republicans are not united on the

issue, however. Some moderates expressed concern that Archer's plan is going too far, too fast, while appropriators would like to see some of that money go to easing the spending caps in order to make it easier to pass the spending bills.

The most pessimistic comments came from freshman Sen. Peter Fitzgerald (R-Ill.), who, on June 30, accused President Clinton of "shifting the composition of our national debt." He said that while the President has focussed attention on the public portion of the debt, the debt held by government accounts will continue to rise, to more than \$7 trillion by 2015. He added that the Republicans must share some of the blame for "misleading the American people into believing that the national debt is going down," when, in fact, it's going up.

What no one in either party is willing to face is that the "surging economy" that is the basis for such rosy projections, is a cancerous financial bubble which will, sooner or later, kill the host it is feeding off of.

Agreement opens way for appropriations bills

Senate Democrats and Republicans have reached agreement on the Patients' Bill of Rights legislation, thereby clearing the path for action on a number of appropriations bills. Democrats had made good on a threat to stall action on appropriations bills unless the GOP agreed to a "full and fair" debate on the Patients' Bill of Rights, a component of the Democrats' legislative agenda. On the day before the agreement, the Republicans failed to get cloture (cut off debate) on four appropriations bills.

Under the agreement, as an-

nounced by Majority Leader Trent Lott (R-Miss.), the bill will be brought to the floor on July 12, the day the Senate returns from the July 4 recess, with limits on debate and amendments that the Democrats found acceptable. Lott told the Senate that he was assured by Minority Leader Tom Daschle (D-S.D.) that once consideration of the bill is completed and it goes to conference committee, there would not be a need to revisit the issue again. Daschle replied that he expected the "normal legislative process" to allow sufficient debate on the bill and on amendments, i.e., a warning that the Democrats would return to their obstructionist tactics if the normal process is not followed.

Action on three appropriations bills quickly followed. The Foreign Operations bill was passed on June 30 by a vote of 97-2, and the Treasury, Postal Service bill, and the District of Columbia bill, were passed on July 1, both by voice votes.

Numerous nominations were also confirmed, including Lawrence Summers as Treasury Secretary, five judgeships, and 30 other executive-level positions. One nomination still pending, however, is Richard Holbrooke as U.S. Ambassador to the UN. Charles Grassley (R-Iowa) has placed a hold on Holbrooke's nomination, as have a number of other unnamed Senators.

Wellstone wins victory on welfare reform

Sen. Paul Wellstone (D-Minn.), fulfilling a promise made the month before, came to the floor on July 1 with an amendment intended to find out what has happened to individuals and

families who have left the welfare rolls since the enactment of the Welfare Reform Bill of 1996. It passed on a voice vote as part of a group of amendments to the Treasury, Postal Service and General Government appropriations bill.

Wellstone had put forward a similar amendment in early June, attached to the fiscal year 2000 Defense Authorization bill, but it lost by one vote. The latest amendment differed from his earlier one in that, rather than requiring the Department of Health and Human Services and the states to collect new data on former welfare recipients, they could rely on data they already collect.

Wellstone argued that a declining number of welfare cases is not necessarily a measure of success. "Over and over again I have asked my colleagues if they know of any research demonstrating that the decrease in the number of families receiving assistance means that people are escaping poverty, but no one has produced such a study," he said. He told the Senate of research that shows that "poverty is a greater risk to children's overall health status than living in a single-parent family." Research also shows that children in poverty are more likely to have low birth weights, more likely to be deaf, more likely to be blind, more likely to have serious physical disabilities, and more likely to suffer stunted growth. They are also more likely to die during childhood.

Wellstone challenged those who support welfare reform. "Although 50 Senators voted against" his earlier amendment, he said, "not a single Senator rose to debate the merits of the measure. . . . Sometimes we choose not to know what we do not want to know. In the case of welfare reform, we must have the courage to find out."

The mandate for Balkan reconstruction

Speaking at a joint press conference with leaders of Romania, Bulgaria, and Albania, Macedonian Prime Minister Ljubco Georgievsky said on July 1 that “there is fear that what has been promised will be prolonged to an unspecified time. The stability pact is being delayed from month to month.” Initial Western promises of a huge new Marshall Plan for all of southeastern Europe appear to have been watered down, and the focus narrowed to Kosovo itself.

