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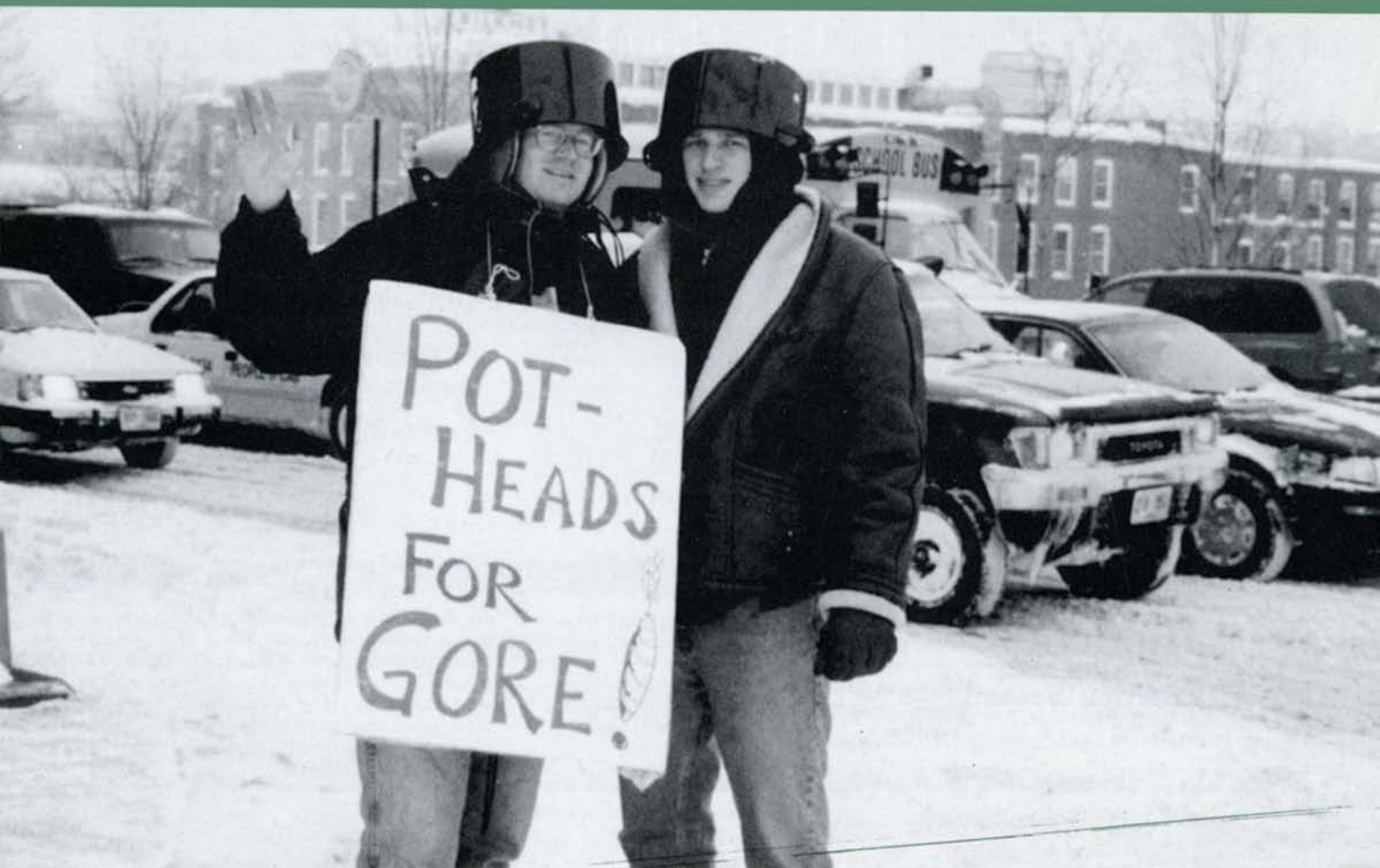
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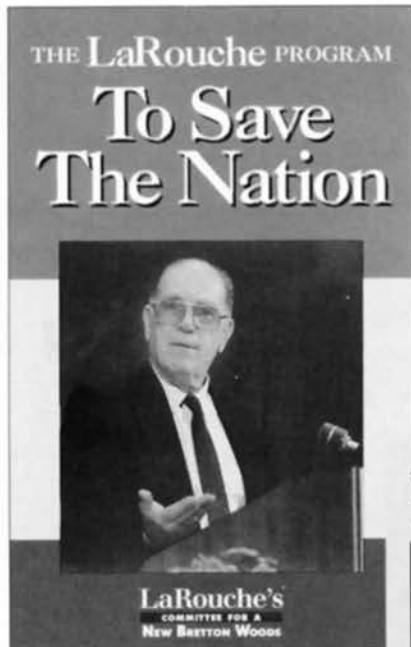
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From the Associate Editor

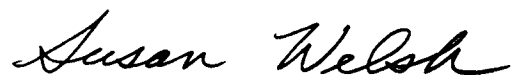
All bets are off, as we move into the hot phase of the U.S. Presidential election campaign. The results of the Feb. 1 New Hampshire primaries show that America's "forgotten men and women," those in the lower 80th percentile of incomes, are fed up with the choices of so-called front-runners being offered them by the media and the "upper crust" of both the Democratic and Republican parties. In *National*, we report how Al Gore and George W. Bush are trying to rig the elections—and how the "fix" is coming undone, thanks in substantial part to the efforts of Lyndon H. LaRouche, Jr. and his determined supporters around the country.

The weeks immediately ahead will be a crucial period for the United States and the world, as the fight for the U.S. Presidency escalates. Unlike most of the rest of the media, *EIR* will be concentrating on reality as this battle proceeds. There are two themes that we intend to cover in depth:

1. *The disintegration of the global financial and monetary system.* This is not something that "is going to happen in the future"; it is going on right now. Contrary to the idiots who say that the U.S. economy is booming, the financial crisis is every day taking a deadly toll on the physical economy of the United States, as well as other nations. In the current issue, we present a detailed picture of the income gap of American households: the fact that the income of the top 20% of Americans was more than half of all national income in 1999, while the lower 80%, "the forgotten men and women," are struggling to survive. In future issues of *EIR*, these matters will be explored fully.

2. *The ongoing process of disintegration of the nation-state system, as a deliberate policy of the British-led financier oligarchy.* In this week's issue, see the case studies of Ukraine, Indonesia, Brazil, Colombia, Israel, Germany, and Italy. There is a sweeping global pattern, and no individual case can be properly understood apart from the global strategic picture.

The way out of these twin crises has been elaborated many times in *EIR*. But the starting point, is for citizens to stop behaving like spectators at the Roman Coliseum, and realize that it is *they* who are in the Arena—and they who must act to save their nations.



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Italian Senators initiate drive for New Bretton Woods

by Paolo Raimondi and Andrew Spannaus

On Jan 12, eleven Italian Senators introduced a motion on the Senate floor which spotlights the danger of global financial instability and the devastation of living standards. It asks the government of Italy "To take the initiative of proposing to convoke a new international conference at the level of Heads of State and Government, such as the one that took place in Bretton Woods in 1944, for the purpose of establishing a new international monetary system, and of taking those measures which are necessary to eliminate the mechanisms that have created the speculative bubble, and of initiating programs for the recovery of the real economy." The full text of the parliamentary motion has been published in the records of the 745th session of the 13th legislative term (see *Documentation*).

All the initiating Senators are from the opposition Alleanza Nazionale (AN) party led by Gianfranco Fini, that together with Forza Italia (FI) of the industrial magnate Silvio Berlusconi, forms the political and electoral coalition called the "Polo." As part of normal Senate practice, the motion will proceed to the floor for debate, and later, will come to a vote. If it wins majority support, it will bind the government to act upon it.

The Senators' initiative is one of the boldest moves on behalf of national sovereignty and national economy-based development, and goes against the dogma of globalization and "free" markets.

Within the United States, the same objectives are winning growing popular support to the Democratic Presidential campaign of Lyndon LaRouche, whose election committee is called LaRouche's Committee for a New Bretton Woods. In Germany last fall, Chancellor Gerhard Schröder moved to protect the national interest against "free-market" ideology, and intervened to save the company and workforce of the Holzmann construction firm.

This singular move in Germany, and support for it in France, Italy, and elsewhere, added impetus to the rejection

of globalization at the Dec. 3, 1999 World Trade Organization conference in Seattle. But the question posed by the Seattle WTO failure is, what next?

As of January 2000, yet another crisis is under way in the global financial system. Derivatives players who bet wrong on U.S. government bond prices have now involved some first-rank financial firms in a crisis on the scale of the 1998 Long Term Capital Management (LTCM) meltdown threat. The Italian Senate motion reviews the sequence of such crises in the past three years, and spells out the steps needed to intervene to save nations and peoples, not speculators.

Even as the motion is gaining support in Rome, warnings are sounding over the instability of the financial system, and need for a sound policy response. On Feb. 2, former U.S. Treasury Secretary Robert Rubin, in a speech in London, recounted some of the recent years' crises, and warned about complacency. "With each successfully averted crises, with each near-miss, the certainty that things will always work out seems to grow, and with it the likelihood of unsound decisions in the public and private sector," he said. "And the risk is that, at some point, the excesses may simply become too great, and the inevitable consequences follow."

Rubin warned that some people "see a new paradigm that renders irrelevant so many traditional concerns about downturns, risk, and sound policy. I profoundly disagree with this view. This view of the economy is contrary to all of human history with respect to markets and economies, and that should be a sobering caution."

Italy has been hard hit by its attempt to conform to a special form of globalization in western Europe: the Maastricht Treaty. Maastricht established specific budget-cutting criteria, and has been used to blackmail Italy into privatizing its industrial sector and liberalizing its labor and financial markets. The result has been a continued drop in industrial production, and a boom in financial speculation, accompanied

by a near total loss of political and economic sovereignty.

Support for an alternative has grown thanks to the initiatives taken by the LaRouche movement in Italy. LaRouche and his wife Helga Zepp-LaRouche have visited Italy repeatedly in recent years, and urged Parliamentarians and other institutional figures to help Italy recapture its role as a force for economic development and international cooperation. In particular, the Italian government has begun to play an important role in improving relations with Iran, Russia, and China.

The first signer of the motion is Sen. Riccardo Pedrizzi, deputy chairman of the AN Senate group, secretary of the Senate Finance Committee, and a member of the executive of the "Parliamentary Group for the Jubilee 2000." The other ten signers, Antonio Battaglia, Piero Pellicini, Giuseppe Valentino, Vito Cusimano, Francesco Servello, Mario Palombo, Francesco Bevilacqua, Italo Marri, Michele Florino, and Vincenzo Demasi, are all members of various Senate Committees for Industry, Scientific Research, Agriculture, Defense, and Education.

Senator Pedrizzi has written other Senators, particularly those of other political parties, calling on them to sign the motion as an expression of concern for national interest.

Within only a few hours of his call, six new Senators cosigned the motion: Luigi Manfredi (Forza Italia, FI), Euprepio Curto (AN), Ettore Bucciario (AN), Vincenzo Mungari (FI), Marco Tonioli (FI), and Rosario Giorgio Costa (FI-CDU).

A discussion is under way among deputies of different political orientations to take a similar initiative in the Chamber of Deputies. This could lead to the creation of a coalition of national-interest forces from all sides of the political spectrum, in opposition to the liberal factions in those same groupings. Other political leaders are planning to open a discussion on a new Bretton Woods conference in regional parliaments and in the most important Italian cities, such as Milan.

Documentation

The Italian Senate motion:

It is the view of the Italian Senate:

That, starting in 1997, the financial crises in Asia, Latin America, and Russia, and the collapse of the largest hedge fund, LTCM, did not represent isolated or accidental cases, but were, rather, manifestations of a crisis of the entire international financial and monetary system, which has often gone

What is a New Bretton Woods financial system?

The original Bretton Woods system came into being at a conference of 44 nations beginning on July 1, 1944, in Bretton Woods, New Hampshire, convened on the initiative of U.S. President Franklin D. Roosevelt. On July 22, the group agreed to create an International Monetary Fund (IMF) and a Bank for Reconstruction and Development, later known as the World Bank. The main purpose of these institutions was to deal with the economic problems of the European countries that had been devastated by war. They began to function in early 1945, as World War II was nearing its end.¹

The core of the new system was the arrangement for fixed currency parities, which would make it possible to revive world trade. The value of the dollar was pegged to a specific weight of gold, and, until the end of the 1960s, it functioned as the accepted substitute for gold. Exchange rates of other currencies were to be changed in relation to the dollar or gold, only as a measure of last resort, after national policy measures had been exhausted. Long-term investment and trade could thus be undertaken on a stable currency background, and risk of dramatic currency losses

1. See William Engdahl, "What the Bretton Woods System Really Was Designed To Do," *EIR*, Aug. 15, 1997.

and speculation was nonexistent at that time.

From the beginning, however, there were clashes between the "free-trade" colonial policies of the British delegation, and the concepts of President Roosevelt, who had told Britain's Sir Winston Churchill as early as 1941 that the United States was not going to fight the war in order to restore Britain's empire. After Roosevelt's death, unfortunately, his understanding of postwar economic policy was abandoned by successive Presidents (with the exception of John F. Kennedy), and the IMF and World Bank increasingly came to play the role of instruments of neo-colonial looting, on behalf of the British-based financier oligarchy. When President Nixon took the dollar off its gold backing in 1971, the Bretton Woods system became defunct.

In calling for a New Bretton Woods, Lyndon H. LaRouche, Jr. has specified steps that must be taken today:

1. Governments must not attempt to bail out the speculators, but rather, protect people, productive enterprise, and useful trade in hard commodities and science-related services.
2. The credit and issued public Treasury debt of national governments must be protected at all costs.
3. There must be no mass evictions, or breaks in continuity of operations of essential production and distribution of goods and essential services.
4. A global recovery program must be adopted to foster immediate recovery in world hard-commodity trade. The core of such a program is the Eurasian Land-Bridge.

to the brink of a real implosion;

That, in the process of globalization and of the total internationalization of financial markets, the collapse of any financial market, creates a situation of instability for the entire system, mainly due to two factors:

That most financial operations are short- or very short-term; that the international institutions, such as the International Monetary Fund and the World Bank, malfunctioned in performing their work, as was recently spectacularly demonstrated by Russian economic developments;

That, in recent months, many international economic experts, who, until the recent period, would not publicly express their concern, have started to raise the issue of the danger of an imminent financial crash. . . .

That, starting from the decision made on Aug. 15, 1971, to decouple the dollar from the value of gold reserves, measures for economic, monetary, and financial deregulation have been introduced, which have marked the end of the system established at Bretton Woods in 1944, a system that, through exchange and capital-control mechanisms, and through creation of credit for real investments—above all, with the Marshall Plan—had sustained the reconstruction of the economies destroyed by World War II, which promoted a period of development;

That, in the last 30 years, there has been, instead, a split between the real and financial economies; the latter has given birth to a giant financial and speculative bubble, which has fully transformed the structures of the world economy. It has been calculated that this bubble of financial instruments amounts to at least \$40 trillion.¹ The very data on the U.S. economy, published by the Department of Commerce, by the Federal Reserve Board of Governors, and by the Federal Deposit Insurance Corporation, confirm all of this. In fact, at the end of the first quarter of 1999, the total of financial instruments had reached the level of \$96.97 trillion, as opposed to a Gross Domestic Product of \$9.07 trillion, a ratio of 10.7 to 1. It is, therefore, evident that the U.S. situation is not an exception, but, rather, it is the rule, which also applies to the Japanese, European, and other economies;

That this process has had devastating effects, in particular, on economies and living standards of the populations of developing nations, such as Malaysia, where the speculative attacks mounted in 1997, which lasted only a few weeks, had de facto destroyed the progress which had developed over 40 years of commitment and work in that nation, as Prime Minister Mahathir has publicly stated. Malaysia's decision to respond to this speculative destabilization and against unbridled globalization, by introducing a series of control measures on exchange and capital movements, allowed that nation to stabilize its economy (increasing, by the way, its GDP by 6% in one year), as even IMF Deputy Director Stanley Fisher was

1. The amount of the bubble should read: "\$300 trillion, as compared to a world GDP of \$40 trillion." This misprint appeared in the official text of the resolution.

forced to admit;

That the same process is creating extremely negative effects on production and employment levels, with worrisome social consequences, in the most industrialized countries as well. It is a process that, by expropriating the power of governments and democratically elected Parliaments, at the same time undermines the very principle of national sovereignty and of the constitutional mandate, valid in Italy as well as in all countries, to promote progress and development. Moreover, this process increases, at the international level, the risk of regional conflicts and wars. In addition, the growth rate of financial instruments in relation to GDP, as has happened in recent years, without regulation and in the context of financial globalization, will not stop of itself, thus, liberalizing the market even more;

Considering that there is a very serious risk that all refinancing operations of the financial bubble, through liquidity pumping, could cause an inflationary explosion of all prices, not just of financial assets;

Binds the Government:

1. To take the initiative of proposing to convoke a new international conference at the level of Heads of State and Government, such as the one that took place in Bretton Woods in 1944, for the purpose of establishing a new international monetary system, and of taking those measures which are necessary to eliminate the mechanisms that have created the speculative bubble, and of initiating programs for the recovery of the real economy, among which are:

a tighter control on currency exchanges, by introducing fixed parities which can be changed, in case of need, but only through the decision of responsible governments and the agreement of the member-states of the new monetary system;

some measures to limit capital movements;

the introduction of measures, such as the Tobin tax, which aim at reducing short-term speculative operations, such as derivatives transactions;

the reintroduction of the gold-reserve system, in such a way as to link currency values to a real point of reference;

the creation of new credit lines, explicitly oriented toward developing new investment in real economic sectors, such as industry, new technologies, scientific research, and agriculture;

the definition of large infrastructural projects, of continental dimensions, in which new technologies and new products of scientific research can be used, to become the engines of industrial reconstruction and of peaceful cooperation among nations and peoples;

2. To bring this proposal to the Strasbourg Parliament, to the European Commission, and to all the institutions of the European Union, responsible for EU economic policy and, through bilateral agreements, in the individual European governments and parliaments;

3. To promote and support all those initiatives of similar content, made by the governments of the United States and the world, starting with China, India, and Russia.

Austerity-fuelled political ‘bomb’ explodes in Ukraine

by Rachel Douglas

“A time bomb,” Dr. Natalia Vitrenko termed the reelection of Leonid Kuchma as President of Ukraine, by a minority of Ukrainian voters and with his ardent commitment to the monetarist rules of world finance (see interview in *EIR*, Dec. 17, 1999). Barely two months later, Member of Parliament Vitrenko is leading a hunger strike and overnight sit-in by Verkhovna Rada (Supreme Council, or Parliament) members in their chambers. The Verkhovna Rada has split into two bodies, each with its own speaker and each claiming legitimacy, while Kuchma prepares a national referendum that will make it easier for him to disband the Parliament. On Feb. 3, as Kuchma sent armed troops to blockade the opposition Verkhovna Rada members, the specter of Moscow 1993—a violent suppression of Parliament by a President acting in the name of “reform”—rose over Kiev.

Before the political explosion, detonated by Kuchma’s referendum gambit, Ukraine was already a nation devastated by economic collapse. The population of Ukraine fell by 400,000 in 1999, following the net loss of 2 million people in 1992-98. The regime’s priorities, however, were signalled on Dec. 29 by Kuchma’s signing of a decree to accelerate the rate of privatization, selling off 2,200 companies in the year 2000, compared with 435 in 1999, and on Jan. 6, when the government sent a revised draft 2000 budget to the Verkhovna Rada. The zero-deficit budget mandates total spending of 31.46 billion hryvni (\$5.76 billion), of which fully one-half, \$3 billion, is for debt service.

In tandem with these economic demands, Kuchma launched his referendum. On Jan. 15, he issued a decree for a vote to be held on April 16 on six questions. Among them are proposals to reduce the number of Members of Parliament, make the legislature bicameral, and eliminate the legal immunity of Members of Parliament, but the essence of the initiative is expressed in Question No. 1: “Do you express no-confidence in the Verkhovna Rada of Ukraine, 14th session, and do you support the addition to Part 2 of Article 90 of the Ukrainian Constitution, the following: ‘In the event of a national referendum of no-confidence in the Verkhovna Rada of Ukraine, this gives the President of Ukraine grounds to dissolve the VR of Ukraine?’” (The questions that appeared in then-Russian President Boris Yeltsin’s April 1993 referen-

dum, such as “2. Do you approve the socio-economic policies carried out by the President of the Russian Federation and the government of the Russian Federation since 1992?” were a model of subtlety, by comparison.)

On Jan. 11, the Verkhovna Rada voted up a temporary moratorium on national, as well as local, referendums. That bill would later be vetoed by Kuchma. But two days after its passage, supporters of Kuchma succeeded in crafting a majority of 241 (out of 450) Members of Parliament and began to collect signatures to oust Speaker Oleksandr Tkachenko (Peasant Party) and Deputy Speaker Adam Martynyuk (Communist Party). With 235 such signatures reported to be in hand, a vote of no-confidence was taken against Tkachenko, which he and other opposition leaders rejected as tainted by the illegal use of proxies. On Jan. 20, the marginal majority walked out, reconvened at another venue, and elected Ivan Plyushch as Speaker.

Tkachenko charged that Kuchma’s referendum had “no other goal than to install unlimited Presidential authority, destroying the Parliament, and limiting the rights and freedoms of all Ukrainian citizens.” If the Verkhovna Rada is eliminated, said Tkachenko, the nation “will be ruled by the International Monetary Fund.” He charged that Kuchma wanted a puppet legislature, “to legalize the dictatorship of oligarchs.”

Socialist Party leader Oleksandr Moroz decried the “dictatorship” and “a coup” by Kuchma. Vitrenko, who was a leading opponent of Kuchma’s in the Presidential race last year, charged that the President had become “a plotter,” who should be put on trial together with the Members of Parliament who had walked out.

On whose behalf?

“Every effort is being made to establish a dictatorship in Ukraine,” reports our Kiev correspondent, “But the question is: Whose dictatorship, dictatorship by whom? A weak President with no will of his own, who has managed during seven years of his rule (as Premier, then President) only to worsen the situation of the country? The people around him? Or, more likely, the international financial oligarchy, sucking the blood of its latest victim?”

Yuri Yekhanurov, named Deputy Prime Minister by Kuchma, said on Jan. 4 that Kiev looks forward to the arrival of an International Monetary Fund (IMF) delegation to discuss resuming disbursements from the Fund's \$2.6 billion credit to Ukraine. This might happen, said Yekhanurov, if "69 preliminary measures" are implemented beforehand. The Russian daily *Kommersant* wrote on Jan. 26, that "Yekhanurov's hopes are likely to remain unrealized," because what the IMF is demanding is legislative approval of the ambitious privatization program for 2000, and passage of the revised 2000 budget with severe austerity in the social services sector, and elimination of tax exemptions. Premier Viktor Yushchenko promises "a completely new budget process," featuring better tax collection, and spending cuts (in areas other than debt service), but there lacks a functioning Parliament to push them through.

Economic shocks

While the standoff in Parliament developed, the population of Ukraine experienced the latest round of economic shocks. Bread prices increased during late 1999 and the first days of the new year, by 10-20% in Lviv, and as much as 40% in Kharkiv.

On Jan. 20, Kuchma accepted the recommendation of Deputy Premier Yulia Tymoshenko and Premier Yushchenko to declare a three-month state of emergency in the energy sector. Tymoshenko had warned that fuel supplies in the country were at only one-third the normative level, while four out of the six oil refineries in the country had stopped production. Yushchenko said that it was only the daily cutoffs of 20% of national electricity consumption, for periods of 10 to 12 hours each day, which had "prevented a disaster" such as the power in the grid dropping to the level where nuclear power plants shut down. Even as Kuchma promotes more privatization, nationwide the energy emergency is such that a roll-back of some privatizations in that sector, in cases where "companies were privatized in violation of the law and with manifestations of corruption," is contemplated in the government plan.

Our correspondent reports that it is virtually impossible to obtain precise official figures, regarding: 1) the cost of imported oil and gas supplies for Ukraine, 2) the cost of shipping oil and gas across Ukrainian territory to the West, 3) Ukraine's indebtedness to its energy suppliers, chiefly Russia, and 4) the real requirements of Ukraine for imported fuel. On Jan. 12, Tymoshenko revealed that Ukraine's combined state and private-sector debt to the Russian natural gas giant, Gazprom, was \$2.23 billion (as against the \$380 million acknowledged by the national company Naftohaz Ukrainy as its share of that debt), even as she urgently negotiated with Gazprom chairman Rem Vyakhirev to buy more natural gas. She also stated for the record that Ukraine has been siphoning off \$10 million worth of natural gas each day from the Russian transit pipeline across Ukraine, without permission or payment, as a

result of which "the transit line has been practically blocked for Ukraine, because Russia does not want to tolerate this outrageous situation."

It was brought home to delegates at the Political Assembly of the Council of Europe, meeting in Strasbourg in late January, that the determining factor in the Ukraine crisis is the atrocious state of the economy, under the IMF-mandated "reform" policy carried out by Kuchma. This was detailed by Communist Party leader Petro Symonenko, who lost to Kuchma in the Presidential election run-off, at a Jan. 25 press conference, where Symonenko repeatedly spoke of the growing social and political tensions in his country. Asked by *EIR* to give precise figures on the economic deterioration, Symonenko replied that as an engineer by training, he was grateful for a question about the real economy. Reminding the press that Gross Domestic Product is now only 30% of its 1990 level, industrial production only 15-20% of its level a decade ago, and agricultural output well under half what it was in 1990, Symonenko pointed out that the state budget spending level of just under \$6 billion is 10% the size of Finland's, whereas Finland has a population of 5 million to Ukraine's 49 million!

A flash-point

"Ukraine, which not so long ago was a highly developed member-nation of the UN, has been turned into a disaster zone, where a brutalized people, corrupted officials, and overt bandits represent a threat to world civilization as a whole," Vitrenko said in her address to *EIR*'s April 1999 Bonn seminar on the nation-states' alternative to the prospects of world financial crisis and war (*EIR*, May 7, 1999).

Nearly a year later, her warnings ring true to a growing number of strategists in the East and the West. The situation in Ukraine is "very difficult, and rapidly escalating," an Austria-based expert on the former Soviet Union observed to *EIR* as the Verkhovna Rada showdown developed. In that setting, says a retired senior diplomat with experience and connections in Ukraine, there is reason to be concerned over what will happen, if NATO Secretary General Lord George Robertson and others continue to talk about NATO training Ukrainian forces. "This is impossible for the Russians to accept," he warned. "This is precisely the kind of thing that could lead to World War III, if it is not stopped."

On Jan. 29, the London *Daily Telegraph* reported that the training program will proceed, following Robertson's meeting in Kiev with Kuchma and Yushchenko. Robertson, motivating the project as worthwhile to "expand the pool of trained forces for effective crisis management in Europe," couched the announcement in nasty terms: "Such a reform will be painful. NATO can assist Ukraine. A military that is transparent, democratically controlled, and fully accountable is part and parcel of a mature democracy. And a military that adopts modern management techniques will spend scarce resources more efficiently."

The economic crisis is driving conflicts throughout Indonesia

by Michael and Gail Billington

Over the past two months, the world press has been filled with stories of bloody communal riots and terrorist battles with army troops in Indonesia. The strife is described as either religious in nature, as in the Christian-Muslim conflicts in the Maluku islands, where some estimate that several thousands may have died since January 1999, or due to separatist movements, as in Aceh, where about 300 have been killed and hundreds of government buildings and schools burned down since May 1999. East Timor, meanwhile, is facing the same fate as that of Kosovo, where well-paid foreign consultants and non-governmental organizations flood the country, while the unemployed population is becoming embittered and turning again to violence.

Such press coverage never identifies the cause of this national disaster, other than to make self-righteous denunciations of corruption and authoritarianism under the 33-year rule of General Suharto, and to attack the institution of the military. The actual cause, however, is more accurately found in a recent World Bank report that admits that fully *one-half* of Indonesian families stand only a 50:50 chance of escaping *absolute poverty*, and that nearly 20% have already dropped into that desperate category. What the World Bank will not admit, but which is increasingly acknowledged around the world, is that these conditions are the direct and intentional result of the currency speculators who carried out the looting of the Asian economies, and the International Monetary Fund (IMF), whose policy dictates, in order to force payment of foreign debt, destroyed any hope of survival.

The 'recovery' is a bailout of the banks

The economic "recovery," which is sometimes ascribed to the current situation, is nothing but the imposition, under the gun of the IMF, of a government bailout of the nation's banks. Nearly every Indonesian financial institution had been driven into insolvency by the 600% devaluation of the Indonesian currency, the rupiah, in the six months from July 1997 to January 1998; the rupiah has recovered only halfway at best, to roughly 7,500 to the dollar, compared to 2,500 in July 1997. The effect remains that the cost of all foreign debt tripled. In the new year 2000 budget, released simultaneously with a

new Letter of Intent with the IMF, nearly one-fourth of the entire budget (\$6 billion out of \$26.1 billion) goes to interest on the government bonds issued to finance the bank bailout. Above that, another \$2.5 billion goes to foreign debt service—and this does not even touch the overall cost of debt restructuring, estimated to be as high as \$86 billion.

Before the 1997 destruction of the Asian currencies, Indonesia's total debt was 23% of Gross Domestic Product. The latest World Bank report suggests that that figure is now 90% of GDP—roughly \$70 billion foreign debt and \$82 billion domestic debt!

The Consultative Group on Indonesia (CGI), the country's leading group of foreign creditors, met in Jakarta on Feb. 1-2, pledging \$4.7 billion for fiscal year 2000, down from pledges of \$5.86 billion last year, but deferring Indonesia's request also to reschedule \$2.2 billion in debts falling due. This will include immediate disbursement of \$300 million by the World Bank, half of its pledged social safety net expenditures. However, despite the financial and social chaos threatening the country's very existence, the World Bank has imposed a 1% fee on these new loans, loans which ultimately will only end up paying debt service in any case. Indonesia is protesting this fee.

Resistance

The IMF is having more trouble with another aspect of its neo-colonial policy toward Indonesia. Efforts by foreign firms to buy up Indonesian banks and industries at fire-sale prices have run into nationalist resistance. Two cases have become the focus of this resistance—the Bank Bali takeover by Britain's Standard Chartered Bank, and the Astra International auto manufacturer takeover by America's Newbridge Capital and Gilbert Global Equity Partners.

In July 1999, management of Bank Bali was turned over to Standard Chartered, when Bank Bali's owners failed to come up with their share of recapitalization funds—in part, due to the failure of the government to deliver on promised guarantees on interbank loans held by Bank Bali. The British bank then accused Bank Bali of a corrupt payoff to government officials and individuals politically connected to the

then-ruling Golkar party, in exchange for collecting on the outstanding interbank obligations—a scandal that helped bring down the government of President B.J. Habibie, and led to suspension of IMF support. Bank Bali president Rudy Ramli, however, stood his ground, fighting the takeover in court, while Bank Bali employees literally ran the pack of overpaid Standard Chartered executives out of the bank building, ending the attempted takeover.

The Bank Bali deal was supposed to be the model for future foreign takeovers. When that failed, the proposed sale of the government's 40% stake in automaker Astra International became the new model.

Astra is perhaps the only major firm that has turned itself around and is generating significant profit. The government has come under tremendous pressure from the international financial community to sell its stake, even at a loss, to woo "the markets." U.S. investors Newbridge Capital and Gilbert Global Equity partners were given the inside track on Astra. But when the Newbridge-Gilbert team demanded all of Astra's books for a "due diligence" audit—similar to the one carried out by Standard Chartered, which audit "discovered" the payoff scandal at Bank Bali—Astra president Rini Soewandi refused, arguing that without an actual commitment to buy, the information remained privileged. Astra's management also objected to the preferential terms given to Newbridge-Gilbert. The deal is now being revised, with officials saying that the government's 40% stake will be sold in open tender. Astra officials have argued all along that the company is a "national asset" that should be "preserved."

The position of the new government of President Abdurrahman Wahid on this growing internal conflict has been uncertain, but over the past weeks, under the pressure of the impending IMF agreement, President Wahid launched a house-cleaning aimed at facilitating the takeovers. The directors of the state oil firm, Pertamina, and the state power firm, PLN, are to be replaced, while Glenn Yusuf has been removed as head of the Indonesian Bank Restructuring Agency (IBRA), which holds portions of the companies targeted for sale. The new IBRA chief, Cacuk Sudarjanto, promptly declared that his priority is the rapid selloff of Astra and Bank Bali, as well as the former number-one bank in Indonesia, Bank Central Asia. He also called for the resignation of Astra's executive, which has been refused.

President Wahid also called on the legislature to replace the governor of the central bank, Bank Indonesia, Sjahril Sabirin, after an audit reported the bank to be effectively bankrupt. Sjahril has refused to resign, and countered that the bad debt held by Bank Indonesia is entirely due to the government's instructions during the crisis in late 1997 and 1998 to extend emergency credit to prevent any bank failures. Sjahril threatened to debit all the commercial banks the amount loaned if the government failed to back the debt, leading to frantic agreement from the government, admitting that such a debit would shut down the nation's banking system.

A Hobbesian choice

One of the most extreme examples of the immediate dangers of following IMF demands comes in regard to Indonesia's plan to allow more wealth from natural resources to remain in the province of origin. The plan is aimed at cooling the separatist movements in such resource-rich provinces as Aceh, Riau, and West Papua (formerly Irian Jaya). The World Bank, however, concerned that the central government retain control of resource wealth as a guarantee against foreign debt, is warning Indonesia against "ad hoc decentralization." Indonesia is thus forced to choose between a threat to cut off foreign investment, and national disintegration.

U.S. Treasury Secretary Lawrence Summers, who visited Jakarta in late January, was no help. He brought with him a U.S. Treasury Department team to carry out what Summers called "forensic accounting." It is well known that the accounting process, led by U.S.-based accounting giant Pricewaterhouse Coopers (PwC), has been used as a battering ram for IMF demands, through audits that subject targeted firms or government agencies across Asia to scandals "revealed" by the auditors. Already, several of these audits have been shown to be politically motivated frauds. Even the Dow Jones' voice in Asia, the *Far Eastern Economic Review*, ran a cover story on Dec. 23 on PwC, titled "The Enforcer: Asia's New Power"—although, of course, the article praised this new colonialist weapon. Summers's "forensics," as the name implies, may extract some wealth from a cadaver, but will not bring the dead back to life.

Corruption: By whom?

While the IMF and related institutions rail against the legacy of corruption under Suharto, when it comes to foreign corruption during that era, suddenly there is great concern about the "sanctity of contracts."

For example, PT Paiton Energy, a joint venture between Mitsui, General Electric, and a local partner with links to Suharto's children, built a power plant in Indonesia under a contract which guaranteed a minimum purchase by the government of electricity at a fixed *U.S. dollar-denominated* rate. With the currency collapse, the government is forced to sell electricity at a U.S. equivalent of 3¢ per kilowatt hour, but must buy the power from Paiton for more than twice that price. A lawsuit brought to force renegotiation of the contract as a clear case of corrupt practices in the Suharto era provoked an international outcry that the contract must be honored to the letter, or Indonesia will lose the "confidence of the international community." The Wahid government backed down to the wrath of "market sentiment," but is trying to reach an out-of-court agreement on the pricing differential. It has also been revealed that \$38.2 million was paid to "consultants" in reaching the agreement, all of which was tacked onto the calculated guaranteed government payments. Of those costs, \$1.28 million went to the infamous Kissinger Associates.

America's growing income gap: There is no 'economic boom'

by Richard Freeman

Late last year, the Census Bureau of the U.S. Department of Commerce reported in "Money Income in the United States, 1998," that in 1998, American families earned the highest level of income in U.S. history. This is offered as proof that America is in the tenth year of an economic expansion.

On closer inspection, the Census Bureau report actually shows that the U.S. economy is *contracting*, and the "expansion" is a fraud. True, there was a record level of income, as the Census Bureau alleges, but a significant majority of it went to the families in the upper 20% of income brackets, whose incomes soared. In fact, the economy has been rigged so that the upper 20% sucks in the lion's share of income each year. But in the same Census Bureau report, and in reports by other agencies, there is evidence that the income of families in the lower 80% of income brackets, on a per-family basis, fell. The reality is, that the income, or living standard of the lower 80% of families, is collapsing.

In 1999, for the first time in U.S. history, the income of the upper 20% was more than half of all national income. The upper 20% hauled in 50.4% of the entirety of America's real, after-tax income, while the combined resources of the lower 80% took in only 49.6%. That is an unprecedented development: 22.7 million families, representing 54.5 million people of the upper 20%, took in more income than 92.0 million families, representing 221 million people, of the lower 80%.