Prime Minister Georgievsky’s statement was made at the conclusion of a World Economic Forum conference held in Salzburg, Austria, and he was not alone in expressing his dissatisfaction. Romanian President Constantinescu and Bulgarian President Stoyanov also voiced their dismay that the West does not seem to have realized that investing in economic reconstruction is much cheaper than facing the destructive effects—economic and more—of another war.

Yet, without the immediate initiation of a Balkan Reconstruction plan, on a grand scale through the entire region, the seeds for new violence, and eventually war, will grow. It may start with what United Nations Secretary General Kofi Annan fears: an unprecedented humanitarian disaster this winter. It will continue with much, much worse.

Think back, for example, to the Treaty of Versailles. It has now been broadly recognized that the draconian reparations which were imposed upon conquered Germany after World War I, created the conditions which spawned Hitler’s movement, and, with the indispensable aid of British financial backing, brought on the Second World War. A different tack was taken after World War II, largely because of the perceived danger of war-devastated European nations turning to the Soviet Union. But the program for prosperity worked.

In fact, as the nations of the Balkans know, the infrastructure for carrying out the necessary Balkan reconstruction plan still exists today. What is needed is a credit mechanism, like that of the Kreditanstalt für Wiederaufbau (Credit Bank for Reconstruction), an institution which still exists today, and is fully capable of beginning, with the necessary amount of seed-capital,

to start the investment process. It is also crystal-clear that what is needed is an immediate blast of credit into rebuilding the devastated transport and energy infrastructure of the region, starting with the bridges across the Danube River.

The requirements have been laid out by Lyndon LaRouche in the most depth, but even institutions like the United Nations Economic Commission for Europe (ECE) know the needs. In its latest Economic Survey, the ECE states:

“It needs to be stressed that if the Yugoslav economy remains in shatters, if the Danube is not cleared so that navigation can resume, if the bridges are not rebuilt and the roads and railroads repaired to enable normal merchandise traffic between southeast Europe and the rest of the continent to be re-established, it is inconceivable that any attempts to revive the economies of the neighboring countries will bring about the expected results. Moreover, if the Yugoslav economy remains in dire straits for a long time, it will not only impede the economic recovery of the region but will remain a threat to the economic and political security of Europe as a whole. A core of instability in the heart of the Balkans will not only continue to deter private investment, domestic and foreign, in the southeast European region but also to generate political and social tensions throughout the continent. Hence, a comprehensive program for reconstruction and recovery in southeastern Europe must, almost by definition, include as a key element the rebuilding of Yugoslavia and the revitalization of its economy.”

In other words, the decision of Tony Blair, now adopted by President Clinton and most of Europe, to exclude Yugoslavia from the reconstruction plans, is a recipe for a new war. The same can be said for the bureaucratic obstruction of the European Union, and the clinging to the ways of the IMF and World Bank. Under these conditions, there will be no reconstruction worthy of the name.

Any sane leader wants peace, not war. And if you want peace, action must be taken for Balkan reconstruction, LaRouche-style, now.

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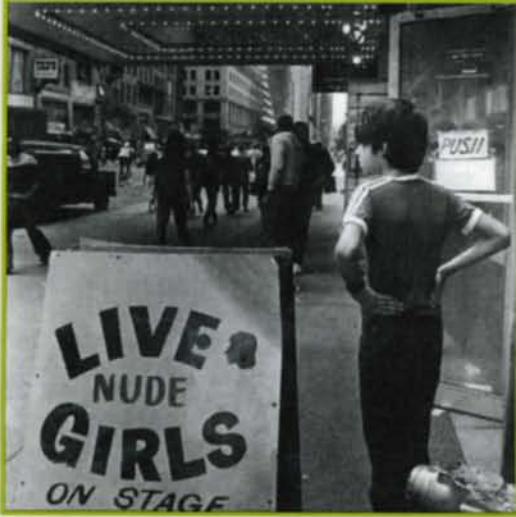
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