This signals the stratification of America. But it must be stressed, it is the spectacular rise of the income of the upper 20% of families, and the collapse of the income of the lower 80%, that gave rise to the income divergence.

The rise in the income of the upper 20% and the fall in the living standard of the lower 80%, has not been an independent development; rather, it flowed from the underlying policy that has been directing the economy.

The divergence in income is a deliberate outcome of the City of London-Wall Street financiers' imposition of a "post-industrial society" policy in America, following the Nov. 22, 1963 assassination of President John F. Kennedy. This policy wiped out a sizable section of America's manufacturing, agriculture, and hard and soft infrastructure, destroying the reproductive capability of America's physical economy, including a good portion of its skilled labor force. In its place, the oligarchy built up a post-industrial economy, based on "Information

Age" services, especially cancerous, speculative financial services. That bubble continues to grow at a hyperbolic rate, by sucking the physical economy dry.

Income in a speculation-based economy

In the speculation-based economy, the upper 20% Americans derive income from the stock market in multiple ways: as dividends from stocks, as capital gains from the appreciation of the price of stocks, and as stock options which are awarded as part of compensation (and counted as part of "wages"). Many of these individuals earn income from derivatives trading, trusts, or from playing the speculative secondary real estate market. They work at jobs at Internet or so-called "high-tech" firms, or on Wall Street, earn incomes of \$250,000 to \$3 million per year (if stock options are included), own debt-leveraged \$500,000 to \$1 million homes, and own two or three \$40-60,000 cars. According to Spectrem Group research, during the 1990s, in America the number of millionaires doubled to 7.9 million individuals. Most of them are millionaires on paper, which paper can evaporate on a moment's notice.

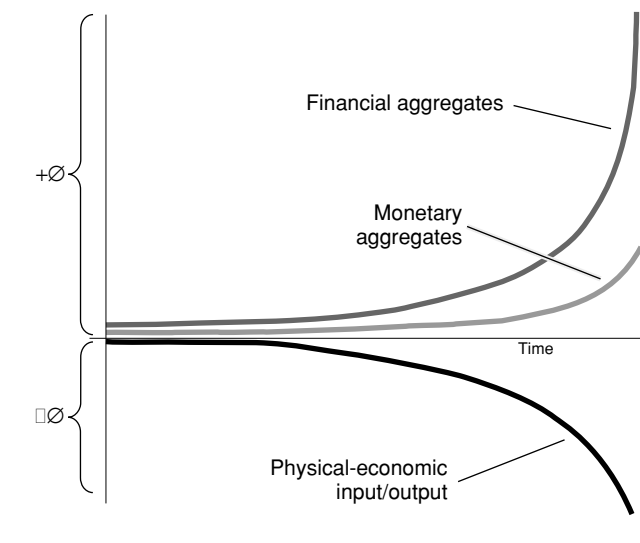
The upper 20% fight ferociously for policies which preserve these speculation-based income streams—and destroy the lower 80% of families, and ultimately, the U.S. economy and human civilization. The financier oligarchy of Wall Street and the City of London are directing this policy.

Look at this process from the standpoint of Democratic Presidential pre-candidate Lyndon LaRouche's Triple Curve, or "typical collapse function" (**Figure 1**). The upper curve, the financial aggregates, represents the mass of speculative financial paper, such as derivatives and stocks, which is growing at a hyperbolic rate. The middle curve, the monetary aggregates, represents primarily money supply, which is increasing, although at a slower rate than the financial aggregates, and supplies the monetary aggregates with liquidity. The lower curve represents the physical economy, the basis for the development of human existence, and upon which the other two curves ultimately depend. The escalating combined financial claims of the top two curves depresses the physical economy, the lower curve.

The more the physical economy contracts, the more it wipes out incomes and the basis for human existence. At a certain point, the financial claims of the upper two curves

FIGURE 1

A typical collapse function



cause the breakdown of the physical economy, and as the instability increases, the financial aggregates—and financial system—disintegrate.

The upper 20%, in an attempt to preserve this unsalvageable system, back policies for intense austerity, including cutting funds for infrastructure, closing hospitals, and driving down wages. The 1996 Welfare Reform Act, for example, forced welfare recipients to work in slave-labor jobs, and used them as a battering ram against the wage levels of the rest of the workforce. The upper 20%, under the direction of the Wall Street financier oligarchy, has established control of the political process, to carry through its agenda. It has set up a political dictatorship, disenfranchising the lower 80%.

On Dec. 11, 1999, LaRouche stated, “It comes back very much to Wall Street. The upper 20% of the income brackets—led by Wall Street, orchestrated by Wall Street, and by a Wall Street-controlled mass media—are controlling U.S. politics. *These fellas don’t want a President who can think!* They want a bozo, like Al Gore, or George W. Bush, someone who will do as they tell him. They will do the thinking, the bankers and lawyers of Wall Street. . . .

“Therefore the crucial thing that must be done—*otherwise, nothing else is likely to work*—is we must build a mass constituency among the 80% of the lower-income brackets of this nation, the so-called forgotten men and women of this period. We must do this by bringing together African-Americans, Hispanic-Americans, concerned representatives of labor and farmers, and so forth, as well as senior citizens, and bring them into a *grand constituency* of the otherwise forgotten men and women, who will march into the polls, no matter what the mass media tell them to do, and take over politics in this country again, and select the kind of thinking leaders

which they need to deal with what are, in fact, manageable crises coming up fast ahead.”

Not susceptible of reform

LaRouche’s comments set the context for how to deal with the income divergence.

There are groups that have spoken out about the income divergence, or disparity. This includes the AFL-CIO, Sen. Christopher Dodd (D-Conn.), and think-tanks such as the Center on Budget and Policy Priorities. They have made some useful points, and have proposed some tax and other measures that would cut down the margin of discrepancy. But this process is not susceptible of small adjustment; it is not correctable by an attempt at more “equitable” income distribution. Nor is it some passing phase of the economy. It is a designed outcome.

To correct the income divergence, one must close down the post-industrial society policy, and the irreparably flawed thinking and decision-making of leaders who generated it. As LaRouche has indicated, the first step should be a Chapter 11 bankruptcy reorganization of the bankrupt financial system, writing off much of the bloated paper of the financial bubble. This would be done in the context of a new fixed-exchange-rate, gold-reserve-based New Bretton Woods monetary system, pivoted around the great infrastructure projects of the Eurasian Land-Bridge, which would generate global economic reconstruction.

By bringing the lower 80% back into political life, and implementing such a policy change, the living standard of the lower 80% would increase immeasurably, up to the level needed to support a family, and cultural advancement.

This report first looks at the great income divergence, and the rise of the income of the upper 20% and the fall of the income of the lower 80%, which is deepening it. Next, it looks to the even greater concentration of the nation’s wealth—from stocks to bonds to private businesses to precious metals—in the hands of the upper 10%. Finally, it examines the actual level of poverty, to show that while an economic boom is being hyped, the number of poor is massive, and growing.

I. The widening income divergence

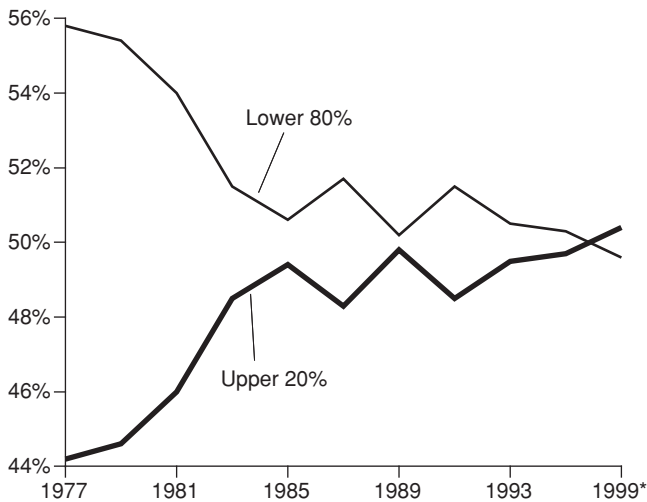
The income gap has widened steadily over the last two decades. The income of the upper 20% has risen, while the lower 80% has fallen. The income stream that grew by the greatest amount, most exemplifies the speculative process, and most widened the income divergence, is that of capital gains.

Figure 2 presents the income divergence between the upper 20% of families, by income bracket, and the lower 80% of families. Unless otherwise noted, the data come from the Congressional Budget Office (CBO), a branch of the U.S. Congress, and are stated in “real,” that is, inflation-adjusted,

FIGURE 2

Upper 20% of families haul in more of total U.S. after-tax income than lower 80%

(percent)

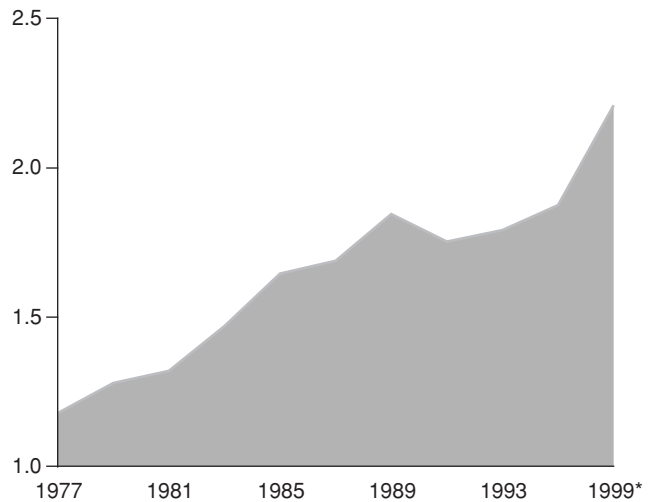


*Projected
Sources: Congressional Budget Office; EIR.

FIGURE 3

Total spendable (after-tax) income of upper 20% of families

(trillions 1995 constant \$)



*Projected
Sources: Congressional Budget Office; EIR.

1995 dollars. (There are serious problems which cause the government’s measure of inflation to significantly underreport the inflation rate, but the CBO uses this measure, and because the series is consistent, it produces a consistent comparison.) In 1977, the lower 80% of families earned 55.8% of America’s total after-tax real annual income. (The CBO series only starts in 1977; had it been possible to take the series back earlier, it is possible that the lower 80% of families had earned an even higher share of America’s total after-tax real income.) And, the upper 20% of families earned 44.2% of America’s total after-tax real annual income. Thus, in 1977, the lower 80% earned 11.6% more of America’s total after-tax real income than the upper 20%.

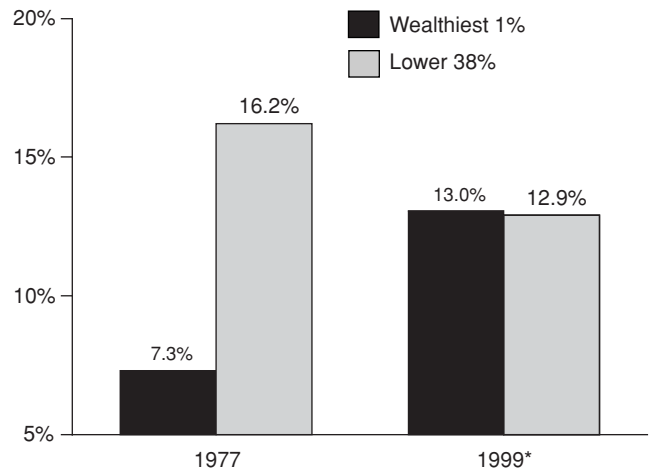
The growth of the speculative bubble and the contraction of the physical economy caused a profound transformation over the next 22 years. By 1999 (all income levels for 1999 are projected by the CBO), the upper 20% of families earned 50.4% of America’s total after-tax real income; the lower 80% earned only 49.6%. This marked an unprecedented development, with distressing consequences. The upper 20% of families had more income than the entirety of the lower 80% of families—the highest income discrepancy in U.S. history.

Figure 3 shows the level of total real after-tax annual income that the upper 20% has had to play with. In 1999, the upper 20% earned \$2.209 trillion.

As one looks at the upper and lower ends of the income ladder, one finds that the discrepancy in income becomes larger. **Figure 4** shows that in 1977, the upper 1% of families,

FIGURE 4

Upper 1% of families have greater share of total after-tax income than lower 38%



*Projected
Sources: Congressional Budget Office; Center on Budget and Policy Priorities; EIR.

the super-wealthy elite, earned 7.3% of America’s total after-tax real income. In 1977, the lower 38% of families, America’s significant poor, earned 16.2% of total after-tax real income. The lower 38% had more than double the share of total

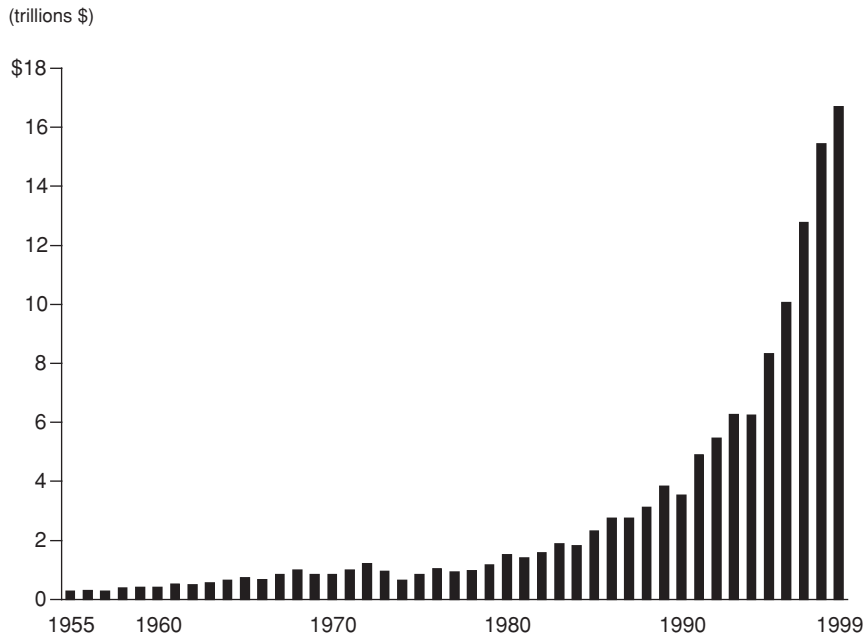
income than the upper 1%. But by 1999, the upper 1% super-wealthy families' share had zoomed up to 13.0% of America's total after-tax real income; by contrast, the lower 38% poor families' share had fallen to 12.9%. The upper 1% of families (1.2 million families, representing 2.75 million people) took in more income than the lower 38% of families (43.7 million families, representing 105.6 million people), i.e., 2.75 million people have more income than 105.6 million. The upper 1% had as much money to spend on its whims as the lower 38% had to spend on those goods and services they needed to survive. This represents a stratification not seen since the days of 19th-century imperial England.

This disparity arose because the incomes of the rich and super-rich skyrocketed, while the lower 80%'s income, especially that of the poor, tumbled. The income stream that poured most cash into the incomes of the upper 20%, is that of realized capital gains. Two other sources of income grew greatly during this 22-year period: personal dividend income and personal interest income. Including realized capital gains, these three sources of income provided a tidal wave of income, largely speculative in character and having no connection to real economic growth—in fact, destroying the real economy. Realized capital gains and so forth, are predominantly the preserve of the wealthy upper 20% of families.

There are two types of capital gains: realized and unrealized. A capital gain occurs when one buys an asset—such as a stock, a home, an art work—at one price, and it is pushed up to a higher price. For example, if one buys a stock at \$20 a share, and sells it after the price is pushed up to \$80 a share, the capital gain is \$60. If one sells the asset and is paid for the capital gain, this is called a *realized* capital gain. If one doesn't sell the asset, one still has a capital gain of \$60, but it is called an *unrealized* capital gain. Most individuals only realize a minority of their capital gains, yet many individuals borrow against their unrealized capital gains. Therefore, capital gains, both realized and unrealized, have a very big impact on the economy.

Two speculative sources have generated most of the increase in capital gains: the insane run-up in the value of the stock market, and the inflationary increase in home prices. The financier oligarchy built up the stock market using multiply-connected leverage, including customer “broker loan” borrowing to enable individuals to buy stocks on margin,

FIGURE 5
Capitalization value of all stocks traded on U.S. stock market, 1955-99



Source: Federal Reserve Board of Governors, “Flow of Funds Accounts.”

leveraged buy-outs, and the use of stock-based derivatives to manipulate the price of stock—and these stock-based derivatives now total in the trillions of dollars. Federal Reserve Board chairman Alan Greenspan abetted this process, and there is now an immensely leveraged market.

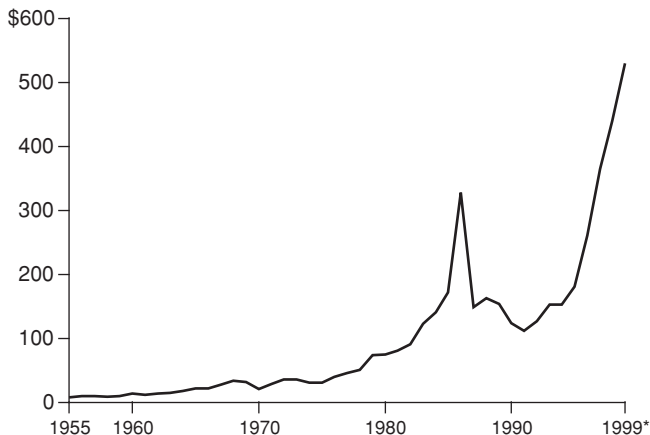
Figure 5 shows the stock market bubble, as displayed by the capitalization of all stocks in the United States. (Capitalization is the value of a share of stock times all the shares of that stock outstanding. So, for example, if a share of IBM is \$10 per share, and there are 100 shares outstanding, its capitalization would be \$1,000.) In 1982, the capitalization value of all stocks in the United States was \$1.59 trillion. It was pushed up to \$8.33 trillion by the end of 1995, and exploded to \$16.7 trillion by the end of 1999. Some of the increased capitalization was due to the issuance of new stock, but the vast majority was due to the artificial appreciation in stock prices, a sizable amount of which were sold and realized as capital gains. This went to the wealthy upper 20% of families that held the stock.

Figure 6 shows the result of what happened in the trajectory of realized capital gains, as they were reported on people's income taxes (the data come from the Internal Revenue Service). Between 1955 and 1990, realized capital gains grew slowly, but stayed within a fairly moderate band, usually far below \$200 billion (with the exception of 1986). They started to rise at a faster pace starting in 1990. Then, between 1995

FIGURE 6

Realized capital gains

(billions \$)



*Projected

Sources: Congressional Budget Office, Tax division; "Statistics of Income" of the Internal Revenue Service of the Department of Treasury; *EIR*.

and 1999, realized capital gains leapt from \$180 billion to an estimated \$530 billion, a *tripling in only four years*. Thus, between 1995 and 1999, the increase in realized capital gains alone was \$370 billion—three-quarters of this went to the upper 20% of the population.

The upper 20% took in two additional sources of income: The first is personal dividend income, which comprises the dividend yield of a stock. Because much of the economic activity of U.S. corporations these days is in the post-industrial/speculative field, as opposed to manufacturing and agriculture, most of the profits represent paper profits. It is from these paper profits that dividends are paid out. The second source of income is personal interest income, which comprises income arising from bonds and money market accounts, the majority of which are in the hands of the upper 20%, as well as income from savings and checking accounts.

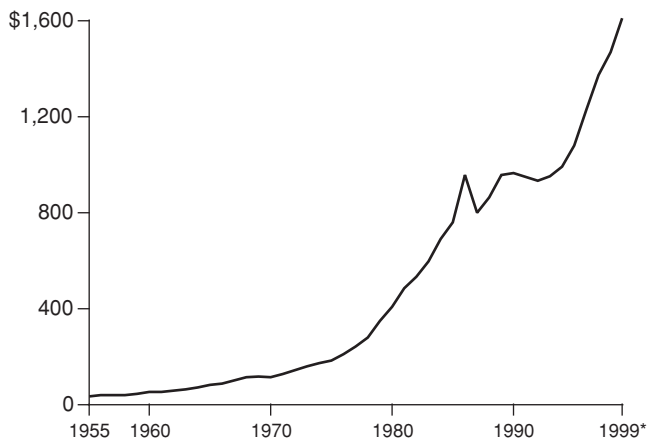
Figure 7 shows the income arising from the three sources combined—realized capital gains, personal dividend income, and personal interest income—as the financial bubble grew. This started to take off in the second half of the 1980s, when Greenspan was Federal Reserve Board chairman. By 1999, when realized capital gains had reached an estimated \$530 billion, and personal dividend income and personal interest income were roughly \$174 billion and \$787 billion, respectively, the combined total of all three sources of income totalled a staggering \$1.61 trillion. Of this \$1.61 trillion, three-quarters, or \$1.2 trillion, flowed to the upper 20% of families.

This is an income stream upon which the upper 20% of families would stake their lives.

FIGURE 7

Sum of income from realized capital gains, personal dividend income, and personal interest income

(billions \$)



*Projected

Sources: Congressional Budget Office, Tax division; "Statistics of Income" of the Internal Revenue Service of the Department of Treasury; Department of Commerce, Bureau of Economic Analysis; *EIR*.

Transformation of the economy

That the income from just these three sources of income should play such a commanding role in the U.S. economy (and there are additional speculative sources not itemized here), shows how completely the U.S. economy has degenerated.

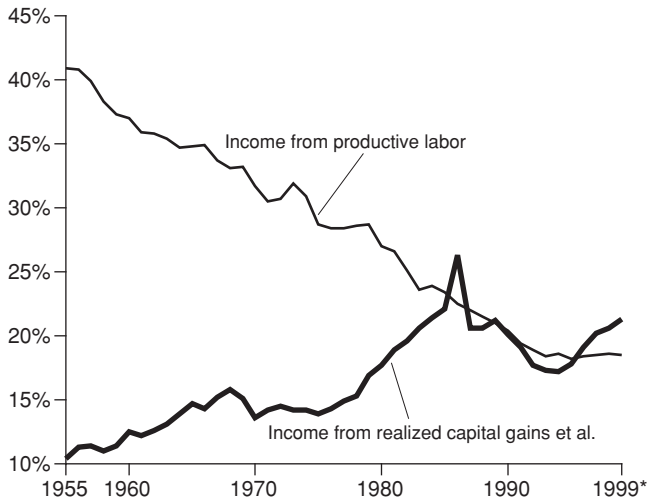
During the 1950s up through the mid-1960s, the U.S. economy was based primarily on capital-intensive, energy-intensive manufacturing, agriculture, and infrastructure. The U.S. economy had its problems, but it was driven by activity in the technology-proud "productive side" of the economy: manufacturing, construction, mining, agriculture, transportation, and energy generation. The importance of this is the following: The starting point of all economics is man's creative power of reason. Man, through his creative cognitive capability, makes revolutionary discoveries of validatable fundamental scientific principle. These ideas are transmitted into and generalized throughout the economy through the machine-tool-design principle and infrastructure. It is the productive labor force, who, working with advanced machine tools, physically alter nature, to raise man's material and cultural standard of existence, and increase the rate of economic development and man's mastery over nature.

When an economy is healthy, productive labor constitutes a majority of the labor force, and the income of the productive labor force constitutes a significant portion of the economy's total income.

FIGURE 8

Share of America's income: productive labor vs. realized capital gains, etc.

(percent)



*Projected

Sources: Bureau of Economic Analysis of U.S. Department of Commerce; Bureau of Labor Statistics of U.S. Department of Labor; *EIR*.

Figure 8 compares the wage income earned by the productive labor force to the combined income of realized capital gains, personal dividend income, and personal interest income. It compares the wage income level of the productive labor force, inclusive of farm income, as a percentage of America's total personal income (as determined by the Department of Commerce's category "Personal Income"), to the combined income from realized capital gains and so forth as a percentage of total personal income. In 1955, the income flow to the workers of the productive labor force, inclusive of agriculture, was 40.9% of America's total pre-tax personal income. The income flow attached to realized capital gains etc. was but 10.4% of the total. In 1955, America had a relatively functioning economy: It derived four times as much income from the wages of the productive labor force as it did from realized capital gains and so forth.

By 1999, the income flow from wages of America's productive labor force had fallen to 18.5% of total personal income. The income arising from realized capital gains etc. had risen to 21.3% of America's personal income. It is now a larger percentage of total personal income than the income of the productive labor force.

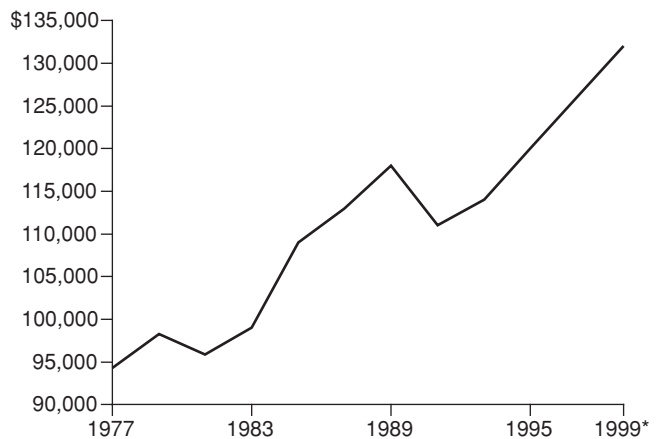
The productive labor force, upon whose activity the upward development of the economy depends, has been shrunk. The benefit and joy of productive, gainful work has been degraded. America is now dependent on a speculative stream of income, which cannot last.

Yes, it is true, as the Commerce Department and the *Wall Street Journal* claim, that America's monetary income is ris-

FIGURE 9

Rise in median annual (pre-tax) income of upper 20% of families

(1995 constant \$)



Data not available for 1997.

*Projected

Sources: Congressional Budget Office; *EIR*.

ing. Between 1987, when Greenspan became Federal Reserve Board chairman, and 1999, the income from realized capital gains, personal dividend income, and personal interest income collectively rose from \$799 billion to \$1.610 trillion, an increase of \$811 billion. This represents a dependency upon the speculative cancer which increases financial instability and wrecks the physical economy, but in America's policy-making councils, the increase of the speculative flows of income has gained more champions.

The rich get richer . . .

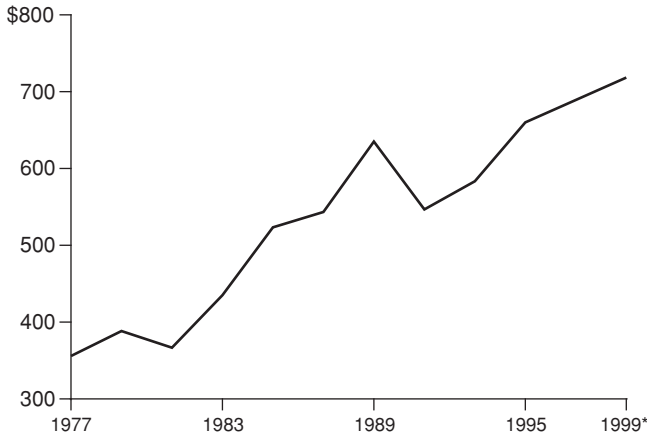
Now look at representative groups of the upper and lower portions of America's income brackets. The incomes we examine represent median incomes (the level above which half have more income, and below which half have less income), and are stated in real terms (which means they are adjusted for inflation, in this case stated in 1995 constant dollars). **Figure 9** shows what an average family earned that was in the upper 20% of America's families. In 1977, the upper 20% of families earned a real, pre-tax annual median income per family of \$94,300; in 1999, the upper 20% of families earned a real, pre-tax annual median income per family of \$132,000, an increase of 40%.

Look at the upper 1% of families (**Figure 10**). In 1977, the upper 1% of families earned a real, pre-tax annual median income per family of \$356,000; in 1999, the upper 1% of families earned a real, pre-tax annual median income per family of \$719,000, i.e., it doubled. **Figure 11** shows the after-tax real annual median income for the same families of the upper 1%. Between 1977 and 1999, the real after-tax annual median income earned per family per year, zoomed up from

FIGURE 10

Rise in median annual pre-tax income of upper 1% of families

(thousands 1995 constant \$)



Data not available for 1997.

*Projected

Sources: Congressional Budget Office; *EIR*.

FIGURE 11

Rise in median annual after-tax income of upper 1% of families

(thousands 1995 constant \$)



Data not available for 1997.

*Projected

Sources: Congressional Budget Office; *EIR*.

FIGURE 12

Fall in median annual (pre-tax) income of lowest 20% of families

(1995 constant \$)



Data not available for 1997.

*Projected

Sources: Congressional Budget Office; *EIR*.

\$214,668 to \$471,664, an increase of 115%.

The lower income families saw their income go in exactly the opposite direction.

Figure 12 shows that in 1977, the lower 20% of families earned a real, pre-tax annual median income per family of \$10,000; in 1999, the lower 20% of families earned a real, pre-tax annual median income per family of \$8,400, a fall

FIGURE 13

Fall in median annual (pre-tax) income of second-lowest 20% of families

(1995 constant \$)



Data not available for 1997.

*Projected

Sources: Congressional Budget Office; *EIR*.

of 16%.

Figure 13 demonstrates that in 1977, the second lowest 20% of families earned a real, pre-tax annual median income per family of \$23,700; in 1999, the second lowest 20% of families earned a real, pre-tax annual median income per fam-

ily of \$21,200, a fall of 10.5%.

The declines in the median family income for the lower 20% and the second lowest 20% of families, of 16% and 10.5%, respectively, are significant. In 1999, no family of four could productively raise its children on an income of \$21,200, which is the median income of a family in the second lowest 20% of families, let alone on \$8,400, which is the median income of a family in the lowest 20% of families.

But, the declines of 16% and 10.5% are only a fraction of the real collapse in income and living standards that occurred between 1977 and 1999.

One of the biggest fallacies in the approach of the U.S. government, including the U.S. Commerce Department, the CBO, and so on, is to measure economic trends in dollar terms. The use of dollars, or attaching dollar values, is inherently incapable of real economic measurement. For example, an income stated in dollar terms is unable to measure the collapse in infrastructure. The nonexistence of hospitals or medical facilities, the breakdown in transportation systems, the steep decline in quality and quantity of education, cannot be measured in dollar terms.

There are several other fundamental problems in the government's measurement of income.

The real measurement of living standards must begin from a broader and more scientific approach, one that is premised on what real economics, in terms of not-entropic development, is. This is the LaRouche-Riemann method, developed by Lyndon LaRouche. Using this method, *EIR* has accurately determined, and published in several locations, that the average family's purchasing power and standard of living has fallen by 50% since the oligarchy's imposition of the post-industrial society policy in the mid-1960s. This measures income, not in dollar terms, but from the standpoint of a family's consumption of market-baskets of consumer and producer goods, as those market-baskets afford an improving array of goods and services essential for the cognitive and material development of the labor force, including fundamental infrastructure, such as education, transportation, and health care.

The extent of the decline is hinted at by just one aspect of *EIR*'s studies. In 1963, it required 399 weekly paychecks of an average non-agricultural worker to pay for a new home. By 1998, it required 761 weekly paychecks to pay for a new home, an increase of 91%. Another way of stating this, is that in terms of a paycheck's ability to buy a new home, an average worker's purchasing power had fallen by 48%. (See Lyndon H. LaRouche, Jr., "Can You, Personally, Survive This Bust?" *EIR*, July 30, 1999; "What Economics Must Measure," *EIR*, Nov. 28, 1997; Richard Freeman, "America's Economic Recovery Is a Myth," *EIR*, May 21, 1999; "U.S. Market Basket Is Half What Is Was in the 1960s," *EIR*, Sept. 27, 1996.)

The *EIR* studies show that since the mid-1960s, the drop in a family's living standard has been approximately 50%, which is much greater than the drop in income, between 1977

and 1999, of 16% and 10.5% for America's lower income groups, as documented by CBO data. This indicates that there are many more families that are just at, or below, the threshold for survival, and that the income divergence between the upper 20% and lower 80% is greater than even the catastrophic level that government figures indicate.

II. The widening wealth divergence

What has enabled the upper 20% of families to earn the predominant share of America's income, is that they have amassed the greatest holdings of the nation's *wealth*, which generates income. (The Federal Reserve Board's "Consumer Finance Survey" determines wealth as the dollar sum of assets, minus the dollar sum of liabilities. Wealth is also called net worth; the two terms are interchangeable.) Among America's families, there exists an even greater divergence of wealth between the upper and lower income brackets than exists for income.

The upper 10% of America's families (measured by wealth) own 70-90% of all of America's stocks, bonds, estates, trusts, other (non-primary residence) real estate, and futures contracts. The upper 10% owns more than 90% of privately owned (non-public) businesses. These businesses cover a wide range of activities, but give the wealthy substantial ownership of hard physical assets, including oil, gas, and other energy supplies; food supplies; and the hard infrastructure for communications. The wealthy have also targeted for inclusion among their ownership of stock of publicly owned companies, those companies that are engaged in the same hard-commodity fields. The wealthy own the lion's share of precious metals, in the form of gold bullion and jewelry. They act as if they own America.

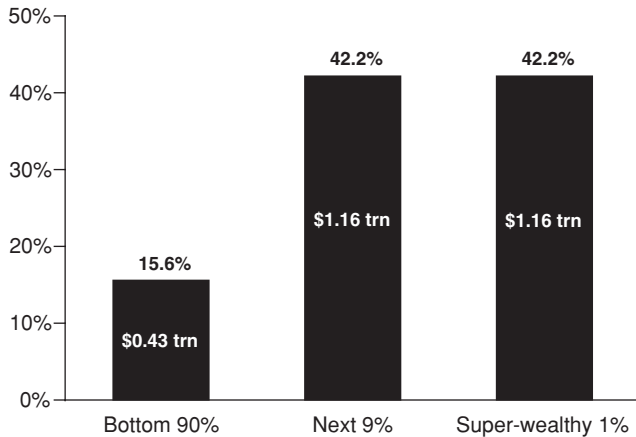
The super-wealthy 1-2% blue-blood families operate through a powerful economic-strategic network that includes the Federal Reserve Board of Governors, Wall Street banks, associated Wall Street law firms, and private foundations and trusts. Their wealth generates power, but, reciprocally, their wealth derives from power. They use their power to run a political dictatorship in the choice of candidates in political parties, and to set a number of political and economic policies.

Wealth is defined as the value of a family's (or individual's) assets, minus the value of liabilities. An asset is a stock, bond, or privately owned business. A liability is a debt. Another name for wealth is "net worth," or what one is worth after debts have been deducted out. Consider the relation between an asset and income. Assume that an individual owns \$1 million worth of stock. That is an asset; it is an outstanding holding. It may generate income, but is not income itself. If an individual who owns \$1 million worth of stock derives from it \$50,000 per year, that is income. Obviously, the more assets one has, the more income the assets generate.

The information on wealth and assets has been compiled

FIGURE 14

Stocks are concentrated in the hands of the wealthy



In 1995, total family holdings were worth \$2.75 trillion.

Source: Federal Reserve Board of Governors, "Survey of Consumer Finances," August 1997 report.

by the Federal Reserve Board of Governors in its "Consumer Finance Survey," put out once every three years. The latest data are for 1995 (a new survey is expected to be published at the end of February of this year, and *EIR* will report on the results when they appear), and they are startling, but the trends have worsened during the most recent period.

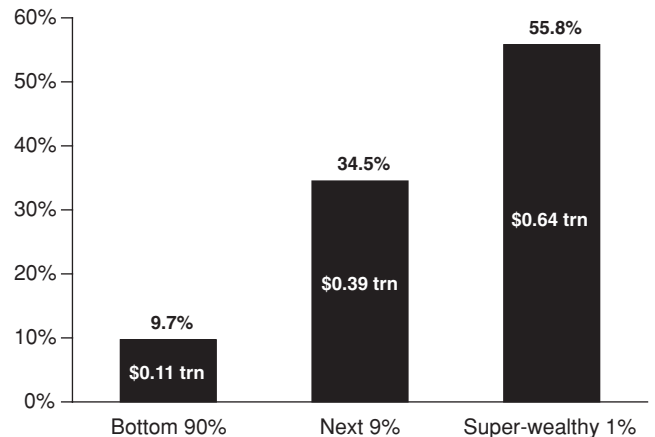
The Federal Reserve Board's survey breaks down families by percentile groupings different from either the CBO or the Commerce Department. The Fed's survey breaks down families by the bottom 90% in wealth; the next 9%, i.e., the group from 90 through 99%; the next 0.5%, i.e., the group from 99 through 99.5%; and the top 0.5%. We use those category rankings, except here the categories "next 0.5%" and "top 0.5%" have been consolidated into the "upper 1%."

The upper 10%, and within that, the upper 1%, have amassed a huge percentage of many of the nation's assets. Consider a few.

Figure 14, for stocks, shows the percentage of total holdings and the dollar volume that each of the groups of families, by wealth bracket — bottom 90%, next 9%, and super-wealthy 1% — hold. (For each asset, the percentages add up to 100%, and the dollar volumes add up to the total family holdings of that asset.) In 1995, according to the "Consumer Finance Survey," the nation's families held stocks worth \$2.75 trillion. Of that amount, the super-wealthy 1% held 42.2%, and a dollar volume of \$1.16 trillion; the next 9% of families held 42.2%, and a dollar volume of \$1.16 trillion; and the bottom 90% of families held only 15.6%, and a dollar volume of \$0.43 trillion. (The Consumer Finance Survey's statement that families held \$2.75 trillion of stocks is an understatement;

FIGURE 15

Bonds are concentrated in the hands of the wealthy



In 1995, total family holdings were worth \$1.14 trillion.

Source: Federal Reserve Board of Governors, "Survey of Consumer Finances," August 1997 report.

another division of the Federal Reserve, which publishes the "Flow of Funds Accounts," places families' holdings of stocks at a significantly higher level, meaning that the dollar volume of stocks held by the upper 10% is even greater.)

Due to the fact that the upper 10% of families hold 84.4% of all stocks, it is no mystery that three-quarters or more of all realized capital gains, as well as personal dividend income, flow to the upper 10% of families. Extremely important is that the financier oligarchy core among the super-wealthy 1% families have targeted significant ownership stakes in companies engaged in energy production, food production, precious and base metals production, and the hard infrastructure of communications companies.

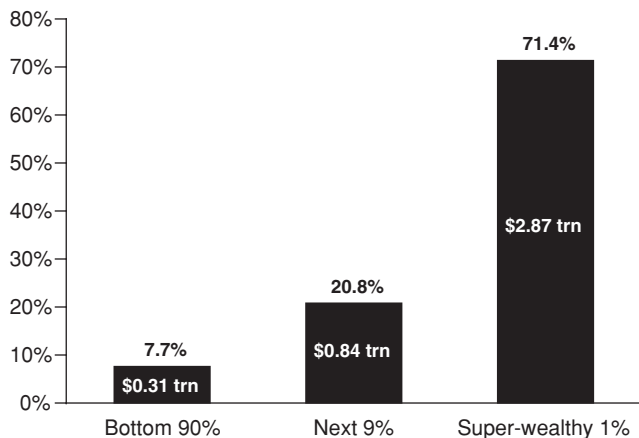
Figure 15 shows that in 1995, the nation's families held bonds worth \$1.14 trillion. Of that amount, the wealthiest 10% held 90.3%, and the bottom 90% held only 9.7%.

Figure 16 depicts how in 1995, the nation's families held ownership of businesses which were worth \$4.02 trillion. (These businesses are firms that are owned by one or more families, not corporations, and therefore do not have publicly traded stock.) Of that amount, the wealthiest 1% held 71.4%, or \$2.87 trillion; the bottom 90% held a mere 7.7%. The \$4.02 trillion worth of businesses cover a wide range of activities: some are investment and Internet firms, but several are companies that are engaged in oil and gas production, food production, precious and base metals production, transportation companies, and the hard infrastructure of communications companies.

The Fed's Consumer Finance Survey has an important category called "other assets," which includes ownership of

FIGURE 16

Businesses are concentrated in the hands of the wealthy



In 1995, total family holdings were worth \$4.02 trillion.

Source: Federal Reserve Board of Governors, "Survey of Consumer Finances," August 1997 report.

metals, jewelry, antiques, paintings, futures contracts, oil leases, and so on. The upper 10% of families hold 70.7% of that category, the bottom 90% hold 29.3%. Also, the upper 20% has dominant holdings in other (non-principal residence) real estate, trusts, estates, and so on.

Where the bottom 90% dominates

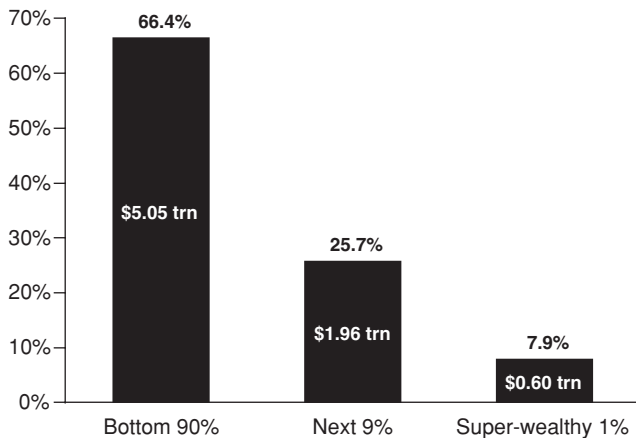
The bottom 90% dominates in only a few areas, including principal residences — i.e., homes and apartments that are one's principal place of residence — and cars. In fact, principal residences and cars constituted two-thirds of the holdings of the bottom 90% of families. **Figure 17** shows that the bottom 90% owned 66.4% of all principal residences in America.

There is one other area that the bottom 90% dominated: liabilities, i.e., all types of debt. **Figure 18** shows that the bottom 90% of America's families holds 70.9% of the total liabilities/debt of America's families. This has occurred, as the lower 80% of families, in particular, attempted to maintain declining purchasing power, due to collapsing incomes, by taking on debt. The Federal Reserve grossly understates the actual size of the total debt of America's families (for an accurate depiction of the debt burden of America's families, see "The Greenspan Bubble Is Wrecking the World Economy," *EIR*, Oct. 29, 1999). However, the percentage, of 70.9%, that the bottom 90% holds of all debt, is reasonably accurate.

Figure 19 shows the level and percentage of ownership of wealth. In 1995, the bottom 90% of families held \$6.473 trillion of America's wealth, while the upper 10% of families held \$14.046 trillion. The bottom 90% accounted for only 31.5% of all of America's family wealth, while the upper 10%

FIGURE 17

Bottom 90% own majority of principal residences

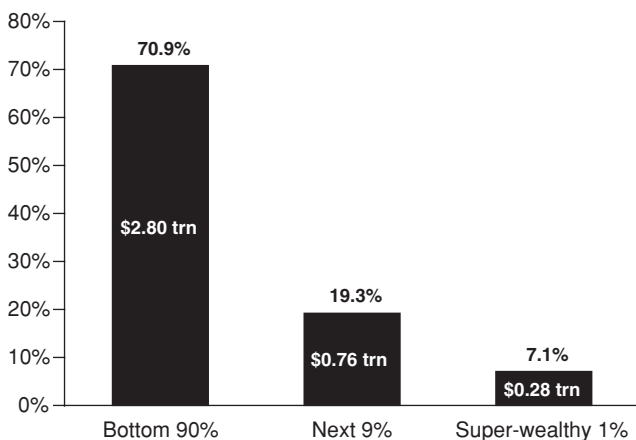


In 1995, total family holdings were worth \$7.61 trillion

Source: Federal Reserve Board of Governors, "Survey of Consumer Finances," August 1997 report.

FIGURE 18

Bottom 90% have 70% of liabilities (debt)



In 1995, total family debt was \$3.94 trillion.

Source: Federal Reserve Board of Governors, "Survey of Consumer Finances," August 1997 report.

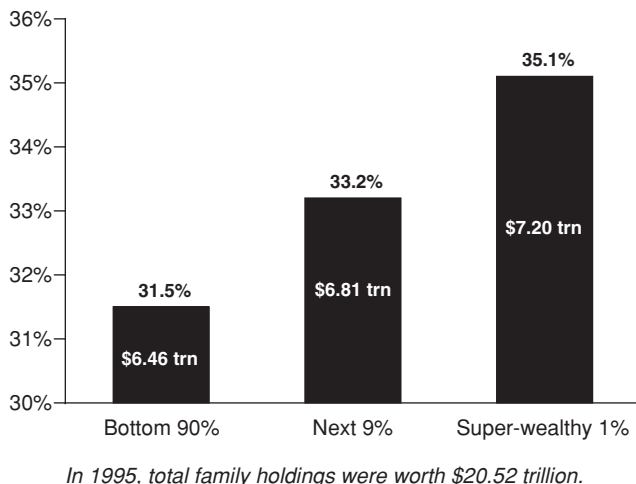
of families accounted for 68.5%.

In addition, in 1995, the super-wealthy 1% of families, representing 2.75 million people, owned more of America's wealth, 35.1%, than the bottom 90% of families, representing 247.5 million people, whose share was 31.5%

Figure 20 shows (selected years) that the percentage of the nation's wealth owned by the super-wealthy 1% of families has grown steadily. In 1995, it was already at the highest

FIGURE 19

Upper 10% own almost 70% of wealth (assets minus liabilities)

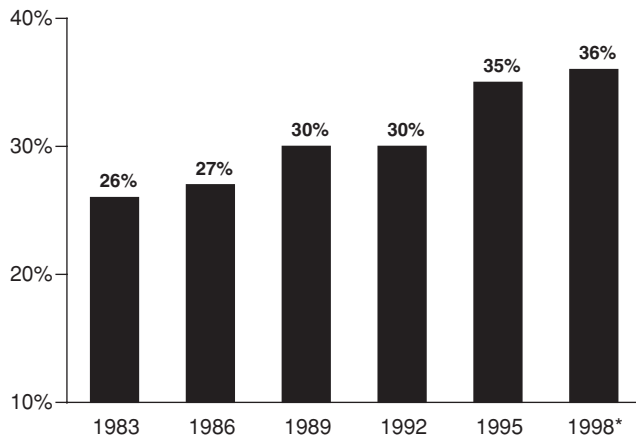


Source: Federal Reserve Board of Governors, "Survey of Consumer Finances," August 1997 report.

FIGURE 20

Wealthiest 1%'s ownership control of America's total wealth

(percent)



*Projected

Sources: Federal Reserve Board of Governors, "Consumer Finance Survey"; Edward D. Wolff, "Recent Trends in Wealth Ownership," April 1999, as modified by *EIR*.

level since 1929, a time when the financier oligarchy kept the economy unregulated, and did as it willed.

III. The spread of poverty

The reality of collapsing incomes for the lower 80% of the population, and rising incomes and wealth for the upper 20% of the population, cannot be disguised, although the government is working hard to do so. Ironically, it is government data which, when properly assembled, allow one to disprove the government's contention that there is an economic expansion.

But, as part of its effort to stand reality on its head and portray the economy as doing well, the government has started reporting on poverty, and claiming that the poverty level is falling. In truth, this is an issue which most shows just how bad things are.

The U.S. Commerce Department reported in September 1999 that, according to its new figures, the number of people who are defined as poor had fallen from 38.06 million people in 1994 to 34.48 million in 1998, a drop of 3.58 million. This allegedly reduced the percentage of the American people who are at or below the poverty line, from 14.5% to 12.7%. This is still a significant number of people (1 out of 8 Americans) living in poverty, but the reduction in the number of people below the poverty level is a fraud.

The fraud was carried out by artificially increasing the threshold needed to be counted as poor. As the threshold was raised, the number of people counted as poor decreased. The poverty threshold was doctored through the downward ma-

nipulation of the inflation rate, which involved the application of an adjustment procedure called the "Quality Adjustment Index" (QAF). The QAF, by attributing part or all of price increases to alleged improved quality, removes 20-100% of price increases in hundreds of products. (In a future issue, *EIR* will highlight the QAF "adjustments" of inflation fraud.)

There is also a compelling reality: The official poverty threshold is preposterously low. In 1998, the U.S. government set the poverty level at \$16,600 per year for a family of four. A far more accurate minimal measure is what the Commerce Department calls 150% of the official poverty line. This would be an income of \$24,990 per year for a family of four. According to Commerce Department data, in 1998, there were 58.3 million Americans who fell below this level, or 21.5% of the population. It is the case that most families could not support four people, including raising two children to lead productive and creative lives, on \$24,900 per year. That is why *EIR* calls it a bare minimal poverty level. There are another 45 million Americans who are only \$10,000 per year income or less above this bare poverty level.

The poor cannot survive. The Conservative Revolution has cut food stamp benefits. Welfare recipients have been forced to work in slave-labor jobs, as a consequence of the 1996 Welfare Reform Act. Hospital services have been cut. And this is occurring while there are claims that America experiencing the "longest economic expansion in history."

Even the official Commerce Department poverty figures are revealing. The Commerce Department claims that there are only 34.48 million people who are poor. Of these, 14.64 million are working, and of these, 9.63 million, or nearly 28%

of the total, are working full-time jobs.

At the next major phase of financial breakdown, these poor will not have the wherewithal to exist. Already, the upper 20% are advancing programs to write them off. They see the poor—as well as the elderly and sick—as so many useless eaters.

The elimination of the lower 80%

There is no way that the speculative financial bubble can continue much further into the future. It will pop. But the attempt to save this system, to feed the bubble with new loot, has led to ferocious austerity, which the financier oligarchy intends to intensify.

Such an outlook is typified by the tax policy promoted by George W. Bush. On Dec. 1, 1999, Bush called for a \$1.7 trillion tax cut over 10 years, a tax cut so large that it would require significant cuts in government programs *on top of* the severe cuts already mandated by the 1997 Balanced Budget Amendment. The Balanced Budget Amendment mandated combined cuts of \$433 billion during 1997-2007 in Medicaid and Medicare. Medicaid is the Federal-state program that provides medical assistance to the poor, and Medicare is the Federal program that provides medical assistance to the elderly and some disabled. The mandated cuts have already forced many hospitals, clinics, and nursing homes to shut down, and the scope of the shutdowns will increase. Bush's plan, were it to be adopted, would double the pace of this process.

Under Bush's plan, according to a study by the Citizens for Tax Justice Analysis think-tank, the upper 1% of the population would get 36.9% of the Bush proposed \$1.7 trillion in tax cuts, or \$627 billion. Each taxpayer in the upper 1% would get annual tax cuts worth \$50,166. But the lower 20% of the population would get only 0.6% of the proposed tax cut, or \$10 billion. Each taxpayer in the lower 20% would receive annual tax cuts worth only \$43.

It should be noted that tax cuts passed during the last few years have already given the upper 1% of taxpayers great breaks. If the tax rate for the upper 1% that was in effect in 1977 were in effect in 1999, each family in the upper 1% income bracket would have paid \$40,000 more taxes per year in 1999.

The attempt to save the financial system will hasten its demise, as the financial claims of the bubble eat at the bone and marrow of the physical economy. This kills the host upon which the cancer feeds.

As the system disintegrates, the lower 18% of the upper 20% will see its income, derived from realized capital gains, etc., evaporate. These people will become enraged: The white shirts of today who work at Internet, "high-tech," and Wall Street firms, will become the brown shirts in a global economic collapse. These are the same strata of people who became the backbone of the fascist movements that Benito Mussolini and Adolf Hitler built in the 1920s and 1930s.

The super-wealthy's strategy

The super-wealthy 1-2%, especially the Wall Street-centered financier oligarchs, have a strategy. The insiders among this group know that the bubble cannot be sustained, despite the steady stream of nonsense from the *Wall Street Journal*. Over the last 24 months, along with their colleagues in the British raw materials and financier cartels, they have been increasing their hoards of hard-commodity assets: precious metals, like gold, and industrial and strategic metals; energy supplies; food supplies; the hard infrastructure of communications systems, and so on. They are preparing for a post-crash world, foreseeing that, at that point, several trillion dollars of paper value will evaporate. They plan, when the dust settles, to control 70-80% of the goods and processes upon which life depends, and to institute a feudalist world with fewer than 1 billion people, in which entire categories of people will be written off. They plan to exact even greater austerity. The financier oligarchs will use some of the enraged lower levels of the upper 20% as their policy-enforcing shock troops.

In a financial disintegration, unless steps are taken to start an economic recovery, the lower 80% will lose what stocks they foolishly clutched onto, they will lose their savings and checking accounts, Social Security, and the few assets and income streams they hold. They will increasingly be the targets of austerity.

The policy-thinking that went into the development of the post-industrial society policy has created this final stage. No simple reform to ameliorate the 80%-20% income divergence will work. The income divergence arose from the collapse of real living standards, and the growth of the upper 20%'s income flows, which has been a product of the post-industrial society policy.

The issue at hand is the survival of the lower 80%. As LaRouche has indicated, the entire bankrupt financial system should be put out of existence, through a Chapter 11 bankruptcy reorganization. This will also put the upper 20%, and in particular, the financier oligarchy upper 1%, out of existence, in terms of political and economic control. The downward spiral of the economy needs to be stopped. A new Bretton Woods monetary system, vectored around the great infrastructure projects of the Eurasian Land-Bridge will do that, generating global economic reconstruction that will draw in the economically depressed United States. Real economic development will build up real living standards, changing the entire profile of the economy and income streams.

To accomplish this, the lower 80%, what President Franklin Roosevelt called "the forgotten man," must become politically active, and break up the political dictatorship of the upper 20%. With time short, they must forcefully bring their views, based on an alternative perspective, into prominence.

Otherwise, the underlying process which has created this great income divergence, will accelerate the destructive process of the past 22 years, and lead to the lower 80%'s extinction.

Book Review

Deep biosphere theory poses revolutionary challenge to prevailing conceptions

by Dr. Jean-Michel Dutuit, Ph.D.

The Deep Hot Biosphere

by Thomas Gold

New York: Springer-Verlag, 1998

235 pages, hardbound, \$27

Dr. Dutuit is a researcher in paleontology and theoretical biology, and a frequent contributor to the French magazine Fusion. This review appeared in the September-October 1999 edition of Fusion, and has been translated from the French.

Scientists aware of the fundamental problems of biology should read Thomas Gold's book. It is rich in content and the author identifies, competently and precisely, the stakes of the issues raised, laying out the consequences of his approach to different fields of knowledge. As this thorough study makes no assertions, it is a powerful antidote to the dogmas that thwart revitalization of our general biological conceptions.

Gold opens the debate with what appears to be an innocuous question: "Does the Earth really represent the best conditions for life?" We will present below Gold's arguments, adding only a comment on their implications, and then, we will attempt to give a short, more personal, point of view concerning their scientific and technological consequences.

As the Earth was formed by the accretion of cold, solid fragments condensed from a nebula surrounding the Sun, a great many of the materials acquired in this way, including many hydrocarbons, avoided being subjected to excessive heating. The liquids and gases temporarily trapped in porous sedimentary rock were freed as the internal heat of the globe increased, and, since they were less dense than rock, were pushed up to the surface. Gold points out that hydrocarbons, spanning the chemical spectrum from methane to the heaviest petroleums, can be found today inside the Earth in far greater quantities and at greater depth than generally believed. Thus, we have the basis for the Deep-Earth Gas Theory, an abiogenic explanation for the formation of hydrocarbons.

Many observations and experiences indicate that a sig-

nificant array of life existed—and still does—beneath the surface of the biosphere that man inhabits. This below-surface domain and its inhabitants make up Gold's "deep hot biosphere," which extends downward 10 kilometers or more. Given the natural temperature gradient, the temperature in this area may be over 100°C. Gold opposes, or compares, this living domain to the biosphere that we know, which he calls "the narrow window of life at the surface."

The bio-energy question

In one telling remark, Gold says that "the photon has no patience," that is, if it is not used immediately (thanks to adequate receptors), it is lost forever. Solar energy used on the surface is therefore costly.

Gold insists on the basic notion that "only a metered flow of energy" could have allowed life to develop over a long period of time: tens or hundreds of millions of years during which a vast number of molecular "experiences" could take place. The notion of a small, warm breeding ground (the classical "primordial soup"), containing nutrients which surface processes have painstakingly elaborated, is not the kind of environment that would have allowed the transition from non-life to life, he writes. It would be more logical to think that the *original* source of energy for life on Earth was not derived from photosynthesis, but, in an earlier stage, from the oxidation of hydrocarbons that were already present *in* the Earth, *in the same way* that they are present on many other planetary bodies, as well as within the original materials that formed the solar system. That is where the regular flow of energy necessary for life would be found.

Therefore, he hypothesizes that life began at great depths, under high pressure and at high temperatures, and the carbon reservoir and basic chemical foundation was methane (CH₄). These particular physical conditions allowed for the non-dissociation of hydrocarbons (C_nH_n) and of other more organized molecules, into carbon dioxide and water (CO₂ and H₂O), and for easier spontaneous synthesis of complex molecules. Then, following his hypothesis, the chemotroph unicellular stage (Gold's *Archea*) was reached. Finally, the single cells from the deep hot biosphere probably invaded the zone along the

surface biosphere, long before the emergence of the photosynthetic processes that created the conditions for the synthesis of complex molecules to take place at the surface. Before photosynthesis transformed the Earth's surface into a zone infiltrated by free oxygen molecules, it is possible that the chemical differences between the two worlds were very slight.

Gold also shows, through well-grounded estimations, that the total volume of rock accessible to certain unicellulars (comparable to the chemotrophic archeobacteria) is enormous; the microbe content of the Earth's upper crust may exceed, in mass and volume, all life on the surface.

When Thomas Gold began developing his concept of the deep hot biosphere in the 1980s (published in 1992), one of the grounds for criticism was that the sample microbes brought up from oil and gas wells were not native, but the result of contamination from the surface (by fluids used as lubricants during drilling). Then, in 1995, Guy Ourisson of France published an article showing that microbes picked up by drilling rigs at a depth of 1.6 kilometers were really members of an indigenous deep thermophilic community. The following year, indigenous unicellulars were discovered from drilling in Alaska at a depth of 4.2 kilometers where the temperature is 100°C. In 1997, the indigenous hypothesis was confirmed by discovery of microbe fossils in *granite rock*, at 200 meters below the surface. Contamination by drills is ruled out in this case.

Keeping in mind Gold's theories, it is useful to mention some recent discoveries: those of various fauna (single-celled and invertebrate) near sulfur outpourings coming from deep-ocean pits, and those of unexpected and, until then, unknown ecosystems in underground networks, in Romania (1986), then Mexico (1997).

Conflicting theories on the origin of oil

According to Gold's theory, natural gas and other hydrocarbons originated at 100-300 kilometers below the Earth's surface.

By contrast, according to the classical biogenetical theory on the origin of petroleum, adopted in the 1870s, the Earth was formed as a very hot body, perhaps as a kind of melted rock. In this case, no hydrocarbon participating in the accretion would have survived: It would have been oxidized into CO₂ and H₂O. But, according to the same theory, biological debris from the Earth's surface, buried in sediment, would have decomposed into natural oils and gases over the course of time. The oil would then have been concentrated into the porous spaces of the sedimentary rocks, in the outermost layers of the crust. The oil would migrate over time and collect itself in preferential trap-strata.

Gold's abiogenic theory implies five hypotheses, which he defends:

1. Hydrocarbons were the common constituents of the primary materials from which Earth was formed.

2. During the 4.5 billion years since the Earth's accretion, the primary hydrocarbons were not completely dissociated into CO₂ and H₂O.

3. Hydrocarbons must be chemically stable in the high-pressure, high-temperature conditions found deep within the Earth.

4. Hydrocarbons must have found—or created—pores deep into which they could settle and then migrate toward the Earth's surface.

5. Deep-Earth sources of hydrocarbons still exist.

Hopanoid molecules

Guy Ourisson and his team researched hydrocarbons belonging to the group called hopanoids. These molecules, derived from the degradation of fossil cell membranes and found in many samples of different petroleum, came from sediments of very diverse ages and places.

According to Ourisson, the stock of hopanoids on our planet should be about 10¹³-10¹⁴ tons, i.e., between ten and one hundred times more than the estimated amount of 10¹² tons of organic carbon located in all living organisms. As for the biomass that generated them, it would be consciously underestimated, insofar as only bacteria and what are called archeobacteria (Gold's methanotroph *Archea*) contain hopanoids with molecules of 35 or 36 carbon atoms. None of them is exclusively tied to the macroflora or fauna. Consequently, according to Gold, surface life could not explain the presence of biological molecules in sub-surface hydrocarbons.

Experimental drilling in Sweden

Beginning in the 1980s, Gold was convinced that the abiogenic theory of petroleum formation was correct, and sought to demonstrate it by proving that hydrocarbons existed in great depths and in a type of rock that contradicted the biogenic theory. Once he aroused the interest of Swedish geological and economic authorities in his project, he started doing depth drilling in non-sedimentary rocks. The main technical problem involved eliminating the risk of contamination from above, during the drilling.

In addition to unexpected amounts of natural hydrocarbons, the drillings brought up, at first, inexplicable amounts of zinc trapped in magnetite crystals (a special iron ore), as well as a lot of iridium. Gold contends that it is unrealistic and dogmatic to try to explain with the biogenic theory the quantities of magnetite, zinc, and iridium accompanying the upwelling of hydrocarbons. To prove or disprove his abiogenic theory, large outlays would be required, on the one hand, for drilling, and on the other, for culturing (under high pressure and temperature) and for study of organisms (archeobacteria) brought up from these great depths. Gold regrets the fact that, in spite of the great scientific, technical, and economic interest of such research, no major scientific magazine published the results of his drillings in Sweden. The "referees" maintained that the results were too incredible to

be published. Although Gold invited geological organizations to send delegations and observers to the drilling sites, they declined.

The origin of life

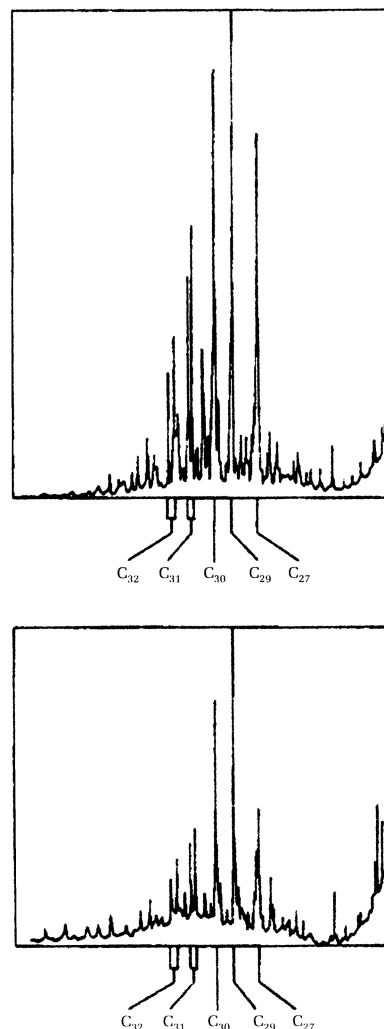
Gold's theories are a direct challenge to prevailing conceptions on the origin and evolution of life. We will summarize his theories: Earth, he contends, sustains two major domains of life: surface life fed by photosynthesis, and deep life fed by chemical energy. He believes that research on deep life can only begin in earnest when the unicellular structures brought up from the depths are perceived as representing a biosphere different from the surface biosphere. If such an awareness does, indeed, sink in, it will spark, in his view, a true explosion of ideas within the whole cultural field concerning the origin of life and extraterrestrial life.

Moreover, Gold writes, detailed chemical analyses show that the two domains of life on Earth (our biosphere and the deep hot biosphere) have a common origin, since they have the same genetic system. He poses afresh, in modern terms, the pan-spermic hypothesis: Is it not the case that the transportation of biological material between heavenly bodies would mean that life would develop, depending on local planetary conditions, first on the surface or at depth, and thence extend to the other, initially uninvolved domain? It seems to him that seeding of the sub-surface would have been the most probable initial place, with life beginning to develop deep down where it is protected, shortly after the planetary accretion. The abundance of carbon molecules in this habitat would have increased the chances of highly organized molecular complexes developing.

Gold proposed his Deep Earth Gas Theory during the period of the energy crisis. He contended that that crisis relied on unfounded geological dogmas and was implicitly motivated by financial considerations. He shows that, insofar as what is qualified as "non-renewable fossil fuel" (beginning with oil), is the product of many mineral deposits, this could be thanks to inadequate investigation and comprehension. He thinks the fundamentals of mineral geology should be reinterpreted.

While attempting to demonstrate the consequences of his theories, Gold mentions something that gold miners from Colorado, California, the Yukon, and South Africa were well aware of, which is linked to the idea of the "black leader." The permanent upwelling of hydrocarbons, from the depths of the Earth's crust toward the surface, occurs in tandem with the upwelling of metals and carbon deposits in their various mineralogical forms.

He explains that geological and mineral research is hampered by a "surface chauvinism," so that those who study the Earth do not recognize the presence of chemical energy under their feet. As a result, astronomers and planetologists have not been able to elaborate a "sub-surface" component to their research on extraterrestrial life.



Similarity in hopanoids (molecules attributed to bacteria) detected in a coal sample and an oil sample, both from France. The upper chromatogram was obtained from Lorraine coal residing in strata dated at about 300 million years. The lower chromatogram comes from a heavy crude oil that is found in strata of the Aquitaine Basin, dated at about 150 million years. A comparison shows that coal and oil had a similar complement of bacteria, depositing the unusual form of the biological debris. The age estimates are for the containing rock; the carbon may have been laid down later.

This similarity is difficult to explain, Gold says, under the biogenic theory, because that theory holds that coal is the altered remains of land plants, while oil is the altered remains of marine biological debris, and it is unlikely that the same microbiological material would be found in both.

Source: Guy Ourisson, Pierre Albrecht, and Michel Rohmer, 1984, "The Microbial Origin of Fossil Fuels," *Scientific American*, Vol. 251, No. 2, pp. 44-51, as reproduced by Gold, p. 93.

If Gold's theories are proven, the rethinking that would have to be done would cover a great deal of our culture, as well as of our sciences, technologies, and humanities. Let us summarize them with a comment.

- We have already seen that proving Gold's theses should

stimulate research in fundamental geology: the process of the Earth's formation, possible participation of cosmic hydrocarbons in planetary accretion, the evolution of these hydrocarbons, the acceleration of deep drilling programs to gain better knowledge of the Earth's crust.

- In mineral geology, research should lead to a better understanding of the development of mineral deposits. This should improve the selection of fields to be prospected for one or another mineral resource. A better understanding of

But if Earth is no longer an exception in the universe, if life is finally conceived of as a necessary or very probable process, then the famous Romantic solitude of the probability biologists will give way to a completely new human adventure, whose setting is no longer limited to Earth, but the cosmos. Philosophy will have to catch up to the school of new biological discoveries.

the Earth's crust, the subsequent improvement in techniques for gaining access to deeper regions of the crust, should open the way to discovering mineral deposits that we may not even imagine today.

- As Gold began to do, we should also rethink how the Earth presently throws off gases and, at the same time, reinterpret atmospheric chemistry and physics. Gold's research would indicate that we should take into account a greater outgassing than present estimates do. If that were done, then we would probably have to revise downward the effects that our industrial waste is estimated to have on atmospheric balance, for example, CO₂.

- All our present biological conceptions should also be reexamined. If there really existed a deep hot biosphere whose biomass were greater than that of the surface biosphere — and if it still does exist — then the “center of gravity” of many of our debates would unexpectedly shift. We cannot characterize here this new enlightening. One of our minor differences with Gold is that we don't think such a sharp distinction should be made between a surface biosphere (the one in which we live) and a sub-surface biosphere. He himself gives a fundamental reason for that: their genescs (concerning their origin) and genetic unity. To separate these two domains of adaptation (over time and in space) from the living process, is already

using the same type of thinking as the mechanistic dogmas he criticizes: We first look for the limits and oppositions to life, and think that by conceptually breaking up the continuum of life, we will gain access to the succession of forms and to transformations. Thus, the evolution of the global process is poorly understood and distorted, because the reference discontinuities we *thought* we recognized, are not significant, or are only arbitrary perceptions. We will have failed to seek, in the depth of the continuum, the fundamental law of growth which *orders its unique body into singularities*, both in time and in space.

- Following on the preceding considerations, we are led to ask about the view of the origin of life accepted today. Consistent with his thinking, Gold writes that it might be incorrect to say that there was a definite beginning to life. That is also what we set forth in 1991,¹ stating that life was perhaps a “property” of the universe. Gold thinks it is possible that there was a step-by-step progression toward greater complexity. Life, he writes, might represent nothing more than a process like those described in physics or in chemistry. This new light thrown on life would break open the thorny dogmatic problem of what we call “biological geocentrism.” We would become aware that there may not be more of a limit (a frontier) between life on Earth and other forms of cosmic life, than there would be, in our view, between Gold's deep biosphere and our better-known surface biosphere. Research will only really begin, once it has been understood that life is a process on a cosmic scale, which has no more tight compartments than does the *inert “phase”* of the universe: In this conception, life would be a whole of cosmic space-time dimensions, as a process going together with (or participating in) the universe that we now conceive of as being “physical” (this would be the *living “phase”*). In this case, if life exists on a universal (cosmic) scale and develops unitarily (the fundamental law of growth), we would have to rethink, on that scale, all the issues.

As a last remark, we should then not be surprised to find very comparable forms of life (taking into account environmental disparities) on other planetary bodies, including for human stages of evolution: Given the same evolutionary stages and neighboring environments, we would find solutions similar to one another.

Such a shattering of the way we represent the sphere in which life develops and man lives (more precisely, where different human stages live) — a beneficial shattering for both science and technology — would bring about a similar explosion in all branches of knowledge concerned with man and his place in the universe. Man would need some 50 or 100 years to get used to it. But if Earth is no longer an exception in the universe, if life is finally conceived of as a *necessary* or *very probable* process, then the famous Romantic solitude

1. Jean-Michel Dutuit, “Mort et Reviviscence du Géocentrisme,” *Mediaspace III*, 3 and 4 (July-October 1991), 249-265.

of the probability biologists will give way to a completely new human adventure, whose setting is no longer limited to Earth, but the cosmos. Philosophy will have to catch up to the school of new biological discoveries.

- If it is obvious that Earth sciences and technologies should undergo a certain number of fruitful challenges and developments, taking into account Gold's theses and the end of "biological geocentrism," it takes only one more mental step to understand that planetology and related technologies could also be thoroughly shaken up. Gold introduces this way of thinking and this questioning in connection with Venus and Mars. On the basis of recent pictures of Mars's surface taken by probes, he decreases certain estimates regarding the amount of available water on Mars. He thinks the pattern of some catchment networks on this planet is due more to the movement of ice than of water. And he insists that Martian ice is rather sublimated than liquefied. In any case, what we find to be essential in Gold's book are not these analytical views. The essential point is how he reinterprets the fundamentals of the geology of different planetary bodies.

Let us specify here that we prefer the term "becoming habitable" (meaning a planetary body) to "terraformation." Indeed, the latter is tainted with geocentric dogmatism, distorted by too many presuppositions and by a certain naiveté, if only because it implies that we should make the relevant

planetary body "similar to Earth," beginning with the atmosphere. We should beware, that words can be a pitfall for our thoughts and their good intentions! There is no proof that the solutions for other planetary bodies becoming habitable will not be faster, more rational, and more economical if we use radically different means than those "discovered" for life on Earth, and better adapted to the relevant planetary milieu: for example, by acting at the same time on the host planet, and on human physiology and genome.

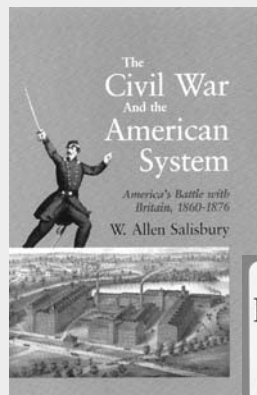
- Let us add one last, brief remark on biological evolution, even if it was already implicit in the preceding paragraphs. Although Gold remains (in our view) too trapped into the present probabilistic paradigm, he seems to be aware of the artificial, outdated character of Darwinian debates concerning the "improbable" aspect of the appearance of life. But he attempts to fight on this ground anyway. He even shows, with striking new argumentation, that the probability of the emergence of life is, in reality, much greater than the Darwinians claim (the metaphor about monkeys rewriting Shakespeare "by chance"). To back up his argument, he uses the explanation of the elaboration of the eukaryote cell afforded by the endosymbiosis theory (of Margulis and others). We extended this theory of "nesting" to all of life, including man, between 1994 and 1997 in *Fusion* magazine and other broader, as-yet-unpublished writings.

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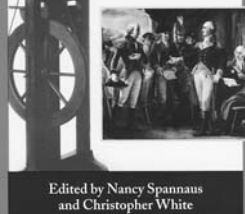


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Business Briefs

Post-Industrial Society

Automakers to orient sales to Internet

General Motors and Ford want to buy the materials from which they make their cars, and then sell those cars, over the Internet. Car buyers could order personalized cars, selecting the options they desire in much the same way that computer buyers order custom-made computers from Dell. In doing so, according to Jacqueline Doherty in the Jan. 24 issue of *Barron's*, "manufacturers should eliminate a ton of fat, including much of the 60-65 days of inventory now considered ideal, even though it ties up over \$55 billion in working capital. They'd also probably be able to avoid paying taxes on materials purchased over the Internet."

In January, General Motors Chairman John Smith, Jr. told an industry conference that the company expects to do \$50 billion in business through its TradeXchange website this year and plans to get its \$87 billion annual purchasing budget on the system by the end of 2001. Ford is developing a similar site, dubbed AutoXchange.

"The Dell model is certainly going to be coming home to roost in Detroit," said Dresdner Kleinwort Benson global auto research coordinator David Garrity. He estimates that automakers could reduce their costs by \$3,000 on an average car with a sticker price of \$22,000 by doing business with their suppliers online.

South Asia

Indian President warns of economic disparities

India's economic and social disparities are unleashing tensions in Indian society, President K.R. Narayanan warned in a speech on Jan. 25, the eve of the 50th anniversary of the founding of the Indian Republic, *The Hindu* reported. "Violence in society has bared a hundred fangs as advertisement-driven consumerism is unleashing frustrations and tensions in our society. The unabashed, vulgar indulgence in conspicuous

consumption by the *nouveau riche*, has left the underclass seething in frustration. One-half of our society guzzles aerated beverages, while the other half has to make do with palmfuls of muddied water. Our three-way fast lane of liberalization, privatization, and globalization must provide safe pedestrian crossings for the unempowered India also," he said.

"We are becoming increasingly insensitive and callous," Narayanan said, asking whether India had become "a stony-hearted society, not a compassionate one that produced the Buddha, Mahavira, Nanak, Kabir, and Gandhi."

India's "greatest national drawback" is the condition of women, and "our greatest national shame" the condition of the Dalits, the lowest ranks of Indian society. Indian women "continue to be regarded as it was in the 18th and 19th centuries," he said. He warned against the tendency toward reversing the affirmative action programs for the Dalits.

Narayanan called on India's citizens to undertake an "honest self-analysis and self-questioning about where we, as a people and a society, are headed." He warned of the "sullen resentment among the masses against their condition, erupting often in violent forms in several parts of the country." This must not go unheard, he said.

Health

Budget cuts in Brazil spark fear of epidemics

Various diseases, including some which had been considered extinct, are reviving in Brazil, according to specialists from the National Health Foundation. Because of budget cuts, health officials are increasingly worried about the outbreak of epidemics.

Among the most dangerous diseases is yellow fever. There are few cases a year, but in some years, mortality is as high as 50%. In 1999, there were 70 cases of yellow fever in Brazil, the second-largest number in 20 years, up from 34 cases in 1998. Health Minister Jose Serra, however, stated that there will be no national vaccination campaign against this disease (which can be transmit-

ted both by mosquitoes and person to person), and the government will rely on "persuading" people who travel to high-risk areas to get their vaccinations.

One case of yellow fever was identified recently in Rio de Janeiro. Officials fear an outbreak of mosquito-borne epidemics in Rio de Janeiro in particular, because the mosquito-control force was practically dismantled after the federal government shut down its program, fired 6,000 workers, and declared mosquito control a "local" responsibility.

In 1999, a Congressman discovered that the Cardoso government had spent only 58.5% of the budget line allocated for combatting the spread of dengue and yellow fever. The government's request for mosquito-eradication (crucial to combatting these diseases) for the year 2000 budget is one-third of what it was in 1999.

Systematic cuts in the Health Ministry budget began in 1993 and accelerated in 1995. The Jan. 14 *Tribuna da Imprensa* reported that in 1996, the head of the National Health Foundation, Dr. Edmundo Juarez, handed the Health Minister a detailed report, warning that the risk of epidemics was grave, and growing worse. When the government ignored him, Dr. Juarez resigned.

Space

Glenn experiments show that age is no limit

In presentations on Jan. 28 co-sponsored by NASA and the National Institute of Aging, scientists who designed the biomedical experiments that flew on John Glenn's Space Shuttle mission in 1998 reported that they found no significant difference in the 77-year-old former Senator's adaptation to space flight, or readaptation to Earth's gravity, from those of astronauts half his age.

Dr. Linda Shackelford, from the NASA Johnson Space Center, reported that in her experiment on bone mineral loss, Glenn's response was no different than that of the younger astronauts in studies of muscular strength after the mission, although on a short mission, the bone loss, which is cumu-

INDIA'S Oil and Natural Gas Ministry has asked the Russian state-sector firm Gazprom to help develop that country's gas industry, Itar-Tass reported on Jan. 24. Among the projects in which Gazprom is expected to become involved are the construction of a gas pipeline from Iran to India and the development of offshore gas fields in the Bay of Bengal.

COCA COLA plans to lay off 6,000 workers, including 20% of its U.S. workforce, in a move billed as intended to shrink bureaucracy (and culpability) at the Atlanta headquarters, and to operate with more local control, the Jan. 27 *Washington Post* reported. Incidents of tainted product have occurred recently in Europe and elsewhere, triggering falls in stock value.

ISRAEL'S National Infrastructure Minister Eliyahu Suissa told a seminar in Jerusalem that Israel may consider purchasing a nuclear reactor from France for production of electricity. Peace with Syria could pave the way for purchase of a \$1.5 billion reactor that would be located in the Negev Desert.

CHINA'S State Council (Cabinet) met on Jan. 19-22 to discuss speeding up economic development in the western regions. The "western campaign" will develop infrastructure, including highways, railways, airports, natural gas pipelines, water resources, and telecommunications; promote environmental protection; expand "tertiary" industry, including tourism; and develop scientific and educational capabilities.

QUANTUM FUND co-founder Rim Rogers told the Austrian weekly *Format*, that "once the stock markets start to crash, things will proceed very rapidly." He said, "Whenever you hear at stock exchanges that this time everything is different, then you had better hurry as fast as you can to the exit. In 1990, it was Japan, in 1920 it was radio companies, and in the 19th century it was railway stocks. Now, it's Internet paper."

lative over the duration of any flight, is small.

Dr. Adrien LeBlanc, from the Baylor College of Medicine, reported on his magnetic resonance imaging studies of muscle atrophy in space, which experiment was added to the mission after Glenn joined the crew. Images were taken pre-flight and five days after the crew returned to Earth, and measurements made of bone marrow changes and muscle volume and density. Dr. LeBlanc reported that the post-flight images of Glenn showed him at 95% of his pre-flight bone density, which was better than some of the other crew members. He also found that Glenn responded well to the stimulus of gravity back on Earth, and bone density came back up to normal.

Astronauts typically have trouble sleeping in space, and Dr. Charles Czeisler found that Glenn, who normally sleeps very well for a person of his age, exhibited the same sleep disturbance in orbit as younger astronauts, including awakenings during the night and delays in falling asleep.

One study which disproved researchers' hypothesis concerned the post-flight recovery of balance. The researchers, led by Dr. William Paloski at the Johnson Space Center, expected Glenn to suffer a greater decrement in balance control than younger astronauts, based on the problems of the elderly generally. The readaptation of the vestibular system for balance control requires a neuroplasticity which the researchers thought would be degraded in an older subject. They found, however, that Glenn had a typical post-flight recovery.

Middle East

Israeli minister urges regional water agency

Israeli Foreign Minister David Levy called for the formation of a Middle East regional water agency which would have charge of financing, planning, and developing water resources, the daily *Ha'aretz* reported on Jan. 18. Levy made the proposal the previous week during a meeting with Jordanian Foreign Minister Abad el-Ayala Khatib. Levy also proposed to his Jordanian counterpart that they hold a meeting of experts

on the issue from both countries.

On Jan. 16, Levy made the same proposal to a visiting delegation from the European Union, where he declared that "the development of new water sources is a top priority, and desalination is a challenge for the whole Middle East, which struggles against the desert."

In a related development, Jordan is considering buying as much as 180 million cubic meters of water from Turkey. The head of Turkey's state waterworks, Dogan Altinbilek, said that both Jordan and Israel are considering such purchases and that a decision could be made in April "in tandem with the peace process." If Jordan does purchase water, it might be transported via Israel.

Kosovo

Infrastructure lack hurts electric supply

The Serbian province of Kosovo is facing wintertime electricity shortages because of the regional breakdown of infrastructure.

The United Nations mission in Kosovo estimates that it needs 620-650 megawatts of electric power at peak periods, but the obsolete and erratic main power plant at Obilic generates only about 400-500 MW at best, Associated Press reported on Jan. 29. About 100 megawatts are coming in from Serbia, Albania, and Macedonia. There are eight-hour electricity shutoffs in most of Kosovo, some households have had blackouts for more than 24 hours, and many people have had to use wood stoves for heat, although firewood is scarce.

Greece has agreed to donate at least 60 MW daily to Kosovo. But the current would have to be routed through Macedonia's power grid, which, though supposedly repaired from the NATO bombing, is not thought capable of carrying such an increased load without risk to Macedonia's own electricity supply. Albania's power grid might be used instead for routing power from Greece to Kosovo, but the UN team says Albania's infrastructure also has problems.

Barak election funding scandal could lead to new Mideast war

by Dean Andromidas

The Israeli election campaign financing scandal which has broken out in recent weeks, is clearly aimed at destroying the peace process initiated by Israeli Prime Minister Ehud Barak. And, it is a destabilization that could lead to a new Middle East war.

EIR's investigation of the scandal points to an operation orchestrated by forces linked to the Anglo-American political establishment, in particular networks associated with former U.S. President Sir George Bush. Senior Israeli intelligence sources fear that the aim of the puppet-masters who have put up this scandal, is to accelerate their long-term plans for launching a new Middle East war targetting Iran or Iraq.

According to these sources, such plans would probably be carried out after another two years, well into the next U.S. administration. The fear now is, that these plans have been pushed forward as a result of the unfolding financial crisis. Therefore, the crucial question, is whether the scandal is aimed at weakening Israeli resistance to such a war, just when it is seeking to conclude peace accords with the Syrians and the Palestinians.

The scandal comes precisely at a crucial juncture in negotiations with both Syria and the Palestinians. The Syria-Israel peace track has been suspended because of Syrian demands that Israel commit itself to a withdrawal to the June 4, 1967 borders, prior to negotiations over security, water, and other issues. Note, too, in the context of a new war danger, that Syria maintains a strategic alliance with Iran, and only recently reopened diplomatic relations with Iraq, broken during the Gulf War. It is well known that forces within Israeli and U.S. policy circles, who see war with Iran and Iraq as inevitable, are using this development to argue against an Israeli-Syrian peace deal.

Meanwhile, negotiations between Israel and the Palestinians have just begun to establish a framework agreement that will define the shape of the final status of the Palestinian Authority, which will lead to the creation of a Palestinian state.

Both negotiations require Barak to make what appear to his opposition to be serious concessions, where he will need to demonstrate his political strength. Almost all observers agree that the scandal will politically weaken Barak.

Nonetheless, Barak has denied that his credibility has been damaged by the scandal. "No cracks have appeared in my credibility," he told the Israeli daily *Yediot Aharonot*. "The people in this country who think I have lied to them could fit into one telephone booth."

The latest scandal follows close on the heels of the "payments scandal" that has hit Israeli President Ezer Weizman, another outspoken supporter of the peace process (see *EIR*, Feb. 4).

Israeli columnist Yoel Marcus, in the daily *Ha'aretz*, declared that Barak is already being compared to public officials who have been found guilty of serious corruption. "The opponents of the peace process could not have asked for a better, heaven-sent scenario," Marcus said.

What's good for Netanyahu, is not good for Barak

The scandal involves a report by the Israeli State Comptroller's office alleging that Barak's election campaign last year violated the 1974 Campaign Finance Law that limits foreign donations to Israeli election campaigns to \$400 per contributor. This investigation was initiated as a result of a demand by the opposition Likud, the party of former Prime



An election campaign financing scandal has broken out in Israel, and is aimed at destroying the peace process initiated by Prime Minister Ehud Barak (at podium), who has been backed by President Bill Clinton (left).

Minister Benjamin Netanyahu, whom Barak defeated. It was based on allegations that Barak violated the campaign law, evidence of which it presented to the Comptroller's office. Barak's campaign is accused of receiving more than \$1 million from several foreign contributors, including British-, Canadian-, and U.S.-based sources, although Barak's One Israel electoral alliance was not the only party to have violated the law: The opposition Likud, Yisrael Beiteninu, and United Torah Judaism parties, as well as the Center Party, which is part of the government coalition, where also investigated and fined.

The most damaging aspect of the scandal is that within 24 hours of the release of the report, Israeli Attorney General Elyakim Rubinstein ordered a criminal investigation of all the parties. This investigation could target Barak himself, if it is proved that he knew of the funding.

The alleged violations pertain to the elections for prime minister, who, as of 1996, is directly elected. In the 1999 campaign, Barak's campaign managers do not deny using foreign funds, but argue that the law on campaign financing drafted in 1974 was never revised to take into account how candidates for prime minister would pay for their campaigns. The most important point is that it is well known that Netanyahu, when he ran in 1996, received millions of dollars from foreign billionaires, including New York-based Ronald Lauder, of the Estée Lauder cosmetic empire; Yosef Gutnik, the Australian diamond mine owner; and Irving Moskowitz, the California-based bingo parlor operator who has been bank-

rolling the extreme right wing in Israel. Furthermore, Netanyahu was the direct beneficiary of millions of dollars worth of campaigning on his behalf by the radical Yesha council of Jewish settlers in the West Bank, the Lubavitcher movement, and other ultra-Orthodox organizations that were receiving millions of dollars from foreign, and sometimes very questionable, sources. Netanyahu's 1996 campaign financing has never been questioned.

Barak has ordered One Israel to petition the Israeli Supreme Court on whether the law is in fact applicable.

Another Whitewater

But there is much more to this affair than legalisms. There is evidence pointing to the entire affair as resulting from manipulation of the legal process within the government, along with dirty operations from outside the government. There is a direct parallel to the inside/outside assault against President Clinton by special prosecutor Kenneth Starr's Whitewater investigation, whose included purpose was to force the President from office.

Who are the puppet-masters? It is no secret that the enemies of Barak are the enemies of Clinton. This attack on Barak should be seen, also, as an attack on President Clinton, Barak's key partner in the peace process. One name tops the list of the usual suspects, of those coordinating the Israel side of the operation: Ya'akov Nimrodi, the Israeli arms dealer who played a central role in George Bush's Iran-Contra operations. Nimrodi's international connections to the arms trade

lead to the center of the Anglo-American circles associated with Bush.

EIR has identified Nimrodi's role (see "Crucial Issues Taken Up in Quest for Middle East Peace," *EIR*, Jan. 14, 2000) in the targetting of Israeli President Weizman in the so-called payments scandal. We pointed to reports that Nimrodi threatened not only to "liquidate" Weizman, but to "crush" other government leaders as well. This included threats to release dossiers of compromising materials on all the key leaders in Barak's government. As we reported (see "Israel: Iran-Contra Returns To Haunt George Bush," Dec. 17, 1999), the ongoing criminal investigation into Nimrodi's son, Ofer, who has been indicted for conspiracy to murder, demonstrated that Nimrodi's network of agents and corrupt influence has penetrated the highest levels of Israel's security, judicial, and political establishments, creating a situation in which "no one is safe."

Although "proof" may be hard to come by, consider the targetting of "Clinton's team." The State Comptroller's report specifically singles out Tal Zilberstein, the One Israel campaign adviser who is the Israel-based partner of Stanley Greenberg, James Carville, and Robert Shrum, all of whom had been campaign advisers to both Clinton and Barak. The report details payments made by the various foreign-based funds controlled by Yitzhak Herzog, Barak's campaign manager and currently his chief cabinet secretary, for election polling and other services carried out by Carville and the others. It should be remembered that the Washington offices of Carville, Greenberg, and Shrum were the target of black-bag jobs during the Israeli election campaign, in which their offices were broken into and computer disks and other documents relating to the campaign were stolen. It was widely believed that Netanyahu was behind these break-ins. The FBI and Washington police never found the perpetrators. Black-bag jobs are very much within Nimrodi's capabilities.

Rubinstein's strange behavior

A second singularity in this story is the decision by Attorney General Rubinstein to open a criminal investigation within 24 hours of the release of the State Comptroller's report. Commentator Yoel Marcus revealed Rubinstein's odd behavior, pointing out in *Ha'aretz* how such a quick decision was out of profile for Rubinstein, whom he characterized as a man who "gets up two hours before he is supposed to, in order to give himself enough time to decide whether to drink tea or coffee" for breakfast. As early as June 1997, well before the elections, Rubinstein issued statements which "expressed a measurable degree of doubt as to whether the prohibition specified in the terms of the Campaign Finance Law also applied to prime ministerial election campaigns." Then again in March 1998, Rubinstein issued a letter stating that the criminal clause of the Campaign Finance Law could not be applied to the prime minister race, because it refers to political parties and candidate slates, not individual candidates. These letters

were written when Netanyahu was Prime Minister, and obviously would preclude prosecution against him for violations during the 1996 campaign.

Marcus pointed out that it was not until Oct. 27, 1999, five months after Barak's election, that Rubinstein totally reversed himself and issued a letter declaring that the criminal clause can be used in the prime minister race. Although Marcus attributes such action to a "cover your ass" syndrome by Rubinstein, other causes can also be identified.

Rubinstein was never a professional prosecutor. An expert in international law, he has been a member of Israel's permanent foreign and security policy elite for almost 30 years. As one Israeli intelligence source said, "He knows where the bodies are buried," and he has been involved in a number of "dirty operations" during his career—operations that make him a possible player in the operation, or at least vulnerable to manipulation.

Rubinstein has been involved in every peace negotiation, whether it was led by a Likud or Labor government. This included negotiations with Egypt, Jordan, Syria, and the Palestinians. Rubinstein also has a connection with Iran-Contra. In 1985-86, he was Deputy Chief of the Israeli Embassy in Washington, and he was in the Embassy when Israeli spy Jonathan Pollard sought refuge there in an attempt to elude the FBI. In 1994, Rubinstein penned a commentary in the *Jerusalem Post* calling for Israel to do everything possible to secure the release of Pollard, an American who is serving a life sentence in U.S. Federal prison.

Between 1987 and 1989, Rubinstein served as chairman of the committee coordinating Israeli cooperation with U.S. Congressional committees investigating Iran-Contra. In this period, the Israeli government turned over to the U.S. Congress an intelligence report detailing Israel's role in Iran-Contra. The original report also detailed George Bush's direct role, but this was edited out of the final edition.

Rubinstein became Attorney General as a result of the so-called Bar-On affair. This involved a police investigation of corruption by Prime Minister Netanyahu, along with two of his Cabinet ministers, in the proposed appointment of Roni Bar-On as Attorney General. When the scandal broke, Rubinstein was chosen as a compromise candidate. Once he became Attorney General, he refused the police request to open up a criminal investigation of Netanyahu.

Rubinstein continues to hesitate on opening up an official criminal investigation against Netanyahu for corruption, despite an ongoing police investigation into bribe-taking and theft of government property by the former Prime Minister. He has displayed similar hesitancy in the Nimrodi case as well.

Israeli intelligence sources warn that this operation, if not stopped, will destroy Barak and his peace policies. As with the peace process itself, Barak will need the support of an institution as powerful as the U.S. Presidency. The question is: Will Clinton act?

Behind the crisis in Russia and the Balkans

In two recent campaign webcasts, Democratic Presidential pre-candidate Lyndon H. LaRouche, Jr. was asked to comment on the explosive situation in Russia following the Duma elections, and in the Balkans with the failure to rebuild the region after the Yugoslav war.

The following is from his address to California campaign activists gathered in 52 caucuses around the state on Jan. 23:

Q: This is Ralph Squire in District 4. My question is regarding Russia. Americans today view Russia as being very unstable. I noticed in the last recent elections for the Duma, that a large percentage of the votes went to the candidates of the Communist Party. For years, we Americans have viewed the Communist Party as our vital enemy. . . . I wonder if you could comment briefly on what has gone on in the Communist Party and in this country.

LaRouche: Okay. Forget communism as such. That's a dead issue. There is something called the Communist Party, but communism in the sense that it existed under the Bolsheviks, does not exist in that sense today.

You have something else, which is of a different, problematic nature. That when this operation occurred in Yugoslavia, with some other operations, a situation developed in which the launching of terrorists deployed by London, associated with Osama bin Laden and other people like that, these terrorists deployed into Chechnya and elsewhere, became a general threat to the entire region of the Transcaucasus and Central Asia, and became considered a threat to Russia.

Now, in the middle of this, someone set off some terrorist bombs, and destroyed hundreds of people in buildings in Moscow. And this unleashed a great—we don't know who did it, but presumably, it was supposed to be terrorists of some kind or other.

But the terrorists deployed into Chechnya and Dagestan and elsewhere, the destabilization of the Nagorno-Karabakh situation with respect to Azerbaijan, and so forth—these issues created a hotspot. And when the President of the United States backed down, in dealing with some of these problems, especially in Yugoslavia, when he capitulated totally to the British at the end of the so-called Kosovo war, the world strategic situation went out of control.

We have now headed in the direction of more and more wars, which even could become nuclear wars around the world, unless the President's capitulation to Gore and to the

British, and so forth, stops.

In this situation, there developed in Russia, a fear that Russia was about to be destroyed if this weren't stopped. So the reaction came in a Russian fashion. First of all, the leading Russian circles were convinced that the United States had cut them off, that they were isolated. They became desperate, desperate because of the economic policies imposed upon them, which again, Clinton didn't have the guts to change that. He should have.

So the Russians drew a line in the sand. Now, many different kinds of Russians did it. There's no one faction did it. A lot of different factions were involved in various ways.

For example, I was in touch, directly or indirectly, with a lot of Russian circles, who were trying to prevent this reaction in Chechnya from occurring. But unfortunately, we could not succeed, because the United States government, including Clinton, under the influence of the British, refused to do the things which would have stopped this process right then and there. So the President made a big mistake.

This mistake started when Primakov was dumped. It was the President who made the mistake, under the influence of Al Gore, back when the war in Yugoslavia was starting. And Primakov was out.

From that point on, the United States began to lose control of the situation, because of Al Gore and because of the President's capitulation to Al Gore.

So it came to the point, that you have now in Russia, a combination of no kind of consolidated political view, but a Russian reaction, based on a Russian mind-set, which is sometimes called a Third Rome type of mind-set. That is, a reversion to old tsarist Russian thinking. And one of the key names in Russian history, which will come up more and more in discussing Russia today, is the case of the famous Boris Godunov, from this period between the death of Ivan the Terrible and the rise of the Romanovs. There was this terrible period, and there was this one figure, Boris Godunov, who is very famous. Pushkin wrote a story, a history about this thing.

So, this kind of "Time of Troubles" mentality, of a Russian tsarist tradition, has now come to the fore. You see, for example, the Russian troops deployed into Chechnya, now have Russian Orthodox priests as chaplains accompanying them. So, that's not the old Communist Party.

So, what you have, is a confused Russian patriot reflex-reaction, which is extremely brutal, which is using the drawing of a line in the sand in Chechnya, as a point of confrontation where they say, "We will not take another step backward."

The issue for U.S. policy

Well, the obvious solution to this problem, is the United States has got to change. It's got to change its policy. Clinton's got to stop capitulating to these clowns around him. It's not going to do him any good, it's not going to do us any good.

If I were President, I could solve that problem today,

partly because I have enough respect internationally, where people *trust* me, whether they like me or not. They know that when I say I'm for something, I'm for it, unlike some other people.

So, on the basis of that kind of trust and confidence, I could influence the situation, if I were put in the position to influence it. And if people were willing, behind me, to do the right thing, I could solve this problem now.

But Clinton so far, has given no indication that he's willing to try to solve the problem. He's still sticking to the same agenda, which will not work. So we have a potentially dangerous situation, not because there's some enemy lurking to attack us from Russia, communist or otherwise; but because the very nature of the situation, globally, is the world situation is now going out of control.

For example, the United States has the military capability of bombing almost any part of the world it chooses to, with a certain relative degree of impunity, if it doesn't run out of bombs, which we may not be able to make any more, once the present supply runs out.

But we do not have the ability to win a war, in a conventional sense or a traditional sense of winning a war, anywhere. We don't have that ability.

So then, why are we starting wars, when we don't have the capability of fighting them in a conventional sense, in a justified way?

Growing threat of war

We have on this planet, a spread of chaos. The entire Balkan region, is an area of total chaos as a result of Blair, and the result of foolishness of President Clinton in capitulating to that, to Blair's and Gore's policy.

The entire Middle East is in jeopardy, even though the President is trying to do the right thing in the Middle East with Barak and the Arab neighbors.

The situation in Russia is terrible.

The China situation is becoming more and more terrible by the day, because of the Republicans, and because of what Clinton refuses to do on this issue.

We have a threat of a general nuclear war threat, involving Pakistan and India.

Africa is chaos; the rate of AIDS and similar problems in Africa, is beyond belief.

Indonesia, one of the largest nations in the world, is disintegrating. Ecuador is disintegrating. Venezuela is disintegrating. Colombia is disintegrating. Brazil is ready to explode. Argentina is disintegrating.

The world is in a terrible mess. And it's not the Russians as such. It's a terrible mess, which *we have allowed to develop, as the leading nation in the world*, because we, under successive Presidents, especially since Kennedy's death, have failed to take the kind of steps which would provide for our security. And that's the problem.

Don't blame somebody else. Blame ourselves. Yes, the British are to blame. But we have enough power to buck them. We have enough power *to make* world policy with friends abroad, without them. And we could.

But the cowardice and lack of firmness on the part of the President, Bill Clinton, who I otherwise try to help; but, I must admit, that his failure to act in an intelligent and responsible way, his negligence, is allowing this stuff to spread. And it's not the Russians. It's the whole blasted world blowing up, step by step.

And now we've got the next step, the other shoe will drop, when the whole financial system blows apart, which can come almost any time. I can't say when, but almost any time is the time to figure on.

This is the problem. It is not that we have this enemy, if we go out and beat this guy, it's going to solve the problem. It's not that at all. The enemy we have to beat today, is largely ourselves, because we don't have the government, we don't have the kind of toughness in the President required to solve these problems.

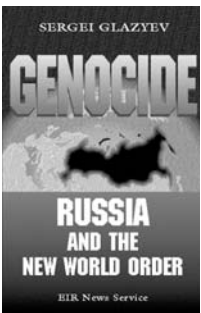
Therefore, the problem, because of the power and the influence we have, the problem lies within ourselves. And the problem within ourselves, lies in the fact that we tolerate calling George W. Bush a "potential President." We tolerate, in the Democratic Party, considering Gore as an actual candidate for the President of the United States.

The fact that we would do either of these things as an American people, means that we really don't care whether we survive or not. We just want to sit around and speculate on

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who the front-runner's going to be. We don't care about the country or the world.

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Yes, the world's a dangerous mess. But it's a mess because we, the most influential single nation on this planet, are failing to do the simple things we could do, to ensure our own future and security.

Deterioration in the Balkans

From a webcast press conference with international journalists, Jan. 27:

Moderator Debra Freeman: I have a question that was submitted to you from Mr. Ramadan Reshitaj. He is the editor of the weekly newspaper *Besa*, which is the newspaper for Albanians living in Kosovo. His question is: Mr. LaRouche, if you are going to win the Presidential elections, what will your policy toward the Balkans and, in particular, toward the Albanians be?

LaRouche: All right. Right now we have a terrible situation in the Balkans as a result of what the British and others did, with the consent of the United States. The condition is, that right at this moment, as we speak, the ice floes on the Danube are piling up, around where the bridges were bombed. As a result of that and related conditions, the entire Balkans is now becoming an economic and human hellhole.

Now, during the time prior to the conclusion of the bombing in the Balkans, in the Yugoslav war, the President of the United States, beginning in an address he gave in San Francisco, Bill Clinton, announced a policy which I thought was good. But then at the end of the bombing, he reversed himself. And as a result of that reversal, instead of what he proposed, which was to take a Marshall Plan approach to reconstruction of *all* the Balkans, he took a position which has helped, together with the British, to turn that place into hell. And it's becoming worse, worse than it was before the war, and during the war, now.

So, under those conditions, the obvious thing to do is go back to the Treaty of Westphalia as a precedent, a model precedent, and to say that we must develop the entirety of the Balkan area economically, without prejudice. Now, the first thing that should have been done, is that the Danube should have been cleared to open for traffic. The failure to open the Danube again for traffic was a crazy decision, coming out of London, but supported by the United States; it has created a hellhole in the Balkans, and affects all the underbelly of Europe as a whole.

It also is a threat to stability in the relation between Europe and Turkey, and so forth and so on. So, what must be done, is, we have to say, what we wish to do, what is our interest, is to bring justice, not vengeance, but justice, to all the area—economic justice, Marshall Plan-style. We set a group of rules for economic development, we work with our European partners and others to implement that

development. People are dying as a result of the conditions created by the war and the conclusion of the war itself. People are dying! We cannot tolerate that condition. Therefore, we must take emergency action, immediate emergency action, to foresee a Marshall Plan-type of development of each and all parts of that region, in cooperation with the neighbors of that region, especially.

That must be done, without fear, without sense of retribution, or anything else. Just do it.

Iran-Contra emerges behind German scandals

by Rainer Apel

It has been an unwritten, but generally accepted rule of German politics over the last 20 or more years, not to look into the really explosive side of scandals. All established parties, except for but a handful of politicians, have played by that rule. But the ongoing revelations about the funding affairs of the Christian Democratic Union (CDU), which many believe "will shake the entire republic," is also beginning to shake something else: namely, the very pact of silence that has suppressed a broader discussion of "state secrets."

It is not because of the internal German aspects of the revelations that some of those secrets are being pulled into the daylight; it is mainly because of the unabated assault of British Commonwealth circles on the CDU, launched through the mouth of German-Canadian arms dealer Karlheinz Schreiber, a fugitive from German prosecutors who is living comfortably in Toronto. Schreiber talks a lot, and does so several times a day, to numerous German media eager to get nasty comments from him on German politicians.

Schreiber's favorite target has been CDU party chairman Wolfgang Schäuble, who has been at pains, first, to deny any direct contact with Schreiber in the 1990s, and second, to document, after he admitted to meeting him, when he met him. For the lynch-mob media, Schäuble's conduct speaks against him—irrespective of whether Schreiber is telling the truth or not. Schäuble admitted to meeting Schreiber, among other CDU party funders, in Bonn on Sept. 21, 1994, and to receiving a cash donation of 100,000 deutschemarks from him afterward. Schreiber says that that is not true, that he gave the money to Schäuble three weeks later, on Oct. 12, via a meeting with then-CDU party treasurer Brigitte Baumeister. Schreiber added that more meetings had taken place, and indeed, at the end of January, Schäuble admitted that the two of them met briefly in Bonn, on June 2, 1995.

The "political amnesia" which Schäuble has suffered, regarding his meetings with Schreiber, does not have to do, at

least not exclusively, with what the lynch-mob media claim is an attempt to cover up corruption. It has to do with the fact that Schreiber is an integral part of the international arms-peddling operation known as the Iran-Contra cartel. And Iran-Contra is something that Schäuble hates to talk about in public.

Schalck-Golodkowski

This reluctance became most evident during the parliamentary investigation committee hearings in Germany in the early 1990s, on the “Schalck-Golodkowski” affair. “Schalck-Golodkowski” refers to the role played by East German Deputy Cabinet Minister Alexander Schalck-Golodkowski, whose Kommerzielle Koordination (KOKO) apparatus ran numerous illegal operations into the West, especially the Iran-Contra arms deals carried out by IMES, a Rostock-based “import-export firm.” KOKO and IMES comprised a special section of the East German foreign intelligence service, and Schalck-Golodkowski also became engaged in high-level diplomacy with, among others, West German politicians, during the 1980s.

Schalck-Golodkowski’s main official partner on the West German side during a good part of the 1980s was Schäuble, who at that time was Chancellor Helmut Kohl’s special envoy for talks with the East German government. A good part of

those talks were strictly confidential — for example, those that in the spring of 1986 resulted in a joint, secret agreement between the two German governments not to take an active role in the Strategic Defense Initiative missile defense project, and its Soviet counterpart. Instead, the two Germans agreed that their governments would concentrate on arms control and disarmament policies.

Granted, these were contacts that Schäuble and Schalck-Golodkowski conducted in their function as official envoys. However, the diplomatic relationship that the two built up was close enough for Schalck-Golodkowski to write a personal letter to Schäuble, and to talk to him on the phone, shortly after he fled from East Germany, to escape arrest in November 1989. “Mr. Schäuble has testified that he cannot recall in detail the contents of that phone conversation,” the parliamentary investigation committee wrote in its protocol. Also, the letters between the two politicians during 1990, concerning secret financial operations and bank accounts of East German companies, escaped Schäuble’s memory, although one of those letters, as was documented, dated June 15, 1990, was addressed “To Federal Minister Dr. Schäuble, personal only.” The exact contents of this communication is not documented, because the letters were allegedly “lost,” in what comes across as the German counterpart to the shredding operation by Oliver North in the United States.

Accounts in Liechtenstein

What Schalck-Golodkowski and Schäuble most likely discussed in these letters and earlier talks, is the vast network of KOKO “firms” and bank accounts in such offshore places as the tiny European Duchy of Liechtenstein. It is said that a good part of the DM 30 billion of East German financial assets that “disappeared” into nowhere, with the reunification of the two Germanys, was channelled through Liechtenstein bank accounts.

Schäuble and the politicians who handled the CDU’s finances through the 1980s and 1990s have all suffered “amnesia” in recent weeks, concerning the full scope of illegal financial transactions into Liechtenstein and Switzerland. Some of the truth has become public only in piecemeal revelations, and not only does it seem to be established that Liechtenstein bank accounts played a dominant role in the illegal party funding, but also, the equivalent of \$6-7 million of CDU funds that vanished into thin air, did so through Liechtenstein. Liechtenstein authorities have repeatedly called on German authorities to provide them with information, so that the trail of funds can be reconstructed. But, strangely enough, the German authorities have so far refused to do so.

Were it just for the cover-up of corruption money, the German institutional disinterest would not make much sense. Were it for the cover-up of what Schalck-Golodkowski and Schäuble know, it would make a lot of sense. The question remains: Where did the East German financial assets from the old Iran-Contra operations, end up after 1990?

The Way Out of The Crisis

A 90-minute video of highlights from *EIR*'s April 21, 1999 seminar in Bonn, Germany.

Lyndon LaRouche was the keynote speaker, in a dialogue with distinguished international panelists: **Wilhelm Hankel**, professor of economics and a former banker from Germany; **Stanislav Menshikov**, a Russian economist and journalist; Schiller Institute founder **Helga Zepp-LaRouche** from Germany; **Devendra Kaushik**, professor of Central Asian Studies from India; **Qian Jing**, international affairs analyst from China; **Natalya Vitrenko**, economist and parliamentarian from Ukraine.



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Strasbourg parliament delays decision on Russia's Chechnya war

by Mark Burdman

On Jan. 28, the Parliamentary Assembly of the Council of Europe (PACE), meeting in Strasbourg, France, resolved, after what it billed as an “urgent debate” on the war in Chechnya, to postpone any substantive decision on Russia’s conduct of that war until early April, when it will hold its second of four scheduled sessions for the year 2000. The decision to postpone was an anti-climax, after emotional debates and speculation that the PACE was going to, in the words of a Dec. 13, 1999 statement by the Assembly’s Bureau, “put under question Russian participation in the Assembly’s work and in the Council of Europe in general.”

The PACE comprises 582 parliamentarians—not all of whom were there during the Jan. 24-28 session—from the 41 member-countries of the Council of Europe. The Council of Europe was formed after World War II, as the first of the organizations to include a wide range of western European countries; its formation preceded by years, the creation of the European Economic Community. In recent years, it has expanded to include a significant number of the countries that, prior to the 1989-91 period of vast political transformation in Europe, made up the Soviet Union and the Warsaw Pact communist alliance.

The PACE is an unwieldy instrument for doing anything effective. Its debates are largely taken up in generalized statements, by parliamentarians each speaking for a few moments about “democracy” and “human rights,” without taking into account the real economic and social devastation that many countries are going through because of ill-conceived monetarist “reform” policies, International Monetary Fund dictates, and so on. On certain issues, like the death penalty, the PACE and the Council of Europe play a useful role, in opposing capital punishment, and putting pressure on the few Western countries—Belarus and the United States, for example—where capital punishment is still practiced.

But, on an issue with so many strategic, historical, and political dimensions, like the war in Chechnya, the PACE role is of little use, and in some ways, is counterproductive.

British Lords playing tricks

The decision to postpone any decision until April, is undoubtedly based, to a large extent, on the cynical calculation

that the war, and/or the massive Russian attacks on civilian infrastructure in Grozny, the Chechen capital, will be over by then, and so the Council of Europe will, in the end, have to do nothing. In any case, no formal set of rules, regulations, and guidelines is going to affect what the Russians do, or don’t do, in the Caucasus.

The final PACE resolution approved on Jan. 28, tries to strike a somewhat even-handed tone, between criticizing, on the one side, Russia, for violating “the provision of international humanitarian law” and the European Convention on Human Rights (to which Russia is a signatory), and, on the other side, the Chechens, for “terrorist acts, abductions, hostage-taking, banditism,” and so on. Russia’s right to “preserve its territorial integrity, to fight terrorism and crime, and to protect its population,” is recognized.

However, the broader strategic dimensions of the war are axiomatically omitted. No matter what anyone might think of how the Russians have conducted this war, the fact is that a crucial consideration on the minds of Russian leaders and military planners, is that there has been an extensive *outside* involvement in the Chechen war, teleguided by Anglo-American strategists such as Zbigniew Brzezinski and his friends in London, versed in centuries-old “Great Game” maneuvers against Russia in Central Asia and the Caucasus.

It is not surprising that this element was “overlooked” in PACE position papers and resolutions, given that guiding lights in the formulation of PACE policy toward the Chechen war, have been formulated by senior British operatives. PACE president Lord Russell-Johnston is a man with a British intelligence background in West Berlin in the 1950s. In mid-January of this year, he led a PACE delegation to Russia and the Caucasus. According to Russian and other press accounts at the time, he made statements at press conferences evidently tailored to the audience to which he was speaking, denouncing Russia at one moment, and expressing sympathy with it at the next.

In Strasbourg during the week of Jan. 24, Russell-Johnston was evidently up to his typically devious tricks. During his introductory Jan. 24 press conference, for example, he let slip that he had just met a Chechen diplomatic delegation in Paris, and that that delegation was now in Strasbourg and was receiving private backing from an unnamed “former Polish Prime Minister”—something that would obviously infuriate the Russians, who are already in a tense diplomatic situation with the Poles. Yet, at a Jan. 26 press conference, when a senior Russian delegation of parliamentarians and regional governors were asked by this correspondent whether they would meet the visiting Chechens, a Russian spokesman complained that nobody had informed them of the presence of that delegation.

During his press conference, this correspondent asked Russell-Johnston about outside involvement in the conflict, not only from the Afghan Taliban and related Islamic-extremist elements, but also from high-level Britons, given the

known links of former British Prime Minister Margaret Thatcher and others in her circle, to a top funder of Chechen operations, former Chechen Deputy Prime Minister Khoj-Ahmed Nukhayev. His lordship feigned ignorance of all this, weakly countering with the quip that “maybe Pinochet is also involved.”

During his Russia-Caucasus mission, Russell-Johnston had been accompanied by Lord Judd, head of the PACE Political Affairs Committee, the group which prepared the official PACE position-paper on the Chechen conflict.

Warnings from Russia

Although sidestepped by the PACE, the matter of “outside involvement” was very much on the minds of high-level Russians who were in Strasbourg for the debate. Russian Foreign Minister Igor Ivanov had taken the unusual step of coming to Strasbourg, where he delivered an address on Jan. 27, warning that the Chechen fighters and their allies were bringing “barbarism” to the doors of Europe. A position paper submitted by Ivanov’s Foreign Ministry, charged that “2,000 foreign mercenaries” were fighting on the Chechen side.

Among other Russians in Strasbourg, was Russian Communist Party head Gennadi Zyuganov, who spoke at a Jan. 27 press conference. The day before, regional Governor Mikhail Prusak warned ominously, that what is unfolding in Chechnya is the signpost of a coming wider “North-South conflict.” He pointed out the Taliban involvement in the war, and stressed the support given to the Taliban by Saudi Arabia.

The most violently worded declarations about the wider implications of the Chechen war, were made by Russian State Duma (lower house of Parliament) Deputy Speaker Vladimir Zhirinovskiy. In the midst of the often rambling and sometimes incoherent comments for which he is notorious, Zhirinovskiy told a Jan. 26 press conference that the war was part of a broader attempt to “weaken Russia,” similar to the use by Britain and France, in the 1930s, of Nazi Germany against the Soviet Union. He expressed bitterness against Denmark and the Netherlands, in particular, for being in the forefront of current Strasbourg-centered diplomatic moves against Russia.

Zhirinovskiy insisted that there is a plan by NATO to intervene in the Caucasus by 2002, and to provoke conflicts in Central Asia and along the Russian-Chinese border. He said that such plans were “known to our Defense Ministry and security forces,” and would backfire against the perpetrators.

Russians of more moderate views have told *EIR* that there is considerable resentment in Russia against PACE delegations, particularly those from Scandinavia and the Baltic states, for fomenting an “anti-Russian mood” in Strasbourg, and that, should the PACE actually take moves against Russia later in the year, this would produce an “anti-European backlash” in Russian society.

Obituary

Craxi fought ‘Clean Hands’ attack on Italy

by Claudio Celani

This writer is probably the last person in the world who could be accused of harboring political sympathies for Bettino Craxi, the Socialist leader and former Italian Prime Minister who died on Jan. 19. I was the first, in 1981, to portray Craxi in political cartoons as a would-be Mussolini, a characterization which, in the following years, was copied by more celebrated Italian cartoonists. The fact that Craxi and I were political adversaries should entitle me to expose, as I have for *EIR* and other publications, the infamous “Clean Hands” investigation that targeted and politically eliminated Craxi starting in 1992.

“Clean Hands” was a discriminatory political operation, in the context of a general attack against the traditional party system in Italy, similar to the one being carried out today against former Chancellor Helmut Kohl and the Christian Democratic Union (CDU) in Germany. Craxi was a victim of a political persecution whose pretext was illegal party financing, but whose real target was the institutions of the nation-state.

Craxi died at the end of a long illness which, if not triggered by, was surely aggravated by the psychological effects of his political fate. Although formally a fugitive from Italian justice, his funeral in Tunisia, where he had exiled himself, brought together a crowd of Italian politicians, including representatives of the government. In Rome, the Parliament held a special commemorative session. And in the media, a debate broke out on Craxi’s role in Italian political history, and on the real meaning of the “Clean Hands” operation.

The merits of his policies

Although Craxi’s historical role cannot be separated from his persecution, the fact that he was the victim of a jacobin assault must not influence an objective judgment on the merits of his policies.

Bettino Craxi’s rise to power started in 1976, when he became general secretary of the Italian Socialist Party (PSI). He steered the party on an anti-communist, neo-liberal economic course, and opposed the policy of dialogue between the Christian Democratic Party (DC) and the Italian Communist Party (PCI), led by Aldo Moro, in 1978. After the kidnap/murder of Moro and the failure of the DC-PCI dialogue, Craxi succeeded, in 1983, in becoming Italy’s first Socialist Prime Minister. His cabinets lasted for more than three years, still a

record in Italy's postwar history.

As Prime Minister, Craxi showed statesman-like qualities; for example, when he strongly supported President Ronald Reagan's (and Lyndon LaRouche's) Strategic Defense Initiative, over the opposition of his own Defense Minister, and called it "Star Peace." He also gave impetus to Italian foreign policy, especially in the Middle East and Africa. He concluded a new Concordat between the Italian state and the Vatican, which replaced the first one signed by Mussolini.

On another occasion, during the hijacking of the *Achille Lauro* cruise ship in 1985, Craxi won a showdown with the United States government, which came close to starting a shooting war between the two countries. In that incident, Craxi, as Prime Minister, refused to allow an Egyptian airliner that had landed in Sigonella, a NATO base under Italian jurisdiction, to be delivered into the hands of U.S. Delta Force commandos. The Egyptian plane was carrying the *Achille Lauro* hijackers, as part of a deal to free the *Achille Lauro* hostages. The deal had been concluded by the Egyptian and the Italian governments. At stake was the sovereignty of Italy and Egypt, as well as the good relationship between the two countries. But, it involved even more than that: It involved the principle of national sovereignty, against the concept of "humanitarian interference," or a global police, which was imposed 15 years later, in the Iraq war, and then in Kosovo, by the British-American alliance. After his political elimination, Craxi referred to the Sigonella episode as part of the motivation for his ouster, implying that maybe his "American friends" had never forgotten it.

Economic policy blunders

Craxi's main blunders were in the field of economic policy. He promoted financial liberalization and upgrading the role of the stock market, and supported pro-environmentalist, post-industrial policies. In 1986, he succeeded in getting a popular referendum against nuclear energy voted up, which forced the government to shut down all existing nuclear plants and to cancel future investments in the sector, an action that has had catastrophic consequences for Italian industry and technology.

Craxi's neo-liberal and pro-environmentalist policy was fiercely opposed by the European Labor Party (POE), the party representing the LaRouche movement in Italy. As head of the government, Craxi undertook legal action against the POE because of a poster in which he was portrayed together with Henry Kissinger. Eventually, the POE won the case, and Craxi, according to eyewitness accounts, never forgot it.

This did not prevent him, however, from publicly acknowledging that LaRouche and *EIR* were right in describing the international character of the assault against the Italian nation, which included, among other aspects, the "Clean Hands" operation. In February 1993, when Parliament was expected to vote on whether to lift his immunity as requested by the "Clean Hands" prosecutors, Craxi distributed to the



Former Italian Prime Minister, the late Bettino Craxi, in 1988. Craxi fought the "Cleans Hands" anti-corruption witch-hunt whose target was the institutions of the nation-state.

press an *EIR* memorandum on the "Britannia plot," which reported on how the destabilization of Italy was decided upon, among other places, at a meeting on privatizing Italy's vital state sector, that was held aboard Queen Elizabeth's yacht while anchored off Italy on June 2, 1992. Craxi told the journalists: "Read this to understand what is going on. Ever heard of globalization?"

In his last speech in the Parliament, Craxi admitted that his party had taken illegal contributions, but said that all parties did it. Parliament did not listen to him, and instead lifted his immunity. Craxi fled to his vacation house in Hammamet, Tunisia, where his relationship with the Tunisian President guaranteed his safety. While the PSI disappeared from the political landscape in the next elections, Craxi never stopped organizing for his rehabilitation, and at the same time continued to intervene politically. In interviews, he accused international financial circles, naming George Soros, as the forces who were engineering the destabilization of Italy. He stressed that one of the aims of such forces was to loot Italian state industry through privatizations.

Whereas the legal battle seemed to be lost (he was sentenced to ten years in prison), the political battle gained ground: Recently, his original proposal for a Parliamentary investigating committee had been accepted by the government. But, as a consequence of the psychological stress, his diabetes became worse, and he had to undergo surgery. He died before the surgeons could attempt the second surgery, a heart bypass operation. His son Vittorio ("Bobo"), who seems willing to pick up his father's political heritage, said that his father left many files. "He worked at night, he had insomnia. He wrote everything, he forgot nothing," Vittorio recently told the press. He hinted that many people in Rome will lose sleep as well, on this account.

IMF, UN, Wall Street sponsor Colombia's third drug cartel

by Valerie Rush

The international financial oligarchy, with the support of the United Nations, the International Monetary Fund (IMF), the U.S. State Department, and now several governments of Europe, is overtly boosting Colombia's narco-terrorist army, otherwise known as the FARC Cartel, for co-governorship in that country. The plan is to spread legalized drug production throughout the Andean region of South America, thereby reaping untold billions of drug dollars to pump into the speculative bubble that has come to replace the world economy. If they succeed, entire countries will cease to exist as sovereign nation-states, and will instead become the drug-pushing satrapies of Wall Street and the City of London.

The interface of the financial oligarchy with the world narcotics trade was clearly in evidence in last month's conclave of the so-called "Millennium Group" in the Caribbean resort city of Cartagena, Colombia. Huddled behind closed doors with Colombian President Andrés Pastrana were what the news media called "thirteen of the world's leading financial and business heavyweights." Ostensibly gathered to discuss how to garner international support for Pastrana's proposed \$7.5 billion face-lift for Colombia, the Millennium Group was in fact there to map out a strategy for "investment" in the world's largest drug cartel—whether all of the participants were aware of that fact or not.

Encouragement of drug production is not new to the international financial elites. As early as September 1978, a Colombian specialist at the IMF insisted that drugs (in that case, marijuana) are "just a crop, like any other. It brings in foreign exchange, and provides income for peasants. . . . You know, legality is a relative concept. In a few years, marijuana may become legal anyway."

Indeed, from the standpoint of these international financiers, Colombia's drug crops were de facto legalized last year, when the IMF directly "recommended" to the Pastrana government that it include the revenues of "illicit crops" (that is, narcotics) in the country's Gross National Product.

The 'heavyweights'

Among the "international heavyweights" who descended on Colombia in late January were America On-Line director

Jim Kimsey, Mitsubishi's Minoru Makihara, former American Express CEO James Robinson, former Canadian Prime Minister Brian Mulroney, Lorenzo Zambrano of Mexico's Cemex, and Ronnie Chan of Hong Kong's Hang Lung Development Co. Leading the pack, of course, was Wall Street's Richard Grasso, chairman of the New York Stock Exchange.

Grasso's presence in Cartagena was the giveaway as to the real purpose of the Millennium Group's visit. Last June, Grasso had flown down to the so-called "demilitarized zone" in Colombia's southern jungle region, which has been under the tight control of the FARC narco-terrorists for over a year, courtesy of President Pastrana's appeasement policy. During his visit, which was approved by Madeleine Albright's U.S. State Department, Grasso had met with FARC financial chieftain Raul Reyes, supposedly to "explain the capitalist system," although it is a known fact that the FARC already uses sophisticated computer technology to deploy its billions of dollars in profits from kidnapping and drugs into stock markets around the world. Grasso offered the FARC "investment options" to "further the peace process," and the Wall Street honcho and the narco-terrorist exchanged a public "abrazo," or embrace, for the cameras.

Accompanying Grasso last June on his trip into Colombia's cocaine heartland was Finance Minister Juan Camilo Restrepo. Not surprisingly, it was again Restrepo who interrupted the Millennium Group summit in Cartagena, fresh from yet another jungle consultation with the FARC's Reyes, in order to give the "heavyweights" an update on the status of Pastrana's "peace process."

Emerging from the day-long meeting, AOL director Kimsey told the press that Pastrana had been assured of international support for his Colombia Plan, as long as he stuck to his peace policy (that is, the progressive surrender of the country to the FARC narco-terrorists), and to his policy of economic austerity, as recently concretized in the country's first-ever agreement with the IMF. Oblivious to the fact that this country of 40 million people has 1.9 million internal refugees, is suffering from widespread bloodshed, 20% official unemployment, dramatically eroded living standards, and plummeting industrial and agricultural production, Kimsey

gushed that Colombia was a land bursting with opportunities, and that all it really needed was “an image boost.”

Kimsey also stated melodramatically that he had felt safer during his 24-hour stay in Colombia than in many cities in the United States. This despite a Jan. 28, 2000 advisory put out by the U.S. State Department explicitly warning U.S. citizens against travel to Colombia. “Violence by narco-traffickers, guerrillas, paramilitary groups and other criminal elements continues to affect all parts of the country, both urban and rural. Citizens of the United States and other countries have been the victims of recent threats, kidnappings, domestic airline hijackings, and murders. . . . There is a greater risk of being kidnapped in Colombia than in any other country in the world,” the advisory read.

IMF seal of approval

If there was any doubt that the Millennium Group was carrying out the official policy of the international financial community, that was dispelled a week later, when the Pastrana government announced that the IMF has committed itself to supporting *unconditional and unrestricted* funding for “investments” to win the FARC to the “peace process.” Pastrana’s National Planning director Mauricio Cárdenas revealed to the press that, during his recent visit to the FARC’s “DMZ” to initiate the “economic phase” of the peace negotiations, he had assured the FARC leadership of IMF backing for public investments “necessary to the peace process.”

The Bogotá daily *El Espectador* wrote on Jan. 28: “To prove to the rebels the seriousness of the promise, [the minister] showed them the agreement signed between the government and the IMF, containing a clause which he called ‘the peace clause.’ The document said that, although a peace agreement would hopefully mean reduced security expenditures in the long run, the authorities may need to temporarily increase the deficit of the non-financial public sector, in contrast to the basic goals of the [IMF] program, for the purpose of assuring adequate implementation of the peace agreement.”

In other words, open the money spigot to the world’s leading narcotics cartel, with the IMF’s blessings!

Apart from its “recommendation” to generously invest in the FARC as part of the “peace process,” the IMF is holding the Pastrana government to the usual genocidal austerity conditionalities that are its stock in trade. It is precisely such conditionalities which will knock out what little remains of the country’s real economy, and which will drive more and more of a desperate population into the arms of the FARC Cartel.

Although neither Grasso nor the Millennium Group nor the IMF ever specify precisely what “investments” they have in mind to “further the peace process,” we are given a hint of what is intended in an interview with UN envoy to Colombia Jan Egeland, a former Deputy Foreign Minister of Norway, which appeared in the Jan. 22 issue of the *Boston Globe*. Egeland says that the Colombian government and United Na-

tions are prepared to jointly collaborate with the FARC narco-terrorists in an “alternative development” scheme in the FARC-controlled “DMZ.” In fact, the *Boston Globe* cites President Pastrana saying that his government is *already* working on this with the FARC. The collaboration, explained Egeland, would involve providing funds for building roads and schools, and for encouraging the cultivation of alternative crops for coca and poppy farmers.

What Egeland did not say is that the money would necessarily be channeled through the sole authority in that area, the FARC!

This stands in sharp contrast to the stated policy of the Clinton administration, as expressed last spring during a visit to Colombia by Thomas Umberg, aide to White House drug adviser Barry McCaffrey. Said Umberg, “Our experience with alternative development in Bolivia and Peru is that these programs can be effective as long as the government controls the zone, to be able to direct the development and make sure the benefits go to the appropriate people. The [Colombian] government has no control over the demilitarized zone, and cannot oversee it. That is why we don’t support it. There are many other areas where the government does have control, and we will work in those. . . . *We will give no aid where there is no effective presence or control by the state.*”

UN envoy Egeland, a Norwegian, was also instrumental in setting up a trip to a handful of European countries of a joint delegation of Colombian government negotiators, and a half dozen top FARC chieftains — purportedly to study “alternate economic models” for Colombia. The FARC narco-terrorists are being received as if they were visiting international dignitaries, as opposed to the murderous drug runners that they are.

While all of this “collaboration” is being billed as “anti-drug,” the obvious question that no one seems to want to raise is why the FARC would devote its energies to wiping out its own major source of revenue? It has been confirmed by U.S. government agencies that during the FARC’s year-long reign over the “DMZ,” cocaine and heroin production has skyrocketed. And yet, President Pastrana continues to insist that the FARC are not drug traffickers at all, but merely rebels with a cause. The *Boston Globe* article quoted Pastrana telling U.S. Rep. William Delahunt (D-Mass.) and several other U.S. Congressmen who visited Colombia in January, “It’s one of the starting points to say that [the FARC] are not a narco-guerrilla group. They are really a guerrilla insurgency group, and they are willing to fight drugs.”

There is a quid pro quo involved in all this, but it is not the “anti-drug” scenario which the UN and others paint it. Rather, the international elites want to channel vast flows of narcotics profits into the global financial bubble, and they are prepared to give the FARC narco-terrorists all the political support they require to accomplish this, even if it means creating one, two, or many “coca dictatorships” throughout South America.

War of attrition vs. Brazil's Armed Forces

by Silvia Palacios and Lorenzo Carrasco

The sudden firing of Brig. Gen. Walter Werner Brauer, commander of the Brazilian Air Force, at the end of last year, served as a signal inside Brazil for a new phase of the campaign to dismantle the nation's Armed Forces. The strategy of the Fernando Henrique Cardoso government is to trigger successive military crises of a magnitude that it hopes will bring about the controlled disintegration of the Armed Forces, which would presumably allow them to be tamed through what the Inter-American Dialogue calls "submission of the Armed Forces to civilian power."

The desire to provoke such military attrition in Brazil stems from the urgency of the Anglo-American interests to guarantee that there will not be left standing a single institution capable of organizing resistance to the current policy of globalization, on the eve of an inevitable world financial collapse.

This perspective is shared by U.S. Defense Secretary William Cohen, who visited Brazil in late November 1999 to propose that the country and its Armed Forces serve as "subordinates" to the Anglo-American power, in a project to establish supranational dominance over the Western Hemisphere, using the Organization of American States (OAS) as the "democratic" instrument for the takeover.

This oligarchic strategy took on special urgency with the December 1999 and January 2000 events in Ecuador, where the imposition of dollarization accelerated the country's disintegration, and provoked a series of military coups d'état of varied political orientations.

Defense Ministry clownishness

This new phase, which has been in the planning stages since early last year, with the decree to create a Defense Ministry, had been delayed due to the financial turbulence that sank the Brazilian currency, the real, and with it, President Cardoso's popularity. Ever since assuming the Presidency, Cardoso has made every effort to implement all the demilitarization initiatives of the Inter-American Dialogue, of which he is a founding member. For example, following a meeting of the continent's defense ministers convoked by the United States in Williamsburg, Virginia in 1996, the Brazilian government defined its new security doctrine around the creation of a single Defense Ministry, to replace four existing military

ministries (one for each branch of the Armed Forces). This is a long-standing demand of the demilitarizers, as a first step toward establishing a civilian Defense Minister, in order to further reduce the military presence in the government.

To dilute the historic role of the Armed Forces, President Cardoso named the mediocre former Senator Elcio Alvares to head the new ministry. Alvares had just lost his reelection bid for the Senate and hadn't the slightest experience in national security matters. Thus, his nomination was doubled-edged: first, to humiliate the Armed Forces by putting them under the leadership of an unknown figure, and second, to give a timid individual, wholly dependent on the Presidency, the unenviable task of establishing the controversial ministry.

Alvarez attempted to begin the restructuring of the Armed Forces, starting with the Air Force, through measures such as permitting foreign capital—especially French—to assume control of decision-making for Brazil's largest exporter and the pride of national technology, the airplane manufacturer Embraer. In privatizing Embraer, the Cardoso government abandoned a clause which had given it veto power over strategic decisions, despite being a minority partner. The privatization of the airports and the agency that administers them, Infraero, is slated to follow.

This triggered a public confrontation between Defense Minister Alvares and Air Force Commander General Brauer, which ended with Brauer being fired last December. And so began the first major military crisis of the Cardoso administration. Shortly before, Minister Alvares had been hit by a scandal over his alleged links to the drug trade, according to accusations received by the Parliamentary Commission of Inquiry.

The confrontation with Brauer led to a national clamor on the part of the media for government measures that would put an end to the growing expressions of discontent by respected military figures. Cardoso responded in a typically Kissingerian "balance of power" maneuver, replacing Alvarez at the helm of the Defense Ministry with an even more obscure individual, Geraldo Magela Quintao, who had until that moment served as the country's Prosecutor General.

In response to these maneuvers, the Ibero-American Solidarity Movement in Brazil, which is associated with the LaRouche movement internationally, issued a statement which charged: "This is typical British-style 19th-century cabinet warfare, to provoke, await a reaction, and then decapitate potential opponents of the oligarchic project. It is the same method used by the Raul Alfonsín regime in Argentina, against the nationalist nucleus of the Armed Forces of that country following the 1982 Malvinas War, which led to the current prostration and impotence of the Argentine military in the face of national destruction promoted by succeeding governments."

In a commentary in the Jan. 26 edition of *Jornal do Brasil*, Dora Kramer, one of the hired pens of the Foreign Ministry, wrote, "In naming the new minister, the President chose a man in his absolute confidence, who would be capable of

keeping the military out of the news, and as Defense Minister, effectively named President Cardoso.”

In so doing, Cardoso intends to press forward with his drive to clip the wings of the military. Columnist Carlos Chagas wrote in *Tribuna da Imprensa* on Jan. 18 that former Defense Minister Alvares “played the role of pulling the chestnuts out of the fire for the government. In the center of everything is the creation of the Defense Ministry, a globalizing strategy adopted by President Fernando Henrique Cardoso to demoralize, erode, and distance the Armed Forces from the centers of decision-making. . . . The former Prosecutor General of the country is simply the next victim. If that’s what they want, then the new guy will have his hands in the fire as well.”

Calming the waters

In this context, the political convulsions in Ecuador are having major repercussions inside Brazil, given the parallels that can be seen in the growing social discontent against President Cardoso, who can count on absolutely no support from the Army and Air Force, or from the population in general.

Veteran columnist Clovis Rossi, for example, in an article on Ecuador in late January entitled “And If This Were Brazil?” emphasized that “in Brazil, as in the other countries of the region, you can sense an environment that people have had it with politicians in general . . . who haven’t the remotest idea of what their constituencies feel. . . . It is enough to imagine a repeat, in Brasilia or in Buenos Aires, of what happened in Ecuador. . . . Before I am accused of coup-mongering, I am not suggesting anything of the sort. I am simply confirming developments.”

Another indication, from a leftist political viewpoint, was expressed by economist Paulo Nogueira Batista, Jr. “Thanks to the governments we have had,” he wrote, “Brazil has become, from a certain viewpoint, a sort of gigantic Ecuador. . . . The truth is that the fall of Ecuadoran President Jamil Mahuad, is an alarm for the numerous Mahuads of Latin America.” For such rulers, “in the economic, military, and international areas, the fundamental interests of the country end up subordinated to the priorities of the dominant powers and of the international financial groups.” Nogueira ended by stating that such leaders have kept themselves in power through “the rituals of democracy,” and that “the results of that style of government are known. In the economic area: stagnation, instability, and dependence on foreign capital.”

The high temperature of military discontent in Brazil has been expressed by the various manifestations of solidarity that General Brauer received after he was ousted from the military. For example, the Air Force high command released an official note of support for Brauer, which says: “You leave the command of the Air Force, enjoying the greatest respect, admiration, and trust among your peers of the high command, based on a past of more than 46 years of shared experiences and of excellent service to the Brazilian Air Force.”

On Dec. 28, the Armed Forces clubs that represent both active and retired officers organized a protest luncheon which pulled together several hundred people. At the ceremony, Brig. Gen. Ercio Braga, president of the Air Force Club, stated: “When we see headlines attacking our patriotism and there is no reaction from our government or our congressmen, we feel uncertain about the future. . . . One cannot talk about the legality of a government which, because of its strategy, has become illegitimate. . . . Like all of these here present, we would say one word to summarize our feelings: Enough!”

Military Club president Gen. Helio Ibiapina stated, “What truly hurts our sensibilities, and those of the 40,000 citizens linked to us . . . is the identification, in that abominable act, of three common characteristics in acts of this nature practiced by the government: humiliation, civic cowardice, and treason. . . . Our guest of honor bravely fought the handover of Embraer.”

As *EIR* was told, “The Armed Forces have turned on the yellow light, but the government didn’t want to understand it, and continued with its dirty cabinet warfare. Now, all that remains is the red light, with the certainty that Brazil could kick over the chessboard of globalization, and the whole continent would follow.” This sums up the growing sentiment among military officials in Brazil.

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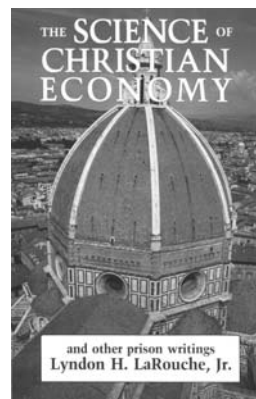
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International Intelligence

Retired officers seek India-Pakistan peace

At a time when India-Pakistan relations are considered at their lowest ebb, a group of senior retired Army officers from both countries came together to form the Soldiers' Initiative for Peace between India and Pakistan (IPSI). At a press conference in New Delhi on Jan. 29, retired Chief of Staff of India's Northern Command, Lt. Gen. M.M. Walia, said that the officers were convinced that, for peace to prevail, negotiations between the two countries had to be reopened. IPSI had its first meeting in Calcutta on Jan. 18, and met again at the United Services Institute in New Delhi on Jan. 23. Four retired Pakistani officers attended, including the former Director General of Military Operations, plus six civilians, including a former cabinet minister under Zulfikar Ali Bhutto, in the 1970s.

General Walia reported that the message from the Pakistani side, was that talks with the present leadership in Pakistan would prove more fruitful than with any of the past political establishments, because it could speak for the military.

On Jan. 30, Pakistan's military ruler, Gen. Pervez Musharraf, told an interviewer that he was ready to meet with Indian Prime Minister A.B. Vajpayee, but only "as long as the centrality of the Kashmir dispute is accepted . . . and there is reciprocity on Kashmir." Then, "we are prepared to initiate a dialogue," he said, according to *The Hindu*.

On the hijacking of the Indian Airlines plane by Kashmiri separatists on Dec. 24, 1999, and reports that the hijackers were currently in Pakistan, Musharraf replied, "I don't know at all that this is a fact. They disappeared from Afghanistan. . . . And I presume they are in Afghanistan." Only days earlier, on Jan. 27, one of the Kashmiri terrorists whom India had released from prison in order to end the hijacking, Masood Azhar, arrived at Pakistan's Lahore International Airport, where he was met by over 100 followers from the Harkat ul-Mujahideen, holding automatic rifles. There were no indications that the Pakistani authorities had attempted to prevent the demonstration.

"They advised us that they would be coming to the airport and all of their weapons are licensed," a police official said.

Australia, Canada back world genocide court

The Dec. 24, 1999 issue of the *Australian Jewish News* carries a profile of the new International Criminal Court, established last year by the so-called Rome Statute. Two of the leading backers of this ICC, the first permanent international court with jurisdiction to deal with genocide and war crimes, are the British Commonwealth's Australia and Canada, both of which are among the 90 signers of the Rome Statute. Supposedly, the ICC will not replace domestic courts, but "will deal with cases as an independent institution where national courts are unwilling or unable to bring transgressors to justice." Representatives of Australia's Departments of Foreign Affairs, Defense, Attorney General, and the New South Wales Director of Public Prosecutions were at the UN in New York working with the United States and other countries in preparation for the ICC. The United States hasn't signed the Rome Statute, reportedly out of concern to protect its overseas personnel from possible prosecution. Furthermore, out of the 90 countries that are signers, only 5 have ratified the Statute.

Canada, which, like Australia, has the Queen of England as its head of state, has been most aggressive in signing over its token sovereignty to the new UN body. Canada chose International Humans Rights Day on Dec. 10 to introduce a Crimes Against Humanity law into its Parliament, which "recognizes the jurisdiction of the ICC to deal with war crimes and obliges Canada to surrender suspects sought by the ICC with no possibility of them claiming immunity from arrest or surrender. . . . It also creates new offenses of crimes against humanity and genocide, replaces and strengthens Canadian powers to prosecute war criminals, and reinforces Canada's extradition law by allowing those accused of genocide, war crimes, [and] crimes against humanity to be extradited to international criminal

courts with no possibility of refusing an ICC extradition request."

Canadian Attorney General and Justice Minister Anne McLellan said that the new law reaffirmed Canada's pledge that "Canada is not, and will not be, a safe haven for war criminals."

Venezuelans boo Chávez at softball game

Venezuelan President Hugo Chávez was booed at a softball game with the country's major players, which had been organized on Jan. 22 by one of the big names in Venezuelan baseball to raise funds for the victims of the Dec. 15 mudslides and rains in the state of Vargas. It was not meant to be a political event, but Chávez, a jacobin populist, who had lost a lot of credibility when he celebrated his success in pushing through a constitutional referendum last year rather than mobilize flood relief, decided it was a good opportunity to show off.

According to reports to *EIR*, the 15,000 fans at the university stadium were not pleased, and every time Chávez came up to bat, he was whistled, booed, and met with shouts of "Get out! Get out!"—the first such public display ever against the demagogue. The Chávez regime did everything it could to squelch coverage of the incident, which was mentioned only on a few radio programs and in short asides in coverage of the game in newspapers. No television networks touched the story.

Arab editor: 'If LaRouche were President'

The economics editor of London-based Arabic daily *Al-Arab International*, Dr. Mustafa Al-Bazargan, who submitted two questions to Lyndon LaRouche during an international webcast with journalists on Jan. 27, dedicated his weekly column on Jan. 28 to LaRouche's Democratic Presidential campaign in the United States. Dr. Al-Bazargan writes under the headline "What If He Wins the American Presidency": "Despite all the obstacles being put in his way by the U.S.

SPANISH POLICE arrested eight leaders of the “international apparatus” of the Basque terrorist group ETA, including two as they arrived at Madrid airport from Mexico, on Jan. 29. In December, ETA had announced the end of its “cease-fire,” and on Jan. 21 had killed a colonel with a car-bomb. In protest, over 1 million Spaniards demonstrated against ETA the next day.

EIR'S EUROPE director Anno Hellenbroich reported on his three weeks with Lyndon LaRouche's U.S. Presidential campaign at a Jan. 27 press breakfast in Paris, addressing 13 press, embassy, labor, and political representatives. Questions about LaRouche's ideas ranged from his Middle East and Africa policies, to NATO expansion, to the fight against unemployment.

A SENEGAL prosecutor has opened the way for former Chadian President Hissene Habre to be tried in Senegal, where he has lived in exile since he was ousted in 1990, on charges of torture during his eight years as Chad head of state. A representative of George Soros's Human Rights Watch told the *New York Times* of Jan. 28: “This is the first time that an African court has opened a case based on human rights crimes committed by a former head of state in a foreign country.”

INDONESIAN President Abdurrahman Wahid embarked on his fifth international tour since taking office in October on Jan. 28. This latest trip began in Saudi Arabia, where he paid a courtesy call on King Fahd and Prince Abdullah, and made a brief pilgrimage to Mecca. From there he went to the World Economic Forum summit in Davos, Switzerland. He was thence scheduled to visit Britain, France, the Netherlands, Germany, Italy, the Vatican, Czech Republic, and Belgium. On his way back, he plans to deliver a speech at Jawaharlal Nehru University in New Delhi, before going to South Korea and Thailand.

political establishment, and despite the methods of blacking him out through . . . the mass media, American economist and politician Lyndon LaRouche has succeeded in bringing his voice to American citizens through his principled humanist stances, which could be regarded as utterly alien to official American policy.

“Observers of the U.S. election campaign have asserted that the attempts to exclude LaRouche are an outright violation of the U.S. Civil Rights Act, . . . which demands attention, especially because it is not taking place in a Third World country, but in a country whose political leadership alleges that it is a defender of human rights in every spot on the planet.

“LaRouche is the only American Presidential candidate who demands that the UN sanctions on Iraq be lifted. This confirms the existence of a force in America . . . that understands what suffering these sanctions have brought to the Iraqi people.”

Dr. Bazargan concludes, “We might not believe that there is an American politician so fully committed to humanism and to justice and democracy, especially when we see what Washington is doing to Iraq. . . . [The fact that there is, raises] the legitimate question, what would things be like, both in the Arab region and the world, if we assume—even hypothetically—that LaRouche wins the Presidential elections and takes his post as President in the White House?”

London terrorists war against Mideast peace

A press release issued by Al-Muhajiroun (one of the many London-based “Islamist” terrorist groups headed by Omar al-Bakri) vowed to raise money and recruit British youths to fight against all parties involved in the Middle East peace process, and announced that it was hosting a mass demonstration and conference on Jan. 21, to organize a *jihad* against Middle East peace, and “to raise finances to fight against the occupiers and to recruit mujahideen to drive them out of Palestine.”

Meanwhile, the relatives of 18-year-old Omar Kyam, a student who was recruited

by al-Muhajiroun and left home in England, have flown to Pakistan to search for him in terrorist training camps. According to the London *Times* on Jan. 22, “up to 200 young Britons are believed to have been sent to fight in conflicts in Kashmir, Afghanistan, and Chechnya in the past three years. A number have been killed, but despite protests from parents, the authorities say that there is nothing they can do to stop young men enlisting.” A senior police officer told the *Times*, “These men are over 18, they have valid British passports and we can't stop them getting on a plane.”

Russia's Putin elected to head CIS at summit

The Moscow summit of the Commonwealth of Independent States (CIS), made up of former Soviet states, elected Russia's acting President Vladimir Putin to chair the Association of Heads of CIS States for the next year, although, under the rotation system, the President of Tajikistan was next in line. But, Tajikistan President Emomali Rakhmonov endorsed acting President Putin, even though the elections to choose Russia's President have yet to take place. According to the Jan. 25 issue of the Russian daily *Kommersant*, the unanimous decision was inspired by Georgia's Eduard Shevardnadze, who had already spoken in favor of Putin before the summit.

“Belarus regards the fact that Vladimir Putin will head the CIS Council as quite natural,” said Belarus President Alexander Lukashenko. “This choice suggests confidence of the Presidents, both in Russia and in him personally.”

During the summit, Putin organized a direct meeting of the leaders of Azerbaijan and Armenia. Such a meeting was supposed to take place in Istanbul during last year's meeting of the Organization of Cooperation and Security in Europe, but was cancelled because of the slaughter in the Armenian Parliament several days before.

The representatives of the 12 CIS members agreed to found a joint anti-terrorist center and to organize anti-terrorist exercises.

New Hampshire voters disrupt front-runners' election game

by Nancy Spannaus

In response to the results of the New Hampshire primary election on Feb. 1, Democratic Presidential pre-candidate Lyndon H. LaRouche, Jr. pointed to the fact that there is now a visible new potential for the U.S. Presidential election campaign to be broken open. He said:

“The bottom line is, that the Democratic and Republican Parties’ political machines were battered by both the margin of the McCain victory and the extent of the rallying to Bradley, despite the massive Democratic Party-machine muscle deployed top-down into New Hampshire.

“Behind it all: The Forgotten Men and Women of America are expressing their growing hostility against the efforts of both party machines and the leading news media to play the ‘Third Way’ game against the lower 80 percentile of the citizenry.

“All considered, looking ahead to the national pattern thus unfolding, rather than the mere New Hampshire results as such, the New Hampshire votes were a massive, and truly tragic defeat for both the born losers Bush and Gore, and for the corrupt party machines which bet their family jewels on rigging a different outcome.”

In fact, the vote results have all the making of a watershed in what has been one of the most banal, disgusting Presidential campaigns—Dumb vs. Dumber—in the history of the republic.

The bashing of Bush

George W. Bush’s money and Republican establishment machine ran into a buzzsaw in New Hampshire. The candidate who was born with a silver spoon up his nose, was punished for his arrogance by Republicans and Independents alike. The preliminary results show that insurgent John McCain, who

had held 114 town meetings in New Hampshire over the previous nine months, beat Bush in every relevant section of the Republican Party, as well as among Independents. McCain’s 49% to 31% victory was crushing. And this occurred despite (or because of?) Bush’s overwhelming stranglehold on Republican officials, and his commanding financial lead. Bush allegedly had nearly \$31 million, to McCain’s \$1.5 million, at the end of 1999.

Historically, New Hampshire has not been affectionate toward the Bushes. It was in the 1980 primary that Ronald Reagan trounced the senior George Bush, after the *Manchester Union Leader* ripped into Bush for being an agent of the Trilateral Commission. Sources say that Bush still holds a grudge on this loss, especially against Lyndon LaRouche, whose campaign on the Democratic side had taken aim that year at Bush’s Trilateral connections.

But “Dubya” couldn’t help but compound his problems in New Hampshire. At first, he boycotted debates in the state. Eventually, he began to show up, but when he opened his mouth, he tended to make matters worse. This was nowhere more evident than in his “apology” to New Hampshire residents for making such a “complicated” explanation of his tax plan. The implication by the mentally challenged Bush, that New Hampshire citizens were too stupid to understand his math, led to a scathing attack in the *Manchester Union Leader*, which endorsed McCain in the Republican primary.

With his tens of millions of dollars, Bush is talking about walking away with the Republican nomination anyway. But questions are mounting, as the battle in New York State, which we cover below, demonstrates. John McCain’s attack on Bush’s attempt to be “coronated” is clearly finding a resonance among the population.

Big trouble for Gore

Al Gore, the establishment favorite in the Democratic Party, was initially reported to have won the New Hampshire primary by 5 percentage points, but the latest figures put his totals at 50%, to Bradley's 46%. A highly unusual 4% of the Democrats are said to have voted for "other," or to have written in votes for Republicans. Some observers have voiced doubt that Bradley actually lost.

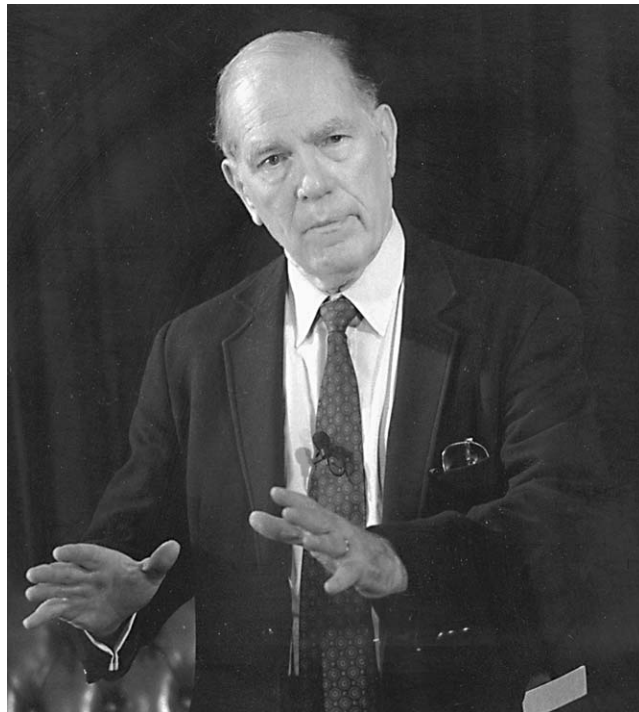
In many respects, the primary results are as much of a jolt for Gore, as McCain's victory was for Bush. Gore had pulled out virtually all the stops, including thuggery, in order to get a decisive margin, and he failed miserably.

With the media spin coming off the Iowa caucuses going in his favor, Gore was desperate to bludgeon his way to "inevitability" in New Hampshire. But he wasn't taking any chances. According to various sources, Gore brought a virtual army into New Hampshire, including the entire Democratic Congressional leadership, and more than a thousand operatives of the Democratic National Committee. Their job included screening the Vice-President from making mistakes, providing audiences for his pre-screened meetings, and the like.

But, beginning about five days before the election, Gore began to stumble. Rival Bill Bradley's attacks on him for "lying" were becoming more heated, and were resonating with the increasingly visible activity of LaRouche's campaign workers in the state. Gore had been made painfully aware of LaRouche's presence on Jan. 14, when *EIR* Milan correspondent Andrew Spannaus had exposed Gore's lie about his father's civil rights record, during a press conference in Concord. After Gore stumbled through his answer, he demanded to know what news service Spannaus was with, and, having learned he was with LaRouche, Gore refused to take a second question, and had the Secret Service remove the reporter.

But that was not the end of the issue by any means. LaRouche campaign workers circulated LaRouche's exposure of Gore and the racist cabal in the Democratic National Committee heavily throughout the major cities, and, despite heavy screening by the Gore apparatus, succeeded three more times in confronting the Vice-President on his lying.

When Bradley also began to attack Gore's lying, the Vice-President started to exhibit all the classical signs of his bipolar mental disorder. Washington sources reported that the Gore camp was so destabilized that Gore started reading from index cards, and avoiding any "open-ended" campaign appearance where an unguarded answer might be used against him. Republican columnist Robert Novak noted in a Jan. 31 column that Gore was spooked. And the weekend before the election, teams of Gore toughs were out disrupting a news conference by two of Bradley's backers — Sen. Bob Kerrey of Nebraska, and Rep. Jerome Nadler of New York. The Gore thugs were shoving and pushing, and told Nadler, "get out of here, fatso," according to the *New York Post*.



Lyndon H. LaRouche, Jr. comments on the New Hampshire primary: "The Forgotten Men and Women of America are expressing their growing hostility against the efforts of both party machines and the leading news media to play the 'Third Way' game against the lower 80 percentile of the citizenry."

Then, on the day before the New Hampshire primary, Gore learned that it was going to be impossible for his cohorts in the Tennessee Democratic Party, particularly the State Attorney General, to keep LaRouche off the primary ballot in that state. Sources indicate that Gore was absolutely furious that he was impotent in trying to keep his own "plantation" under control (see article below).

Breaking the fix

As LaRouche pointed out in the statement quoted above, the revolt in New Hampshire makes the opening of the political process possible in the weeks ahead. Attempts by Bush and Gore to shut down their opponents, in the name of preparing for the general election, are more likely to fail. The battering of the established machines gives openings to those sections of the political parties which have been suppressed, often brutally, and have dropped out of politics. The victories of both insurgents depend heavily upon the turnout of independent voters, who, analysts report, now constitute a major portion of the electorate.

But there is a long way to go in order to make the U.S. electoral process relevant to the strategic and economic reality that the nation, and the world, face, and eventually produce a solution to the deepening disasters under way. A virtual dictatorship of the media has made it *impossible* for consum-

ers of popular television and other news media to get access to the most qualified candidate on the scene, Lyndon LaRouche. This includes LaRouche's exclusion from media-sponsored political debates. Add to this the dirty tricks of the Gore-linked Democratic Party faction against LaRouche, and the idea that there are "free elections" in the United States is absurd.

Given the unpredictable nature of the world crisis, of course, there is no reason to believe that the results of the primaries, or even the results of the party conventions, will actually determine who will become President of the United States. During the year 2000, the world will likely face a dramatic depression collapse, a hyperinflationary blowout, and/or an accelerating series of war crises. Such developments will send the virtual reality of the American "economic boom" and other idiocies up in smoke, and wake up the self-deluded U.S. electorate. The question of leadership will be taken much more seriously, and it's anybody's guess what will happen.

The revolt against the establishment candidates in New Hampshire is only the beginning of what we can expect to be a long campaign of surprises. And those who have their grounding in the real economic and political crises shaping world politics, will keep their eyes on the LaRouche Democratic Presidential campaign.

The rigging of the U.S. election

The following was released by Democratic Presidential pre-candidate Lyndon LaRouche's campaign committee, the Committee for a New Bretton Woods, on Jan. 24.

The American political establishment's efforts to obstruct the candidacy of Lyndon H. LaRouche, Jr. for President of the United States, has turned the U.S. election into a mockery of all internationally recognized standards for free and fair elections in a democracy. Since announcing his candidacy for the Democratic Party's nomination, LaRouche and his supporters have been subjected to a string of illegalities and totalitarian measures, reminiscent of those deplorable practices used to disenfranchise African-Americans throughout most of the past century. Now, those practices have been extended throughout the country, disenfranchising as much as 80% of the American electorate, and effectively replacing the U.S. elections with a privatized process controlled by a small clique of Party apparatchiks, news organizations, and corrupt state and Federal officials.

A review of only some of the abuses perpetrated against LaRouche's campaign, is enough to demonstrate the mendacity of America's claim to free and fair elections. In light of the U.S. State Department's continuous complaints about human rights violations in China and other countries, the following review of the status of the U.S. election process shows the extreme hypocrisy of those State Department pronouncements.

1. Effective disenfranchisement of LaRouche's voters

LaRouche has already qualified to appear on the Democratic Party primary ballots in 25 states, and efforts are under way to qualify in as many as 20 more. Democratic National Committee Chairman Joe Andrew has already announced his intention to disregard any and all votes cast for LaRouche in these elections! Andrew has declared that the U.S. Democratic Party is a "private club" that can exclude anyone it wants. As such, regardless of how many Democrats vote for LaRouche in these public elections, Andrew intends to exclude anyone who supports LaRouche from being a delegate to the Democratic National Convention, where the Party's nominee will be chosen.

This was exactly the same method used to exclude blacks from voting in Democratic Party primaries from the 1880s until the passage of the Voting Rights Act in 1965. In those "bad old days," the Democratic Party organizations in many states tried to exempt themselves from Federal laws against discrimination, by claiming to be private clubs with all-white membership. These all-white clubs would hold a "private" election, whose winners were the ones to ultimately gain public office, regardless of the outcome of the official public election.

In 1996, Andrew's predecessor, Donald Fowler, did the same thing. LaRouche and disenfranchised voters from several states sued for violations of the Voting Rights Act. That suit is currently pending before the U.S. Supreme Court.

2. Exclusion of LaRouche from nationally televised debates and media blackout

Despite the fact that LaRouche is one of only three candidates for the Democratic nomination who has qualified for Federal Campaign Matching Funds, has campaign organization in all 50 states, and has wide recognition nationally, he has been systematically excluded from all televised debates with his only two rivals, Vice President Al Gore and Senator Bill Bradley. These debates are sponsored by major news organizations. U.S. Federal law requires these organizations to use "objective criteria" to determine whom to include in these debates. By any objective criteria, LaRouche should be included, and the voters should have the opportunity to compare LaRouche's thinking to those of his opponents. Fearing that LaRouche's presence in these debates would present

the American electorate with a choice not acceptable to the establishment, the news organizations sponsoring the debates have simply decided not to invite him, without giving a reason. Complaints have been filed with the Federal Election Commission, but under their guidelines, the FEC will take no action until after the election.

The news media have made a further effort to manipulate the election by implementing a virtual blackout of coverage of LaRouche's campaign, including not reporting the simple fact that LaRouche is on the ballot!

3. Obstruction of LaRouche's access to the ballot

In several U.S. states, access to the ballot is determined by state officials, who dictatorially choose for whom the electorate will have a chance to vote. In many cases, these officials make their decision on the basis of news media support for the candidate. This creates the Catch-22 whereby the news media black LaRouche out, then this is used as a pretext for excluding LaRouche from the ballot. It effectively puts the decision of who will and who will not appear on the ballot, into the hands of executives of private news organizations. Despite the fact that LaRouche has wide recognition and support among the American electorate, voters in many states are denied the opportunity to even vote for LaRouche on the say-so of a few state officials and news organizations.

In states where officials denied LaRouche a place on the ballot, his supporters obtained signatures of registered voters on petitions to get on the ballot. In several cases, local officials have actively obstructed these efforts. In **Tennessee**, the home state of Al Gore, LaRouche supporters submitted over 5,700 signatures when only 2,500 were required. Yet, when these signatures were submitted to local election officials for verification, some of those officials refused to even verify most of the signatures. Voters from several counties in Tennessee have challenged this obstruction in state court.

In **Connecticut**, the Secretary of State refused LaRouche a place on the ballot, citing the news media as her authority. LaRouche's supporters then obtained more than 8,500 signatures of registered voters who want LaRouche's name to appear on the Connecticut Democratic primary ballot. State law requires that these signatures be filed with officials in every town in the state. But, when LaRouche supporters attempted to do so, they were told the officials were not available! This is exactly the tactic used to prevent blacks from registering to vote prior to the passage of the Voting Rights Act.

In **Michigan**, the Secretary of State refused to place LaRouche on the ballot, also citing the news media as his authority. In that case, LaRouche supporters obtained more than 23,000 signatures of registered voters who wanted LaRouche's name on the ballot. After LaRouche was certified

for a place on the Democratic Party ballot, Gore and Bradley withdrew from the race. The state Democratic Party has announced it will not recognize the result of the state-sponsored election, deciding to hold a private caucus instead. Party officials have already announced that LaRouche will be excluded from participation in these private caucuses.

In **Arizona**, the Democratic Party cancelled the state-run public primary after LaRouche filed to be included on the ballot. As in Michigan, Arizona Democrats have decided to hold a private primary in which voting will take place only via the Internet! There will be only one voting location per county, so unless the voter has a computer, he or she may have to travel more than 100 miles to vote. Arizona Democratic officials have also announced that LaRouche will be excluded from this private primary.

In **South Carolina**, a state with one of the most notorious records for discrimination in voting, Democratic officials have refused to even provide LaRouche with the form required to file for that state's primary. When LaRouche's representative, a state-wide union official, attempted to present the necessary documents and filing fee, state party officials refused to accept them, on orders from DNC chairman Andrew.

In **Utah**, Democratic Party officials refused to provide

DO YOU KNOW

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



Edited by Nancy Spannaus and Christopher White

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LaRouche with the documents necessary to file with state officials in order to appear on the ballot in that state's primary.

The incidents cited above, are but a small sample of the way the current U.S. elections are being rigged. This "privatization" of U.S. elections, and the disenfranchisement of so many voters, has produced some of the lowest voter turnouts in the world. Fewer than 50% of eligible voters in the United States vote, and more than 70% have expressed their distrust of the electoral process. In addition, 1 in 50 U.S. adults is prevented from voting, under laws that disenfranchise people who have previous criminal convictions. A disproportionate number of those with criminal convictions are black, thus, nearly 13% of African-American males—nearly 1.4 million people—can't even vote.

It is precisely these disenfranchised, forgotten people, the coalition of minorities, labor, farmers, scientists, and senior citizens, who formed the base of Franklin Delano Roosevelt's Democratic Party, who are being galvanized by LaRouche's campaign. That is why the establishment is taking such desperate measures to avoid a fair, free, and open election in the United States of America.

Documentation

Judge orders LaRouche on Tennessee ballot

The following press release was issued by LaRouche's Committee for a New Bretton Woods on Jan. 31.

Election officials in Al Gore's home state were forced to admit this morning, that Democratic Presidential candidate Lyndon LaRouche had filed sufficient valid signatures to qualify for the March 14 Democratic Presidential primary ballot. The admission comes after a month of stonewalling by officials, who refused to put LaRouche on the ballot as a nationally recognized candidate, and then falsely claimed that LaRouche's petition was 406 short of the requisite 2,500 signatures.

Furthermore, even after some election officials began to acknowledge their negligence, the Tennessee Attorney General's office continued to obstruct LaRouche's access to the ballot. The assistant Attorney General assigned to the case made numerous misrepresentations to LaRouche's attorneys, advised local and state election officials not to cooperate, and otherwise tried to prevent the inevitable placement of LaRouche's name on the Democratic primary ballot. Because of the Attorney General's role in perpetrating this electoral fraud, LaRouche is demanding that the Attorney General be

ordered to pay all costs associated with the case.

Tennessee voters will now have the right to vote for LaRouche even though its Secretary of State Riley Darnell refused to put LaRouche on the ballot as a nationally recognized Presidential candidate, relying on national news media for his criteria to deny LaRouche ballot status. This fits with the national pattern of disenfranchising American voters by controlling the debate and the choice of candidates. As a result, LaRouche supporters had to petition to get access to the Tennessee ballot. This is now the 21st state which has certified LaRouche's name to appear on the Democratic Presidential primary ballot.

Today's hearing in the Davidson County chancery court was short. After Assistant Attorney General Janet Kleinfelter begrudgingly admitted that LaRouche had enough valid signatures, all that was left to do was to ask Chancellor Carol L. McCoy to order the state to put LaRouche's name on the ballot. A written order will be signed and issued requiring Darnell to notify all Tennessee county election administrators to put LaRouche's name on the ballot.

The state's concession was not easily won. LaRouche campaign volunteers have spent the entire month of January auditing the initial county clerks' verification process, which had reported that LaRouche's petition was 406 signatures short of the required 2,500. LaRouche's campaign filed almost 5,700 petition signatures on Dec. 20, 1999—well in excess of the 2,500 signatures required. When the LaRouche campaign learned on Jan. 11—two days before the official certification of the ballot—that Commissioner of Elections Brook Thompson's office believed LaRouche would not have sufficient valid signatures to qualify, suit was filed. The suit was filed against Darnell, Thompson, and three Election Commissioners in Davidson County (Nashville), Knox County (Knoxville), and Hamilton County (Chattanooga), seeking an injunction from printing the ballot without LaRouche's name on it. When campaign representatives first tried to audit the counties' verification procedures, they were denied access to the voter registration list. The campaign then had to purchase the database of registered voters for these counties to conduct its own audit of the verification process. It was revealed through this effort that hundreds of duly registered voters who had signed the petition were not validated through the clerks' checking.

Today's victory in Gore's backyard is a lesson to those who think they can get away with rigging the election process. Americans, when offered an alternative to the media-directed clown show called the Presidential campaign, readily respond to LaRouche. Unlike the big-bucks campaign of the so-called front-runners, LaRouche offers ideas for dealing with the real economic crisis every American faces, as well as the leadership to deal with the cascading regional wars now unleashed across the globe. As his ideas do get out to the public, hundreds of people are stepping up to volunteer and to help change the way things are.

LaRouche wins victory for free elections

by Dennis Speed

On Jan. 31, the LaRouche Democratic campaign achieved two victories on behalf of the right of American citizens to vote in free and fair elections, a right presently threatened with extinction. Lyndon LaRouche, despite the best efforts of the Confederate “home-boys” of Al Gore, was placed on the ballot in Gore’s home state of Tennessee. LaRouche was also certified, along with Bradley and Gore, as a candidate for the Democratic nomination in New York, the state with the toughest ballot requirements in the United States.

The victory in Tennessee is particularly poignant, because it was in this state, that the Bostonian, Scottish Rite Freemason, Confederate Gen. Albert Pike, first formed the Ku Klux Klan in 1867 to deny African-Americans the right to vote. In the case of the New York victory, this was the first time that LaRouche had gone unchallenged in his submission of petitions for ballot status in a Presidential campaign. This was in no small measure due to the fact that LaRouche mounted the largest, and most visible street petitioning drive, deploying nearly 300 volunteers, almost all of them working people, from all ethnic backgrounds, who successfully collected 68,000 signatures to place LaRouche’s name on the state ballot, as well as to qualify him for delegates to the Democratic Party Convention, to be held in Los Angeles in August.

Not a single one of these petitioners was paid to gather signatures. There is no other campaign of any candidate who can boast of such a level of commitment, and efficient output, from their base. LaRouche’s admonition, that the most acute civilizational crisis since the 14th century is upon us, and that the United States citizen has the unique responsibility to use the power of his Declaration of Independence and the General Welfare clause of the Constitution to resolve that crisis favorably for the world as a whole, found a particular resonance in New York City, where the base of his support is drawn from almost every country in the world.

International readers not familiar with the campaign being led by LaRouche and his supporters to preserve the 1965 Voting Rights Act—a law which which enfranchised African-Americans in particular, and, by extension, all Americans prevented by discriminatory practices from voting—may not recognize the particular significance of these two victories. Other, no less important ballot access fights are presently under way, particularly in Illinois and Connecticut (whose

electoral laws are even more byzantine than New York’s). Consider, that when Al Gore made a fool of himself, and by implication the United States, in November 1998 at the Asia Pacific Economic Cooperation Forum meeting in Malaysia, he was insisting on the necessity for Southeast Asian countries to emulate the standards of freedom of thought and expression in the United States. Yet, Presidential candidate LaRouche is forced, in Tennessee, Connecticut, and other states, to fulfill ballot requirements through petitioning that other candidates do not have to meet—because the criterion used by secretaries of the various U.S. states, as to whether one is a legitimate candidate or not, is whether *the media* anoint one with that designation. Not only does LaRouche not seek that pedigree—he disdains it. Clearly, LaRouche’s message—including that the American “virtual economy” is the world’s biggest problem, not the world’s biggest success—is not likely to gain many column inches in the *New York Times* or the *Washington Post*.

Outrageous requirements in New York

While LaRouche was, for the first time, not challenged in his bid to be certified as a candidate, dozens of articles have appeared reporting the raging battle in New York as to whether or not Republican John McCain would be placed on the ballot. There have been only two anemic mentions of LaRouche, one appearing in a December *New York Times* editorial entitled “New York’s Closed Primary.” That editorial made the misleading contention that, in contrast to the Republican Party, “The Democrats have made it easier for candidates’ names to appear on the ballot, requiring a campaign to get only 5,000 valid signatures statewide, as opposed to about 20,000 for the Republicans. But even the lesser requirement is onerous, undemocratic and outdated.”

It is utterly *false* that the Democratic requirement is any easier. While it is true that one may collect only 5,000 signatures to merely *appear* on the ballot, if a candidate wants to have delegates who can represent him at the Democratic Convention—the very purpose of holding a primary—he must *elect a slate of delegates* who must themselves collect another set of signatures on a completely separate petition. There are 31 Congressional Districts in New York State, and the total number of signatures required for qualification for delegate status from the state is over 26,000 *in addition to* the 5,000 Presidential campaign signatures. However, delegates are only legally qualified to “witness” signatures in their own Congressional District!

That is not the end of the story. A campaign not authorized by the Democratic or Republican State Committees must, in effect, assemble a small army of petitioners. Steve Forbes, a multimillionaire, paid, according to his petitioners interviewed, \$12-15 per hour to hire people to collect his signatures. The McCain campaign recognized, as the *New York Times* correctly pointed out, “that a Republican candidate who needs 20,000 valid signatures would probably have to

LaRouche: Join the fight, don't be a spectator!

Lyndon H. LaRouche, Jr. made the remarks excerpted here in a webcast discussion with voters in Delaware on Feb. 1.

. . . From my standpoint, the big problem is that the majority of voters in the United States, and citizens generally, are behaving like the proletariat marching into the Roman Colosseum to watch the lions eat Christians, and they're deciding, who's the front-runner: Shall we bet on the lions, or shall we bet on the Christians? And generally, they vote against the Christians, because they look like losers to them.

So, the problem in the campaign is that voters—and I've watched this behavior—are cheering for what they think are front-runners. It's like cheering for athletes who they don't know personally, in a football game, mass football game. The crowd is cheering. What are they cheering for? Do they know who that bum on the field really is? And then they find he became President because they cheered for him, and they said, how did we get that bum in there in the first place?

The trick today, is to get the average voter, the average citizen, to realize that *they* are not sitting in the grandstand, of a Roman Colosseum; they're sitting *in the arena*, down with the Christians, and the lions are coming on. The trick here, is to get the Americans to flee from their sense of

unreality—probably not a grandstand, maybe a television screen. They're not spectators; they're victims in the field. . . .

Imagine yourself sitting up in the grandstand of the Colosseum, and looking at the lions eating the Christians, and you're wondering which you're going to cheer for. Realize that you're one of the Christians, and when you look at a television set, or you look at some electoral spectacle, or some candidate parading through town, dropping promises which he will not keep, or could not keep, perhaps, in many cases, don't think, "Which is the front-runner?"

Think of yourself: Are you one of those proletarians who is going to sit in the grandstand, you as a Christian, to watch and cheer for the lions who are eating the Christians? And start to think about politics in a more serious way, and get your neighbor to think about politics in a more serious way, since you're obviously more serious about it than most of them are. Get them to see: Stop being a spectator in matters on which your life, and your family's life may depend. Think clearly! What should our nation's policies be? Who represents what those policies must be? Who is qualified to represent those policies?

Don't be stamped by the orchestration of public opinion by mass news media. Don't be stamped by other tricks. Don't be corrupted and turned into a Yahoo by watching sex and bloody violence on your television set. Think of yourself as one of the Christians down in the arena about to be eaten by lions, and think of which way, under those circumstances, you would vote.

collect 40,000." The reason for this, is that not everyone who votes as a Republican or Democrat in New York is *acknowledged* as such. Only those who have voted in party primaries, not those who have voted Democratic or Republican in the general election, are considered by the party to be "members in good standing." A voter may have cast his ballot for every Democratic Presidential candidate since Franklin D. Roosevelt, but, in the eyes of the party apparatus, that does not qualify him to vote in the Democratic primary, and therefore, he cannot sign the petition.

The *Times* continued: "These names must be secured in a month, over the [Christmas] holiday season. Moreover, Republicans [and Democrats] can sign only one petition, so as the party regulars call their established lists of voters for Governor Bush, they automatically shrink the pool of possibilities for Senator McCain or Mr. Forbes." This was an even greater problem for LaRouche, in that the Gore and Bradley campaigns were also collecting petitions, thus seeming to shrink the potential pool even further.

The LaRouche campaign faced even greater obstacles

than the McCain campaign, yet successfully gathered over 68,000 signatures, *more than the Bradley campaign*. Although Gore's campaign filed, according to one of his campaign spokesman, between 90,000 and 100,000 signatures, a cursory examination of his petitions revealed at least one Congressional District in which he could have been disqualified. It was not, however, the LaRouche's campaign's intention to remove people from the ballot, unless provoked. There was, for the first time that LaRouche has run, no such provocation attempted.

The Republican State Committee challenged the signatures of Forbes, as they had done in 1996, as well as those of McCain. (Senator McCain, as of this writing, has been thrown off the ballot in 12 of the 31 districts. He is expected to be reinstated in these districts by Judge Edward R. Korman of the U.S. District Court in Brooklyn.) Forbes was challenged in three Congressional Districts in Long Island. Judge Korman reportedly "expressed astonishment at how election officials on Long Island disqualified Mr. Forbes from the primary. . . . The election officials invalidated more than 2,000 signatures

The state of the Arena



on the Forbes petitions . . . because signers and petition gatherers had listed the village where they lived, rather than the town, a rule that Judge Korman deemed ridiculous.”

Fighting back, the Forbes campaign proved in court that the Bush campaign, synonymous with the Republican State Committee—the very body that had challenged the Forbes ballot status—*had forged signatures* in the 16th Congressional District. “The state party acknowledged that its workers in the 16th District had forged scores of signatures—many in the same handwriting, some with the last names written first, as if they had been copied straight from election rolls,” reported the *Times*. “Among the signatures were those of a man stationed overseas in the Army, and an elderly blind woman.”

It should be pointed out, however, that, precisely because the New York law is so arcane and convoluted, any responsible body running such a petitioning drive would automatically disqualify any signatures that were noticed to be defective—as the LaRouche campaign has often had to do when people

made clerical and other mistakes. There is no defensible way that the body that challenged Forbes and McCain could have “unwittingly let slip” such blatant forgeries. In this sense, the New York situation is identical to that attempted against LaRouche in Tennessee, where the Assistant Attorney General simply arbitrarily asserted, without giving any evidence, that the LaRouche campaign was 406 signatures short of the legal requirement for ballot status. \$10,000 and many man-days later, the LaRouche campaign successfully did the job that should have been done by the Tennessee Board of Elections, and proved that the signatures existed.

It should not be misconstrued, however, that McCain has himself closed the door to these corrupt practices. McCain continues to abide by, and support, the outrageous idea, that the media have the right to determine who is a legitimate candidate for the Presidency of the United States. Thus, to this day, he and all the other “front-runner” candidates, refuse to mention LaRouche, or his policies, thus re-enforcing, by omission, fundamental violations of the Voting Rights Act.

How the controlled environment was broken

by Andrew Spannaus

This reporter participated in, and thus got a first-hand view of, the break-up of the controlled atmosphere around the Feb. 1 New Hampshire primary. Coming into the election, the national political machines, and especially the national news media, thought that they had already decided who the Democratic and Republican nominees for the year 2000 Presidential elections would be. Al Gore and George W. Bush were covered as if they were already running against one another in the general election, rather than contesting for their parties' respective nominations. What happened in the weeks before the primary, though, made it clear that voters are not quite willing to play this game: Gore and Bush were cut down to size in the New Hampshire primary, and now the Presidential primaries have been thrown open in a way that could lead to a fundamental change in U.S. politics.

The change which the New Hampshire voters brought about, was largely in reaction to the pre-packaged nature of the campaigns of the "front-runners." Everything was set up to make things look good on television, while carefully avoiding any discussion of the real problems which threaten the United States and the world today. One of the first chinks in this armor, was the exchange that took place between Gore and this reporter, on Jan. 14 during a press conference at a seniors home in Concord. In his speech, Gore had waxed emotional about his father's "heroic" fight for civil rights when he was a U.S. Senator. Afterwards, when Gore called on me, I asked him how he could say that his father fought for civil rights, when he had voted against the 1964 Civil Rights Act? Cutting me off before I could finish my question, Gore responded, "I didn't say that he didn't do that—vote against it. As a matter of fact, that's the single vote that he most regretted in his career in the Senate. What news service are you with?" When told *EIR*, Gore said, "That's the Lyndon LaRouche publication, right? We'll move on to the next question." At the end of the press conference, I was approached by Gore campaign staffers and security guards who angrily asked me for identification, and then showed me the door.

Although all of the major press were at the event, no one, as far as I know, covered the exchange. This, despite the fact that Gore had just publicly admitted to lying about his father's record on civil rights. In fact, at an event in Los Angeles last summer, Gore had angrily denied that his father had voted

against the Civil Rights Act, while the person who had asked the question was being carried out in handcuffs. Despite the silence of the press, though, the first salvo had been fired. From that point on, the LaRouche movement dogged Gore with the truth, not only about his father's record on civil rights, but also regarding the Democratic National Committee's (DNC) attempt to use LaRouche to abolish the 1965 Voting Rights Act, and on Gore's genocidal policies on welfare and toward underdeveloped nations.

As the truth about Gore's racism and lying began to spread by word of mouth, thanks to pointed interventions by *EIR* reporters and the LaRouche campaign, and the distribution of thousands of broadsides documenting the attempt by a cabal in the DNC to abolish the Voting Rights Act of 1965, the Gore campaign began to get nervous. At the next event in which I tried to participate, a Gore campaign staffer had me escorted out by the Secret Service, after telling them that I had been "disruptive" at a previous event. In the world of Al Gore, anything that breaks up his carefully crafted, but fake and hollow image, is "disruptive."

In the last two weeks of the campaign, Gore's paranoia grew by the day. Gore called campaign meetings which only pre-chosen supporters were allowed to attend. At each event, voters had to be on a list in order to participate. On one occasion, numerous people were turned away from a "Town Hall Meeting for Undecided Voters" in the town of Amherst. As one young man angrily told a Gore staffer, "You say that there's disaffection among young people. Well, this is the kind of thing which will only make it worse."

At that meeting, it became clear just how fake the "enthusiastic" support for Gore was. The "energized voters" rallying outside the entrance to the Amherst Elementary School had been bussed in, in order to make a show for the media. In fact, they didn't even attend the event. When the meeting began, they just got back in their vans and left!

By Jan. 31, the day before the primary, it was nearly impossible for a citizen to find out where Gore would be speaking. He cancelled several events on the same day, and even his supporters were forced to drive around looking for him.

These actions by the Gore campaign were clearly in response to the repeated interventions by LaRouche Democrats, confronting Gore on his lying and racism at every possible opportunity. On many occasions, as Gore stepped off his campaign bus on the way to some pre-packaged meeting, he was confronted on his lying, and on his refusal to debate LaRouche.

Protesters began to follow Gore everywhere he went. Several groups, ranging from college students denouncing the scandal around financing from Tibetan Buddhists, to a group called the "Potheads for Gore," began to expose Gore to ridicule. The humor used by these demonstrators finally created a situation in which some of the news media began to cover some of the numerous lies which Gore told at every campaign stop.

The combined effect of these interventions, was that among both the population and the news media, Gore was increasingly portrayed as a vicious liar, who is willing to say anything in order to get elected. LaRouche Democrats also sparked the environment in which the Bill Bradley's campaign finally began to fight back against Gore. In the debate between Gore and Bradley in Manchester on Jan. 26 (LaRouche was not allowed to participate), Bradley asked, "How can people expect you to tell the truth as President, if you don't tell the truth as a candidate?"

Although the Bradley assault was far weaker than what is necessary to effectively confront Gore's lies, it was immediately picked up by media around the New England region. Suddenly, the situation had changed. The attempt to package the election, and only discuss the "issues" in a fake and impotent way, had begun to crack.

Where's the beef?

Despite this change though, serious politics has yet to be discussed in the year 2000 election campaign, except by LaRouche. Gore has been exposed as a liar, and Bradley has begun to use that fact to defend himself from Gore's attacks. However, due to the media blackout being run against the third major Democratic candidate, LaRouche, the debate is still centered around a false, and dangerous view of the U.S. economy, and a complete lack of attention to the strategic crisis facing the world today.

The absurd notion that the United States is in the "greatest economic upswing ever" is still the basis for the debate. No one is dealing with the reality of the financial crisis which this country and the world face, and the media are doing their best to keep it that way. The closest thing to reality in the debate, is the laudable goal promoted by the Bradley campaign, of "health care for all." Unfortunately, Bradley does not seem to understand what it would really take to achieve such a goal: a reversal of the post-industrial looting of the U.S. economy, and a reorganization of the financial system, which would allow the creation of the credit necessary to rebuild the U.S. health-care system.

As for international policy, there is practically no debate at all. When the candidates do say something about foreign policy, it is foolish, or worse. The Republicans, for example, seem to be running a contest as to who can more effectively threaten China and block a partnership for economic development among the leading nations of the world. On the Democratic side, Gore goes around boasting of his relationship with Russian mafia-king and former Prime Minister Viktor Chernenyrdin.

Thus, there is still no debate on substantive issues, due to both the control exercised by the media, and the virtual reality in which many American citizens live. Two examples show how this works. First, during a forum in Manchester on Jan. 26, various media personalities discussed how well or poorly the media are covering the campaign. When asked about

Gore's lying on civil rights, and about the blackout against LaRouche, not one person spoke to the question. They just ignored it, and moved on to the next questioner. Second, this reporter had a very difficult time engaging in intelligent conversation with Gore supporters. Most political activists will defend their candidate, and their ideas, when confronted. Many Gore supporters, though, when asked about Gore's record, simply went blank, and refused to discuss anything at all.

Still, in New Hampshire, the attempt to rig the U.S. Presidential election was severely set back. The front-runners Bush and Gore are suddenly in big trouble, and the population is not buying their pre-packaged, made-for-TV, campaigns. The fact that Gore is a compulsive liar is now out in the open, and has become a topic of conversation among voters.

Election thuggery from Bush and Gore

by Michele Steinberg

On Feb. 2, one day after George "Dubya" Bush was trounced in New Hampshire, with more than 69% of Republican Party voters casting ballots against him, Bush's campaign stipulated to "forgery and fraud" in a lawsuit brought by Steve Forbes over the signatures nominating Bush in New York's 16th Congressional District. As a result, Bush's name and delegates were thrown off the ballot in that district.

This dramatic defeat for the \$58 million Bush campaign occurred after two days of hearings in a New York court, where evidence of 300 cases of fraud was being presented against Bush. It comes at the same time that U.S. Federal District Court Judge Edward Korman is weighing a decision to overturn GOP primary rules, and place John McCain on the ballot in all districts in New York. McCain is on the ballot in 19 districts, but the Bush backers challenged and kicked him off in eight districts. But despite the scandal of the Bush forgeries, the media—with the exception of one report in the *New York Times* City Edition—has largely avoided the Bush fraud.

Now, the dam has burst. After the New Hampshire defeat, "Boy George" (as he's being called by Washington critics after his Mommy and Daddy campaigned for "my boy" in New Hampshire), is finding that his attempt to keep McCain off the ballot in New York, using the Republican Party machine, is backfiring, and Bush is scrambling to blame the whole mess on the New Yorkers.

Fraud!

With the political tide turning as a result of New Hampshire, things could get even worse for Bush. On Feb. 3, Bush's

Date	Name of signer (signature required) (printed name may be added)	Residence	Enter Town or City except in NYC enter County
1/24/99	Primmemo-Bailey, Gail Primmemo-Bailey, Gail	1317 Harrod Avenue Apt 2A Bronx, N.Y. 10472	Bronx
1/21/99	Davis Dion Davis Dion	1348 Harrod Avenue Apt 2A Bronx, N.Y. 10472	Bronx
1/24/99	Davis Sean Davis Sean	1343 Harrod Avenue Apt 2A Bronx, N.Y. 10472	Bronx
1/21/99	Carpis Angel Carpis Angel	1210 Manor Avenue Apt 2A Bronx, N.Y. 10472	Bronx
1/21/99	Hunter Andre Hunter Andre	1884 Manor Avenue Apt 2A Bronx, N.Y. 10472	Bronx
1/21/99	Hernandez Carlos Hernandez Carlos	1850 Manor Avenue Apt 2A Bronx, N.Y. 10472	Bronx
1/24/99	Roberts Marjorie Roberts Marjorie	1850 Manor Avenue Apt 12A Bronx, N.Y. 10472	Bronx
1/24/99	Rosario George M Rosario George M	1850 Manor Avenue Apt 12A Bronx, N.Y. 10472	Bronx
1/24/99	Santiago Ines Santiago Ines	1850 Manor Avenue Apt 12A Bronx, N.Y. 10472	Bronx
1/24/99	Budhu Esarablen Budhu Esarablen	1216 Morrison Avenue Apt 2A Bronx, N.Y. 10472	Bronx

George W. Bush's campaign stipulated to "forgery and fraud" in petitioning for the primary in New York's 16th Congressional District. This petition page shows multiple signatures in the same format, with the same handwriting.

Republican henchmen gave up their months-long drive of dirty tricks to keep McCain off the New York ballot. The Associated Press reported on Feb. 3: "Gov. George E. Pataki, the top New York backer of George W. Bush, waved the white flag of surrender today" in the effort against McCain's being on the ballot. McCain, who has waged a political campaign against Bush's election tyranny, even to the point of holding a news conference in front of the Russian Embassy to denounce the "Stalinist politics" of the New York Bush backers, "welcomed" Pataki's announcement, and commented, while campaigning in South Carolina, "I'll never call him 'comrade' again."

Pataki's announcement came only after a flood of reports that Bush's Texas mafia, including his campaign strategist Karl Rove, put out the word to stop the challenge against McCain. Continuing the coverup that no one now believes, the Bush campaign swears that they had nothing to do with the efforts to keep McCain off the ballot and throw Forbes off as well, and that the dirty tricks were all the work of "the good people of New York."

Two factors forced Bush to back off. The first was the pending lawsuit before Judge Korman by McCain, which challenges the constitutionality of the election rules cooked up by the New York Republican State Committee, which could put McCain and possibly Alan Keyes on the ballot in all of New York's 31 districts.

The second was the court-certified admission of fraud and forgery by Bush campaigners in the 16th C.D., which came in a case brought by the Forbes campaign. Both of these cases hit Bush full-force.

On Feb. 2, as a result of the charges of fraud brought

by the Forbes campaign, attorneys for Bush's campaign machine, the state Republican Party, admitted to widespread fraud. Forbes's attorney, Robert A. Muir, told EIR News Service that "the Bush campaign has stipulated that the allegations of forgery and fraud in the 16th Congressional District so permeate the petitions," that they have withdrawn the delegate candidacies from this district. Forbes's attorney said that they alleged 300 cases of fraud in the signatures, and had subpoenaed 200 people to appear as witnesses to testify they had not signed the Bush petitions on which their names appear. Muir told reporters that one witness was an 85-year-old blind woman, who testified that she never signed a Bush nominating petition, yet her name appeared on the petition.

There was alleged fraud in five other districts. In the 10th Congressional District, Kings County (Brooklyn), the Bush petitioners also stipulated that "the allegations of forgery and fraud are sufficient to cancel the candidacy of one alternate [delegate]," but still were not sufficient to contaminate all of the delegate candidates in that district. This was no low-level operation. The delegates in this district, one of the largest Congressional Districts in New York, included Kings County Republican Chairman Arthur Bramwell, who remains on the ballot.

'Soviet-style tactics'

Judge Korman, who has been reviewing the Bush backers' operations against McCain, on Feb. 1 reinstated Steve Forbes in three districts in Long Island, where his petitions had been challenged by county party officials. Korman said that the primary rules were "infuriatingly unfair," that the challenge "was a hair-raising story," and that he found "this method of operation shocking." The GOP hadn't even informed the Forbes campaign about the challenge so that he could make a defense. In one district, the Forbes campaign submitted 2,120 signatures, but 1,396 were invalidated — 1,000 of those declared invalid because some petitioners for Forbes had listed their home villages, instead of their towns, as their official address.

For all the sound and fury about the Bush tactics, and the "unconstitutional burden" put on candidates in New York, there has been an intolerable silence in the face of Al Gore's dirty tricks against LaRouche. These make Bush's thuggery look like Amateur Hour, and there is mounting suspicion that the Bush forces are using CREEP-type tactics to make sure that Gore, Bush's insurance policy, is the nominee of the Democrats. (CREEP was Richard Nixon's infamous "Com-

mittee to Re-Elect the President,” which ran dirty tricks, including printing phony Democratic Party literature, during the 1972 election made famous by Watergate.)

In New Hampshire, it was revealed that a suspicious Republican outfit, called “Hands Across New Jersey,” which is headed by John Sheridan, convicted at one time of cocaine possession with intent to sell, had financed anti-Bradley television ads. This group has not revealed its sources of funding. In Puerto Rico, a lawsuit by the NPP, the party which is affiliated with the Republican Party, succeeded in taking the primary election process away from a leading Democrat, Sen. Eudaldo Baez Galib, who does not endorse Gore, and put the control under the Democratic National Committee (DNC).

But rather than risk fights that involve voters, like the one in Tennessee or Bush’s debacle in New York, Gore’s Democratic National Committee mafia will *cancel entire primaries* or rig the rules so that Democrats don’t know how to elect delegates to the convention.

Three cases are being fought out: Puerto Rico, South Carolina, and Arizona.

Puerto Rico: On the week of Jan. 24, the *San Juan Star* reported that the control of the Democratic primary had been put under the “Rules and Bylaws Committee of the Democratic National Committee,” as the result of a dubious lawsuit filed by “pro-statehood” forces in the Commonwealth, against the duly elected head of the Democratic Party primary process, Sen. Eudaldo Baez Galib, a leader of the Partido Popular Democrático (PPD). The suit that put the DNC in control is extremely suspect in that it was filed by a member of the NPP, the affiliate of the Republican Party. NPP operative Sen. Kenneth McClintock claimed that Senator Baez Galib’s structure threatened to discriminate against “pro-statehood Democrats.”

Prominent political figures in Puerto Rico say that this is an attempt to unlawfully interfere with the primary, and create a chaotic situation where the primary would be opened up to non-Democrats. The prime beneficiary would be Al Gore, who supports “statehood,” which the elected head of the election process, Senator Baez Galib, does not. Supporters of Lyndon LaRouche also fear that this NPP and DNC interference could lead to the cancellation of an open primary, as had been done in 1996. While the primary is currently scheduled for March 26, and the Puerto Rican election authorities have notified the LaRouche campaign that LaRouche is on the ballot, there is a possibility that the DNC could still interfere with the primary when the DNC delegation arrives in February.

South Carolina: While the nation’s attention is rivetted on this state’s Republican primary on Feb. 19, the Democratic Party has *cancelled* its primary, which had been originally scheduled for March 9! The cancellation came after the DNC was caught red-handed, ordering the State Democratic Party to reject LaRouche’s candidacy. South Carolina Democrats still don’t know how—or if—they will be allowed to vote to nominate a Democratic candidate.

Arizona: In December, Arizona Democratic Party chairman Mark Fleisher personally rejected LaRouche as a candidate in the party-run primary and forced the Secretary of State to cancel the state-run primary, in which LaRouche would have qualified. But now, the party is being sued for an even bigger plan of discrimination: an “Internet Primary,” which would give the vote to affluent white voters, at the expense of minorities, many of whom don’t have access to the Internet.

The suit brought by the Voting Integrity Project, a Virginia-based organization which fights election fraud, charges that the Internet Primary is invalid, because it was not approved by the U.S. Department of Justice and may be a violation of the 1965 Voting Rights Act. There is good reason to believe that it does indeed violate the Act: According to Commerce Department reports, 32% of whites in 1998 had access to the Internet, compared with 10% of blacks, and 10% of Hispanics. As for Native Americans, one tribal chairman in northern Arizona said, “It’s only been two years ago when we actually got telephone lines available to our tribal members.”

“This promotes voter turnout in predominantly white neighborhoods at the expense of minority voters,” said Timothy Casey, a Phoenix attorney representing the group. “While the suburbanite in north Scottsdale can sip coffee and vote, the Navajo cannot.”

The Department of Justice is now reviewing the case, and has 60 days to decide. But the Voting Integrity Project wants a three-judge panel to examine the evidence itself, and delay the vote until the matter is settled.

International Endorsements

LaRouche is hailed as ‘the American Sakharov’

The following is a selection of international endorsements of Lyndon H. LaRouche, Jr.’s campaign for the Democratic Party Presidential nomination.

Europe

Slovakia—Dr. Jozef Miklosko.

I, Jozef Miklosko, former Vice-Premier of the first elected post-communist federal government of the former Czechoslovak Federal Republic, now vice rector of Trnava University in Trnava, Slovakia, strongly support my good friend Lyndon LaRouche for President of the United States of America, since his economic, political, humanistic, and spiritual program can help save America and the world.

There are these reasons for my support:

I know LaRouche and his ideas very well. I met him 15 times and I have discussed with him for more than 40 hours. He is a politician and an economist, but also a mathematician and a musical scientist. His concept of the physical economy, of production instead of speculation, is against any type of socialist economy, but also against the liberalistic capitalism dominated by free-trade ideology. His concept is coherent with the politics and economy of Christian moral principles. For years, he has warned against speculation in the financial markets which is leading the world economic system to collapse. He proposes the creation of a new Bretton Woods system, and at the same time has elaborated many projects of development for Europe, Asia, Africa, and Latin America.

He speaks openly and clearly of problems; his language is yes or no. LaRouche is the American Sakharov, a politician with global thoughts and original ideas. He is a generator of new ideas, a fighter for the maintenance of the Christian civilization. He loves his country, is an American patriot, who believes in God and speaks of every man as created in the image of God, and that life has a higher moral value. His forecasts for America and also for Eastern and Central Europe become reality. He gives to the U.S.A. and to the world an alternative of better development.

Lev Tolstoy wrote in *War and Peace*, that as evil unites itself to do evil, so the Good must unite itself to be able to fight against evil. From my personal experience, Lyndon LaRouche stays at the side of the good will of humanity. He is an honest politician with a lot of knowledge and courage, for this I suggest that the American citizens give him their vote in the Presidential election.

Ibero-America

Mexico—Juan Leyva Mendivil, former Congressman, president of the Farmers Alliance of the Northeast.

We observe with great hopes the efforts of your electoral campaign to achieve the Democratic Party nomination that would permit you to contend for the Presidency of the United States.

We find of special interest your proposals to return to the protectionist economic policies that made the development of the global economy possible after World War II.

As men involved in agricultural production, we share your concepts of economy, which stress the urgency of reestablishing a policy of guarantee or parity prices for basic grains; measures which, as you point out, will only be possible in the context of establishing a new world economic order, based on a commitment of sovereign nation-states to value the natural rights of peoples, and to defeat the financial forces which survive on looting and speculation, basing themselves on the doctrine of free trade.

We wish you the best of successes in your campaign, since humanity urgently needs the United States to once again light the beacon of liberty and progress.

British lies disgrace Library of Congress

by Anton Chaitkin

“The culture of the day, the thoughts and aims of men, are English. . . . Those who resist it do not feel it or obey it less.”

—Ralph Waldo Emerson, 1856

This is the theme of the shameful exhibit of pictures and interpretive texts, “John Bull and Uncle Sam: Four Centuries of British-American Relations,” now at the Library of Congress in Washington, D.C. The two opposite poles of modern history, imperial Britain and republican America, are here grossly misrepresented and shown strictly from the imperial British standpoint.

The central political conflict in our history is eliminated, and America’s unique purpose for existing—to uplift the common man—is blocked out. London surely relishes putting on this exhibit, especially in the Library of Congress, whose books were used as kindling when the invading British Army burned the Library and the other government buildings in the War of 1812.

Lies and more lies

The visitor begins the exhibit looking at this text: “Although some of the first British settlers in America left their native land because they believed it needed reform, by the 18th century most Americans saw England as a model to emulate.” The exhibit does not even hint at what evil needed reforming, and the settlers’ motives are presented as mercenary and imperialistic.

A poster-sized cartoon shows the Declaration of Independence put away in Uncle Sam’s back pocket, and a new “Declaration of Interdependence” is spread out across the Atlantic.

Scots and Irish emigrants to America are depicted with no suggestion that they had a problem with the England which drove them here.

The American Revolution supposedly involved a British overreaction to American terrorism. The Boston Tea Party was an American mob action “goading Britain into harsh retaliatory legislation.” The 1770 Boston Massacre involved a “mob fired upon by British troops who were being verbally and physically abused by the Americans.” A famous print of the Massacre is said to be “a masterpiece of anti-British propaganda, inflaming American sentiments.”

An American cartoon showing Britain arming Indians to

foment race war is said to be “trying to whip up anti-British sentiment” about “alleged British atrocities,” leading to the War of 1812.

A British poster-cartoon purports to show Queen Victoria “rebuffing the Confederacy.” An American cartoon, with British symbol John Bull standing behind Confederate president Jefferson Davis, is the only hint in the whole exhibit of a British political role as America’s adversary—and that cartoon is not explained.

Of course, they couldn’t very well explain Britain’s sponsorship of Southern secession and get away with presenting Imperial Britain, mother of the world slave plantation system, as the civil rights champion against American racism. Black abolitionist Frederick Douglass is quoted only praising England. We are not permitted to see Douglass’s break with the anti-Union, British-led Boston abolitionists, or his reverence for republican Scots poet Robert Burns. The exhibit lies that in our era, the “British civil rights movement galvanized opponents [the British skinheads] who took their cue from racist groups in the United States.”

The final section of the show, entitled “Popular Culture, from Baseball to Rock ‘n’ Roll,” applauds as British gifts the trashing of the American mind in the 1960s, and Americans’ soap-opera adulation of the British monarchy. Sadly, this manages to obscure the real English gift, the heritage of Renaissance science and art, which has always been attacked as the enemy by the London imperial crew.

A deal set in stone

It appears that the American officials who were involved with the British Library in concocting this deceitful stew are not very proud of what they have done. This reporter talked with a Library of Congress executive who helped oversee the selection of exhibited items, who claimed that “we didn’t have time” to present any political conflict between America and the Empire. Yet he readily acknowledged that showing Franklin Roosevelt and Winston Churchill only as smiling allies is blatantly contrary to Roosevelt’s well-known hatred of imperialism, which he constantly expressed to Churchill.



An illustration from the “John Bull and Uncle Sam” exhibit at the Library of Congress, in which the United States has pocketed the Declaration of Independence in favor of a U.S.-British “special relationship.”

The request that perhaps a bit of American sentiment—or perhaps Irish—be permitted a place in the exhibit, was met with the grim assertion that the deal was done with the British government, and was set in stone.

Thus, the entire panorama of American public life, from the colonial-era idealism of Massachusetts Bay Company Governor John Winthrop and Virginia’s Gov. Alexander Spotswood, to the nationalist anti-British economics and foreign policies of

Franklin, Hamilton, Clay, Lincoln, FDR, and Kennedy, America’s sponsorship of Irish revolution and opposition to British enslavement of Asia; all of this will make for exciting and educational exhibits when our national Library recovers its citizenship.

Anglophiles revise U.S. history at LOC exhibit

by Suzanne Rose

Since Nov. 18, 1999, the Library of Congress has featured a joint exhibition with the British library, entitled “John Bull and Uncle Sam,” purporting to portray the history of U.S.-British relations. The exhibit appears to be part of a renewed effort to forge a special relationship, based on denying the differences between the U.S. republic and the British oligarchical system. To underline the point, a new nine-volume Oxford History of the British Empire was released simultaneously, and in collaboration with the exhibit, which portrays the British Empire, particularly during the 19th century, as the vehicle for transmitting civilization throughout the world, instead of what it was: an obstacle to progress and economic development to be defeated by aspiring republicans.

A forum highlighting the exhibition took place at the Mad-

ison Building of the Library of Congress on Jan. 10. Speakers presented a shamelessly treasonous portrayal of the U.S.-British relationship, denying that any axiomatic difference in outlook between American republicans and British imperialists exists.

The first speaker on a panel entitled “The Eighteenth Century,” was James Hutson, Chief of the Manuscript Division of the Library of Congress. His subject was the cross-fertilization of culture between England and the United States. He presented the warped view that the Anglicizing impulse, or the “slavish imitation” of the British before the Revolution by the colonists, didn’t end after the Revolution, ludicrously equating the cultural values embedded in the Constitution to modern pop culture. He said that the Americans took technology, such as railroad development, from Britain; “even the abolitionists copied from Britain.” After 1783, he said, the United States absorbed the “mother country’s culture,” while imitating its legal system, adopting common law wholesale into the United States. He claimed that this changed only after the 1840s when the British began to import “some American culture,” namely, the “minstrel shows.” After World War II, he said, American music, beer cans, and laundromats flooded into Britain.

An anti-oligarchical outlook

Where it wasn’t trivial, Hutson’s argument was a historical fraud. In fact, the scientific breakthroughs that made possible the economic development of the United States were the product of collaboration between Benjamin Franklin and scientific networks in Britain and on the European continent. Franklin himself was instrumental in promoting the industrial revolution in Britain during his years living there. His circle of collaborators, including in Britain, shared the anti-oligarchical outlook which was to characterize the Constitution and Declaration of Independence, and exemplify the cultural differences between the new republic and the British imperialists.

P.J. Marshall, president of the Royal Historical Society, spoke next. His explanation for America’s “separation” from Britain, was that the British cared for the colonies “too much.” He said that the separation came as a complete surprise to the British, because of the bonds of loyalty and blood. The fact that they fought a “global war” to maintain the colonies was proof of how much they cared. He claimed that there was a “common inheritance of liberty,” but that it was just interpreted in different ways by colonists and the mother country. In the colonies, republicanism replaced the British idea of law developed by an elite in the interest of all.

Prof. Jack Greene from Johns Hopkins University was perhaps the most revisionist speaker of all. He said that it was the American settlers who built an “American empire,” as part of the British Empire. He asserted that the colonial populations had extraordinary agency and power in the operation of the British Empire itself. That the Empire was not held

together by force, but by affection, and that the settlers thought of themselves as agents of English civilization. The American Revolution occurred, in his view, because after 1750, a negative image of Americans developed in Britain resulting from scandals surrounding East India Company employees, and the proliferation of slavery, which caused the Empire to use force to put down colonial resistance to tighter controls.

A member of the audience put the theories of the panelists to the test when she said she had understood that the conflict which led to the Revolution was based on colonists’ animosity toward Britain for prohibiting manufactures, and their view of the equality of the common man in the sight of God. Greene answered that the colonists were no different than the people they left behind. They came to America to get status as English landowners. There was not a widespread belief in equality or difference from Britain. They wanted a revolution to protect their new social status, and they rationalized it with the ideology of egalitarianism. Marshall concurred, saying that the proof of this was the fact that the British straitjacket on the American economy, by which America was confined to exporting raw materials to Britain, was voluntarily accepted after 1783.

American economic development

The panel on the “Nineteenth Century” was led off by Prof. John W. Cell of Duke University. He said that the ties between Britain and America continued into the 19th century, with the United States playing a satellite role—a relationship of the leading imperial power to one of the “neo-Europes.” He claimed that British imperialism in the 19th century was the assertion and transmission of European powers and peoples all over the world, and America developed as part of that process. “All of the societies of the world were hooked into the expanding capitalist economy and transformed,” he said. He described American economic development in the 19th century as a product of this process, caused by British capital and British engineering. “British imperialism was the dominant force in the development and export of technology.” The 19th-century investment of British capital in North America caused a massive expansion—the building of railways and canals, he claimed.

In reality, to the contrary, it was the opposition of leading Americans to the British doctrine of free trade, and the boost given to the alternative “American System of Economics,” by the Abraham Lincoln- and Henry Carey-led Civil War against the British-backed Confederacy, which caused the blossoming of the American economy in the late 19th century, to the benefit of all the world’s people. Cell, however, chose to wax euphorically about how the net outcome of the continued interchange between Britain and the United States—the continuation and intensification of the English-speaking world that Winston Churchill speaks of—led to the development of the British-U.S. “special relationship.”

U.S. Supreme Court guts Voting Rights Act

by Edward Spannaus

In a widely anticipated decision, a 5-4 majority of the U.S. Supreme Court has gutted a crucial part of the 1965 Voting Rights Act. The case, involving the Bossier Parish, Louisiana School Board, has been watched for years as a probable bellwether, indicating where the Supreme Court is headed with respect to the determination of a majority of its justices to throw out the entire Voting Rights Act.

In the Bossier case, the high court ruled that the Justice Department must approve redistricting plans, even if the scheme has the intent to discriminate against minority votes, but is not “retrogressive,” i.e., as long as it just leaves the present discrimination in place without backsliding, or making it even worse.

‘Preclearance’

Section 5 of the 1965 Voting Rights Act requires “covered jurisdictions” (that is, districts or states with a flagrant history of discrimination against minority voters) to “preclear” any changes in voting procedures or districting with the Department of Justice. The reason why this provision was put into the 1965 law, was that it puts the burden of proof on the locality or state making the change, to prove it is not discriminatory. Before the Voting Rights Act, it was necessary for aggrieved voters to take the initiative, get a lawyer, and to go into court, where the burden of proof was on the victims of the discriminatory scheme, rather than the perpetrators.

In this case, *Reno v. Bossier Parish School Board*, a jurisdiction with a long history of discrimination, redistricted following the 1990 census, in a manner which the National Association for the Advancement of Colored People (NAACP) and others said left a discriminatory pattern in place. The Board’s 12 districts were drawn in such a manner so that none of them had a majority of black voters, even though an alternative plan presented by the NAACP would have created two majority-black districts, and thus likely ensured at least two black members for the 12-member School Board.

In 1993, the Justice Department refused to approve the plan, and the School Board went to court. The Federal District court upheld the School Board in 1995, and the Supreme Court heard the case in 1997, and sent it back to the District Court for further proceedings; the case again ended up before the Supreme Court in the current term.

Discrimination is allowed

In the majority opinion, Associate Justice Antonin Scalia said that it is acceptable if a redistricting plan is discriminatory, as long as it is not “retrogressive,” i.e., a step backwards. Scalia concluded his opinion by holding “that Sec. 5 does not prohibit preclearance of a redistricting plan enacted with a discriminatory but nonretrogressive purpose.”

In other words, maintaining a racially discriminatory status quo is acceptable to Scalia, Chief Justice William Rehnquist, and Associate Justices Clarence Thomas, Sandra Day O’Connor, and Anthony Kennedy.

In his dissenting opinion, Associate Justice David Souter wrote: “The evidence in these very cases shows that the Bossier Parish School Board acted with intent to dilute the black vote, just as it acted with that same intent through decades of resistance to a judicial desegregation order. The record illustrates exactly the sort of relentless bad faith on the part of majority-white voters in covered jurisdictions that led to the enactment of Sec. 5.” Souter points to the irony: Why else would Congress have ever intended to allow preclearance of such a plan?

When Congress passed the preclearance provisions of the Voting Rights Act, Souter shows, the evil which Congress was addressing “was discrimination, abridgement of the right to vote, not merely discrimination that happens to cause retrogression.”

But now, with the Scalia-Rehnquist decision in this case, Souter declared that “executive and judicial officers of the United States will be forced to preclear illegal and unconstitutional voting schemes patently intended to perpetuate discrimination.” And, taking a swipe at the states’ rights philosophy of the court majority, Souter added: “The appeal to federalism is no excuse. I dissent.”

The ruling in the Bossier Parish case illustrates the dangers inherent in the actions of a section of the Democratic National Committee in respect to another case now headed for the U.S. Supreme Court, involving the disenfranchising of delegates for Democratic Presidential candidate Lyndon LaRouche during the 1996 elections.

The LaRouche case also involves the preclearance provisions of the Voting Rights Act, since LaRouche’s delegates were excluded on the orders of then-DNC Chairman Donald Fowler in a number of “covered” jurisdictions, including Louisiana, Texas, Virginia, and Arizona.

The five Supreme Court justices who just took a big chunk out of the Voting Rights Act, are the majority to whom DNC attorney John Keeney, Jr. appealed in his Aug. 6, 1999 court argument in the LaRouche case, to declare the entire Voting Rights Act unconstitutional—an outcome preferred by Keeney and a racist faction of the DNC, so that they can continue to run the DNC and local Democratic Party organizations as a “private club,” reminiscent of the “white primary,” “Jaybird” system which was one of the key elements motivating the original passage of the Voting Rights Act in 1965.

A book they tried to burn is back to haunt George ‘Dubya’ Bush

by Jeffrey Steinberg

Of all of the thug tactics used by George W. Bush and the “Bush family machine” to secure his now-suddenly-doubtful drive to secure the year 2000 Republican Presidential nomination, none yet surpasses the suppression of J.H. Hatfield’s unauthorized biography of the Texas Governor, *Fortunate Son*. When the book was released by St. Martins Press last year, the Bush crowd went berserk over a few brief pages in the book’s Afterword, which charged that a 30ish George W. Bush had been busted for cocaine possession in 1972, but had the charges erased from the records, courtesy of some powerful “Friends of Daddy Bush.”

Author Hatfield found three former “Dubya” intimates who verified the cocaine bust story, after he did a bit of snooping of his own, and came up with a lead on Bush’s community service, that had been missed by the small army of reporters who had been tracking down various rumors that George W. had had a run-in with the law, involving illegal drugs.

While the details of what transpired “behind the curtain,” after the book’s allegations became a minor news sensation, are not known to this reviewer, what is known is that St. Martins Press recalled copies of the book, under the shoddiest of pretexts, and proceeded to transform them immediately into charcoal.

What is delicious about this story, is that the Bush thugery not only failed, but it is now about to backfire on the Governor and the entire Bush clan—at the very moment that “Dubya” and company are reeling from the resounding “no” that was delivered by the voters of New Hampshire to that “Son of a Bush.”

In mid-January, Soft Skull Press, a New York City publishing house, re-issued the banned Hatfield book—with a new introduction by Texas journalist Toby Rogers and Soft Skull editor Nick Mamatas, which will only serve to drive Dubya, his family, and friends further up the wall.

It seems that back in 1998, while he was working as a reporter for Houston Public News, Rogers interviewed Michael C. Dannenhauer, former President George Bush’s Chief of Staff. In a moment of candor, according to Rogers’s account, Dannenhauer admitted that George W. Bush “was out of control since college. There was cocaine use, lots of

women, but the drinking was the worst.” According to Rogers, Dannenhauer stated that Dubya’s cocaine use started “sometime before 1977,” and that the former President had confided to him that his son had experienced some “lost weekends in Mexico.”

Dannenhauer, confronted with the quotes from his 1998 interview with Rogers, practically jumped out of his skin to deny that the encounter had ever taken place—a replica of the George W. Bush response to the original cocaine arrest allegations.

Dannenhauer abruptly changed his tune when he was presented with a photograph of himself with interviewer Rogers. According to the introduction to the Soft Skull edition, Dannenhauer next went into a babble of sentence fragments that made former President Bush, the fabled king of the fractured sentence fragment, appear positively Shakespearean in contrast. “Wait, I’m quoted as saying that George . . . that I said . . . I know no background. We just met for lunch. I’m drawing a blank. I met him when he was not . . . he was working for a local paper. I don’t even remember the name of the . . . it wasn’t even a . . . it is not one of the major . . . I can’t remember the name. . . . I don’t remember the name. I don’t know what you would call it. Or what it was. I would say I’m limited in my knowledge . . . but that is a total lie.”

This author is in no position to verify the 1972 George W. Bush cocaine bust claims, or the existence of the three unnamed sources cited by Hatfield in the Afterword. Soft Skull Press posted a series of “Frequently Asked Questions” about the Hatfield book on its website, which noted that Hatfield “has adequately proven to us that these sources exist.”

What has been verified by this reviewer and by *EIR*’s historians, is that another Bush family skeleton, dragged back out of the closet in the new Introduction by Rogers and Mamatas, is absolutely the real thing.

The Introduction cited granddaddy Prescott Bush’s role in bankrolling Adolf Hitler and the Nazi Party into power. Those charges were first given prominence in the 1992 underground bestseller *George Bush: The Unauthorized Biography* (Washington, D.C.: Executive Intelligence Review, 1992),

by Anton Chaitkin and Webster Tarpley. While the Hatfield book Introduction did not cite the original *EIR* exposé, the facts presented were consistent with the earlier Chaitkin-Tarpley revelations

“Prescott Bush,” Rogers and Mamatas reported, “the father of the former President and the grandfather of the current candidate, spent more than a decade helping his father-in-law George Herbert Walker finance Adolf Hitler from the Wall Street bank, Union Banking Corporation. Walker was one of Hitler’s most powerful supporters in the United States, and landed Prescott Bush a job as a director at the firm. . . . In 1934, a congressional investigation believed that Walker’s Hamburg-American Line subsidized a wide range of pro-Nazi efforts in both Germany and the United States. One of Walker’s employees, Dan Harkins, delivered testimony to Congressional leaders regarding Walker’s Nazi sympathies and business transactions.”

The Introduction continued, “According to U.S. Government Vesting Order No. 248, many of Union Banking’s assets had been operated on behalf of Nazi Germany and had been used to support the German war effort. The U.S. Alien Property Custodian vested the Union Banking Corp.’s stock shares and also issued two other Vesting Orders (nos. 259 and 261) to seize two other Nazi-influenced organizations managed by Bush’s bank: Holland American Trading Corporation and Seamless Equipment Corporation. Many major firms had dealings with Nazis in the years leading up to World War II, but relatively few engaged in such extended cooperation with Hitler’s Germany after Pearl Harbor.” The authors noted, in a footnote, that “Union Banking Corp. was eventually seized under the Trading With the Enemy Act.”

Dubya loves those Confederate ladies

Rogers and Mamatas noted that daddy Bush and “Dubya,” in their own modest fashion, carried on the family tradition of associating with and boosting some rather alien characters. Former President Bush, as *EIR* has also reported, has become one of the biggest promoters of Rev. Sun Myung Moon, travelling to the far corners of Asia and South America to appear with the Reverend and his wife, and to boost “the man with the vision,” as Bush calls him, as America’s moral savior. In return, Moon has funnelled millions of dollars into Bush family pockets. He has given a million dollars to the Bush Presidential Library, and each overseas junket by the ex-President has produced honoraria well into the six figures. How much of that now constitutes “soft money” in Dubya’s Presidential campaign coffers is anyone’s guess.

The authors had this to say about Texas Gov. George W. Bush and his love of all things Confederate: “Let’s examine his association with the neo-Confederate group, the United Daughters of the Confederacy,” Rogers and Mametas said. “The UDC operates as a cultural heritage organization and erects monuments to honor Confederate soldiers across the South. The UDC proudly displays Confederate flags on the

cover of its magazine and is closely tied to the far right. One of the darlings of the neo-Confederate movement is Michael Andrew Grissom. Grissom is a member of the national advisory board of the white supremacist Council of Conservative Citizens, a group which claims that Martin Luther King, Jr. was a Communist and that whites are superior to blacks in such traits as ‘intelligence, law abidingness, sexual restraint, academic performance and resistance to disease.’ ” An avid defender of the Ku Klux Klan as a “legitimate” expression of Southernness, Grissom has been a close collaborator of the UDC in a variety of battlefield monument projects. Despite all of this, Rogers and Mametas pointed out that, in December 1996, the UDC published a letter from Gov. George W. Bush, praising them for their “dedication to others” and their “high standards.”

With the reissuing of the Hatfield book, all of these sparkling revelations about “those incredible Bush boys” can be expected to gain a wide airing. As of this writing, Soft Skull Press has reported that 28,000 copies have been pre-ordered, of an initial run of 45,000. Furthermore, Hatfield is scheduled to be interviewed on CBS’s TV news magazine show “Sixty Minutes,” on Feb. 13, at which point the whole “Bush family values” issue could be catapulted back into the national news headlines.

The Hatfield book

As for the Hatfield unauthorized biography, the best thing that can be said by this reviewer is: Read it. Despite the efforts of the Bush machine to trash the book, and the author, the fact is, J.H. Hatfield did a commendable job of assembling a detailed biography of a would-be American President, based on scores of interviews and a thorough review of the public record. In fact, while Hatfield comes down as a critic of the Bush record on a wide range of policy issues — from his fanatical support for the death penalty, to his wrecking of the Texas welfare system — on balance, Hatfield presents a fair, and not-always-unsympathetic portrait of the fortunate son of a powerful American dynasty-in-the-making.

Indeed, subsequent reviews of the fast-and-loose business practices of Dubya and his daddy have turned up far more evidence of outright criminality than Hatfield unearthed in time to meet his publication deadline.

It is for this reason that the single most damning revelation to spring from the Hatfield project was not the allegation of the early 1970s cocaine arrest. Rather, it was the Bush reaction to the original publication of *Fortunate Son* by St. Martins Press. The idea that Dubya and family would pitch a collective fit and force a mid-size publishing house to revive the ancient tradition of book-burning, is scary, and should give Americans good reason to send Dubya packing. Such behavior has no place in the White House.

Fortunate Son has been republished by Soft Skull Press, Inc., New York City.

Illinois execution moratorium fuels national drive

by Marianna Wertz

When Illinois Gov. George Ryan (R) called for a moratorium on executions in the state at a press conference on Jan. 31, he not only made Illinois the first state, of 38 which employ capital punishment, to halt executions, but his action fuelled a growing movement nationwide that is seeking to end executions entirely, bringing the United States into line with the rest of the civilized world on this issue.

Given that Ryan is the Illinois Presidential campaign director for Texas Gov. George W. Bush, who holds a U.S. record for executions (116 at last count), Ryan's call is doubly significant. Indeed, Ryan urged other governors to do the same. This reporter called Ryan's office to see if he would explicitly urge Bush to declare a moratorium, but the call had not been returned as we went to press.

Ryan's action was motivated both by the fact that Illinois has released 13 innocent men from death row since 1977 when the death penalty was reinstated in the state (out of 84 total for the nation since 1973), and by the recent filing of a motion in the Illinois Supreme Court in yet another case of possible innocence, by Chicago-Kent College of Law Prof. Richard Kling and four students. They have uncovered evidence that may exonerate Edgar A. Hope, Jr., who they say was wrongly convicted of a 1982 murder. Hope was convicted on testimony by witnesses who now say that the Chicago police coerced them into falsely identifying Hope as the killer.

Ryan said that he was deeply troubled by the 13 instances of innocence. "I now favor a moratorium because I have grave concerns about our state's shameful record of convicting innocent people and putting them on death row," he said. Though he still supports the death penalty for those who are guilty of capital offenses, Ryan said that he could no longer support a system that "has come so close to the ultimate nightmare, the state's taking of an innocent life. . . . Until I can be sure that everyone sentenced to death in Illinois is truly guilty, until I can be sure, with moral certainty, that no innocent man or woman is facing a lethal injection, no one will meet that fate." Ryan also called for a public dialogue on the fairness of the application of the death penalty in Illinois.

The moratorium will not affect prosecutors, who may continue to seek the death penalty, and juries which hand it out as a sentence, because capital punishment is still the law in Illinois. It will, however, put a moratorium on any execution

until capital punishment procedures are thoroughly investigated. There are currently no pending executions in Illinois, where more people have been released from death row (13) than executed (12), since 1977.

Pressure on 'Dubya'

Whether Ryan urges George W. Bush to institute a moratorium on executions in Texas, Ryan's move is putting intense pressure on Bush. This comes on top of a spate of denunciations of Bush in January, when Texas executed Larry Robison, a paranoid-schizophrenic whose crime was committed after he was refused mental treatment for lack of health insurance. Pope John Paul II wrote a personal letter to Bush on the Robison execution, urging that he be spared, but to no effect.

The Washington-based Religions Action Center of Reform Judaism has sent letters to all state governors, advising them to follow Ryan's lead, and asking, "How many more people would be cleared if other states had these [Illinois'] mechanisms? How many currently go to the death chamber for crimes they did not commit?"

The *New York Times* editorialized, "It is time that other pro-death penalty governors—including Gov. George W. Bush of Texas—acknowledge the flaws, and stop what Justice Harry Blackmun called the 'machinery of death.' "

Ryan should not be given all the credit for his moratorium proposal. In 1997, the Illinois Moratorium Project was organized to halt executions in the state. State Assemblyman Coy Pugh, who has joined in the call for the exoneration of Lyndon LaRouche and for an end to the racist policies of the Democratic National Committee against LaRouche, took the point on the moratorium proposal in the Illinois Assembly. Pugh introduced a resolution in 1997, which gathered momentum with each new release of an innocent from death row. When Anthony Porter, the 13th to be released, walked out of death row in March 1999, the Assembly acted, voting on April 27 to pass the Pugh-sponsored resolution, which called for a six-month moratorium while a task force studied the problem. On Nov. 29, Pugh and other project leaders called for an 18-month moratorium.

Hundreds of organizations in the United States have called for a moratorium on executions, ranging from the American Bar Association to religious organizations, city councils, and human rights groups. (The full list is available from Equal Justice USA/Quixote Center, in Hyattsville, Maryland (www.quixote.org), and organizations are encouraged to add their names to the endorsers list.)

Illinois, however, is the first state to embrace a moratorium. Nebraska's legislature voted for a moratorium in 1999, but that was overridden by the governor's veto.

Internationally, all of America's allies in Europe have banned the death penalty. The Council of Europe and the European Union require a ban as a prerequisite for membership, and both bodies have been pressuring the United States to end its use of capital punishment (see p. 37).



Gov. Jeb Bush's policy is 'my way or the highway'

On Jan. 17, two African-American Florida state legislators, Sen. Kendrick Meek of Miami and Rep. Tony Hill of Jacksonville, both Democrats, began a sit-in in the state Capitol office of Republican Lt. Gov. Frank Brogan, protesting Gov. Jeb Bush's "One Florida" program, an executive order issued in November 1999 which would ban affirmative action in state contracts and university admissions.

The next day, infuriated by the protest, Bush, brother of GOP Presidential candidate Texas Gov. George W. Bush, ordered his staff to "Get their asses outta here. . . . We're going to make their lives hell for this." The remarks were recorded by a video crew, and the film was aired the next morning, making the national news. By mid-day, as 20 state legislators and about 200 protesters joined the sit-in, the governor's offices were closed and locked to anyone not having an appointment.

At a news conference later that day, Bush apologized for the remark, claiming that he was referring only to the media, and apologizing to his mother for using the "A" word.

The protest was ended after Bush agreed to delay implementation of the executive order so that public hearings could be held on the issue, and delayed a Jan. 21 Board of Regents vote on the program until Feb. 17.

But the fight against Bush's policy has really just begun. On Feb. 2, EIR interviewed one of the leaders of the protest, Sen. Daryl L. Jones, discussed the incident in the broader context of Presidential campaign politics.

Senator Jones (D-40/Monroe-Dade County) was elected to the Florida State Senate in 1992. He is Chairman of the Florida Conference of Black State Legislators, and was Democratic Senate President Designate during 1995-96. A Lieutenant Colonel in the U.S. Air Force Reserve, he served in the Air Force during 1977-89, and is a practicing attorney. Jones was President Clinton's nominee to head the U.S. Air Force, but his nomination was blocked in the U.S. Senate. Senator Jones was interviewed on Feb. 1 by Marianna Wertz.

EIR: In last week's *EIR*, we covered the altercation and sit-in with Governor Bush in Florida. In that coverage, we wrote that "Sen. Daryl Jones, head of the Black State Legislators Caucus, is speaking out against Bush's arrogant actions

preceding the sit-in." Is that true, and if so, could you tell me what you're saying?

Jones: Well, you guys published it, so it should be true, right?

EIR: Yes. I just wanted to make sure.

Jones: I don't quite put it in those kinds of terms, but I think the fundamental problem with the way Jeb Bush is handling things is that he's not inclusive enough. He's used to operating in a corporate world and not a political world, where you need to develop consensus. So, the concept of developing consensus is not a broad concept for him; it's a very narrow concept.

EIR: Could you say more about what you mean by that?

Jones: He thinks that if you talk to three or four leaders of an organization, that that's all that's necessary. He doesn't recognize, I don't think—I could be wrong, I don't want to say I can read his mind—but he doesn't recognize that people who are in politics are generally independent thinkers. While some do follow the crowd, a lot of them do not. I'm not suggesting that he needs to talk to every single person, but whenever you have major changes in policy, in this state, we have traditionally, and certainly did during the last administration, the last eight years under [Gov. Lawton] Chiles, we certainly had public hearings, to allow people to give their input, so that they would at least feel that they had an opportunity to have their say. And if you went against them, then, they would think, well, perhaps the majority did not agree with me. But they would at least feel that they had the opportunity.

The way that the Governor has now conducted these public hearings, he's preceding every public hearing by saying it doesn't matter what you say in the hearing, I'm going to do what I want to anyway. That came out in this morning's *Miami Herald*.

EIR: Was there a hearing yesterday?

Jones: No, there is one on Thursday [Feb. 3]. That is the second. The first was in Tampa, last Friday [Jan. 28], and prior to that hearing, he said again, as well as the other

chancellor, who heads our state university system here, that, regardless of what comes out of the hearing, we're moving forward.

EIR: With eliminating affirmative action in the school system?

Jones: Right.

EIR: That sounds to me like the word "arrogant" is not wrongly applied.

Jones: It's certainly not conducive to developing consensus, I will tell you that! I think that either they're totally naive about the entire situation, or don't care. I'm not sure which one it is.

EIR: To go beyond the situation in Florida itself, which I think is pretty straightforward, our article covered both Bush brothers. One is running for President and the other is your Governor. They have some similarities. One of them is the sense of arrogance, or, "It's gonna be my way or nobody's."

Jones: "Either my way or the highway!"

EIR: This is coming out in the New York primary, in George Bush's approach to who's going to be on the Republican ballot. I mention this because it fits a pattern that we're seeing in this election campaign, which we've also seen associated with the Bush family's history, of—you call it lack of inclusiveness, we have called it throwing away some of the victories won by the Civil Rights movement, including the Voting Rights Act. Do you see that happening?

Jones: On this particular issue, yes. Absolutely. But that goes to more than one issue. For example, Florida leads the nation in former felons who cannot vote. About a third of the state's population meet that criterion in Florida.

EIR: It's about 400,000 people, is that right?

Jones: Six hundred thousand.

EIR: Right, and Texas is 400,000, and those two states lead the nation.

You know that Lyndon LaRouche is the founder of our publication, and you may have followed his Voting Rights Act fight. Did you hear him when he spoke at the National Black Caucus of State Legislators conference [in January]?

Jones: Yes.

EIR: In many states he is not being allowed on the ballot by the Democratic Party. The Democratic National Committee has said that the Voting Rights Act does not apply to the question of who can run as a Democrat for President. The question I have for you is, given numerous voting rights questions, including all of those, how do you think this can be changed? What kind of mobilization are you involved in

to try to reverse these kinds of things in Florida?

Jones: We're looking at lawsuits. In fact, I spoke with attorneys yesterday, for the purposes of filing against the state either under the Voting Rights Act or some other theory of law that will permit us to take on this unpopular issue. But I think it's very important.

In addition, we're going to have a march the first day of the session, in Tallahassee, which is March 7, one of those old '60s-style marches. We're lining up national speakers. It's going to be a great event. We expect to have something in the neighborhood of 20,000 people there.

EIR: Maybe you'll be surprised like they were in South Carolina, when they marched against the Confederate flag.

Jones: Right, it will be a similar event. I think it will be one that will catch the nation's attention. We're kind of excited about that, because we think it will have an impact.

EIR: On March 7, there are primaries in Maine, California, Connecticut, Georgia, Maryland, Massachusetts, New York, Vermont, Ohio, Rhode Island, Missouri, and Hawaii. It's a big day.

Before that, what is going to happen on this issue in the state? There's been one hearing, there will be another hearing on Feb. 3.

Jones: And then there's one more in Tallahassee next week.

EIR: Then you expect that the governor will simply implement the policy?

Jones: On Feb. 17, the Board of Regents will vote, and I can tell you with absolute certainty, that if the Board of Regents votes on Feb. 17, to do exactly what they were planning on doing before, and they do not make a substantive change to their policies, of major significance, it's going to be all we can do to keep that place from rioting on the 17th. Those folks are going to be fired up. They're going to be very upset.

EIR: Why do you think Jeb Bush is pushing to end affirmative action now?

Jones: All the papers around here are saying that it's because Ward Connelly was in Florida, and Bush was trying to stave off Ward Connelly, in an effort to prevent a large Democratic and/or black turnout in the 2000 elections, which could, if motivated, jeopardize the outcome of his brother's election in the state of Florida. What more embarrassing thing could you have happen to you than if you can't deliver your state to your brother?

Ward Connelly is a member of the Board of Regents in California, who has successfully passed ballot initiatives in both California and the State of Washington, to get rid of affirmative action. So, he's doing that in Florida now, too. He's trying to accumulate the signatures necessary to do so.

We have a different process in Florida. You have to take your ballot language in Florida through the State Supreme Court. You didn't have to do that in those other two states. So he was trying to stave off that effort, to keep that initiative off the ballot, so that he wouldn't have a large turnout to vote against it.

I'd try to create the environment that would help my brother get elected if I were in his position. But by taking this "my way or the highway" approach to his "One Florida" initiative, he's actually doing just the opposite. If he really wanted to win for his brother, instead of keeping the people from eating who were involved in the sit-in, he should have served them, personally! Instead of refusing to talk to people, he should have gone out and said, "Look, I understand you've got a problem. I'll cancel all my appointments. Let's talk."

If he had taken those kinds of actions, gotten out breakfast, said, "Look, I know you guys haven't had much to eat, come in the Lieutenant Governor's office or my office. There's a spare office bed, you can lay down a little bit better, here's some blankets. We've got a couple of pillows for you. I'll come in the morning, serve you breakfast and we'll talk," he could have disarmed the entire situation with a response like that.

EIR: Instead, he just shut the door.

Jones: He shut the door and he exacerbated it every way possible, including using foul language on TV.

EIR: He denied that he was speaking about the legislators. He said he was speaking of the press.

Jones: They were all in the same room. They were all in the Lieutenant Governor's office together. So, how can you say you're talking about one and not the other? You're talking about both.

EIR: Anything else you'd like to say on this?

Jones: I know you've got a concern as to whether or not this is reflective of what George W. would do and how he would react. Neither one of them held office before becoming Governor. Both are lacking in political experience and, probably, good instincts. I think there's a meteoric rise, no question about it, for both of them.

I would say that, and you can investigate this on your own, people I know in Texas, when I tell them about what's going on in Florida, tell me, "Well, this is a re-run of what happened to Texas." They view their Governor as having the same heavy-handed policies and attitude toward dealing with people in general.

EIR: Jeb Bush said that he was modelling his death penalty policy on his brother's policy.

Jones: He was a little tougher than his brother was. His

brother requires a unanimous vote in order to send somebody to death. Jeb Bush only requires seven out of 12 on a jury.

EIR: His brother, however, has executed more people than any governor in the history of the United States.

Jones: Yes. And that's what happens when you have certainty in the jury. In our state, there's no certainty. You only need seven votes, and 75% of the verdicts are split, and 76% of *all* verdicts come back on appeal, with appellate court reversal. Because they are very wary of split-jury verdicts.

EIR: That doesn't happen in Texas.

Jones: No, they're unanimous.

EIR: You've seen Mr. LaRouche in action, you saw what he did at the National Black Caucus of State Legislators meeting. What's your thinking about his campaign and his Presidential qualifications?

Jones: Well, I don't know about his qualifications, I can't really speak to that. But I would say that he's fighting an uphill battle, no question about that. I think that he's got a message that he's clearly trying to get out, and that it is an attractive message for those of us who have been shut down in various ways.

For previews and
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New budget numbers project large surpluses

On Jan. 26, the Congressional Budget Office released a new set of numbers projecting budget surpluses over the next ten years of about \$1 trillion more than the last set of numbers released only six months ago. CBO Director Dan Crippen told the Senate Budget Committee that the off-budget Social Security surplus will amount to more than \$2 trillion and the on-budget surplus will be almost \$1.9 trillion. He projected that, if these surpluses hold, the entire Federal debt could be paid off in the next ten years.

Crippen's forecast contained a number of caveats, however. The first is what the budgeters call the "baseline," that is, the economic projections that underlie the budget projections. As ranking committee member Frank Lautenberg (D-N.J.) noted, "Booms do not last forever, and when they end, sometimes the results can be catastrophic." That is presuming, of course, that the skyrocketing U.S. financial markets were somehow based on reality.

The CBO has calculated three variations on how the appropriations process might play itself out, depending on whether the spending caps in the 1997 balanced budget agreement are adhered to. However, there seems to be little consensus that the caps will be maintained, and even a freeze based on fiscal 2000 spending levels, as House Budget Committee Chairman John Kasich (R-Ohio) has reportedly proposed, "would require unprecedented restraint," said Crippen.

While Democrats and Republicans disagree on what baseline should be used (Democrats believe an on-budget surplus of \$800 billion is a more realistic projection), both sides came out of a meeting at the White House on Feb. 1 agreeing, at least pub-

licly, on general principles—to pay down the Federal debt and to save Social Security and Medicare.

Tax-cut contest gets off to quick start

The battle over which party is offering better tax cuts got off to an early start this year, when President Clinton included various proposals in his State of the Union message on Jan. 27. Among his proposals is the politically popular marriage penalty relief. Under the President's proposal, a married couple would be able to take twice the standard deduction of a single filer. The proposal would also increase the standard deduction for married couples by \$500 in 2005. White House National Economic Adviser Gene Sperling said the President's proposal would aid 42 million families.

The GOP wasted little time putting forward a "bigger, better" proposal. The Republican plan, as unveiled by House Ways and Means Committee Chairman Bill Archer (R-Tex.) on Feb. 1, not only doubles the standard deduction, but it also expands the 15% tax bracket for married couples to twice the level for singles and raises the income phase-out limit for the earned income tax credit by \$2,000. Archer described his plan as "fair," "broad-based," and concentrated on "helping lower and middle income taxpayers while at the same time helping all married couples." Archer said that the President's proposal gives "short shrift" to marriage penalty relief, but that his bill does much more to eliminate the "inequities in the code."

While marriage penalty relief has always had broad support in both Houses, the GOP has more recently

attached it to very large tax-cut packages that had little chance of being signed into law. Archer's bill signals a new approach in that it applies only to the marriage penalty. "This will be a single-shot marriage penalty relief bill," he said, "and we'll keep it that way in the committee." Archer indicated that starting out with a single tax bill, rather than the large tax-cut packages of the past, improves its chances of being signed into law.

Marriage penalty relief, education savings accounts, and the American Community Renewal Act are a three-part tax-cut agenda that the GOP plans to promote during the remainder of the 106th Congress.

Sparring begins over legislative agenda

Despite the competing agendas of the two parties, the second session of the 106th Congress has, so far, been characterized by unusual comity on both sides. The House and Senate leaderships of both parties came out of a meeting at the White House on Feb. 1 in very conciliatory moods. House Speaker Dennis Hastert (R-Ill.) told reporters, "I think there's a lot of mutual ground that we can work with the President." His comment was echoed by Senate Majority Leader Trent Lott (R-Miss.), who listed the budget, education, health care, and trade as issues on which cooperation is possible.

The atmosphere was so friendly that Senate Minority Leader Tom Daschle (D-S.D.) joked that this was the first time he was able "to agree with every single word" from his Republican colleagues. Daschle later attributed this apparent spirit of cooperation to "political fatigue," resulting from the partisan acrimony of the last cou-

ple of years.

However, a number of items on the agenda are likely to cause problems, among them the Patients Bill of Rights. Although the GOP has shown some softening in its opposition to allowing patients to sue health maintenance organizations for damages, House Majority Leader Dick Armey (R-Tex.) told reporters on Jan. 27, "You have to accept that you will not be able to pass legislation that does not have some form of liability. . . . There is compelling pressure out there for some litigation." After the White House meeting, Lott said that he expected that Sen. Don Nickles (R-Okla.), who will chair the conference committee working on the bill, would make an announcement soon as to when that committee would begin its work.

Bankruptcy reform debate reopens in Senate

As its first order of business upon returning from the winter recess, the Senate took up the bankruptcy reform bill that had stalled at the end of the session last November. Republicans and Democrats agreed to limit amendments to no more than a dozen from among more than 100 that the bill had become mired in. The bill makes it more difficult for filers to file Chapter 7 bankruptcy, which allows total liquidation of certain kinds of unsecured debt, and forces them into Chapter 13, which requires a plan to pay off a filer's debts in three to five years. Supporters of the bill argue that soaring rates of personal bankruptcy filings in recent years are resulting from "abuse" of the system by debtors who are only trying to avoid paying their debts.

The bill appears to have the votes to pass, but Paul Wellstone (D-Minn.), on the Senate floor on Jan. 26, said it is "fundamentally flawed," because it contains numerous provisions "which are harshly punitive to those citizens who are the most vulnerable in our country." The bill addresses a crisis that no longer exists, because the number of bankruptcy filings has started to decrease, he said, and "it rewards predatory and reckless lending by banks and credit card companies, which fed the crisis in the first place, and does nothing to actually prevent bankruptcy or to promote economic security for working families."

Wellstone pointed out that the bill makes no distinction between a person who goes bankrupt because of reckless spending habits and one who goes bankrupt because of an unforeseen crisis such as a medical emergency or loss of employment. "Bankruptcy," he said, "does not occur in a vacuum. We know, in the vast majority of cases, it is a drastic step taken by families in desperate financial circumstances and overburdened by debt."

The only response to Wellstone's arguments was an announcement by Judiciary Committee Chairman Orrin Hatch (R-Utah) that he would be offering a motion to table Wellstone's two amendments to the bill, on predatory lending and coercive debt collection practices.

Push is on to approve China's entry into WTO

Supporters of China's accession to the World Trade Organization (WTO) are seeking for Congress to extend permanent normal trade relations (NTR) to China as quickly as possible. President Clinton, in his State of the Union ad-

dress on Jan. 27, called on Congress to act "as soon as possible." House Minority Leader Richard Gephardt (D-Mo.) told reporters earlier that day that, because it's a "tough, divisive issue in both parties," the feeling is "that, rather than getting enmeshed in the election," which is what would happen if the issue is taken up late in the session, "it's more appropriate that it come up earlier in the year."

However, a number of unresolved issues are slowing the process, among them China's negotiations with the European Union and other major parties in the WTO. House Trade Subcommittee Chairman Phil Crane (R-Ill.) told an Asia Society luncheon on Feb. 1 that it is not clear whether Congress can vote on NTR until these other negotiations are completed. "Thus far," he said, "I have not had any favorable response to initiating the procedure prior to China accessing WTO." He acknowledged that election year politics is compounding the difficulties. "I think it is vital that we try and anticipate no later than the month of June or very early July at the latest," for concluding the process, he said.

Crane said that permanent NTR is necessary for the United States to take advantage of China's membership in the WTO. "We could renew it on an annual basis, as we've done," he said, "but that doesn't mean that we're going to have the trade benefits that occur with WTO membership."

There's no indication yet that the process will move as quickly as Crane and the Clinton administration are hoping for. Senate Majority Leader Trent Lott (R-Miss.) told reporters on Jan. 27, "I don't know how it could come up before the middle of the summer at the earliest, and maybe later. The Senate is not going to rush to judgment."

National News

Clinton pushes for normal trade with China

President Clinton is making an all-out effort to get Congress to grant China normal trade relation (NTR) status, when the issue comes up early this year. In a letter to the Speaker of the House and the President of the Senate, reported in a White House press release on Jan. 24, the President makes his case. Unfortunately, he situates his call by supporting the disastrous free-trade agenda of the World Trade Organization, which is no boon to either China or the United States.

"Bringing China into the World Trade Organization (WTO) on the strong terms we negotiated will advance critical economic and national security goals," Clinton writes. "It will open a growing market to American workers, farmers, and businesses. And more than any other step we can take right now, it will draw China into a system of international rules and thereby encourage the Chinese to choose reform at home and integration with the world.

"This agreement is good for America. It is important to understand the one-way nature of the concessions in this agreement. China has agreed to grant the United States significant new access to its market, while we have agreed simply to maintain the market access policies we already apply to China by granting it permanent NTR. China's commitments are enforceable in the WTO and include specially negotiated rules. . . . In the last 20 years, the Chinese have made giant strides in building a new economy, lifting more than 200 million people out of absolute poverty and creating the basis for more profound reform of Chinese society. But tens of millions of peasants continue to migrate from the countryside, where they see no future, to the city, where not all find work. China's economic growth has slowed just when it needs to be rising to create jobs for the unemployed. That is one reason the WTO agreement is a win-win for both nations. China faces critical social and economic challenges in the next few years; WTO membership will spur the economy and, over time, will help establish the conditions to sustain and deepen economic reform in China. . . .

"In sum, it lies not only in our economic interest to grant China permanent NTR status. We must do it to encourage China along the path of domestic reform, human rights, the rule of law, and international cooperation. In the months ahead, I look forward to working with Congress to pass this historic legislation."

Civil rights leader convicted in Texas

Civil rights leader and Dallas City Councilman Al Lipscomb, 74, was found guilty on Jan. 25, on all 65 bribery and conspiracy counts, by an all-white jury in Amarillo, Texas. Lipscomb now faces up to 265 years in prison and up to \$16.2 million in fines. Lipscomb was the first African-American to run for Mayor of Dallas, and has been a leader in Dallas-area civil rights activities since the 1960s.

As *EIR* has reported, the U.S. Department of Justice has a systematic, racist policy of prosecuting African-American elected officials, under the code name "Operation Fruehmenschen" ("Primitive Man").

Over the objections of Lipscomb's attorneys, U.S. District Judge Joe Kendall moved the trial to the predominantly white, rural city of Amarillo, 360 miles away. Included in Kendall's excuses for the change of venue were Lipscomb's stature, as well as pre-trial news stories. The all-white jury deliberated for less than four hours.

During the trial, Lipscomb took the stand in his own defense, testifying over two days. Lipscomb has always contended that the \$1,000 monthly contributions he received from the owner of a Dallas taxicab company, were to support his civil rights activities and did not influence his vote. (Dallas City Councilmembers, overseeing the activities of one of the largest cities in the country, receive no salaries.)

Two years ago, after months of leaks, the Department of Justice notified Lipscomb that he was under investigation. An ensuing indictment, and accompanying pressure, eventually led Floyd Richards, the owner of the Yellow Cab taxi company, to plead guilty to bribery and to testify against Lips-

comb, in December 1999. Richards had earlier insisted that the monthly contributions were just what Lipscomb said they were.

Maddy Albright loses her cool

The London *Daily Telegraph* on Jan. 31 ran the following news item, under the headline, "Maddy Mops":

"Perhaps Madeleine Albright should think about wearing a name badge.

"It has emerged that, during last year's peace negotiations on Kosovo, the American Secretary of State was mistaken for a cleaning lady by one of the Albanian delegation.

"One member of the delegation, who didn't realize who she was, and probably thinking she was some cleaning lady because it was after midnight, simply said to her: 'Give us five minutes and please go away,' says Albanian diplomat Dugagjin Gorani.

"In reply, Albright is said to have started swearing furiously at the group of delegates.

"Veton Surroi, another member of the delegation, recalls: 'Mrs. Albright started using explicit language which the translators never could translate into Albanian.' "

Union membership growth is best in 20 years

American trade union membership rose by more than 265,000 in 1999, according to data released on Jan. 19 by the Bureau of Labor Statistics, and reported in press releases from the AFL-CIO. This is the largest annual membership growth in more than two decades. The number of union members rose from 16.21 million to 16.48 million. In addition, the percentage of U.S. workers who belong to a union remained steady at 13.9%, reversing a trend of decline. It remained steady, and didn't grow, because of the lay-off of thousands of unionized workers over the same time period.

AFL-CIO President John Sweeney held a press conference on Jan. 19, to attribute the

LYNDON LAROCHE, on hearing President Clinton's puff of Al Gore's candidacy during the State of the Union speech on Jan. 27, commented that "last night's performance can be summed up in ten words: Even on the morning after, the reek of sophistry is monumental. The biggest pile of b.s. you ever saw, with Gore all over the top."

THE TEXAS NAACP is calling on Gov. George W. Bush to support the removal of two Confederate memorial plaques in the Texas Supreme Court building, one of which contains a likeness of the Confederate flag.

GEORGE SOROS'S push for drug legalization surfaced in Seattle in January, at a conference on "Preventing Heroin Overdose: Pragmatic Approaches." Among the "strategies" discussed was the establishment of "safe injection rooms," where addicts shoot heroin under supervision. Sponsors of the conference were the University of Washington's Alcohol and Drug Abuse Institute and the Lindesmith Center, which is financed by Soros.

A EUROPEAN source, knowledgeable in international affairs, was asked by *EIR* why U.S. Ambassador to the United Nations Richard Holbrooke invited Sen. Jesse Helms (R-N.C.) to speak at the UN, where Helms delivered a tirade against everyone and everything. "I know Holbrooke's calculation," said the source. "If Gore is elected President, and the Republicans control the Congress, Holbrooke counts on being appointed Secretary of State, and then, he would have to be approved by Helms."

DEMOCRATIC Party leaders in Kalamazoo, Michigan officially instructed Democrats to vote for Republican John McCain in the Feb. 22 primaries, rather than vote for Lyndon LaRouche, Jr., who became the only Democrat on the ballot, after submitting the signatures of more than 23,000 Democratic voters.

increase in unionization to the AFL-CIO's organizing drive, since he became president of the association, and, to a lesser degree, to what he chose to describe as the "strong" economy. In 1999, AFL-CIO unions organized 600,000 additional workers, the most since the 1970s, and an increase of more than 25% over 1998.

An AFL-CIO press release states that the principal motivation to join unions is economic: "Although workers' wages have shown a recent uptick, they still lag far behind 1970s level, fueling the growing gap between the wealthy and working Americans. As low-wage, service, and temporary jobs increase, many Americans find themselves without benefits or a steady paycheck."

Workers at Microsoft, Amazon.com, IBM, and AT&T are among those exploring union membership, since the high-tech firms are among the worst, in terms of benefits and security for their employees.

'Mr. Manatt: Where Is Lyndon LaRouche?'

"Mr. Manatt: Where Is LaRouche?" was headline that appeared on Jan. 31, in English, over the weekly "International Panorama" column by Jorge Meléndez that is published in the Dominican Republic's daily *El Siglo*. Meléndez writes that he checked the Internet search engine Yahoo for the results of the Iowa caucuses, "but on the Democratic side there were only two candidates listed, Al Gore and Bill Bradley, along with some guy called 'other.' As everyone knows, there is a third Democratic candidate, Lyndon LaRouche, who had enough popular support to qualify for Federal matching funds. But that—as was the case with those who fell in disgrace under Stalin—apparently is not enough for his name to be listed. When I saw that LaRouche had been turned into a 'non-person,' I immediately e-mailed Yahoo: 'Where is Lyndon LaRouche?'"

"That's the same question I ask United States Ambassador to the Dominican Republic Charles Manatt, the former chairman of the Democratic National Committee, who, ever since he took up the embassy post, has not ceased in his efforts to ensure that

there be free and honest elections in the Dominican Republic. Recalling the Biblical precept of not looking at the mote in your neighbor's eye if you can't see the beam in your own, I ask, 'Mr. Manatt, Where is Lyndon LaRouche?'" . . .

"Could it be that the establishment fears that LaRouche will win? If not, why not allow him to compete on a level playing field? If it's true that LaRouche is an extremist, crazy, not a true Democrat, and all the other epithets that are hurled at him, then, simply, people will not cast their votes for him. Is it not the essence of democracy for all the choices to be presented, and to then let the people decide, Mr. Ambassador Manatt?"

U.S. renews military dialogue with China

The visit to Washington by Gen. Xiong Guangkai, the Deputy Chief of Staff of the People's Liberation Army, which began on Jan. 24, has renewed the military-to-military relationship between China and the United States, which was broken off after the U.S. bombed the Chinese Embassy in Belgrade in May 1999.

General Xiong, the former chief of Chinese military intelligence, headed a 16-member Chinese delegation. He began his visit with a meeting at the State Department with Undersecretary of State Thomas Pickering. It was during Pickering's visit to Beijing last December, that the Chinese agreed to schedule General Xiong's trip to Washington. Pickering informed the Chinese government that the Clinton administration would seek Congressional approval for \$28 million in payment for the damage done to the Chinese Embassy by the U.S. bombing, and \$4.5 million in compensation to those injured in the bombing and to the families of the three Chinese journalists killed in the bombing.

Xiong also met with Undersecretary of Defense Walter Slocombe, planning out how the relationship would proceed, with further military-to-military exchanges, at a variety of levels, being scheduled for this year.

Deepening financial crisis raises war threat

Some time between Jan. 27, when President Clinton hailed the supposed successes of the U.S. economy in his State of Union address, and Feb. 1, when the National Bureau of Economic Research announced that the United States was in the longest economic expansion in history, yet another panic hit financial derivatives markets. The turmoil continued and intensified, even while the Senate confirmed Alan Greenspan for a fourth term as Federal Reserve chairman on Feb. 3. Now, we are in the midst of yet another new crash. It is reminiscent of the collapse which followed Russia's default in August 1998, and caused the Federal Reserve to bail out the bankrupt multibillion-dollar Long-Term Capital Management hedge fund, because the Fed feared that otherwise the world banking system would "seize up," and bring all economic activity to a stop.

Like repeated influenza attacks upon an elderly person, each successive financial panic leaves our rotten world financial system less able to fend off the next one. As Lyndon LaRouche insists, soon one of them will bring this system to its end, whether in a hyperinflationary blowout, or in a deflationary collapse, or will inspire a new plunge into war, this time a war, or wars, which will become uncontainable. Will it be this panic, the one in process now? No one can know; this depends on political decisions which no one can predict in detail. But if this current crash turns out not to be the "last straw," it is nevertheless certain that the last straw will come soon.

Reports assembled by *EIR*'s John Hoefle show that, if you take the Feb. 3 afternoon financial wire reports, and add them to those of the previous week (*Wall Street Journal* Jan. 31, *Barrons*, etc.), all allude, either implicitly or explicitly, to a derivatives crisis involving the bonds markets.

Three-quarters of all derivatives are interest-rate derivatives, which largely means bets on bonds. Whatever may have specifically triggered the rush into bonds, it is now under way at gale-wind force.

There is, according to all of the financial commentary accounts, a flight to safety, in which people are selling riskier investments, and moving into govern-

ment bonds. There are rumors that the Federal Reserve is arranging a meeting with bond dealers — meaning derivatives players. The Fed has denied this, as of Feb. 4.

There are rumors that hedge funds are in trouble; there are rumors that financial institutions are in trouble. There are references to the problems of the "meltdown of 1998." A Feb. 3 newswire cites a trader at a U.S. bank, who admits that he is confused, and says his only goal is to continue to be employed tomorrow.

Typical are these statements of Feb. 3:

- "Rumors of financial institutions in trouble, are causing the flight to quality." This is from Mark Mahoney, chief Treasury market strategist at Warbug Dillon Reed (UBS).

- "There are rumors going around about a hedge fund in trouble, dealers in trouble. There is a little bit of concern about liquidity and accounts blowing up. So you've got a little bit of flight to quality here," said a trader at a U.S. primary bond dealer (a broker authorized to handle U.S. government bonds). "People are looking for substantiation, and they haven't been able to get it. Until it's denied, they're going to believe that it's true."

The financial panic of Autumn 1998, caused Vice President Gore and Secretary Albright to plunge the United States into military actions and wars, beginning with the needless bombing of a pharmaceutical plant in Sudan, and ending up with the long, futile bombing campaign against Serbia. But much has changed since 1998 and early 1999: The new Russian government, for instance, reflects a change in the underlying outlook of the Russian elite, with echoes and analogies, not only in Belarus, but throughout much of Eastern and Central Europe. The Indian Subcontinent is closer to general, possibly nuclear war, than it has been for decades. There are changes in China.

Where the effects of some loony U.S. or NATO military action may have been more containable in 1998 or even 1999, they are far less containable today, or tomorrow. A concern about the possibility of World War III down the line, now dictates that Al Gore, Madeleine Albright, and Tony Blair be closely watched and very tightly contained.

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Publisher of LaRouche's major theoretical writings

Winter 1999

The Birth of the Sovereign Nation-State: From the Council of Florence to the Discovery of America

William F. Wertz, Jr.

The Aesthetical Education of America

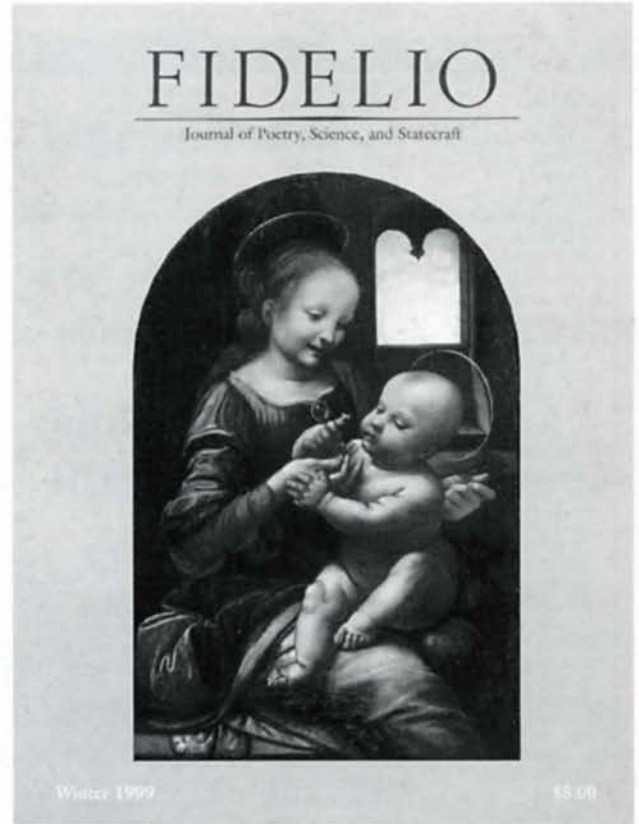
Robert Trout

After the success of the American Revolution, republicans everywhere were inspired by the possibility that similar republics could be established throughout the globe. But, when the French Revolution failed, Friedrich Schiller wrote his *Letters on the Aesthetical Education of Man*, to argue that a people would be successful in establishing republican government, only if they had first undergone a process of aesthetical education. *Was it the 'aesthetical education' of the American colonists, which allowed the American Revolution to be a success?*

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